



Study says Missouri's largest airports, St. Louis, Kansas City, could gain billions by privatizing

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St. Louis became one of the first cities in the United States to explore the possibility of privatizing with St. Louis Lambert International Airport in 2017. The two-year project was stopped in 2019 before 18 interested companies started bidding. The airport's debt is close to \$1 billion.

A new study from the Reason Foundation states St. Louis could generate approximately \$1.7 billion by leasing the airport. The research states Kansas City, which also has discussed privatization of Kansas City International Airport, could generate \$1.3 billion through privatization. Changes in federal aviation regulations will allow airport revenues to be spent on other municipal programs.

“Should Governments Lease Their Airports?” is a **68-page study** by Robert Poole, the director of transportation at the Reason Foundation. Poole states the 2020 recession, caused by the pandemic, placed financial stress on state and local governments. He proposes “asset monetization,” sometimes referred to as “infrastructure asset recycling,” can help provide governments with a sustainable revenue stream to meet financial obligations. By governments selling or leasing revenue-producing assets, Poole says the value of those assets provide funding for high-priority public purposes, including hundreds of millions in unfunded pension system liabilities.

Other countries don't have similar restrictions. During the last 30 years, foreign governments received financial benefits from privatizing large- and medium-sized airports.

“Many of the world's best airports are already managed by private companies under similar arrangements, including London's Heathrow and Gatwick, Athens, Copenhagen, Paris, Rome and Sydney,” Poole said in a statement announcing the study. “The long-term lease would be a public-private partnership that would completely protect St. Louis taxpayers and air travelers by setting specific customer service and performance benchmarks that must be met by the private partner. It would also lay out specific maintenance, upgrades and other investments the company would have to make throughout the lease.”

Other think tanks also embrace the privatization of airports.

“Airports should be self-funded by revenues from passengers, airlines, concessions, and other sources,” Patrick Tuohey, senior fellow of municipal policy at the Show-Me Institute, wrote in a [2016 blog post](#). “Federal subsidies should be phased out, and state and local governments should privatize their airports to improve efficiency, competitiveness, and passenger benefits.”

Tuohey was commenting on a [Cato Institute report](#) written by Poole and Chris Edwards, director of tax policy studies and editor at [DownsizingGovernment.org](#).

The Reason Foundation study focuses on large- and medium-hub airports for monetization. Federal regulations previously restricted governmental airport owners from receiving any part of an airport’s net revenue. All airport revenue was to be kept by the airport and used for its own purposes. In 2018, part of the legislation reauthorizing the Federal Aviation Administration created an exception to the rule. The Airport Investment Partnership Program allows governmental airports to enter into long-term public-private partnership leases and use net revenues for a wide range of expenses.

The report provided the following on Missouri’s largest airports:

- Kansas City (MCI) is a medium hub, owned by the city of Kansas City. Its largest carrier is Southwest (49%), with additional service by American, Delta, and United. Conservatively managed, it has outstanding debt of \$320 million. With a high gross valuation of \$1.29 billion, its net value would be \$966 million.
- Lambert Field (STL) is a medium hub owned by the city of St. Louis. Southwest is its largest carrier, with 62% of total passenger volume, followed by American, Delta, and Frontier. The city government in December 2019 abruptly terminated a public-private partnership lease procurement shortly after receiving responses to its request for qualifications from 18 teams of companies. The airport debt totals \$759 million; its high gross valuation is \$1.7 billion, which reduces to \$960 million after debt retirement.

In a December 2019 letter to the group working on the Lambert airport privatization, then-Mayor Lyda Krewson said feedback from residents, business leaders and other elected officials led her to advocate for stopping the process.

“They have expressed serious concerns and trepidation about the process, and about the possibility that a private entity might operate the airport,” Krewson wrote. “As you know, this form of operation is common in other parts of the world, but St. Louis would be the first major airport in the U.S. to lease its full operation. Being ‘first’ at anything brings inherent risks and skepticism.”

Krewson’s letter stated the airport owns 1,000 acres of available land at the facility. It needs \$900 million in capital improvements during the next 10 to 15 years, has serious capacity issues, is \$700 million in debt and has an underutilized runway that cost \$1 billion to complete in 2006.

Last September, an initiative to privatize the airport was withdrawn from the November general election ballot. City lawyers claimed the petition proposal was illegal, but that was disputed by attorneys for the measure, according to published reports. Others said the pandemic and the political climate led to the withdrawal.

While reports show Kansas City has discussed privatization throughout the years, it is currently building a new \$1.5 billion terminal, the city’s largest infrastructure project in its history.

The **Kansas City Star reported** on Monday on a number of complaints about the transparency of the bidding process for various contracts for the new project being awarded by the city.