Final Report
from the

Senate Interim Committee on Regional Control of Lambert-St. Louis International Airport

February, 2003

Cindy Kadlec, Staff Attorney

TO THE PRESIDENT PRO TEMPORE
OF THE SENATE
OF THE NINETY-SECOND GENERAL ASSEMBLY
OF THE STATE OF MISSOURI

Your Joint Interim Committee on Regional Control of Lambert-St. Louis International Airport begs leave to submit the following report:

Chuck Gross	John Loudon
Senator Chuck Gross, Chair	Senator John Loudon, Vice-Chair
Maida J. Coleman	Wayne Goode
Senator Maida Coleman	Senator Wayne Goode
Harry Kennedy	Anita Yeckel
Senator Harry Kennedy	Senator Anita Yeckel
Michael R. Gibbons	Stephen M. Stoll
Senator Michael Gibbons	Senator Steve Stoll, ex officio

REPORT OF THE

JOINT INTERIM COMMITTEE

ON

REGIONAL CONTROL OF LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

COMMITTEE MEMBERS

Senator Chuck Gross, Chair
Senator John Loudon, Vice-Chair
Senator Maida Coleman
Senator Wayne Goode
Senator Harry Kennedy
Senator Anita Yeckel
Senator Mike Gibbons

Senator Steve Stoll, ex officio

STAFF

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TABLE OF CONTENTS

		Page
I.	Introduction	4
II.	History and Background of the Study of Governance Structures	4
	A. History of the Lambert-St. Louis International Airport	4
	B. Study of the Governance Issue by the City of St. Louis	5
	C. Legislative Attempts at Regional Control	5
III.	Charges of Senate Resolution 1279	5
	A. Financial Ramifications for the City of St. Louis	5
	B. Compensation of the City of St. Louis Incidental to a Transfer of Ownership	6
	C. Revenue Sources and Current Operations of the Airport	6
	D. Assumption of Bond Indebtedness	6
	E. Employee Compensation Issues	7
IV.	Options for Control of Lambert-St. Louis Regional Airport	7
	A. Single Jurisdiction	7
	B. Multiple Jurisdictional	8
	C. Privatization	8
	D. Other Issues to Consider	8
V.	Committee Recommendations	8
VI.	Appendix A- List of Witnesses	9
VII.	Appendix B - Letter from Dr. Peter Salsich	10
VIII.	Appendix C - Report of Dr. Mark Tranel	13

I. INTRODUCTION

We respectfully submit to you the Report of the Select Committee on Regional Control of Lambert-St. Louis International Airport. Senate Resolution 1719 was passed by the Missouri Senate during the 2002 legislative session. This Resolution created the Select Committee on the Regional Control of the Lambert-St. Louis International Airport and charged the Committee with the study the potential effects of the regional control or ownership of the Lambert-St. Louis International Airport.

The Committee held public hearings on two days in July and August, 2002. The hearings took place on July 16, in St. Louis and August 20, in St. Charles. Various interested parties testified before the Committee and several submitted written materials in lieu of oral testimony.

II. HISTORY AND BACKGROUND OF THE STUDY OF GOVERNANCE STRUCTURES

A. History of the Lambert-St. Louis International Airport

Lambert-St. Louis International Airport, formerly known as Kinloch Field, was purchased by the City of St. Louis in 1928 for approximately $68,000. The 550 acre tract was owned by Major Albert Lambert. At the time, Lambert-St. Louis International Airport was the first municipally owned airport in the United States.[1] Since then the airport has grown to approximately 2,000 acres in size and contains 5 runways, 4 concourses with 83 gates, and houses 15 airlines. Currently Lambert-St. Louis International Airport ranks 15th in total passengers and is considered the 11th busiest airport for aircraft operations in the country.

Lambert-St. Louis International Airport, while owned by the City of St. Louis, is governed by the Airport Authority. The Airport Authority was created by City Ordinance in 1960. The Airport Authority consists of the Director of Airports, the Chair of the Transportation and Commerce Committee of the Board of Alderman, The President of the Board of Aldermen, The Comptroller, Five members from St. Louis County, one member from St. Charles County, and One member from St. Clair County, Illinois

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[1] History of Lambert-St. Louis Airport www.lambert-stlouis.com

B. Study of the Governance Issue by the City of St. Louis

The study of the governance structure for Lambert-St. Louis International Airport is not a new one. The City of St. Louis has convened at least two study committees on the matter. The most recent study committee was the Airport Governance Study Commission which was created on December 5, 1997, by St. Louis Mayor Clarence Harmon, St. Louis Aldermanic President Francis Slay and St. Louis County Executive Buzz Westfall. This Commission was asked to review the current governance structure of Lambert-St. Louis International Airport and determine whether an alternative structure should be implemented. The reports of this Commission were provided to the Committee and were utilized by the Committee in its study of the issues. As a result of the work of that Airport Governance Study Commission, two additional representatives were added to the Airport Authority, one member from St. Charles County and one member from St. Clair County, Illinois.

C. Legislative Attempts at Regional Control

Since at least 1996, bills have been filed in the Missouri Legislature which would have placed management responsibility with a state created Airport Authority. Legal ownership of Lambert-St. Louis International Airport would remain unchanged. Representation on the new Airport Authority would be based on population and members would be from the areas surrounding the airport.

III. CHARGES OF SENATE RESOLUTION 1719

Senate Resolution 1719, charged this Committee with the study of various issues regarding the consideration of a regional governance model for the Lambert-St. Louis International Airport. During the course of its hearings, the Committee heard testimony and considered each of these issues.

A. Financial Ramifications for the City of St. Louis

Current Federal regulations prohibit the diversion of income for general City purposes and require all airport generated revenues must be used to support the airport. See 49 U.S.C. §47113. However, Lambert-St. Louis International Airport enjoys a "grandfathered" status with regard to its diversion of 5% of revenues. To qualify for "grandfathered" status the diversion of income must predate 1982. The City of St. Louis passed its ordinance instituting a 5% gross receipts tax in 1954.

Currently the City of St. Louis receives $6.6 from airport related revenues. The City receives five percent of the income derived from the operation of the Lambert-St. Louis International Airport to the City for general purposes in the form of a gross receipts tax. As of 2002, this resulted in a revenue to the City of $5 million annually. In addition to the gross receipts tax, the city receives $1.3 million in cost allocation receipts, and $365,000 from earnings tax revenue.

The Committee heard testimony that **any** change in governance structure might adversely affect the "grandfathered" status of Lambert-St. Louis International Airport with regard to the 5% gross receipts tax collected by the City of St. Louis. The Committee attempted to clarify these issues with the Federal Aviation Administration on several occasions and was ultimately unable to come to an absolute conclusion.

While it is clear that a true change in ownership of the Lambert-St. Louis International airport would cause a loss of the 5% gross receipts tax, it is unclear exactly to what extent the governance structure could be changed and the 5% gross receipts tax remain unaffected. The Committee is unanimous in its position that at this time it does not wish to pursue any structural changes which would ultimately cause the loss of this income to the City of St. Louis, particularly in these tough budget times.

B. Compensation of the City of St. Louis Incidental to a Transfer of Ownership

The City of St. Louis testified that any transfer of ownership of the Lambert-St. Louis International Airport must be accompanied by a compensation for the fair market value of this asset. The City further testified that such compensation would be expected even if legal ownership of the airport remained unchanged.

The Committee also heard expert testimony on this issue which suggested that the City of St. Louis may not be entitled to compensation upon a legal transfer of ownership because the City is a political subdivision of the state.

C. Revenue Sources and Current Operations of the Airport

The City of St. Louis provided the Committee with current financial information related to the operations of the Lambert-St. Louis International Airport. The Committee was also presented with information concerning the interplay between airport revenues and airline enplanements and landings.

The Committee also heard a briefing from the Air Transport Association, which is an association of major passenger and cargo carriers, regarding the financial strength of the industry as a whole. This information was helpful in understanding some of the financial challenges facing the airline industry.

D. Assumption of Bond Indebtedness

The Committee heard much testimony regarding the $2 billion bond indebtedness of the City of St. Louis for the current expansion of the airport. The City holds the position that the bonds preclude any changes in governance.

The bond documents pertaining to the outstanding Bonds of the City of St. Louis were reviewed by Professor Peter Salsich of the St. Louis University School of Law. His analysis of the bond documents is attached as Exhibit B. According to Professor Salsich's analysis the bond documents to not absolutely preclude any changes in the governance structure for Lambert-St. Louis International Airport. On the contrary, the bond documents do contemplate the ability to change the governance structure for the airport. Ultimately, the Committee found that the bond documents are not an impediment to a change in governance.

E. Employee Compensation Issues

The Committee received information regarding the requirement of the City of St. Louis that its employees must also reside within the City of St. Louis. This creates revenue for the City of St. Louis in the form of the earnings tax the City collects from these employees. The Committee determined that this requirement is an impediment for employment at the airport. The Committee also recognizes the assertions of political patronage.

IV. OPTIONS FOR CONTROL OF LAMBERT-ST. LOUIS REGIONAL AIRPORT

There are several models for control of the Lambert-St. Louis International Airport that were considered by the Committee during the course of its hearing. The Committee heard a presentation by Dr. Mark Tranel, a professor at the University of Missouri-St. Louis regarding the various models of governance for airports. A copy of Dr. Tranel's report is attached as Exhibit C. There are three main forms of airport governance. Following is a brief description of each.

A. Single Jurisdiction

The dominant governance form is the single public jurisdiction. This is the form of governance currently in place for Lambert-St. Louis International Airport. The single jurisdiction can be a city, county or state. The Committee was told that 6 of 7 of the busiest airports utilize the single public jurisdiction form of governance.

B. Multiple Jurisdictional

The multipurpose authority is the predominant form for multiple jursidictional operations. The example of the Port Authority of New York/New Jersey was discussed. This Port Authority manages multiple types of transportation. They have grown to govern airports, tunnels, subways, etc. A local example of this form of governance is the BiState Development Agency.

C. Privitization

Privatization is a growing form of operation for airports. These airports are either owned or operated by contract by a private entity. Until a few years ago there were very few examples, one of which was the National Express Group who operated 2 British airports. The Federal Aviation Administration has created the Airport Privatization Demonstration Program in which up to 5 airports could transfer to private ownership and operation. The only privatization that has gone forward in the United States at this point is Stewart International Airport in Albany, New York which is being leased by National Express Group for 99 years. Other airport privatizations are still in the process of going forward.

D. Other Issues to Consider

Dr. Tranel suggested the Committee focus on three major questions in its consideration of the appropriate governance structure for Lambert-St. Louis International Airport. He urged the Committee to carefully consider the mission for any airport authority created, to properly define the region, and establish the appropriate representation that will give rise to the accountability of the authority.

V. COMMITTEE RECOMMENDATIONS

1. **Establish Broader Representation on the Authority** - Expand the knowledge base for members selected for the Airport Authority. It would be helpful for the Authority to have a member who is familiar with the airline industry as well as someone with knowledge of the Federal Aviation Administration

2. **Create a Better Process for Citizens in Buyout Areas** - Citizens who are residents of buyout areas need assistance in the process. One frequent complaint is the time necessary to complete the process. Time limits on the buyout process may become necessary to protect citizens. Citizens may also benefit from the creation of an Ombudsman who can help citizens through this complex and unsettling process.

3. **Create a Board for Citizen Complaints** - One of the chief complaints of citizens voiced to the Committee related to noise problems. These citizens as well as those in the buyout areas may also benefit from the creation of a Board for Citizen Complaints. This Board for Citizen Complaints may help mitigate potential problems relating to noise and may help people throughout the buyout process. However, it is important to note that any such Board for Citizen Complaints must have authority to effect change if it is to be successful.

4. **Expansion of the Current Airport Authority -** The long term goal should be to have a regional commission with members apportioned based on the population of the areas surrounding the airport. At this time, the Committee recommends that the first step should be to expand the current membership of the Airport Authority to include more representatives from the areas directly surrounding the airport.

APPENDIX A

LIST OF WITNESSES

Witnesses at July 16th Hearing at the University of Missouri-St. Louis

Jim Brown - Brown and Associates

Tony Drake - Unison Maximus

Jim Moody, Moody and Associates

Professor Peter Salsich, SLU School of Law

Jeff Rainford, City of St. Louis

John Krekler - St. Charles member on Airport Commission

Rolin Raftery

Witnesses at August 20th Hearing at Lindenwood College

Dr. Mark Tranel - UMSL

John Krekeler

Tom Irwin - RCGA

Ed Merlis - ATA.

Don Morrison

Sarah Barwinski

Conrad Bowers - Mayor of the City of Bridgeton

Prof. Peter Salsich

Roland Raferty - Bridgeton Air Defense

Pat McDonald - St. Charles

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SAINT LOUIS UNIVERSITY

School of Law
Faculty Offices

November 15, 2002

Mr. Todd Scott, Legis, Asst.
Senator Chuck Gross
Room 434
State Capitol
Jefferson City, MO 65101

Dear Mr. Scott:

I have reviewed, at your request, certain bond documents pertaining to outstanding Bonds of the City of St. Louis respecting Lambert-St. Louis International Airport, particularly the Official Statement and the Amended and Restated Indenture of Trust for Airport Revenue Bonds issued in 1984 and in 1997. You asked me to identify any provisions that might affect the ability of the State and the City to reorganize the administration of the airport.

Section 103 of the Indenture provides that the Indenture is both a contract between the City and the Owners of outstanding bonds and a security agreement for the benefit of the bond owners. Section 501 provides that the bondholders have a lien on 1) the proceeds of sale of the bonds 2) revenue (as defined in the Indenture), and 3) all Funds established by the Indenture.

In Article VIII of the Indenture, the City makes a number of covenants and agreements with the Bond Owners and the Trustee, including promises to pay the principal of and interest on the Bonds from the revenues, bond proceeds and other pledged Funds (Section 802); that the City has all necessary authority under the Constitution and laws of the State of Missouri to issue the Bonds and enter into the Indenture (Section 806); that the City "has and will have so long as any Bonds are Outstanding" power and authority to operate the Airport (Section 807) and that the City will "operate, or cause to be operated, the Airport "properly and in a sound and economical manner … "(Section 810).

In Section 809.E, the City promises not to sell, dispose of or encumber the Airport unless outstanding Bonds have been paid in full or "adequate provision" has been made for payment of the Bonds. "Adequate provision" is defined as defeasance of the Bonds (retirement under Section 1301) or "the assumption by the transferee of the obligations of the City hereunder and in the Bonds if: 1) in the written opinions of the Director of Airports and the Airport Consultant, after giving effect to such transfer and assumption, the ability of the transferee to meet the rate maintenance and other covenants hereunder and the security for the Bonds are not materially and adversely affected, 2) the City shall have furnished the Trustee with a Counsel's Opinion to the effect that such transfer will not adversely affect the tax-exempt status of interest on the Bonds under the Code, and 3) such transferee shall expressly agree not to use the Funds held under this Indenture otherwise than as provided in this Indenture. ...The terms and conditions of the transfer of all or a substantial part of the Airport pursuant to this Section shall be set forth in a Supplemental Indenture executed by the City, the Trustee and the transferee and notice of such transfer shall be given to the Bondholders in accordance with Article XII hereof."

Article IX describes remedies available to Bondholders in the event of default by the City. Default is defined to include a number of events, including "default ... by the City in the performance or observance of any ... of the covenants, agreements or conditions" of the Indenture or the Bonds (Section 901(c). In the event of default, the Trustee or the Owners of twenty-five percent (25%) of the principal amount of Bonds outstanding can declare the Bonds due and payable immediately (Section 901).

Articles XI and XII authorize amendments to the Indenture by the execution of Supplemental Indentures. Supplemental Indentures to authorize Bonds or to add to covenants, limitations and restrictions in the Indenture may be adapted by the City and the Trustee (Section 1101). Modifications to the Indenture that do not change the terms of redemption, maturity or interest on outstanding Bonds may be made by Supplemental Indenture upon the written consent of the Owners of at least fifty-one percent (51%) of the principal amount of Bonds outstanding (Sections 1202 & 1203). The Indenture may be modified "in any respect" by the written agreement of all the Owners of outstanding Bonds (Section 1204).

Sections 807 and 810 express the City's promises to operate the Airport as long as bonds are outstanding. But the phrase, "or cause to be operated," in Section 810, coupled with the provisions regulating transfer of the Airport in Section 809.E and amendments to the Indenture in Articles XI and XII, indicate that the investors and the City both anticipated that modifications in the relationships of the parties to the bond contract may be necessary or desirable at some point. Read together, these provisions suggest that reorganization of the governance structure for the Airport could be accomplished in several ways:

1) Implement a reorganization of the governance structure by a Supplemental Indenture under Section 1202. This approach requires the written agreement of the owners of at least fifty-one percent (51%) in principal amount of the Outstanding Bonds. Unanimity should not be required because presumably a reorganization of the governance structure would not affect the terms of redemption, maturity or interest of outstanding Bonds.

2) Transfer the Airport to another entity under Section 809.E. Such transfer requires (i) written opinions by the Director of Airports and the Airport Consultant that the

transferee has the ability to perform the covenants and that the security of the Bonds will not be impaired, (ii) a written opinion by the City Counsel that the tax exempt status of the bond interest will not be affected, and (iii) an express agreement by the transferee not to use the Funds "otherwise than as provided in this Indenture."

Section 809.E doesn't specifically require consent of Bondholders, only that the Supplemental Indenture be executed by the City, the Trustee and the transferee, and that the Bondholders be given notice in accordance with Article XII. Section 1202, on the other hand, requires consent of Bondholders for any modification or amendment "of the rights and obligations of the City and of the Owners of the Bonds." Whether consent would be required or notice would be sufficient would depend on the impact of a transfer on the parties rights and obligations.

3) <u>Enter into a contract with another entity by which the City causes the Airport to be operated under Section 810</u>. Whether such a contract would require a Supplemental Indenture and consent of Bondholders would depend on the nature of the contract.

Which route to choose will be governed by a number of factors, including the type of reorganization contemplated. It is clear, though, that the Indenture provides some procedures for modifying the relationships of the parties to the bond contracts.

I hope this review is helpful.

Sincerely,

Peter W. Salsich, Jr.
McDonnell Professor of Justice

PWS/lo

Lambert Airport Governance

Alternative Forms of Airport Governance

There are three standard types of airport ownership: 1) private ownership, 2) inter-jurisdictional authority ownership, and, 3) government ownership. Operation of an airport also can be through the same forms of control. In some cases, operation may be in a different form than ownership. Lambert St. Louis International Airport (Lambert) is such a case. It is owned by a government unit (the City of St. Louis) and operated by an inter-jurisdictional body (the Lambert Airport Commission). There are many examples throughout the world of the various forms and combinations of airport ownership and operation.

According to the Federal Aviation Agency (FAA), while virtually all commercial airports in the United States are owned and operated by local or state governments, public-use general aviation airports are both privately and publicly owned (*FAA Homepage* www.faa.gov). Public ownership is not, however, the norm outside of the United States. According to a study by Robert Poole (exploring the privatization of Mitchell International Airport in Milwaukee), airport privatization is an expanding worldwide movement. Poole points-out that, "Airports are part of a worldwide trend in which governments are divesting a wide variety of enterprises to the private sector. Over the past nine years, some $388 billion of state-owned firms have been divested…airports have become part of the privatization agenda of more than 50 countries." The United Kingdom leads the way in this trend with 11 airport divestitures completed and several more planned (Poole, pp. 6-8).

The Challenge of Privatization

National Express Group (NEG) of London owns and operates East Midlands International Airport and Bournemouth International Airport, two of the privatized British airports. NEG was the first private operator to file for approval from the FAA for an exemption under the Airport Privatization Demonstration Program of the Federal Aviation Reauthorization (FAR) Act of 1996. NEG received preliminary approval from the FAA to enter into a 99-year lease for Stewart International Airport in Albany County, New York. The FAR Act allows for up to five US airports to participate in the Privatization Demonstration Program. Under the program, private companies may own, manage, lease or develop up to five airports nationwide. An exemption to the Revenue Protection Act allows private operators to receive "reasonable compensation for the operation of the airport."

The FAA has received additional applications for the Privatization Demonstration Program for San Diego Brown Field, Niagara Falls International Airport, Rafael Hernandez Airport (Puerto Rico), and New Orleans Lake Front Airport (*FAA Homepage* www.faa.gov).

NEG's bid to lease Stewart became entangled in a bureaucratic impasse that eventually led to FAA rejection of the transaction. Other attempts to privatize under the FAR exemption have met with similar fates. The only successful privatization of a major US commercial airport involved Indianapolis International Airport. The City of Indianapolis was unable to lease the airport under FAA regulations, so it contracted the management of the airport to a private sector firm in 1995. The results have been touted as generating significant savings for the City of Indianapolis and increasing passenger satisfaction.

A 1999 study concluded that privatized airports worldwide have a "…significantly higher level of passenger-responsiveness than government owned airports." The study also showed that the sale or lease of government-owned airports has created a capital infusion for governments all around the world (Advani, pp. 2-4).

Interjurisdictional Airport Authorities

Another form of airport ownership/operation is the inter-jurisdictional airport authority. State law, interstate compacts, or federal legislation generally creates such authorities. The Metropolitan Airports Commission (MAC) and the South Jersey Transportation Authority (SJT) are examples of airport authorities created by state law. The Minnesota legislature established MAC in 1943. MAC owns and operates seven airports in the Minneapolis-St. Paul Metro area, including Minneapolis-St. Paul International Airport and six reliever airports (*Airport Council International-North American Monthly, January 2001*).

The SJT was created by an act of the New Jersey legislature in 1991. In addition to being an inter-jurisdictional body, the SJT also is a multipurpose authority administering public highways, expressways, toll plazas, and the Atlantic City International Airport. The stated function of the SJT is to, "utilize transportation facilities to stimulate economic development within the Authority's service area (*South Jersey Transportation Authority Homepage,* www.sjta.com)."

An example of an inter-jurisdictional authority created by interstate compact is the Port Authority of New York and New Jersey (Port Authority). The Port Authority was created in 1921 after years of waterway boundary disputes between the two states. The Port Authority of NY & NJ was modeled after the Port Authority of London, the world's first public authority. The Port Authority of NY & NJ was the first public authority created in the US and the first interstate agency created under the Constitutional clause allowing compacts between states.

The Port Authority developed into much more than a harbor manager over the years. The Port Authority eventually expanded its operation to include bridges, tunnels, bus terminals, ferries, toll-booths, airports, and of course, the World Trade Center. The four airports owned and operated by the Port Authority are JFK and LaGuardia in New York, and Teterboro and Newark International in New Jersey. A 12-person board governs the Port Authority, with 6 members each appointed by the Governors of New York and New Jersey. The Governor of each state retains veto authority over any Port Authority act that affects his state. The Port Authority does not have the power to tax and it operates exclusively on revenue generated by its numerous enterprises (*Port Authority of New York & New Jersey Homepage,* www.panynj.gov).

In St. Louis, the Bi-State Development Agency (Bi-State) is another example of an inter-jurisdictional authority operating across state lines. Like the Port Authority of New York & New Jersey, Bi-State is a multi-purpose authority that owns and operates several transportation enterprises providing infrastructure and economic benefit to the two-state metropolitan area. Bi-State does not have the same wide scope of control over transportation assets in that the Port Authority does in within its service area. With the exception of Parks St. Louis Downtown Airport and the Gateway Arch transportation system, Bi-State's function is the public transit operations Metro-Link and the Bi-State bus system (*St. Louis Downtown Airport Homepage* web.rdr.net/~stlairprt).

Inter-jurisdictional authorities created by federal law are somewhat exceptional. The only such federally created authority that operates airports is the Metropolitan Washington Airports Authority. Prior to 1987, Dulles International Airport and Washington National Airport were owned and operated by the FAA. In 1986, the federal government enacted the Metropolitan Washington Airports Act, which created the Metropolitan Washington Airport Authority. The MWA Authority operates Dulles and National through a 50-year lease authorized by the act. The federal government retains ownership of the airports. The MWA Authority is vested in a 13-member board. Five members are appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland, and three by the President of the United States. The authority has no power to tax. Its operations are self-supported by revenues generated by the two airports (*Metro Washington Airport Authority Homepage* www.metwashairports.com).

Public Ownership

The remaining type of airport ownership is the government-owned airport. As stated earlier, the vast majority of commercial airports across the country are owned and operated by units of government. There are numerous examples of airports operated by cities, counties and states. In the case of Dulles and National, the federal government has even retained ownership of two commercial airports.

State governments have only recently become involved in airport ownership. The only major commercial airport that is state owned is Baltimore-Washington International (BWI). The state of Maryland owns and operates BWI through the Maryland Aviation Commission. In 1972, the state of Maryland purchased BWI, which at the time was known as Friendship International Airport, from the city of Baltimore for $36 million. Today, BWI is among the 30 busiest airports in North America and it is the fastest growing airport in the top 30. The Maryland Aviation Commission was created in 1994 by an act of the Maryland legislature. The Commission consists of nine members. The Governor, with the consent of the State Senate, appoints eight. The Secretary of the Maryland Department of Transportation is the ninth member and the chair of the committee (*Maryland Aviation Administration Homepage* www.marylandaviation.com).

Many other states are in the airport business on a more limited basis. The State of Washington, for instance, owns and operates 15 regional airports through the Washington Department of Transportation. The Washington State Transportation Commission develops aviation policy for the state, particularly the state-owned airports (*Washington State Department of Transportation Homepage* www.wsdot.com). Likewise, the State of Oregon owns 30 general aviation airports across the state. Until recently, all of those airports were operated by the state through the Oregon Department of Aviation. In April of 2001, the State of Oregon began the process of commercial and non-commercial leasing of state owned airports with the adoption of Oregon Administrative Rules 738-005 and 738-015 (*Oregon Department of Aviation Homepage* www.aviation.state.or.us).

Counties have been somewhat more involved in airport ownership than state governments have. In most cases, a specific county department that reports directly to the head of that county's executive branch operates county-owned airports. Among the major county-owned and operated airports in the United States are:

- Detroit Metro Airport - owned by Wayne County, Michigan
- Miami International Airport - owned by the county of Miami-Dade
- McCarran International Airport in Las Vegas - owned by Clark County, Nevada.
- Denver International Airport - owned and operated by Denver, which is both a city and a county.
- MidAmerica Airport - owned and operated by St. Clair County, Illinois.

For the most part US airports are owned and operated by city governments. Bush Intecontinental in Houston, O'Hare in Chicago, LAX in Los Angeles, Hartsfield in Atlanta, and Sky Harbor in Phoenix are all examples of major US Airports that are owned by the primary city that they serve. Dallas-Fort Worth Airport is actually owned jointly by its two namesake cities. Of the seven busiest airports by passenger traffic in the United States for the first quarter of 2002, six of them are city owned and operated (*Airports Council International,* www.airports.org).

Airports in Missouri follow the city ownership model. The commercial service airports in Missouri (Lambert International, Kansas City International, Joplin Regional, Springfield-Branson Regional, Columbia Regional, Waynesville Regional, and Cape Girardeau Regional) are all owned and operated by the primary city that they serve. Moreover, the vast majority of the 122 reliever and general aviation airports in Missouri are city owned (*FAA Homepage* www.faa.gov).

Why is it that governments at all levels have engaged in the business of airport ownership over the years? According to James Wilding of the MWA Authority, "We made a conscious decision 50 years ago that communities, not airlines, would own airports (although airlines had developed many airports in the 1930's). That means control (*Air Transport World, August 1994)*." More aptly, it means local control of giant revenue engines that are the subject of a love-hate relationship in the communities where they operate. Airports are much like prisons: everyone thinks we should have them but no one wants them in their own neighborhood. The noise, traffic and outward expansion of airports vilify them to the adjoining communities. But, for the community as a whole, airports are very often the single largest revenue engines in a Metropolitan area. Airports fuel tourism, business, and jobs. A city with a second-rate air transportation system can’t expect to compete in any of these categories with one that has a world-class airport. Not to mention the fact that until the passage of the FAR Act in 1996, local governments were enjoying sizable contributions to their revenue streams through diversion of airport profits.

Governance Alternatives

What alternatives, then, are available to City, County, and State officials seeking regional control of Lambert? David B. Walker identified 17 regional approaches to service delivery. They are listed in Table 1 in the order considered to be from easiest to the hardest to initiate (Walker, *National Civic Review*, January 1987).

Table 1
Regional Approaches to Service Delivery

	Governance Models
1	Informal Cooperation
2	Interlocal Service Contracts
3	Joint Powers Agreement
4	Extraterritorial Powers
5	Regional Councils/Councils of Governments
6	Federally Encouraged Single-Purpose Regional Bodies
7	State Planning & Development Districts
8	Private Sector Contracting
9	Local Special Districts
10	Transfer of Functions
11	Annexation
12	Regional Special Districts and Authorities
13	Metropolitan Multipurpose Districts
14	The Reformed Urban County
15	The Consolidated City-County
16	Two-Tier Restructuring
17	Three-Tier Reforms

Without going into specific detail on each governance option available, suffice it to say that some are more applicable to Lambert governance and the greater issues of St. Louis regional governance than others. Approaches #1 through #3 represent moderate governance arrangements that are similar to the current operational structure of the Airport Commission. Extraterritorial Powers, #4, describes the authority that St. Louis City currently exercises with respect to Lambert governance, that is, the power to exercise regulatory authority to a distance beyond city boundaries. Approaches #14 through #17 represent major urban or regional reform, which may be the ultimate antidote for the problem of Lambert governance but is not the focus of the current debate.

Alternative #5 through #13 are the most applicable to the matter of Lambert governance reform. Descriptions of each of these alternatives are taken from the text Metropolitan Government and Governance (Stephens & Wikstrom, pp. 122-124) and are cited along with local examples of each in the following section.

- **#5 Council of Governments.** COG's include elected officials drawn from local governments in a metropolitan area. The best example of a COG in this context is the failed legislation sponsored by Senators Gross and Ehlmann calling for the creation of the Missouri-St. Louis Metropolitan Airport Authority with representation prescribed for St. Louis City, St. Louis County, and the three surrounding Missouri counties. The exception being that the legislation calls for appointed members rather than elected officials.
- **#6 Federally Encouraged Single-Purpose Regional Bodies.** Created by-and-large in response to federal aid programs, these entities generally funnel federal dollars to entire regions for a specific regional need. The East-West Gateway Coordinating Council is a successful model of this concept in the St. Louis Metropolitan area.
- **#7 State Planning and Development Districts.** SPDD's are established by state governments to organize federal special-purpose regional programs. There are few examples of these districts in Missouri, however, state statutes do allow for the creation of Transportation Development District under Chapter 238 (*Missouri General Assembly Hompage* www.senate.state.mo.us). TDD's also have taxing authority granted by statute.
- **#8 Contracting.** Privatization is all the rage in local government service delivery. But, restrictions under the FAR Act have made attempts to privatize US airports nearly impossible to date. The best example of airport privatization is the earlier cited case of the Indianapolis International Airport, in which the City of Indianapolis contracted-out the management of the airport to a private firm.
- **#9 Local Special Districts.** Special Districts are characterized by non-coterminous boundaries overlapping existing corporate limits of other local jurisdictions. These include school districts, fire districts, and water districts. The St. Louis Zoo & Museum District could also be considered as an example of a local special district. Special Districts generally have the authority to create bond indebtedness or levy taxes in their geographical area.

- **#10 Transfer of Functions.** Transfer of functions is a permanent transfer of operational authority to another unit of local government or the state. The transfer of Dulles and National Airport from FAA control to the control of the Metropolitan Washington Airport Authority is a perfect example of this alternative.
- **#11 Annexation.** Adding adjacent territory to existing cities through annexation has historically been one of the most often exercised methods of expanding the efficiency and scope of municipal government. While most major metropolitan cities (like St. Louis) are land-locked, fringe cities continue to use annexation to expand their boundaries. If it weren't for the fact that the area between St. Louis City and Lambert Airport is incorporated by several existing cities, annexation would be an interesting alternative to consider in this case.
- **#12 Regional Special Districts and Authorities.** These types of authorities are generally region-wide and they provide a single service. Their ability to tax and incur debt varies from state to state. Authorities of this type very often operate across state lines. The Bi-State Development Agency is a local example of a regional authority delivering mass transit services for the metropolitan area.
- **#13 Metropolitan Multipurpose Districts.** Like Regional Special Districts, these multi-jurisdictional units are area wide and often operate across state lines. The classic example of an MMD is the Port Authority of NY & NJ.

All of the aforementioned governance models have been utilized to one degree or another in response to compelling public needs in metropolitan areas across the United States. Some are time-tested solutions that have worked very well in certain applications and not so well in other situations. Other models represent modern reform attempts that on which the jury is still out. The certain conclusion is that with all of these alternatives to choose from, there is no need to re-invent the wheel. Unfortunately, there is no formula that dictates the best fit between a perceived regional problem, like Lambert governance, and the potential solution. If the problem is not going to go away, the certain course for policymakers is to find a governance model that is most likely to garner support from the effected parties and ameliorate the regional issue. The best method for choosing an alternative is reliance on records of past success and good judgment.

Regional Governance Issues

There are a number of lessons that can be drawn from regional governance literature relative to consideration of a new regional airport authority in St. Louis. (Bourne, Larry S., "Alternative Models for Managing Metropolitan Regions," 1999) At a minimum there are three issues that should be considered in establishing a regional authority.

1. Mission – A critical determinant of the success of any regional authority is a clearly delineated mission. When considering a regional airport authority, what is its mission? To improve passenger and cargo air transportation services? The St. Louis region has two public-use commercial service airports and eleven public-use general aviation airports, seven of which have been designated by the FAA as reliever airports for Lambert. A transportation services mission should include more than Lambert. Is the mission to manage the impact of the airport on the immediate area affected by noise, traffic, and development? An impact mission needs to have clearly defined economic development, environmental, and community development guidelines. If the State needs to assert governance over airport operations, is the State's interest limited to Lambert? Should the larger mission be to establish governance over airport operations in Kansas City, Springfield, and the other metropolitan areas in Missouri? A regional authority will be successful to the degree that its mission establishes clear goals that can later be evaluated to determine the authority's effectiveness.
2. Defining Region – For a regional authority in a metropolitan area, the issue of defining the region must be addressed. The US Office of Management and Budget defines the St. Louis Metropolitan Statistical Area as 12 counties, 7 in Missouri and 5 in Illinois. The Metropolitan Planning Organization (East-West Gateway Coordinating Council) serves 8 counties, 5 in Missouri and 3 in Illinois. As a commercial airport, Lambert serves the entire region but what criteria are identified to determine the service area of the regional authority?
3. Representation – When establishing representation on the governing body of a regional airport authority, consideration needs to be given to the issue of accountability. Who do the members of the governing body represent – elected officials from the regional jurisdictions, passengers, pilots, or residents? And what is the selection process for the governing body, appointment or election?