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NEW YORK

Effort to Privatize Airports Fails to Take Off

FAA program aimed at easing financial and legal barriers for private operators struggles to provide results



Luis Muñoz Marín International Airport in San Juan, Puerto Rico, was privatized in 2013 under an FAA program. PHOTO: ANA MARTINEZ/REUTERS

By Paul Berger

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The FAA's Airport Privatization Pilot Program is 20 years old. Yet only one airport, in San Juan, Puerto Rico, that was privatized under the program remains in private hands.

A federal audit of the program in 2014 cited varied reasons for the privatization struggles, including higher financing costs and the absence of local property-tax exemptions for the private sector.

But Thomas Bosco, executive chairman of one of the companies bidding on Westchester County Airport, believes financing for this project won't be a problem. He predicts competition for the airport, as well as others that will soon seek partners, will be strong.

"I think you're going to see a resurgence in interest in this program," Mr. Bosco said. "It's ripe for investment."

The program was created during the Clinton administration to spur privatization of U.S. airports by easing legal and financial barriers.

So far, 12 airports have entered the program.

In addition to Westchester's airport, two are in the midst of the privatization process—St. Louis Lambert International Airport in Missouri, and Hendry County Airglades Airport in Clewiston, Fla.

Since 1996, only two airports have completed the program. One of those, Stewart International Airport, in Newburgh, N.Y., dropped out in 2007 after its private operator, U.K.-based National Express Group PLC, decided to leave the airport business and sold Stewart to the Port Authority of New York and New Jersey.

That just leaves Luis Muñoz Marín International Airport in San Juan, Puerto Rico, which remains privatized.

Oaktree Capital Management LP of California and Grupo Aeroportuario del Sureste of Mexico paid \$615 million for a 40-year lease to operate the airport in 2013. In May, Oaktree sold its 50% stake in the venture for \$430 million.

Oaktree is bidding for Westchester County Airport, in partnership with Connor Capital of California.

The U.S. Government Accountability Office audit found that four airports have withdrawn from the program citing the financial stability of their private partners.

Mr. Bosco, who is helping to lead the bid company, HPN Aviation Group, said financing won't be an issue.

He said that although public entities borrow at the lowest rates, private companies involved in public-private partnerships, in particular in airports, can secure competitive rates that make such deals attractive.

"We're confident that we can compete with anyone," Mr. Bosco said.

He added that HPN is more concerned by the lack of local support for the privatization plan. "We hope it doesn't get in the way of the clear picture of benefit it offers to Westchester County and its taxpayers," he said.

Write to Paul Berger at Paul.Berger@wsj.com

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