

Lambert Airport Governance

by

**Jeff Roorda,
Graduate Research Assistant,
Public Policy Research Center**

and

**Mark Tranel,
Director,
Public Policy Research Center**

Lambert Airport Governance

At Issue

On May 14, 2002, the Missouri Senate ratified Senate Resolution 1719, which established the Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport (LIA). The language of SR 1719 predicates (mandates) the formation of the committee on the essential transportation function of LIA for the citizens of the State of Missouri and on the need for further investigation into regional control and ownership of LIA. SR 1719 directs the select committee to study the benefits and detriments of regional control and ownership of LIA (*Missouri Senate Homepage* www.senate.state.mo.us).

State Senator Chuck Gross, Republican-St. Charles, chairs the seven-member committee. Senator Gross also sponsored SR 1719. The committee held a hearing on LIA finance issues July 16, 2002 and a second hearing focusing on LIA governance August 20, 2002. Additional hearings may be convened as required. The committee is expected to submit a report of its findings to the General Assembly by December 31, 2002.

Overview of St. Louis Regional Aviation Services

In February 1928, the City of St. Louis purchased what then was known as Lambert Airfield from Major Albert Lambert for \$68,000. With the purchase St. Louis became the first municipality in the United States to own and operate an airport. Additional acreage was purchased and improvements to the airfield were made after of a \$2 million bond issue passed by St. Louis City voters that same year (*Lambert Airport Homepage* www.lambert-stlouis.com).

In the years following World War II, Lambert grew to be one of the nation's busiest airports. To promote further growth and to streamline operations, the St. Louis Board of Alderman passed an ordinance in 1968 that created the Airport Authority and the Airport Commission. The Airport Commission was given responsibility for oversight of airport operations. The ordinance allowed the airport to exercise increased control over its own planning and operation. One result was the passage of a \$200 million bond issue utilized for airport improvements in the years that followed (*Lambert Airport Homepage* www.lambert-stlouis.com).

Lambert continued to expand in size and operations as it developed into a major domestic hub airport. As residential and business communities began to grow up around Lambert, noise mitigation, traffic congestion and opposition to expansion became major issues. In response to these issues, St. Louis Mayor A. J. Cervantes promoted a plan to build a commercial carrier airport in Columbia, Illinois

Lambert Airport Governance

during his second term in office in the early 1970's. This plan was met with sharp opposition, and the decision was made to keep LIA as the major commercial airport.

Today, LIA is the 14th busiest airport in the United States, with (just under 6-million passengers for the first quarter of 2002 (*Airports Council International*, www.airports.org). Although LIA continues to be owned by the City of St. Louis, the structure of the Airport Commission and the Airport Authority has evolved over the past 30 years. The Airport Commission is now comprised of 17 members including five appointed by the St. Louis County Executive, one appointed by the St. Charles County Executive, one appointed by the St. Clair County Illinois Executive, and ten appointed by the City of St. Louis (*Lambert Airport Homepage* www.lambert-stlouis.com).

Public opposition and funding barriers continue to hamper LIA's ability to expand and new competition has emerged. St. Clair County Illinois moved to fill the gap in airport services for the region as a whole as well as the specific needs of the metro-east, as population moved in all directions out of the central city. St. Clair County completed construction on MidAmerica Airport in 1997 and the facility opened as the St. Louis Metropolitan Area's second commercial service airport. Pan Am began to offer flights out of MidAmerica in June of 2000. However, in the wake of the September 11th terrorist attacks, Pan Am discontinued service to MidAmerica and the airport continues to struggle for a share of the region's commercial aviation traffic (*MidAmerica Airport Homepage* www.flymidamerica.com).

It is widely agreed that the St. Louis region is in need of expanded air passenger and airfreight capacity. The planned runway expansion of LIA, known as W-1W, was approved in September 1998. W-1W would add a runway and fulfill a portion of the region's aviation needs. However, the FAA projects that even with this expansion LIA will reach its capacity by 20015. Lambert spokesman Mike Donatt agrees. He concedes that beyond 2001, "we are landlocked." Donatt suggested that, "MidAmerica will be a terrific complement to Lambert (*St. Louis Business Journal*, July 6, 2001)."

In addition to the two commercial service airports, the St. Louis region is serviced by 11 additional general aviation facilities. Two of these serve as major "reliever" airports for Lambert. They are Spirit of St. Louis Airport and St. Louis Downtown Airport (formerly known as Parks Airport) (*East-West Gateway Homepage* www.ewgateway.org).

- Spirit of St. Louis is located in Chesterfield, Missouri about 15 miles west of Lambert. It has been in operation for nearly 36 years and it is the second busiest general aviation airport in the FAA Central Region, which includes Missouri, Arkansas, Iowa, and Kansas. Spirit is owned and operated by St. Louis County (*Spirit of St. Louis Airport Homepage* www.spiritairport.com).
- Parks Downtown Airport is located in St. Clair County, Illinois just east of Downtown St. Louis. Parks has been operating as an airport since 1929 and gained some notoriety as a training ground for pilots in the 1930's. Parks is owned and operated by the Bi-State Development Agency, which

Lambert Airport Governance

also owns and operates Metro Link and the Bi-State bus line. Bi-State was created by reciprocal legislation between the Missouri and Illinois legislatures in 1949. Bi-State is unique in the region in its authority to issue taxable and tax-exempt revenue bonds in both the Missouri and Illinois sides of the Metropolitan area (*St. Louis Downtown Airport Homepage* web.rdr.net/~stlairprt).

Issue Evolution

In 1997, State Senator Steve Ehlmann sponsored SB 278, which would have effectively turned control of Lambert over to a regional governing body composed of appointees from St. Louis, St. Charles, Jefferson, and Franklin Counties and the City of St. Louis. The composition and representation of the committee would have been determined by the populations of each of these jurisdictions, and the City of St. Louis would have retained ownership of Lambert under SB 278. Senator Ehlmann represented the 23rd District in St. Charles, the Senate seat held currently by Senator Chuck Gross (*Missouri Senate Homepage* www.senate.state.mo.us).

SB 278 drew immediate fire from those opposing a change in the existing operational structure of Lambert. Then President of the St. Louis Board of Aldermen Frances Slay described the timing of SB 278 as "suspect" referring to the pending approval of the W-1W expansion. Slay also warned that seizing control of the airport could not occur without the City of St. Louis being adequately compensated. Further, Slay argued that the proposal damaged rather than promoted regional cooperation. Slay told the St. Louis Business Journal that, "SB 278 caught city of St. Louis officials completely by surprise. Ironically, although SB 278 purportedly is aimed at regional cooperation, it was introduced without prior notice or warning to the city. As a result, city officials were backed against a wall and, from the outset, the city was placed in an adversarial position relative to its neighboring counties. The bill, therefore, sets the wrong tone for meaningful and productive discussions toward regional cooperation (*St. Louis Business Journal, Feb. 24, 1997*)."

Senate Bill 278 failed to pass out of committee, but Ehlmann again sponsored similar pieces of legislation in 1998 (SB 623), 1999 (SB 123), and 2000 (SB 624). During the four-year period that Ehlmann was sponsoring bills in the Senate addressing LIA governance, Chuck Gross, an ally in the House of Representatives, sponsored similar proposals. State Representative Gross sponsored House Bills with wording similar to Ehlmann's bills in 1997 (HB 385) and 2000 (HB 1286). All of the bills failed to garner widespread support in their respective legislative bodies. (*Missouri General Assembly Homepage* www.senate.state.mo.us).

Opponents of the proposed legislation offered annual objections to Ehlmann's plan. In 2000, Richard Fleming, the President of the St. Louis RCGA, pointed out that a change of ownership or operation of Lambert could lead to the FAA rescinding the waiver that allows St. Louis City to draw revenue

Lambert Airport Governance

(about \$5 million a year) from the operation of Lambert. While Fleming argued in support of regional control of Lambert, he pointed out that "the best way to do that is through cooperation not confrontation." Fleming and the RCGA support "...placing all of the region's airports--including Lambert, Spirit, and MidAmerica--under a regional airport commission (*RCGA Homepage* www.stlrcga.org)."

Other opponents of regional control of Lambert were far more vitriolic in their attack of Ehlmann's plan. State Representative Quincy Troupe of St. Louis City labeled Ehlmann a racist for proposing the legislation. In a widely publicized KMOX Radio interview, Troupe complained that Ehlmann's legislation implied, "that black people are incompetent and incapable of running things." Troupe added that St. Charles County and its politicians "think that black people can't run anything." Troupe labeled St. Charles as a racist county saying, "They are overt racists and Senator Ehlmann, he leads the charge...he just needs to put on his hood and declare himself the grand dragon or the imperial wizard." Ehlmann responded to Troupe's attacks by characterizing them as "racial McCarthyism" (*Jefferson City News Tribune, April 6, 2000*).

Ehlmann left the legislature to adorn a judge's robe in St. Charles County after the 2000 legislative session. Ehlmann's successor, Senator Gross, sponsored unsuccessful bills addressing Lambert governance in 2001 (SB 469) and 2002 (SB 1046). When SB 1046 again fell short of the needed support, Gross sponsored Senate Resolution 1719, which established the aforementioned Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport. While the bills sponsored by Gross and Ehlmann were specifically aimed at operation of Lambert, SR 1719 is broader in its exploration of operation and ownership of the airport. For example SB 1046 specifically stated that, "Any profit from the operation of any airport or airport authority affected by this section shall continue to be received by the city of St. Louis (*Missouri General Assembly Homepage* www.senate.state.mo.us)." Contemplating a change in the ownership of Lambert opens up a wide range of new issues.

Financial & Economic Considerations

The broad investigation by the Senate Select Committee into operation and ownership of Lambert raises a number of financial issues. One of the key issues seems to be the revenue generated for the City of St. Louis due to Lambert's exemption of the Airport Revenue Protection clause of the Federal Aviation Reauthorization Act of 1996. Lambert is one of only five airports in the nation that is grandfathered under the act, thereby allowing the owner of the airport to direct up to 5 percent of annual airport revenue toward general revenue expenditures (*Library of Congress Homepage* thomas.loc.gov)."

Lambert Airport Governance

For St. Louis City, this exemption amounts to about \$5 million dollars a year in revenue according to Lambert Governmental Relations Director, Jim Brown. Brown testified before the Senate Select Committee that it was unclear if the exemption to the FAR Act would continue if the ownership or operating authority of Lambert changed hands. In further testimony, Chief of Staff Jeff Rainford warned, "We need to be careful that we don't kill the goose that laid the golden egg (*Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport, July 16, 2002 Hearing*)."

Another financial issue raised by Jim Brown during his testimony was the potential effect that a change in ownership or operation of the airport would have on revenue bonds currently issued by the City of St. Louis for Lambert expansion. Tony Drake, an airport consultant from Unison-Maximus Consulting Solutions, testified on behalf of Lambert that a change in ownership or operation would place the bonds in default and that the new operator of the airport could be compelled to cure that default. Drake testified that phase I of W-1W is currently underway with expenditures budgeted at \$1.2 billion (*Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport, July 16, 2002 Hearing*). Phase I is funded through \$1 billion in general airport revenue bonds (GARB) with the remainder of the project funded through passenger facility charges and a letter of intent (LOI) issued by the City of St. Louis. The \$1 billion in GARB's carries an AAA rating based on insurance provided by Financial Guaranty Insurance Company (*The Bond Buyer, December 9, 1998*). Fitch Ratings gives St. Louis City an A- airport bond rating with a negative outlook (*US Airport Debt 2002-2006: A Post September 11 Survey*).

The negative outlook prescribed by bond raters is likely a combination of uncertainty in the aftermath of the September 11th attacks and reservations about Lambert's future without TWA. John Krekeler, the St. Charles County appointee to the Lambert Airport Commission, testified that W-1W projections used by Lambert to estimate future passenger volume were inaccurate in the wake of 9-11 and the TWA merger. Jim Brown countered that the projections were based on a "worst case scenario" estimating a 50 percent revenue decrease in the event of a TWA failure (*Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport, July 16, 2002 Hearing*). Lambert Airport Director Leonard Griggs paints a rosier picture. According to Griggs, "Among the top 25 airports in the nation, Lambert Airport ranked six in recovery from 9-11. Lambert is only down 6.1 percent (*Lambert Airport Commission Minutes, May 2002 Meeting*)."

However, past predictions of TWA's collapse have placed the W-1W expansion under scrutiny for some time. In 1995, US Representative James Talent warned that if W-1W was approved in the looming shadow of TWA's demise, "...Lambert International Airport could become the Denver Airport debacle of the Midwest (*The Bond Buyer, July 13, 1995*)."

Lambert Airport Governance

The good news for Lambert and the region is that rather than going belly-up, TWA was bought-out by American Airlines. American designated Lambert as a Midwest hub to relieve volume at American's hubs at O'Hare and Dallas-Fort Worth. The hub status elevated hopes that the loss of TWA would not significantly decrease passenger volume at Lambert and might even lead to an increase. However, a spokesman for Southwest Airlines cautioned that a St. Louis hub might not work for American. He cited failed American hubs at Raleigh-Durham, Nashville, and San Jose as evidence (*Travel Weekly*, January 29, 2001). Recent news that American Airlines would be laying off between 1,100 and 1,400 employees in the St. Louis area seems to provide evidence that the long-term operation of a hub here might be doomed. However, American President Donald Carty reportedly assured Mayor Slay that American still wants to maintain a "strong hub" in St. Louis (*St. Louis Post-Dispatch*, August 13, 2002).

The impact of 9-11 and the TWA merger notwithstanding, Lambert continues to be a major revenue engine for the entire St. Louis region. According to the *St. Louis Business Journal*, Lambert contributes about \$5 billion a year to the local economy and provides 53,900 direct and indirect jobs. About 19,000 of those jobs are on airport property. In the 6 months that followed the September 11th terrorist attacks, the region was expected to lose \$33 million in revenue due to a reduction in air traffic (*St. Louis Business Journal*, October 5, 2002). The long-term effect of 9-11 remains open to speculation, but signs of recovery for Lambert and the airline industry continue to offer hope for the region.

Alternative Forms of Airport Governance

There are three main types of airport ownership: private ownership, inter-jurisdictional authority ownership, and government ownership. Likewise, operation of an airport can be delegated to any of the same forms of governance: private, inter-jurisdictional authority, or government operation. In some cases, operation may not be conducted in the same form as ownership. Lambert is an example of this situation with ownership in the hands of a government unit (the City of St. Louis) and operations in the hands of an inter-jurisdictional body (the Lambert Airport Commission). There are many examples throughout the world of all of the various forms and combinations of airport ownership and operation.

1. According to the FAA, virtually all commercial airports in the United States are owned and operated by local or state governments. On the other hand, public-use general aviation airports are both privately and publicly owned (*FAA Homepage* www.faa.gov). This is not necessarily the case abroad. According to a study by Robert Poole exploring the privatization of Mitchell International Airport in Milwaukee, airport privatization follows a logical 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

Lambert Airport Governance

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).

2. National Express Group (NEG) of London owns and operates East Midlands International Airport and Bournemouth International Airport, two of the privatized British airports. It is logical, however ironic, that NEG was the first private operator to file for approval from the FAA for an exemption under the Airport Privatization Demonstration Program designated under the Federal Aviation Reauthorization Act of 1996. NEG received preliminary approval from the FAA to enter into a 99-year lease of 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." Additional applications for the Privatization Demonstration Program have been received by the FAA 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 was eventually approved in the spring of 2000 following a lengthy give-and-take between the State of New York, the FAA, and the airlines operating out of Stewart. Two issues complicated the lease of Stewart. First, the FAA ruled that proceeds from the sale or lease of an airport are revenue protected under the Airport Revenue Protection Act. Thereafter, the State of New York was unsuccessful in obtaining the 65 percent approval requirement mandated under the FAR Act from the air carriers operating out of Stewart. As a compromise, Governor George Pataki agreed to reinvest the proceeds of the lease (\$35 million in initial payments for the 99-year lease, plus 5 percent of the airport's gross income upon the 10th year of the lease or an annual passenger load of 1.38 million, whichever came first) into airport infrastructure. Governor Pataki handed the keys over to NEG on March 31, 2000 making Stewart the only privatized US airport to date (*Airport Magazine, November/December 2000*).

Other attempts to privatize under the FAR exemption have been unsuccessful or entangled in the bureaucratic process. The only other notable successful attempt toward privatization of a major 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).

Lambert Airport Governance

3. 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 is also a multipurpose authority encompassing 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. 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 New York & New Jersey 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).

Of course, locally the Bi-State Development Agency 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 doesn't enjoy the same wide scope of control over transportation assets in this area that the Port Authority does within its area of operation. With the exception of Parks St. Louis Downtown Airport and the Gateway Arch transportation system, Bi-State's jurisdiction is limited to holdings operating on both sides of the river like the Metro-Link and the Bi-State bus line (*St. Louis Downtown Airport Homepage* web.rdr.net/~stlairprt).

Lambert Airport Governance

Inter-jurisdictional authorities created by federal law are somewhat uncommon. 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 made up of a 13-member board with five members 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).

The most common 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 retained ownership of two commercial airports.

State governments have gotten in on the tail end of airport ownership. The only major commercial airport that is state owned is Baltimore-Washington International. 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, eight of whom are appointed by the governor with the consent of the state Senate. 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 smaller level. 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 through the proposal of Oregon Administrative Rules 738-005 and 738-015 (*Oregon Department of Aviation Homepage* www.aviation.state.or.us).

Lambert Airport Governance

Counties have been somewhat more involved in airport ownership than state governments have. Several of the major airports in the United States are county-owned and operated including: Detroit Metro Airport which is owned by Wayne County, Michigan; Miami International Airport which is owned by the county of Miami-Dade; and McCarran International Airport in Las Vegas which is owned by Clark County, Nevada. Denver International Airport is owned and operated by Denver, which is both a city and a county. Locally, MidAmerica Airport is owned and operated by St. Clair County, Illinois. In most cases, a specific county department that reports directly to the head of that county's executive branch operates county-owned airports.

The greatest percentage of US airports are owned and operated by city governments. Bush Intercontinental 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 archetype. Missouri's commercial service airports include Lambert International, Kansas City International, Joplin Regional, Springfield-Branson Regional, Columbia Regional, Waynesville Regional, and Cape Girardeau Regional. Each of these is owned and operated by the primary city that it serves. 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 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, thus the revenues to these cities will be significantly compromised. Additionally, until the passage of the FAR Act in 1996, local governments enjoyed sizable contributions to their revenue streams through diversion of airport profits.

What, then, is distinctive about the ownership and operation of Lambert International Airport? There are two major differences. Lambert International Airport is one of the few major US airports that is

Lambert Airport Governance

situated outside the city limits of the municipality that owns it. Another distinction is that Lambert is one of only five airports in the country that is allowed to direct a portion of its profits to the facility owner. These two distinctions make Lambert governance a ripe topic for debate among state politicians interested in equitable representation or new sources for state revenue in a sluggish economy.

Governance Alternatives

The root of the problems that underlie the current debate about Lambert governance may be traced back to the 19th century. In 1876, the City of St. Louis joined in a nationwide trend among big cities of city-county separation. Taking advantage of a change in the Missouri Constitution the year before, "...the city of St. Louis expanded its territory, separated from St. Louis County and became a city-county (Stephens & Wikstrom, pp. 24-25)." The rationale for St. Louis City's separation was economic: annexing the entire county into the city limits would have created exceptional expenses in service delivery at the time, and remaining part of the county would have resulted in an ongoing burden on St. Louis City taxpayers until population movements shifted that burden.

The city-county separation led to prosperity for the City of St. Louis while creating a hardship for the county government in terms of tax base and service delivery. The tide began to turn fairly quickly though. By 1900, the growing population of St. Louis City began to spill over into the county. By the 1920's, reformers were calling for remedies to the regional problems linked to the fragmentation of government in St. Louis City and St. Louis County. The disproportionate number of small municipalities that were springing up in St. Louis County to fill the service gap compounded the problem. A number of initiatives that would have resulted in major or minor changes to regional governance failed to accumulate support. A few multi-jurisdictional units have been created over the years by public vote or legislative act, but none of them really address any macro-governance issues for the St. Louis region. The Bi-State Development Agency and the Metropolitan Sewer District are the two most notable multi-jurisdictional agencies created in the St. Louis region. The St. Louis Zoo & Museum District and the St. Louis Convention & Visitors Commission are also examples of joint initiatives between the city and county (Stephens & Wikstrom, pp. 24-25).

The cited examples of multi-jurisdictional cooperation between St. Louis City and County were all born in response to a mutual need (i.e., sewers or transportation). Governance of Lambert, on the other hand, is an issue of want rather than need. The City of St. Louis wants to maintain control and ownership of the airport. St. Louis County wants equitable representation in the operational authority of Lambert. The municipalities that surround the airport want input over noise mitigation and airport expansion. The other counties in the metropolitan area want to insure that Lambert and

Lambert Airport Governance

the other aviation facilities in the area continue to meet the needs of the region. And, the State of Missouri wants to explore all of these issues and have the final word on governance of Lambert once and for all. While there are other obvious and not so obvious motivations driving all of the players in the Lambert governance debate, what is clear is that the issue is not going away.

Perhaps it is the unique situation of Lambert Airport and the City of St. Louis that drives this controversy. As mentioned earlier, Lambert was the first municipally owned airport in the nation so St. Louis City had no municipal airport governance models to follow as they developed aviation policy. The choice to purchase and develop an airport outside of the city limits was probably more political than it was economic, despite the revenue generated for the city by the airport. Lambert's location is close enough to be convenient for all city residents but no city voters have to suffer from the inconveniences (noise, traffic, expansion) of an airport in their neighborhood. Nevertheless, St. Louis City residents still enjoy majority representation in the governance of Lambert. Elected officials in St. Louis appoint the majority of the Airport Commission members (10 out of 17) directly or indirectly. There is no indication that St. Louis City is willing to give up that majority. Furthermore, there are those who claim that the Airport Commission is nothing more than a rogue body established to give the appearance of multi-jurisdictional representation but operating as a de facto "rubber stamp" committee (*Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport*, July 16, 2002 Hearing).

St. Louis City leaders rebuke claims that they are unwilling to share operational authority of Lambert with other regional players affected by aviation generally or by Lambert specifically. St. Louis City was not obligated to give appointment power for five seats on the Airport Commission to the County Executive of St. Louis County. Mayor Slay's Chief of Staff, Jeff Rainford, points-out that Mayor Slay was the subject of a great deal of criticism from other city leaders when he recently added two more seats to the Airport Commission appointed by the St. Charles and St. Clair County Executives (*Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport*, July 16, 2002 Hearing). Mayor Slay himself has gone on record as supporting "...meaningful and productive discussions toward regional cooperation..." of Lambert (*St. Louis Business Journal*, Feb. 24, 1997)."

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).

Lambert Airport Governance

Table 1: 17 Regional Approaches to Service Delivery

<i>Governance Models</i>	
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.

Lambert Airport Governance

#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 Homepage* www.senate.state.mo.us). TDD's also have taxing authority granted by statute.

#8 Contracting. Privatization is rapidly growing in local government service delivery. However, restrictions under the FAR Act have made attempts to privatize US airports nearly impossible. 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 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 a viable alternative 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

Lambert Airport Governance

solutions that have worked very well in certain applications and not so well in other situations. Other models represent modern reform attempts 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.

Lambert Airport Governance

Works Cited

Advani, Asheesh (1999). Passenger-Friendly Airports: Another Reason for Airport Privatization, Reason Public Policy Institute, Los Angeles.

Airport Council International-North American Monthly, About Minneapolis-St. Paul International Airport, January 2001.

Airport Magazine, FAA's Airport Privatization Program-Are we There Yet, November/December 2000.

Air Transport World, The Great Airport Money Chase, August 1994.

Fitch Ratings, US Airport Debt 2002-2006: A Post September 11 Survey, April 2002.

Jefferson City News Tribune, Lawmaker Unapologetic About Labeling Entire County Racist, April 6, 2000.

Poole, Robert W. (1994). Privatizing Milwaukee's Airport, Reason Public Policy Institute, Los Angeles.

St. Louis Business Journal, Economic Engine Stalls, October 5, 2002.

St. Louis Business Journal, MidAmerica Airport Banks Acres for Future Expansion, July 6, 2001.

St. Louis Business Journal, Should a Regional Board Operate Lambert?, Feb. 24, 1997.

St. Louis Post-Dispatch, American Airlines' Job Cuts in St. Louis Could Reach 1400, August 13, 2002.

Stephens, G. Ross & Nelson Wikstrom (2000). Metropolitan Government and Governance, Oxford University Press, New York.

The Bond Buyer, Deal in Focus: St. Louis Touching Down with \$70 Million Airport Offering; Much More to Come, December 9, 1998.

The Bond Buyer, St. Louis Proceeds with Airport Plan; Lawmaker Objects, July 13, 1995.

Travel Weekly, Will St. Louis Hub Work for American?, January 29, 2001.

Walker, David B. *National Civic Review*, Snow White and the 17 Dwarfs: From Metro Cooperation to Governance, January-February 1987.

Lambert Airport Governance

Public Records Cited

Lambert Airport Commission Minutes, May 2002 Meeting.

Senate Select Committee on the Regional Control of the Lambert-St. Louis International Airport, July 16, 2002 Hearing.

Web References

Airports Council International, www.airports.org

East-West Gateway Homepage www.ewgateway.org

FAA Homepage www.faa.gov

Lambert Airport Homepage www.lambert-stlouis.com

Library of Congress Homepage thomas.loc.gov

Maryland Aviation Administration Homepage www.marylandaviation.com

Metro Washington Airport Authority Homepage www.metwashairports.com

MidAmerica Airport Homepage www.flymidamerica.com

Missouri General Assembly Homepage www.senate.state.mo.us

Missouri Senate Homepage www.senate.state.mo.us

Oregon Department of Aviation Homepage www.aviation.state.or.us

Port Authority of New York & New Jersey Homepage, www.panynj.gov

RCGA Homepage www.stlrcga.org

South Jersey Transportation Authority Homepage, www.sjta.com

Spirit of St. Louis Airport Homepage www.spiritairport.com

St. Louis Downtown Airport Homepage web.rdr.net/~stlairprt

St. Louis Public Library Homepage www.slpl.lib.mo.us