

GAO Highlights

Highlights of [GAO-15-42](#), a report to congressional addressees

Why GAO Did This Study

Nearly all the 3,330 airports in the national airport system in the United States are publicly-owned and operated. However, some argue that the private sector could better fund and operate airports than public owners. GAO reported in 1996 that many barriers to full privatization existed in the United States. In 1996, Congress created the APPP which reduced some of the barriers to privatization. However, over the program's 18 years only two airports have privatized and one of them has reverted to public control.

To better understand airport privatization, GAO was asked and mandated to review several aspects of privatization. Specifically, this report describes (1) the experience with the APPP; (2) challenges airport owners and investors face to full airport privatization; (3) the potential effects of airport privatization; and, (4) reasons why airport privatization is more prevalent outside of the U.S. and stakeholder views on the APPP.

GAO reviewed airport application and docket information and interviewed applicants. GAO also interviewed 42 airport stakeholders including airports, airlines, airport consultants, labor groups, and private airport operators and financiers to gain their views on airport privatization in the U.S. and other countries. This non-generalizable group was mainly selected from our review of APPP docket documents and our prior work on airports.

DOT reviewed a draft of this report and provided technical comments which were incorporated as appropriate.

View [GAO-15-42](#). For more information, contact Gerald L. Dillingham, 202-512-2834 or dillingham@gao.gov

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AIRPORT PRIVATIZATION

Limited Interest despite FAA's Pilot Program

What GAO Found

Since the FAA started to accept applications to the Airport Privatization Pilot Program (APPP) in 1997, 10 airports have applied to the pilot program (see figure). Of these 10, 2 were privatized, 7 did not complete the program, and one application is currently under FAA review. Public-sector airport owners' objectives for full privatization varied, but the overriding reason cited was financial benefit. The 7 applicants that withdrew did so for varied reasons, such as changes in market conditions that reduced expected privatization benefits.

Several factors reduce both public and private sector interest in airport privatization in the U.S.—such as higher financing costs for privatized airports and the possible lack of state and local property tax exemptions. Also, while the APPP reduces some of the challenges to privatization that we identified in 1996, privatization still requires considerable time and cost to navigate. Furthermore, public sector airport owners have found ways to gain some of the potential benefits of privatization without ceding control under full privatization, such as entering airport management contracts and joint development agreements for managing and building an airport terminal.

The potential effects of airport privatization on airport efficiency, the federal aviation trust fund, federal tax revenues, and airport employees and concessionaires are difficult to determine. Privatization's impact on these areas depends on many different factors such as how each airport privatization is structured, making it difficult to estimate the overall impact.

Different airport ownership and financing structures and motivations have driven more extensive overseas privatization efforts, as at least 450 airports around the world have been privatized to some degree. Stakeholders mentioned a variety of lessons learned from the U.S. and international experience, including ensuring public-sector due diligence, involving all stakeholders and creating a transparent privatization process. Stakeholders also provided a range of suggestions for modifying the APPP, from increasing the clarity of the program's rules to reducing the federal role in airport privatizations.

Airports That Have Applied to the Airport Privatization Pilot Program, 1997–2014



Source: GAO analysis of FAA data. | GAO-15-42