

- 6
- 5
- 1
- 2

Des Moines airport considers privatizing new terminal



Joel Aschbrenner, jaschbrenn@dmreg.com

7:16 p.m. CDT September 9, 2015



(Photo: Bryon Houlgrave/The Register)

6 CONNECT | 5 TWEET | 1 LINKEDIN | 2 COMMENT | EMAIL | MORE

Privatization — or at least some kind of public-private partnership — is being discussed as a possible way for the Des Moines International Airport to pay for a new terminal.

Pitchmen from the consulting firm LPMG Corporate Finance visited the Des Moines Airport Authority Board on Tuesday to explain options for forming a public-private partnership.

Airport officials are open to the idea.

“I think there are enough potential benefits to keep researching it,” said Kevin Foley, executive director of the Des Moines International Airport.

Such an agreement could take several shapes, said Tim Wilschetz, a principal with KPMG. Options range from full privatization, in which a private company owns and operates the terminal and airfield, to a partnership in which a private company builds the terminal and sells it to the airport.

In Des Moines, one option is for a private company to build and own the new terminal and lease it back to the airport, Foley said.

That could save about 20 percent on construction, according to KPMG. A private company could finance the project quicker and start construction sooner, which would save money by limiting the impact of rising construction costs, the consultants said.



DES MOINES REGISTER

Des Moines airport needs \$200 million for new terminal



DES MOINES REGISTER

Airport board approves plan for \$468 million terminal

“If there is that kind of savings, then we need to take a look at it,” Foley said.

David Fisher, a retired corporate executive hired by the airport to find funding for the terminal, agreed.

“I think it is worth exploring and I think there could be tremendous savings,” he said.

Des Moines Mayor Frank Cownie and City Council member Christine Hensley, whose ward includes the airport, said the airport should research options to find savings.

Airport officials say the 67-year-old terminal is too small, becoming costly to maintain

and isn't configured for modern security and passenger needs. Airport traffic hit a record 2.3 million passengers in 2014 and it is projected to continue growing.

Plans call for building a larger, 14-gate terminal on the south side of the airfield and reconfiguring other facilities. The project is estimated to cost \$420 million, with more than \$300 million going into the terminal. Construction is scheduled to begin in 2022.

The airport is still about \$200 million short for the project.

Foley is skeptical of privatizing the operation of the terminal — “We already run a pretty lean operation” — and said he would recommend against privatizing the construction or operation of facilities outside the terminal such as parking garages, which generate a profit for the airport, and runway systems, which are largely funded by federal dollars.

“I would struggle to surrender any part of the airfield,” he said.

A number of airports in Europe and South America have been turned over to private operators, but the trend has been slow to catch on in the United States.



[DES MOINES REGISTER](#)

Helicopters alter airport, National Guard lease dispute



[DES MOINES REGISTER](#)

National Guard declines to negotiate new airport lease

The Federal Aviation Administration launched an airport privatization program in 1997. Ten airports have started the process, but only the airport in San Juan, Puerto Rico, has become privately operated.

Union groups protested the privatization of that airport, saying it would result in job cuts and lower wages.

In Des Moines, union leaders say they're leery of privatizing part of the airport.

“It's a pretty large concern,” said Tom Hayes, business manager of Laborers Local Union 353, which represents about 25 workers at the Des Moines International Airport. “If you start privatizing, then you start taking away the public” control.

Foley said the airport has about a year before it will need to decide whether to pursue a public-private partnership or continue with the publicly funded terminal project as planned.