



Runway Money

by Harriet Baskas Jul 13 2008

Airports around the country are trying out surprising sources of income. Anyone want to buy some hay?



Row of slot machines in McCarran Airport, Las Vegas, Nevada.

Photograph by: Mark Lipson

Whenever staffers at [Detroit Metropolitan Wayne County Airport](#) discuss ways to increase income, one person suggests putting Viagra advertisements on the up escalators and ads for sleep aid Ambien on the down.

While most airports are owned by state or local governments, according to the Airports Council International—North America, they still operate like businesses and are required by the federal government to be as self-sustaining as possible. Traditionally, airports have generated most of their money from airlines—in the form of landing fees and fees for the use of terminal facilities—and from non-aeronautical sources such as parking lots, concessions, and advertising. But while the costs to run an airport have risen significantly over the years, airlines, pinched by high fuel prices, have balked at paying increased fees. In the scramble for dollars, some airports, especially smaller and midsize ones more vulnerable to losing airlines because of higher fees,

have turned to selling everything from branded products to natural-gas drilling rights.

Some of those efforts are yielding substantial returns, others just a few dollars. According to the Federal Aviation Administration, in fiscal year 2005, U.S. airports had total operating revenues of \$13.1 billion. Non-airline revenue represented \$6.1 billion, or about 47 percent, of that. By 2007, that figure had inched up: The \$6.5 billion airports earned from non-airline sources represented about 48 percent of overall airport revenues of \$13.6 billion.

Due to open in spring 2009, [Missouri's Branson Airport](#) may be the most entrepreneurial of them all. The 922-acre facility expects to serve between 275,000 and 500,000 passengers a year and will be the first privately financed and operated commercial service airport in the country. The airport will hawk naming rights and sign exclusive agreements with rental-car and ground-transportation companies, says executive director Jeff Bourk. Branson will run its own on-site telephone system, a wastewater treatment facility, and, probably, the bar. "We'll even create a company to reunite passengers with their lost luggage," Bourk says.

These new models may end up benefiting passengers, [says Kent Vanden Oever, associate director of the Alexandria, Virginia, consulting firm AirProjects.](#) "The more airports are able to get revenue from non-airline sources, the less they have to press airlines for money," he says. That helps airports keep airlines from looking for other places to land. "And, theoretically at least, every dollar the airlines save lets them keep fares at a reasonable level," he says.

Here's what airports around the country are doing to generate cash.

Selling Souvenirs

Once Iowa's [Sioux Gateway Airport](#) stopped being embarrassed by its airport identifier code (SUX), it began profiting from it. In 2007, T-shirts, caps, mugs, luggage tags, and bumper stickers branded with the airport's "Fly SUX" logo generated more than \$3,500 for the tiny airport. Internet and in-airport sales of SUX memorabilia should bring in twice that in 2008.

Taking a Gamble

During 2007, the [Reno-Tahoe International Airport](#) earned \$3.7 million from 245 slot machines that have been scattered throughout the facility since 1980. And last year, the 1,300 slot machines that have been a fixture at [McCarran International Airport](#) in Las Vegas since roughly 1985 yielded more than \$40.9 million for the Clark County Department of Aviation. McCarran's spokesman, Chris Jones, says that represents about 12 percent of the department's \$332.7 million overall revenue for the year.

Making Hay

At the 10,000-acre [George Bush Intercontinental Airport](#) and the 2,500-acre Ellington Field in [Houston](#), airport officials are banking on the land. "As they say, everything is bigger in Texas, and here in Houston we have lots of open land at our airports," says Rick Vacar, director of the Houston Airport System.

A few years ago, Vacar authorized the planting of Bermuda hay and the higher-protein Tifton 85 hay on airport land. In 2006, 800 acres of airport hay was sold locally through a broker, bringing in \$30,000. More was planted in 2007, but none was cut because the contractor backed out of the job. This year airport employees will step in, harvesting more than 2,000 acres of hay and an estimated \$500,000. So far, the profits are being plowed back into the program, but airport officials hope the investment will pay off in the future.

Digging for Dough

In Denver and Dallas/Fort Worth, the airports reap profits not only from what's on the ground, but what's beneath it.

The 34,000-acre [Denver International Airport](#) leases land for commercial real-estate projects and to farmers who plant soybeans, sunflowers, and wheat. The airport also reaps \$4 million to \$6 million a year from more than 50 oil and natural-gas wells that have been on airport property since it opened in 1995. (Many predate the airport itself.) While the airport's overall budget is more than \$500 million, "every little bit helps," says airport spokesman Chuck Cannon.

The 18,000-acre [Dallas/Fort Worth International Airport](#) earns about 65 percent of its revenue from non-airline sources, including two golf courses and the upscale Grand Hyatt D.F.W. in International Terminal D. The airport also sits on a giant natural-gas deposit, the Barnett Shale. In 2006, D.F.W. sold drilling rights to an energy company for a \$186 million "signing bonus" and 25 percent royalties. Today, 40 wells bring in about \$3 million a month in royalties. A total of up to 300 gas wells on airport property are planned over the next 15 to 20 years. D.F.W.'s C.E.O., Jeff Fegan, says the income is a form of "rent control" for airlines and a boon to passengers—the airport used \$40 million from the initial drilling bonus to renovate its original four terminals.

Naming a Solution

Detroit Metro Airport never installed the Viagra ads, but it is taking a lesson from the sports world. In 2007, airport officials put naming rights for the new north terminal, set to open this fall, up for sale. GSA-McConnell, the marketing partnership created to sell those rights, won't disclose the asking price, but right now there seem to be about 10 interested parties. Next up, advertising on your luggage?

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