



DALLAS/FORT WORTH
INTERNATIONAL AIRPORT

Statement of

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Before the
Committee on Commerce, Science & Transportation
Subcommittee on Aviation
United States Senate

Hearing on the
Wright Amendment

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On behalf of the Dallas/Fort Worth International Airport Board, I want to thank you for the opportunity to testify today on the recent efforts associated with repealing Section 29 of the International Air Transportation Competition Act of 1979, now more commonly known as the "Love Field Amendment" or the "Wright Amendment."

Over the last year, this issue has garnered a significant amount of local media coverage. Southwest Airlines' campaign has taken the form of television ads, billboards, and busses proclaiming "Wright is Wrong," and has also included Southwest Airlines' flight attendants clad in vintage hot pants soliciting signatures on a petition. As compelling as this media blitz may be to some, there are very serious public policy issues at stake, with very serious and real consequences hanging in the balance. This debate cannot and should not be reduced to sound bites, slogans, or simplistic arguments.

Despite the rhetoric to the contrary, this debate really has nothing to do with "the freedom to fly about the country" or about a law that is being portrayed as "anticompetitive." The fact is that a competitive, level playing field exists today in North Texas where low fare carriers compete side-by-side with legacy carriers – it is called DFW International Airport. At its essence, this is about a single carrier that refuses to compete with every other carrier at DFW Airport and wrongfully blames a piece of legislation on its refusal to provide service. In short, Southwest Airlines wants to compete on its terms and only on its terms and is asking Congress to intervene on its behalf. Good public policy has never and should never be predicated upon what is good for one company or its shareholders.

I respectfully submit that this debate should, instead, discuss the merits of honoring a compromise that was agreed to by all interested parties. The debate should be focused upon the public policy decision supported by the federal government which was acted and relied upon by the local authorities. The debate should assess the impacts of re-opening a facility that was destined to be closed to all commercial air traffic. The debate should consider the 268,500 men and women whose livelihoods depend upon an airport that was designed and built to permit all carriers to compete on a level playing field. This debate should assess the harmful effects to the residents and businesses around Love Field

that have relied upon this delicately crafted compromise. And finally, this debate should recognize the severe and unnecessary consequences to the entire North Texas economy if this agreement is broken.

I respectfully urge this committee not to fall prey to the pithy sound bites, simplistic arguments, or cute slogans. Instead of asking whether Congress should repeal the Wright Amendment, I respectfully submit that there are more appropriate questions that should be considered. Why, for example, does the Wright Amendment need to be repealed at all? Is the Wright Amendment what is really holding service back or is it a decision on the part of one company that chooses not to compete? Why has Southwest Airlines abandoned its 25-year stance of "passionate neutrality" at this particular time? And what are the true motives behind this repeal effort? I respectfully submit to you that it is, at minimum, suspect when the only profitable airline in the industry, the airline with one of the largest cash reserves, and the airline that carries more domestic passengers than any other carrier feels it necessary to ask Congress to intervene on its behalf so that it can "compete" in its own hometown, at an airport that it monopolizes.

Historical Rivalry for Commercial Air Service

To understand the genesis, complexities, and nuances of the Wright Amendment, it requires an understanding of how and why Dallas/Fort Worth International Airport was created. For many years, the cities of Dallas and Fort Worth were engaged in an intense and counterproductive rivalry for the business of commercial aviation and commercial air carriers. While the City of Dallas was enlarging and improving Love Field, the City of Fort Worth constructed Greater Southwest International Airport (GSIA). Love Field and GSIA were a mere twelve miles apart. As recounted in 1973 by Chief Justice William M. Taylor of the U.S. District Court for the Northern District of Texas, "serving two airports which were so close together resulted in unnecessary expense to the carriers as well as the taxpayers and inadequate and incomplete air service to both cities."

Recognizing this inefficiency, the federal government's Civil Aeronautics Board (CAB) instituted in August 1962, an investigation known as the Dallas/Fort Worth, Texas Regional Airport Investigation - docket number 13959. This investigation focused on the sole issue of whether the Certificate of Public Convenience and Necessity of interstate airlines under the CAB's jurisdiction should be amended so as to designate a specific airport as a single point through which all interstate air carrier service to Dallas and Fort Worth must be provided. After numerous hearings, the CAB in 1964 entered an interim order giving the two cities a period of 180 days in which to arrive at a voluntary agreement to designate the single airport through which the CAB regulated carriers would service the Dallas/Fort Worth area. In this order, the CAB went on to indicate that if the parties were unable to agree on a single airport to serve the area, then the CAB would have no choice but to make the determination for the two cities.

DFW Airport's Founding Documents

Given this impending designation, the Cities of Dallas and Fort Worth agreed to set aside their differences and united to design, finance, and construct a new regional airport. This airport was to be located mid-way between the Cities of Dallas and Fort Worth. After years of work, the City of Dallas and the City of Fort Worth finally entered into a Contract and Agreement on April 15, 1968, defining the power and duties of the Dallas/Fort Worth Regional Airport Board, creating the joint airport fund of the cities, and providing for the construction and operation of the Dallas/Fort Worth Regional Airport.

On November 2, 1968, the City of Dallas and the City of Fort Worth adopted by agreement the 1968 Regional Airport Concurrent Bond Ordinance. This bond ordinance served then, as it does today, as the vehicle upon which all revenue bonds are issued. Section 9.5(A) of the bond ordinance provides, in pertinent part, that the Cities of Dallas and Fort Worth "hereby covenant and agree that from and after the effective date of this Ordinance, shall take such steps as may be necessary, appropriate and legally permissible... to provide for the orderly, efficient and effective phase-out at Love Field, Red Bird, GSIA and Meacham Field, of any and all Certificated Air Carrier Services, and to transfer such activity to the Regional Airport effective upon the beginning of operations at the Regional Airport."

Section 9.5(B) goes on to provide, in pertinent part, that the Owner Cities further agree that they will “promote the optimum development of the lands and Facilities comprising the Regional Airport...” and “...neither the Cities nor the Board will undertake with regard to the Regional Airport, Love Field, GSIA, Meacham Field or Red Bird, any action, implement any policy, or enter into any agreement or contract which by its or their nature would be competitive with or in opposition to the optimum development of the Regional Airport.” Finally, section 9.5(B) provides that “...none of the airports of the Cities shall be put to or developed for any use which by the nature thereof the optimum use and development of the Regional Airport, including its air and land space, at the earliest practicable date will be impaired, diminished, reduced or destroyed.”

With the creation of the Regional Airport Board and a long-term funding mechanism in place, the Dallas/Fort Worth Regional Airport Board entered into a Use Agreement on January 1, 1974 with those commercial air carriers serving the Dallas/Fort Worth region. Every carrier serving the North Texas region executed the Use Agreement except for Southwest Airlines, which was at the time an *intrastate* carrier only, regulated by the Texas Aeronautics Commission. In addition to defining the duties and obligations of both the Airport Board and the signatory airlines in the operation of the airport, the signatory airlines agreed under the Use Agreement that they would “conduct [their] Certificated Air Carrier Services serving the Dallas/Fort Worth area to, from, and at the [DFW] Airport, to the extent required by the terms of the 1968 Regional Airport Concurrent Bond Ordinance.” In layman’s terms, the signatory carriers were contractually prohibited, at the time, from operating out of any other airport in North Texas, except DFW Airport.

Southwest Wins Right to Remain at Love Field for Purely “Intrastate” Service

Consistent with both the Bond Covenants and the Use Agreement, the City of Dallas and the City of Fort Worth proceeded to provide for the phase-out of all Certificated Air Carrier Services at their respective designated airports. Despite these efforts, including a series of lawsuits, Southwest Airlines eventually won the right to operate *intrastate* service out of Love Field because, the Court concluded,

that purely "intrastate service" did not fall within the definition of "Certificated Air Carrier Services" under the Use Agreement and the Bond Ordinance.

In keeping with this ruling, only *intrastate* service was permitted into and out of Dallas Love Field from 1973 to 1978. Then in 1978, the U.S. Congress changed the regulatory scheme of civil aviation when it enacted the Airline Deregulation Act. Prior to the complete elimination of these regulatory controls, and over the objections of the City of Dallas, the City of Fort Worth, the Dallas Chamber of Commerce, the Fort Worth Chamber of Commerce, the North Texas Commission, and DFW Airport, Southwest Airlines sought and received a certificate of authority from the Civil Aeronautics Board to provide non-stop "*interstate*" service effective September 1979 from Dallas Love Field to New Orleans. This authority came as a part of Southwest Airlines' Automatic Market Entry Investigation (CAB order 79-9-192), wherein the CAB concluded that it had no discretion to deny Southwest Airlines' request.

Congressional Compromise is Reached

Recognizing that such a route would undermine the 1968 Agreement and the 1968 bond covenants, the Cities of Dallas and Fort Worth determined that the public interest in aviation safety was best served by requiring all regularly scheduled *interstate* commercial flights, except air taxi flights, to serve the Dallas/Fort Worth Regional Airport. This is embodied in the Dallas City Council resolution dated November 7, 1979, wherein the City of Dallas expressed "its support for Federal Legislation which would make it clear that the City of Dallas and the Dallas-Fort Worth Regional Airport Board have authority to provide that all regularly scheduled commercial flights in interstate commerce shall be conducted into and from Dallas-Fort Worth Regional Airport, unless otherwise authorized by the City and the Board." Similarly, the City of Fort Worth expressed strong support for federal legislation "which encourages the provision of regularly scheduled interstate air service through the Dallas/Fort Worth Airport to the exclusion of other airports in the region," in a resolution adopted November 1, 1979.

In light of Southwest's intent to begin operation of interstate service from Love Field and in light of the City of Dallas and the City of Fort Worth's request for federal legislation that would clarify where all interstate commercial flights to and from the North Texas area should be conducted, the U.S. House of Representatives passed legislation which would have prohibited a common carrier from operating any regularly scheduled interstate commercial passenger flights into or from any other airport within a 20 mile radius from Dallas/Fort Worth Regional Airport. Thus, the effect was to make DFW Airport the only permissible airport for interstate traffic in the DFW area as originally contemplated by the federal government and as intended by the City of Dallas and the City of Fort Worth when they originally agreed to build, construct and operate DFW to the exclusion of all other airports. This provision was part of the House version of the International Air Transportation Act of 1979. The Senate, however, passed no comparable provision in its companion bill of the International Air Transportation Act of 1979.

Consequently, a compromise was reached in the form of a conference substitute which specifically prohibited Love Field from being used for interstate air transportation of passengers unless it met one of three exceptions. The first exception permitted turn-around service between Love Field and points within the contiguous states of Louisiana, Arkansas, Oklahoma, New Mexico and Texas provided that the air carrier did not permit through servicing or ticketing and did not offer for sale of transportation service outside these states. The second exception permitted charter air transportation provided that these charters did not exceed 10 flights per month. Finally, the third exception permitted air transportation provided by commuter airlines operating aircraft with a passenger capacity of 56 passengers or less.

The Senate agreed to this Conference Report on January 31, 1980; while, the House agreed to the Conference Report on February 4, 1980. Subsequently, the International Air Transportation Act of 1979, and more particularly, Section 29 (more commonly known as the "Love Field Amendment" and/or "Wright Amendment") was enacted into law on February 15, 1980.

Southwest Airlines was a Willing Participant in the Compromise

As embodied in the Conference Report, Section 29 “provides a fair and equitable settlement for a dispute that has raged in the Dallas/Fort Worth area for many years. It has been agreed to by the representatives of Southwest Airlines, the City of Dallas, the City of Fort Worth, DFW Airport authority, and related constituent groups.” Thus, the Wright Amendment was and is a delicately crafted compromise designed to settle a historical dispute in this region. More importantly, it was designed to accomplish the goal initially outlined by the federal government to avoid a duplication of expenses, and resolve inadequate and incomplete air service to both cities.

In an apparent attempt to rewrite history in hopes of building support for repealing the Wright Amendment, Southwest Airlines has recently attempted to distance itself from the compromise that it actually helped create. It might be of interest to this subcommittee to learn that Southwest Airlines actually lobbied for the passage of the Wright Amendment. This is evidenced in a letter drafted and delivered to both House and Senate conferees on December 11, 1979, by the lead lobbyist for Southwest Airlines at the time, Mr. J.D. Williams. In the letter, Mr. Williams indicates that he “enclosed... a copy of language which Southwest Airlines supports as a compromise on the Love Field interstate service controversy.” He goes on in the letter to indicate that Southwest Airlines is “pleased that the parties to this long-standing controversy have been able to reach this compromise, which we believe to be the only viable one.” Finally, he urges the conferees for their “support” of this compromise.

Immediately after the passage of this compromise, Mr. Herb Kelleher, was quoted in the Fort Worth Star-Telegram on December 13, 1979, fully acknowledging and accepting “the compromise as the ‘final resolution’ in their seven year fight over use of Dallas’ Love Field.” In that same article, he was quoted as saying that he is “personally pleased with the idea that this will finally bring peace to the Dallas-Fort Worth area.” Southwest Airlines’ Herb Kelleher went on in the article to acknowledge that his company’s growth would be restricted at Love Field unless it chose to move some of its operations to DFW:

“Kelleher disputed Wright’s contention that Southwest will have to pull up its Love Field stakes and move to DFW Airport if it hopes to grow. However, he conceded, growth of Southwest’s Dallas operations will be severely restricted if the airline doesn’t eventually make that move.”

Thus, immediately following passage of the Wright Amendment, Mr. Kelleher fully understood that the compromise to which he agreed would ultimately require him to run a split operation at Love Field and at DFW International Airport.

In its own media release, dated December 17, 1979, Southwest Airlines admitted that the Wright Amendment is a compromise that prevents Love Field from ever competing with DFW Airport:

“Herb D. Kelleher, Chairman of the Board, said, ‘Although the compromise amendment very substantially curtails the amount of interstate air service Southwest can provide from Love Field and also effectively prevents Love from ever becoming an interline or connecting complex competitive with DFW Airport, we are nonetheless happy that peace has been achieved after nearly ten years of controversy. Southwest Airlines can now proceed with its long-term route planning and concentrate fully on the profitable management and expansion of the airline. Hopefully, the time-consuming and expensive legal battles of the last decade are behind us.’”

A year later, when confronted with the threat of Texas International flying interstate traffic out of Love Field, Southwest urged Dallas, Fort Worth, and DFW officials to honor the compromise. In a memorandum from Mr. Kelleher dated August 4, 1980, to the members of the Dallas and Fort Worth City Councils and the members of the DFW Regional Airport Board he stated that, “We have abided by the ‘Love Field Compromise’ in good faith and we feel confident that each of you will want to do the same.”

In fact, Southwest actually attempted to use the Wright Amendment to keep its competitors out of Love Field when it filed a response to Texas International’s proposed service out of Love Field on August 23, 1980. In that filing, Southwest Airlines chastised the Civil Aeronautics Board:

“The Love Field Legislation was intended to settle once and for all the ‘dispute that has raged in the Dallas/Fort Worth area for many years. Now, TI [Texas International] seeks to reopen that fight and upset the delicate balance which has brought peace for the first time in over a decade. Congressional intent to the contrary is clear. Southwest does not object to TI using Love for intrastate flights (which apparently is all it wants to do) so long as the law is obeyed and TI’s certificate properly reflects what it may and may not do. There is simply no reason for the [Civil Aeronautics] Board to raise again the spectre of full scale

commercial use of Love Field which has exacerbated this situation for so long, and which Congress has been to such pains to exorcise."

Similarly, in 1985, Southwest Airlines urged the Department of Transportation to limit Love Field to short-haul service as originally envisioned in the Wright Amendment when it filed Comments of Southwest Airlines in Response to Order 85-7-65, dated August 23, 1985. In that filing, attorneys for Southwest argued that there were severe local concerns that must be considered:

"The Department should respect the will of Congress and recognize the Amendment for what it is – a congressional declaration that in this one instance, competition should be limited to carriers which emphasize short-haul, turnaround service and which restrict their size by refraining from interlining anywhere on their systems. Congress endorsed this Love Field compromise in recognition of severe local concerns, and in the interest of peace."

In fact, Southwest's own attorneys in that same filing stated that "the conferees obviously thought they were enacting into law the agreement and understanding reached between Southwest and the Texas civic parties."

In another docket filed by Southwest Airlines in its Reply Comments in the Love Field Amendment Proceedings (Docket 43307) filed by Herbert D. Kelleher and Paul Y. Seligson on August 30, 1985, Southwest argued that Congress should rebuff any efforts by any carrier, including Continental Airlines, to change the Wright Amendment. Specifically, Southwest argued that "should Continental now address its pleas to Congress, where they properly belong, the legislators would doubtless be tempted to reply in the words of Lewis Carroll: ***'I have said it three times, and that is enough. Be off, or I'll kick you downstairs.'***"

As late as 1989, Mr. Kelleher acknowledged that he had pledged not to overturn the Wright Amendment when he stated in an interview with Financial World, on March 21, 1989, that "operationally, it's [the Wright Amendment] extremely difficult, but I pledged we wouldn't seek to overturn it." In fact, in an interview with the Fort Worth Star-Telegram on April 30, 1992, Mr. Kelleher conceded that any changes to the Wright Amendment should involve all parties:

"Obviously, if you look at it from a technical legal standpoint, it takes the U.S. Congress to change the Wright Amendment. Since we are neutral on the subject, we are neither happy

or disappointed,' Kelleher said. 'I've made statements many times that we'd be willing to abide by what's agreeable to the parties.'"

Obviously, there is more than ample evidence that Southwest Airlines supported passage of the Wright Amendment, attempted to use it to prevent carriers from entering Love Field, lobbied the Department of Transportation to fulfill its intent, urged all parties to honor the agreement, and suggested Congress should kick out anyone who seeks to alter the agreement. As John Adams once wrote, "[f]acts are stubborn things; and whatever may be our wishes, our inclinations, or the dictates of our passion, they cannot alter the state of the facts and evidence." Unfortunately, despite the 25 years of neutrality on the issue and Mr. Kelleher's public pledge to support the compromise, the current management team now seeks to ignore the facts, and Mr. Kelleher's pledge.

Southwest Airlines Has Flourished in its Safe-Harbor at Love Field

Southwest Airlines has recently argued that it has labored under this compromise. Again, the evidence belies this argument. The reality is that Southwest Airlines was able to operate at Love Field in a protected and safe-harbor environment insulated from the other airlines which had signed DFW's Use Agreement that, at the time, contractually prohibited them from returning to Love Field.

Today, Southwest Airlines garners an unprecedented 97 percent seat share of commercial air traffic into and out of Love Field. There is no other major airport in the United States dominated more by a single carrier than Dallas Love Field. To put that in perspective, prior to Delta's recent elimination of its hub at Dallas/Fort Worth International Airport, American Airlines' largest seat share was 73 percent. After Delta's recent elimination of its hub, American Airlines garners approximately 83 percent seat share, a full 10 percentage points less than what Southwest currently maintains at Love Field.

More importantly, Southwest's virtual monopoly at Love Field has permitted it to garner the highest yield of any airport that Southwest Airlines has served over the last five years. This was documented in a recent report authored by Professor Bijan Vasigh of Embry-Riddle Aeronautical University. In

Professor Vasigh's report, which was published on October 18, 2005, he analyzed the airports with the highest yields for Southwest Airlines from 1999 to 2004. Eight of the top ten markets are within a narrow stage length band. Of these eight, Southwest Airlines' highest yield was achieved at Love Field with a 21.02 cent average yield per passenger mile. This yield was 3 cents higher than the next closest airport from which it operates. Factoring out Dallas Love Field, the median for the remaining seven airports over that same time period was 16.47 cents per passenger mile, or 4.6 cents below the yield achieved at Love Field. Thus, Southwest Airlines commands a 28 percent premium out of Love Field. In short, it is hard to fathom how Southwest has labored under the Wright Amendment when it maintains such a dominance at Love Field and can demand the highest yield per passenger mile of any market in which it serves.

Wright Amendment Permits Southwest Airlines to Fly Anywhere in the United States

A little known fact is that Southwest Airlines has the right to fly today out of Love Field under the Wright Amendment to any destination across the United States. As I described earlier, the Wright Amendment permits any aircraft with 56 seats or less to fly anywhere in the United States that Southwest Airlines, or any other carrier, desires. Now Southwest Airlines will undoubtedly respond that it doesn't own any jet that has 56 seats. The fact of the matter is that it could, like every other carrier, make a business decision to buy regional jets that have 56 seats, or form an alliance with another regional carrier or affiliate that possesses regional jets.

Instead of flying within the law, Southwest Airlines has needlessly plunged the North Texas community into a very divisive debate. The fact that Southwest Airlines chooses not to buy 56-seat regional jets or to form an alliance with an affiliate company is a decision that Southwest has a right to make; however, one company's business decision should not dictate a change in good, sound public policy which has served this community well for the last 25 years and has been relied upon by so many.

Current Financial Challenge Facing DFW Airport

In 1997, after waiting for a final interpretation by the courts over the Shelby Amendment and assessing the implications it would have on service levels at DFW Airport, the Airport embarked upon an extensive capital development plan designed to improve and expand Dallas/Fort Worth International Airport. This \$2.7 billion Capital Development Plan was supported and authorized by the airlines, the DFW Airport Board, the City of Dallas, and the City of Fort Worth. After a series of unprecedented and unpredictable challenges including the terrorist attacks of September 11th, SARS, and the overall financial instability of the airline industry, this eight-year Capital Development Program came to a successful end.

The program culminated with the opening of the new Skylink airport train, which opened to the public on May 21, 2005, and now connects all of the airport's terminals by rail. Shortly thereafter, International Terminal D was opened to the fanfare of the traveling public on July 23, 2005. These two projects, combined with other airfield and roadway improvements, increased the Dallas/Fort Worth International Airport Board's debt from \$676 million to \$3.8 billion, nearly a six-fold increase.

The airport judiciously pursued this long-term investment, completing the project on time and under budget in the face of these unprecedented challenges. Fortunately, DFW Airport was able to maintain a competitive cost structure well in line with other peer airports across the country. Although this increase in the airport's debt load was anticipated, no one expected or could have predicted that on the heels of this investment, Delta Air Lines would abandon its hub at DFW, jet fuel prices would hit an all time high, and Southwest Airlines would call for repeal of the Wright Amendment.

Delta Air Lines' Decision to Eliminate Its Hub

In February of this year, Delta Air Lines eliminated its hub at Dallas/Fort Worth International Airport as part of a larger restructuring of the airline. At the time, Delta Air Lines was DFW Airport's second largest carrier, with 566 flights to and from 72 non-stop destinations. By the end of February, Delta Air

Lines had eliminated 522 of these flights and reduced its service to just three destinations—Salt Lake City, Cincinnati, and Atlanta. With the elimination of its hub, Delta Air Lines' gate requirement fell from 28 gates it used to operate in Terminal E to just four. Three of these 28 gates have subsequently been re-leased to AirTran Airways; unfortunately, as of today, DFW Airport still has 21 gates that remain unleased in Terminal E.

Obviously, Delta Air Lines' decision to eliminate its hub had a significant impact on the North Texas economy. In a study performed by Bernard L. Weinstein, Ph. D., and Terry L. Clower, Ph. D., from the University of North Texas, it is estimated that more than 7,000 jobs were lost in the Dallas/Fort Worth area, \$344 million in lost salaries and wages, and more than \$782 million in total losses to the North Texas economy on an annualized basis. By any measurement, this was a serious blow to DFW Airport and the North Texas economy.

It bears noting that only after DFW Airport completed the financing of its Capital Development Program and only after Delta Air Lines eliminated its hub, did Southwest Airlines choose to abandon its 25-year stance of "passionate neutrality" on the Wright Amendment and plunge this community into this caustic and divisive debate.

The Traveling Public Wants Southwest Airlines at DFW Airport

In the face of Delta Air Lines' elimination of its hub, DFW Airport has been aggressively targeting both new carriers and existing carriers to backfill the service lost as a result of Delta's decision. In fact, virtually every low-cost airline has been approached by DFW Airport, with Southwest Airlines on the top of that list.

It should be no surprise that the traveling public wants Southwest Airlines at DFW International Airport. In a formal survey conducted by the International Ford Group between July 2 and July 5, 2005, more than 2,700 travelers were sampled. They were asked a simple question: Do you want Southwest

Airlines to begin service at DFW International Airport? The response to that simple question was nothing short of overwhelming. Of the more than 2,700 travelers sampled, 62 percent wanted Southwest Airlines to initiate service from DFW International Airport. When you factor out those who expressed no opinion on the issue, the results are even more compelling. Eighty-five percent of those who had an opinion on the issue wanted Southwest Airlines to initiate service at Dallas/Fort Worth International Airport.

Recognizing that travelers want Southwest Airlines to begin service from DFW Airport, and recognizing that DFW Airport had 21 vacant and available gates, DFW Airport placed an unprecedented offer on the table in an attempt to attract Southwest Airlines to DFW. The offer itself is valued at more than \$22 million and includes one year of free rent, the acquisition of ground service equipment, capital funding for facility improvements, and cooperative marketing funds.

Unfortunately, Southwest Airlines has repeatedly rebuffed DFW's offer despite the fact that it both publicly and privately admitted that it can operate at DFW Airport. Since these early admissions, Southwest has attempted to concoct new and varied excuses as to why it refuses to operate from DFW Airport. The most recent claims include that DFW is too congested, that Southwest Airlines cannot run split operations between two airports, and that DFW is too expensive.

Again, the claims are baseless. Today, Southwest Airlines flies out of seven of the country's busiest airports, all more congested than DFW Airport. Based upon the U.S. Bureau of Transportation statistics, Baltimore/Washington, Chicago Midway, Philadelphia, Las Vegas, Los Angeles, Phoenix, and Detroit all had a higher percentage of flight delays in the first quarter of 2005 than DFW Airport. Similarly, Southwest Airlines serves other metropolitan areas out of multiple airports including southern Florida, where Southwest Airlines serves both West Palm Beach and Ft. Lauderdale airports, and in the Los Angeles basin, where Southwest Airlines serves four airports, including Burbank, Los Angeles, Ontario, and Santa Ana. It should also be noted that until this effort to repeal the Wright Amendment

was announced, Southwest also served both Houston George Bush Intercontinental and Houston Hobby.

In terms of cost, Southwest Airlines flies today out of eight airports that are more expensive on a net cost per enplaned passenger basis than DFW Airport. Based upon the data compiled by Leigh Fischer and Associates from airport sources, airports with a higher net cost per enplaned passenger than DFW Airport's current cost of \$8.30 include Ontario at \$12.05, Portland at \$11.74, Seattle-Tacoma at \$11.41, Pittsburgh at \$11.02, New Orleans at \$9.18, Philadelphia at \$9.09, Albuquerque at \$8.36, and Austin at \$8.31. The most compelling example, however, lies in Southwest Airlines' recent announcement that it will initiate service into Denver International Airport. Today, Denver International Airport has a net cost per enplaned passenger of \$13.05, which is 57 percent more than DFW Airport's net cost per enplaned passenger. Obviously, if Southwest can operate from one of the most expensive airports in the country, it can easily do so at DFW.

The simple and undeniable fact is that Southwest can and should leave its short-haul traffic at Love Field and initiate long-haul traffic at DFW Airport exactly as Mr. Kelleher predicted his company would need to do in 1979 when the Wright Amendment was passed. This "split operation" is precisely what Continental Airlines does today. Continental Airlines operates short-haul flights from Love Field to Houston while also operating long-haul flights from DFW Airport to Cleveland and Newark.

Despite the rhetoric to the contrary, it is not a piece of legislation that is holding back Southwest Airlines' service, but a conscious decision on the part of Southwest Airlines' management team. Every other carrier serving North Texas, including five other low cost carriers, soon to be six when Spirit Airlines initiates service on January 10th, operates from DFW Airport. Not one of these six low cost carriers has seen the need nor the wisdom in asking Congress to intervene on their behalf. Instead, they simply have chosen to compete.

Impacts of Repeal on Love Field

In the frenzy to paint this issue as one of “competition” and “low fares,” few have taken the time to focus upon the consequences of repealing the Wright Amendment. The impacts will be significant and are supported by sound data and credible experts. The first and most obvious to be impacted are the homeowners and business owners around Love Field.

In attempting to sidestep the impacts associated with reopening Love Field, Southwest Airlines readily cites the Love Field Master Plan and the company’s willingness to abide by that Plan. What Southwest Airlines fails to acknowledge is that the Master Plan assumed that there would be no further changes to the Wright Amendment. The Love Field Master Plan also contemplated that any growth at Love Field would occur on regional jet aircraft not on mainline jet aircraft. It was precisely these two assumptions that led all parties, especially the residents around Love Field, to reach an agreement to support the Master Plan.

To quantify this impact, two independent studies from two separate and well respected aviation consulting firms conducted an analysis on repealing the Wright Amendment. The first study, performed by Simat, Helliesen & Eichner, Inc. (SH&E), concluded that, even assuming the Love Field Master Plan was enforceable and viable in the face of a repeal of the Wright Amendment, an additional 312 aircraft operations would occur daily at Love Field. SH&E then took their analysis one step further and assumed that if the Love Field Master Plan is ultimately deemed no longer viable, then Love Field could see an increase of as many as 484 flights a day. In a separate study, the Eclat Consulting firm came to a similar conclusion and estimated that Dallas Love Field could experience 251 additional daily flights if the Wright Amendment were repealed.

Equally disturbing is the size of the jets that will be flown and the impact these jets will have on passenger traffic and the noise around Love Field. The Love Field Master Plan assumed and modeled a mere one percent increase in mainline jets. However, the repeal of the Wright Amendment will result in significant growth in large aircraft departures as Southwest Airlines, American Airlines, and other

carriers respond to the change in the law. Based upon 2005 operational levels, SH&E projects that large jets operating from Love Field will grow 133 percent if the Wright Amendment is repealed, assuming the 32-gate limit in the Master Plan holds. Without such a gate limit, SH&E predicts that large jets will grow an astonishing 208 percent.

With this explosion in service at Love Field, passengers are projected to increase by as many as 16 million passengers on an annualized basis, growing from 6.6 million to upwards of 22 million, representing a staggering 234 percent growth in terms of passengers. In contrast, the Master Plan that was agreed to by both Southwest Airlines and the neighborhoods only contemplated passenger growth at 14 percent between 2005 and 2020 because it assumed growth on regional jets and because it assumed the Wright Amendment would remain undisturbed.

Obviously, such an impact would put a strain on existing facilities and roadway infrastructure. Residents and businesses around Love Field will also experience a substantial increase in both noise and emissions. A simple thing such as a change in fleet mix can have a dramatic impact on noise levels in and around Love Field. As an example, American Airlines will likely fly McDonnell Douglas (MD) 80s out of Love Field. From a noise perspective, an MD 80 departure is, on average, 10 decibels louder than the average noise of an Embraer regional jet on departure which was modeled under the Love Field Master Plan. To put that in perspective, a 10 decibel increase in noise is perceived by the human ear as being twice as loud.

Another way to assess the potential impact is to compare the noise footprints of these jets. Based upon two independent analyses, one done by NASA Langley Research Center in September 2003 and the other by Wiley Acoustics done in August 2005, a departure of a Boeing 737-300 has an 80 decibel single event noise contour which covers approximately 5.5 to 5.8 square miles. In contrast, an MD 80 has an 80 decibels single event noise contour which covers 17 square miles. In layman's terms, the size of the area that will experience a single event noise contour of 80 decibels, when American Airlines is

forced to compete at Love Field and deploys their MD 80s, is three times larger than the current footprint experienced today when Southwest departs a Boeing 737 jet.

Fortunately, DFW Airport's large land mass of more than 18,000 acres serves, in part, as a buffer, protecting the surrounding homeowners and business owners from both the environmental and operational impacts associated with operating an airport. With only 1,300 acres, Love Field simply does not have a buffer. It also does not have the roadway infrastructure to handle the expected tripling of traffic which is projected. Reopening Love Field will undoubtedly have a negative impact on noise, emissions, and the quality of life for those who live and work in and around Love Field. Unfortunately, this is not what the residents bargained for when they agreed to the Love Field Master Plan.

Impacts of Repeal on DFW Airport

The SH&E study also focused upon the impact to DFW Airport if the Wright Amendment were repealed. Given the projected growth at Love Field, SH&E concluded that DFW will lose a substantial amount of traffic. In fact, SH&E predicts that DFW could lose as many as 408 daily flights, or 20 percent of DFW's current operations, and as many as 21 million passengers annually, representing a 35 percent decline from current levels. With this substantial loss, DFW Airport passenger levels will decrease to levels seen 20 years ago, and it will take another 19 years for traffic just to recover to current levels. In short, repealing the Wright Amendment will amount to a 39 year penalty for DFW International Airport, the traveling community and businesses that have come to rely on DFW's economic vitality, and the airlines which moved to DFW in reliance upon the closure of Love Field. Equally, if not more important, will be the untold impact on the lives of the 268,500 men and women who have their jobs tied to DFW Airport.

The Eclat study also predicts that many cities are at risk of losing some or all of its air service as DFW's hub is drained of passengers. The Eclat study attempted to categorize the cities by risk. In terms of those "most at risk," there are 15 cities that would likely lose some or all of their air service. Cities such

as Waco, Texas; Fayetteville, Arkansas; and Springfield, Missouri all topped the list of those most likely to lose service. There were an additional 50 cities identified as at "moderate risk." These cities spanned all parts of the country and included cities such as Dayton, Ohio; Birmingham, Alabama; Orange County, California; and Louisville, Kentucky. The Eclat study also identified 15 international cities that are likely to lose flights as a result of less connecting traffic and the ultimate degradation of DFW Airport's hub. Cities identified as candidates to lose service include Lima, Peru; Santiago, Chile; Sao Paulo, Brazil; and London, England, just to name a few.

Having just added \$2.7 billion in new debt, while facing the prospect of losing 21 million passengers, 408 daily flights, and a significant number of domestic and international destinations, DFW Airport would be under severe financial stress at a time when it is least equipped to handle it. As an example, if the Wright Amendment is repealed, it is conservatively estimated that 35 gates would sit empty and unused. To put that in perspective, San Antonio International Airport has 28 gates in total, Austin-Bergstrom International Airport has 25 gates, Mineta San José International Airport has 32 gates, and Indianapolis International Airport has 35 gates. DFW would have vacant and idle the rough equivalent of the total number of gates at each of these airports.

Repealing the Wright Amendment will also have a dramatic impact upon DFW's cost structure. DFW's net cost per enplaned passenger in Fiscal Year 2006 is projected at \$8.30. If efforts to repeal the Wright Amendment are successful, DFW Airport's cost is projected to increase 54 percent to \$12.81, assuming that the Love Field Master Plan remains intact. If the plan is deemed unenforceable, and Love Field traffic could grow uninhibited, it is estimated that DFW's net cost per enplaned passenger would increase almost 100 percent to \$16.47. Without question, this would have a dramatic impact upon DFW Airport's cost structure and its ability to attract new air service, creating a potentially irreversible downward spiral.

If these predictions were not in and of themselves sufficient reason to abandon any efforts to repeal the Wright Amendment, then I would respectfully suggest that Congress heed the warnings of another

expert – Mr. Herb Kelleher. Mr. Kelleher testified under oath in a deposition in a lawsuit styled Zamutt v. Skinner, U.S. District Court of California, October 8, 1990. In that deposition, Mr. Kelleher was asked whether or not Southwest supported repeal of the Wright Amendment. He answered, “No, we do not.” When asked why, he responded as follows:

“Well, we think that there is some merit to the position that there is no city in the United States that has two full-fledged hubs competing against one another successfully. There are cities that have a main airport and satellite airports which live well in a complementary relationship, harmonious relationship; and we too have to agree as a matter of logic and principle that if you allowed Love Field to come up as a full-fledged hub in opposition to D/FW Airport that indeed air service to the Metroplex would suffer to some extent because basically a hub-and-spoke system depends for its success upon attracting passengers from a multitude of spokes that will fill up an airplane going to another destination. If you divide that type of operation between two airports, you’re likely to lose service to some of the smaller cities.”

Mr. Kelleher’s statement was accurate when he responded under oath in 1990 and remains accurate today. It should serve as a warning to any and all who want to repeal the Wright Amendment that there will be serious consequences.

Potential Impacts of Repeal on Fares

Recently, Southwest Airlines commissioned The Campbell-Hill Aviation Group, Inc. (Campbell-Hill) in an effort to support its proposition that repeal of the Wright Amendment will result in lower airfares. In fact, Southwest Airlines has hinged its entire argument for repeal around wanting to bring low fares to North Texas travelers. A close analysis of this report reveals that it is based upon a series of flawed assumptions.

Recently, a professor from the Embry-Riddle Aeronautical University, Bijan Vasigh, undertook an analysis of the Campbell-Hill report. His findings were quite telling. Professor Vasigh concluded in his analysis that the Campbell-Hill “report works under the assumption that there are currently no low cost carriers at Dallas-Fort Worth International Airport.” As you will learn in a moment, this is a blatantly false assumption. Professor Vasigh goes on to point out that the Campbell-Hill study “relies upon pricing and market stimulation assumptions that are more than a decade old in an industry where prices

change by the thousands every day.” Finally, Professor Vasigh points out that the Campbell-Hill study “gives no credit to the fact that airfares were restructured earlier this year in all DFW domestic markets, reducing the average fare paid by DFW passengers.” In short, Professor Vasigh concludes that Southwest’s fortress strategy in repealing the Wright Amendment is not about a more competitive market and lower prices, but rather it is about the concentration of its monopoly power at Dallas Love Field.

In support of this conclusion, we would respectfully offer the following indisputable facts. The fares at DFW have been dramatically falling as carriers adapt to the changing marketplace. As an example, American Airlines fares at DFW have fallen 32 percent since year ending First Quarter 2001. In contrast, Southwest Airlines fares at Love Field have fallen over that same time period by three percent. DFW’s average domestic one-way fare declined from \$218 in the First Quarter 2001 to \$157 in the First Quarter 2005. In fact, just in the last year, from First Quarter 2004 through First Quarter 2005, DFW’s average fare has declined 11.4 percent, well ahead of the national average of six percent.

Today, at DFW Airport, approximately 25 percent of all one-way fares are less than \$100. This is directly attributable to American Airlines restructuring its fares in the last year and the impact of the five low cost carriers that have chosen to offer service from DFW Airport. Despite Campbell-Hill’s incorrect assumption to the contrary, AirTran Airways, ATA, US Airways, Frontier, and Sun Country Airlines all compete head-to-head against American Airlines at DFW Airport, with Spirit Airlines initiating service in January.

It should not go unnoticed that Southwest Airlines’ decision to announce the end of its “passionate neutrality” on the Wright Amendment occurred just as the low cost carriers’ seat share at DFW was on the rise. When looking at low fare carrier seats at both DFW Airport and Love Field, low cost carriers at DFW had grown from 15 percent of the North Texas marketplace (where Southwest dominated having 85 percent of the low cost seats in the marketplace) to 25 percent in November 2004. This had the

effect of reducing Southwest's low cost seat share dominance by a full ten percentage points in the DFW marketplace.

We are firmly convinced that, at least in part, Southwest's efforts to repeal the Wright Amendment are in direct response to the fact that low cost carriers were growing at DFW Airport and providing competitive low cost service to 14 markets across the United States. It should also be noted that these same low cost carriers have one-stop connections to almost 150 markets in the United States. To put that in perspective, of DFW's total origin and destination passenger traffic, more than 80 percent of DFW's passengers can reach their destination on a low cost carrier from DFW Airport. Today, more than one out of eight local passengers flying into and out of DFW Airport fly on low cost carriers.

The fact is that DFW already has low cost carrier service in six of the 15 markets modeled and proffered by Southwest Airlines' Campbell-Hill study. As accurately concluded by Professor Vasigh in his report:

"Economic theory does not discriminate between traditional and low cost carriers in regard to being a monopoly. But the facts are that American Airlines has ample competition at DFW to discipline the marketplace, while Southwest has virtually none at DAL."

In short, we would respectfully suggest that Southwest's efforts to repeal the Wright Amendment have very little to do with providing low fare service to the traveling public, and everything to do with continuing to dominate the market from its fortress position at Dallas Love Field. Unfortunately Southwest Airlines' efforts have resulted in 'chilling' the competitive marketplace in North Texas by waging this needless debate over the Wright Amendment.

Competition Among Airlines is Great

No one can legitimately question the fact that it was good public policy back in 1965 when the federal government urged the City of Dallas and the City of Fort Worth to unite and build what by any measurement has become the economic engine connecting Dallas and Fort Worth residents to destinations around the globe. Today, based upon a Texas Department of Transportation (TxDOT) study, DFW Airport is directly and indirectly responsible for the employment of 268,500 men and

women. In terms of economic impact, TxDOT estimates that the airport contributes \$14.3 billion to the economy on an annualized basis, with a payroll of \$6 billion. The economic engine generates activity and opportunities for a diverse set of businesses and business owners. Based upon DFW Airport's latest statistics, minority- and women-owned businesses generate \$154 million in annual economic activity, and support 2,200 jobs with a payroll of \$56 million from activities on DFW International Airport.

What was good public policy in 1965 remains good public policy today. It is the public policy of building a large airport where every carrier can compete effectively and fairly on the same level playing field. In fact, this public policy has been implemented across the country and has become the standard across the United States when municipalities are considering building a new airport.

In virtually every case where a new airport has been built in recent history, the older, existing airport in the community has been either closed completely or has been permanently limited to general aviation. Examples include Alexandria, Louisiana; Cleveland, Ohio; Detroit, Michigan; Fort Myers, Florida; Kansas City, Missouri; Killeen, Texas; Minneapolis/St. Paul, Minnesota; Northwest Arkansas; and Seattle-Tacoma, Washington, just to name a few.

The two most recent examples, however, are the most compelling. On the day that the new Denver International Airport was open for service, Stapleton, the older inner-city airport, was closed permanently to all operations. Today, the Stapleton area serves as a shining example of redevelopment that is to be envied across the country.

The last major airport to be built was in Austin, Texas. In that case, Robert Mueller Municipal Airport, an older inner-city airport, was also closed completely. At the time, many of the airlines that served Robert Mueller Municipal Airport refused to move to the new airport until there was a contractual commitment on the part of the City of Austin that Robert Mueller Municipal Airport would never again be opened for commercial air service. Southwest Airlines was one of those airlines that benefited from

the closure of Robert Mueller Municipal Airport. It, like the other airlines, did not want the older inner-city airport to be reopened at a lower cost structure when all the other airlines had moved and were committed to the financial viability of Austin's new airport.

In a twist of irony, Southwest Airlines is now urging to completely reopen Love Field, an older, inner-city airport that was to be closed permanently. Southwest Airlines, today, the largest and most profitable airline in the industry, is asking Congress to intervene to further exploit its monopolistic position at Love Field. The Wright Amendment indeed allowed, at least in part, Southwest Airlines to grow and prosper into the company that it is today. Now, it is asking Congress to grant it a competitive advantage at the expense of all the other airlines which have relied upon and invested in Dallas/Fort Worth International Airport over the last 31 years.

Today, Southwest Airlines serves 61 markets. Southwest Airlines competes head-to-head and side-by-side at the same airport with American Airlines in 55 of these 61 markets, or 90 percent of the markets served by Southwest Airlines. There is simply no question that Southwest Airlines can compete in its hometown at DFW Airport. Instead, it is asking for Congress to intervene and give it a competitive advantage which it simply does not need nor does it deserve.

Neither a business model, shareholder profits, nor the decision of a single management team should abrogate good public policy relied upon by so many over the last 25 years. On behalf of DFW International Airport, the leaders who had the vision and tenacity to design and build this great facility, and the men and women who have the privilege and honor of operating this economic engine today, I respectfully urge you to rebuff any efforts to repeal the Wright Amendment. There is simply too much at stake.