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REFORMING THE WRIGHT AMENDMENT

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HEARING

BEFORE THE

SUBCOMMITTEE ON AVIATION

OF THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

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REFORMING THE WRIGHT AMENDMENT

Wednesday, July 12, 2006

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON AVIATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, D.C.

The subcommittee met, pursuant to call, at 2:02 p.m., in room 2167, Rayburn House Office Building, Hon. John L. Mica [Chairman of the subcommittee] Presiding.

Mr. MICA. Good afternoon. I would like to call this hearing of the House Aviation Subcommittee to order. Welcome everybody here today. Today the subcommittee will hear testimony about the efforts to reform the Wright amendment. That is the subject of our hearing. The order of business will be opening statements from members of the subcommittee, and then we will hear from a panel of Members of Congress who are interested in today's subject. Most of them are from Texas, then we have a second panel and a third panel, so a full schedule today. With those comments, and let me say also, if anyone would like to add testimony to the record of this hearing, they can do so through the Chair at the request of the committee, and Mr. Costello moves that we keep the record open for a period of 2 weeks. Without objection so ordered.

So we welcome members and others who have comments they want immediate part of the official proceedings to be included through request of the Chair. So I will start the proceedings, and I have got a hopefully brief statement and then we will yield to other members. Today our subcommittee will hear testimony on a locally initiated and locally approved so-called agreement that seeks to change and eventually proposes to eliminate the longstanding Wright amendment. As most of us know, the Wright amendment has restricted commercial air passenger service out of Dallas Love Field for now some 3 decades. Today we will examine the terms of a June 15 compromise reached by the cities of Dallas and Fort Worth Texas, and also hear from the affected airlines, American Airlines and Southwest Airlines, which, among other things, you will find will lift existing geographic restrictions on commercial air service at Love Field after some 8 years, and that, I think, stretches out to 2014. The Wright amendment, as modified by Congress over the years, currently restricts commercial air service out of Love Field to cities in Texas and some 8 surrounding States. Enacted in 1979, the Wright amendment was essentially a legislative compromise crafted by the cities of Dallas and Fort Worth Texas and Fort Worth International Airport, DFW, Southwest Airlines, and others.

The Wright amendment was intended to end a long-standing legal dispute over Southwest's desire to provide inner State service out of Love Field, and at the same time, help spur growth at the then new regional airport DFW. In my 13 years in Congress, I have been a strong advocate and defender of public policy that promotes free markets and economic deregulation. I have long believed that the Wright amendment, along with other existing barriers should be repealed. These types of restrictions, in my opinion, constitute undue Federal interference with the market's ability to reflect consumer preferences. However, because the Wright amendment was locally generated many years ago in a different time and circumstances, it is fitting that it is unraveling now as being generated in a different time and under different circumstances by a locally generated agreement, and this is tough, especially for Members of Congress, to bring agreements before us and have us try to sort of divide the pie up and the baby, so to speak, and we are pleased that there has been these generations from the local level of an agreement.

It is clearly in the best interest of consumers for the invisible hands of the marketplace, not the heavy hands of Congress or the Federal bureaucrats, to set air fares and service options. I believe we should remove this barrier as soon as we can, and we should not stop just with what we are doing today. As part of next year's FAA reauthorization legislation, we should address other onerous anti competitive service restrictions that are currently on the books and eliminate any remaining Federal laws and regulations that prohibit airlines from serving the routes sought by competitive carriers and the travelling public. As I suggested earlier, I prefer to see the Wright amendment repealed immediately. However, the political reality is that without the Love Field, the proposal that is coming forth today and being considered here today, the 35-year-old Cold War waged by the affected cities, airlines and communities will continue indefinitely, and that is something we do not want.

By ultimately eliminating one of the most significant remaining barriers to domestic aviation competition albeit some 8 years, the Wright amendment compromise could help set the stage for complete deregulation of our domestic aviation system, which would be for the benefit of consumers and community across the country. Before legislation to implement some of the terms of the agreement can be crafted, it is incumbent upon this panel to ensure that the safety implications of any increased operations in the air space around Love Field and DFW airports is also addressed. I must point out that some have suggested this agreement only benefits two airlines and could be interpreted as somewhat anti competitive. I look forward to hearing from our witnesses today, and I think it is appropriate that we have a full open hearing on all of these issues, and I would like to yield to our ranking member, Mr. Costello.

Mr. COSTELLO. Mr. Chairman, thank you and I welcome our witnesses today, our colleagues and other witnesses who will be testifying here at this hearing. Mr. Chairman, I will be brief. I will submit my statement for the record. As I said, we have a number of

witnesses, so I am hoping that members on our side will be brief as well and submit their full statement for the record.

Mr. Chairman, I will not go over the history of the Wright amendment. We all know how it came about with a 1979 agreement between the cities of Dallas and Fort Worth. Since then, the Wright amendment at the time was a logical step in my opinion when enact in 1979 to bring stability to the north Texas air market. Further, it allowed southwest to carve a niche at Love Field, while American built, its hub at Dallas Fort Worth. I have supported the Wright amendment as the proper way to enhance the Dallas Fort Worth growth and development. The airport, in turn, has done its part by fueling the regional economy.

However, today, Dallas Fort Worth is far from a small regional airport. As an international airport, its influence is far reaching and has become a major player in markets that other airlines could not serve from Love Field. As a result, for many years, people have sought to repeal the Wright amendment. But it has been my belief that if we were going to consider changes to the Wright amendment, that it should come from local officials at the local level, from mayors, county officials, and other interested parties.

And if they, in fact, reached an agreement then and only then should Congress become involved. The piecemeal approach that we have seen in the past for years with certain States being exempted or repealed from the Wright amendment, in my judgment, has been ineffective and is poor public policy.

On June 15, the parties that we will hear from today reached an agreement. They have all agreed to seek full repeal of the Wright amendment with several conditions. Soon after Chairman Young, Mr. Oberstar, yourself, Mr. Chairman, and other members of this subcommittee had the opportunity to sit down with our colleagues from Texas and other local elected officials and others to be briefed on the agreement.

This is a significant compromise, and I think as our friend Herb Kellaher said it at our briefing, he said if we can come together all of these parties and reach an agreement, surely we can achieve world peace. I want to tell you that I am pleased that we are following regular order, that we are going through the process of this hearing today, going through the authorizing process. There are many who have criticized the Wright amendment for restraining free market competition. I have heard from others who believe that this new agreement poses similar competitive hurdles.

I am interested in hearing from our witnesses and their responses to those concerns about any restrictive hurdles on competition. Further, I know that our colleagues, Mr. Oberstar, who has been involved with the Wright amendment since the very first day it was enacted, has major concerns about the safety aspect of this agreement and I am sure that we will hear from him concerning those concerns as far as safety is concerned in the agreement. And I thank you once again, Mr. Chairman, for calling this hearing and look forward to hearing from our witnesses.

Mr. MICA. Thank you, Mr. Costello.

Mr. Duncan.

Mr. DUNCAN. Thank you very much, Mr. Chairman, and thank you for calling this hearing and bringing everyone together. This

is an important step in this process. Mr. Costello just mentioned that Mr. Oberstar goes back to the very beginning of this. I do not go back nearly that far, but I have been on this subcommittee for 18 years, and in all that time, I have had almost every years discussions or meetings about the Wright amendment. In fact, just a few weeks ago, Mr. Kellaher came to my office and we had a very fine meeting I thought and I told him at that time, I hope some type of a compromise could be reached. So I am very encouraged by being to the point where we are today.

In no significant legislation does anyone get everything that they want or desire, but it seems that people are being a little more reasonable now than perhaps at any time before this, and I will say that my own major airport in Knoxville that has had concerns about this all along has told me that they support the agreement, at least as far as it goes to this point.

So I just wanted to be very brief in my comments and say that I commend everyone who has worked so hard to help us reach what appears to be a compromise that is acceptable to a great majority of the people, but we will listen to any concerns that anyone has and see if this agreement needs to be tweaked or modified in some way. But I thank you for calling this hearing and I look forward to hearing the witnesses. Thank you.

Mr. MICA. Thank you, Mr. Duncan. One of those affected from Texas, Mrs. Bernice Johnson, a senior member of our panel.

Ms. JOHNSON OF TEXAS. Thank you, Mr. Chairman, and thank you, Mr. Ranking Member and chairman of the subcommittee, and all of those who are present. In addition to your representative subcommittee staff, my staff and the Senate staff of Senator Hutchinson have been working continually attempting to get this legislation done. In using the instructions of the agreement, this is very, very important to the north Texas area, and we appreciate all the courtesies that have been extended. Of course, less than a month ago, the city of Dallas, city of Fort Worth, Southwest Airlines, American Airlines, and DFW International Airport, reached an agreement to resolve long-standing issues regarding the Wright amendment.

As you know, the Wright amendment imposes long haul flight restrictions to and from Dallas Love Field airport locate within the heart of my Congressional district. Of course, the original agreement said it would phase out. That was what was agreed to between the cities of Dallas and Fort Worth in the beginning so they were doing pretty well to be flying at all because of the Wright amendment. But the agreement marks an important milestone as efforts to repeal the restrictions over the past decades has served as a major points of contention in the north Texas stake holders.

And I know, Mr. Subcommittee Chair, that I have always known your attitude about this Wright amendment, so I am glad it didn't come before you, but we had it blocked at the other end. To have all the aforementioned entities in solidarity behind this amendment that ultimately lifts long haul flight restrictions in Dallas Love Field is nothing really short of amazing.

As my north Texas colleagues will elaborate on many of the key aspects of the agreement, I will not be repetitive. However, I would like to impress upon the following, my fellow subcommittee mem-

bers. It is important to note that the Wright amendment was the direct result of a community-crafted compromise between Dallas, Fort Worth regarding two north Texas airports. 32 years ago, north Texas, upon the recommendation of the Civil Aeronautics Board, decided that DFW airport would be the region's primary travel investment. This decision is captured in the 1968 Regional Airport Concurrent Bond Ordinance adopted by the cities of Dallas and Fort Worth. I will ask unanimous consent to enter that into the record.

At this time, Mr. Chairman, I ask you also for unanimous consent to enter some other correspondence here from various chambers that are supporting this agreement.

Mr. MICA. Without objection so ordered.

Ms. JOHNSON OF TEXAS. Thank you. I will forego most of my written testimony and ask unanimous consent to put it in the record. I support the agreement. I support the agreement because I think that it has been made by the proper entities involved. It requires give and take. I doubt if any of the stakeholders got all that they wanted, but that is what an agreement and a compromise is and those of us who sit here know that. So many of the home owners and constituents groups that reside within the Love Field area also support the agreement, and I am going to ask, Mr. Chairman, unanimous consent to enter the written testimony submitted by Miss Laurie Palmer on behalf of the Love Field Citizens Action Committee.

Mr. MICA. Without objection so ordered.

Ms. JOHNSON OF TEXAS. It is a coalition of residents and neighborhoods in the Love Field impact area. The organization was established in 1980 to address the airport's adverse environmental impact on the large and densely populated community that surrounds the airport. Also, there are many schools in the area, and I think that as long as we address the safety, the historical member of this committee has made that a number one concern, and it is mine as well, and I think that we will have language that will meet the guidelines of the FAA.

So I am hoping that all of us would listen attentively, and then next week when we have the markup, hopefully it will be something we all can support. Thank you, Mr. Chairman.

Mr. MICA. I thank the gentlewoman. We will now hear from another distinguished member of our panel, a gentleman from Texas, and that is Mr. Marchant.

Mr. MARCHANT. Thank you, Mr. Chairman. We appreciate the fact that you are taking this bill in regular order, and very much appreciate the fact that you have expedited this hearing to accommodate us. Thank you to the mayors for being here today and the members of the north Texas community, the debate over the Wright amendment and its repeal in this committee has been a great concern in my district.

My district is basically composed of the Dallas Fort Worth International Airport and the surrounding towns and cities. American Airlines supports 7,300 jobs in my district. The airport itself supports 268,000 jobs in the greater Dallas Fort Worth area. The metroplex depends very heavily on DFW Airport as does my district. Therefore, it should come as no surprise to you today that

this is the number one business issue in district 24. The debate has put airline against airline, airport against airport, and city against city and even split the opinions of our very close-knit north Texas delegation.

Since elected to Congress a year ago, a year and a half ago, and up until this agreement was reached, I have been firmly in favor of the keeping the Wright amendment in place. However, I have also stated that if we are going to come to an agreement on any change to the Wright amendment, it should be worked out on a local level. Due to the hard work of the mayors of Dallas and Fort Worth and along with the elected officials and business leaders that are here that will testify later today, the agreement has been presented to Congress and has my support.

I believe this agreement is a good compromise between the stakeholders. All parties gave some ground on all issues, and all parties have something to lose if they break the agreement. In a word, this agreement is balanced. The fact that this agreement is balanced is a positive in that it encourage all parties involved with the two airports to support it. However, the flip side of this is if one cog in the machine is moved or taken out of place by Congress, the whole agreement is in jeopardy.

Hopefully very soon, identical bills mirroring the agreement to repeal the Wright amendment will go to the House and Senate. I have no doubt that every step along the way, attempts will be made to change these bills. I would like to take this opportunity to urge the Members of Congress to respect the agreement as it has been reached and allow these bills to become law without becoming significantly changed. Only then will we be able to put this debate behind in our area.

Mr. Chairman, thank you for the opportunity to give a statement, but I will have to say that in the last 2 days, I have had several meetings, and it appears that there has been one issue that has surfaced that we as a north Texas delegation have not been able to discuss, and it is the 80-mile rule. And I am looking forward to the testimony today to help me as a committee member clarify the impact of the 80-mile rule. Thank you.

Mr. MICA. Thank you. Mr. Holden from Pennsylvania.

Mr. HOLDEN. Thank you. I thank you and the ranking member for having this hearing today, and I want to commend our colleagues sitting before us today for coming to this agreement regarding the permanent rules at Love Field. With that said, I do have some concerns, Mr. Chairman. There are only three airports with perimeter rules, Washington National, LaGuardia and Love Field. US Airways, one of our Nation's leading airlines, had one of the perimeter rules at National and LaGuardia removed for years, and have long urged that the issue of perimeters be dealt with at one time.

However, here we are suddenly having Congress about to alter conditions for Love Field only removing a barrier on ticketing for another of our Nation's leading airlines, Southwest, and setting a time for the abolishment of the perimeter rule and tearing down of some gates. The perimeter rule at Washington National has long been a problem for US Airways, and I ask the chairman to consider, as we move forward, in trying to help our colleagues at Love

Field that we consider the perimeter rules at Washington National and LaGuardia as well. Thank you, Mr. Chairman, I yield back.

Mr. MICA. Thank you, Mr. Ehlers.

Mr. EHLERS. Thank you. Mr. Chairman, when I first arrived in the Congress 12 years ago, I learned two things, and one is never get crosswise with a bunch of Texans, and secondly, that the Wright amendment is a very strange document. It only makes sense in the context of the times, but probably should never have been adopted. In spite of the first rule, I am still going to speak up and say I think this agreement is a major problem.

Well, let me add another principal that I have, and that is to never interfere with free enterprise unless you can do it in a totally fair way with all parties involved. The proposal, as I read it, is not totally fair in all ways. It favors some airlines over other airlines, and my colleague from Pennsylvania just said basically the same thing. I think we have to proceed very, very carefully and very deliberatively on this proposal and examine the ramifications beyond Texas, beyond Love Field, beyond Dallas Fort Worth Airport.

It is a complex issue that is going to affect several different airlines frankly in a negative way as a result of the way the agreement is formulated and written, and I certainly want very thorough and complete examination of all the implications of this before we proceed. Maybe he can be persuaded, but I certainly have to know a lot more about the impact on other airlines before I could favorably look upon this document. With that, I would yield back.

Mr. FILNER. Thank you, Mr. Chairman. I do want to say I know Jim Wright. Jim Wright is a friend of mine, but the Wright amendment is wrong. And I know the chairman will find great difficulty in believing this, but we agree on the fact that this amendment should be abolished. This amendment does not only affect Texas, with all due respect, to my Texan friends. California is affected also.

I represent the city of San Diego, I should say as a disclaimer I have as many frequent flyer miles on American as I do on Southwest. But San Diego has a love affair with Southwest Airlines. It has taken a cul-de-sac city as we really may be geographically and opened all of California and much of the country to our citizens for quick and effective airplane travel and low prices. We could go up to L.A. or San Francisco for lunch and be back to another city for dinner and be back in time to go to sleep in San Diego because of Southwest. So we were anxious to have it repealed. But if this compromise is as the chairman said, what we all can agree on then let's go forward with it.

Mr. MICA. I have one more Texan, Mr. Poe, who is on our panel and then I will try to get to you all who are waiting.

Mr. Poe.

Mr. POE. Thank you, Mr. Chairman, for having these hearings. This really has become a family feud and the families sat down together and broken bread and called a truce. And I do not want to be another Texas within involved in this family feud that has apparently been settled so I agree with the compromise, the truce, the truce that has been agreed upon among the family and I think it should be approved. Thank you, Mr. Chairman. I yield back.

Mr. MICA. Thank you. Mr. Oberstar is the ranking member of the Committee on Transportation and Infrastructure.

Mr. OBERSTAR. Thank you, Mr. Chairman. It is important for this committee to deal with this issue legislatively to have this hearing rather than have the Love Field Wright amendment issue eroded piecemeal as it has been over a period of years without a view to the larger national aviation context in which this issue must be discussed, but a good deal of talk about stakeholders. Stakeholders are not just the cities of Dallas and Fort Worth, nor the airlines or the airport authorities. The stakeholders are all Americans. If you approve a law in Massachusetts it does not do much for traffic in California, but if you improve an airport, if you add a 5,700 foot runway at Logan field it does make traffic from the west coast more accessible to the east coast to Boston because of the nature of the air travel.

Similarly, dealing with the Dallas DFW Airport and the Love Field Airport is a national aviation matter. It is not just a local issue. And we have to be very careful and very thoughtful about how we approach this issue. And I will not go back and recite the history of the agreement between Dallas and Fort Worth negotiated by Najib Halaby when he was administrator of FAA, and under President Kennedy when Kennedy had just started the increase in funding for aviation to invest in airport and runway and taxiway improvement to expand aviation in the United States. That history is told in hearings that I held in 1991 in great deal with Najib Halaby himself testifying.

There are two issues. One is safety, the second is competition. There is a fairness issue that Jim Wright attempted to deal with in what we know as the Wright amendment holding both cities to the agreement they negotiated rather than let one run out on it and the other be stuck with an economic problem on its hands. That is now being resolved by the two cities who have come to an agreement.

The safety issues is a real concern. Now, DFW has gone to a four-corner, four-post approval sequencing that has made it much safer for operations at Love Field that are only 8 miles away from DFW, and aircraft are only 2 miles apart from each other on arrival and departure patterns, and that has been adequately documented in the hearings we held in 1991.

The FAA will be here, I hope, with some slides that will show and I have those documents it will show that they can manage the air space safely. Do not forget Love Field is not just a little hick airport. It has 235,000 operations a year. That would be the envy of any other airport in the country except for a handful. And there is well over 300, 400,000 at DFW and headed upward.

So first is managing that air space safely. The FAA will testify that they are able to do that. The second is managing the competition safely. This agreement says we are going to have only 20 gates, terminate others, raises questions about who is going to come in and compete in this future opened up competitive airport, Love Field. In the Wright amendment, we legislated a limitation on service and competition. But if the agreement entered into by the community is ratified in law, then we will, for the first time in this country have legislated the number of operations at an airport. We

will have legislated the amount of competition that can be entered into at an airport. We have seen the effects of the cap on operations at O'Hare Airport, at LaGuardia, at National Airport, and the slot rules resulted in something totally perverse.

Airlines acquired financial interest and equity in the slots that they owned, they were able to buy and sell slots. They were able to trade them as part of their equity and acquire monetary value. Will the same thing occur with those gates? And how will new competition come into Love Field? How will the next generation of low fair competitive airlines come in to challenge the brilliant Southwest Airlines or the gigantic American Airlines? Where is room for competition? I want to hear this. We are going to have a very lively discussion about it later on as we proceed with this hearing. Thank you, Mr. Chairman.

Mr. MICA. Thank you, if I may take, I still have a request from one of our members here to speak. I know Mr. Barton is engaged in a markup, and I think we could extend a courtesy to Chairman Barton to present his statement at this time. Then I will come back and then we will go to Mr. Hall and down the panel if we could. Mr. Barton you are recognized. Thank you.

TESTIMONY OF THE HON. JOE BARTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BARTON OF TEXAS. Thank you, Mr. Chairman. It is a privilege to appear before what appears to be a majority of the House of Representatives on your subcommittee. If you get any bigger, you will have to meet on the House floor, which you are probably already doing any way.

I am going to ask that my statement, formal statement be submitted to the record.

Mr. MICA. Without objection, so ordered.

Mr. BARTON OF TEXAS. I am going to be very brief because I do have a markup in my committee we are chairing, on adding a bitterant to anti freeze to make it impossible or more difficult for children and animals to drink it and be poisoned.

I do not think it has been any secret that I have been a proponent of keeping the Wright amendment as it is. I think it has been good public policy for the last 30-some odd years. I think it would continue to be good public policy if we were not to amend it in any way. Having said that, the stakeholders in the DFW area have come together in a good faith effort after strenuous negotiation and come to a proposed agreement that I think should supersede the Wright amendment. The gist of it has got three basic legs. One, you will have ultimate repeal of the Wright amendment in 8 years, so those of you that are for repeal, you get it. You just do not get it today. You get it 8 years from now.

Second, since you do not get total repeal right away you get through ticketing at Southwest out of Love Field and any other airline that serves Love Field, that should have an immediate impact on competitive pricing at all airports in the region. In order to give some certainty to the DFW Airport, there would be an agreement that Love Field would never have more than 20 gates in operation. They have a master plan at Love Field that could allow for, I be-

lieve, as many as 42 gates before DFW. Love Field, at one time, I believe, had 55 gates. There are currently 15 or 16 gates in operation, so the 20-gate limitation would give some ability to expand at Love Field, but it would not give it the ability to expand to a huge amount. Those will be the main components. Through ticketing immediately, 8-year repeal, 20-gate limitation.

The strongest reason to support this agreement, in my opinion, is because of the parties that have negotiated it. You have the mayors of both the cities of Dallas who owns 2/3 of DFW and 100 percent of Love Field supporting it. You have the mayor of Fort Worth, and I should say the city council of both cities. I believe they have both formally endorsed the agreement. You have the two airlines that are headquartered in the DFW area, Southwest in Dallas, and American in Fort Worth that have also strongly endorsed the agreement. It is my understanding that Continental, that is headquartered in Houston, Texas, while they are not a signatory to the agreement, is supportive of the agreement.

If we accept this, I think what you are going to see is the creation of what I would call a superregional airport. You will have five terminals at DFW, A, B, C, D, and E, and you will have one terminal at Love Field.

As the crow flies, that is a distance of about 9 miles, but by Texas standards I know people who have bigger back yards than that. So what you are going to have is five terminals at DFW, and one terminal at Love. You are going to have the ability for through ticket. You are going to have the ability for other low cost airlines to come in, certainly to DFW, and I would love to have Southwest go out to DFW. So we will get a good regional airport, we will get a superregional international airport, and we will have peace and harmony for all the American flying public, not just the DFW area.

There are some issues outstanding. Mr. Oberstar has raised an issue on safety. It is my understanding that language is being shared between Mr. Oberstar and Mr. Mica and the FAA that we can hopefully resolve that. We have an 80-mile perimeter enforcement portion of the agreement that there are some members that have concerns about we are trying to find a way to work on that. Having said that, this is a strong agreement. It has been thoughtfully worked out. I would strongly encourage the committee, and ultimately the full committee, to endorse it legislatively. I look forward to working with the members of this subcommittee and full committee for doing that. Thank you for the courtesy and allowing me to testify.

Mr. MICA. Mr. Bachus, you had a quick opening statement, and then I will get Mr. Hall in before this vote at least.

Mr. BACHUS. Thank you. I would like to associate— I read the members' statements. I would like to associate myself, I know Ms. Granger, I think probably everything you said in your statement I agree with. I was kind of concerned with what some of the members said about this clause 6. I think Congressman Hall and Congressman Burgess had some concerns about some of the outlying airports, but the bottom line is the parties have agreed to this.

Actually, I am from Alabama, and this may actually hurt us, because flights used to skip down in Birmingham and then go on to other places, but I think obviously the traveling public is best

served by this agreement, and I have to compliment the parties and plan to enthusiastically support it.

Mr. MICA. Mr. Bachus yields the balance of his time to Ms. Berkley, and then we will get Mr. Hall.

Ms. BERKLEY. Thank you, Mr. Chairman. Very quickly I would like to submit my opening statement for the record, with the exception of saying this thing publicly. The Wright amendment is not the only barrier to competition in place in the airline industry. Federal law currently limits flight, as we all know, in and out of Reagan National Airport in Washington to a distance of 1,250 miles, Las Vegas, which I represent, lies outside of this parameter, and we are therefore at a substantial disadvantage, exemptions have been granted over the years, but my constituents and those wishing to visit my wonderful city and enjoy our wholesome family entertainment are currently limited to one nonstop flight per day on this route.

I want to congratulate those that are here today who have come to an agreement on the Wright amendment that we can hopefully serve as a basis for legislative action, but I am also hopeful that Congress, and this subcommittee in particular, will act to address other anti competitive rules that currently are in place, and thank you all very much for being here.

Mr. MICA. Thank you. You can see this has a lot of interest not just in Texas. Mr. Hall, I appreciate your waiting patiently. You are recognized.

TESTIMONY OF THE HON. RALPH HALL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. HALL. Thank you, Mr. Chairman, and members and my colleagues from Texas. I want to thank you for holding the hearing. I have been watching Love Field probably longer than anyone in this room. I remember the days when you could get aboard a plane at Dallas if you were going to Austin, you would stop at Fort Worth, you would stop in Waco, and you would finally make the long trip on in to Austin. There have been some changes since that time, but we have always had a great airport there. I think the airports are great, Love Field and DFW. And like most Members of Congress, especially the Texas delegation, we have hoped for a compromise.

We have wanted a compromise. We have prayed for a compromise, because in my district, as I go from county to county, and people I would ask about the Wright amendment, I found out 80 percent of them were for it and about 80 percent were against it. And that is not a very good feeling for a guy that is looking for 51 percent. So I am pleased that we are having the hearing.

On Thursday, June 15, the cities of Dallas and Fort Worth, American Airlines, Southwest Airlines, Love Field and DFW announced they had reached a deal regarding the Wright amendment, and I have long said that the parties should get together and broker than agreement. This pursuit has taken place, and is still taking place. Up to 10 minutes ago, in my office, as I started down here, we were still working on it. It was an overall agreement that I desperately want to support. In reading over the agreement, how-

ever, I have some concerns that I am hoping that the committee addresses in the legislation.

Section 6 has been alluded to of the agreement that states that the cites of Dallas and Fort Worth will oppose—basically this says as I state, ″Efforts to initiate commercial passenger air service at any area airport other than DFW during the 8-year period to the extent any other airport within an 80-mile radius seeks to initiate scheduled commercial passenger service within this 8-year period, both cities agree to work diligently to bring that service to DFW, or if that effort fails, then airports owned by the city of Dallas and/or Fort Worth.″

It is, of course, not surprising that cities compete to bring new air service to their communities. If another airport in the greater region were to seek commercial air service, one would expect that Dallas and Fort Worth would aggressively compete for that business. If Dallas and Fort Worth were to work together to oppose the growth of commercial passenger air service at other airports in the region, it seems more logical to me that they should do this by private agreement between the cities and/or between the airlines and even record this decision in the city council's and commissioner's court hearings, all supported by their own Chambers of Commerce, and not give Federal approval and recognition to such an agreement. It should not be encompassed in Federal legislation.

The airports affected by such restriction are not parties to this agreement and any such disagreement should be between the parties, be it Fort Worth, Dallas, American Airlines or Southwest.

Accordingly, Mr. Chairman, Congress should not give legislative authority to an otherwise private agreement and send a signal to the FAA that those not privy to the contract and signers thereof agree with the 80-mile prohibition. I represent a district that has seven airports that fall within the statutory 80-mile radius. The mayors, county judges, airport directors and Chambers of Commerce representing these airports strongly oppose this section of the agreement. And they are strongly working to work it out as is the Senate.

The Senate sponsors are working hard to work this out. And we want to work with them and have some give and take and try to get this thing reconciled. They are rightly alarmed that any attempt to legislate an agreement that restricts their ability to expand their markets is of great consequence. And Mr. Chairman, I have letters from all of these people, and I ask unanimous consent that they be submitted into the record.

Mr. MICA. Without objection, so ordered.

Mr. HALL. While I have a fond regard for Dallas and Fort Worth, I have been sent to Congress to represent the people in my district. Many towns in my district have airports. Some small, others have dreams of growing to midsized facilities. Some of these facilities have dreams to compete and grow in Northeast Texas. Indeed Collin and Rockwell Counties are some of the fastest growing counties in the Nation. This agreement could potentially harm these communities if Congress legislates these terms, and I cannot support a bill that harms the citizens I represent, but I want desperately to support a bill.

The American dream does not prohibit competition. It energizes it. Much of my Congressional district, and especially Rockwell and Collin Counties are located in the shadow of Dallas County line. I have always been pro-Dallas, pro-Terrent county. It gives me no solace to oppose an agreement that I have long hoped for.

In closing, I would just say I would hope that I would not be forced to make a decision to vote against either city or either airline. I am grateful to those who worked out this compromise. I simply need this one adjustment. I urge the committee to reject legislation that codifies section 6 of this agreement. I look forward to working with members of this committee, and Members of the entire Congress, to ensure that the American spirit of competition thrives. I do thank you and yield back my time.

Mr. MICA. Thank you. Mr. Johnson, we have about 7 minutes. Did you want to give it 3 or 4 or would you like to come back?

Mr. SAM JOHNSON OF TEXAS. I am willing to try.

Mr. MICA. I will give you about a 3-minute warning. Then we have three votes, so it will be about 3:15 before we reconvene. Mr. Johnson, you are recognized.

TESTIMONY OF THE HON. SAM JOHNSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. SAM JOHNSON OF TEXAS. Thank you, Mr. Chairman, Mr. Costello. You know we have come a long way in a short time. Only last May, Jeb Hensarling and I introduced the Right to Fly Act. Our bill called on Congress to immediately repeal the Wright amendment. The bill met intense enthusiasm from travellers living both inside and outside of Texas, so I am thrilled to be here today, barely one year later, testifying on the future repeal of the Wright amendment. Jeb and I introduced the bill because we felt that the cornerstone of free enterprise is the freedom to fly. We introduced the bill because the 1979 Wright amendment law had outlived its usefulness. And we introduced the bill because, as you said, Wright is wrong.

Mr. Chairman, it is not just a handful of Texas members and thousands of our constituents who think that way. In just a year, 55 representatives from all across America have co-sponsored our bill and so called ″Southwest effect″ brought to their cities.

Today's hearings on the current proposal drawn up by the cities of Dallas and Fort Worth as well as American and Southwest airlines is much needed. That is because this is not an automatic in my book. It seems to me that the cost of getting Dallas Fort Worth and the two airlines to agree on the solution to the Wright amendment meant new restrictions on other cities around the region, none of which had a seat at the table, none of which could have predicted that they would be dragged into this. So essentially, for the third district, we are looking at what looks like to me the Wright amendment all over again, or as I have come to call it, Wright-lite.

Nearly every single one of our constituents encounters the Wright amendment, that is why I am going to move forward cautiously and thoughtfully. The two biggest concerns I have to do with are the agreement's impact on the number of other airports

in the region, specifically Collin County Regional Airport, and McKinney. Colin County Regional Airport is a general aviation airport that is 27 miles from Love Field that serves as a reliever airport for DFW. Under the agreement, specifically in sections 6 and 7, it states the cities of Dallas and Fort Worth would work together over the next 8 years to oppose any new commercial aviation service to any airport within 80 miles of Love Field.

What troubles me is that Dallas and Fort Worth should not be asking Congress to pass laws that hamstring other cities or counties. That is just unAmerican. The last thing we need is Congress giving any city a competitive advantage over another. Creating an uneven playing field is the wrong thing to do. Free markets do work. Communities thrive when we keep our nose out of their business.

My other concern comes under sections 10 and 11 and under those sections, the cities state that Southwest and American would be penalized should they decide to operate commercial air service at any other airport within 80 miles of Love Field. At first glance and knowing that the two airlines agreed to these terms, I thought that I might be able to live with it, but that was before I realized that will this restriction would not just be in place until the 8 years repeal. This restriction would be in place until 2025. That is 19 years from now, after the Wright amendment would be repealed. That is just wrong. That is replacing one unnecessary restriction with another.

We have a duty to preserve our national aviation system and Love Field should be no exception. We deregulated the airlines and it worked. America stands for freedom and free enterprise, not more government interference. It is my hope that any legislation we draft and potentially pass through the Congress is written in such a way to remove Wright-lite proposals on other counties and cities.

Before I close, I would like to request permission to insert the testimony from the McKinney mayor, Bill Whitfield.

Mr. MICA. Without objection so ordered.

Mr. SAM JOHNSON OF TEXAS. Thank you, sir. Let's give America the right to fly.

Mr. MICA. Thank you, Mr. Johnson. Other members, we have less than 3 minutes to vote. So if you could keep that path clear and let the members exit to the left, we will reconvene at 3:15. We have three votes. This hearing stands in recess.

[recess.]

Mr. MICA. I would like to call the subcommittee back to order, welcome everyone back. I apologize. Took a little bit longer than we expected, but if we have to stay here through the night until tomorrow, we are going to hear this thing through.

The very distinguished gentlelady from Texas, Ms. Granger, if you are ready to go, we are ready to go. You are welcome and recognized.

TESTIMONY OF THE HON. KAY GRANGER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Ms. GRANGER. Thank you very much, Chairman Mica and ranking members and to the members of this committee. I appreciate

your agreeing to hold this important hearing to hear about the local aviation issue. It is an issue, of course, you know so much about, I have talked to you personally about, Mr. Chairman. It has developed into a national debate and certainly affects consumers all across the United States, and we recognize that.

I have been intimately involved with this now for more than 15 years, both as Mayor of Fort Worth and now as a Member of Congress, and wrestled with this, as have the two cities and the airlines and the airport. And I am certainly proud the community has come up with a local solution that will also better serve the national traveling public, and I think that is exactly what will happen.

Over the last several months, north Texas has shown both discipline and cooperation in assembling a thoughtful, comprehensive solution that meets the aviation travel demand for today and for the future. What has transpired since last fall has been arduous, it has been intense, sometimes it has been even painful with all the stakeholders involved, and as was said earlier, no entity got everything they wanted to but they had to agree to provisions that may have caused some discomfort in their boardrooms and city halls but they came together with a good solution.

From my longtime experience with this complex issue, I have witnessed the negotiations between mayors, airlines, airports and between differing responsibilities in the Federal Government. In all my years I have never seen a consensus like we now have before you in this joint statement of the stakeholders.

I speak for several other mayors who were unable to do this. So I certainly compliment the two mayors who came together to hammer out this solution.

If you leave with one impression of this joint statement, may it be this one. Accepting the provisions in a piecemeal fashion is not a workable solution for achieving the needed critical balance for all the stakeholders. It has to be adopted in its entirety.

To illustrate the critical nature of this balance I will address one provision and how its inclusion directly affected the different stakeholders. As you know, in this local agreement the Wright amendment will be repealed outright 8 years from the enactment of this Federal legislation. This time allowance is absolutely necessary to provide operational certainty for the cities, for the airports, and for the airlines.

The cities of Dallas and Fort Worth must be able to provide stability for supporting short- and long-term viability of their mutually shared airport, Dallas/Fort Worth International. The FW Airport is directly or indirectly responsible for over 200,000 jobs and crucial to the north Texas economy. Immediate repeal of the Wright amendment would cause detrimental effects for the cities as they work toward keeping the FW strong and building its growth for the future.

The airports must have time to adjust their master plans in order to protect air safety and build one long-term business development on their properties. This 8-year time period will enable both Love Field and DFW to make the most of their assets with considerable improvement to market certainty.

The airlines must be afforded time to adapt service in existing and new markets from both airports. Immediate repeal of Wright could put the north Texas commercial air industry in an economically harmful state, and it would also deny airports and airlines the opportunity to react to market changes and passenger preferences after first implementing through-ticketing. In the long run, a phaseout approach will allow increased choices and competitive pricing for consumers.

Another important provision in this agreement is to codify the number of gates out of which Love can operate. Limiting the number of Love Field gates at 20 operating service gates is important for air safety, for noise and air pollution, and to the business and residential community surrounding Love Field. It is also necessary to keep commitments made by the two cities to each other when DFW was built. Codifying the number of gates at Love Field was a key piece to the agreement among the entities, and I support its inclusion in any Federal legislation.

The Wright amendment and the situation with Love Field and DFW Airport are unique and require a unique solution and I think that is what we have. This clarification is important to note because the stakeholders were tasked with finding a local homegrown solution to end the Wright amendment debate once and for all. They found a solution that works for north Texas and to the advantage of the American consumer.

As a former member of this committee I understand how this committee works to not only solve issues but to thoughtfully establish long-term policy with the best interests of commerce and the traveling public at heart. I believe the joint statement agreed to by the stakeholders before you today meets those goals as well.

This agreement was reached with a holistic approach to solve the debate once and for all, and I am very glad to support it and I wholeheartedly do that. Thank you, Mr. Chairman.

Mr. MICA. Thank you for your patience.

Now we will hear from another distinguished Texas Representative, Mr. Hensarling. Welcome, and you are recognized, sir.

TESTIMONY OF THE HON. JEB HENSARLING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. HENSARLING. Thank you, Mr. Chairman and Ranking Member Costello. Thank you for holding this hearing and for inviting me to speak.

Last year along with my colleague Sam Johnson, I introduced the Right to Fly Act which would fully, completely, and immediately repeal the Wright amendment. Repeal is important for two reasons.

First, as we know, there are over 500 airports in the U.S. that have commercial passenger air service. With the exception of Reagan National which sits on Federal property, Congress in all of its history has imposed distance limitations on just one airport, Love Field, and it did it to protect DFW Airport from competition. I sincerely believe that sort of protectionism is not and should not be the role of the U.S. Congress.

Secondly, every study of the Wright amendment, regardless of who commissions it, shows that fares will fall significantly with repeal. The U.S. Department of Transportation found that air travel

in and out of north Texas costs about a third more than the national average. That is a lot of money our constituents could be using to pay health care premiums, fill up a car, or pay a utility bill.

Still, I understand reasonable minds can and have differed on this subject for almost 30 years. Just witness this panel. Against this backdrop, the cities of Dallas and Fort Worth as well as DFW Airport, American Airlines, and Southwest Airlines entered into negotiations that produced an historic agreement among them. I salute Mayors Miller and Moncrief for their tenacity and leadership in forging this consensus agreement.

I view their agreement as great progress. For the flying public, though, I do not yet view it as a great success. Still, I have always indicated a willingness to support other plans besides my own as long as they meet a twofold test. One, the plan clearly benefits consumers; and two, the plan removes Congress from the business of airport protectionism.

Without seeing final legislative language, it is unclear to me whether the local agreement will satisfy these criteria.

With respect to helping consumers, I am concerned that the proffered agreement essentially constitutes an 8-year extension of the Wright amendment. Most citizens in the area, I think, believe that a 2- to 5-year gradual phaseout represents the reasonable compromise. The previously released Campbell-Hill study indicates that consumers annually pay almost $700 million extra in airfares due to the Wright amendment. Therefore, an 8-year extension translates into another $5 billion loss to our constituents. Even by Washington standards, Mr. Chairman, that is a big number and a big burden to American families.

On the other hand, I am increasingly convinced that immediate through-ticketing can positively impact competition in airfares. Although hard data is hard to come by, American Airlines and Southwest Airlines recently commissioned a study on just this topic and made it available to me yesterday and, Mr. Chairman, I would ask that this report be made part of the record.

Mr. MICA. Without objection, so ordered.

Mr. HENSARLING. The conclusion of the joint Campbell-Hill and SH&E study is as follows: Number one, through-ticketing will produce 259 million in fare savings annually. Two, 2 million new passengers will travel to and from the region. Number three, this will create a $2 billion annual boost to the economy.

Now, while I cannot vouch personally for their methodology, I find this report most encouraging that consumers may see a significant and immediate benefit from this part of the local agreement.

I am also concerned that under the agreement, the city of Dallas has chosen to reduce the number of permissible gates at Love Field from 33 to 20. Still, it is the city's airport and I respect its right to contractually bind itself to do just that. I am further concerned that under the agreement Southwest Airlines has agreed, perhaps unenthusiastically, to restrict their Love Field's flights to the nine permissible States for 8 years. Still, it is their airline and I respect their right to contractually bind themselves to do just that.

The combination of the two clearly means that full and immediate repeal will render far fewer consumer benefits than would

otherwise be the case. Given all of this, if a bill comes to the floor that grants immediate through-ticketing and full repeal 8 years now, I will view it as solid progress and I intend to vote for it.

My second concern is getting Congress out of the airport protectionism business once and for all. In the compromise agreement, the airlines and cities make joint pledges in such areas as gate limitations, international flights, initiating flights within 80 miles of the airports, and the list goes on. Again, parties have the right to make contracts but I see no compelling reason for Congress to codify into Federal law private contractual obligations that are enforceable in court. Congress would be replacing one complex set of anticompetitive rules with another.

Using my colleague Sam Johnson's phrase, we would end up with ″Wright Lite.″ thus, if a bill comes to the floor that codifies these specific obligations of the private parties into Federal law, I intend to vote against it.

In closing, Mr. Chairman, for far too long the Wright amendment has been a burden on both consumers and the national economy. Only Congress can repeal Wright, and we should. But if we cannot reach agreement on doing so today, and it appears we cannot, I do stand ready to work with any and all parties to codify into Federal law the immediate through-ticketing and 8-year repeal portions of the local compromise. Thank you for the opportunity to testify.

Mr. MICA. Thank you for your testimony.

And now, waiting most patiently—and we probably need a Texas physician to sum this up— Representative Burgess, you are recognized.

TESTIMONY OF THE HON. MICHAEL BURGESS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. BURGESS. Thank you, Mr. Chairman. Thank you for holding this hearing. It is a pleasure to be back within the humble confines of the T&I committee room, again the largest standing committee in the Free World.

Previously it has been stated that for almost 30 years the Wright amendment—Mr. Chairman, I would point out that is almost my entire life—for almost 30 years the Wright amendment has protected a mutual agreement between the cities of Dallas and Fort Worth. In fact, without the Wright amendment, look at Austin, look at Denver, look at Atlanta; I am not certain what happened in Fayetteville, Arkansas with the opening of the Northwest airport there, but those cities lost their older airport because of agreements that were entered into by those cities when they opened a larger, new facility.

I believe in the integrity of the Wright amendment. I believe it has enabled Dallas/Fort Worth Airport to become the economic engine of north Texas. If we change the terms of the old agreement, the new law must protect the lives and the livelihoods of tens of thousands of people who depend on Dallas/Fort Worth Airport.

Our two mayors, Mayor Moncrief and Mayor Miller, have each worked diligently along with major stakeholders, and I believe they have entered into a historic agreement that will protect my constituents, constituents throughout north Texas, for better services

at Love Field and for continued excellent service at Dallas/Fort Worth Airport.

I do represent a portion of the Dallas/Fort Worth Airport, but I also represent Alliance Airport and Denton Municipal Airport. I believe the surrounding airport interests must be protected.

I am pleased that the mayors made a distinction between commercial, passenger service, and cargo service. Additionally, most unscheduled charter service is not included in the definition of commercial passenger service; thus, surrounding airports will be able to continue their cargo and most charter service without disturbance. This is a very important service and I believe we should take all the necessary measures to protect communities like the city of Denton.

It should be noted that this agreement only binds the cities of Dallas and Fort Worth, American Airlines and Southwest Airlines. It does not bind the neighboring cities within the 80 miles. Therefore, their autonomy should remain unquestioned. I would oppose any measure, whether State or Federal, that would obligate other parties to this agreement. If other parties are subsequently bound by this agreement or any form of legislation, this would be contrary to the intent of the agreement.

It is my hope that any proposed legislation will remain silent on the issue of preemption.

The Dallas Aviation Department has revealed that the department has a $20 million budget shortfall within its two most recent fiscal years combined. While the aviation department has proposed increasing their landing fees at Love Field from $0.35 to $0.55, the Dallas taxpayers, not just the traveling public, but the Dallas taxpayers are still subsidizing this airport. According the Dallas Morning News, the landing fee increases will bring in over $900,000 to the city annually. This obviously falls short of offsetting that budget deficit.

Similarly situated midsize airports charge an average of $1.40 landing fees and I do not understand why the city of Dallas has been reluctant to charge a more fiscally responsible landing fee. While clause 5 of the new joint agreement does provide the landing fees will be adjusted to cover much-needed facility and safety improvements, it is my hope that the city of Dallas will rise to the challenge and increase the landing fees to a more appropriate level.

As with any older facility, modifications need to be made to ensure the safety of the entire area. An increase in landing fees could provide for additional safety improvements that would provide for the well-being of those in and around Love Field, including runway expansions and over-run barriers. The citizens of Dallas deserve these safety measures as well as more transparency in the financial records at Love Field.

While I would have preferred for the Wright amendment to stay intact, I have always believed that the fate of the Wright amendment should be decided locally between the cities, since they are the entities that actually own the DFW Airport and Love Field. If the Wright amendment is to be modified, it should come first from the local level and not from Washington.

Just a few short months ago the north Texas delegation charged Mayor Moncrief and Mayor Miller with this most difficult task.

Considering the history between the two cities, some felt this task was in fact impossible. However, Mayor Moncrief and Mayor Miller rose to the challenge and we now have before us a local agreement signed by all major stakeholders. It is now our opportunity to rise to the challenge and, if possible, pass legislation that reflects this agreement. If it is impossible to enact this legislation that reflects the agreement, then the Wright amendment should stay firmly intact.

Again, Mr. Chairman, I thank you for having this important hearing. I offer my assistance to you and the committee regarding the aviation issues that affect my constituents in north Texas.

Mr. MICA. I thank the gentleman. Thank you again for your patience.

Do we have any other Members that seek recognition on this issue before us? Normally we don't question our fellow Members. You will get a chance, I am sure, as soon as you get off the panel.

I went to a wedding this weekend where the pastor said, Speak now or forever hold your peace. This is it, ladies and gentlemen. No one else.

OK. I want to thank each of you for your participation and your contribution to today's hearing and we will excuse you at this time. Thank you.

We will call our first panel: Michael Cirillo, Vice President of Systems Operations for the Air Traffic Organization of the FAA. Mr. Cirillo.

This is probably Andrew's last hearing. I told you I would speak for you or against you to help you get a job, Andrew. You got it. We will miss you.

All right, the representative from FAA, thank you for being with us, and you are recognized at this time.

TESTIMONY OF MICHAEL CIRILLO, VICE PRESIDENT OF SYSTEM OPERATIONS, AIR TRAFFIC ORGANIZATION, FEDERAL AVIATION ADMINISTRATION

Mr. CIRILLO. Thank you, Chairman Mica, Congressman Costello, and members of the committee. I appear before you today to discuss the unique operational restrictions now in place at Dallas Love Field Airport and whether modifying those restrictions will——

Mr. MICA. It is a little hard to hear. Can you either pull that up or speak closer?

Mr. CIRILLO. Is that OK?

I appear before you today to discuss unique operational restrictions now in place at Dallas Love Field Airport and whether modifying those restrictions will result in a denigration of air space efficiency in the Dallas/Fort Worth area.

The background of the Wright amendment has been well discussed. The FAA has been asked if safety would be affected by permitting additional flights into and out of Love Field. The agency has said consistently and repeatedly what I emphasize today: FAA will never compromise its safety standards to accommodate increased demand.

Our most critical mission is aviation safety, including keeping aircraft safely separated from one another. Consequently, the only

question that should be asked from an airspace perspective is whether further modification to the Wright amendment would compromise efficient airspace use in the Dallas/Fort Worth area.

Based on a recent MITRE study requested by FAA of air space operations if the Wright amendment is repealed and based on FAA's validation of MITRE's findings I can tell you FAA does not expect the efficient use of airspace will be compromised.

Knowing that the debate on the Wright amendment was ongoing, FAA contacted MITRE and asked them to assess the impact to efficiency of increased operations at both DFW and Love Field. Results of the analysis indicate there is significant additional capacity in the Dallas/Fort Worth terminal area airspace. While additional operations at these airports may increase complexity, many other regions of the country have airspace that is at least this complex. In each case the potential conflicts are unique to the particular location. Factors such as the number of airports in the region, the number of runways at each port, how they are situated, and the number and type of operations conducted there are only some of the considerations that dictate how FAA controls traffic in a given region. FAA has great flexibility in using a wide range of technologies and procedures to accommodate the air traffic needs of an area. Some of you may remember a couple of years ago the number of operations in Washington-Dulles International Airport significantly increased at a time when a new carrier initiated service at the same airport. At that same time, construction had closed one runway. FAA was able to implement traffic management initiatives to efficiently accommodate the increase in demand.

Similarly, the airspace in the Northeast Corridor and southern Florida is quite congested with several major airports in close proximity.

In addition, Chairman Mica recently held a field hearing in California to address his concerns that the operational challenges in that region were being met. I cite these examples to demonstrate the nature of our business, that FAA is asked on a daily basis to control traffic and maximize airspace and efficiency in a highly changeable environment characterized by congested routes, dynamic traffic, and volatile weather. Yet, by tailoring our resources to the unique demands of each situation, we have been able to do what we are asked, safely and efficiently.

The MITRE study assumed a range of operational increases. Their conclusion, which FAA has validated, is that it would take hundreds of additional daily operations at both airports for there to be reportable volume-related delays. It would take hundreds more daily flights on top of that to result in what FAA would consider to be significant delays.

It should be noted that their study did not factor delays that would be attributed to weather. While the MITRE study was based on unconstrained operations at Love Field, actual operations under the agreement reached by the parties would in fact be somewhat constrained by a limit on the number of gates that could be used. Given this limitation and MITRE's finding of no significant effect even in unconstrained conditions, we are confident that the operational increases that would result from the proposed modification to the Wright amendment would not result in efficiency problems

for the Dallas/Fort Worth metropolitan area or the national airspace system. Even if operations in the area increase beyond what FAA anticipates, we have options to handle the significant increase in flights if necessary.

Last month, Russ Chew testified before you about some of the notable successes of the air traffic organization, one of which was Area Navigation or RNAV. They provide flight path guidance that is incorporated into onboard aircraft avionic systems requiring only minimal air traffic instruction. This technology significantly reduces routine controller-pilot communications, allowing more time on frequency for pilots and controllers to handle other safety-related critical flight activity.

Also RNAV procedures use more precise routes for takeoffs and landings, reducing fuel burn and time intervals between aircraft on the runways. This creates increased air traffic efficiency, enhances safety and may allow some increase in air traffic throughput. We currently have RNAV procedures in place for DFW but not for Love Field. So establishing it for Love Field is one option available to us should air traffic demand increase substantially. Should the need arise, we would also look at modifying flows and sector configurations on a larger scale.

In conclusion, I want to reiterate that FAA's commitment to safety means we would never consider sacrificing accepted safety standards for the sake of efficiency or anything else. If Congress decides to modify the existing unique restrictions at Love Field and impose other unique restrictions there, FAA will continue to safely separate aircraft regardless of the operational impact of the legislation. Having looked at the anticipated impacts of what we know is under consideration, we have no reason to believe system efficiency would be compromised.

This concludes my prepared statement. I will be happy to answer your questions at this time and I apologize I don't have slides. I debated, but in the end decided not to. I look forward to discussing the operation with you.

Mr. MICA. Thank you for your testimony.

I have one really two-part question for you. First, you are going to tell us today unequivocally, without any doubt or reservation, that it is safe.

Mr. CIRILLO. Yes, sir.

Mr. MICA. The second part of that would be you are going to tell us that FAA will either have the resources or has the resources or can put the resources in place to make certain that the equipment, personnel, or whatever are required facilities to ensure safety will be there.

Mr. CIRILLO. Yes, sir.

Mr. MICA. That is all I need to know.

Mr. Costello.

Mr. COSTELLO. Mr. Chairman, thank you. Let me ask you, how many additional operations would it take at Dallas/Fort Worth or both airports to affect the efficiency?

Mr. CIRILLO. We characterize the efficiency in a manner of describing delays, and to get to a point where we would have reportable delays, it really is hundreds of additional flights. DFW's peak year was somewhere around 875,000 operations. In 2005 they oper-

ated somewhere around 740,000 operations, and Dallas Love coincidentally had the same peak year; they operated somewhere around 260,000 operations, and last year they were in the 235,000 range. And at that point there was still not significant volume-related delays in the area even in their peak year. So we have some built-in flexibility.

Mr. COSTELLO. How much flexibility?

Mr. CIRILLO. The MITRE study is not complete yet, but when I say hundreds, I am looking at the 2- to 400 range, additional flights.

Mr. COSTELLO. If the Wright amendment is repealed, have you or the FAA made any projections regarding the potential increased flight operations at Love Field by the year 2015?

Mr. CIRILLO. No, sir, we have not made those projections.

Mr. COSTELLO. Have you made any projections at all?

Mr. CIRILLO. No.

Mr. COSTELLO. Mr. Chairman, I don't have any other questions at this time, and I would yield the balance of my time to Mr. Oberstar, in addition to the time he is entitled to.

Mr. MICA. That might be stretching it, but he is recognized.

Mr. OBERSTAR. Thank you, Mr. Chairman. Thank you, Mr. Costello.

You say, Mr. Cirillo, significant additional capacity. There are 549,000 operations at the two airports today, not counting the general aviation ops at DFW. How much more on top of that do you say you can accommodate? Operations, operations.

Mr. CIRILLO. The operations, the totals that I discussed were including general aviation operations.

Mr. OBERSTAR. So you are talking about 200 additional, is that what you said in response to Mr. Costello, 200 additional operations?

Mr. CIRILLO. It is based on preliminary data.

Mr. OBERSTAR. Two hundred a month, a year?

Mr. CIRILLO. Per day.

Mr. OBERSTAR. Now the four-post operation in your airspace design has greatly alleviated the terrible congestion that existed 15 years ago. You still have aircraft about 2 miles apart from each other, don't you, on arrivals and departures in the air, aircraft in the air.

Mr. CIRILLO. Depending on the configuration. There is one waiver for one configuration at DFW but that is because they are procedurally separated. But generally 2 miles is not the separation standard that is used. They use a minimum separation standard which is based on wake turbulence, notwithstanding we use the minimum separation standard, which is either 3 miles or greater.

Mr. OBERSTAR. You are sticking to the 3-mile separation. It depends on type and model of aircraft though, doesn't it?

Mr. CIRILLO. Yes, sir. Wake turbulence, a larger aircraft——

Mr. OBERSTAR. If you have a twin-aisle wide body, you need more separation en route.

Mr. CIRILLO. In trail.

Mr. OBERSTAR. In trail. And even with a 757 you need more separation.

Mr. CIRILLO. Yes, sir. On final approach with the 757 to the same airport.

Mr. OBERSTAR. So you have on this configuration using the inbound here; inbound separated by route, inbound is separated by altitude. You have different climb rates of different aircraft. The 737, which is principally the Southwest fleet, it has about the fastest climb rate, 65,000 feet per minute.

Mr. CIRILLO. Yes, sir.

Mr. OBERSTAR. Is that sufficient? Would you require that for all aircraft to have comparable climb rates so they are out of the wake turbulence of arriving and departing aircraft?

Mr. CIRILLO. In this case when they are utilizing vertical separation it is—these aircraft are not necessarily in trail so they are actually separated vertically.

Mr. OBERSTAR. At DFW have you implemented the new vertical separation, the reduced vertical separation standards FAA has adopted?

Mr. CIRILLO. The reduced vertical separation standards were applicable above 29,000 feet and they mirror the separation standards vertically that we use below that. So they do use the same separation standard, which is 1,000 feet vertically.

Mr. OBERSTAR. Given those concerns, and I know that FAA is not going to compromise safety, but in order to assure safety, in order to maintain the margin of safety, you may have to slow down traffic.

Mr. CIRILLO. In the case of the arrivals that you described, they are procedurally separated and the DFW and Love traffic is really not an issue. They are procedurally separated and not restricted based on each other. So it would——

Mr. OBERSTAR. Your conversation up to this point at least has an underlying assumption of good weather. What about severe weather, which frequently—well, it is a common occurrence in the DFW airspace. What do you do then?

Mr. CIRILLO. In severe weather it completely depends on the scenario. We have instances where we have all routes to a particular metropolitan area, you may shut down the entire Metroplex area. We have had that situation occur throughout the system. So in the case of severe weather, it really is dependent on the particular scenario. There may be one inbound and outbound route, and in the case of weather we will incur delays, and that is systemwide.

Mr. OBERSTAR. What do you anticipate in number of operational increases with this agreement as you understand it as it has been laid out? What do you anticipate in the number of ops out of Love Field?

Mr. CIRILLO. We really have not made that calculation. We haven't had enough discussions with particular customers——

Mr. OBERSTAR. Is that something MITRE is supposed to study for you?

Mr. CIRILLO. Their study was really unconstrained with no information based on projections, no science based on the projection. It was just an unconstrained number of additional aircraft.

Mr. OBERSTAR. To date, 757s do not operate out of Love Field; but under this agreement they could, right?

Mr. CIRILLO. Well——

Mr. OBERSTAR. Love Field has at least a runway capacity to be able to handle that. 13R is 8,800 feet, 13L is 7,052 feet.

Mr. CIRILLO. I think physically a 757 could operate out of that airport. I have no idea actually at this time whether there is a plan to do that or not.

Mr. OBERSTAR. There doesn't appear to be. They don't exist in the Southwest fleet. I don't recall whether American has 757s in its fleet. But some may want to put 180, 200-passenger aircraft in that operation and extend their revenue option.

That would then generate some new safety concerns, wouldn't it?

Mr. CIRILLO. It wouldn't generate a safety concern. We would apply the applicable separation in trail behind a Boeing 757.

Mr. OBERSTAR. But it would be a new procedure for that airport which doesn't have that type of operation now.

Mr. CIRILLO. I think that occasionally there are wide-bodied aircraft that come into Love for maintenance or charters, so I think that it has accommodated those on the non-schedule type of basis.

Mr. OBERSTAR. What are the nav aids in use at DFW for both fields? Do you have RNAV in service?

Mr. CIRILLO. We have RNAV departures at DFW, we do not have those procedures for Dallas Love.

Mr. OBERSTAR. Is there a control tower at Love Field?

Mr. CIRILLO. Yes, sir.

Mr. OBERSTAR. What radar do they have at the tower?

Mr. CIRILLO. They have—the Dallas/Fort Worth Metroplex area has at least four terminal radars.

Mr. OBERSTAR. I know that. So those terminals will be—are the control tower for Love Field?

Mr. CIRILLO. They provide the radar coverage.

Mr. OBERSTAR. Are those ASR 9, 11s?

Mr. CIRILLO. Either ASR 9s or 11s.

Mr. OBERSTAR. They are state-of-the-art.

Do you have STARS in operation at the TRACON?

Mr. CIRILLO. No. They have Common Arts.

Mr. OBERSTAR. Common Arts.

Well, I think that at least, at the very least, this opening up of Love Field does raise some more concern, more challenge for FAA to more carefully manage that airspace; wouldn't you say that?

Mr. CIRILLO. I would say that we carefully manage the airspace always.

Mr. OBERSTAR. I know you do.

Mr. CIRILLO. We have a great concern for safety. As I said, regardless of what the legislation——

Mr. OBERSTAR. You will adapt to whatever comes. Whatever way is necessary and whatever additional technology is necessary. To maintain safety at the highest possible level, as it is stated in the opening paragraph of the 1958 FAA Act.

Mr. CIRILLO. Yes, sir.

Mr. OBERSTAR. Thank you.

Mr. MICA. Thank you.

Mr. Coble.

Mr. COBLE. Mr. Chairman, I have no questions. I have been plagued today with a rigidly inflexible schedule. I have another hearing imminently and I wanted my Chairman to know that my

absence does not indicate lack of interest. I thank you and the distinguished gentleman from Illinois for having scheduled this very important hearing, and with that I will yield the balance of my time.

Mr. MICA. Your absence was actually appreciated today.

Mr. COBLE. I appreciate that, Mr. Chairman. Reclaiming my time, I did ask for that.

I yield the balance of my time to the distinguished gentleman from Alabama, Mr. Bachus.

Mr. BACHUS. Mr. Chairman, he yielded the balance of his time to me too.

I am a big supporter of Southwest Airlines and also of competition and so I do want to ask this question. The FAA is charged with air traffic safety, and of course we have been spending all our time here talking about the increase in number of flights. You said that you could take over 100 new flights or more. If I look at what I have read about this agreement, you are demolishing gates at Love Field, so why would anybody think we are going to have more flights out of Love Field?

Mr. CIRILLO. The study that was done was not based on any ground infrastructure. It was just a look-see at what additional activity at the airport would produce in the way of efficiency.

Mr. BACHUS. But I think realistically—I noticed and I read an article where the Mayor of Dallas, Mayor Miller, said they were going to demolish a 7-year old terminal with 700 parking spaces.

One of your other charges at FAA is to make sure that any airport that receives Federal funding—I guess Love Field receives Federal funding, does it not?

Mr. CIRILLO. I don't know.

Mr. BACHUS. I think you probably could assume that it does. Assuming that it does, does this agreement—one of the primary charges FAA has is that any Federal airport that receives Federal funding or any airport that receives Federal funding, what it says is, "does not discriminate against airlines by aiding one over the other in any way."

Does this agreement do that or does it exclude another competitor?

Mr. CIRILLO. We actually do not have a position on that.

Mr. BACHUS. You are not speaking for the FAA because they are legally—that is part of your charge.

Mr. CIRILLO. In this case the legislation is pending and whatever the legislation entails, we will comply with that.

Mr. BACHUS. Let me back up and—you are aware that one of the FAA charges is to make sure the airlines receiving Federal funds do not discriminate against airlines by aiding one over the other in any way. You are aware of that provision.

Mr. CIRILLO. Yes, sir.

Mr. BACHUS. Would an agreement that left all the gates at a certain airport under the control of two or three airlines, at least on its face, appear to violate that discrimination?

Mr. CIRILLO. I don't even want to speculate as to whether or not it would.

Mr. BACHUS. Would you if I submitted a written question to you in that regard?

Mr. CIRILLO. We would answer the question.

Mr. BACHUS. Thank you. I mean, I am just curious. As you all looked at this—and your entire testimony was dealing with safety, one of your charges being that this is in the best interest of the traveling public. I commend the fact that the mayors have gotten together, and the airlines, and made an agreement. I welcome that. I think the Wright amendment has cost the people of north Texas millions of dollars and I think this agreement will save them millions of dollars.

I think there are things in this agreement that are troubling, however, from a competitiveness standpoint, from a discrimination standpoint. And I would ask the FAA to look at those provisions which cap the number of gates at Love Field. I wouldn't worry so much about all these planes being stacked up over an airfield where the gates are being capped.

The other thing is this clause 6. Have you looked at that?

Mr. OBERSTAR. Would the gentleman yield? The gentleman said—asked the FAA to look at that competition issue. That is a DOT responsibility, not FAA responsibility. I think we should insist that the DOT, which has competition responsibilities——

Mr. BACHUS. Also the FAA. The FAA, one of their charges, Mr. Oberstar, is—the DOT additionally.

Mr. OBERSTAR. The DOD will be the venue at which such issues will be——

Mr. BACHUS. The FAA and their funding determinations—I mean, I am actually quoting from their provision.

Mr. CIRILLO. I would just say that the Wright amendment is unique, so to generally speculate is——

Mr. BACHUS. Let me say this. Congress can override the FAA, and Congress did that in the case of the Wright amendment. They preempted the FAA and their charge and we can do that in this case. We can absolutely adopt this and we could override and we could actually enact into law something that would shut out other airlines from Love Field. Congress has a right to do that. We did that in the Wright amendment.

I am just saying does the FAA—you have come in and talked about safety concerns. I am just asking you, one of your charges is also to talk about competitive issues, and did you want to talk about those?

Mr. CIRILLO. No, I am not here to talk about the competitive aspect of this based on where we are.

Mr. BACHUS. I am not trying to put you on the spot. Did you hear some of the members talk about clause 6 and some of the outlying airports, Dennison, Alliance and McKinney?

Mr. CIRILLO. Yes.

Mr. BACHUS. It seems to me like you have discouraged flights into those fields of flight that actually could increase the number of flights into Dallas/Fort Worth and actually add to the number of flights.

Mr. CIRILLO. We have not done an analysis of the satellite airports and not speculated on where the agreement may go relative to them. Our analysis was particular to or specific to Dallas/Fort Worth and Dallas Love.

Mr. BACHUS. I don't know really anything other than what members said, that there were some provisions, and I am sure the city—it is one thing if I am mayor, I am going to encourage as many people as possible to come in. But I am not sure the Congress should enact provisions which in any way encourage business to go away from Dennison or Alliance.

I would just ask the FAA to take a second look and look at those provisions and see if they in any way would affect air travel or the number of flights and whether there are any safety issues there.

Mr. CIRILLO. We will do that.

Mr. BACHUS. Thank you. I yield back.

Mr. MICA. Thank the gentleman.

Ms. Johnson from Texas, you are recognized.

Ms. JOHNSON OF TEXAS. Thank you very much. Let me first comment on my colleague's inquiry there from Alabama. Let me assure you that before this agreement, there was not that much limitation on the flights coming into Love Field. The limitation came when Southwest put them out of business.

Mr. BACHUS. I am sorry, I couldn't hear.

Ms. JOHNSON OF TEXAS. The limitation on the flights coming into Love Field had to do with Southwest putting them out of business by dropping those fares so low they couldn't compete. There have been several that tried. But it is a city-owned airport, and I believe that the city would have the authority to limit flights or to request the FAA to increase them. This is an agreement that has been reached because the original one asked for Love Field to be closed to commercial traffic.

Mr. BACHUS. I could be under a misunderstanding. I was thinking that the agreement capped the number of gates and——

Ms. JOHNSON OF TEXAS. That has a lot to do with that neighborhood and safety.

Mr. BACHUS. That was the reason for some of my questions. The gentleman, I thought he said that it could take hundreds of more flights without safety concerns, so that raised the issue with me about why are we capping the number of gates. You freeze the number of gates that Southwest Airlines has to 16 so you—obviously, according to the FAA's testimony today, there is no safety reason for that. It apparently is you are—I wish they had 30 or 40 gates.

Ms. JOHNSON OF TEXAS. We don't.

Mr. BACHUS. Actually, they are going to tear down a 7-year old terminal——

Mr. CIRILLO. Just in the interest of being correct, my testimony spoke to efficiency.

Mr. BACHUS. I am sorry.

Mr. CIRILLO. My testimony spoke to efficiency. We stipulated that we would maintain a safe environment and the additional flights were at a level that would affect the efficiency of the airport, not the safety of the airport.

Mr. BACHUS. I thought your testimony——

Ms. JOHNSON OF TEXAS. Reclaiming my time.

Mr. BACHUS. I thought you said it could accommodate hundreds of additional flights into the area.

Mr. CIRILLO. Yes.

Ms. JOHNSON OF TEXAS. I suppose that even the testimony that I heard about the 80-mile radius, if the population grew to the point where there was that much more demand for commercial traffic, I imagine we could negotiate that with the FAA. It is just really not there. I don't know why all these people want to come to Dallas. They can go anywhere they want to go without having to come to Dallas. It is a puzzle to me why many of them feel that they have to either leave or depart Dallas in order to have services of Southwest Airlines. That is not the case. But we have a big airport, new as airports go, that there are many airlines that could go out there and it is ready to receive them. It is ready to receive Southwest.

But I think in terms of safety from FAA, there was a study done in Dallas as well, and these 20 gates really has to do with not imposing any more subjection of the people that live around there to environmental concerns as well as safety concerns. There are about 123,000 students in that general area in school and if you want to hear about the intensity of feeling about safety in that area, you can go home with me. It is in my district. Those voters are, too.

Thank you, Mr. Chairman.

Mr. MICA. Thank you. Additional members seek recognition? Mr. Filner.

Mr. FILNER. Just briefly. Mr. Cirillo, you testified that if you needed to, you could put more safety features like this RNAV at Love. What would that cost?

Mr. CIRILLO. Actually, it is a combination of procedures and use of equipment on board the aircraft, so it is not additional technology, for example, our automation or communication infrastructure. So it is fairly inexpensive. It involves procedural design and training.

Mr. FILNER. So you can add that safety feature at Love without any cost, as opposed to redoing procedures.

Mr. CIRILLO. It is a procedural redesign that is fairly inexpensive.

Mr. FILNER. Thank you very much.

Mr. MICA. Any other members seek recognition? If there are no other questions of this witness, we appreciate your testimony and we will excuse you at this time.

I now call the second panel. The panel consists of the Honorable Laura Miller, Mayor of the City of Dallas, Texas; the Honorable Mike Moncrief, Mayor of the City of Fort Worth, Texas; Mr. Gerard Arpey, Chairman and Chief Executive Officer of American Airlines; Mr. Herb Kelleher, Chairman of the Board of Southwest Airlines; and Mr. Kevin Cox, Chief Operating Officer and Senior Executive Vice President of the Dallas/Fort Worth International Airport.

I would like to welcome each of the witnesses.

TESTIMONY OF HON. LAURA MILLER, MAYOR, CITY OF DALLAS, TEXAS; HON. MIKE MONCRIEF, MAYOR, CITY OF FORT WORTH, TEXAS; GERARD ARPEY, CHAIRMAN AND CHIEF EXECUTIVE OFFICER, AMERICAN AIRLINES; HERB KELLEHER, CHAIRMAN OF THE BOARD, SOUTHWEST AIRLINES; AND KEVIN COX, CHIEF OPERATING OFFICER AND SENIOR EXECUTIVE VICE PRESIDENT, DALLAS/FORT WORTH INTERNATIONAL AIRPORT

Mr. MICA. We will start off by hearing from the Mayor of Dallas, Texas, Laura Miller. Welcome, and you are recognized. You will have to hit that little button.

Ms. MILLER. Thank you, Mr. Chair, and thank you to Ranking Member Costello and members of the subcommittee. We appreciate being able to testify before you, and now that we have heard all of the other comments, we are anxious to answer all the questions and try to clarify some of the issues.

As you have heard, the cities of Dallas, Fort Worth, Dallas/Fort Worth International Airport Board, Southwest Airlines, and American Airlines are the five parties that have reached an agreement among ourselves. All of us have now approved that as of last night when Fort Worth approved the agreement.

Much like the agreement that led to the creation of Dallas/Fort Worth Airport 32 years ago, the agreement represents the best that we have in regional cooperation and signals that whatever our past differences on Love Field, the cities of Dallas and Fort Worth are committed and joined at the hip to working together on behalf of our region's future.

Before I proceed with my testimony I would like to thank the entire North Central Texas delegation. They asked us to come up with a local solution; we have delivered that. We are here to strongly encourage Congress to approve it without modification, and we will give you all of those reasons in a moment.

I would also like to thank two members of the subcommittee in particular, Representative Eddie Bernice Johnson and Representative Kenny Marchant, for their support on this issue and for making this hearing possible.

And I also want to thank, of course, my good friend and partner in this endeavor, Fort Worth Mayor Mike Moncrief, for his leadership and his dedication in getting this resolved. Our city councils and our business communities both participated in the work that brought us here today.

When the congressional delegation asked us to find a local solution, it was 4 months ago. The problems were very complex and the interests between the parties were extremely entrenched. The rift between our two cities has for too long kept the fifth largest metropolitan area in America from developing its full economic potential, and that is the reason that we worked so hard to do this.

The five parties reached an agreement, and the top three things on our minds are the following, number one, to keep the third busiest airport in the world strong. It is our economic engine for north Texas, DFW Airport. We created it together the two city cities and our bond covenants say that the two cities shall make sure that we protect that asset.

Number two, we wanted to protect the neighbors around Love Field, the residents and businesses. It is a landlocked intercity airport and we have done an enormous amount of work in the last 10 years to make sure that we had a balance between growth in competition and also the protection of the neighborhoods regarding pollution, ground congestion, and noise.

I want the committee to know that we have the gentleman, George Vitas, who is the senior person who did the Love Field master plan in 2001 that originally recommended 32 gates as long as the Wright amendment stayed in place. We updated that for purposes of these discussions between the two cities, and that number went to 20 because the same consultants looked at what is the very best number of gates to have without the Wright amendment; if that one variable changed, then how many gates would be appropriate in terms of the environment, in terms of economic growth, and in terms of operations and safety. And that is why the number is 20 and not 17 or 22 or 25, and that gentleman is here behind me and is able to answer a lot of the questions that I heard being posed to the gentleman with the FAA if you look in terms of our master plan work that we have been doing for the last 10 years.

Our solution has the support of the committees surrounding Love Field, the business community, and the president of the Greater Dallas Chamber of Commerce, Erle Nye, who has been deeply involved in the process, came to the Hill with us a few weeks ago to talk to some of you about the initiative.

The Love Field Citizens Action Committee, as Congresswoman Johnson said, has written letters expressing their support. They are very detailed and that has been entered into the testimony. This agreement will gradually open Love field to allow direct nonstop flight to and from the cities throughout the United States in a manner that protects the neighborhoods and also enables Dallas/Fort Worth International Airport to cement its lead role in our region. It will free Love Field from almost 30 years of control and, importantly, allow Dallas to move forward in updating the master plan that I referenced.

The master plan concluded that our master plan goals can be fully implemented under the 20 gate limit set by the five-party agreement. It maintains the ground traffic noise and air quality impacts of the air service that 32 gates with the Wright amendment would bring. The 20 gate limit without the Wright amendment will also enhance safety and efficiency.

A few airlines, as you know, have complained that the five-party agreement would bar new carriers from Love Field. Not so. There will be room for new entrants and for new service to other destinations from our airport now and after the airport is reconfigured.

Today our airport has 19 gates that are currently in use. The solution will increase the current number of operational gates from 19 to 20. New entrants are welcome under our existing gate-sharing provisions, and that does not change under the agreement and we welcome all entrants to Dallas Love Field as we do Dallas Fort Worth International Airport.

We also will be having a much improved airport because of this solution. As part of the agreement the city of Dallas has agreed to invest between $150 million and $200 million for a lot of upgrades

at Love Field consistent with the master plan. We will fund them using landing fees, space rental charges, and passenger facility charges. The investments will improve operations, increase safety, improve the traveler's experience and boost our airport's bottom line.

The investments include two components to address safety issues which I know were of considerable concern to Representative Oberstar. We will be adding 1,000 feet to the runway safety areas off the north end of Love Field's two parallel runways to bring them into compliance with Federal compliance, and we will build a new $8 million public safety and crisis management facility that will enhance security and emergency response by combining the administrative functions of the Dallas Airport Police, Dallas Fire and Rescue, Airport Operations, and the controlled access security system in a facility that will be separate from the main terminal building.

We are also committed in this agreement to other improvements at Love Field including the expansion of retail concession, renovation of the central lobby, a new cargo building, renovation of the intersection of Mockingbird Lane and Cedar Springs at the entrance to the airport, a new ticket wing and pedestrian bridge, renovation of the concourse and landscaping.

We will also fund any construction, renovation, or demolition work related to limiting Love Field to 20 gates and we will explore construction of a people-mover that will directly connect the terminal at Love Field with a planned new rail station on the northwest light rail line that is planned by our rapid transit agency.

Mr. Chairman, this landmark agreement represents our very best efforts in regional cooperation. It will improve service, improve safety, efficiency, in a manner that minimizes the impact on the neighborhoods. It will cement Dallas/Fort Worth International Airport as the hub of our regional economy and it will also, we believe, create enormous air competition and lower fares for our consumers.

We need your help to make it happen. We know we are on a very fast timetable and we appreciate your letting us come to you so quickly and tell you why this compromise should be approved. Thank you.

Mr. MARCHANT. [Presiding.] Thank you, Mayor. Thank you for your hard work on this.

At this time it is my privilege to introduce to you the mayor of the city of Fort Worth, Mr. Mike Moncrief.

Mr. MONCRIEF. Thank you, Mr. Chairman, Ranking Member Costello, and Ranking Member Oberstar and members of the committee. It is an honor to appear before you as mayor of one of the fastest growing cities in the country: Fort Worth, Texas.

Let me first say that I fully understand that your time is valuable and I will keep my remarks brief. We deeply respect the jobs that you do and we thank you for giving us the forum to discuss the significance of this local agreement. The debate over the Wright amendment has been long and turbulent, with impassioned arguments on all sides.

It goes without saying that I am delighted to be here in support of a proposal that would finally settle this local issue which has at times divided our entire region. I am most appreciative of my colleague and friend, Dallas Mayor Laura Miller, for her partnership,

for her support during this process. And of course there were times where we agreed to disagree, but in the end I am proud that our two cities worked jointly towards what was best for our citizens, the flying public, the airlines and our airports.

We also owe a great deal of gratitude to the leadership of DFW Airport, American Airlines, Southwest Airlines, for their willingness to chart a new path. I especially want to thank Senator Kay Bailey Hutchinson who, along with Senator John Cornyn, urged us to forge this compromise.

I also want to express my sincere appreciation to Chairman Joe Barton, Representatives Granger, Burgess, Eddie Bernice Johnson, you, Mr. Chairman, and the rest of the north Texas delegation for your support.

Although our target was elusive, I believe we produced what we were asked to construct by our congressional leaders: a local solution to a local problem. In my years of public service I have never been involved in more intense, challenging, and nonstop negotiations. Each of us spent countless hours, days, weeks and months cussing and discussing the pros and cons of what we have before you today.

Our compromise is an example of what happens when everyone shares in the pain to make something significant take place. All parties here have, what I would like to say, some skin in the game. Sometimes the best decisions are the ones where no one really gets everything that they want but, rather, where everyone walks away at least feeling that the greater good has been served.

Our compromise is a case in point. Ultimately we are presenting you with a fair and balanced product. It is an agreement that as mayor I can represent to you the leaders of Fort Worth firmly stand behind. This is bigger than two cities, two airlines or two airports. The settlement affects thousands of families. It affects businesses, large and small alike. The plan has enormous implications for the Dallas/Fort Worth regional economy, which I might add is one of the largest in the world, as it will protect countless local jobs and preserve the future of our metroplex.

Our agreement is predicated upon the condition that Congress will enact legislation to implement both the terms and spirit of this agreement. While we are proud of our accomplishments thus far, it will be for naught if Congress alters or fails to adopt this compromise as presented. We understand the difficult task ahead of you and we are counting on you to put an end to this debate for good. If we all do our jobs, the provisions of this local agreement will be adopted as Federal law and we will have a binding contract between all parties. Our local city councils and this Congress can move on to other important issues, and this very difficult challenge will not be left at the feet for future leaders.

If we do our jobs, the largest airline in the world, American, and the largest domestic carrier in the United States, Southwest, can focus their energy on competing in the air and not here in the halls of Congress. They can stop spending money on lawyers, lobbyists and campaign-style advertisements. If we do our jobs, Dallas/Fort Worth Airport, our region's most important economic engine and job creator, can continue to be the gateway to the world. All Americans, your constituents and ours, will ultimately be free to fly any-

where in the United States and they can realize a future filled with healthy airline competition that will lead to more competitive air fares.

However, should Congress fail to carry through this local compromise—sadly, Mr. Chairman, but certainly—everyone, including the public, our citizens, will lose. By our presence today we, the parties to this agreement, affirm our approval of this local solution that was negotiated in the best interest of the citizens and economies of the Dallas/Fort Worth metroplex. We urge your strong support of our legislative proposal, without amendment, and we thank you very much for your time and consideration.

Mr. MARCHANT. Thank you, Mayor.

And now I introduce to you the President of American Airlines, Chairman and CEO, and one of my constituents, Mr. Arpey.

Mr. ARPEY. Thank you all for the opportunity to be with you this afternoon to share with you American's perspective on the Love Field compromise. On behalf of the more than 90,000 employees of American Airlines I want to extend our appreciation to the committee for its prompt scheduling of the hearing today and for its willingness to expeditiously consider the proposed legislation regarding the Wright amendment.

I think it is fair to say that this is a day that many in this room believed would never come, including, I must confess, myself. The controversy surrounding Love Field and the Wright amendment has loomed over American Airlines longer than I have been with the company, and I was hired by American nearly 25 years ago, and I know the same is true for Southwest Airlines. But of course, the issue's importance extends far beyond any one company. The impact of what this committee decides will be felt throughout Texas, the Southwest, and in hundreds of other communities around the country.

Almost 2 years ago this committee's Chairman Don Young declared that it was up to the communities in north Texas to reach a resolution to the Wright amendment controversy if changes in the law were to be made. We were grateful for that declaration because it showed a sensitivity to how complicated this issue is and how substantial an impact it has both locally and nationally. And, importantly, over many years, Ranking Member Jim Oberstar has been a consistent advocate of maintaining the Wright amendment for reasons of safety, efficiency and sound economics, a position that I know carries enormous weight with his colleagues on this committee. Many other Members of the House, both on and off the committee, have vigorously rejected calls for repeal of the Wright amendment. Among them, most notably, are Energy and Commerce Chairman Joe Barton, Kay Granger, John Sullivan, Michael Burgess and Kenny Marchant.

I think it is very important to recognize that on this committee the Representative of the district in which Love Field sits, Eddie Bernice Johnson, has been an outspoken advocate against repeal, a position and perspective that I hope will make a great difference in your deliberations.

Now I emphasize all of this not to rehash old controversies but to make the point that this debate is not between the proposed compromise on the one hand and immediate repeal of the Wright

amendment on the other. Rather, this is all about either solving the problem once and for all or returning to the status quo with the Wright amendment firmly in place and the battle raging on.

Some airlines who have sat on the sidelines and who have had the opportunity for years to fly to Love Field are attacking this compromise and proclaiming their sudden and heretofore secret desire to operate from Love Field. I would urge the committee to reject the attempts of the latecomers to be spoilers and to recognize the opportunity at hand by acting swiftly to enact legislation. Despite the fact that American Airlines strongly endorses this proposed legislation, I have made no secret of the fact that my preference would have been either maintaining the Wright amendment without change or closing Love Field to commercial traffic altogether. This compromise did not come easily for us.

We have made two major concessions to get to this point. First, we have agreed to support an immediate repeal of the provisions of the Wright amendment that prevent through-ticketing to Love Field or to points outside the States where service is allowed. Second, we have agreed to full repeal in 8 years. Both of these concessions will be economically harmful to American. In return, however, we have been assured that Love Field will not grow into a mammoth facility that would cause us to split our operations between two airports in such a way that both our small community and international service would be jeopardized from DFW airport.

While high-density point-to-point markets can be supported from any major airport, it takes the synergies of a robust network to support service to smaller communities and to amass sufficient traffic in one point to sustain international service. Hence, under this agreement DFW Airport can remain a viable hub for American. In addition, we will be able to chart our future without the uncertainty of what might happen to the Wright amendment.

This is also why dozens of small- and medium-sized communities throughout the Nation have rallied to support the Wright amendment and why choosing a sensible solution is not just good for north Texas but for hundreds of communities that depend on a healthy DFW for access to the rest of the world. We endorse this solution because it clearly defines the roles of the airports in the region and comes with enforceable provisions that provide certainty about what service will occur at each airport, how large a role each airport will have in providing air service for the region, and what level of environmental impact will be felt on the neighborhoods in schools around Love Field. However, as I think all the witnesses today will testify, this is a very delicately balanced agreement. Any changes in the proposed legislation or the underlying agreement and the contract among the parties will clearly undermine this compromise.

Finally, I would like to reiterate a point I made in my testimony last November in the Senate about my colleague and, until recently, adversary on this issue, Herb Kelleher. It is impossible not to have the utmost respect for the job that Herb and his team have done at Southwest Airlines. We admire them greatly and we compete with them vigorously, and I know that Herb is as delighted as I am that we can now confine our battles to the marketplace rather than the halls of Congress.

I know there is another thing that Herb and I agree upon and that is our admiration for the tenacity and effectiveness of Mayor Laura Miller of Dallas and Mike Moncrief of Fort Worth without whom I would not be here today. In addition to all the Members of the House that I noted previously, I would be remiss not to recognize the essential role that Senator Kay Bailey Hutchinson played in this entire process.

Again, thank you to the committee for the opportunity to be here today.

Mr. MICA. [Presiding.] Thank you, Mr. Arpey.

Now it is my privilege to produce Mr. Kelleher from Southwest Airlines.

Mr. KELLEHER. Thank you, Mr. Costello, Mr. Oberstar, Ms. Johnson, and Mr. Filner. I do not know whether you heard my first introduction but I covered all of you I think.

The 30 years' war waged on the European continent from 1618 through 1648 is, with respect to its 30-year longevity, exceedingly junior compared to the Dallas/Fort Worth Airport struggle, a struggle which has been waged in the Dallas/Fort Worth metroplex for more than six decades. I have personally been involved in litigation, in legislative battles, and in cuss fights over Dallas Love Field since 1972, a period of 34 years. The fact that Southwest Airlines appears before you today, appears before you with Fort Worth, appears before you with the DFW Airport, appears before you with my highly esteemed and much-liked colleague Gerard Arpey from American Airlines, and appears before you with the city of Dallas, is a miracle. As Congressman Costello said earlier, I made the comment at our DFW press conference, if we can all get together on solving this issue, then there is hope for world peace.

Our unprecedented agreement arises from airport circumstances which are unprecedented anywhere else in the United States of America, and most probably unprecedented anywhere else on Earth. Many Members of Congress have over the course of many years urged a local resolution of the Wright amendment issues. That has now been done. And peace and goodwill is the essence of our agreement. Not to mention certainty, not to mention stability, and not to mention tranquility.

Under the perseverant leadership of the mayors of Dallas and Fort Worth who have literally—and I mean literally—and factually worked both day and night to bring this peace pact into being, all of our swords are being beaten into plowshares.

As with any difficult and complicated transaction, difficult and complicated by over 60 years of contention, by over 60 years of controversy, and by over 60 years of acrimony, all sides, all five parties have been compelled to make sacrifices to yield on firmly held positions, to moan and groan and agonize over decisions and over mutual concessions. The only victor, the only sure-fire winner from this agreement is the public, the citizens who will now find it easier and far less expensive to travel to and from north Texas for both business and personal reasons, the citizens who will reap vast economic benefits in their communities from enhanced travel and tourism at lower costs.

As Representative Hensarling stated, that is 2 million more people traveling a year, saving $259 million a year in air fares, and

producing $2.4 billion worth of economic benefits to their communities in the 8 years prior to the repeal of the Wright amendment with through-ticketing and through-service. And I should add most emphatically, the public will reap those benefits without any cognizable injury whatsoever to DFW International Airport or to its far-flung domestic and international air service network.

On behalf of the public we stand shoulder to shoulder with American Airlines, with DFW Airport, and with the mayors and city councils of Dallas and Fort Worth in urging this committee and the United States Congress to speedily approve legislation necessary to implement our locally achieved Wright amendment compromise which people have been asking for in the Congress for at least the last 20 years.

Thank you for your time. Thank you for your attention, and thank you for this speedy hearing before the committee. We appreciate it.

Mr. MARCHANT. Thank you, Mr. Kelleher.

And now Mr. Kevin Cox representing DFW Airport.

Mr. COX. Thank you, Mr. Chairman, members of the committee. On behalf of Dallas/Fort Worth International Airport, I want to thank you for the opportunity to testify today. As this subcommittee is well aware and as you have heard testified earlier, there has been an intense political and public relations campaign involving the Wright amendment for many many years. However, unlike most campaigns which inevitably end in a winner or loser, we stand before you today, united behind a single proposal hammered out through intense negotiations and delicate negotiations between the cities, the airlines, and the airport. After literally decades of fiercely fought legislative, legal, and political battles, we are here today respectfully asking for your approval and endorsement of this locally formulated solution.

In November of 2004 when Southwest Airlines announced its desire to have the Wright amendment repealed in its entirety, a significant effort was initiated to assess the impact that complete repeal would have on DFW and the north Texas region at large. The analysis revealed that an immediate and outright repeal was, and is, a direct threat to DFW's financial stability, having just invested $2.7 billion in that capital development program and having recently lost Delta Airlines as a hub operator at our airport.

In addition, opening Love Field to unlimited growth would increase noise, congestion, and emissions for the residents that live around Love Field. In an effort to find a balance that would permit the repeal of the Wright amendment but protect the residents around Love Field and the long-term financial viability of DFW Airport, the mayors of Dallas and Fort Worth fashioned a local solution which again is a delicate balance between all parties.

The fundamental elements of the solution which require congressional action include the following: First, immediate through-ticketing, second, that Love Field remain restricted as a domestic operation airport; third, this legislation would codify a locally sanctioned and established gate limit of 20 gates for Love Field; and last, all remaining restrictions on air service from Love Field would be eliminated 8 years after this legislation.

It is critically important to understand that each of these elements of this proposal are interdependent. Certain parties have recently raised objections to the proposed solution, claiming it results in reduced access to Love Field. The fact is that scarce resource provisions of the lease, highlighted by Mayor Miller, allows the city of Dallas to require incumbent airlines to accommodate these new entrant airlines on gates that are not fully utilized. The use of accommodation provisions is not unique—is not unique in our industry.

Today San Diego, Santa Anna, Oakland, Las Vegas, Chicago, Midway, Fort Lauderdale and Philadelphia airports, each and every one of them have all of their gates leased or under permit. For any carrier to access gates at any of these airports, it requires the requesting carrier to seek an accommodation from the incumbent carrier or the airport operator.

Another airport, Long Beach Airport has a very strict noise ordinance that places severe limits on the number of nights that can operate from that airport as well. One of the things that has not been discussed in addition to the accommodations provisions is it is very important to understand today, as Ranking Member Oberstar talked about earlier, these two airports serve the same marketplace. They are a mere 8 miles apart.

Every carrier has the unimpeded access into the Dallas/Fort Worth market today. Even if the carrier could not access Love Field through the accommodation provisions, which to date none of the objective carriers have even tried, the carriers can still access the north Texas market by flying directly into the Dallas/Fort Worth International Airport, again a mere 8 miles apart. And with Delta's decision to eliminate its hub, DFW has excess gate capacity of over 15 gates that are currently unleased.

Moreover, DFW has one of the most aggressive air service and city programs in the country. Let me give you an example. If Jet Blue were to initiate just three flights a day from John F. Kennedy to DFW, Jet Blue would be eligible to receive $479,000 in financial incentives which include 6 months of free landing fees. The fact is that Jet Blue Airways and any other airline has access into the north Texas market today. Any claim to the contrary is simply unfounded.

Mr. Chairman, the city of Dallas and the City of Fort Worth have been intense competitors dating back to the early years of flight. At the direction of the Federal Government and with the financial assistance of Congress, the two parties came together to build one of the greatest airports in the world, Dallas/Fort Worth International Airport. The leadership on this committee challenged our community to develop a local solution. Under the leadership of our two mayors we have done just that. We strongly urge you to take this local proposal and implement it in its entirety.

On behalf of DFW Airport and the 265,000 men and women whose jobs depend upon it each and every day, I respectfully again thank you for this opportunity and urge you to support this local solution.

Mr. MICA. I thank you and each of the witnesses for your testimony. I just have a quick question. Maybe Mr. Kelleher or one of you can answer it. I have concern about tearing down gates any-

where when we have infrastructure needs at almost all of our airports, particularly in a major metropolitan area like Dallas/Fort Worth. Also there is taxpayer money involved in the construction of those. I guess part of the plan is to pay back some of the money; is that correct?

Mr. KELLEHER. Actually, Mr. Chairman, there is no taxpayer money.

Mr. MICA. There is none?

Mr. KELLEHER. No. It is all paid for by the airlines that serve Love Field. So the city of Dallas——

Mr. MICA. So there is no infrastructure that will come down that has any AIP money or Federal money?

Mr. KELLEHER. Well, no, no, no. I don't believe so. And may I add something to that?

Mr. MICA. Go ahead.

Mr. KELLEHER. This reduction in gates came about not because it was the strong desire on the part of some of the participants, but really came about because of the prior master plan done by the city of Dallas that allowed the 32 gates at Love Field—provided that most of them were used by regional jet aircraft rather than heavier aircraft such as Southwest Airlines flies. We ourselves are giving up five gates that are our gates as part of this deal. We are going from 21 to 16 gates. And during that entire period of some 25 years, no other carrier ever wanted to come in to utilize those gates. And any carrier that is desirous now of serving Love Field can easily be accommodated even after those gates come down.

Mr. MICA. I feel a little bit better that we have no AIP money in there. But in the long term with open competition, I feel you will have unlimited competition. With real competition you will need those gates and more.

I yield the balance of my time for questioning to Mr. Marchant.

Mr. MARCHANT. Thank you, Mr. Chairman. I will ask this question of all of you on the panel and it was alluded to earlier in the testimony in statements given by the other Congressmen, but I think that at this point we for the last 3 weeks have as a group been very much in agreement as a delegation on the whole concept of this agreement. Today, yesterday, and today, the issue of the 80-mile perimeter has come up.

Can you give us a little background on how that entered into the discussion and what your feelings are on that issue? Mayor Miller, we will just go in order, that will be fine.

Ms. MILLER. Sure. One of the major issues that we have discussed for 30 years at DFW is that we have bond covenants at the airport that the city of Dallas and the city of Fort Worth are responsible for. As Mr. Cox mentioned, we just did $2.7 million worth of improvements out there and the bond covenants specifically say that the cities of Dallas and Fort Worth will do everything possible to make sure that we keep the airport healthy and viable and with a strong revenue stream.

So the purpose of the 80-mile limitation—and it is only a limitation in the sense that if carrier service were to be requested by any smaller airport within the 80 miles around DFW Airport, obviously the mayors of Fort Worth and Dallas and our city councils would say, as we have for the last 30 years, we would prefer that that

air service come to the major economic engine that we built 30 years ago, DFW Airport. We have a lot of capacity at DFW Airport, just like today we have capacity at Love Field with the 19 gates that we currently use. We have capacity on the existing gates. It does not mean that McKinney or Allen or Frisco or any of those communities can't apply tomorrow to get Federal funding to become a passenger service airport. They have every right to do that. All we are saying, not in the legislation, only in our agreement among the five parties, that we will say if that time comes that these communities want to start passenger service, that we would prefer that it come to DFW airport.

The second part of that that was alluded to earlier is the voluntary restrictions that the parties, American Airlines and Southwest, who currently serve Love Field have agreed to. And that is that if they decide between now and 2025 to open a gate at any of these other airports within 80 miles, that they will voluntarily not give up a gate but go from a preferential-use gate, which all of our tenants currently have, to a common-use gate. And so if they open a gate in McKinney, then they would say, if you are Southwest, of our 16 preferential-use gates, we now say that one of those will go to a common-use status. If no one else wants to come in and use that gate, then Southwest can continue to use that gate.

So we thought that it actually helped us at Love Field to create more competition by going to common-use gates which we have never had at Love Field. We have always had preferential-use gates, and until this compromise all the carriers—American, Continental and Southwest—had preferential gates through 2021. We have agreed to extend that to 2028 under this agreement.

Mr. MARCHANT. Anyone want to add to that?

Mr. MONCRIEF. I would only add, Representative Marchant, that as Laura indicated, we have the responsibility of those bond covenants, and that is something we take very seriously and by law we must abide by. It is our responsibility to ensure the health and well-being of DFW. That is in the best interest of not only our cities but the entire region. And what we were attempting to do is not to affect all other airports. And in fact, as we visited with the mayor of McKinney and we talked to him between you all's votes, he assured us that he felt like he could get comfortable with some minor tweaking of the language. So it makes it clear what we were trying to do.

Mr. MARCHANT. Will that language be tweaked in your internal agreement or will you ask for it to be tweaked in the legislation itself?

Mr. COX. Congressman Marchant, it would be tweaked in the legislation. Lest there be any confusion, there are really only a few principal elements that we need in Federal law and they primarily deal with the things that we are talking about, repealing the Wright amendment, through-ticketing, international traffic issues. The other issues are really contractual agreements between the parties. It was never the intent for us to envelop that into legislation that would somehow in any way undermine any other airport's efforts, and it has led to a lot of confusion. And we feel the easiest and surest way to fix that is to make it perfectly clear in this piece

of legislation that every other airport out there will not be impacted by these provisions.

Mr. MARCHANT. Thank you, Mr. Chairman.

Mr. MICA. Thank you. Mr. Costello.

Mr. COSTELLO. Mr. Chairman, thank you. First let me say that in our briefing a few weeks ago, I said then and I will say again today, I commend all of you. This was no small undertaking to come together and reach this agreement. There are in my judgment two issues that have to be examined and resolved here. One is the issue of safety and the other issue is competition.

I have several questions. Let me first say that the issue of safety has been touched on here today. I think there is a lot more to be said concerning that issue, but I want to talk a little bit about the competition issue.

The CEO of Jet Blue submitted written testimony to the subcommittee for today. He refers to this, ″that the agreement is a deal that is even more anticompetitive than the Wright amendment it seeks to eventually repeal.″ so the CEO of Jet Blue is asserting here that this agreement is more anticompetitive than the existing Wright amendment.

Let me ask both mayors and beginning, if you would, Mayor Miller, you both no doubt know and everyone probably who is following this knows that the Dallas Business Journal came out with an editorial on June 26 and it says, ″Love Betrayed.″ and it says, ″Congress should say not only no, but hell no, to the Wright amendment compromise proposed last week.″ and then it goes on to say, four or five paragraphs later ″The deal would make it much more difficult for new airlines to enter this market and challenge American or Southwest because it would permanently destroy the infrastructure that new competitors would need to establish a presence at Love.″

I wonder if you might respond to the concerns expressed in the editorial of the Dallas Business Journal.

Ms. MILLER. Sure. Thank you. For one thing, it should be remembered that our gate-sharing provisions that we have in our current leases with American, Southwest and Continental do not change at all with this solution. So today if Jet Blue came in and said we would like a gate, we have language in all of our leases with our tenants that say we have to make room for that new entrant. We have always had that language in our leases and that language will not disappear.

In the last 30 years we have never turned away an entrant to the airport, and we have had capacity for people to come in.

At the request of the committee this morning, we did provide a copy of the lease language to use, to look at, to read. And we also submitted an airline competition plan for Love Field that was executed in 2001, but also in great detail goes through the language that is in our leases and makes it clear that because we are an airport that receives Federal funding and is governed by the FAA and the DOT, that we provide mechanisms for new entrants to come into Love Field.

Secondly, we currently have quite a bit of capacity at Love Field. If we were to go to the industry average of about ten turns a gate, right now Southwest is at 8.6, American is at 5.3, and Continental

is 6.3. So we would love for Jet Blue to come to Love Field and we would love for them to come to DFW Airport and we have been courting them for a very, very long time. So I am hopeful that they will come and serve the Dallas area.

Mr. COSTELLO. Mayor Moncrief.

Mr. MONCRIEF. Representative Costello, I would say that different publications will have different opinions. And I understand that. And I understand that while the Dallas Business Journal might have an opinion that this is not an agreement that is in the best interest of the people of our region or this industry, I think the Fort Worth Star Telegram had a far different view. I am not certain what the Dallas Morning News position was, but I also know the Fort Worth Business Press strongly endorsed our proposal. And I would say to you that if this product were more anticompetitive than the Wright amendment, I do not think Mr. Kelleher would be sitting here at this table.

Mr. KELLEHER. That is correct.

Mr. COSTELLO. And we are going to give both Mr. Kelleher and Mr. Arpey a shot at the assertion by Jet Blue that it is more anticompetitive than the Wright amendment.

Mr. Arpey.

Mr. ARPEY. Well, I have not seen Jet Blue's comments so I do not know exactly what they said.

Mr. COSTELLO. You pretty well get the gist of it, right?

Mr. ARPEY. The fact that as both mayors have indicated, the fact that a Jet Blue has the right tomorrow to begin service from DFW Airport to wherever they would like to fly and the fact that they can come in under the common-use agreement at Love Field and operate within the confines of the current Wright amendment gives them the opportunity to come in and compete on the same playing field that Southwest has and that American has at DFW. So I find it to be a fallacious argument that they are making, and the fact that we have never heard from this up until this moment suggests to me that there is some other motivation here.

Mr. COSTELLO. Mr. Kelleher, for the record.

Mr. KELLEHER. Mr. Costello, well, Jet Blue released a statement that this was a back-room deal, quote/unquote, on the part of the American Airlines and Southwest Airlines. There are only several things wrong with that assertion. Neither American or Southwest were in that back room. The two mayors were, the mayor of Dallas and the mayor of Fort Worth.

And secondly, they indicated that they had supported the repeal of the Wright amendment. If that is the case, Mr. Costello, it was a very stealthy form of report, since they have never voiced a word in favor of repealing the Wright amendment. That is why their support never came up on my radar. And I called NORAD to check with them as well whether they had detected any support for the Wright amendment from Jet Blue, and there was none.

And finally I would like to say that there is nothing more anticompetitive than the Wright amendment. That is why we had seven gates that we were not able to use at Love Field for 26 years. If the Wright amendment goes away, you are going to reap the added passengers, the fare savings and the economic benefits that Representative Hensarling mentioned in his story. And to further

back up the mayors of Dallas and Fort Worth, if Jet Blue wants to come into Love Field, let them come. We got room.

Mr. COSTELLO. Mayor Miller, you indicated in your testimony that the city of Dallas has agreed to make substantial investments at Love Field as a result of the agreement. I wonder if you might elaborate on that.

Ms. MILLER. We have not done any significant upgrades to the airport in 30 or 40 years. We did do a brand-new parking garage, which is one of the reasons why I know that. Congressman Burgess earlier mentioned about the landing fees, and we should have, in my opinion, increased the landing fees when we incurred the debt from the garage. We did not. Management did not recommend that. We subsequently did that to cover the capital expenditure on the garage, and now we are ready to do a significant upgrade to the entire air field and the concourse and we think that is going to be terrific for the traveler and terrific for the airport tenants.

So part of our agreement is that there will be a minimum of $150 million spent and a maximum of $200 million spent on the items that I read into the record: concourse concessions, landscaping, improvements to the entrance, separate security facility. And that will be done in the 8-year period that we are making these adjustments to not having a Wright amendment anymore. So that would be a significant upgrade and will help us a lot in terms of safety and consolidate our operations which have been rather spread out.

When we had 60 or 65 gates operational, they were at various places in the airport. We will be consolidating that and working with Southwest and our other tenants to come up with a good plan. So we are very excited about the opportunity to do that and to get the commitment from our tenants that they are willing to invest that kind of money in our infrastructure.

Mr. COSTELLO. Mr. Chairman, thank you.

Mr. MICA. Thank you. Ms. Johnson.

Ms. JOHNSON OF TEXAS. Thank you very much, Mr. Chairman. And let me thank all of the persons who appeared here today. I am delighted that we are the recipients of a plan that both Dallas/Fort Worth and Love Field and DFW can live with. And this is quite an achievement for the area.

I do want to ask for one more document, unanimous consent for one more document to be placed in the record, and it has to do with safety. And I think you heard the mayor indicate that there would be some improvement in length to the runway. And that is appreciated as well.

I do not really have any questions. What I really would like to say is that fairness has been a priority of mine all my life. And I did not think it was fair to just ignore that commitment. It is like telling me that the Constitution is too old and outdated. And so I am delighted that we didn't have to go that route any longer. Free enterprise, or whatever kind of enterprise, Dallas Love Field is owned by the voters and the citizens of Dallas. And I never considered it much of a free enterprise, just like the city hall. But I do think that this will work if we can get the people in the Congress to cooperate with it and I hope we can. If we get everybody in Texas on board I think we will be able to convince the rest of the Congress.

I am going to stop, Mr. Chairman, because I have got to go to another meeting. The only other subject that gets more emotional than this one—redistricting.

Mr. MICA. Thank you. I think we broke the record today. We had three or four hearings, and Mr. Oberstar can document all of this, we had three or four hearings on O'Hare that broke the hearing record. We are not going to do that, but this broke the record on Members testifying. I do not ever recall, and I only have 14 years, but we did break that record.

Mr. Oberstar.

Mr. OBERSTAR. We did have more Members during the hearing on smoking onboard aircraft.

Well, well, well. Dear Love Field. Lieutenant Moss Lee Love must be hovering over this hearing watching this with great interest as his name inches further into eternity with what we are doing with this legislation. It should be noted for the record that Love Field is, as said earlier, not a small-town operation. It generates $2 billion for the Dallas economy. It accounts for 24,000-plus jobs. It is a major economic benefit, which is why the city decided they wanted to keep it going, even after the agreement which Mr. Kelleher was part of the negotiating, way back when in the mists of time, in the Najeeb Halaby era.

Again, I listened with great interest as one after another seemingly said that we have achieved a delicate balance. You heard the panel, it sounded like the committee Chairman and Ranking Member of a committee when we just finished a very tough bill. And the message that this is a delicate balance means do not mess with it; do not tamper with it.

Well, I think we are going to have to. We have a slot-controlled airport in which the number of our arrivals and departures is limited. Over time those slots acquired value. Airlines that had the slots put them on the balance sheet, traded them, sold them, leased them, subleased them. And that was done by administrative action, not by legislative action of the Congress, except in the case of National where there was a legislative limitation on the arc within which—the outer perimeter of which service is allowed. This will be the first gate-controlled airport by act of Congress if we adopt the recommendations of our agreement. So it raises some very important questions. Will the gates— first off, Mayor Miller, who is the owner of the airport?

Ms. MILLER. The city of Dallas.

Mr. OBERSTAR. Does the city of Dallas have an airport authority that operates Love Field on its behalf? Does the city designate and name the airport operator—or, I mean the director?

Ms. MILLER. We have a city manager form of government. The city manager hires the aviation director to oversee the airport and a smaller airport to the south, Dallas Executive. The city manager reports to the city council.

Mr. OBERSTAR. OK. Now, under your agreement the gates will be leased, is that right, by the airport authority?

Ms. MILLER. Well, it will be leased by the city of Dallas to the tenants.

Mr. OBERSTAR. Yes. And you are the airport authority. Will the lessees accumulate value for those gates? Will they have what is called at other airports a majority in interest provision standing?

Ms. MILLER. I do not know. Mr. Cox, do you know?

Mr. OBERSTAR. Mr. Cox, what do you think.

Mr. COX. Congressman Oberstar, first of all the lease is already done. Whatever is done in this form of legislation will not impact those leases. Those leases exist today between the city and the carriers that have them. They have accommodations provisions in them that spoke—I guess the point I am trying to make is Love Field is not a residual airport like DFW. It is a compensatory airport. But the lease provisions allow, as they do today, for the city to use those when they have the ability to pull them back, so they would not have any more value than any other lease provisions that exist in any other airport. It is not something that can be traded on the open market. It is an actual lease and then they have a grab-back provision that allows them to grab it back if there is capacity and a need from another carrier.

Mr. OBERSTAR. I want to come to that, because there is some mushy language here, at least in my reading of it. So incumbent carriers will not acquire a vested authority or value over those gates no matter what we do with the legislation.

Mr. COX. Not any more than they already have today, sir.

Mr. OBERSTAR. I think we should make that clear. Is there any relationship between the 15 empty gates at DFW and the departure of Delta and the 12 gates to be demolished at Love Field?

Mr. COX. No.

Ms. MILLER. No.

Mr. COX. The 20 gates that the city of Dallas came to—and I think it is important to understand this, because I do not think it has gotten out—is that when the original master plan was done, it assumed the Wright amendment was in place; all growth associated with that involved regional aircraft. When you take the Wright amendment away, the assumption that regional aircraft are going to be your growth category goes away. As such, they are going to be flying on a larger aircraft. As such, you will have less operations and quite honestly, we believe, diminish your safety concern that you have.

But what it does in converse is it puts a lot more passengers in and around Love Field, and the analysis that was done shows that it basically cripples the infrastructure if you keep 32 gates. So it found the equilibrium. That is what was originally anticipated in the master plan at 32 gates: How much stuff can you put in that sack, given the fact that the Wright amendment goes away and given the fact that they will be flying on larger aircraft? And the equilibrium is 20 gates. That is where the 20 gates came from. And it required to get there a get-back from Southwest Airlines.

The other point that I think is lost in part of this conversation is the give-back is lease provisions that exist but those are not active gates. Those are office spaces and have been office spaces for many, many, many years. So the reality of it is that there will be some incremental growth, and there is capacity at Love Field, but the 20 gates was a very scientific number designed to keep the

equilibrium so you basically do not basically crash the roadway system and the noise in and around Love Field.

Mr. OBERSTAR. That is very helpful. I have not had any explanation of how 12 came to be the magic number, and your discussion of regional aircraft is very enlightening.

Now, in the attachment the accommodation provisions, ″Lessee does hereby agree to accommodate other airline. Lessee says...terminal lease area at such times that will not unduly interfere with airlines operating schedule.″

What does ″unduly interfere with″ mean? Who defines that? Is that a term of art? A term of legislative art? A term of judicial art?

Ms. MILLER. Well it was crafted by the Dallas City Attorney's Office and we understand, since it has never been tested, we have never had a conflict; that we should, if we are responsible, create a very clear policy using this as the template for how we are in real terms going to be executing this. This gives us the authority to tell an American or a Southwest, you have to make room. But I think that like other airports like you cited that have this issue of capacity, we need to have a very specific policy in place so that the tenants have a clear expectation for how it is going to work when the director says we shall make room for Jet Blue and this is how we are going to do it.

Mr. OBERSTAR. Now, I listened carefully earlier when discussion was made of Jet Blue, and Mr. Costello raised the issue, and I think Dallas/Fort Worth says we have plenty of room for Jet Blue, they can come here. But they may not want to come, just as Southwest had no intention of getting into DFW and paying those larger landing fees. They are quite happy with 55 cents a thousand pounds. Right, Mr. Kelleher?

Mr. KELLEHER. Well, Mr. Oberstar, our headquarters is at Love Field. We have invested $200 million in Love Field and this agreement calls for us to invest another $200 million. So it is a little different from the situation that any other carrier is in, and we have been the ones that have been restricted at Love Field since 1979 by the Wright amendment.

Mr. OBERSTAR. I know you have been restricted at Love Field, but you have been laughing all the way to the bank as well.

Mr. KELLEHER. Well, great service at low fares.

Mr. OBERSTAR. That is for sure, and a monopolistic position. And in case of a conflict, lessee shall have preferential use of its terminal lease area. If you combine rather vague language about ″unduly interfere with″ and section 4(a), ″in case of a conflict, lessee shall have preferential use of both,″ now American and Southwest are in the catbird seat. You keep anybody out.

Mr. COX. Can I respond to that?

Mr. OBERSTAR. Anyone can respond to that.

Mr. COX. Congressman Oberstar, first, the way the language is drafted I believe provides the city of Dallas greater flexibility than the standard language that is drafted. Typically you find in those leases that if you are turning your gates at six times a day, then it is considered fully utilized and nobody else can get in. The way it is drafted, I believe, provides the city of Dallas a greater hammer to force an accommodation than most other places that would allow that.

The other thing is, I would argue the difference is that Southwest has been there for a long time and has an asset of which they lease. Jet Blue does not. Nobody has ever guaranteed access into an airport, as evidenced by all the other airports that I talked about, but they are guaranteed access into the marketplace. And 8 miles down the road, Jet Blue can fly basically for free for 6 months, and we believe that is a good deal. And we believe nobody is guaranteed access to any particular airport but should have access to the marketplace. And with great capacity and an extremely generous air service incentive plan, after multiple meetings with Jet Blue we think they can make the right business decision. If they really want to enter the marketplace, they can.

Mr. OBERSTAR. Well, Southwest was presented with a good business decision in 1991 when we had the hearing and Kevin Fahey said we can have 18 gates in 3 weeks for Southwest and we can have a temporary basis and we can have permanent gates in 18 months. And Mr. Kelleher thought that was not as good of a deal as he was ready to take.

Mr. KELLEHER. No, again because we do not want to split our operations in our home city, and there are very few airlines, including American Airlines in Chicago, if I may say that, Gerard, that want to split their operations between two airports in the same city. That is the reason why American does not serve Midway Airport, Southwest Airlines does not serve O'Hare Airport, and that is why the other spoke carriers do not want Peotone Airport because it would be a horrible situation from Southwest Airlines' standpoint to have its headquarters, all of its investment at Love Field take half of that service, send it to DFW Airport and suddenly have the two airports competing against one another in the hands of the same carrier. That is not true of Jet Blue or anyone else that wants to come in.

Mr. OBERSTAR. Let's understand something a little further. At O'Hare when an international agreement is reached between the United States and another country in a memorandum of understanding or an aviation trade open skies agreement, and it calls for service into O'Hare for whatever, five, six or seven slots, American and United both are told you will provide slots. I do not know if you still have sales of slots, but you have to sell them, and then you have to go and find other opportunities to replace your lost slots. But this is the U.S. DOT telling you and United you give up space so an international competitor can come in.

Now, supposing JetBlue makes the decision and we want to come in and we want to get in the Love Field game, too. Who is going to tell you, Mr. Kelleher, you have got to give up space to accommodate them?

Mr. KELLEHER. Well, first of all, there is no international treaty that pertains to Love Field that sets aside the local situation with respect to the proprietorship of the City of Dallas and how many gates it wants to have.

Now, let me say this to you, Mr. Oberstar, if I might, the biggest impediment and hindrance to Southwest Airlines' expansion after deregulation in 1978 was not being able to get gates at other airports, whether you are talking about San Diego or Los Angeles, or whatever might be the case. And that was because they had exclu-

sive use leases where one carrier had 14 gates with five departures a day and said, well, if we do all your ground handling charging you three times as much as the city charges us, you can get in.

What is my point? Everybody suffers from trying to get into an airport where there are not a lot of available gates. But the situation has improved today because airports haven't gotten rid of their exclusive use leases, which is the ones that we ran into and now have these preferential use leases where there is room for another carrier. And it is very simple. There is no mystery to the way it operates, and that is, I can show you Southwest Airlines schedule, gates schedule, we have got hours on our gates where another carrier could operate there, and that doesn't have anything to do with American or Continental Airlines either. And we would simply be told by the City of Dallas, you have got these vacant spaces in your gate utilization and by golly you are going to put another carrier in there.

Mr. OBERSTAR. They would be able to tell you that?

Mr. KELLEHER. That is the way it works, oh, yes absolutely.

Mr. OBERSTAR. Well, the problem you defined just a moment ago in your remarks is why I included in the 2001 reauthorization of FAA a requirement that every airport have a master plan included showing their competition the plan.

Would the parties agree to a legislative provision that would give FAA authority to take all necessary actions to ensure that carriers seeking to initiate or expand service at Love Field have access to necessary facilities on reasonable terms? Provision could apply if FAA determined that new entrants are unable, as you have described moments ago, Mr. Kelleher, to obtain access under the procedures of this agreement?

Mr. KELLEHER. I will respond to that, if I might lead off, I am sure the mayors have some comment about it, but, if that were the case, then this agreement is a nullity because it is absolutely essential to the cities of Dallas and Fort Worth for a variety of reasons that the airport be limited to 20 gates, of which we gave up 5.

And if that went down the tube, then I am afraid there wouldn't be any agreement at all because certainly, American, Airlines and DFW, one of their interests, Mr. Oberstar, is not jeopardizing the status of DFW. So having a total of 20 gates is what assures that? Because the gates limit the operations that you can have from Love Field.

Mr. OBERSTAR. The language I am talking about would not—well, we can make it clear that the FAA could not require an increase in gates.

Mr. KELLEHER. You are saying the FAA could take gate leases away?

Mr. OBERSTAR. To take necessary action to ensure that carriers have access to necessary facilities.

Mr. KELLEHER. Well, would you apply that to Long Beach, California where JetBlue has 27 out of 35 available slots? Would you apply it to Washington National? Would you apply it to all airports across the Nation? And the reason I ask is that is that that could be very helpful to Southwest airlines.

It if were a general application.

Mr. OBERSTAR. But there are other ways in which access can be obtained at Washington National.

And, I don't know about Long Beach. That might be an interesting—but they don't have the two airport scenario that we are dealing with here.

Mr. KELLEHER. No they have the 41-slot scenario.

Mr. OBERSTAR. They do. Mr. Arpey.

Mr. ARPEY. Mr. Oberstar, I think that perhaps we haven't explained it as artfully as we should have, or carefully as we should have, but I think in the agreement that we have created, we are doing precisely what you are asking for, and that is, that if any airline wants to come in and operate at Love Field on the same terms and conditions that American, Southwest and Continental operate today, this agreement says that the City of Dallas is going to make that happen as part of this agreement.

So I think we have recognized your concern as we negotiated our way through this, and so I think the current agreement does what you are suggesting.

Mr. OBERSTAR. The language of the current agreement is to the extent a new entrant carrier seeks to enter Love Field, the City of Dallas will seek voluntary accommodations from its existing carriers to accommodate the new entrant's service. There is no enforcing mechanism.

Mr. MONCRIEF. But that is the first thing they do, Mr. Oberstar, they seek voluntary response from the other carriers. If they don't do that, then the City of Dallas has the authority to come in and say you will.

Mr. OBERSTAR. It goes on to say if its carriers are not able or not willing, the City of Dallas agrees to require the sharing of preferential leased gates.

But what is the—but it says this, agrees to require the sharing of preferential leased gates, but then you go back to the attachment to the accommodation, it says in the case of a conflict between schedules of lessee and the requesting airline, the lessee shall have preferential use. So you require on the one hand, but you vitiate it on the other.

Mr. COX. Mr. Chairman, that, I mean, ranking member, that is not different than virtually every other accommodation lease that exists out there in the country.

Mr. OBERSTAR. We will take a look at that and see if that is the case.

Mr. COX. You have the ability to accommodate, but you don't take rights away from somebody that had already contractually obtained those rights, but you have the ability to try to, to the extent possible, to fit those people in.

Mr. OBERSTAR. That is true in a majority of interest clauses.

Mr. ARPEY. I would like to add, though, on the JetBlue issue, and we can start with the first provision and American will volunteer today to open up gate space for JetBlue at Love Field.

Mr. KELLEHER. Tell them to come on down. We welcome them too.

Mr. OBERSTAR. They are just a metaphor for some other carrier, they happened to submit statement.

One question, you said there will be room for expansion and you cite the number of safety provisions, including one I am very happy with, the runway safety area, you are going to spend $150 million, 150, $200 million for improvements where is that money coming from? Is that going to come from increased landing fees? From PFCs.

Ms. MILLER. It is a combination. We have discussed that.

Mr. OBERSTAR. AIP funds?

Ms. MILLER. It is a combination. We will apply for PFCs for things that are eligible, whatever is not eligible, by PFCs, we will increase landing fees, but we have made it clear that those are the items that need to be upgraded, and that is what we estimate it will cost.

Mr. OBERSTAR. Will landing fees go up from 55 cents?

Ms. MILLER. Yes, they will. They have to if you do that much of an upgrade.

Mr. KELLEHER. Mr. Oberstar, can I clarify something? In connection with an earlier comment—not your comments—but there was an error made by one of the representatives who said the taxpayers of the City of Dallas are suffering because the landing fees are not high enough at Love Field.

Love Field has a $40 million surplus, which has been paid in by Southwest Airlines and there is not a taxpayer dollar of anyone in the City of Dallas that goes into Love Field.

It is a free, free enterprise fund for the City of Dallas with no Dallas taxpayer dollars in it, yesterday, 20 years ago, or the next 20 years.

Mr. OBERSTAR. I noted that comment earlier and your clarification just raises a question I wanted to ask, and then I will conclude, Mr. Chairman.

And Mayor Miller, does the City of Dallas back the airport with the general obligation authority of the city?

Ms. MILLER. No. It is an enterprise fund, and therefore it is only, what backs it up is just the tenants paying their rents and paying the landing fees and concession and parking revenues. That is what pays——

Mr. OBERSTAR. It has, the airport has a surplus of operational funds now, but if it should run a deficit that is the airport's problem, the city doesn't come in and back it up and bail it out?

Ms. MILLER. That is correct. We simply would raise the landing fees to cover it or raise the concessions or parking fees or whatever it took to cover the problem.

Mr. OBERSTAR. Thank you. I know I have gone on at length. But it has been good. These are important questions to pursue.

Mr. MICA. I always swore if I ever got to be chairman, I would let everyone have their say.

Why did I do that?

He was always fair to me so, you know, you get it in return. To the two mayors, never serve on a city council with 435 members.

Mr. Filner.

Mr. FILNER. Just very briefly as someone standing between adjournment—as a Californian, watching the Texans, I am very impressed with the product, although, Mayor Moncrief, you almost ruined it when you said they can stop spending money, that is the

airlines, on lawyers, lobbyists and campaign style advertisements. You are striking at the economic engine of this city.

Mr. MONCRIEF. I know I am striking at the heart, Mr. Chairman.

Mr. FILNER. You don't want us to hurt your economic engine.

Mr. Kelleher, bottom line, if I wanted to fly Southwest from San Diego to Dallas, do I still have to go through Austin? And what does the through ticketing do for me?

Mr. KELLEHER. No. Under this revision, Mr. Filner, you would be able to fly from San Diego to some point within the Wright amendment states, stay on the airplane and come through to Dallas. So you might come San Diego El Paso Dallas which would make it a little easier for not only you, but 2 million additional passengers.

Mr. FILNER. So I would not have to change airplanes?

Mr. KELLEHER. No, you would not have to change airplanes.

Mr. FILNER. While I have you, last question, what advice do you have for us in dealing with both North Korea and Iran?

Mr. KELLEHER. Well, I will tell you, I am got not going to give that to you unless this bill goes through.

Mr. FILNER. Yield back, Mr. Chairman.

Mr. MICA. That is five-party talks. This is six-party talks.

And you see the controversy, well, you have heard the controversy I have cited. I guess you are in the league with O'Hare, but Mr. Filner is no shrinking violet. If you want to really get into controversy go down to southern California and hold a hearing on moving San Diego Airport. That is good for a couple of days.

Mr. FILNER. Would you come down, all five of you to San Diego, Lindbergh needs replacement and we can't figure out what to do.

Mr. KELLEHER. It is that noose that is hanging there that worries me a little bit when you make a presentation.

Mr. MICA. A couple of final things, now last time I went, Mayor, how long have you been Mayor of Dallas?

Ms. MILLER. 4 years.

Mr. MICA. I followed your commuter rail and light rail. You actually all got some of the money when central Florida went down the tubes and you did a great job. I followed that project. And I am really impressed with what you have done with both commuter rail and light rail. I saw you bringing in a plan to bring in some transit to, if it was not at Dallas when I visited, it is not there now?

Ms. MILLER. Well——

Mr. MICA. Or Love.

Ms. MILLER. Well, we have one line that goes through Dallas northeast to Southwest, we are going to cross it with a brand new line that will go by Love Field. We asked, actually, to connect it directly to Love Field and we were turned down by the Federal Government. They said that there weren't enough passengers to justify.

Mr. MICA. And we need to change that.

Mr. KELLEHER. That was because of the Wright amendment, Mr. Chairman.

Mr. MICA. But we really need to look at that. We do. And it is a chicken-or-egg kind of thing, which comes first and people will use it. But we should almost have a requirement that any of our major transportation aviation facilities are connected by mass transit.

I will be glad to look at that.

I know you have sort of thrown in the towel, which I think I just read about this this past week, but I am very, very impressed with what I have seen down there.

That was the one thing that I was concerned with. And we might want to revisit that. I will ask the staff, too, to see if we can talk to folks about that.

And I don't mind reaching PFC or other money to make the connection.

And I see that is something you were looking at.

Ms. MILLER. Just so you know, because we couldn't get it direct to Love Field, it is going to be just west of it about half mile, 3 quarters of a mile. So what we are going to build is hopefully a very slick people mover when you get on the train at Love, feel kind of like when you get to Vegas, you go on the train and when you get off and you will be at the DART station. Obviously, we would love to build a terminal at Love Field and have direct service.

Mr. MICA. Again, I think the connection is so important. I am sorry, Mr. Oberstar.

Mr. OBERSTAR. Mr. Chairman, I am delighted with your comment about using PFC funds to bring transit on to airports. That was a bitter battle in 1990 in this committee, and among the airports and users. And I was very much in favor of allowing the use of PFC.

Mr. MICA. We have worked on some of these across the country. That is one missing, and they have done some creative things I think you are familiar with, Newark and some of the things that were done up there.

In any event, that was one question. I don't want to prolong this.

The final question, you have got two articles here, 17 provisions in here, in the first article. If we repealed the Wright amendment, why couldn't you Institute through an agreement all of the provisions in these articles?

Mr. COX. Mr. Chairman, we believe that in about five particular provisions are all that is required of this Congress to allow the agreement to go forward.

Mr. MICA. So are they in conflict with Federal law and which ones?

Mr. COX. No, sir.

Mr. MICA. Then why couldn't we repeal the Wright amendment? I mean, there are people cutting these kind of deals all the time around the country.

I have seen mish-mashes of this across the country.

What authority do you need other than the repeal, and which five articles or what are those?

Mr. COX. The basic elements that need to be in the pieces of legislation include the through ticketing provision, because that is the amendment to the existing.

Mr. MICA. That is not in conflict with law?

Mr. COX. No. It is the Wright amendment, today, that prohibits through ticketing and that would allow through ticketing.

Mr. MICA. There is one.

Mr. COX. You need to, pursuant to this agreement, ensure that Love Field remains a domestic airport and it does not become an international airport. And that is a Federal legislative issue.

Mr. MICA. But can that also—is that prohibited now? Or is—that is a designation, though, that you obtain from the Federal Government without a change in law.

Mr. COX. Correct, but part of this deal is that Love Field will never be opened up as an international airport given all of the investment. And so to ensure that some future Congress or some future administration doesn't go and decide——

Mr. MICA. Well, that is only as good as the next one because we are going to pass open skies, and I will be flying planes from places you never imagined in Europe into Love Field and Dallas. Next, go ahead.

Mr. COX. The third is——

Mr. MICA. You would be surprised what we could get in there.

Mr. COX. It is a 20-gate limit. We believe, as Congressman Oberstar indicated, to ensure that this remains limited, which is a critical element of this entire deal that that needs to be codified.

The fourth issue is repeal. And the fifth issue——

Mr. MICA. We are putting in law now, what codification?

Mr. COX. Codifying the local 20-gate limit. That is absolutely critical.

Mr. MICA. What was your term, gate.

Mr. OBERSTAR. Control.

Gate limited.

Mr. MICA. There is a better one, the press has probably already got it. So we are putting into law, codifying into law. But couldn't you do that anyways?

Mr. COX. We believe that we probably could.

Mr. MICA. Competitive. You would probably be sued. So this is your cover?

Mr. COX. Correct. The fourth issue is actual repeal and then the fifth issue is charters. And the charter issue, as exists in the Wright amendment today, limits the amount of charters into and out of Love Field to 10 charter flights a month.

Mr. MICA. You could do that yourself?

Mr. COX. We cannot.

Mr. MICA. You can't? Why?

Mr. COX. Because we can't restrict particular use.

Mr. MICA. You can't restrict——

Mr. COX. Because the way it exists is we can control the gates, but we can't control somebody else that has access to the airport to start chartering flights to wherever they want to and undermine the 20-gate limit, and we cannot restrict certain flights in operation. We can restrict the size and capacity of the airport.

Mr. MICA. I have to check with staff, because I don't really know whether, you know, you can——

Well, again, I appreciate your going through that. I have not really even read the totality of the agreement, but trying to figure out, what needed to be codified and what could be done, because I want to keep it as simple as possible.

And I think you would do, too, and whatever we do here, folks, can be undone. I will be replaced by someone soon to the applause

of many, and there will be new faces here doing this, and when we do, now will be changed.

That is all I have. Mr. Chairman, ranking member.

Mr. Brown, welcome. Did you have any questions, comments?

Mr. Brown?

Mr. BROWN. No, Mr. Chairman, I am just sorry I was a little bit late, but we have been following it sort of from a distance.

Mr. MICA. That means everything. And again your absence has been appreciated. We want to note it for the record. There being no further business before this subcommittee we appreciate all of our witnesses and their participation. This subcommittee hearing is adjourned.

Thank you.

Mr. KELLEHER. Thank you, Mr. Chairman.

[Whereupon, at 5:50 p.m., the subcommittee was adjourned.]

AMERICAN AIRLINES

STATEMENT OF GERARD ARPEY
CHAIRMAN AND CEO, AMERICAN AIRLINES
BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON AVIATION
OF THE
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

JULY 12, 2006

Thank you, Mr. Chairman for the opportunity to be with you this afternoon to share American's perspective on the Love Field compromise.

On behalf of the more than 90,000 employees of American Airlines, I want to extend our appreciation to the Committee for its prompt scheduling of this hearing today and for its willingness to expeditiously consider the proposed legislation regarding the Wright Amendment

I think it's fair to say that this is a day many in this room believed would never come, including I have to confess, myself. The controversy surrounding Love Field and the Wright Amendment has loomed over American Airlines longer than I have been with the company – and I was hired by American nearly 25 years ago.

I know the same is true for Southwest Airlines. But of course, the issue's importance extends far beyond any one company. The impact of what the Committee decides will be felt throughout Texas, the Southwest, and in hundreds of other communities around the country.

Almost two years ago, this Committee's Chairman, Don Young, declared that it was up to the communities in north Texas to reach a solution to the Wright Amendment controversy if changes in the law were to be made. We were grateful for that declaration because it showed a sensitivity to how complicated this issue is and how substantial an impact it has both locally and nationally. And importantly, over many years, Ranking Member Jim Oberstar has been a consistent advocate of maintaining the Wright Amendment for reasons of safety, efficiency, and sound economics, a position that I know carries enormous weight with his colleagues on this Committee.

Many other members of the House, both on and off the Committee, have vigorously rejected calls for repeal of the Wright Amendment. Among them, most notably, are Energy and Commerce Chairman Joe Barton, Kay Granger, John Sullivan, Michael Burgess, and Kenny Marchant. And I think it is very important to recognize that

on this Committee the representative of the district in which Love Field sits, Eddie Bernice Johnson, has been an outspoken advocate against repeal, a position and perspective that I hope will make a great difference in your deliberations.

I emphasize all this not to rehash old controversies, but to make the point that this debate is not between the proposed compromise, on the one hand, and immediate repeal of the Wright Amendment on the other. Rather, this is about either solving the problem once and for all, or returning to the status quo with the Wright Amendment firmly in place and the battle raging.

Some airlines who have sat on the sidelines and who have had the opportunity for years to fly to Love Field are attacking this compromise and proclaiming their sudden and heretofore secret desire to operate from Love Field. I urge the Committee to reject the attempts of the late-comers to be spoilers and to recognize the opportunity at hand by acting swiftly to enact legislation.

Despite the fact that American Airlines strongly endorses this proposed legislation, I have made no secret of the fact that my preference would have been either maintaining the Wright Amendment without change or closing Love Field to commercial traffic altogether. This compromise did not come easily for us. We have made two major concessions to get to this point.

First, we have agreed to support an immediate repeal of the provisions of the Wright Amendment that prevent through-ticketing to or from Love Field to points outside the states where service is allowed. Second, we have agreed to full repeal in eight years. Both of these concessions will be economically harmful to American.

In return, however, we have been assured that Love Field will not grow into a mammoth facility that would cause us to split our operations between two airports in such a way that both our small community and international service would be jeopardized from DFW Airport. While high density point-to-point markets can be supported from any major airport, it takes the synergies of a robust network to support service to smaller communities and to amass sufficient traffic in one point to sustain international service.

Hence, under this agreement, DFW Airport can remain a viable hub for American. In addition, we will be able to chart our future without the uncertainty of what might happen to the Wright Amendment. This is also why dozens of small and medium-sized communities throughout the nation have rallied to support the Wright Amendment and why choosing a sensible solution is not just good for north Texas, but for hundreds of communities that depend on a healthy DFW for access to the rest of the world.

We endorse this solution because it clearly defines the roles of the airports in this region, and comes with enforceable provisions that provide certainty about what service will occur at each airport, how large a role each airport will have in providing air service

for the region, and what level of environmental impact will be felt on the neighborhoods and schools around Love Field.

However, as all the witnesses today will testify, this is a very delicately balanced agreement. Any changes in the proposed legislation or the underlying agreement and contract among the parties will clearly jeopardize this remarkable achievement.

Finally, I would like to reiterate a point I made in my testimony last November in the Senate about my colleague and – until recently – adversary on this issue, Herb Kelleher. It is impossible not to have the utmost respect for the job Herb and his team have done at Southwest Airlines. We admire them greatly and compete with them vigorously. I know that Herb is as delighted as I am that we can now confine our battles to the marketplace, rather than the halls of Congress.

And I know that there is another thing that Herb and I agree upon. That is our admiration for the tenacity and effectiveness of Mayor Laura Miller of Dallas and Mayor Mike Moncrief of Fort Worth without whom we would not be here today. And in addition to all the members of the House that I noted previously, I would be remiss not to recognize the essential role that Senator Kay Bailey Hutchison has played in this process. No single individual was responsible for putting this compromise together, but I can't think of one in the House or the Senate or city government whom I have named that we could have done without.

Again, I want to thank the Committee for inviting me to be here to represent American Airlines and its many constituencies.

TESTIMONY OF THE HONORABLE JOE BARTON (TX-06)

Before the

House Committee on Transportation & Infrastructure Subcommittee on Aviation

July 12, 2006

Chairman Mica, Ranking Member Costello, and Members of the Subcommittee, thank you for the opportunity to testify before you today on an issue that is very important to my constituents and the North Texas region as a whole. I appreciate your willingness to schedule this hearing and allow Members of the Texas delegation to speak on the subject of the Wright Amendment.

It's no secret that I have been a strong proponent of keeping the Wright Amendment as it stands. I have supported the covenant between the cities of Dallas and Fort Worth for many years because I believe the best public policy for the North Texas region is to have competing airlines, not competing airports. Today, you will hear from signatories to a new agreement intended to firmly cement the role of DFW Airport and Love Field, and put the efforts for immediate repeal of the Wright Amendment to rest.

The parties have acted in good faith to negotiate an agreement that will give our region and the traveling public resolution on this issue and leave time for public and private stakeholders to plan for final repeal in eight years. In the interim, I expect consumers will reap the benefits of immediate thru-ticketing at Love Field. And once enacted, this agreement will make clear what the

parties may and may not do to keep the bargain in place.

This agreement before you today was hammered out with give and take on all sides. It was a deliberative process which considered valid concerns and unique factors of operation that have benefited the growth of the Dallas-Fort Worth metroplex since the beginning of the Wright Amendment. The result is a carefully crafted agreement that has the support of Dallas and Fort Worth, as co-owners of DFW Airport. Both cities have a stake in the economic viability of DFW Airport, and are doing what is best for the future.

DFW Airport is a growing, world-class, international airport that can handle the volume and diversity of flights to and from our region, and this agreement respects that fact. I continue to hope that Southwest will one day fly out of DFW Airport and compete head-to-head with other airlines, as I believe consumers would benefit greatly and the capacity exists. It is very likely that this agreement will give other carriers the certainty they need to begin operations out of DFW Airport and fill empty gates left by Delta.

Finally, this agreement ensures that Love Field will continue to offer an important alternative for consumers while not diminishing the capacity for competition available at DFW Airport. Growth at Love Field will be restricted, as it is a land-locked airport that should not be reconstituted for greater traffic. DFW Airport is the premier, economic engine of the Dallas-Fort Worth Metroplex and should be where new growth and investment takes place. Love Field will be reduced to 20 gates over time, and this will allow the residents of the area peace of mind concerning pollution, noise, traffic, and safety concerns.

I emphasize the importance of this gate limitation because it provides the assurance that DFW Airport can continue expanding. I view this agreement as facilitating a "super" airport, where the terminals at DFW Airport serve national and international destinations, and Love Field's gates provide a regional function with select national routes offering direct competition via thru-ticketing. Importantly, after eight years the Wright Amendment as it exists today will be repealed. This is truly the best of both worlds for consumers in Texas and throughout the country.

Mr. Chairman, local leaders have negotiated a thoughtful, viable alternative that should be supported. I commend everyone involved for their efforts. As the laws affecting Love Field were created at a federal level, any modification must come through the United States Congress. I will continue to work on this issue with my North Texas colleagues and with Members of this Committee. Thank you again for the opportunity to speak here today on this important topic.

Opening Statement
Rep. Shelley Berkley
House Aviation Subcommittee
July 12, 2006

Mr. Chairman, the agreement reached last month between Southwest, American Airlines, Dallas-Fort Worth Airport, and the mayors of Dallas and Fort Worth on the Wright Amendment is evidence that negotiation and compromise are still possible on contentious issues such as this. I am a cosponsor of legislation to repeal the Wright Amendment, because I do not believe the federal government should be placing such onerous restrictions on our nation's airlines and air travelers, but I am hopeful that we can now move forward with a legislative solution that will satisfy all parties.

The Wright Amendment is not the only barrier to competition in place in the airline industry,

however. Federal law currently limits flights into and out of Reagan National Airport in Washington DC to a distance of 1,250 miles. Las Vegas, which I represent, lies outside of this perimeter, and we are therefore at a substantial disadvantage. Exemptions have been granted over the years, but my constituents and those wishing to visit our wonderful city are currently limited to one non-stop flight per day on this route.

Again, I congratulate those who are here today who have come to an agreement on the Wright Amendment that can hopefully serve as the basis for legislative action. But I am also hopeful that Congress and this Subcommittee in particular will act to address other anti-competitive rules currently in place. Thank you.

Statement by the Honorable Michael C. Burgess, M.D.
Reforming the Wright Amendment
July 12, 2006

Chairman Mica, Ranking Member Costello, distinguished Members, thank you for holding this important hearing that directly impacts North Texas and the 26th District of Texas. Along with Congressman Marchant, I represent a portion of DFW International Airport, and this issue greatly affects tens of thousands of my constituents who rely on the vitality of this airport.

As it has been stated, for almost thirty years, the Wright Amendment has protected a mutual agreement between the City of Fort Worth and the City of Dallas. I believe in the integrity of this agreement, and it has enabled DFW Airport to become the economic engine of North Texas. If we change the terms of the old agreement, the new law must protect the lives and livelihoods of the tens of thousands of people who depend on DFW Airport. Mayor Moncrief and Mayor Miller have each worked diligently, and along with the major stakeholders, I believe that they have entered into an historic agreement that will protect my constituents and allow for better service at Love Field. I sincerely thank the Mayors for their commitment and dedication to this delicate and complicated task.

I understand that some of the surrounding cities in North Texas are concerned with clause 6 of the joint agreement, which states that "to the extent any other airport within an eighty-mile radius seeks to initiate scheduled commercial passenger service within this eight-year period, both cities agree to work diligently to bring that service to DFW, or if that effort fails, then to airports owned by the Cities of Dallas and/or Fort Worth." While I do represent a portion of DFW Airport, I also represent Alliance Airport and Denton Municipal Airport. I believe that the surrounding airports interests must be protected. However, I am pleased that the Mayors made a distinction between commercial passenger service and cargo service. Additionally, most unscheduled charter service is not included in the definition of commercial passenger service, thus surrounding airports will be able to continue their cargo and most charter service without any possible disturbance by the Cities of Fort Worth and Dallas. This is a very important service, and I believe that we should take all necessary measures to protect communities like the City of Denton in providing such service.

It should also be noted that this agreement only binds the Cities of Fort Worth and Dallas, American Airlines, and Southwest Airlines. It does not bind the neighboring cities within the eighty miles; therefore, their autonomy should remain unquestioned. I would oppose any measure, whether State or Federal, that would obligate other parties to this agreement. If other parties are subsequently bound by this agreement or any form of legislation, this would be contrary to the intent of the agreement. It is my hope that any proposed legislation remains silent on the issue of preemption.

The Dallas Aviation Department has revealed that the department had a $20 million budget shortfall in its two most recent fiscal years combined. While the aviation department has increased their landing fees at Love Field from 35 cents to 55 cents, the Dallas taxpayers are still subsidizing this airport. According to the Dallas Morning News, the landing fee increase will bring in $952,000 to the city annually. This obviously falls short of offsetting the budget deficit.

Similarly situated mid-size airports charge an average of $1.40 for landing fees, and I do not understand why the City of Dallas has been reluctant to charge a more fiscally responsible landing fee. While clause 5 of the new joint agreement does provide that landing fees will be adjusted to cover much needed facility and safety improvements, it is my hope that the City of Dallas will rise to the challenge and dramatically increase the fees to a more appropriate level. As with any older facility, modifications need to be made to ensure the safety of the entire area. An increase in landing fees could provide for additional safety improvements that would provide for the wellbeing of those in and around Love Field, including runway expansions and barriers. The citizens of Dallas deserve these safety measures as well as more transparency in the financial records at Love Field.

Since the runways at DFW Airport and Love Field are only 8 miles apart, any action that we take on the Wright Amendment must be conscientious of all safety issues for both airports. I have been informed by air traffic controllers at DFW that when directing traffic for the two airports, the air traffic controllers view Love Field as just another runway. This would change drastically if a gate limit was not imposed, since traffic could increase considerably. I feel that the 20 gate limit at Love Field helps to protect our aviation industry and the public, while at the same time not unduly restricting commerce; therefore, I fully support this effort.

While I remain supportive of the agreement, as a Representative of Fort Worth, it would have been my desire to see a more equitable DFW Airport Board of Directors. While the Cities of Fort Worth and Dallas jointly own the airport, seven members represent the City of Dallas while only four represent the City of Fort Worth. The City of Fort Worth's population is growing rapidly, and it is my hope that the issue of board membership will be reviewed in the near future.

While I would have preferred for the Wright Amendment to stay intact, I have always believed that the fate of the Wright Amendment should be decided locally between the cities since they are the entities that actually own DFW Airport. If the Wright Amendment is to be modified, it should first come from the local level and not from Washington. Just a few short months ago, the North Texas Delegation charged Mayor Moncrief and Mayor Miller with this difficult task. Considering the history between the two cities, some felt it was an impossible task. However, Mayor Moncrief and Mayor Miller rose to the challenge, and we now have before us a local agreement signed by all major stakeholders. It is now our opportunity to rise to the challenge and, if possible, pass legislation which reflects this agreement. If it is impossible to enact legislation that reflects this agreement, then the Wright Amendment should stay firmly intact.

Again, Mr. Chairman, I thank you for having this important hearing, and I offer my assistance to you and the committee regarding all aviation issues that may affect North Texas.

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-03)
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON HIGHWAYS, TRANSIT AND PIPELINES
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Reforming the Wright Amendment

Wednesday, July 12, 2006, 2:00 PM
2167 Rayburn House Office Building

Mr. Chairman and Mr. Ranking Member, thank you for hosting this important hearing. It is truly a landmark day when we have all interested parties involved in the Wright Amendment dispute in the same hearing room advocating a shared position to the House of Representatives.

As a Member of Congress from the St. Louis, Missouri area, I am particularly interested in the details of this agreement. American Airlines has long been an important employer of St. Louis residents and provider of commercial aviation service. I am pleased that American's service to St. Louis is not disrupted in this negotiated plan.

The proposal achieves a repeal of the Wright Amendment permitting Southwest Airlines to operate out of Love Airport after 2015. In the meantime, I am certain many St. Louisans will be delighted to learn that our region will be the lucky beneficiary of additional Southwest business to Lambert Airport as a result of the temporary limit on through ticketing to particular states, including Missouri.

Congratulations on reaching this monumental compromise and thank you for your hard work in brokering this deal. Members of the Texas congressional delegation, Mr. Cirillo, Mayor Miller, Mayor Moncrief, Mr. Arpey, Mr. Kelleher, and Mr. Cox, welcome to our subcommittee and thank you for appearing before us today. I am eager to hear your testimony.

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STATEMENT OF MICHAEL A. CIRILLO, VICE PRESIDENT FOR SYSTEM OPERATIONS SERVICES, AIR TRAFFIC ORGANIZATION OF THE FEDERAL AVIATION ADMINISTRATION, BEFORE THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, SUBCOMMITTEE ON AVIATION, ON REFORMING THE WRIGHT AMENDMENT, JULY 12, 2006.

Chairman Mica, Congressman Costello, Members of the Subcommittee:

I appear before you today to discuss the unique operational restrictions now in place at Dallas Love Field Airport (Love Field) and whether modifying those restrictions will result in a denigration of air space efficiency in the Dallas-Fort Worth area.

As background, the International Air Transportation Competition Act of 1979 contained a legislative provision that has come to be known as the Wright Amendment. In an effort to ensure the success of the newly opened Dallas-Fort Worth International Airport (DFW), former Speaker of the House, Jim Wright, wished to include language in the bill limiting interstate service at Love Field. As a result, the Wright Amendment prohibited non-stop service (and through-ticketing and through-service) between Dallas Love Field and cities other than those in Texas, Arkansas, Louisiana, New Mexico, and Oklahoma, subject to an exception for flights with smaller aircraft. The Wright Amendment was subsequently modified to permit additional operations between Love Field and points in Alabama, Mississippi, Kansas, and Missouri.

The FAA has been asked if safety would be affected by permitting additional flights into and out of Love Field. The agency has said consistently and repeatedly what I emphasize today: FAA will never compromise its safety standards to accommodate increased

demand. Our most critical mission is aviation safety, including keeping aircraft safely separated from one another. Consequently, the only question that should be asked from an airspace perspective is whether further modification to or elimination of the Wright Amendment would compromise efficient airspace use in the Dallas-Fort Worth area. Based on a recent MITRE study requested by FAA, of airspace operations if the Wright Amendment is repealed, and based on FAA's validation of MITRE's findings, I can tell you FAA does not expect that the efficient use of airspace will be compromised.

Knowing that the debate on the Wright Amendment was ongoing, FAA contacted MITRE and asked them to assess the impact to efficiency of increased operations at both DFW and Love Field. Results of the analysis indicate there is significant additional capacity in the Dallas--Fort Worth terminal space area. While additional operations at these airports will make it more complicated to maintain separation between aircraft, many other regions of this country have airspace that is at least this complex. In each case the potential conflicts are unique to the particular location. Factors such as the number of airports in the region, the number of runways at each airport, how they are situated, and the number and type of operations conducted there are only some of the considerations that dictate how FAA controls traffic in a given region. FAA has great flexibility in using a wide range of technologies and procedures to accommodate the air traffic needs of an area. Some of you may remember that a couple of years ago, the number of operations at Washington Dulles International Airport (Dulles) significantly increased at a time when a new carrier initiated service at the same time airport

construction had closed one runway. FAA was able to implement traffic management initiatives to efficiently accommodate the increase in demand.

Similarly, airspace in the northeast corridor and southern Florida is quite congested, with several major airports in close proximity. In addition, Chairman Mica recently held a field hearing in California to address his concerns that the operational challenges in that region were being met. I cite these examples to demonstrate the nature of our business - that FAA is asked on a daily basis to control traffic and maximize airspace efficiency in a highly changeable environment characterized by congested routes, dynamic traffic and volatile weather. Yet, by tailoring our resources to the unique demands of each situation, we have been able to do what we are asked, safely and effectively.

MITRE's study assumed a range of operational increases. Their conclusion, which FAA has validated, is that it would take hundreds of additional daily operations at both airports for there to be reportable volume-related delays. It would take hundreds of more daily flights on top of that to result in what FAA would consider to be significant delays. It should be noted that their study did not factor delays that would be attributable to weather. While MITRE's study was based on unconstrained operations at Love Field, actual operations under the agreement reached by the parties would in fact be somewhat constrained by a limit on the number of gates that could be used. Given this limitation, and MITRE's finding of no significant effect even in unconstrained conditions, we are confident that the operational increases that would result from the proposed modification

to the Wright Amendment would not result in efficiency problems for the Dallas-Fort Worth metropolitan area, or the National Airspace System (NAS).

Even if operations in the area increase beyond what FAA anticipates, we have options to handle a significant increase in flights if necessary. Last month, Russ Chew testified before you about some of the notable successes of the Air Traffic Organization (ATO), one of which was Area Navigation (RNAV). RNAV procedures provide flight path guidance that is incorporated into onboard aircraft avionics systems, requiring only minimal air traffic instructions. This technology significantly reduces routine controller-pilot communications, allowing more time on frequency for pilots and controllers to handle other safety-critical flight activities. Also, RNAV procedures use more precise routes for take-offs and landings, reducing fuel burn and time intervals between aircraft on the runways. This creates increased air traffic efficiency, enhances safety, and may allow some increase in air traffic through put. We currently have RNAV procedures in place for DFW, but not for Love Field. So establishing RNAV for Love Field is one option available to us should air traffic demand increase substantially. Should the need arise, we would also look at modifying flows and sector configurations on a larger scale.

In conclusion, I want to reiterate that FAA's commitment to safety means that we would never consider sacrificing accepted safety standards for the sake of efficiency or anything else. If Congress decides to modify the existing unique restrictions at Love Field and impose other unique restrictions there, FAA will continue to safely separate aircraft regardless of the operational impact of the legislation. But having looked at the

anticipated impacts of what we know is under consideration, we have no reason to believe system efficiency will be compromised.

This concludes my prepared statement. I will be happy to answer your questions at this time.

OPENING STATEMENT OF
THE HONORABLE JERRY F. COSTELLO
AVIATION SUBCOMMITTEE
HEARING ON REFORMING THE WRIGHT AMENDMENT
JULY 12, 2006

- I want to thank Chairman Mica for calling today's hearing on reforming the Wright Amendment.

- In 1979, the cities of Dallas and Fort Worth came together and made an historic agreement to have one regional airport – Dallas/Fort Worth International Airport (DFW) – thus restricting service at other local airports. This local agreement was codified by Congressional action known as the Wright Amendment.

- The Wright Amendment was a logical step when enacted in 1979. It brought stability to the North Texas air market. Further, it allowed Southwest to carve a niche at Love Field, while American built its hub operations at DFW.

- I have long supported the Wright Amendment as the proper way to enhance DFW's growth and development. The airport, in turn, has done its part by fueling the region's economy.

- However, today, DFW is far from a small regional airport. As an international airport, its influence is far-reaching and has become a major player in markets that other airlines could not serve from Love Field.

- As a result, for many years, people have sought to repeal the Wright Amendment. But, it has been my belief that if change were to occur to the Wright Amendment, it should come from the local level. Mayors, county officials, and other interested parties should come to an agreeable solution, and if they came

to Congress with a proposed change, then and only then should Congress become involved.

- The piecemeal approach of repealing certain states from the Wright Amendment Congress currently seems to be operating under is ineffective and poor policy.

- On June 15, 2006, it was announced that American, Southwest, DFW Airport and the cities of Dallas and Fort Worth had all agreed to seek full repeal of the Wright Amendment, with several conditions.

- Soon after, a few of my colleagues and I had the opportunity to meet with the local officials and other interested parties from North Texas to brief us on the agreement and explain the significance of this compromise to the Dallas-Forth Worth region and the aviation community.

- Mr. Chairman, I am pleased to see we are following regular order in moving forward on the proposed agreement.

- While many criticized the Wright Amendment for unnaturally restraining free-market competition -- which amounts to protectionism – I have heard from many others that also believe this new agreement poses similar competitive hurdles. I am interested to hear our witnesses' responses to such charges.

- Further, I know my colleague, Mr. Oberstar, has some safety concerns and it is my hope that those can and will be addressed before moving forward on legislation.

- Thank you once again, Mr. Chairman, for holding this hearing. I look forward to hearing from our witnesses.

DALLAS/FORT WORTH
INTERNATIONAL AIRPORT

Written Statement of

Kevin E. Cox
Chief Operating Officer
Dallas/Fort Worth International Airport

Before the
Subcommittee on Aviation
Committee on Transportation and Infrastructure
United States House of Representatives

Reforming the
Wright Amendment

July 12, 2006

On behalf of the Dallas/Fort Worth International Airport Board, I want to thank you for the opportunity to testify today on reforming 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, the relevancy of the Wright Amendment has been hotly debated in the halls of Congress, in the chambers of city councils, and in the living rooms of individual homeowners. Each side has waged a political and public relations campaign designed to convince, influence, and ultimately win this high stakes battle. Unlike most campaigns which inevitably end in a winner and a loser, we stand before this Subcommittee today united behind a single proposal hammered out through intense and delicate negotiations between the City of Dallas, the City of Fort Worth and DFW International Airport. Ultimately, this proposal also garnered the support of both American Airlines and Southwest Airlines. This remarkable feat of diplomacy culminated in a joint statement that was executed on June 15, 2006, followed by a binding contract that became effective just yesterday, July 11, 2006.

After decades of fierce legislative, legal, and political battles, these five parties now stand united behind a common solution, embodied in a binding contract, awaiting Congressional approval. We are here today to respectfully ask for this Subcommittee's approval and endorsement of this locally formulated solution.

Historical Rivalry for Commercial Air Service

To understand the genesis, complexities, and the importance of this legislative proposal, it requires a thorough understanding of how and why Dallas/Fort Worth International Airport was originally constructed. 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). To the dismay of many, Love Field and GSIA lay a mere twelve miles apart.

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 solely on the issue of whether a single airport should be designated to handle all interstate air carrier service into and out of Dallas and Fort Worth. After numerous hearings, the CAB in 1964 entered an interim order giving the two cities a period of 180 days 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 (later renamed the "Dallas/Fort Worth International 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 "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 Intervention

Concerned 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 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, 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. The effect of this legislation was to ensure that

DFW Airport remained 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 legislative 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.

Since its enactment, the Wright Amendment has withstood many legal and legislative challenges. The Wright Amendment has, however, been altered on two separate occasions. In 1997, Congress added Alabama, Kansas, and Mississippi to the list of states that were eligible to be served non-stop from Love Field. This provision has become known as the "Shelby Amendment." Then just last year, Missouri was added to the list of permissible states with the enactment of the "Bond Amendment."

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 conclusion.

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 nor 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 2004, Delta Air Lines began eliminating 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 2005, 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. Some of these 28 gates have subsequently been released; unfortunately, as of today, DFW Airport still has 15 gates that remain vacant and many other gates that are underutilized. In addition to these gates, DFW has a satellite facility in Terminal A that is unoccupied and capable of handling 7 narrow body aircraft or up to 13 regional jet aircraft. Obviously, DFW continues to have excess gate capacity.

Effort to Repeal the Wright Amendment

During the time that Delta Air Lines was in the process of eliminating its hub at DFW, Southwest Airlines formally changed its position on the Wright Amendment. On November 12, 2004, Southwest Airlines publicly announced its desire to have the Wright Amendment repealed in its entirety, a departure from its historic position of "passionate neutrality." This led to a flurry of grassroots campaigns, lobbying efforts, and legislative activities from parties on both sides of the issue. From DFW's perspective, an immediate and outright repeal was and is a direct threat to its financial stability having just completed a $2.7 billion capital development plan and having just lost Delta Air Lines' hub. To determine the potential operational and financial impact of such a repeal, DFW International Airport commissioned a formal study.

Impacts of Repeal on DFW Airport Without a Gate Limit

The study was performed by the well respected aviation consulting firm of Simat, Helliesen & Eichner, Inc (SH&E). Working under two different assumptions, the SH&E study focused upon the impacts to DFW Airport if the Wright Amendment were to be repealed. The first scenario assumed that the 2001 Love Field Master Plan remained in place to limit commercial passenger service to 32 gates. The second scenario assumed that Love Field had no gate cap whatsoever.

Given the projected growth at Love Field with the repeal of the Wright Amendment, SH&E concluded that DFW would lose a substantial amount of traffic under either of these two scenarios. In fact, SH&E predicted 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 would decrease to levels seen 20 years ago, and it would take another 19 years for traffic just to recover to current levels.

In short, repealing the Wright Amendment, without a revision to Love Field's gate limit, would amount to a 39 year penalty for DFW International Airport. Obviously, the traveling community and businesses that have come to rely on DFW's economic vitality, and the airlines that moved to DFW in reliance upon the closure of Love Field would be adversely impacted. Equally traumatic would be the untold impact on the lives of the 268,500 men and women who have their jobs tied to DFW Airport.

Having recently added $2.7 billion in new infrastructure, while facing the prospect of losing 21 million passengers, 408 daily flights, and a significant number of domestic and international destinations, DFW Airport would obviously be under severe financial stress at a time when it is least equipped to handle it. In fact, if the Wright Amendment were repealed and Love Field were permitted to grow beyond to the 32 gates originally contemplated in the 2001 Love Field Master Plan, then 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, without a reduction in gates, would also have a dramatic impact upon DFW's cost structure. DFW's net cost per enplaned passenger in Fiscal Year 2006 is budgeted at $8.32. If the Wright Amendment were to be repealed and Love Field was permitted to operate at its 32-gate capacity, DFW Airport's cost would be projected to increase 54 percent to $12.81. If the Wright Amendment were to be repealed and Love Field traffic could grow uninhibited, it is estimated that DFW's net cost per enplaned passenger would increase 98 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.

Impacts of Unlimited Growth at Love Field

Another principal concern of opening Love Field to unlimited growth involves the impact to homeowners and business owners around Love Field. In 2001, the City of Dallas adopted a master plan which 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.

The SH&E study also attempted to quantify the impact to the communities and residents around Love Field. The SH&E Study estimated that an additional 312 aircraft operations would occur daily at Love Field assuming the 32-gate limit under the 2001 Love Field Master Plan. SH&E then took their analysis one step further and assumed that if the Love Field Master Plan gate limit is not a limiting factor, then Love Field could see an increase of as many as 484 flights a day. In a separate study commissioned by American Airlines, 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 working under the assumptions outlined in the 2001 Love Field Master Plan.

With this explosion in service at Love Field, passengers were 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 2001 Love Master Plan 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.

Without question, such an impact would put a strain on existing facilities and roadway infrastructure. Repealing the Wright Amendment without altering Love Field's 32-gate limit would have a significant impact on noise, emissions, and the quality of life for those who live and work in and around Love Field. Obviously, this is not what the residents bargained for when they agreed to the 2001 Love Field Master Plan

Dallas Love Field Impact Analysis Update

A new study was commissioned in an effort to find a balance that would permit the repeal of the Wright Amendment, while at the same time ensuring the residents and businesses that live around Love Field are not exposed to any significant increase in noise, congestion or emissions beyond what was contemplated under the original Love Field Master Plan. This study, commissioned by the City of Dallas, was prepared by DMJM Aviation and released on May 31, 2006. The Study concluded that "...the overall impacts of operating 20 gates under a No Wright Amendment Scenario are the most comparable to the environmental thresholds agreed to and established in the 2001 Master Plan/Impact Analysis 32-Gate scenario with the Wright Amendment in place." In essence, the study confirmed that to honor the Master Plan agreed to by all interested parties, then Love Field should be operated at 20 gates if the Wright Amendment is to be repealed.

The study also confirmed significant impacts to noise, emissions, and traffic congestion around Love Field if the Wright Amendment is repealed and the 32-gate limit is not adjusted downward accordingly. As an example, the DMJM Aviation study concluded that with the repeal of the Wright Amendment and the current 32 gate limitation, 4350 additional people will fall within the DNL 65 dB noise contour than had been projected under the 2001 Love Master Plan This is primarily due to the use of larger aircraft that will be flown if the Wright Amendment is repealed. These larger aircraft have a louder and larger noise footprint than the regional jets originally modeled under the 2001 Love Field Master Plan.

Similarly, the DMJM Aviation study concludes that repealing the Wright Amendment without making modifications to the 32-gate limitation will have significant consequences to the vehicle traffic in and around Love Field. Specifically, it is estimated that afternoon delays would be more than twice the morning levels and at five major intersections the level of service would be reduced to a service level of F as measured by the Highway Capacity Manual. Level F is the lowest level of service measured. In laymen's terms, several key intersections in and around Love Field become a virtual parking lot, resulting in utter gridlock during certain peak times of the day. It is also important to note that this service level F assumes that the recommended Master Plan improvements are actually made to the roadways

From an air quality perspective, the DMJM Aviation study estimates that of the 7 pollutants measured, the level of air pollution is greater for each measured pollutant with repeal of the Wright, assuming no adjustments to the 32-gate limit. This is particularly important given that Dallas County is designated as a non-attainment area.

A Delicate Balance Has Been Struck

The Dallas Love Field Impact Analysis Update became the catalyst for the parties to work towards the solution which is being offered for this Committee's consideration today. Applying this information, the Mayor of Dallas and the Mayor of Fort Worth were able to fashion a local solution which ultimately was agreeable to all parties. The fundamental elements of the solution which require Congressional action involve the following:

- to immediately permit airlines serving Love Field to offer through ticketing between Love Field and any destinations through any point in Texas, New Mexico, Oklahoma, Kansas, Arkansas, Louisiana, Mississippi, Missouri, and Alabama, and to market through services;
- to continue to limit charter flights as originally contemplated under the Wright Amendment
- to continue to restrict Love Field to domestic operations;
- to codify the locally sanctioned and established gate limit of 20 gates at Love Field; and
- to eliminate all remaining restrictions on air service from Love Field after eight years from enactment of legislation.

Each element of this proposal is essential and interdependent. As an example, with a 20-gate limit at Love Field, the impacts from repealing the Wright Amendment are mitigated for those residents who live in and around Love Field. Similarly, the impacts on DFW International Airport are reduced with this 20-gate limit. Additionally, the consumer will immediately benefit from more flight options and more competition with through ticketing from Love Field to any destination. Finally, with 8 years to work on filling its unused gate capacity and to adjust to its new cost structure given the $2.7 billion in new investment, DFW Airport and its tenant airlines can better prepare for the ultimate repeal of the Wright Amendment

Obviously, each of these elements was fashioned after intense and delicate negotiations. The parties respectively and collectively urge Congress to enact these provisions in there entirety and without adjustment or amendment. In short, it is a carefully crafted solution which is dependent upon Congressional support.

Access into Love Field/Marketplace

Recently, a few parties have raised concerns that this local proposal limits access into Love Field and/or the marketplace. At the outset, it is important to note that Love Field has had excess gate capacity for several years. It is slightly ironic that only after press reports surfaced that a potential solution was in the works did any carrier express any public interest in gates at Love Field.

Regardless of the timing, the fact is that carriers have access into Love Field today and will tomorrow if this solution is ultimately enacted. As articulated in the Airline Competition Plan submitted by the City of Dallas for Love Field on July 31, 2001, "the operational Main Terminal gates at Love Field are all subject to scarce resource provisions that, when invoked, render those gates preferential use gates." Thus, the scarce resource provision in the lease allows the city of Dallas to require airlines to share gates that are not fully used.

The process for accommodating an airline seeking space involves three stages as outlined in the Love Field Airline Competition Plan. First, if the City of Dallas has space available to lease directly, it would do so. Second, in the absence of space available for direct lease, the City would refer the requesting airline to parties who are known to have gates or gate capacity available. Finally, if neither of these approaches proves fruitful and if necessary to force accommodation by an incumbent carrier, the scarce resource provisions of the lease permits the City to unilaterally require an airline to accommodate a requesting airline in its premises. In fact, the City of Dallas even offers its support to the requesting carrier to assist in the negotiation of reasonable sublease terms. To date, this process has been an unmitigated success as outlined in Love Field's Competition Plan, in that "there have been no cases in which an air carrier that was ready and willing to begin or expand service to Love Field has been unable to do so due to inability to secure reasonable access to needed facilities." Despite rhetoric to the

contrary, there is no viable reason to believe that this approach will not have similar success in the future.

In fact, the use of accommodation or secondary use provisions provides the only means for access into many other similarly situated airports across the country. Take for example, San Diego, Oakland, Las Vegas, Chicago—Midway, Fort Lauderdale, and Philadelphia airports which today have all of their gates leased or under permit. For any carrier to access gates at any of these airports, it requires the requesting carrier to seek accommodation from the incumbent carrier and/or the airport operator. Similarly, Santa Ana Airport is by agreement limited to 19 gates, to a certain number of fights, and to a certain number of passengers. For any carrier to have access to Santa Ana Airport today, it can only be accomplished through the county's capacity allocation program. Other severely constrained airports include New York LaGuardia and Washington National, both of which have severe slot and facility restrictions.

Last but not least is Long Beach Airport. At Long Beach, there is a strict noise ordinance that places severe limits on the number of flights that can operate from that airport. Currently, only 41 commercial departures are allowed under the ordinance. Ironically, JetBlue Airlines has the greatest allotment of departures from Long Beach with 22 of these 41 departures. Despite the fact that JetBlue benefits from its dominance at Long Beach operating within these severe capacity restrictions, it has somehow found the flexibility to argue that the less severe restrictions on Love Field are somehow inappropriate.

It is also critically important to understand that every carrier today has unimpeded access into Dallas/Fort Worth marketplace. The fact is that even if carriers could not access Love Field through the accommodation provisions, which to date, none of the objecting carriers have even applied; carriers can still access the marketplace by flying directly into DFW International Airport. As discussed earlier, Love Field and DFW Airport are a mere 8 miles apart. There is no question that these two airports serve the same marketplace.

As referenced earlier, DFW Airport has 15 gates that are currently available to be leased and many other gates that are currently underutilized. Moreover, DFW International Airport has one of the most aggressive Air Service Incentive Programs in the country. As an example, a carrier that is willing to offer new domestic air service to one of DFW's top 50 domestic markets is eligible to receive up to 6 months free landing fees, up to $100,000 in marketing support, and an additional $50,000 in marketing support if the carrier is new to DFW. To put that in perspective, if JetBlue Airways were to initiate service from John F. Kennedy Airport to DFW with just three daily flights, then the carrier would be eligible to receive $479,000 in financial incentives. If JetBlue Airways were to fly 20 flights a day to five destinations as recently suggested in a local newspaper, then JetBlue would be eligible to receive $2.9 million in financial incentives from DFW Airport.

The fact is that JetBlue Airways and every other airline can access the DFW marketplace today. JetBlue Airways, like 21 other passenger air carriers and 18 other cargo air carriers that currently serve DFW, can choose to fly into DFW Airport. In case there is any confusion, DFW Airport has diligently sought to bring JetBlue Airways to the marketplace and will continue to do so. Officials from DFW Airport have met with officials from JetBlue Airways 22 times since the airline's inaugural flight back on February 11, 2000. We have provided them with detailed presentations and numerous financial incentives all designed to convince them to enter DFW marketplace. In fact, a DFW official was on JetBlue's inaugural flight from JFK to Fort Lauderdale for the sole purpose of trying to convince JetBlue Airways officials to consider serving DFW International Airport. We are convinced that JetBlue Airways can and will be successful by flying into DFW International Airport. In doing so, the carrier will avail itself to one of the most aggressive air service incentive programs in the country. If JetBlue or any other carrier chooses not to, then that is their choice. However, that choice should not serve as a legitimate basis to object to the local solution that is being offered here today.

Conclusion

Mr. Chairman, and members of the Committee, dating back to the early years of flight, the City of Dallas and the City of Fort Worth have been intense competitors as they jockeyed for air superiority in the region. At the direction of the federal government and with the financial assistance of Congress, the two parties came together to build one of the greatest airports in the world – DFW International Airport.

This spirit of cooperation between these two cities was severely tested over the years as Southwest Airlines fought to remain at Love Field. Again, with the assistance of Congress, a truce was established in the form of the Wright Amendment which has lasted over 25 years.

Today, Congress is confronted with competing legislation ranging from repealing the Wright Amendment immediately to permanently closing down Love Field to all commercial service. It was, the leadership on this Committee who challenged our community to develop a locally based solution. Under the uncompromising leadership of our two mayors, we stand before you in an unprecedented show of support and solidarity, firmly behind a common solution. It is a delicately crafted solution, but an immensely workable one. We strongly urge you to take this local proposal and implement it in its entirety. On behalf of DFW International Airport, and the 265,000 men and women who have there jobs tied to the viability of our facility, I want to again thank you for the opportunity to testify before you today and I respectfully ask for your support.

Congresswoman Kay Granger
Wright Amendment Hearing Testimony
July 12, 2006
House Subcommittee on Aviation

Thank you to Chairmen Mica/Young and Ranking Members Costello/Oberstar for agreeing to hold this important hearing about a local aviation issue that has developed into a national debate and affects consumers all across the United States.

I have been intimately involved with the Wright Amendment for more than fifteen years as Mayor of Fort Worth and now as Member of Congress.

I am proud that the community has come up with a local solution that will also better serve the national traveling public.

Over the past several months, North Texas has shown both discipline and cooperation in assembling a thoughtful, comprehensive solution that meets the aviation travel demands for today and for the future.

What has transpired since last fall has been arduous, intense and even painful negotiations between all the stakeholders involved.

No entity got everything in this solution. Some had to agree to provisions that may have caused some discomfort in the board rooms or at City Hall.

However, these negotiations have resulted in an unprecedented agreement.

From my longtime experience with the complex issues surrounding the Wright Amendment, I have witnessed the negotiations between

mayors, between airlines, between airports and between differing responsibilities in the federal government.

In all my years, I have never seen the consensus we now have in this room and before you in the Joint Statement of the stakeholders.

If you leave with one impression of this Joint Statement, may it be this - accepting the provisions in a "piecemeal" fashion is not a workable solution to achieving the needed critical balance for all the stakeholders. It must be adopted in its entirety.

To illustrate the critical nature of this balance, I will address one provision and how its inclusion directly affected the different stakeholders.

In this local agreement, the Wright Amendment will be repealed outright eight years after enactment of federal legislation. This time allowance is absolutely necessary to provide operational certainty for the cities, the airports and the airlines.

The cities of Dallas and Fort Worth must be able to provide stability for supporting short and long-term viability of their mutually shared airport - Dallas Fort Worth International. DFW Airport is directly or indirectly responsible for over 200,000 jobs and crucial to the North Texas economy. Immediate repeal of the Wright Amendment could cause detrimental effects for the cities as they work toward keeping DFW Airport strong and building its growth for the future.

The airports must have time to adjust their master plans in order to protect air safety and build long-term business development on their properties. This eight year time period will enable both Love Field and DFW to make the most of their assets with considerable improvements to market certainty.

The airlines must be afforded time to adapt service in existing and new markets from both airports. Immediate repeal of Wright could put the North Texas commercial air industry in an economically-harmful state, and it would also deny airports and airlines the opportunity to react to market changes and passenger preferences after first implementing through-ticketing. In the long run, a phase-out approach will allow increased choices and competitive pricing for consumers.

Another important provision in this agreement is to codify the number of gates out of which Love Field can operate.

Limiting the number of Love Field gates to twenty operating service gates is important for air safety, noise and air pollution, and to the business and residential community surrounding Love Field. It is absolutely necessary to keep commitments made by the two cities to each other when DFW was built.

Codifying the number of gates at Love Field was a key piece to the agreement among the entities, and I support its inclusion in any federal legislation.

The Wright Amendment and the situation with Love Field and DFW Airport are unique, and require a unique solution. I think we have that.

This clarification is important to note because the stakeholders were tasked with finding a local, homegrown solution to end the Wright Amendment debate once and for all.

They found a solution that works for North Texas and to the advantage of the American consumer.

As a former member of the Transportation and Infrastructure Committee, I understand how hard this committee works to not

only solve issues - but to thoughtfully establish long-term policy with the best interests of commerce and the traveling public at heart. I believe the Joint Statement agreed to by the stakeholders and before you today meets these goals as well.

This agreement was reached through a holistic approach to solve the Wright Amendment debate once and for all.

We at the federal level must support the agreement reached by local stakeholders if we want to best serve North Texas and to establish certainty for the aviation industry and the American consumer, and we should accept this agreement in its entirety to protect this agreement's understanding between the stakeholders.

I ask that you consider this decision as a consensus to plan for the future.

Thank you again for your time and attention.

Testimony of Congressman Ralph M. Hall
Before
The Transportation and Infrastructure Committee
July 12, 2006

Thank you, Mr. Chairman. I would first like to thank the committee for holding this hearing on this timely topic.

On Thursday, June 15, the cities of Dallas and Ft. Worth, American Airlines, Southwest Airlines, Love Field, and D/FW announced that they had reached a deal regarding the Wright Amendment. I have long said that the parties should get together and broker a local agreement.

In reading over the agreement however, I have some concerns that I am hoping this committee addresses in the legislation. The counties in my district affected by section 6 of the agreement will oppose the agreement if section 6 is codified in a Federal act. I have been assured that this matter will be dealt with fairly. And, I have been advised that the provisions of section 6 are not unanimously supported by the parties who signed the agreement.

I urge this committee to reject legislation that codifies section 6 of this agreement. I look forward to working with Members of this committee, and Members of the entire Congress, to ensure that the American spirit of competition thrives. Thank you for your time.

Testimony of the Honorable Jeb Hensarling (R-TX)

House Committee on Transportation and Infrastructure

Aviation Subcommittee

July 12, 2006

Mr. Chairman, thank you for holding this hearing and for inviting me to speak. Last year, along with my colleague Sam Johnson, I introduced the Right to Fly Act (H.R. 2646), which would fully, completely and immediately repeal the Wright Amendment. This is important for two reasons.

First, over 500 airports in the United States have commercial passenger air service. With the exception of Reagan National which sits on federal property, Congress in all of history has imposed distance limitations on just one airport, Love Field, and it did so to protect D/FW Airport from competition. I sincerely believe that sort of protectionism is not and should not be the role of the U.S. Congress.

Secondly, every study of the Wright Amendment, regardless of who commissions it, shows that fares will fall significantly with repeal. The U.S. Department of Transportation found that air travel in and out of North Texas cost about 1/3 more than the national average. That's a lot of money our constituents could be using to pay health care premiums, fill up a car or pay a utility bill.

Still, I understand reasonable minds can and have differed on this subject for over 30 years.

Against this backdrop, the cities of Dallas and Fort Worth as well as D/FW Airport, American Airlines and Southwest Airlines entered into negotiations that produced an historic agreement among them. I salute Mayors Miller and Moncrief for their tenacity and leadership in forging this consensus. I view their agreement as great progress. For the flying public, though, I do not necessarily view it as a great success.

Still, I have always indicated a willingness to support other plans besides my own as long as they met a two-fold test: 1) the plan clearly benefits consumers and 2) the plan removes Congress from the business of airport protectionism.

Without seeing legislative language, it is unclear to me whether the local agreement will satisfy both of these criteria.

With respect to helping consumers, I am concerned that the proffered agreement essentially constitutes an 8 year extension of the Wright Amendment. Most citizens believe that a 2-5 year gradual phase-out represents the reasonable compromise. The previously released Campbell-Hill study indicates that consumers annually pay almost $700 million extra in airfares due to the Wright Amendment. Therefore, an 8 year extension translates into another $5 billion loss to our constituents. Even by Washington standards, that's a big number and a big burden to American families.

On the other hand, I am increasingly convinced that immediate "through-ticketing" can positively impact competition and airfares. Although hard data is hard to come by, American Airlines and Southwest Airlines commissioned a study on just this topic and presented it to me yesterday, and I ask that it be made part of the record. The conclusion of the joint Campbell-Hill and SH&E study is as follows: 1) through-ticketing will produce $259 million in fare savings annually. 2) 2 million new passengers will travel to and from the region, and 3) this will create a $2 billion annual boost to the economy. Although I cannot vouch personally for the methodology, I find it encouraging that consumers may see an immediate benefit from this part of the local agreement.

I am also concerned that under the agreement the City of Dallas has chosen to reduce the number of permissible gates at Love Field from 32 to 20. Still, it is the City's airport and I respect its right to contractually bind itself to do just that. (However, I do note that the federal taxpayer has contributed over $70 million to Love Field improvements). I am further concerned that under the agreement Southwest Airlines has agreed, perhaps unenthusiastically, to restrict their Love Field flights to the 9 permissible states for 8 years. Still, it is their airline and I respect their right to contractually bind themselves to do just that. The combination of the two, however, means that full and immediate repeal will render far fewer consumer benefits than would otherwise be the case. Given all of this, if a bill comes to the floor that grants immediate through ticketing and full repeal 8 years from now, I will view it as a solid progress and I intend to vote for it.

My second concern is getting Congress out of the airport protectionism business once and for all. In the compromise agreement, the airlines and cities make joint pledges in such areas as gate limitations, international flights, initiating flights within 80 miles of D/FW and the list goes on. Parties have a right to make contracts.

But I see no compelling reason for the Congress to codify into Federal law private contractual obligations that are enforceable in court. Congress would be replacing one complex set of anti-competitive rules with another. We would end up with "Wright Lite." Thus, if a bill comes to the floor that codifies these specific obligations of the private parties into Federal law, I intend to vote against it.

For far too long the Wright Amendment has been a burden on both consumers and the national economy. Only Congress can repeal Wright, and we should. But if we cannot reach agreement on doing it today, I stand ready to work with any and all to codify into federal law the through-ticketing and 8-year repeal portions of the local compromise.

Thank you for the opportunity to testify.

Congress of the United States
Washington, DC 20515

Opening Statement of the Honorable Eddie Bernice Johnson
House Subcommittee on Aviation
Reforming the Wright Amendment
Wednesday, July 12, 2006 – 2167 RHOB

- **Thank you Mr. Chairman.**

- **I want to thank you and Ranking Member Costello for holding today's hearing regarding the Wright Amendment. Both of you, in addition to your respective subcommittee staff, have been extremely accommodating to the requests of myself and my North Texas colleagues and I am truly appreciative.**

- **The subject matter before us is one of great importance to my congressional district.**

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- **Less than a month ago the City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and D/FW International Airport reached an agreement to resolve long-standing issues regarding the Wright Amendment.**

- **As you know, the legislation imposes long-haul flight restrictions to and from Dallas Love Field Airport located within the heart of my congressional district. The agreement marks an important milestone, as efforts to repeal the restrictions over the past decades have served as a major point of contention amongst North Texas stakeholders and the aviation community-at-large.**

- **To have all of the aforementioned entities in solidarity behind an agreement that ultimately lifts long-haul flight restrictions at Dallas Love Field is nothing short of amazing.**

- **As my North Texas colleagues have ~~already~~ elaborated on many of the key aspects of the agreement I will not be repetitive.**

- **However, I would like to impress the following upon my fellow sub-committee members: It is important to note that the Wright Amendment was the direct result of a community crafted compromise between Dallas and Fort Worth, Texas regarding two North Texas airports.**

- **Thirty two years ago, North Texas, upon the recommendation of the Civil Aeronautics Board, decided that D/FW Airport would be the region's primary air travel investment.**

- **This decision is captured in the 1968 Regional Airport Concurrent Bond Ordinance adopted by the City of Dallas and the City of Fort Worth.**

- **And at this time Mr. Chairman I ask unanimous consent to submit a copy of the 1968 ordinance be placed in the record.**

- **In lieu of closing Love Field, the Wright Amendment was crafted to protect the interests of D/FW Airport, as well as those of Southwest Airlines.**

- **The balance between our two airports as a result of the Wright Amendment has served our region well.**

- **Today, Dallas-Fort Worth International Airport and Love Field Airport are vital components to the overall health and success of the North Texas economy. Respectively they rank 4th and 55th nationally in terms of total passenger enplanements. The combined direct economic output attributable to both airports is estimated at $3 billion.**

- **As such, I feel strongly that any policy decision regarding the Wright Amendment that could have implications for the future of aviation and aviation safety in North Texas should not be carried out without the input of the localities directly involved.**

- **I am not anti-competition I am not anti-lower fares; nor am I am I anti-free enterprise. I am however, pro-principle, and it is my belief that the Wright Amendment exists as a principled agreement between two cities.**

- **The United States Congress should not preempt the local authority of the cities of Dallas and Fort Worth on a locally crafted compromise.**

- **Each time the subject of repeal of the Wright Amendment has arisen, it has placed our two cities on guard against one another.**

- **Over the past decades this issue has created consternation, litigation and often times flat out distrust amongst the cities of Dallas and Fort Worth.**

- **This type of back and forth is just not healthy for North Texas as we have so many pressing challenges that will require us to work together in good faith if we are to be successful as a region.**

- **Mr. Chairman, I support the agreement. The measure requires give and take from all vested stakeholders, but most importantly Mr. Chairman, the measure represents a unified, local consensus of which I am most proud.**

- **Further, many homeowners and constituent groups that reside within the Love Field area also support the agreement. At this time Mr. Chairman I ask unanimous consent to enter written testimony submitted by Ms. Lori Palmer on behalf of the Love Field Citizens Action Committee.**

- **The Love Field Citizen Action Committee is a coalition of residents and neighborhoods in the Love Field impact area. The organization was established in 1980 to address the airport's adverse environmental impact on the large and densely populated community that surrounds the airport.**

- **The stated mission of the citizens group is to enhance the quality of life in Love Field area neighborhoods by reducing negative noise and air pollution, traffic congestion, and safety risks posed by aircraft operations at Dallas Love Field.**

- **As I close, I want to commend all of the stakeholders who came to the table and acted in good faith to bring forth a plan that I hope will allow us to once and for all bring an end to one of aviation's most storied stand-offs.**

- **Is the agreement perfect? No. But I do feel it represents one of the best chances we as a region have to finally bring resolution to a long standing dispute.**

- **I want to urge my colleagues to listen to the presentation by the agreement principals with an open mind. If this agreement is to be successful, the support of this committee is imperative. And it is my hope that at the appropriate time the agreement presented before you today enjoys the support of this committee.**

- **Thank you Mr. Chairman and I yield back.**

DallasNews.com
The Dallas Morning News

Sherry Jacobson: Safety 1st at Love, please

06:00 AM CDT on Monday, July 3, 2006

An inner-city airport gives you lots of exciting places to watch airplanes taking off and landing.

My favorite spot around Dallas Love Field is the bridge at Webb Chapel Road and Shorecrest Drive, where planes drop down over Bachman Lake to reach the runways on the northern end of the airport.

It's noisy, exciting and just a little bit scary, when the largest jets make the final thrust over the hill.

And that's exactly the spot where Love Field lacks the 1,000-foot safety zones to make landings – and northbound takeoffs – safer for commercial jets that use the airport.

"There's about 200 feet on the northern end usable for overrun, and then you go down the hill and into the lake," said Terry Mitchell, assistant aviation director in charge of operations at Love Field.

Runway overruns in Chicago; Burbank, Calif.; and Little Rock, Ark., have given new urgency to lengthening the safety zones at older airports such as Love Field, Mr. Mitchell said last week.

In fact, Love Field is under orders from the Federal Aviation Administration to improve its runway safety zones by 2015. Mr. Mitchell says the city is committed to doing it.

His staff recently recommended a possible solution, costing about $11 million, which the FAA is reviewing. The plan would add 800 feet to the northern safety zones by cutting the main runways' length in one direction, a concept called declared distances. But many pilots want to preserve the current lengths and are pushing other solutions.

Love Field's safety zones are fixable, Mr. Mitchell stressed.

"The airport is going to stay here, and it's going to operate," he said. "And the FAA is responsible for assuring it's safe."

Talking about the safety at Love Field is upsetting to some people. My column on Tuesday mentioned a 1973 crash that killed a pilot of a small airplane after it hit a house near Love Field.

Several readers suggested that even mentioning a 33-year-old accident was unfair to Love Field, which has maintained such a good safety record over the years.

But other readers offered me more examples of past plane crashes that made them wary of living close to Love Field. One wrote that his family used to call it "Crash Field Airport."

He urged me to dig into the *Dallas Morning News* archives for crash reports from the 1940s to the 1970s.

Safety concerns about Love Field were one reason for building Dallas/Fort Worth International Airport so far from urban areas, said he and others.

A helpful newspaper librarian dug as far back as 1920 – when Love Field was a three-year-old military base – and produced a hefty stack of stories about airplanes that literally fell out of the sky in and around the airport.

The first reported crash he found was in 1920, seven years before the first commercial flights at Love Field.

A 30-year-old Army pilot was killed in a crash on airport grounds while giving a civilian a pleasure ride.

Many of the crashes involved student aviators since Love Field was a popular place to learn to fly years ago. (Such training has tended to move to smaller airports in the area.)

But there also were crashes involving larger planes, which totally surprised me.

In 1936, a Braniff Airways plane crashed and burned on the north shore of Bachman Lake, killing the six airline employees aboard. It was a test flight that was returning to Love Field when the engines failed just short of the runway.

In 1949, an American Airlines flight slammed into two buildings at the north end of Love Field, killing 28 people aboard. At the time, it was the worst plane crash in Texas history.

And there were numerous planes that ended up on streets and private property in and around Love Field over the years. Many of the landings were not fatal.

A Braniff jet overshot a runway during a rainstorm in 1953, crossing busy Lemmon Avenue in heavy noontime traffic. Forty-eight people escaped the plane uninjured, and no one on the ground was hurt.

In 1959, a small plane slammed into a churchyard at the edge of Love Field, after hitting a house on Walnut Hill Lane. Only the pilot was injured.

But in 1967, a private plane plunged at full speed onto Mockingbird Lane in Highland Park, killing the seven people aboard. Luckily, the students at adjacent Bradfield Elementary School had been sent home early.

There were many more crashes and deaths in Love Field's history, although things have changed for the better over time.

But that doesn't mean that safety can be anything but a top priority, especially if the Wright amendment goes away.

Dallas should spare no expense when it comes to assuring safety at its inner-city airport and the surrounding neighborhoods, businesses and roadways.

I'd even put runway safety ahead of the proposed $200 million terminal.

E-mail sjacobson@dallasnews.com

[CONFORMED COPY]

1968 Regional Airport Concurrent Bond Ordinance

Authorizing the Issuance of

DALLAS-FORT WORTH REGIONAL AIRPORT
JOINT REVENUE BONDS

Initial Issue — $35,000,000

Adopted by

The City Councils of

The CITY OF DALLAS, TEXAS

and

The CITY OF FORT WORTH, TEXAS

Effective as of November 12, 1968

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CONCURRENT BOND ORDINANCE

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CITY OF DALLAS ORDINANCE
No. 12352

CITY OF FORT WORTH ORDINANCE
No. 6021

An Ordinance adopted concurrently by the City Councils, respectively, of the Cities of Dallas and Fort Worth, authorizing the issuance of Dallas-Fort Worth Regional Airport Joint Revenue Bonds, Series 1968, in the aggregate principal amount of $35,000,000 for the purpose of defraying in part the cost of constructing, equipping and otherwise improving the jointly owned Dallas-Fort Worth Regional Airport of the Cities; providing for the security and payment of said bonds from the revenues derived from the operation of said Airport and in certain instances from other airport revenues of the Cities; providing that the same shall not be payable from taxation; providing the form, terms and conditions of such bonds and the manner of their execution; providing covenants and commitments regarding the payment of said bonds, the construction of said Regional Airport, and the maintenance and operation thereof when constructed including the pledge to such operation and maintenance purposes of the tax authorized by law; containing covenants against competition; and covenants regarding transfers of airport properties; providing other details concerning such bonds and such Airport, including the reserved power to issue additional joint revenue bonds, and the subordination thereof to the lien and pledge securing other outstanding and future issues of airport revenue bonds of the Cities: providing for the deposit of the proceeds of such bonds into the Construction Fund of the Joint Airport Fund under and subject to the control of the Dallas-Fort Worth Regional Airport Board; authorizing said Board to see to the delivery of said bonds as herein directed and directing that due observance of the covenants herein contained be made by the Board to the extent such covenants are performable by it; providing and describing events of default and the consequences thereof; providing a method of amending this ordinance; ordaining other matters incident and relating to the subject and purpose hereof; and declaring an emergency.

WHEREAS, the Cities of Dallas and Fort Worth have heretofore determined that the present commercial aviation and airport facilities of the Cities, specifically Love Field Airport (hereinafter called and defined as "Love Field") of the City of Dallas and Greater Southwest International Airport (hereinafter called and defined as "GSIA") of the City of Fort Worth, are wholly inadequate to meet the foreseeable commercial aviation needs of the citizens of the Cities and the residents and citizens of the entire North Central Texas Region; and

WHEREAS, the Cities have further found and determined that the most effective, economic and efficient means of providing needed airport facilities is the construction and equipment of a centrally located airport for the Cities and to that end by an agreement entitled and hereinafter defined as the "Contract and Agreement," the Cities continued, expanded and further defined the powers and duties of the Dallas-Fort Worth Regional Airport Board (hereinafter defined as the "Board" or "Regional Airport Board") theretofore created; created the Joint Airport Fund of the Cities; and provided for the construction and operation of an airport to be known as the "Dallas-Fort Worth Regional Airport"; and

WHEREAS, in accordance with the requirements of the Contract and Agreement, the Board has submitted to the City Councils of the Cities a report containing its over-all preliminary plan for the construction of said Regional Airport which plan preliminarily defines and sets forth the estimated, partial cost thereof, together with statements of its projected size, scope and location; and

WHEREAS, the City Councils have each, by duly adopted resolution, approved said plan within the context of the Contract and Agreement, and accordingly the Cities, having been requested so

to do by the Board in the manner contemplated by the Contract and Agreement, propose to proceed with the financing of the Regional Airport through the issuance of the joint revenue bonds contemplated by the Contract and Agreement, all in accordance with Article 1269j-5, Article 1269j-5.1, Article 1269j-5.2, Article 46d, and other applicable provisions of Texas Revised Civil Statutes, as amended; and

WHEREAS, the City Councils have each found and determined as to each that the matters to which this Ordinance relates are matters of imperative public need and necessity in the protection of the health, safety and morals of the citizens of each of the Cities and, as such, that this Ordinance is an emergency measure and shall be effective as to each City respectively upon its adoption by its City Council;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DALLAS, TEXAS:

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FORT WORTH, TEXAS:

ARTICLE I

TITLE, PREAMBLES AND RATIFICATION

SECTION 1.1. *Short Title.* This Ordinance may be cited by the short title "1968 Regional Airport Concurrent Bond Ordinance."

SECTION 1.2. *Adoption of Preambles.* All of the declarations and findings contained in the preambles of this Ordinance are made a part hereof and shall be fully effective as a part of the ordained subject matter of this Ordinance.

SECTION 1.3. *Ratification.* All action heretofore taken (not inconsistent with the provisions hereof) by the Cities, by the Board

and by the employees and officers of each directed toward the Regional Airport and the issuance of the bonds herein authorized for that purpose is hereby ratified, approved and confirmed.

ARTICLE II

Definitions and Construction

Section 2.1. *Definitions.* The terms defined in this Section 2.1 for all purposes of this Ordinance and of any ordinance amendatory hereof, supplemental or relating hereto, and of any instruments or documents appertaining hereto, except where the context by clear implication shall otherwise require, shall have the respective meanings herein specified as follows, to-wit:

A. "ADDITIONAL PARITY BONDS" mean bonds or obligations payable from revenues of the Airport hereafter issued on a parity with the Series 1968 Bonds for the purposes authorized by and in accordance with Section 8.4 hereof.

B. "AIRCRAFT" means airplanes, helicopters, and every other contrivance now or hereafter used for the navigation of, or flight in, air or space.

C. "AIRPORT" or "REGIONAL AIRPORT" means the Dallas-Fort Worth Regional Airport to be constructed in part with the proceeds of the Series 1968 Bonds, as herein defined, and owned and operated by the Cities acting jointly under the Contract and Agreement and as generally defined as to location and scope in the over-all preliminary plan thereof submitted to and approved by the Cities in accordance with the terms of the Contract and Agreement; and said terms shall include without limitation all land, buildings, structures and facilities thereof or related thereto of whatsoever character and wheresoever situated, and all future improvements, extensions and equipment appertaining thereto and belonging to the Cities for use in connection therewith, but excluding for these purposes any Special Facilities, as herein defined. Such terms shall also include any other airport or airports ever acquired as a replacement of or extension to the regional air-

port contemplated by the aforesaid over-all preliminary plan and any other airport ever acquired whose revenues are by official action made a part of Gross Revenues.

D. "AIRPORT CONSULTANT" means a professional person, firm or corporation having a wide and favorable repute for skill and experience in the field of planning and determining the feasibility of airports and related facilities and undertakings.

E. "BOARD" or "REGIONAL AIRPORT BOARD" shall mean and refer to the operating Board of Directors of the Regional Airport whose powers and duties were continued, expanded and further defined by the Contract and Agreement.

F. "BONDS" mean collectively the Series 1968 Bonds, the Completion Bonds, the Additional Parity Bonds, and any Refunding Bonds, as each is hereinafter separately defined.

G. "CERTIFICATED AIR CARRIER SERVICES" mean aircraft operations of the following types when operating on a regular and continuing basis, to-wit:

(1) interstate services conducted by commercial air carriers according to publishd flight schedules and holding certificates of public convenience and necessity or similar evidences of authority issued by the Civil Aeronautics Board of the United States of America or any successor agency thereto;

(2) services conducted by foreign air carriers according to published flight schedules holding permits or similar evidences of authority issued by the Civil Aeronautics Board or any successor agency thereto or by any other agency or department of the United States of America; and

(3) intrastate services conducted by commercial air carriers according to published flight schedules and holding certificates of public convenience and necessity or similar evidences of authority issued by the Texas Aeronautics Commission of the State of Texas or by any successor agency.

It is provided, however, that this term shall not include services provided by commercial "air taxi" operators meeting the

requirements for exemption provided from time to time by any rules and regulations of the Civil Aeronautics Board, by the Texas Aeronautics Commission or by any other agency of the United States of America or the State of Texas having jurisdiction to provide such exemptions.

H. "CITIES" mean collectively the municipal corporations and political bodies known as the City of Dallas, in the County of Dallas and State of Texas, and the City of Fort Worth, in the County of Tarrant and State of Texas, and such term shall also be deemed to include and refer to, in all appropriate ways, any successor political body, authority or subdivision if the Regional Airport shall ever be transferred thereto as permitted by Section 9.6.B hereof.

I. "CITY COUNCIL" or "CITY COUNCILS" mean in each instance the governing body as from time to time constituted of Dallas or Fort Worth or the plural thereof shall mean and refer to the governing bodies of both said Cities.

J. "COMPLETION BONDS" mean the Bonds authorized to be issued by Section 8.3 hereof for the purpose therein expressed.

K. "CONSULTING ARCHITECT" means a registered or licensed professional architect or any firm or joint venture of such architects having a wide and favorable repute for skill and experience in the fields of airport architecture and planning entitled to practice and practicing as such under the laws of the State of Texas, retained by the Board but not as a regular employee.

L. "CONSULTING ENGINEER" means the Director of Engineering, as herein defined, or any registered or licensed professional engineer or any firm of such engineers having a wide and favorable repute for skill and experience in the field of designing, preparing plans and specifications for and supervising construction of airports and airport facilities, entitled to practice and practicing as such under the laws of the State of Texas, retained and compensated by the Board but (except for the Director of Engineering) not in the regular employ of the Board.

M. "CONTRACT AND AGREEMENT" means that certain agreement entitled "Contract and Agreement," entered

into actually on April 23, 1968, but effective as of April 15, 1968, by and between Dallas and Fort Worth, which by its terms continues, expands, and further defines the powers and duties of the Board, creates the Joint Airport Fund, as herein defined, and provides for the construction and operation of the Regional Airport.

N. "CONSTRUCTION FUND" means the Fund by that name created as a part of the Joint Airport Fund in the Contract and Agreement.

O. "COSTS OF THE AIRPORT" shall include, without intending thereby to limit or restrict any proper definition of costs, the following:

(1) expenses and costs for labor and payments to contractors, builders and materialmen in connection with preparing, constructing, and otherwise acquiring, equipping, replacing, extending and improving any part or the whole of the Regional Airport, and the costs of machinery, furnishings and equipment used in connection therewith, and costs of restoration of property damaged or destroyed in connection with construction;

(2) the cost of indemnity and fidelity bonds, if any, to secure the deposits of any moneys in any fund or account within the Joint Airport Fund and any costs relating to any litigation of any nature or kind which relates to the Regional Airport;

(3) expenses necessary or incidental to determine the feasibility or practicability of constructing or installing any airport facilities and the fees and expenses of any engineers, architects or other professional persons or consultants for the purpose of making studies and estimates of costs and revenues and other estimates in relation thereto, or the issuance of Bonds therefor and the fees and expenses for any professional services rendered in connection therewith;

(4) expenses of administration properly chargeable to the acquisition or construction of the Regional Airport or any airport facilities, insurance premiums, legal expenses and fees, financing charges, costs of audits, and of preparing and issuing the Bonds and all other items of

expense not elsewhere in this paragraph specifically mentioned and which are related to the Regional Airport, the financing of the costs thereof, and the placing of the same in operation, and other expenses incident to such construction including interest, and the expanses of the Paying Agent, during construction;

(5) any and all costs and expenses related to the acquisition of land to comprise a part of the Regional Airport; except that no costs or expenses thereof shall be paid from the proceeds of the Series 1968 Bonds; and

(6) any proper expense or obligations heretofore or hereafter incurred by the Board or by the Cities for any of the foregoing purposes, including such Fund transfers as may be required to assure Federal or State participation in construction of the project.

P. "COSTS OF THE PROJECT" means the Costs of the Airport during its initial construction stages.

Q. "DALLAS" means the City of Dallas, Texas.

R. "DIRECTOR OF ENGINEERING" means the chief staff engineer in the regular control and employ of the Board.

S. "DIRECTOR OF FINANCE" means the Director of Finance of the Board.

T. "EXECUTIVE DIRECTOR" means the chief administrative and executive officer of the Board as described and required by the Contract and Agreement.

U. "EVENT OF DEFAULT" means any of the events stated in Section 10.1 hereof as events of default.

V. "FACILITIES" means any facilities, buildings or equipment comprising a part of or used in connection with the Airport.

W. "FISCAL YEAR" means the twelve month period commencing on the 1st day of October of any year and ending at midnight on September 30 of the next succeeding year.

X. "FORT WORTH" means the City of Fort Worth, Texas.

Y. "GSIA" means the airport presently belonging to Fort Worth and known as "Greater Southwest International Airport."

Z. "GROUND LEASE" means the lease of Airport lands required to be executed in connection with the construction of Special Facilities by Section 8.7.B hereof.

AA. "GROSS INCOME," "GROSS REVENUES," "INCOME" or "REVENUES" mean all income and revenues derived directly or indirectly by the Board from the operation or ownership of the Airport or any part thereof, whether resulting from improvements, extensions, enlargements, repairs, or betterments to the Airport, additional Facilities, or otherwise, and includes all revenues received by the Board or any municipal corporation or entity succeeding to the revenues of the Cities from the Airport; including any amounts herein expressly made a part thereof; and further including without limiting the generality of the foregoing all rentals, tolls, rates or other charges for the use of the Airport or any Facilities or for the entry upon any part thereof or for any service rendered by the Board or the Cities in the operation thereof, and including the rentals payable under Ground Leases, but excluding the rentals derived from Net Rent Leases to the extent required to pay Special Facility Bonds and reserves therefor, as herein defined, and excluding further any moneys received as grants or gifts from the United States of America, the State of Texas, or other sources, the use of which is limited by the grantor or donor to the construction or acquisition of capital improvements, additions or extensions to the Airport, except to the extent any such moneys shall be received as payments for the use of the Airport.

BB. "HOLDER" when used in conjunction with the Bonds or coupons appertaining to the Bonds means the person in possession and the apparent owner of the designated item.

CC. "INDEPENDENT ACCOUNTANT" means any Certified Public Accountant or firm of Certified Public Accountants, or both, as determined by the Board, duly licensed to practice and practicing as such under the laws of the State of Texas, appointed and paid by the Board, who is, in fact, independent and not under the dominion of the Board or the

Cities; who, except for such retention, does not have any substantial interest, direct or indirect, with the Board or with the Cities; and who is not connected with the Board or with the Cities as an officer or employee of either, but who may be regularly retained to make annual or similar audits of the books or records of the Board or of the Cities.

DD. "INTEREST AND SINKING FUND" means the Fund by that name created in Section 7.1 hereof.

EE. "INVESTMENT SECURITIES" means any of the securities from time to time permitted by the agreement with the Treasurer to be utilized by him as security for the funds on deposit with him (except personal bonds), and additionally includes any time deposits or certificates of deposit of any State Bank or National Banking Association which are themselves secured by any of the above and foregoing.

FF. "JOINT AIRPORT FUND" means the master fund by that name created by the Cities for the purpose of accurately and adequately recording and accounting for the ownership, operations and properties to the joint venture evidenced by the Contract and Agreement, all as described and provided in Section 17 of the Contract and Agreement.

GG. "LOVE FIELD" means the airport presently belonging to Dallas and known as "Dallas Love Field."

HH. "MAINTENANCE TAX" means the tax authorized to be pledged to the operation and maintenance of the Airport by each City pursuant to Article 1269j-5.1 as to Dallas, and Article 1269j-5.2 as to Fort Worth, Texas Revised Civil Statutes, as amended, and as described in Section 6.2 of this Ordinance; the amount of such tax being at all times limited as to each of the Cities, respectively, to the lesser of (1) five cents (5¢) per one hundred dollars ($100) of assessed valuation of taxable property in the City; or (2) the amount required to produce the money from that source specified as to such City in Section 6.2 hereof.

II. "MEACHAM FIELD" means the airport presently belonging to Fort Worth and known as "Meacham Field Airport."

JJ. "NET INCOME" or "NET REVENUES" means the amount remaining after deducting "Operation and Maintenance Expenses," as herein defined, from Gross Revenues.

KK. "NET RENT LEASE" means a lease of Airport property or Facilities entered into by the Board pursuant to which the lessee agrees to pay to the Board a rental during the term thereof in an amount at least equal to the principal, interest and any special reserve requirements contained in the ordinance authorizing the Special Facility Bonds (as herein defined) to which such lease relates, as contemplated by Section 8.7.A hereof, and to pay, in addition to such rental, all operation and maintenance expenses applicable to the Special Facilities to be constructed with said bonds, including, without limitation, any insurance premiums applicable to such Special Facilities (as may be required by said lease); any and all ad valorem or other property taxes lawfully levied or assessed against the leasehold interest of the lessee in and to such Special Facilities and to the Airport land upon which the same are to be situated pursuant to the Ground Lease executed in connection therewith (such leasehold interest, irrespective of the term thereof, as distinguished from the remainder or other interest of the Cities therein, being for such purposes the property of such lessee and not the property of the Cities); any and all lawful excise or other types of taxes imposed on or in respect of such properties; and the expenses of upkeep thereof of every kind and character including the repair or ordinary restoration thereof.

LL. "NEWSPAPER" means newspapers printed in the English language, published at least once each calendar week and of general circulation within the Cities.

MM. "OPERATING REVENUE AND EXPENSE FUND" means the Fund by that name established as a part of the Joint Airport Fund in Section 17 of the Contract and Agreement and referred to in Section 7.1 hereof.

NN. "OPERATION AND MAINTENANCE EXPENSES" means all reasonable and necessary current expenses of the Board (paid or accrued) of operating, maintaining, and repairing the Airport. Without limiting the generality of the foregoing, such term shall include insurance premiums, the reasonable charges of any Paying Agent and any other depository bank appertaining to the Airport, contractual services, professional services required by this Ordinance or by the Board, salaries and administrative expenses after the Airport becomes operational, labor and the cost of materials and

supplies used for current operation; but such term shall not include allowances for depreciation, liabilities incurred by the Cities or the Board as a result of its negligence in the operation of the Airport or resulting from any other ground of legal liability not based on contract, and shall not include the costs of improvements, extensions, enlargements or betterments, or any charges for the accumulation of reserves, which according to standard accounting principles are chargeable as capital replacements or improvements.

OO. "PAYING AGENT" or "PAYING AGENTS," with respect to the Series 1968 Bonds, means the First National Bank in Dallas, Dallas Texas, and The First National Bank of Fort Worth, Fort Worth, Texas; and, with respect to any other bonds issued hereunder, to the bank or banks named in the ordinance authorizing their issuance.

PP. "PLEDGED REVENUES" means Gross Revenues less any amounts required to be paid on account of the Senior Lien Bonds to prevent a default thereof.

QQ. "PROJECT" means the Airport in its initial construction phases, to be financed in part with the proceeds of the Series 1968 Bonds and the Completion Bonds.

RR. "REDBIRD" means the airport presently belonging to Dallas and bearing the name "Redbird Airport."

SS. "RESERVE FUND" means the Fund by that name created in Section 7.1 hereof.

TT. "SENIOR LIEN BONDS" means the outstanding bonds of the following issues of the City of Dallas, to-wit:

(1) Airport Revenue Bonds, Series 364
(2) Airport Revenue Bonds, Series 401
(3) Airport Revenue Bonds, Series 409,

and the outstanding bonds of the following issues of the City of Fort Worth, to-wit:

(1) Airport Revenue Bonds, Series 1960
(2) Airport Revenue Bonds, Series 1960-A
(3) Airport Revenue Bonds, Series 1961,

and any and all bonds hereafter issued by either of the Cities pursuant to the authority reserved to the Cities in Section 8.1 and Section 8.2 hereof; all of such bonds being by their terms payable from the revenues of the Airport superior to the lien created herein for the benefit of the Bonds.

UU. "SPECIAL FACILITIES" means hangars, aircraft overhaul, maintenance and repair shops, storage facilities, garages and other buildings, structures, Facilities and appurtenances being a part of or related to the Airport and financed wholly or in part with the proceeds of Special Facility Bonds pursuant to Section 8.7 hereof.

VV. "SPECIAL FACILITY BONDS" means bonds described in Section 8.7 payable solely from all or a portion of the rentals received from any one or more Net Rent Leases appertaining to Special Facilities.

WW. "SERIES 1968 BONDS" means the Bonds initially authorized to be issued hereunder pursuant to Article III hereof.

XX. "TREASURER" means the duly designated Treasurer for the Board and the Joint Airport Fund as described and contemplated in the Contract and Agreement.

SECTION 2.2. *Construction and Effect of Covenants.* This Ordinance, except where the context hereof by clear implication shall otherwise require, shall be construed and applied as follows:

A. Definitions include both singular and plural.

B. Pronouns include both singular and plural and cover all genders.

C. Any percentage of Bonds, for the purposes of this Ordinance, shall be computed on the basis of the unpaid principal amount thereof outstanding at the time the computation is made or is required to be made hereunder.

D. None of the covenants herein shall ever impose, or be construed as imposing a liability or obligation on the part of the Cities, or either of them, to pay the principal of or interest on any Bonds out of any funds derived by taxation.

E. All covenants contained herein which require the performance of an affirmative, common or joint act with respect to the Airport shall be performed, on behalf of the Cities acting jointly, by the Board, and from and after the effective date of this Ordinance, the Board shall be obligated to undertake and perform each and every such covenant and this Ordinance shall constitute a directive and order to the Board to that effect.

F. Subject to the provisions of Section 6.3 hereof all covenants contained herein requiring the Cities to pay principal and interest on Bonds shall be joint, and not several, obligations, and all such obligations shall be payable and collectible solely from the Pledged Revenues from time to time on deposit in the funds created and confirmed herein, such funds being owned in undivided interests by Dallas (to the extent of 7/11ths thereof) and by Fort Worth (to the extent of 4/11ths thereof); and, each and every holder of Bonds shall by his acceptance thereof consent and agree that except as provided in paragraph G, next below, and except as provided in Section 6.3 hereof, no claim, demand, suit, or judgment for the payment of money, shall ever be asserted, filed, obtained or enforced against either of the Cities apart from the other City and from sources other than the funds in which Pledged Revenues are hereby committed to be deposited; and no liability or judgment shall ever be asserted, entered or collected against either City individually, except out of said funds and exceeding in the case of Dallas an amount equal to 7/11ths of the total amount asserted or demanded, and in the case of Fort Worth an amount equal to 4/11ths of the total amount asserted or demanded.

G. The covenants contained herein requiring the Cities to levy and collect the Maintenance Tax shall be several, and not joint, and no claim, demand, action, proceeding, suit or judgment, shall ever be asserted, made, pursued or entered against either of the Cities for the default in that covenant or obligation by the other City, the full scope and extent of such covenant being limited as to each individual City to its obligation to levy its proportionate share of any amount to be collected from the Maintenance Tax, as specified elsewhere in this Ordinance.

H. In the event of a transfer of the Regional Airport to another political body or political sub-division, as permitted by Section 9.6.B hereof, the governing board of such political body, when operating the Airport under and subject to the provisions of this Ordinance, shall be obligated to perform all of the covenants and duties hereof imposed upon the Cities themselves or upon the Cities acting through the Board, and shall be authorized to exercise the rights reserved herein to the Cities or to the Board in such manner as may be appropriate consistent with its usual and customary methods of exercising similar rights in other instances so long as the method or methods utilized do not impair or defeat the substantive purposes of this Ordinance.

ARTICLE III

Series 1968 Bonds

Section 3.1. *Authorization.* So as to protect the public safety and in order to promote and advance the general welfare of the citizens of Dallas and Fort Worth and the North Central Texas Region, and, for the purpose of paying in part the Costs of the Project, it is hereby declared necessary that the Cities authorize and issue, and the Cities hereby authorize and direct the issuance of, "Dallas-Fort Worth Regional Airport Joint Revenue Bonds, Series 1968," in the aggregate principal amount of $35,000,000, payable both as to principal and interest solely out of the revenues, as described, defined and pledged herein.

Section 3.2. *Date, Denomination and Maturities.* The Series 1968 Bonds shall be dated November 1, 1968, shall be in the denomination of $5,000 each, shall consist of 7,000 Bonds numbered in direct numerical order from 1 through 7,000 and shall mature and become due and payable on November 1, 1998.

Section 3.3. *Interest Rate, Paying Agent.* The Series 1968 Bonds shall bear interest from their date to their stated maturity or

earlier redemption at the rate of 4⅞% per annum, such interest to be evidenced by coupons initially attached to each said Bond payable on May 1, 1969, and semi-annually thereafter on each November 1 and May 1. Both the principal and interest of the Series 1968 Bonds shall be payable to bearer in lawful money of the United States of America without deduction for exchange or collection charges at the offices of the Paying Agents.

SECTION 3.4. *Prior Redemption.* A. All of the Series 1968 Bonds shall be subject to redemption for any purpose prior to their respective maturities, at the option of the Cities, in whole, or in part by lot, on the 1st day of any month on or after January 1, 1969, upon payment of the principal amount of each such bond so redeemed, accrued interest thereon to the redemption date, and plus a premium computed in accordance with the following schedule, to-wit:

> 3% of the principal amount of each Series 1968 Bond so redeemed, if redeemed on or before November 1, 1978;
>
> 2½% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1978, but on or before November 1, 1979;
>
> 2% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1979, but on or before November 1, 1980;
>
> 1½% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1980, but on or before November 1, 1981;
>
> 1% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1981, but on or before November 1, 1997.

B. At least thirty (30) days before the date fixed for any such redemption, the Board, acting on behalf of the Cities, shall cause

a written notice of such redemption to be published at least once in a newspaper and a financial publication published in the City of New York, New York. By the date fixed for any such redemption, due provision shall be made with the paying agents for the payment of the principal amount of the bonds to be so redeemed, plus any applicable premium thereon, and plus accrued interest thereon to the date fixed for redemption. If the written notice of redemption is published, and if due provision for payment is made, all as provided above, the bonds, which are to be so redeemed, thereby automatically shall be redeemed prior to maturity, and they shall not bear interest after the date fixed for redemption, and shall not be regarded as being outstanding except for the purpose of receiving the funds so provided for such payment.

SECTION 3.5. *Form.* The form of the Series 1968 Bonds, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be printed and endorsed on each bond, and the form of the interest coupons to be attached to the bonds, shall be respectively substantially as follows, to-wit:

(FORM OF THE SERIES 1968 BONDS)

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTIES OF DALLAS AND TARRANT
DALLAS-FORT WORTH REGIONAL AIRPORT
JOINT REVENUE BOND
SERIES 1968

No. $5,000

On the 1st day of November, 1998, the Cities of Dallas and Fort Worth (herein collectively called the "Cities"), municipal corporations duly incorporated under the laws of the State of Texas, for value received, hereby jointly promise to pay to bearer solely

from the revenues and funds described herein, the total principal sum of

FIVE THOUSAND DOLLARS

and to pay interest thereon from the date hereof to the maturity or earlier redemption of this bond at the rate of 4⅞% per annum, evidenced by initially attached coupons payable May 1, 1969, and semi-annually thereafter on each November 1 and May 1. Both principal and interest shall be payable in lawful money of the United States of America upon surrender of this bond or the proper coupons as they severally become due, at the First National Bank in Dallas, Dallas, Texas, or at The First National Bank of Fort Worth, Fort Worth, Texas, paying agents, without exchange or collection charges to the bearer hereof.

All bonds of this series shall be redeemable prior to maturity in whole, or in part by lot, at the option of the Cities, or on the first day of any month on or after January 1, 1969, for a redemption price equal to the principal amount of the bonds thus redeemed, plus accrued interest to the date fixed for redemption, and plus a premium for redemption calculated in accordance with the following schedule:

3% of the principal amount of each Series 1968 Bond so redeemed, if redeemed on or before November 1, 1978;

2½% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1978, but on or before November 1, 1979;

2% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1979, but on or before November 1, 1980;

1½% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November 1, 1980, but on or before November 1, 1981;

1% of the principal amount of each Series 1968 Bond so redeemed, if redeemed after November, 1981, but on or before November 1, 1997.

If bonds shall be redeemed pursuant to this paragraph, then at least thirty days before the date fixed for any such redemption,

written notice of such redemption shall be given in the manner specified in the Ordinance of the Cities authorizing this series of bonds. By the date fixed for any such redemption due provision shall be made with the paying agent for the payment of the applicable redemption price, if any, of the bonds to be so redeemed as above provided. If such written notice of redemption is given and if due provision for payment shall be made, all as provided in said Ordinance, the bonds which are to be so redeemed shall not bear interest after the date fixed for redemption and shall not be regarded as being outstanding except for the purpose of receiving the funds so provided for such payment.

This bond is one of a duly authorized issue of bonds dated November 1, 1968, of like title, terms, tenor and effect, numbered from 1 through 7000, of the denomination of $5,000 each, aggregating $35,000,000, issued by the Cities for the purpose of defraying in part the Costs of the Project, such term contemplating and relating to the initial construction phases of the jointly owned Dallas-Fort Worth Regional Airport. For the purpose of defining the term Costs of the Project and of providing for and securing the payment of this issue of bonds, the Cities have jointly pledged their respective interests in the "Pledged Revenues" to be derived from the ownership and operation of the Dallas-Fort Worth Regional Airport when the same is constructed and becomes operational, and in certain instances a part of the revenues derived from other airports of the Cities. Such Pledged Revenues and other revenues will be on deposit from time to time in various funds created and confirmed in and pursuant to an ordinance adopted concurrently by the City Councils of the Cities and known by the short title as the "1968 Regional Airport Concurrent Bond Ordinance." Pledged Revenues in said Ordinance are defined to be the Gross Revenues of said Airport when constructed less the amounts required to pay the Senior Lien Bonds mentioned next below. The lien on the revenues securing this issue of bonds is subordinate to the lien securing various outstanding and future issues of bonds of the Cities defined in said Ordinance as "Senior Lien Bonds." Reference is made to the 1968 Regional Airport Concurrent Bond Ordinance for a description of the revenues and funds charged with and pledged to the payment of the interest on and principal of this issue of bonds, the nature and extent of the security thereof, a statement of the rights, duties and obligations of each of the Cities respectively, the rights and remedies of bondholders in the event of default hereunder, and the rights and priorities of the

holders of this series of bonds, to all the provisions of which the holder hereof by the acceptance of this bond assents and agrees.

As provided in the 1968 Regional Airport Concurrent Bond Ordinance, the obligations of the Cities to pay money hereon out of Pledged Revenues are joint, and not several, and except as otherwise provided therein no claim, demand, suit or judgment shall ever be asserted, entered or collected against or from one City without the other and no individual liability shall ever exceed in the case of Dallas 7/11ths of the total amount thereof, and in the case of Fort Worth 4/11ths of the amount thereof, and, except as in said Ordinance otherwise provided, such sums shall be payable and collectible solely from the funds in which Pledged Revenues shall, from time to time be on deposit.

The 1968 Regional Airport Concurrent Bond Ordinance provides that, to the extent therein stated, the Dallas-Fort Worth Regional Airport Board, acting on behalf of the Cities, shall fix and shall from time to time revise the rate of compensation for use of and for services rendered by or at the Dallas-Fort Worth Regional Airport which will be fully sufficient to produce Pledged Revenues adequate to pay the principal of and interest on the bonds from time to time outstanding thereunder as the same shall become due and payable and to maintain reserves for the various purposes prescribed therein. It is further provided in said Ordinance that to the extent Pledged Revenues are not adequate for said purposes and for the additional purpose of properly and adequately maintaining and operating said Airport, the Cities pledge and obligate themselves to levy and collect the ad valorem tax defined therein as the "Maintenance Tax," and to devote the proceeds thereof to the purpose of operating and maintaining said Airport in lieu of using revenues for said purpose, subject at all times to the limits of said tax provided by law and in said Ordinance. As further provided in said Ordinance, the obligations of the Cities to levy and collect such tax are several, and not joint, and no action, claim, suit or demand shall be made against one City for the default of the other, each City's respective obligation being limited to the collection of its proportionate amount required from said tax for such purpose, all as specified in said Ordinance.

Under the terms and conditions provided in said Ordinance, the Cities reserve the right to issue additional Senior Lien Bonds for the purposes therein stated, which said bonds shall be superior as to lien to the bonds of this issue, and reserve the further right to

issue additional bonds secured by a lien on a parity with the lien securing this issue of bonds under the conditions set forth in said Ordinance.

The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation.

It is hereby certified and recited that all acts and things required by the Constitution and laws of the State of Texas to be done, to exist, and to be performed precedent to and in the issuance of this bond and the issue of which it is one, and the adoption of the 1968 Regional Airport Concurrent Bond Ordinance have been done, do exist and have been performed as so required.

IN WITNESS WHEREOF, the City Council of the City of Dallas, Texas, has caused the seal of that City to be placed hereon and this bond to be signed by the facsimile signature of its Mayor and countersigned by the facsimile signature of its City Auditor; and the City of Fort Worth, Texas, has caused the seal of that City to be placed hereon and this bond to be signed by the facsimile signature of its Mayor, countersigned by the facsimile signature of its City Secretary, and approved as to form by its City Attorney; and each said City Council has caused the attached coupons to be signed by the facsimile signatures of the Mayor and City Auditor of the City of Dallas and by the Mayor and City Secretary of the City of Fort Worth.

/s/

Mayor, City of Dallas, Texas

COUNTERSIGNED:

/s/

City Auditor, City of Dallas, Texas

/s/

Mayor, City of Fort Worth, Texas

COUNTERSIGNED:

/s/

.....

City Secretary, City of Fort Worth, Texas

APPROVED AS TO FORM:

/s/

.....

City Attorney, City of Fort Worth, Texas

FORM OF COUPON

No. ..... $.....

ON THE DAY OF

...., 19....

Unless due provision has been made for the redemption prior to maturity of the below numbered bond to which this coupon appertains, the City of Dallas, Texas, and the City of Fort Worth, Texas, jointly promise to pay to bearer, but solely out of the revenues specified, and subject to the conditions stated, in said bond at the First National Bank in Dallas, Dallas, Texas, or at The First National Bank of Fort Worth, Fort Worth, Texas, without exchange or collection charges to the bearer hereof, the sum specified on this coupon, in lawful money of the United States of America, for interest then due on the below numbered bond of the issue entitled "Dallas-Fort Worth Regional Airport Joint Revenue Bonds, Series 1968," dated November 1, 1968. The holder hereof shall never have the right to demand payment of this obligation out of any funds raised or to be raised by taxation. Bond No. .

/s/

.....

Mayor, City of Dallas, Texas

COUNTERSIGNED:

/s/

City Auditor, City of Dallas, Texas

/s/

Mayor, City of Fort Worth, Texas

COUNTERSIGNED:

/s/

City Secretary, City of Fort Worth, Texas

FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE

OFFICE OF COMPTROLLER :
STATE OF TEXAS :

I hereby certify that this bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas in accordance with his written approving certificate on file in my office; and that this bond has been by me this day registered as required by law.

Witness my signature and seal this

/s/

Comptroller of Public Accounts of the State of Texas

(SEAL)

ARTICLE IV

Execution, Approval, Registration, Sale and Delivery of Series 1968 Bonds

Section 4.1. *Method of Execution.* Each of the Series 1968 Bonds shall be signed and executed on behalf of the City of Dallas by the facsimile signature of its Mayor and countersigned by the facsimile signature of its City Auditor, and the corporate seal of that City shall be impressed or printed or lithographed on each bond. Each of the Series 1968 Bonds shall be signed and executed on behalf of the City of Fort Worth by the facsimile signature of its Mayor and countersigned by the facsimile signature of its City Secretary; the same shall be approved as to form by the City Attorney of the City, and its corporate seal shall be impressed or printed or lithographed upon each bond. The respective signatures of the Mayor and City Auditor of the City of Dallas and of the Mayor and City Secretary of the City of Fort Worth shall be lithographed or printed upon the coupons attached to the Series 1968 Bonds. All facsimile signatures placed upon the bonds and their coupons shall have the same effect as if manually placed thereon, all as provided in Article 717j, Texas Revised Civil Statutes, as amended.

Section 4.2. *Approval and Registration.* The Board is hereby authorized to have control and custody of the Series 1968 Bonds and all necessary records and proceedings pertaining thereto pending their delivery and the Chairman and officers and employees of the Board and of the Cities are hereby authorized and instructed to make such certifications and to execute such instruments as may be necessary to accomplish the delivery of said bonds and to assure the investigation, examination, and approval thereof by the Attorney General of the State of Texas and their

registration by the State Comptroller of Public Accounts. Upon registration of the Series 1968 Bonds, the Comptroller of Public Accounts (or a deputy designated in writing to act for him) shall be requested to sign manually the Comptroller's Registration Certificate prescribed herein to be printed and endorsed on each bond and the seal of the Comptroller shall be impressed or printed or lithographed thereon. The Chairman of the Board shall be further authorized to make such agreements with the purchasers of said bonds as may be necessary to assure that the same will be delivered to such purchasers in accordance with the terms of sale at the earliest practicable date after the adoption of this Ordinance.

SECTION 4.3. *Sale*. The Series 1968 Bonds are hereby sold in accordance with law and shall be delivered to Republic National Bank of Dallas, First National Bank in Dallas, Bank of America, N.T. & S.A., Mercantile National Bank at Dallas, The Fort Worth National Bank, The First National Bank of Fort Worth, Texas Bank & Trust Company of Dallas, The National Bank of Commerce, Dallas, Oak Cliff Bank & Trust Co., Dallas, and Continental National Bank of Fort Worth, the purchasers thereof, for a price of $34,475,000.00, plus accured interest to the date of delivery.

ARTICLE V
DISPOSITION OF BOND PROCEEDS

SECTION 5.1. *Interest During Construction*. It is hereby found and determined that the estimated period of construction of the Project, that is to say, the period prior to which the Airport will become revenue producing, is five (5) years, and accordingly it is hereby ordained and directed that an amount equal to the interest to become due on said bonds during said period shall be deposited into the Interest and Sinking Fund and used, applied and devoted to the purposes specified elsewhere herein for moneys on deposit in said Fund. Each ordinance hereafter adopted authorizing Bonds

may specify the amount of interest to accrue thereon and on any then outstanding Bonds for which funds are not available during the remaining than estimated period of construction of the Project or the Facilities being constructed and such amount may be set aside out of the proceeds of such bonds into the Interest and Sinking Fund for such purpose.

SECTION 5.2. *Construction Fund.* Except as otherwise provided in Section 5.1, all proceeds derived from the sale of Bonds shall be deposited promptly upon the receipt thereof in the Construction Fund and the moneys within said Fund shall be used solely for the purpose of defraying a part of the Costs of the Project as to Completion Bonds, and Costs of the Airport as to Additional Parity Bonds.

SECTION 5.3. *Disbursements from Construction Fund.*

A. Before any moneys shall be withdrawn or any payments shall be made from the Construction Fund for Costs of the Airport which directly relate to the physical construction and equipment thereof there shall be filed with and approved by the Executive Director—

(1) A voucher which may contain any number of items signed by the Consulting Engineer or the Consulting Architect and stating in respect of each item to be paid —

(a) the item number of the payment;

(b) the name of the person to whom payment is due;

(c) the amount or amounts to be paid; and

(d) the purpose for which the obligation to be paid was incurred in such detail as shall be satisfactory to the Director of Finance; and

(2) A Certificate signed by the Consulting Engineer or the Consulting Architect and attached to the voucher certifying—

(a) that the obligations in the stated amounts have been incurred by the Board and that each item thereof is a proper charge against the Construction Fund and has not been paid;

(b) that there has not been filed with or served on the Board any notice of lien, right of lien, or attachment upon or claim affecting the right to receive payment of any moneys payable to any person named in such voucher which has not been released or will not be released simultaneously with the payment of such obligations;

(c) that such voucher contains no payment on account of any retained percentage which the Board at the date of such Certificate is entitled to retain; and

(d) that insofar as any such obligation was incurred for working materials, equipment or supplies such work was actually performed in the furtherance of the Airport or delivered at the site thereof for that purpose or delivered for storage or fabrication at a place or places approved by the person signing the Certificate and under the control of the Board.

If the Executive Director shall determine that such voucher and Certificate are in the form and contain the information required by this paragraph, and that such payments are due, he shall be authorized to make payment thereof in such manner as is customarily employed by the Board for the payment of other expenses thereof.

B. Before any moneys shall be withdrawn or any payments shall be made from the Construction Fund for Costs of the Airport other than those contemplated in paragraph A, above, including expenses of administration and the other items included as a part of the term "Costs of the Airport," as defined in this Ordinance, the Board shall adopt and maintain a current schedule of Construction Fund uses. Moneys within the Construction Fund may be expended for such purposes at such times as expenditures may be required upon the execution of a Certificate by the Executive Director to the effect that such expenditures are itemized in or contemplated by such schedule of Construction Fund uses. Otherwise, such expenditures shall not be made unless the expenditure

thereof shall be approved by resolution adopted by the Board, which resolution shall recite the purpose of the expenditure and shall contain the statement that the expenditure is a proper Cost of the Airport.

SECTION 5.4. *Completion of the Project.* When the Project, or any item of additional improvements made with Bond proceeds, shall have been completed in accordance with the plans and specifications therefor, and when all amounts due therefor, including all proper incidental expenses, shall have been paid, the Consulting Engineer and the Consulting Architect shall file with the Executive Director and the Board a certificate so stating, and thereupon the Board shall cause the transfer of all moneys remaining in the Construction Fund, if any, to the Capital Improvements Fund.

ARTICLE VI.

PLEDGE, OPERATION AND MAINTENANCE, SUPPLEMENTAL PLEDGE

SECTION 6.1. *Revenue Pledge.* The Bonds shall be and are hereby declared to be payable from and secured by an irrevocable first lien on and pledge of Pledged Revenues and the funds in which they shall from time to time be on deposit. Such lien and pledge are hereby created and established.

SECTION 6.2. *Pledge to Operation and Maintenance Expenses.* All Pledged Revenues remaining, after provision has been made for the payments required by paragraph A of Section 7.3 of this Ordinance, shall be used for and are hereby pledged to the payment of Operation and Maintenance Expenses. While it is contemplated that Gross Revenues will be sufficient for the purposes of this Ordinance and the payment of all Bonds, nevertheless, in addition to such pledge for such purpose and as a supplement thereto, each of the Cities, respectively, hereby pledge such

part of the Maintenance Tax as may be necessary to assure that the Airport will be efficiently and effectively operated and maintained in accordance with the Standard of Operation specified in this Ordinance. The tax, if thus assessed and collected in any year, shall be deposited as an additional operating expense contribution to the Operating Revenue and Expense Fund in accordance with the requirements of the Contract and Agreement; and the Maintenance Tax, or so much thereof as may be required, as aforesaid, and as the limits thereof as to each City are specified in the definitions in this Ordinance, as to each City is hereby levied, and the same shall be annually assessed and collected and the proceeds thereof applied solely to such purpose, in such rate as will make, raise and produce a sum sufficient to supply the difference between the amount required to pay Operation and Maintenance Expenses in the next Fiscal Year, as estimated in the annual budget of the Board, and the amount estimated by said budget to be available for such purposes from Pledged Revenues after the payment of principal and interest to be due on the Bonds during such year and the deposit of any amounts required to be made to reserve funds therefor. The Cities each covenant and agree that the Maintenance Tax shall not be pledged on a permanent basis for other City purposes; however, if the total amount of such tax applicable to either City (or both) shall not be required in any year for the purposes of this Ordinance, then the amount of such tax not thus required may be utilized for other lawful City purposes on a year-by-year basis. The respective obligations of the Cities to levy and collect the Maintenance Tax in the amount of the difference described aforesaid shall be on the proportionate basis of 7/11ths of said difference by the City of Dallas and 4/11ths thereof by the City of Fort Worth. Additionally, the obligation of the City of Fort Worth to levy and collect the Maintenance Tax in such amount shall be and is junior and subordinate to a prior

pledge of the Maintenance Tax for the benefit of the holders of its share of the Senior Lien Bonds, to the extent heretofore pledged to the operation and maintenance of that City's Airport System, which includes GSIA and Meacham Field, so long as its share of any outstanding Senior Lien Bonds remain outstanding containing any such pledge.

SECTION 6.3 *Transitional Pledge of Other Airport Revenues.*

A. For so long as the Regional Airport shall not be completed and operational, (as determined in the manner specified in paragraph B, below), and for the further protection of the Holders of the Bonds during the transitional period prior to such completion, the Cities hereby additionally covenant and agree as follows, to-wit:

(1) On the 15th day of the month prior to each Bond interest payment date upon which funds shall not be otherwise available in the Interest and Sinking Fund for the payment of Bond interest becoming due and any Bond principal maturing on such interest payment date, the City of Dallas shall transfer and deposit directly into the Interest and Sinking Fund an amount equal to 7/11ths of the total amount deficient in said Fund for the payment of such principal and/or interest, the moneys for such purposes to be derived by Dallas from the net revenues (remaining after payment of any applicable Love Field Senior Lien Bonds) received by it from the ownership and operation of Love Field and Redbird or from any other lawfully available source; and the City of Fort Worth shall transfer and deposit into the Interest and Sinking Fund an amount equal to 4/11ths of the total amount deficient in said Fund for the payment of the Bond principal and/or interest thus becoming due or maturing, such moneys to be derived by Fort Worth from the gross revenues (remaining after payment of any applicable GSIA and Meacham Field Senior Lien Bonds) or from any other lawfully available source.

(2) The Cities to the extent expressed in sub-paragraph (1), next above, hereby create, fix and establish a lien and

pledge on the respective airport revenues of each City there described and to the extent therein required subject only to the lien of the Senior Lien Bonds; and they respectively hereby agree, with respect to the airports individually owned by them, to increase, impose, collect and receive tolls, rates, revenues and charges from and at Love Field, GSIA, Redbird and Meacham Field sufficient for such purposes. This covenant shall not require adjustment or revision in agreements which by their terms are not subject to adjustment or revision.

(3) In order to further protect the Bondholders in the pledge created in this paragraph A, the City of Dallas from lawfully available funds agrees to maintain Love Field and Redbird as operating airports or as airports susceptible of operation; and the City of Fort Worth from lawfully available funds agrees to maintain GSIA and Meacham Field as operating airports or as airports susceptible of operation, all at least until such time as the Regional Airport itself shall become operational.

B. The covenants, commitments and pledges, respectively, of the Cities contained in paragraph A, next above, shall be in effect and shall continue only until such time as the Project shall be completed and becomes operational, after which such pledge and covenants shall have no force and effect. For the purpose of this Section, the Project shall be deemed to be "operational" upon the date upon which all Certificated Air Carrier Services (not otherwise waived as herein provided) serving Love Field, GSIA, Redbird and Meacham Field cease such service at such airports or commence such service at the Regional Airport.

C. The transitional pledge contained in paragraph A, above, shall be several with respect to the airports individually owned by each City, and not joint, and no claim, demand, action, proceeding, suit or judgment shall ever be asserted, made, pursued or entered against either of the Cities for the default in that covenant or obligation by the other City, the full scope and extent of

such covenant and pledge being limited as to each individual City to its obligation to deliver and deposit into the Interest and Sinking Fund its proportionate amount required in sub-paragraph (1) of paragraph A, above, to be deposited therein.

ARTICLE VII

Special Funds and Flow of Revenues

Section 7.1. *Special Funds.* In addition to the Operating Revenue and Expense Fund and the Construction Fund, established as a part of the Joint Airport Fund in Section 17 of the Contract and Agreement, the Cities hereby establish within the Joint Airport Fund and direct that the same be maintained by the Board as in the case of other funds created by the Contract and Agreement, the following special funds, to-wit:

A. Interest and Sinking Fund;
B. Reserve Fund; and
C. Capital Improvements Fund.

Section 7.2. *Payment on Account of Senior Lien Bonds.* Such payments shall be made from Gross Revenues each year as may be necessary to prevent a default in the payment of the Senior Lien Bonds. Any Gross Revenues thus withdrawn from the Joint Airport Fund for such purpose shall be restored thereto by the City for whose account such withdrawals were made at the earliest practicable date and from such revenues of the City as may be lawfully available for such purpose.

Section 7.3 *Flow of Funds.* All Gross Revenues, when and as received by the Board, shall be promptly deposited to the credit of the Operating Revenue and Expense Fund. All proceeds from the levy and collection of the Maintenance Tax, after contribution thereof by the Contract and Agreement and this Ordinance, shall be deposited as required by the Contract and Agree-

ment but shall be accounted for separately within the Operating Revenue and Expense Fund from Gross Revenues otherwise deposited therein. Pledged Revenues thus deposited shall be applied as hereinafter provided and pending such application shall be subject to the lien, charge and pledge described in Article VI hereof in favor of the holders of the Bonds. Transfers of Pledged Revenues shall be made in the order in which the following paragraphs appear, and such order shall constitute priorities as to right and obligation, to-wit:

A. The Board shall transfer to the Interest and Sinking Fund, after accounting for the unexpected investment earnings on th moneys on deposit in said Fund—

(1) beginning on Novmbar 1, 1973 and on the 1st day of each month thereafter an amount necessary to provide 1/6th of the amount of interest to become due on the Series 1968 Bonds on the next succeeding interest payment date thereof; provided, however, that no transfers shall be required on such dates to the extent money has been provided from future issues of completion Bonds to pay the interest then becoming due on the Series 1968 Bonds.

(2) beginning on October 1, 1978, and on the 1st day of each month thereafter through September 1, 1998, the amount necessary in equal monthly installments to accumulate during each 12 month period the annual sum of $1,810,000. If through the prior redemption of Series 1968 Bonds and/or the purchase thereof in the open market, it shall be determined that the annual accumulation required by this sub-paragraph (b) will produce a surplus in the Interest and Sinking Fund at maturity of the Series 1968 Bonds, the annual accumulation above required on account of the Series 1968 Bonds may be accordingly reduced to provide in approximately equal annual amounts an accumulation at maturity equal to the amount of Series 1968 Bonds to be outstanding on said date.

(3) beginning on the dates specified in any ordinance authorizing future issues of Completion or Additional

Parity Bonds the amounts required therein for the payment of interest on and the payment or accumulation of principal of said bonds as they mature or as therein required.

B. During each month, after making the transfers required by paragraph (1), next above, the Board shall be authorized to expend any funds remaining on deposit in the Operating Revenue and Expense Fund for the purpose of paying the Operation and Maintenance Expenses of the Board in accordance with the then current annual budget of the Board.

C. At such times as the Reserve Fund shall contain the maximum amount required to be on deposit therein pursuant to Section 8.3.C and Section 8.4.C hereof, no transfers shall be required to be made from Pledged Revenues thereto. However, if at the close of business on September 30 of any year, the Reserve Fund shall be deficient and shall contain less than the maximum amount thus required to be on deposit therein, then moneys remaining unexpended in the Operating Revenue and Expense Fund, after making provision for the transfers required above, shall be deposited to the Reserve Fund in such amount as may be necessary to restore such deficiency.

D. Moneys remaining unexpended in the Operating Revenue and Expense Fund at the close of business on September 30 of any year, after making provision for the transfers required above and after satisfying or making provision for the payment of all current legal obligations, if any, against the Airport or the Joint Airport Fund and after retaining therein an amount certified by the Director of Finance as sufficient to pay estimated Operation and Maintenance Expenses for a period of three (3) months, shall be deposited to the credit of the Capital Improvements Fund. It is provided, however, (a) that until such time as the Cities shall recover the amounts contributed from City funds to their Initial Capital Contributions Account A (as described in the Contract and Agreement) for advance planning, engineering and preliminary expenses (being an aggregate amount of $2,435,270) the Cities may withhold such amount from the Capital Improvements Fund and distribute such amount to the Cities; and (b) if in the Fiscal Year then closing, the Cities were required to levy and collect the Maintenance Tax

under this Ordinance, the Cities may withhold from the Capital Improvements Fund, to the extent moneys are available therefor that year, an amount equal to the amount of Maintenance Tax (or other City funds if used in lieu thereof) actually contributed to the operation and maintenance of the Airport for the Fiscal Year thus closing. It is further provided that at such time or times as the Capital Improvements Fund shall have accumulated therein the sum of $25,000,000, such moneys thus remaining on deposit in the Operating Revenue and Expense Fund may be utilized and devoted to any lawful purpose.

SECTION 7.4. *Uses of Funds.* Moneys on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund shall be used for the purposes and uses specified in this SECTION 7.4, as follows —

A. *Interest and Sinking Fund* — Moneys on deposit in the Interest and Sinking Fund each year shall be used solely and exclusively first for the purpose of paying the interest on and principal of the Bonds as such interest comes due and the principal thereof matures; and second, after the Airport becomes operational and during years in which no principal of Bonds shall mature, or to the extent of any surplus therein, for the purpose of calling and redeeming Bonds prior to maturity at the applicable redemption price and/or for the purpose of purchasing Bonds in the open market for retirement for prices not greater than the par value plus accrued interest of any Bonds thus purchased. The Director of Finance shall make transfers of the funds on deposit therein to the Paying Agents for such purposes at least five (5) days prior to the due date thereof.

B. *Reserve Fund.* For so long as any of the Bonds shall be outstanding the Reserve Fund shall be held as a reserve for the payment of principal and interest on the Bonds when and if Pledged Revenues on deposit in the Interest and Sinking Fund shall not be sufficient for such purpose. If such deficiencies occur, the Director of Finance shall transfer money on deposit in the Reserve Fund to the Interest and Sinking Fund for the uses specified for that Fund, and the deficiency thus occurring in the Reserve Fund shall be restored at the times required by Paragraph C of Section 7.3 hereof.

C. *Capital Improvements Fund.* Moneys from time to time on deposit in the Capital Improvements Fund may be used

(1) to pay any Costs of the Airport, or otherwise paying the cost of constructing, or otherwise acquiring, extending or improving (or any combination thereof) the Airport or any Facilities authorized by law;

(2) to pay the cost of extraordinary or major Operation and Maintenance Expenses and repairs; and

(3) to pay any Bonds or other obligations payable from the Gross or Net Revenues of the Airport, if such payment be necessary to prevent any default in the payment of such obligations.

Such moneys shall be used to prevent a default in the payment of any Bonds. Otherwise, the specific uses and time of use thereof shall be as determined by the Board.

SECTION 7.5. *Security and Investment of Funds.* For so long as moneys on deposit in the Joint Airport Fund shall be held by the Treasurer, the same shall be secured in the manner provided by the agreement from time to time in effect between the Board and the Treasurer. In the event the Cities shall elect to place the moneys in said Fund, or any part thereof, elsewhere, the same shall be secured at all times in the manner provided by law for other public funds, and, except for current requirements, shall be continually invested in appropriate Investment Securities. Earnings on the Construction Fund shall be retained therein for the purposes of such Fund. Earnings realized by reason of moneys on deposit in the Interest and Sinking Fund during construction of the Project shall be transferred to the Construction Fund; thereafter, such earnings shall be retained to the credit of the Interest and Sinking Fund and shall be applied in reduction of the payments required therein as aforesaid. Earnings in the Reserve Fund shall be deposited to the credit of said fund until such time as the then maximum amount required to be on deposit therein shall be

established therein and thereafter such earnings shall be transferred to the Operating Revenue and Expense Fund and shall be considered a part of Gross Revenues. Earnings realized from the Operating Revenue and Expense Fund shall be retained therein and shall constitute a part of Gross Revenues.

ARTICLE VIII

Senior Lien, Completion, Parity, Refunding and Special Facility Bonds

Section 8.1. *Senior Lien Bonds for Love Field Improvements.*

A. Until such time as the Regional Airport shall become operational, Dallas shall have the right to issue Senior Lien Bonds by the terms of which Dallas' share of Gross Revenues may be pledged to the payment thereof senior in right to the Bonds, but such right shall be exercised strictly upon and subject to the following conditions, limitations and restrictions, to-wit:

(1) Such Senior Lien Bonds shall be issued for the sole and exclusive purpose of obtaining funds for acquiring or constructing such improvements, extensions and additions to Love Field as may be necessary, prudent and essential for the continued, safe, efficient and effective operation of Love Field as a major commercial, passenger-oriented airport facility for the period prior to which the Regional Airport shall becomes operational. To determine and ascertain this fact the Dallas City Council shall select a competent professional airport engineer or consultant, and if such engineer or consultant shall execute an opinion that such improvements, extensions or additions are necessary and essential as aforesaid, then this requirement shall be deemed conclusively to have been satisfied.

(2) Dallas shall comply with all terms, conditions and requirements relating to the issuance of parity revenue bonds contained in the ordinance or ordinances authorizing its then outstanding Senior Lien Bonds.

(3) A competent airport consultant or consulting firm furnishes a projection of anticipated revenues from Love Field and the Regional Airport, and such projection shows and reflects that Love Field net revenues, together with 7/11ths of the projected Pledged Revenues throughout the life of the Series 1968 Bonds and all anticipated Completion Bonds, are sufficient in amount to pay all Love Field Senior Lien Bonds then proposed and outstanding and 1.25 times 7/11ths of all then outstanding Series 1968 Bonds, and all then outstanding and anticipated Completion Bonds; and such projection reflects additionally that Dallas' share of the Maintenance Tax and the Gross Revenues remaining after debt service will be sufficient to provide for the proper operation and maintenance of the Regional Airport. For the purpose of determining the amount of anticipated Completion Bonds, Dallas shall additionally cause to be prepared and submitted a statement of the Consulting Architect and/or Consulting Engineer as to the anticipated cost of completing the Project as of the date of the statement; and an amount of anticipated Completion Bonds shall be assumed as being outstanding equal to such amount, computed on the basis of a payout period of 30 years, payable in equal installments each year, bearing interest at the rate of 6% per annum, and assuming escrowed interest from bond proceeds for the remaining then estimated period of construction.

(4) The ordinance or ordinances authorizing such Senior Lien Bonds shall additionally pledge the net revenues of Love Field to the payment of such Senior Lien Bonds.

(5) Such Senior Lien Bonds shall be subject to prior redemption at least semi-annually beginning not later than during the calendar year 1973.

B. From and after the date upon which the Regional Airport shall become operational, no additional Senior Lien Bonds shall be issued by Dallas. It is provided, however, that nothing contained in this Section 8.1 shall be construed to prohibit or limit the right or power of Dallas, either before or after the Regional Airport becomes operational, to provide for improvements, exten-

sions or additions to Love Field or Redbird by issuing bonds which do not include a pledge of any part of the revenues from the Regional Airport.

SECTION 8.2. *Senior Lien Bonds for GSIA Improvements.*

A. Until such time as the Regional Airport shall become operational, Fort Worth shall have the right to issue Senior Lien Bonds by the terms of which Fort Worth's share of Gross Revenues may be pledged to the payment thereof senior in right to the Bonds, but such right shall be exercised strictly upon and subject to the following conditions, limitations and restrictions, to-wit:

(1) Such Senior Lien Bonds shall be issued for the sole and exclusive purpose of obtaining funds for acquiring or constructing such improvements, extensions and additions to GSIA as may be necessary, prudent and essential to the continued, safe, efficient and effective operation of GSIA as a major commercial, passenger-oriented airport facility for the period prior to which the Regional Airport shall become operational. To determine and ascertain this fact the Fort Worth City Council shall select a competent professional airport engineer or consultant, and if such engineer or consultant shall execute an opinion that such improvements, extensions or additions are necessary and essential as aforesaid, then this requirement shall be deemed conclusively to have been satisfied.

(2) Fort Worth shall comply with all terms, conditions and requirements relating to the issuance of parity revenue bonds contained in the ordinance or ordinances authorizing its then outstanding Senior Lien Bonds.

(3) A competent airport consultant or consulting firm furnishes a projection of anticipated revenues from GSIA, Meacham Field and the Regional Airport and such projection shows and reflects that GSIA and Meacham Field Net Revenues, together with 4/11ths of the projected Pledged Revenues throughout the life of the Series 1968 Bonds and all anticipated Completion Bonds, are sufficient in amount to pay all GSIA and Meacham Field Senior Lien Bonds then

proposed and outstanding and 1.25 times 4/11ths of all then outstanding Series 1968 Bonds and all then outstanding and anticipated Completion Bonds; and such projection reflects additionally that Fort Worth's share of the Maintenance Tax and Gross Revenues remaining after debt service will be sufficient to provide for the proper operation and maintenance of the Regional Airport. For the purpose of determining the amount of anticipated Completion Bonds, Fort Worth shall additionally cause to be prepared and submitted a statement of the Consulting Architect as to the anticipated cost of completing the Project as of the date of the statement; and an amount of anticipated Completion Bonds shall be assumed as being outstanding equal to such amount, computed on the basis of a maximum payout period of 30 years, payable in equal installments each year, bearing interest at the rate of 6% per annum, and assuming escrowed interest from bond proceeds for the remaining then estimated period of construction.

(4) The ordinance or ordinances authorizing such Senior Lien Bonds shall additionally pledge the gross revenues of GSIA and Meacham Field to the payment of such Senior Lien Bonds.

(5) Such Senior Lien Bonds shall be subject to prior redemption at least semi-annually beginning not later than during the calendar year 1973.

B. From and after the date upon which the Regional Airport shall become operational, no additional Senior Lien Bonds shall be issued by Fort Worth. It is provided, however, that nothing contained in this Section 8.2 shall be construed to prohibit or limit the right or power of Fort Worth, either before or after the Regional Airport becomes operational, to provide for improvements, extensions or additions to GSIA or Meacham Field by issuing bonds which do not include a pledge of any part of the revenues from the Regional Airport.

SECTION 8.3. *Project Bonds for Completion of the Regional Airport.*

A. The Cities reserve the right to issue Completion Bonds for the purpose of completing the Regional Airport in the size and scope contemplated by the over-all preliminary plan of the Board approved by the Cities and described in the preambles to this Ordinance, including all Facilities considered by the Board to be required or incidental thereto. Completion Bonds shall be on a parity with and shall have the same rights and privileges as the Series 1968 Bonds.

B. If the issuance of any series of Completion Bonds should cause the aggregate amount of Bonds to be outstanding to exceed $425,000,000, the Board shall obtain a written opinion of an Airport Consultant to the effect that the Facilities contemplated in connection with said Completion Bonds are needed in order to fulfill said over-all preliminary plan. If such opinion shall be obtained as thus required the same shall be conclusive evidence of the power of the Cities to issue Completion Bonds for completion purposes under this Section 8.3.

C. The Cities shall include within the principal amount of the first issue of Completion Bonds an amount at least equal to the average annual amounts of interest to be paid and principal to be accumulated (and required to be deposited to the credit of the Interest and Sinking Fund) on account of the Series 1968 Bonds. The Cities shall also include in such first issue of Completion Bonds, and in all future issues thereafter, an amount at least equal to the average annual principal (or principal accumulation) and interest requirements on each said issue of Completion Bonds. The amounts thus included in the principal amount of each such issue of Completion Bonds shall be set aside out of the proceeds from the sale and delivery of each such issue and shall be deposited to the credit of the Reserve Fund and shall be used as a reserve for the purposes prescribed for said Fund in this Ordinance.

SECTION 8.4. *Additional Parity Bonds for additional construction.*

In addition to the right to issue Completion Bonds, as provided in Section 8.3, the Cities reserve the right to issue Additional Parity Bonds for the purpose of improving, constructing, replacing or otherwise extending the Regional Airport. Additional Parity Bonds shall be on a parity with and shall have the same rights and privileges hereunder as the Series 1968 Bonds and the Completion Bonds. Additional Parity Bonds may be issued upon and subject to the following covenants and conditions, to-wit:

A. The Cities shall not then be in default in any covenant, obligation or undertaking contained in this Ordinance or in any other ordinance hereafter adopted relating to any Bonds theretofore issued as shown by a certificate of the Director of Finance, or Executive Director or a similar officer of the Board.

B. An Airport Consultant shall execute a written certificate to the effect that during each Fiscal Year while the then outstanding Bonds and the proposed Additional Parity Bonds are scheduled to be outstanding (beginning with the Fiscal Year next following the date upon which the Facilities to be obtained with the then proposed Additional Parity Bonds are anticipated to be completed and available for use), the estimated Pledged Revenues will be at least equal to (1) the estimated Operation and Maintenance Expenses during each such Fiscal Year, plus (2) an amount not less than 1.25 times the average annual principal and interest requirements of all then outstanding Bonds and the then proposed Additional Parity Bonds.

C. The Cities shall include in each issue of Additional Parity Bonds an amount at least equal to the average annual principal (or principal accumulation) and interest requirements on each said issue of Additional Parity Bonds. The amounts thus included in the principal amount of each such issue of Additional Parity Bonds shall be set aside out of the proceeds from the sale and delivery of each such issue and shall be deposited to the credit of the Reserve Fund and shall be used as a reserve for the purposes prescribed for said Fund in this Ordinance.

SECTION 8.5. *Method of Issuing Completion and Additional Parity Bonds.*

A. The Completion Bonds and Additional Parity Bonds of each series issued pursuant to the authority contained in Sections 8.3 and 8.4 shall be authorized by ordinances supplemental hereto adopted by the City Councils of the Cities, and the Bonds authorized thereby shall be conclusively considered to have been issued under the authority of this Ordinance and shall have the right to the lien hereof upon compliance with the requirements of said Sections and if such ordinances shall specify —

(1) the authorized principal amount of such series and the designation thereof;

(2) the purpose or purposes for which the Bonds are being issued and such purposes and the terms of such supplemental ordinances comply with either Section 8.3 or 8.4 hereof, as the case may be;

(3) the form of the Bonds being authorized, and the form of the coupons and any other forms relating thereto;

(4) the date of such Bonds and the maturity dates thereof, provided that every maturity date shall fall on May 1 or November 1, or both;

(5) any redemption provisions relating thereto; and

(6) any other matters, including the creation of reserves and fixing limitations and restrictions in addition to the limitations and restrictions contained in this Ordinance, as may be deemed appropriate or necessary and not inconsistent with the provisions hereof.

B. None of the Bonds at any time outstanding and issued in accordance with this Ordinance shall be entitled to any priority one over the other in the application of the Gross Revenues, regardless of the time or times of the issuance thereof.

SECTION 8.6. *Refunding Bonds.* A. In addition to the Bonds authorized in Sections 8.3 and 8.4, the Cities shall have the right in accordance with any applicable law to issue Refunding Bonds in any manner authorized by law to refund any part or all of any outstanding Bonds and/or any part or all of any Senior Lien Bonds at such time or times as the Cities consider appropriate, subject to the following provisions and conditions, to-wit:

(1) No Refunding Bonds shall be issued which will have a lien on Gross Revenues prior and superior to any Bonds which will remain outstanding after the refunding.

(2) No Refunding Bonds payable from any revenues of the Airport shall be issued on a parity with the bonds herein authorized, unless, either (a) the lien on any revenues of the Airport of the outstanding bonds thus refunded is on a parity with or senior to the lien of the Bonds prior to the refunding; or (b) at the time of the issuance of the Refunding Bonds the Cities comply with paragraphs A and B of Section 8.4 hereof.

B. The Refunding Bonds thus issued shall enjoy complete equality of lien with any Bonds which are not refunded.

C. Any Refunding Bonds shall be issued with such details and in the manner specified in Section 8.5 hereof, except item (2) required therein.

SECTION 8.7. *Special Facility Bonds.* The Cities, acting by and through the Board pursuant to the Contract and Agreement, shall have the right to enter into contracts, leases or other agreements pursuant to which the Board will agree to construct and pay all costs of construction of Special Facilities to be financed by the issuance by the Cities of Special Facility Bonds in accordance with this Section. Such costs shall include all of the items enumerated in paragraph O of Section 2.1 hereof. Such bonds may be issued upon and subject to the following conditions, to-wit:

A. A Net Rent Lease shall be entered into between the parties thereto pursuant to which the lessee agrees to the matters specified in the definition of such term and agrees to cause the payments there required, the rentals thereunder to be payable over a period not longer than the latest maturity of the Special Facility Bonds.

B. A second lease, the "Ground Lease," for at least the same term as the Net Rent Lease, shall be entered into between the parties to provide for additional rentals for the ground upon which such Special Facilities are to be located, which Ground Lease shall provide for rental payments to the Board payable in periodic installments in amounts not less than as shall be required pursuant to a schedule or schedules for rental of ground space at the Airport as fixed from time to time by the Board, which Ground Rental payments shall constitute a part of Gross Revenues under this Ordinance.

C. The Net Rent Lease and the Ground Lease may be made a part of the same instrument or document so long as the rentals of each are clearly definable and in accordance with this Ordinance. And in either event such leases may contain such other provisions not inconsistent herewith as the parties thereto may agree. Additionally, the Cities may combine into a single, common fund the revenues and rentals derived from two or more Net Rent Leases and cause Special Facility Bonds to be payable from said common fund rather than from a single Net Rent Lease.

D. No Special Facility Bonds shall ever be payable in whole or in part from Gross Revenues. After such Special Facility Bonds have been fully paid and retired all revenues derived from the leasing or operation or use of such Special Facilities shall be a part of Gross Revenues and shall be subject to all provisions hereof relating thereto.

ARTICLE IX

Miscellaneous Covenants

Section 9.1. *Budgets and Expenditures.* A. Beginning for the Fiscal Year during which the Airport is scheduled to become operational, and for each Fiscal Year thereafter, the Board shall, in accordance with the terms, provisions and requirements of the

Contract and Agreement, prepare and annually submit to the Cities an annual budget containing estimates of expenditures and anticipated Gross Revenues for the next ensuing Fiscal Year. The estimates of expenditures in connection with the operation of the Airport shall be classified so as to set forth the data by accounts and funds (including those created in this Ordinance) and work programs and other details as may be required by the Board and the Cities. The estimates of Gross Revenues shall be reasonably classified as to funds and sources of Income. Such estimates in addition shall be so prepared as to permit an analysis of Gross Revenues and of Operation and Maintenance Expenses under the definitions set forth in this Ordinance. Copies of such budget shall also be delivered upon request to any Holder of at least 2% in aggregate principal amount of any Bonds from time to time outstanding. Additionally, the budget, as in the case of all public records of the Board, shall be open and available for inspection by any Bondholder at any reasonable time.

B. All Operation and Maintenance Expenses shall be reasonable and the total expenditures for the purchase of services, goods or commodities shall not exceed in any year the total expenditures thus set forth in the annual budget except on the express approval of the Board and the Cities in accordance with the Contract and Agreement.

SECTION 9.2. *Completion of the Project.* The Cities, to every extent they lawfully may do so, covenant and agree to proceed without delay to commence and complete the Project and to make the Regional Airport revenue producing at the earliest practicable date by issuing such amount of Completion Bonds, as authorized by Section 8.3 hereof, as will be necessary or appropriate to make the Regional Airport capable of producing Revenues in such amount as will be sufficient to pay the principal and interest on

all Bonds from time to time outstanding and to comply with all other covenants hereof.

SECTION 9.3. *Payment of Bonds.* Subject to the provisions of Section 2.2 and Section 6.3 hereof, the Cities agree promptly to pay the principal of and interest on every Bond at the place, on the dates, and in the manner specified herein and in the Bonds and coupons appertaining thereto.

SECTION 9.4. *Rates, Charges and Free Use of Land.*

A. The Board, shall fix, place into effect, directly or through leases, contracts, agreements with users of the Airport, an initial schedule of rentals, rates, fees and charges for the use, operation and occupancy of the Airport premises and Facilities and the services appertaining thereto, which shall produce Pledged Revenues in the amounts provided in paragraph B, next below. From time to time and as often as it shall appear necessary, the Executive Director and his appropriate administrative personnel shall make recommendations to the Board as to the revision of the schedule of rentals, fees and charges. Upon receiving such recommendations the Board shall revise, insofar as it may legally do so, the rentals, fees and charges for the use, operation and occupancy of the Airport, its Facilities and the services appertaining thereto in order continually to fulfill the requirements of this covenant. This covenant shall not be construed to require adjustment or revision in long-term agreements which by their terms are not subject to adjustment or revision.

B. The total rentals, rates, fees and charges required by paragraph A, next above, shall be at least sufficient to produce in each Fiscal Year Gross Revenues sufficient to pay the Operation and

Maintenance Expenses thereof, plus 1.25 times the amount required that year to be deposited into the Interest and Sinking Fund, and plus an amount equal to any other obligations payable from the revenues of the Airport. The Board shall cause all rentals, fees, rates and charges appertaining to the Airport to be collected when and as due; shall prescribe and enforce rules and regulations for the payment thereof and for the consequences of non-payment for the rental, use, operation and occupancy of and services by the Airport, and shall provide methods of collection and penalties to the end that the Gross Revenues herein pledged shall be adequate to meet the requirements hereof.

C. The Cities agree, to the full extent they lawfully may, that no free use of the land, public roads and ways comprising a part of the Airport shall be allowed or permitted for commercial purposes by private or commercial concerns providing direct service to the traveling public and no rights-of-way, easements, access or uses on or across said lands or public roads and ways for commercial purposes shall be granted except through easement, franchises or permits granted, and for consideration fixed, by the Board, and moneys received therefrom shall constitute a part of Gross Revenues.

D. Dallas agrees and covenants to use its best efforts to establish and collect rates, revenues and charges for the use of Love Field as will be sufficient to pay all Senior Lien Bonds issued in connection therewith, so as to preserve all Gross Revenues for the payment of Bonds. Fort Worth agrees and covenants to use its best efforts to establish and collect rates, revenues and charges for the use of GSIA and Meacham Field as will be sufficient to pay all Senior Lien Bonds issued in connection therewith, so as to preserve all Gross Revenues for the payment of Bonds.

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SECTION 9.5. *Competition, Optimum Airport Development.*

A. It is acknowledged and understood by the Cities that they, in Love Field, Redbird, GSIA and Meacham Field, own and operate airports which by their nature are potentially competitive with the operation of the Regional Airport. It is further acknowledged and recognized that the revenues to be derived from those airport facilities are not, under the terms of this Ordinance, pledged to the payment of the Bonds, except under the circumstances described in Section 6.3 hereof. Accordingly, the Cities, each with respect to its own individually owned airport facilities, as above named, 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 (without violating presently outstanding legal commitments or covenants prohibiting such action), to provide for the orderly, efficient and effective phase-out at Love Field, Redbird, GSIA and Meacham Field, of any and all Certificated Air Carrier Services, and to transfer such activities to the Regional Airport effective upon the beginning of operations at the Regional Airport.

From time to time hereafter, the Board may review the effect and application of such covenant, and, by concurring action of not less than eight (8) of its members, the Board may reasonably limit its scope and effect and may waive its application in specific instances if it shall first determine that such action is necessary (1) in the interest of the public safety; (2) in the interest of prudent and efficient operations at the Regional Airport; or (3) in the interest of satisfying an overriding public need for decentralized Certificated Air Carrier Services in the Dallas-Fort Worth metropolitan region considered as a whole. However, in order to promote, by voluntary agreement, the full use of the Regional Airport at the earliest practicable date by commercial

air carriers, the Board shall be authorized to establish policies and to make uniformly applicable and non-discriminatory agreements with air carriers regarding the instances, if any, in which the above power granted to the Board will or will not be exercised, and no limitations on such covenant shall be promulgated or its application in specific instances waived if the result thereof would be to violate such agreements. And in no event, by agreement with air carriers or otherwise, shall limitations or waivers of such covenant allowing a commencement or resumption of Certificated Air Carrier Services at any other airport or airports be adopted if the result thereof would be the reduction in Pledged Revenues below the amount required to satisfy the provisions of Section 9.4 hereof, unless the City (or the Cities in the case of more than one airport) shall also pledge to the payment of all Bonds, by appropriate official action, such part of the revenues from the airport or airports to which such services are to be transferred, resumed or originally commenced, as will justly compensate the Regional Airport (at rates then in effect thereat for similar services), for the loss of such services and the gross Revenues therefrom.

The Board's power under this paragraph shall not include the power to order or direct that specific Aircraft uses be placed at other specific airports unless the owner thereof shall consent to such action or unless such other airport is, or airports are, at the time subject to the control and jurisdiction of the Board.

B. In addition to the covenant of the Cities contained in paragraph A, next above, regarding the transfer of Certificated Air Carrier Services, the Cities further agree that they will through every legal and reasonable means promote the optimum development of the lands and Facilities comprising the Regional Airport at the earliest practicable date, thus to assure the receipt of Gross Rev-

enues therefrom to the maximum extent possible, and neither the Cities nor the Board will undertake with regard to the Regional Airport, Love Field, GSIA, Meacham Field or Redbird, 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 and the use of its lands and Facilities at the earliest practicable date; and 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. It is provided, however, that nothing in this paragraph shall be construed to prohibit the promotion and full development of the operation of reasonable Aircraft uses (other than Certificated Air Carrier Services) at Love Field, Redbird and Meacham Field, or Aircraft operations of any type at GSIA if the same shall ever be made a part of the Regional Airport. Otherwise, Aircraft uses at GSIA shall not be permitted after the Regional Airport becomes operational.

SECTION 9.6. *Transfers of Airport and Facilities.*

A. So long as any Bonds are outstanding and unpaid, the Cities shall not sell, transfer, or in any manner dispose of or otherwise alienate, any part of the property comprising the Airport. It is provided, however, that:

(1) the Cities may acquire additional property as an extension to the Airport additional to that reflected within the preliminary boundaries contained in the Board's over-all preliminary plan of the Airport and shall be authorized to grant rights of foreclosure in connection with mortgages, pledges, or other encumbrances of the land or revenues thereof fixed in connection with such acquisition and the Special Facilities to be placed therein, such mortgages and pledges being hereby authorized subject to the restrictions applicable to Special Facilities;

enues therefrom to the maximum extent possible, and neither the Cities nor the Board will undertake with regard to the Regional Airport, Love Field, GSIA, Meacham Field or Redbird, 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 and the use of its lands and Facilities at the earliest practicable date; and 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. It is provided, however, that nothing in this paragraph shall be construed to prohibit the promotion and full development of the operation of reasonable Aircraft uses (other than Certificated Air Carrier Services) at Love Field, Redbird and Meacham Field, or Aircraft operations of any type at GSIA if the same shall ever be made a part of the Regional Airport. Otherwise, Aircraft uses at GSIA shall not be permitted after the Regional Airport becomes operational.

SECTION 9.6. *Transfers of Airport and Facilities.*

A. So long as any Bonds are outstanding and unpaid, the Cities shall not sell, transfer, or in any manner dispose of or otherwise alienate, any part of the property comprising the Airport. It is provided, however, that:

(1) the Cities may acquire additional property as an extension to the Airport additional to that reflected within the preliminary boundaries contained in the Board's over-all preliminary plan of the Airport and shall be authorized to grant rights of foreclosure in connection with mortgages, pledges, or other encumbrances of the land or revenues thereof fixed in connection with such acquisition and the Special Facilities to be placed therein, such mortgages and pledges being hereby authorized subject to the restrictions applicable to Special Facilities;

(2) the Cities shall have the right to sell or otherwise dispose of any property, real or personal, which shall be no longer necessary, appropriate or required for the use of, profitable to, or for the best interests of the Board in operation of the Airport. The net proceeds of any sale pursuant to this provision shall be used for the purpose of replacing properties or equipment at the Airport, if necessary, or shall be deposited into the Capital Improvements Fund; except that the proceeds from the sales of surplus land may be distributed to the Cities as a return of capital under the Contract and Agreement.

B. Notwithstanding the provisions of paragraph A, next above, the Cities retain, reserve, and shall have the right and privilege of transferring, selling, leasing or disposing of the entire properties and Facilities constituting the Regional Airport to another political body or political sub-division of the State of Texas which shall be authorized by law to own and operate airports, subject to the following conditions, to-wit:

(1) The governing body of such political entity by lawfully adopted and effective ordinance, order, resolution or by other appropriate action, shall expressly and unequivocally assume each and every, all and singular, the covenants, obligations, duties and responsibilities of the Cities and the Board imposed by this Ordinance and all ordinances supplemental hereto or adopted in connection with the issuance of any future issues of Bonds.

(2) If such properties and Facilities comprising the Regional Airport shall be sold to such political body and such sale shall be on a deferred-payment basis, such deferred payments shall be junior and subordinate to all payments required herein to be made to or on account of any Bonds from time to time outstanding; or, if the purchase price is to be made in cash at the time of sale, no part thereof shall be or shall have been derived from Revenues.

(3) If the political body to which such assets are transferred or assigned shall have taxing power, then its governing body by appropriate action shall levy and agree to impose and collect a tax in an amount equivalent to the money which

can be derived from time to time by the Maintenance Tax for the purpose of operating and maintaining the Regional Airport; and, if such transferee is without taxing power, then the Cities shall as a part of the terms and agreements of such transfer or sale confirm by appropriate ordinance, order or resolution the continuation of their obligation to impose or collect the Maintenance Tax to the extent required by this Ordinance.

(4) As a part of the details of any such transfer, the Cities, either (a) shall also transfer supervision, control and jurisdiction over Love Field, GSIA, Redbird and Meacham Field and any other airports under their supervision, ownership or control so that such transferee shall be equipped to fulfill and honor the commitments against competition contained in this Ordinance; or (b) as a part of the terms and conditions of such transfer, by ordinance, order, resolution or other appropriate action, shall ratify and confirm themselves to be bound by the covenants against competition with the Regional Airport contained in this Ordinance.

SECTION 9.7. *The Contract and Agreement.* The Cities hereby covenant and agree for the benefit of the holders of the Bonds that they shall honor, fulfill, and enforce the Contract and Agreement between themselves; except that the Cities hereby amend the Contract and Agreement by deleting therefrom sub-paragraph (1) (d) (iii) of Paragraph C of Section 17 thereof, which deals with contributions on account of revenue bonds issued for land acquisitions; and from and after the date hereof such provision shall be null and void. The Cities reserve the right by mutual agreement to additionally amend or supplement the Contract and Agreement from time to time in such respects as they shall consider appropriate so long as the effect of such amendment will not be to impair or diminish the rights of the holders of Bonds; and they shall have the right to dissolve the Contract and Agreement upon transfer of the Regional Airport in accordance with Section 9.6.B hereof.

SECTION 9.8. *Refunding Senior Lien Bonds, Other Contracts.* To every extent they legally may do so, the Cities covenant and agree to use their best efforts to retire or refund all outstanding Senior Lien Bonds prior to the date upon which the Regional Airport becomes operational and to satisfy or settle on reasonable bases any contractual commitments of the Cities which by their nature inhibit or restrict the Cities' ability to honor completely the covenants against competition contained in this Ordinance.

SECTION 9.9. *Standard of Operation.* The Regional Airport shall be maintained in an efficient, operating condition; and such improvements, enlargements, extensions, repairs and betterments shall be made thereto as shall be necessary or appropriate in the prudent management thereof to insure its economic and efficient operation at all times, to maintain it in good repair, working order and operating condition; and such standards shall be maintained as may be required in order that the same will be approved by all proper and competent agencies of the Federal Government for the landing and taking-off of Aircraft operating in scheduled service, and as a terminal point of the Cities for the receipt and dispatch of passengers, property and mail by Aircraft.

SECTION 9.10. *Rules and Regulations.* The Board, shall establish and enforce reasonable rules and regulations for the use and occupancy, management, control, operation, care, repair and maintenance of the Airport. The Board will comply with all valid acts, rules, regulations, orders and directives of any executive, administrative or judicial body applicable to the Airport, unless the same shall be contested in good faith, all to the end that it will remain operative at all times.

SECTION 9.11. *Federal Financial Assistance.* The Board, will, insofar as they may legally do so, maintain, preserve, keep, and

operate the Airport in such manner as will qualify the Airport to receive maximum financial aid from Federal or State sources, which aid may be sought and procured if available on fair and reasonable terms (in the sole opinion of the Board) which are not inconsistent with the provisions of this Ordinance and when in the best interests of the overall financial and operating conditions of the Airport and the Joint Airport Fund.

SECTION 9.12. *Books, Audits, Inspection.*

A. So long as any Bonds remain outstanding, proper books of record and account will be kept by the Board, separate and apart from all other records and accounts of the Cities, showing complete and correct entries of all transactions relating to the Airport.

B. The Board shall, after the close of each Fiscal Year, cause an audit of such books and accounts to be made by an Independent Accountant. Each such audit will be available for inspection by any Holder of any of the Bonds. Each such audit, in addition to whatever matters may be thought proper by the accountant to be included therein, shall include the following:

(1) the year's total cost of preparing, constructing, otherwise acquiring and improving Airport Facilities;

(2) the revenues derived from the leasing or other operation or use of the Airport and of the disposition thereof for such year;

(3) the amount of Gross Revenues during the period covered;

(4) the total amount of Operation and Maintenance Expenses for the period;

(5) the Net Revenues for the period, including a statement as to whether or not the requirements of Section 9.4 have been met;

(6) a balance sheet and financial statement as of the end of such Fiscal Year, including the amount on hand, both cash

and investments, in each of the accounts and funds created within the Joint Airport Fund, together with a listing of all obligations payable from Gross Revenues or Net Revenues;

(7) the Accountant's comment regarding the Board's methods of operation and accounting practices and the manner in which the Cities and the Board have carried out the requirements of this Ordinance and any other ordinance and other proceedings authorizing the issuance of outstanding Bonds or other obligations payable from the Revenues of the Airport, and the Accountant's recommendation for any change or improvements in the operation of the Airport as relates to such books and accounts; and

(8) a list of the insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer, and the expiration date of the policy.

C. All expenses incurred in the making of the audits and reports required by this Section shall be regarded and paid as Operation and Maintenance Expenses except during construction of the Project when it shall be treated as a Cost of the Project. The Board shall furnish forthwith (and in any event within sixty (60) days from the time the audit and report is filed with the Cities) a copy of each of such audits and reports to any Holder of at least 2% of the Bonds at his request.

D. Subject to security and safety regulations of the Board, a representative of any Holder or Holders of two percentum (2%) in aggregate principal amount of the Bonds at the time outstanding shall have the right at reasonable times to inspect the Airport and the records, accounts and data of the Board relating thereto.

SECTION 9.13. *Casualty Insurance.*

A. From and after the time when the contractors, or any of them, engaged in constructing, improving, extending or equipping the Airport, or any part thereof, shall cease to be responsible pursuant to the provisions of their respective contracts for such work

or construction for loss or damage thereto occurring from any cause, the Board will insure and at all times keep the Facilities of the Airport insured to the extent insurable in a responsible insurance company, companies or carriers authorized and qualified under the laws of the State of Texas to assume the risk thereof against direct physical damage or loss from fire and so-called extended coverage perils in an amount not less than eighty per centum (80%) of the replacement value of the property so insured and to the extent not insured by others; provided, however, that if at any time the Board shall be unable to obtain such insurance to the extent above required, the Board will maintain such insurance to the extent reasonably obtainable. The Board shall be authorized to obtain insurance against any other risks or type of loss as are or shall be customarily covered or obtained at other major airports.

B. Immediately after any loss or damage to any property of the Airport which is covered by insurance, the Board shall cause plans and specifications for repairing, replacing or reconstructing the damaged or destroyed property to be prepared and an estimate of the cost thereof obtained. The proceeds of all insurance referred to in this Section shall be available for, and to the extent necessary applied to, the repair, replacement and reconstruction of the damaged or destroyed property. If such proceeds are more than sufficient for such purpose, the balance remaining shall be paid—

(1) into the Capital Improvements Fund to the extent necessary to bring the amount on deposit therein up to the then minimum requirement;

(2) into the Operating Revenue and Expense Fund as Gross Revenues.

If such proceeds shall be insufficient to repair, replace or reconstruct the damaged or destroyed property, the deficiency may be

supplied from moneys in Capital Improvements Fund or any other funds legally available for such purposes. If the cost of repairing, replacing or reconstructing the damaged or destroyed property as estimated shall not exceed the proceeds of insurance and other moneys legally available for such purpose, the Board will forthwith commence and diligently prosecute the repair, replacement or reconstruction of the damaged or destroyed property. The proceeds of any insurance not applied within eighteen (18) months after receipt by the Board to the repairing, replacing or reconstructing of the damaged or destroyed property shall be transferred to the Capital Improvements Fund.

SECTION 9.14. *Use and Occupancy, Liability, and Other Insurance.*

A. The Board, subject to the approval of the City Attorneys of the Cities, may carry with a responsible insurance company or companies authorized and qualified under the laws of the State of Texas insurance covering the risk of loss of revenues during necessary interruptions, total or partial, due to damage or destruction of the Airport, however caused, upon and subject to the following conditions, to-wit:

(1) Such requirement shall be only to the extent not provided for in leases and agreements with the Board, and in any event shall be in such amount as the Executive Director shall estimate as being sufficient to provide a full normal income during the period of interruption.

(2) Such insurance shall cover a reasonable period of reconstruction, as estimated by the Executive Director; and the same may exclude losses sustained by the Cities during the first fourteen (14) days of any total or partial interruption of use.

(3) If at any time the Board shall be unable to obtain such insurance to the extent above required, at reasonable prices, it shall carry such insurance to the extent reasonably obtainable.

In ascertaining a full normal income for such insurance, the Executive Director shall give consideration to the expected, as well as current and prior revenues, from the leasing or other operation or use of such facilities or from other sources, and may also make allowances for any probable decrease in operation and maintenance costs while use is interrupted. Any proceeds of such insurance shall be deposited to the credit of the Operating Revenue and Expense Fund and shall be subject to the uses and shall be applied as provided for moneys in said Fund.

B. Insurance in the form and amount recommended by the City Attorneys of the Cities shall be obtained insuring against liability to any person sustaining death, bodily injury or property damage by reason of material defects or want of repair in or about the Airport, or by reason of the negligence of any employee, and against such other liability to persons and property to the extent attributed to the ownership and operation of the Airport.

SECTION 9.15. *Land Title and Rights.* No funds from the proceeds of Bonds shall be paid for labor or to contractors, builders or materialmen on account of the construction, improvement or enlargement of the Airport unless such improvements or enlargements are located on lands good and marketable title to which shall be owned or can be acquired by the Cities in fee simple, or over which the Cities shall have acquired or can acquire easements or rights sufficient for the purposes of such improvements and enlargements. Additionally, no payments shall ever be made from the proceeds of any Bonds for the acquisition of real property or any interest therein unless and until the Cities shall have received an opinion of the City Attorneys of the Cities to the effect that upon acquisition all necessary and good and sufficient title to such property or the interest therein to be acquired, free and clear of encumbrances, will be vested in the Cities and shall be subject

to the control and jurisdiction of the Board pursuant to the terms of the Contract and Agreement.

SECTION 9.16. *Encumbrances by Cities, Board, or Others.* The Cities shall not hereafter issue any bonds or other obligations payable from the Gross Revenues or Net Revenues and having a lien on a parity with or senior to the Bonds, except as provided in Article VIII hereof, and it is covenanted and agreed that no mortgages or other liens of any kind shall be permitted to be attached or imposed upon any lands constituting a part of the Airport, except as expressly provided otherwise herein. Additionally the Board shall require the inclusion in all Net Rent Leases and Ground Leases provisions to the effect that the same are taken subject to the terms and provisions of this Ordinance; that the lessee shall not enter into any contracts of a nature such that liens of any nature or kind are permitted to become attached to the remainder interests of the Board and the Cities thereunder; that the holders of such leasehold interests, when rendering or otherwise declaring the fair market value thereof, within the taxing jurisdictions in which situated and when required by law, shall render the fair market value of the lessee's interest, irrespective of the term thereof, based upon the value of a comparable facility situated on private property. All or other interest in the Board as Airport and publicly owned property, including the remainder or other interest, shall be and remain always exempt from and not subject to ad valorem taxation. The holders of such leases shall never suffer or permit to be imposed or attached to any such leasehold interests any liens for taxes. No action or default on the part of such lessees shall be construed to create a lien on the interests of the Cities in such Facilities or land.

SECTION 9.17. *Warranties.* The Cities hereby covenant and warrant that they presently have the legal right, power and authority

to construct the Airport in accordance with the terms of the Contract and Agreement and this Ordinance and that other than as provided by this Ordinance there are no liens or encumbrances of any nature whatsoever on or against the Airport, any Facilities thereof, or the Gross Revenues and that none shall be permitted to exist, except as herein provided or recited.

ARTICLE X

Events of Default

Section 10.1. *Description.* Each of the following occurrences or events for the purposes of this Ordinance shall be and is hereby declared to be an "Event of Default," to-wit:

A. The failure to make payment of the principal of any of the Bonds when the same shall become due and payable;

B. The failure to pay any installment of interest when the same shall become due and payable and such failure shall continue for a period of thirty (30) days after the due date thereof;

C. Default in any covenant, undertaking or commitment contained in the Contract and Agreement, the failure to perform which materially affects the rights of the holders of the Bonds, including but not limited to their prospect or ability to be repaid in accordance with the terms and provisions of this Ordinance, and the continuation thereof for a period of sixty (60) days after notice of such default by any Holder of any Bonds;

D. The Cities or the Board shall discontinue or unreasonably delay or fail to carry out with reasonable dispatch the reconstruction of any part of the Airport which shall be destroyed or damaged and which shall materially affect the revenue producing capacity thereof;

E. An order or decree shall be entered by a Court of competent jurisdiction with the consent or acquiescence of the Cities appointing a receiver or receivers for the Airport or for or of the rentals, rates, revenues, fees or charges derived there-

the exercise of any right or privilege by or on behalf of any Holders shall not be deemed a waiver of any other right or privilege thereof.

ARTICLE XI

AMENDMENTS TO ORDINANCE

SECTION 11.1. *Limitations.*

A. This Ordinance may be amended by concurrent ordinances adopted by the City Councils, without receipt by the Cities of additional consideration, but with the written consent of the Holders of sixty-six and two-thirds percent (66-⅔%) of the Bonds outstanding hereunder at the time of the adoption of such amendatory ordinance (not including in any case any Bonds which may then be held or owned for the account of Cities, but including such refunding bonds as may be issued for the purpose of refunding any of the Bonds if not owned by the Cities); provided, however, that no such concurrent ordinance shall have the effect of permitting—

(1) an extension of the maturity of any Bonds;

(2) a reduction in the principal amount of any Bonds, the rate of interest thereon, or the redemption premium payable thereon;

(3) the creation of a lien upon or a pledge of revenues ranking prior to the lien or pledge created hereby, except as expressly permitted herein;

(4) a reduction of the principal amount of bonds required for consent to such amendatory ordinance; or

(5) the establishment of priorities as among Bonds; or

(6) the modification of or otherwise affecting the rights of the holders of less than all of the Bonds then outstanding.

It is provided, however, that the Cities may, in connection with the issuance of any future Bonds, or additional ordinance of any

type, impose upon themselves, without the consent of the Bondholders, additional, more restrictive covenants than as may herein be contained.

B. *Notice of Amendment.* Whenever the Cities shall propose to amend or modify this Ordinance under the provisions of this Section, the Board shall cause notice of the proposed amendment to be published one time in a Newspaper, and published one time in a financial newspaper or journal published in the City of New York, New York. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory ordinance is on file in the office of the Board for public inspection.

C. *Time for Amendment.* Whenever at any time within one (1) year from the date of the first publication of said notice there shall be filed in the office of the Board an instrument or instruments executed by the Holders of at least sixty-six and two-thirds percentum (66⅔%) in aggregate amount of the Bonds then outstanding, as in this Section required, which instrument or instruments shall refer to the proposed amendatory ordinance described in said notice, and shall specifically consent to and approve the adoption thereof, the Cities may adopt such amendatory ordinance and the same shall become effective.

D. *Binding Consent.* If the Holders of at least sixty-six and two-thirds percentum (66⅔%) in aggregate principal amount of the Bonds outstanding, as in this Section required, at the time of the adoption of such amendatory ordinance, or the predecessors in title of such Holders, shall have consented to and approved the adoption therein as herein provided, no Holder of any Bond, whether or not such Holder shall have consented to or shall have

revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory ordinance or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Cities from taking any action pursuant to the provisions thereof.

E. *Time Consent Binding.* Any consent given by the Holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six (6) months from the date of the first publication of the notice above provided for and shall be conclusive and binding upon all future holders of the same Bond during such period. At any time after six (6) months from the date of the publication of such notice, such consent may be revoked by the Holder who gave such consent or by a successor in title by filing notice of such revocation with the Board, but such revocation shall not be effective if the Holders of sixty-six and two-thirds percentum (66⅔%) in aggregate principal amount of the Bonds outstanding, prior to the attempted revocation, consented to and approved the amendatory ordinance referred to in such revocation.

F. *Proof of Instruments.* The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction, who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof; or such facts may be proved by an affidavit of a witness to such execution sworn to before such officer.

G. *Proof of Ownership.* The amount and numbers of the Bonds held by any person executing such instrument and the date of

his holding the same may be proved by a certificate executed by a responsible bank or trust company showing that upon the date therein mentioned such person had on deposit with such bank or trust company the bonds described in such certificate.

ARTICLE XII

Severability and Repeal

Section 12.1. *Ordinance Irrepealable.* After any of the Bonds shall be issued, this Ordinance shall constitute a contract between the Cities and the Holder or Holders of the Bonds from time to time outstanding, and this Ordinance shall be and remain irrepealable until the Bonds and the interest thereon shall be fully paid, cancelled, refunded or discharged or provision for the payment thereof shall be made by depositing money in trust with the Paying Agent or another National Banking Association equal in amount to the aggregate principal amount of Bonds outstanding plus interest and any applicable premium to their earliest redemption date, or, if none, to their maturity.

Section 12.2. *Severability.* If any Section, paragraph, clause or provision of this Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance. If any Section, paragraph, clause or provision of the Contract and Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of the Contract and Agreement, or of any other provisions of this Ordinance not dependent directly for effectiveness upon the provision of the Contract and Agreement thus declared to be invalid and unenforceable.

SECTION 12.3. *Repealer*. All orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent of any such inconsistency.

ADOPTED AND CORRECTLY ENROLLED November 11, 1968.

/s/ ERIK JONSSON
Mayor, City of Dallas, Texas

(SEAL)

ATTEST:

/s/ HAROLD G. SHANK
City Secretary, City of Dallas, Texas

APPROVED AS TO FORM:

/s/ N. ALEX BICKLEY
City Attorney, City of Dallas, Texas

ADOPTED November 12, 1968.

/s/ DEWITT MCKINLEY
Mayor, City of Fort Worth, Texas

(SEAL)

ATTEST:

/s/ ROY A. BATEMAN
City Secretary, City of Fort Worth, Texas

APPROVED AS TO FORM AND LEGALITY:

/s/ S. G. JOHNDROE, JR.
City Attorney, City of Fort Worth, Texas

United States
House of Representatives

Committee on Transportation
And Infrastructure

Subcommittee on Aviation

A Hearing on Reforming the Wright Amendment
July 12, 2006

Lori Palmer
on behalf of

The Love Field Citizens Action Committee

Written Testimony Submission

Written Testimony

Submitted by Lori Palmer
on behalf of
The Love Field Citizens Action Committee

U.S. House of Representatives
Aviation Subcommittee Hearing
July 12, 2006

Love Field Citizens Action Committee has 25 Years of Experience with Dallas Love Field

The Love Field Citizens Action Committee (LFCAC) is a coalition of residents and neighborhoods in the Love Field impact area. The organization was established in 1980 to address the airport's adverse environmental impact on the large and densely populated community that surrounds the facility to the north, south, east and west. LFCAC's mission is *to enhance the quality of life in Love Field area neighborhoods by reducing negative noise and air pollution, traffic congestion, and safety risks posed by aircraft operations at Dallas Love Field.*

Over the last two and a half decades, LFCAC has been actively involved in many Love Field issues. Its first major accomplishment was the adoption of Dallas Love Field's first noise control program, approved by the Dallas City Council in 1981, when citizens filled the Council chambers to demonstrate their strong dissatisfaction with increasing airport noise at the close-in airport. During the subsequent 24 years, the citizens' organization has worked on many fronts to try to create a balance between the interests of the airport and interests of the densely populated community surrounding it.

During these two and a half decades, the Love Field Citizens Action Committee LFCAC has developed a

solid understanding of Love Field's operations and their impact on the environment. It has participated in 23 years worth of Noise Abatement Advisory Committee meetings at Dallas Love Field, researched and recommended municipal ordinances to address noise impact, visited with elected officials at the local and national levels, testified before the U.S. House of Representatives Subcommittee on Aviation (1991) and before the Senate Subcommittee on Aviation (2005) in support of the Wright Amendment, submitted legal briefs to state and federal courts and promoted a series of voluntary noise abatement procedures at the inner city airport including one of the earliest and most comprehensive noise monitoring systems in the country.

The LFCAC actively participated in the development of the 2001 Love Field Master Plan approved unanimously by the Dallas City Council in April 2001 and subsequently by the Federal Aviation Administration. Most recently, the LFCAC participated in local discussions pertaining to the impact analysis update of Dallas Love Field based on future scenarios without the Wright Amendment in place.

Dallas Love Field Operations Impact Large Area in Population and Value

According to the Airport Master Plan published in March 2001, the Noise Impact Area of Dallas Love was 25.4 square miles. The estimated population residing in the Noise Impact Area in the year 2000 was 89,307. What did we know about the value of residential properties within the 55 DNL or greater Love Field Noise Impact Area? Again, according to the 2001 Love Field Master Plan, in the year 2000, the estimated market value of the residential properties was $5.3 billion. The taxable value of all residential properties was approximately $3.9 billion and the total annual property tax contributions from those residential properties were $95.6 million.

Dallas Love Field is an inner-city airport located on 1300 acres. Densely populated residential communities with single-family homes, apartments, schools, parks, churches, recreation centers,

libraries and retail businesses surround it on all sides. Planes that take off and land at close-in Dallas Love Field must fly over neighborhoods that are homes to thousands of residents. There are four ways to take off or land at Love Field. All of them impact neighborhoods.

As an example, near Love Field, less than a mile off the end of Runway 13R, there is a school named T.J. Rusk Middle School. Each school day, its 740 students and 39 teachers attend class while over 100 Southwest flights take off or land overhead, so far without incident. Across the street from T.J. Rusk is a day school and 200 yards away is Maple Lawn Elementary School with 746 students and 44 teachers. These children and teachers occupy classrooms just below what pilots call the *short final*, which means less than one minute from landing at an altitude of 300 feet. Going the other way, on takeoff, these children and their teachers are directly below the planes as the landing gear is retracting.

History of the Wright Amendment – A Community Perspective

In 1968, Dallas and Fort Worth adopted the 1968 Regional Airport Concurrent Bond Ordinance that called for the eventual phase-out of certificated air carrier services at Love Field. Homeowners and others began to anticipate the eventual change at the airport, looking forward to a future time when all air carriers would move to the new regional airport. As a result of the bond ordinance's adoption by the two cities, many residents made the decision to stay in their homes rather than move away. Other residents made the decision to move into the neighborhoods and buy homes. They too believed that all air carrier operations would move to DFW Regional Airport. They felt secure about the future

When the new DFW Airport opened in early 1974, all air carriers but one moved to the new airport. Southwest Airlines had managed to stay at the inner city airport due to its intrastate status with flights to Houston and Austin. Although residents expressed concern that the intent of consolidating all air carrier

operations at DFW Airport had not yet occurred, the issue of noise was not serious because the number of daily takeoffs and landings was small during the first few years as SWA flew its intrastate routes. Gradually, however, the number of SWA's daily operations increased, as did their noise impact on Dallas neighborhoods surrounding Love Field. Not only did the number of operations and noise increase, so did the level of alarm on the part of residents who had been told that air carrier traffic at the airport would become a thing of the past. Residents' concern grew stronger in 1979 when SWA started interstate service to New Orleans. Residents felt angry and betrayed.

When the Wright Amendment was enacted into law in early 1980, permitting interstate traffic to the four states adjacent to Texas, it translated into additional take-offs and landings over homes, schools, churches, parks, and nearby businesses. In a matter of months, homeowners from 14 major neighborhoods around Love Field coalesced and established the Love Field Citizens Action Committee.

Wright Amendment Becomes Critical Component in Love Field's Noise Abatement Program and Love Field Master Plan Approved in 2001

In subsequent years, the Wright Amendment came to be recognized as a key assumption and component in Love Field's Noise Abatement Program by creating the foundation for balancing the needs of the airport with the needs of the surrounding community. It also created the foundation for balancing the role of Dallas Love Field in providing short-haul service with that of DFW International Airport in providing long-haul service.

In the year 2000, the Dallas City Council commissioned the Love Field Master Plan. DMJM Aviation, a nationally and internationally recognized aviation consultant, conducted the study. The development of the 2001 Love Field Master Plan was based squarely on the assumption that the Wright Amendment would remain in effect. As stated on page 1 of the Executive Summary of the Airport Impact

Analysis/Master Plan, "the study was undertaken by the City to determine the highest practical use of Love Field within federal guidelines, while maintaining balance with the environmental and socio-economic impacts that might result from increased use of the airport." Also stated on page 1 of the document was the statement "the technical approach to the study centered around a demand analysis which established the market demand profile and growth potential of Love field given the restrictions imposed by the Wright/Shelby Amendment which were assumed to remain in effect."

Love Field residents played a key role in the master planning process due in large part to the fundamental operating assumption that the Wright Amendment would remain in place. Although the Master Plan forecasted aviation growth at Love Field, it would be within the parameters of the Wright Amendment, occurring mostly in smaller and quieter regional jets over an extended period of time resulting in minimal impact on the noise contours.

Future environmental impacts on the neighborhoods including noise pollution, traffic congestion, and air pollution were, therefore, based on these forecasts – type and size of plane, number of operations per day, number of passengers carried by aircraft, and hours of the day.

Members of the 2001 Love Field Master Plan Advisory Committee included Southwest Airlines, American Airlines, Continental, Delta, general aviation, the Love Field Citizens Action Committee, neighborhoods, the North Dallas Chamber of Commerce, other business groups, and Love Field area businesses. New Legend Airlines also participated for a short period of time before it went out of existence.

On March 29, 2001, at the completion of the study process, all the parties signed a Consensus Statement endorsing the proposed Impact Analysis/Master Plan for Dallas Love Field. These individuals represented a broad based group of local residents, neighborhood and business leaders, general aviation tenants,

airline representatives, and others interested in the future of the close-in airport. Language in the statement included the phrase, "The Wright/Shelby Amendment is assumed to remain intact." The first of 35 signatures on the Consensus Statement was SWA's representative, a corporate vice president.

The Consensus Statement culminated months of meetings and hard work. It stated, "For 10 months, the Master Plan Advisory Committee worked with airport staff and consultants to determine the optimal use of this inner-city airport consistent with federal aviation planning standards and conducive to the airport being a 'good neighbor' in the midst of a vibrant and valuable residential and business community. The result is a recommendation that (1) demonstrates real consensus by a very diverse group of participants; (2) creates a vision for Love Field; and (3) removes uncertainty about its future."

Because of this broad consensus agreement among the diverse parties, the Dallas City Council unanimously approved the Master Plan in April 2001 after what can only be described as a tremendous community effort to reach a historic agreement on the future of the airport. The Master Plan was heralded as a resolution to more than two decades of public conflict regarding Love Field, its impact on neighborhoods, and its role in the North Texas transportation system.

Southwest Airlines Declares Intent to Seek Repeal of the Wright Amendment

Then, on November 12, 2004, Southwest Airlines announced its decision to seek repeal of the Wright Amendment, dropped like a bombshell, at a public breakfast meeting in Dallas. In so doing, it re-opened the painful public debate which, once again, resulted in significant public conflict after what had been a period of calm and stability following the 2001 historic agreement among all parties around the Love Field Master Plan which was based on the assumption that the Wright Amendment would continue.

Public Debate Renews Environmental Impact Issues

The ensuing public debate rekindled significant concerns about the potential future environmental impact if Love Field were to become a long-haul service airport in the absence of the Wright Amendment. It was quickly understood by the neighborhoods that if the Wright Amendment were repealed, long haul flights out of Love Field would most often occur in 737s and other mainline aircraft – not in the regional jets and 56 configured planes that had been anticipated in the 2001 Master Plan. Long haul flights would require more fuel ensuring heavier planes that would be closer to the end of the runways before liftoff, therefore flying lower over the neighborhoods for a longer period of time at full thrust before they can reach 1000 feet of altitude which is when the pilot can cut the power back to reduce noise. This would mean more noise. Simply stated, long haul service out of Love Field would mean longer flights, more fuel, heavier planes, longer take offs, airplanes lower over the neighborhoods and louder noise. In other words, Longer, Lower, and Louder.

Furthermore, it was understood that due to the prohibitions of federal law against noise restrictions at airports (The Airport Noise and Capacity Act of 1990), any size plane could fly in and out of Love Field as many times a day as desired at any time of the day or night – all from a close-in airport surrounded by densely populated communities.

In addition, it was understood that the greater number of daily operations in 737s and other large mainline aircraft than had been forecasted in the 2001 Love Field Master Plan would translate into a larger number of passengers carried on each plane in comparison to the number that would have been carried on the regional jets and reconfigured planes. This, in turn, would create many more vehicular trips to and from the airport than what had been projected in the 2001 Master Plan. The following information clearly compares passenger capacity of the three types of aircraft:

737s and MD80s	135 passengers
Regional Jets	50 passengers
Reconfigured Aircraft	56 passengers

Streets and thoroughfares around Love Field are already seriously congested causing delays and failing intersections. The prospect of a significant increase of traffic, beyond that which was envisioned by the 2001 Love Field Master Plan, generated serious concern.

And finally, and importantly, increased air pollution, beyond that which had been forecasted by the 2001 Love Field Master Plan, joined the list of concerns, generated from both aircraft and ground traffic

2006 Dallas Love Field Impact Analysis Update

In April of 2006, the City of Dallas commissioned an update of the 2001 Impact Analysis (done in conjunction with 2001 Master Plan) to determine the potential impact if the Wright Amendment were removed and to determine at what number of gates the environmental impact of aircraft noise, traffic, and air emissions would be *no greater* that that which had been forecasted and approved in the 2001 Love Field Master Plan with the Wright Amendment in place. The study included a forecast of activity and analyses of noise impact, traffic impact and air quality impact.

At the completion of the analysis, the consultants returned with the conclusion that the environmental impact would be significantly greater than projected in the 2001 Love Field Master Plan if the Wright Amendment were removed and if the maximum of 32 gates remained in place. The consultants also came back with the conclusion that a reduction of 12 gates (from 32 to 20) would maintain the projected environmental impact of noise, traffic congestion, and air emissions *at the same levels* as had already been approved in the 2001 Master Plan *with* the Wright Amendment in place.

Summary Position of the Love Field Citizens Action Committee

The Love Field Citizens Action has been a strong supporter of the Wright Amendment for many years because of its crucial role in creating a balance between airport operations and the airport's negative impact on the surrounding community. In addition, the LFCAC has supported the Wright Amendment for many years because of its significant role in balancing the short-haul focus of a secondary airport with the long-haul focus of the primary airport.

After careful consideration, the Love Field Citizens Action Committee endorses the local agreement that has been reached between the City of Dallas, the City of Fort Worth, Dallas Fort Worth International Airport, American Airlines, and Southwest Airlines.

This support is based on our understanding that *no greater* environmental impact of noise, traffic, and air emissions will result from the implementation of the agreement with a maximum of 20 gates *without* the Wright Amendment in place than that which would have resulted from the implementation of the approved 2001 Master Plan for Dallas Love Field at a maximum of 32 gates *with* the Wright Amendment in place.

In addition, the Love Field Citizens Action Committee supports a strong DFW International Airport and understands that the eight-year phase-out of the Wright Amendment will limit the potential negative consequences on the primary airport of North Texas.

This agreement is constructed and delicately balanced to resolve the long-standing issue of the Wright Amendment. It takes many complicated factors into consideration. Importantly, it takes into consideration the impact of removing the Wright Amendment on neighborhoods in which close to

100,000 people reside and which are affected by Love Field operations. The agreement should be approved intact and as is.

* * * * *

(Lori Palmer was founding president of the Love Field Citizens Action Committee and served on the Dallas City Council for eight years. Dallas Love Field was located in her City Council district as were most of the neighborhoods impacted by Love Field operations. She currently serves as a consultant to the LFCAC.)

Love Field **Citizens Action** Committee
P.O. Box 36383
Dallas, Texas 75235

www.lfcac.org

July10, 2006

The Honorable Don Young
Chairman
Committee of Transportation & Infrastructure
United States House of Representatives
Washington, D.C., 20515-6256

Dear Chairman Young:

The Love Field Citizens Action Committee endorses the local agreement that has been reached between the City of Dallas, the City of Fort Worth, Dallas Fort Worth International Airport, American Airlines, and Southwest Airlines.

This support is based on our understanding that no greater environmental impact of noise, traffic, and air emissions will result from the implementation of this agreement at a maximum of 20 gates *without* the Wright Amendment in place than that which would have resulted from the implementation of the approved 2000 Master Plan for Dallas Love Field at a maximum of 32 gates *with* the Wright Amendment in place.

In addition, the Love Field Citizens Action Committee supports a strong DFW International Airport and understands that the eight year phase-out of the Wright Amendment will limit the potential negative consequences on the primary airport of North Texas.

Love Field Citizens Action Committee

The Love Field Citizens Action Committee (LFCAC) is a coalition of citizens and neighborhood groups established in 1980 to address the environmental impact of Dallas Love Field on residential areas in which thousands of people live and which are impacted by the airport's operations. Its mission is to enhance the quality of life in these neighborhoods by reducing the negative noise and air pollution, traffic congestion, and safety risks posed by aircraft at Love Field.

The LFCAC advocated the development of Love Field's first Noise Abatement Program in 1981and has been actively involved in a number of airport related issues over the last 25 years including the development of the 2000 Love Field Master Plan. In addition, the LFCAC has been an active participant in the airport's community advisory committee since it was established in 1982. The LFCAC has also taken an active role in addressing air safety issues at Love Field and air transportation issues of North Texas.

On two different occasions, the Love Field Citizens Action Committee has testified before Congress on the Wright Amendment In 1991, it testified before the *U.S. House Subcommittee on Aviation*. and in 2005, it testified before the *U.S. Senate Subcommittee on Aviation*. In both cases, the LFCAC testified in strong support of the Wright Amendment and in opposition to any efforts to repeal or weaken it based on the fact that the Wright Amendment was the only means by which close to 100,000 people experienced any protection from the negative environmental impact of the close-in airport.

Dallas Love Field Surrounded by Densely Populated Neighborhoods

Dallas Love Field is an inner-city airport located on only 1300 acres in the middle of Dallas. Densely populated residential communities surround the airport on all four sides with single-family homes, apartments, schools, parks, churches, recreation centers, libraries, and retail businesses.

As an example to underscore the airport's proximity to neighborhoods, arriving Boeing 737s and MD80s are at an altitude of only 300 feet when landing directly over a middle school and elementary school with close to 1500 children and 90 teachers. When taking off over these same schools, pilots are retracting landing gear.

2000 Love Field Master Plan

The 2000 Love Field Master Plan was commissioned by the City of Dallas to determine the highest practical use of Love Field *within federal guidelines*, while maintaining balance with the environmental and socio-economic impacts that might result from increased use of the airport. The technical approach to the study centered around a demand analysis which established the market demand profile and growth potential of Love field *given the restrictions imposed by the Wright/Shelby Amendment which were assumed to remain in effect.* The Plan was approved by all major stakeholders and became the official policy for Love Field's future growth.

The Plan was based on the forecast that by the year 2020, the greatest growth in air carrier service would occur in 50 seat regional jets and reconfigured 56 seat jets compared to little growth in the mainline aircraft (737s and MD80s). A maximum of 32 gates would accommodate this growth.

Accordingly, future environmental impacts on the neighborhoods including noise pollution, air pollution, and traffic congestion were based on these forecasts (type and size of plane, number of operations per day, number of passengers carried by the aircraft, and hours of the day) of increased use of the airport

2006 Love Field Master Plan Update

In April of 2006, the City of Dallas commissioned an update of the 2000 Love Field Master Plan to determine the potential environmental impact if the Wright Amendment were removed and to further determine at what number of gates the environmental impact of aircraft noise, traffic, and air emissions would be *no greater* than that which had been forecasted and approved in the 2000 Love Field Master Plan with the Wright Amendment in place.

The consultants came back with the conclusion that the environmental impact would be *significantly greater* if the Wright Amendment were removed *and* if the maximum of 32 gates still remained in place. The consultants also came back with the conclusion that a reduction of 12 gates (from 32 to 20) would maintain the projected environmental impact of noise, traffic congestion, and air emissions *at the same levels* as already approved in the 2000 Master Plan with the Wright Amendment in place.

Summary

In summary, the Love Field Citizens Action Committee endorses the local agreement that has been reached between the City of Dallas, the City of Fort Worth, Dallas Fort Worth International Airport, American Airlines, and Southwest Airlines It is a delicately balanced agreement that has been carefully constructed to resolve the long-standing issue of the Wright Amendment with the broadest support possible in North Texas. It is very important, therefore, that the agreement remain intact as is. On behalf of the Love Field Citizens Action Committee, I ask for your support of this agreement and for your leadership to secure its approval in the U.S. House of Representatives.

Sincerely,

Lori Palmer

Lori Palmer, Founding President
and Consultant to the Love Field Citizens Action Committee

cc: Pat White, Co-Chair, LFCAC
Rudy Longoria, Co-Chair, LFCAC

July 10, 2006

Honorable Don Young
United States House of Representatives
Washington, DC 20515-0201

Re: Wright Amendment Agreement

Dear Congressman Young:

With the Dallas-Fort Worth International Airport such a vital and integral part to the North Texas economy, the Fort Worth Hispanic Chamber of Commerce is supportive of the Agreement recently signed by Dallas Fort Worth International Airport as well as the City of Dallas, the City of Fort Worth, American Airlines and Southwest Airlines to resolve the Wright Amendment issues surrounding air passenger service at Love Field.

The Chamber believes that the parties have developed a fair and mutually beneficial agreement that will allow for continued growth of DFW Airport. It eliminates the uncertainty about the future of the Wright Amendment that has scared away additional airlines and the spin-off businesses from serving our great Airport. While with a compromise none of the parties received everything that they wanted, the Agreement is a resounding "win-win" for the North Texas region.

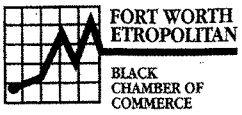
For these reasons, the Fort Worth Hispanic Chamber of Commerce urges your support of this agreement.

Thank you for your attention to this matter.

Sincerely,

Rosa Navejar
President/CEO

1327 North Main · Fort Worth, Texas 76106 · 817-625-5411 fax 817-625-1405



July 10, 2006

Honorable Don Young
United States House of Representatives
Washington, DC 20515-0201

Re: Wright Amendment Agreement

Dear Congressman Young:

With the Dallas-Fort Worth International Airport such a vital and integral part to the North Texas economy, the Fort Worth Metropolitan Black Chamber of Commerce is supportive of the Agreement recently signed by the Dallas-Fort Worth International Airport as well as the City of Dallas, the City of Fort Worth, American Airlines and Southwest Airlines to resolve the Wright Amendment issues surrounding air passenger service at Love Field.

The FWMBCC believes that both parties have developed a fair and mutually beneficial agreement that will allow for continued growth of DFW Airport. It eliminates the uncertainty about the future of the Wright Amendment that has scared away additional airlines and the spin off businesses from serving our great airport. While none of the parties received everything that they wanted, the Agreement is a resounding "win-win" for the North Texas region.

The Fort Worth Metropolitan Black Chamber of Commerce urges your support of this agreement.

Thank you for your attention to this matter.

Sincerely,

Monte Elliott
Chairman

Devoyd Jennings
President/ CEO

1150 South Freeway, Suite 211 ✦ Fort Worth, Texas 76104 ✦ Office (817) 871-6538 ✦ Fax (817) 332-6438

Greater Dallas
Asian American Chamber of Commerce

"20 years of Service - Empowering Communities through Diversity and Business Development"

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Director of Education & Minority Business Development
Galileo Jumao-As

Director of Events & Marketing
Lauren Hobbs

Manager of Accounting
Titin Lingkardjaja

Project Coordinator
Yingying Lu

July 11, 2006

Honorable Don Young
United States House of Representatives
Washington, DC 20515-0201

Re: Wright Amendment Agreement

Dear Congressman Young:

Whether to allow unrestricted interstate commercial passenger air service from Dallas Love Field has been a contentious issue that has divided the Cities of Dallas and Fort Worth and their citizens for many years. Despite the Wright Amendment compromise reached in 1979, the issue has continued to cause conflict within the DFW metroplex particularly with the subsequent efforts to add additional states as well as to fully repeal the Amendment.

Although the Greater Dallas Asian American Chamber of Commerce previously passed a resolution in support of maintaining the Wright Amendment, this Chamber wants to go on record as being fully supportive of the Agreement that was recently struck between the City of Dallas, the City of Fort Worth, American Airlines, Southwest Airlines and DFW International Airport. It is a balanced compromise between parties that will not only allow DFW Airport adequate time to adjust before the Amendment is repealed, but also puts into place provisions that will permit controlled growth at Love Field. Furthermore, the Agreement will settle the issue once and for all, and let the parties concentrate on running their respective businesses. The traveling public also will enjoy more options than previously available.

For these reasons, the Greater Dallas Asian American Chamber of Commerce urges your support of this agreement.

Thank you for your attention to this matter.

Sincerely,

Les Tanaka
Executive Director

11171 Harry Hines Blvd. • Suite 115 • Dallas, TX 75229
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July 11, 2006

Honorable Don Young
United State House of Representatives
Washington, DC 20515-0201

Re: Wright Amendment Agreement

Dear Congressman Young:

The American Indian Chamber of Commerce of Texas on May 5, 2006 passed a resolution in favor of keeping the Wright Amendment in place. Our position was that changing an agreement between parties was like not honoring the terms of a treaty. Also the covenants of the Wright Amendment seemed to insure the economic stability of the region and that of our membership. The original participants in this issue have now come together to forge an agreement that will permit final resolution to the division attributed to the Wright Amendment. These local organizations have shown leadership to establish this resolution for the common good of all parties.

Therefore, the American Indian Chamber of Commerce of Texas wants to go on record as supporting the Agreement that was reached by the City of Dallas, the City of Fort Worth, American Airlines, Southwest Airlines and D/FW International Airport. This agreement is a balanced compromise between the original parties that will provide time to adjust before repeal of Wright and will permit controlled growth at Love Field. The traveling public will be well served as a result of this agreement.

For the reasons observed above, the American Indian Chamber of Commerce of Texas urges your support of this agreement.

Sincerely,

Gene Bloomfield
President of the Board
AICCT

Bob Gentry
Board Secretary
AICCT

Shirley Hankins
1st Vice President
AICCT

American Indian Chamber of Commerce of Texas
American Indian Educational and Opportunity Fund, Inc.
P. O. Box 163047, Fort Worth, TX 76161
V: 817-429-2323 F: 817-451-3575, Website: www.aicct.com

TESTIMONY OF HERB KELLEHER

EXECUTIVE CHAIRMAN, SOUTHWEST AIRLINES

JULY 12, 2006

BEFORE

The House Committee on Transportation & Infrastructure

Subcommittee on Aviation

THE WRIGHT AMENDMENT—A LOCALLY ACHIEVED COMPROMISE

TESTIMONY OF HERB KELLEHER
EXECUTIVE CHAIRMAN, SOUTHWEST AIRLINES
JULY 12, 2006
BEFORE
The House Committee on Transportation & Infrastructure
Subcommittee on Aviation

THE WRIGHT AMENDMENT—A LOCALLY ACHIEVED COMPROMISE

Southwest Airlines Supports the Local Compromise

The 30-years war, waged on the European continent from 1618 to 1648, is, in longevity, exceedingly junior compared to the Dallas-Fort Worth airport struggle, waged in the Dallas-Fort Worth Metroplex for more than six decades.

Mr. Chairman and Members of the Subcommittee, I have, personally, been involved in litigation, in legislative struggles, and in cuss fights over Love Field since 1972—a period of 34 years. The fact that Southwest Airlines is here today—here with Fort Worth, DFW Airport, American Airlines, and the City of Dallas—indicates, I believe, that there must be hope for world peace.

Our unprecedented agreement arises from airport circumstances unprecedented anywhere else in the United States and, most probably, unprecedented anywhere else on earth. Many Members of Congress have, over the course of many years, urged a local resolution of the Wright Amendment issues. That has been done.

And peace, and good will, is the essence of our agreement—not to mention certainty, stability, and tranquility. Under the perseverant Leadership of the Mayors of Dallas and Fort Worth, who literally worked day and night to bring this "Peace Pact" into being, our swords are truly being beaten into plowshares. As with any difficult and complicated transaction—difficult and complicated by over 60 years of contention, of controversy, and of acrimony—all sides, all five parties, have been compelled to make sacrifices—to yield on firmly held positions; to moan and grown and agonize over decisions and mutual concessions. ***The only victor, the only sure fire winner from this locally achieved agreement, is the public***—the public citizens who will find it easier and far less expensive to travel to and from North Texas for business and personal reasons; the citizens who will reap vast economic benefits in their communities from enhanced travel and tourism, ***at a lower cost***.

And, I should add, the public will reap those benefits without any cognizable injury to DFW International Airport or its far-flung domestic and international air service network.

On behalf of the public, we stand shoulder to shoulder with American Airlines, with DFW Airport, and with the Mayors of Dallas and Fort Worth, in urging this Committee and the United States Congress to speedily approve legislation necessary to implement the locally achieved Wright Amendment compromise.

The History of the Fight Over Love Field

For over six decades, Dallas and Fort Worth have struggled over airport issues. The history of the fight over Dallas Love Field is the history of Southwest Airlines.

Southwest was incorporated on March 15, 1967. On November 27, 1967, Southwest filed an application with the Texas Aeronautics Commission (TAC) to operate as a Texas intrastate carrier. Southwest elected to operate as an intrastate carrier because the U.S. Civil Aeronautics Board (CAB) of that day did not welcome new competition in the airline industry. The CAB mandated fare levels and did not permit price competition. Prior to the Airline Deregulation Act in 1978, there was no competition in interstate air service, on the basis of price, in the U.S. A consequence of that federal policy was that there were no new entrants—if a new airline could not compete against giant entrenched competitors on price, it was impossible to establish a toehold in a market.

Southwest did not fly for 51 months. Once the TAC unanimously approved Southwest's intrastate application on February 20, 1968, three airlines (Braniff, Trans Texas, and Continental), seeking to preserve their monopoly routes, filed a lawsuit and obtained a restraining order against the TAC, prohibiting it from issuing the necessary certificate under state law. That litigation continued through May 13, 1970, when a unanimous Texas Supreme Court ordered that Southwest could take to the skies. Seeking every chance to thwart Southwest through litigation (Southwest having no revenues at the time), the airlines took their pleas to the United States Supreme Court, which denied the appeal on December 7, 1970. Southwest Airlines thus became perhaps the only company in America that went all the way to the U.S. Supreme Court to obtain a business license over the opposition of its incumbent competitors.

Southwest began preparations for the start of service in earnest, with a planned startup of June 18, 1971. Our competitors were undeterred. They filed complaints with the CAB and, just days before service was to begin, returned to a state court and obtained another injunction stopping Southwest's flights. In an extraordinary session convened on June 17, 1971, the Texas Supreme Court again gave Southwest clearance for takeoff. Service began the very next day, with three airplanes flying to three cities.

The now proven model of point-to-point, frequent, low-fare service to close-in convenient airports was born. By then, the litigation (as was intended) had depleted all of Southwest's original financial capital, but not its will to survive.

In 1972, Southwest announced that it would not move to the new DFW Airport when it would open in 1974. Southwest was not a party to the local agreement to build DFW. Other airlines serving the North Texas market voluntarily signed contracts to fly exclusively from the new airport. Southwest did not. Love Field was better suited to Southwest's Customer needs than DFW, then and now.

This time, it was DFW and the Cities of Dallas and Fort Worth that filed suit. The purpose of that litigation was to evict Southwest from Love Field in Dallas, a foundation of Southwest's short haul, low cost, low fare niche. In a definitive opinion, the federal district court found, on multiple grounds, that the local agreements to build DFW did not, and legally could not, prevent Southwest Airlines from serving Love Field. City of Dallas v. Southwest Airlines Co., 371 F. Supp. 1015 (N.D. Tex. 1973). The DFW Parties were not prepared to accept defeat and appealed. On May 31, 1974, the Fifth Circuit affirmed the lower court's decision, upholding Southwest's unfettered right to serve Love Field. City of Dallas v. Southwest Airlines Co., 494 F.2d 773 (5th Cir. 1974). Still

refusing to concede, the DFW parties petitioned the Fifth Circuit for rehearing, which was denied. They appealed unsuccessfully to the U.S. Supreme Court. 419 U.S. 1079 (1974). They petitioned the Supreme Court for rehearing, to no avail. 420 U.S. 913 (1975). Seemingly, the fight over Southwest at Love Field had ended.

The "end" was short-lived. The DFW Parties then prevailed upon the Dallas City Council, after a massive lobbying effort, to pass an ordinance making it a crime for Southwest to use Love Field. A federal judge enjoined Dallas from enforcing the ordinance.

That still was not the end. The DFW Parties started litigation anew in a state court, seeking to relitigate their claim that Southwest could not fly from Love. A federal court found that this attempt to relitigate questions already decided was, in effect, an abuse of process and took the dramatic action of enjoining the state court—or any other court--from proceeding further. Southwest Airlines Co. v. Texas International Airlines, Inc., 396 F. Supp. 678 (N.D. Tex. 1975). The DFW Parties appealed to the Fifth Circuit. The Fifth Circuit, in an opinion remarkable for its clarity and conclusiveness, brought an end to the legal proceedings by declaring that the courts were now off limits to anyone seeking to evict Southwest Airlines from Love Field. Southwest Airlines Co. v. Texas International Airlines, Inc., 546 F.2d 84 (5th Cir. 1977). The DFW Parties petitioned for rehearing. The 5th Circuit said no. They appealed to the U.S. Supreme Court, which rejected the appeal. 434 U.S. 832 (1977).

The Significance of the Airline Deregulation Act

Then something dramatic happened *outside a courtroom*. The U.S. Congress deregulated the airline industry in 1978. The Congress, observing the gigantic growth in passenger traffic in California and Texas, where intrastate

price competition was allowed, took the federal government out of the business of choosing which airports airlines could serve and at what price.

With respect to Southwest Airlines, the court-mandated stoppage of the concerted and coordinated legal campaign by the DFW Parties in 1977, coupled with the passage of the Deregulation Act in 1978, meant two very important things: 1) the courts said that no one could kick Southwest out of Love Field; and 2) the Congress said that Southwest could fly anywhere in the U.S. from Love Field.

When Southwest announced its intention to fly between Dallas and New Orleans pursuant to its rights under the Deregulation Act, the DFW Parties petitioned the CAB, seeking to deny Southwest the right to fly in interstate commerce out of Love Field. Again, they relied on the local agreement that produced DFW Airport. The DFW Parties lost before a CAB Administrative Law Judge, who ruled against them on every point in an exhaustive analysis on June 28, 1979. CAB Docket 34582. That decision was upheld in its entirety by the full CAB on September 28, 1979.

During this eleven-year period of nonstop litigation, some other interesting things occurred. Most noteworthy was the indictment of two airline competitors by a federal criminal grand jury for their role in the conspiracy to bankrupt Southwest. They both plead *nolo contendre.*

Judicial Defeats Lead to Political Intervention & the Wright Amendment

Unsuccessful in the courts and administrative agencies, the DFW Parties decided upon a legislative strategy. They went back to Washington and obtained the support of House Majority Leader Jim Wright from Ft. Worth. If Leader Wright had not been from Fort Worth, or, being from Fort Worth, had not

been the House Leader, the Wright Amendment would never have come to pass.

Leader Wright attached an amendment to an unrelated bill that would have banned any airline from engaging in interstate air commerce from Love Field. Wisely, the U.S. Senate refused to go along. That obstructed passage of the bill to which Leader Wright had attached his language. Pressure built for passage of the larger bill, which dealt with international aviation. Ultimately Leader Wright himself made changes that the Senate accepted. That became the law we are here to discuss today, the federal law that limits service from Love Field to Texas and a few nearby states. The admitted legislative purpose was to protect DFW Airport and the airlines serving it from competition. We at Southwest often point out the ironic conflict between the Wright Amendment, on the one hand, and years of consistent court or agency decisions and the Airline Deregulation Act (passed just one year earlier), on the other hand. Thus, Love Field became, and remains, the only airport in America route-restricted by an Act of Congress for the sole purpose of protecting competitors (one airport and several airlines) from the rigors of the marketplace.

The Wright Amendment Was Designed to Stifle Southwest

Although the Amendment was intended to stifle Southwest and cause it severe economic injury, Southwest's Employees managed to make the carrier a success in spite of the Wright Amendment. The proof of the law's anti-competitive intent may be found not only in the well-known geographical restrictions which limit where a plane can be flown, but in the more obscure "marketing and through ticketing" restrictions that are less well-understood.

These restrictions are a restraint on commercial free speech and force

Southwest, unintentionally, to deceive and confuse passengers. They are without precedent in commercial aviation, including during the regulated era. Under the Wright Amendment, Southwest cannot "offer or provide any through service . . ." and cannot "offer for sale transportation to or from . . . any point which is outside" the so-called Wright Amendment states. This means that even if a Customer is willing to make a stop within the permitted states and continue his or her journey on the same plane, or even a different plane, Southwest may not offer or market such service. An example: Southwest flies from Dallas to Little Rock and from Little Rock to Baltimore-Washington International (BWI). But Southwest cannot sell an individual through ticket to a Customer going from Dallas to BWI, even if the Customer is willing to make a connection to another plane in Little Rock. Another example: Southwest has a plane that goes from Dallas to Albuquerque where it sits for 25 minutes before continuing on to Las Vegas. But Southwest cannot sell a ticket to someone going from Dallas to Las Vegas with a stop in Albuquerque. That someone has to get off the airplane in Albuquerque.

In contrast, Members of Congress are familiar with the perimeter rule that limits the distance of nonstop flights from Reagan National. But a Member may purchase a ticket to destinations beyond the nonstop perimeter and take a one-stop flight on the same airplane to those destinations, something Customers cannot do on Southwest from Love Field under the Wright Amendment.

Effects of the Wright Amendment

The Wright Amendment, by design, restricts competition. This restraint of trade has the unavoidable consequence of higher airfares and its corollary, reduced demand (fewer passengers). The Wright Amendment consumer penalty has been quantified. In a study commissioned by Southwest and

conducted by the Campbell-Hill Aviation Group, the benefits of repealing the Wright Amendment include:

- 3.7 million more passengers would travel, increasing passengers at both Love Field and DFW.
- Consumers would save nearly $700 million annually compared to the higher airfares extracted from consumers by American Airlines at DFW as a result of its market power and the absence of competition.
- The total negative economic impact of the Wright Amendment on the entire United States exceeds $4 billion each and every year.

People Understand and Dislike the Wright Amendment

As a result of the seismic shift in travel habits brought about by deregulation, today's consumers have an expectation of air service options at affordable prices. Before deregulation, only the wealthy flew on commercial airlines. Today, air travel is accessible to virtually all Americans.

Like their fellow citizens across the country, Texans have become savvy air travel consumers. They dislike the Wright Amendment. One reason is that because of the Wright Amendment, many routes from DFW are monopoly markets with sharply higher fares. For example, based on 2004 full year data, American's average (not its highest) roundtrip fare between DFW and Omaha (a distance of 583 miles) was $464. American's average fare between DFW and Albuquerque (a distance of 569 miles) was just $220, or less than half of its average fare to Omaha. Why? Southwest can and does fly between Dallas Love Field and Albuquerque, New Mexico. Southwest cannot fly from Dallas Love Field to Omaha. Similar examples abound.

A scientific poll done by Public Opinion Strategies of Arlington, Virginia, found that North Texans favored repeal of the Wright Amendment by the astounding margin of 82% to 13%. When asked whether they supported the closure of Love Field, as some proposed, North Texans were even more opinionated, opposing such a move by a margin of 84% to 10%, with 70% STRONGLY opposing the closure of Love Field. Southwest had nothing to do with that poll.

The poll numbers are lopsided because the facts are lopsided. Consumers are sensitive to the fact that they pay more and have fewer options for air travel due to the Wright Amendment. They don't like it.

For years, few people outside Texas or Washington, D.C. knew what the Wright Amendment was. As they learned, opposition to it grew. Attached is Exhibit "A," which is a list of the newspapers and other community organizations supporting repeal of the Wright Amendment. In addition, 55 Members of the House of Representatives are co-sponsors of H.R.2646—legislation to repeal the Wright Amendment.

Why Change the Wright Amendment Now?

Circumstances have changed dramatically since 1979:

- D/FW is the second biggest airport in the world in terms of land area and the third busiest in terms of flight operations. It is no longer an infant in need of pampering.
- Love Field is too small to be a significant threat to D/FW.
- Consumers across America are upset by the high cost of travel to and from the Dallas-Ft. Worth region and recognize that competition will cause prices to drop.

- Passenger traffic at Love Field, limited by the Wright Amendment to short flights, declined after 9/11 by approximately 24%, as the automobile reemerged as a serious competitor to the airplane. Accordingly, flights have been curtailed. Southwest has only 120 daily departures from Love Field, down from a pre-9/11 peak of 145.

Conclusion

Southwest has not asked for bankruptcy protection, relief from pension obligations, subsidies, or federal loan guarantees. We have not asked our Employees for wage cuts or slashed their benefits. We have never had an involuntary furlough. We have shared profits with our Employees for 32 consecutive years. We have proven time and again that if competition flourishes, prices decline while consumers and communities profit. Southwest is a creature of the free market and of deregulation—the national policy with respect to commercial aviation. We ask that Congress restore to Southwest and its Customers what it gave the rest of the flying public in 1978—a competitive free airline market, which it improvidently allowed to be taken away in 1979.

Wright is Wrong. It is time for change. Southwest supports the local compromise and urges Congress to act upon it.

NEWSPAPER EDITORIALS:

ALBUQUERQUE JOURNAL (NEW MEXICO)
AMARILLO GLOBE-NEWS (TEXAS)
THE ARIZONA DAILY STAR (TUCSON)
THE COLONY COURIER-LEADER (TEXAS)
THE DAILY CAMPUS (SOUTHERN METHODIST UNIVERSITY-DALLAS)
DALLAS BUSINESS JOURNAL
THE DALLAS MORNING NEWS
D MAGAZINE (DALLAS, TEXAS)
EAST VALLEY (PHOENIX) TRIBUNE
FORBES MAGAZINE (STEVE FORBES)
THE HOUSTON CHRONICLE (TEXAS)
INSIDE TUCSON BUSINESS (ARIZONA)
LAS VEGAS SUN
LOS ANGELES TIMES
MIDLAND REPORTER-TELEGRAPH (TEXAS)
OMAHA WORLD-HERALD (NEBRASKA)
ORLANDO SENTINEL (FLORIDA)
PITTSBURGH POST-GAZETTE
ST. LOUIS POST-DISPATCH
SAN ANTONIO EXPRESS-NEWS (TEXAS)
ST. PETERSBURG TIMES (FLORIDA)
SANTA MARIA TIMES (SANTA BARBARA COUNTY - CALIFORNIA)
TAMPA TRIBUNE
TEXAS MONTHLY
THE UNION-LEADER (MANCHESTER, NH)
VALLEY MORNING STAR (HARLINGEN, TEXAS)
WALL STREET JOURNAL
WASHINGTON POST

COMMUNITY RESOLUTIONS/BUSINESS ORGANIZATION SUPPORT:

ALAVARADO, TEXAS CHAMBER OF COMMERCE
AIRCRAFT MECHANICS FRATERNAL ASSOCIATION (AMFA)
AIR TRAVELERS ASSOCIATION

AL BIERNAT'S RESTAURANT (DALLAS, TEXAS)
AMARILLO, TEXAS CHAMBER OF COMMERCE
AMERICAN HOTEL AND LODGING ASSOCIATION
AMERICAN SOCIETY OF TRAVEL AGENTS
ANY EVENT INCORPORATED (CORPORATE MEETING/EVENT COMPANY– AUSTIN, TEXAS)
BAY AREA HOUSTON ECONOMIC PARTNERSHIP (TEXAS)
BEST PARK (LOVE FIELD PARKING GARAGE – DALLAS, TEXAS)
BUGATTI RISTORANTE (DALLAS, TEXAS)
CALIFORNIA HISPANIC CHAMBERS OF COMMERCE
CALIFORNIA HOTEL AND LODGING ASSOCIATION
CALIFORNIA LEGISLATURE, MAJORITY LEADER DARIO FROMMER
CENTRAL CITY ASSOCIATION OF LOS ANGELES
CITY OF MANCHESTER, NEW HAMPSHIRE
DALLAS NORTHEAST CHAMBER (TEXAS)
DEER PARK CHAMBER OF COMMERCE (HOUSTON, TEXAS)
DESOTO, TEXAS CHAMBER OF COMMERCE
DUNSTON'S STEAK HOUSE (DALLAS, TEXAS)
ECONOMIC DEVELOPMENT COUNCIL OF THE GREATER SAN ANTONIO CHAMBER
EDINBURG ROADRUNNERS (PROFFESTIONAL BASEBALL TEAM)
EL PASO TX DIABLOS (PROFESSIONAL BASEBALL TEAM)
EXPOTEX, LLC (EVENT MANAGEMENT PLANNING – AUSTIN, TEXAS)
FLYING SAUCER RESTAURANT (DALLAS, TEXAS)
FOX SPORTS NET
FREEDOMWORKS (CITIZENS FOR A SOUND ECONOMY)
GALVESTON, TEXAS CHAMBER OF COMMERCE
GAYLORD HOTELS
GOVERNOR OF MARYLAND - ROBERT L. EHRLICH, JR.
GOVERNOR OF TENNESSEE - PHIL BREDESEN
GRAND PRAIRIE CHAMBER OF COMMERCE (DALLAS, TEXAS)
GREATER DALLAS PLANNING COUNCIL
GREATER LOS ANGELES AFRICAN AMERICAN CHAMBER OF COMMERCE
GREATER SAN ANTONIO CHAMBER OF COMMERCE (TEXAS)
HARLINGEN, TEXAS AREA CHAMBER OF COMMERCE
HARLINGEN CITY COMMISSION (TEXAS)
HARLINGEN HISPANIC CHAMBER OF COMMERCE (TEXAS)
HARLINGEN, TEXAS AIRPORT BOARD
HEART OF LOS ANGELES YOUTH (INNER CITY YOUTH ORGANIZATION)
HISPANIC CONTRACTORS ASSOCIATION DE TEJAS

HOPKINS COUNTY (TEXAS)
HOUSTON HISPANIC CHAMBER OF COMMERCE (TEXAS)
HOUSTON INTOWN CHAMBER OF COMMERCE (TEXAS)
HOUSTON ROCKETS (NBA TEAM)
LANCASTER CHAMBER OF COMMERCE (TEXAS)
LEE COUNTY PORT AUTHORITY (FLORIDA)
LOVE FIELD ANTIQUE MALL (DALLAS, TEXAS)
LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION
MEXICAN-AMERICAN OPPORTUNITY FOUNDATION
MIDLAND ROCK HOUNDS (PROFESSIONAL BASEBALL)
MILPITAS CHAMBER OF COMMERCE
NASHVILLE CONVENTION AND VISITORS BUREAU
NATIONAL BLACK CHAMBER OF COMMERCE
NATIONAL HISPANIC MEDIA COALITION
NATIONAL TAXPAYERS UNION FOUNDATION
NEVADA STATE LEGISLATURES
NORTH DALLAS CHAMBER OF COMMERCE
NOSOTROS (LATINO ACTOR ORGANIZATION – HOLLYWOOD, CA)
PALM BEACH INTERNATIONAL AIRPORT
PHILADELPHIA AVIATION DIRECTOR, CHARLES ISDELL
PITTSBURGH INTERNATIONAL AIRPORT BOARD
RALEIGH-DURHAM INTERNATIONAL AIRPORT (NORTH CAROLINA)
ROCKWALL CHAMBER (TEXAS)
RONALD MCDONALD HOUSE CHARITIES OF LUBBOCK, TEXAS
RONALD MCDONALD HOUSE CHARITIES OF THE RIO GRANDE VALLEY , TEXAS
ROYSE CITY, TEXAS CHAMBER OF COMMERCE
ROUND ROCK EXPRESS (PROFESSIONAL BASEBALL)
SALT LAKE CITY CHAMBER OF COMMERCE RESOLUTION (UTAH)
SAN ANTONIO CONVENTION AND VISITORS COMMISSION (TEXAS)
SAN ANTONIO HISPANIC CHAMBER OF COMMERCE (TEXAS)
SAN ANTONIO HOTEL AND LODGING ASSOCIATION (TEXAS)
SAN ANTONIO SPURS (NBA)
SAN DIEGO COUNTY HISPANIC CHAMBER OF COMMERCE
SAN FRANCISCO HISPANIC CHAMBER OF COMMERCE
SAN JOSE DOWNTOWN ASSOCIATION
SAN JOSE JAZZ SOCIETY
SANTA CLARA CHAMBER OF COMMERCE (CALIFORNIA)
SILICON VALLEY KOREAN AMERICAN CHAMBER (CALIFORNIA)

SOUTH FLORIDA HISPANIC CHAMBER OF COMMERCE
SOUTH PADRE ISLAND CHAMBER OF COMMERCE (TEXAS)
TAMPA INTERNATIONAL AIRPORT
TEXAS PUBLIC POLICY FOUNDATION
U.S. HISPANIC CONTRACTORS ASSOCIATION
UTAH AIR TRAVEL COMMISSION
VALLEY INDUSTRY AND COMMERCE ASSOCIATION (LOS ANGELES)
WESTCHESTER/LAX- MARINA DEL REY CHAMBER OF COMMERCE (LOS ANGELES)
WILMER, TEXAS CHAMBER OF COMMERCE

TESTIMONY

OF

THE HONORABLE LAURA MILLER
MAYOR
CITY OF DALLAS

BEFORE THE

SUBCOMMITTEE ON AVIATION

COMMITTEE
ON
TRANSPORTATION & INFRASTRUCTURE

UNITED STATES HOUSE OF REPRESENTATIVES

July 12, 2006

Testimony of the Honorable Laura Miller
July 12, 2006

Chairman Mica, Ranking Member Costello and Members of the Subcommittee: Thank you for the opportunity to testify on the agreement reached by the City of Dallas, the City of Fort Worth, the Dallas-Fort Worth International Airport Board, Southwest Airlines and American Airlines (the five parties). Much like the agreement that led to the creation of Dallas-Fort Worth International Airport 32 years ago, this agreement represents the best in regional cooperation and signals that, whatever our past differences over Love Field, the cities of Dallas and Fort Worth are committed to working together on behalf of our region's future. The five-party agreement as approved by the Dallas City Council is attached to my testimony. Each of the five parties represented here will address different aspects of it.

Before I proceed with my testimony, I would like to thank the entire North Central Texas delegation for their work on this issue and for their encouragement and support as we addressed this issue locally. I would particularly like to take advantage of this opportunity to thank two members of this Subcommittee, Representative Eddie Bernice Johnson and Representative Kenny Marchant, for their leadership on this issue and for all of their hard work on behalf of Dallas. And I would be remiss if I did not thank my good friend and partner, Fort Worth Mayor Mike Moncrief, for his leadership and for his dedication to regional planning and cooperation. Both of us benefited from the help and support of our business community and I am very grateful to them as well.

Testimony of the Honorable Laura Miller
July 12, 2006

Four months ago our Congressional delegation asked us to find a local solution to the problems arising out of the Wright Amendment. The problems surrounding this issue are complex and the interests are in many cases entrenched. The rift between the two cities for too long has kept the fifth largest metropolitan area in America from developing its full economic potential; it was important that we address this issue head on.

After strenuous negotiations, the five parties reached an agreement that will also serve the interests of our regional economy, the traveling public and the Dallas citizens who live near Love Field. There are those who argue that the five-party agreement goes too far and others who say that it does not go far enough. However, any agreement between these five parties that also has the support of the communities neighboring Love Field and the business community must have gotten it mostly right. Erle Nye, President of the Chamber of Commerce, has been deeply involved and fully supportive of the whole process. The Love Field Citizen's Action Committee has written letters expressing their support for the five-party agreement to Chairman Young and Ranking Member Oberstar of the full Committee and I would ask that those letters be entered into the record as part of my testimony.

This landmark agreement will gradually open Love Field to allow direct, non-stop flights to and from cities throughout the United States in a manner that protects surrounding neighborhoods from increased noise, traffic and pollution

and in a manner that allows Dallas-Fort Worth International Airport to cement its lead role in our regional economy. If implemented, it will increase competition and improve airline service for the 5.3 million people who call our region home and for the thousands of travelers who visit us each year.

The five-party agreement will free Love Field from almost 30 years of federal control. As importantly, it will allow Dallas to move forward in updating the Love Field Master Plan. That plan as approved in 2001 assumed that Love Field would be forever subject to the Wright Amendment and could eventually develop up to 32 gates. A more recent study performed by our master plan consultants evaluated the community impacts of the plan for a post-Wright Amendment environment. They concluded that the master plan goals can be fully implemented under the 20-gate limit set by the five-party agreement. In addition to maintaining the ground traffic, noise and air quality impacts of the air service that 32 gates with the Wright Amendment would bring, the 20-gate limit without the Wright Amendment will also enhance safety and efficiency.

A few airlines have complained that the five-party agreement would bar new carriers from Love Field. Not so. There will be room for new entrant airlines and for new service to other destinations from our airport – now and after the airport is reconfigured. Today, our 19 gates currently in use are not at capacity. New entrants are welcome under Dallas's existing sharing provisions, which will not change under this agreement.

Under this new agreement, travelers using a 20-gate Love Field will also benefit from a much improved airport. As part of the five-party agreement, the City of Dallas has agreed to invest between $150 million and $200 million for a wide variety of upgrades at Love Field consistent with the Love Field Master Plan, to be funded through landing fees, space rental charges and Passenger Facility Charges. These investments will improve operations, increase safety, improve the traveler's experience and boost the airport's bottom line. These investments include two components to address safety issues:

- Adding 1000 feet to the Runway Safety Areas off the north ends of Love Field's two parallel runways in order to bring them into compliance with federal requirements and
- Building a new, $8 million public safety and crisis management facility that will enhance security and emergency response by combining the administrative functions of the Dallas Airport Police, Dallas Fire and Rescue, Airport Operations and the Controlled Access Security System in a facility separate from the Main Terminal Building.

In addition, under the five-party agreement, the City of Dallas is committed to other improvements at Love Field, including expansion of retail concessions ($4 million), renovation of the central lobby ($20 million), a new cargo building ($6 million), renovation of the intersection of Mockingbird Lane and Cedar Springs Road at the airport entrance ($20 million), a new ticket wing and

pedestrian bridge ($34 million), renovation of the concourse ($70 million) and landscaping ($10 million).

In addition to those improvements, the City will fund any construction, renovation or demolition work related to limiting operations at Love Field to 20 gates and will explore construction of a people mover to directly connect the terminal at Love Field with a planned station along the Dallas Area Rapid Transit Northwest Light Rail Line one mile west of the airport.

Mr. Chairman, this landmark agreement represents the best in regional cooperation. It will improve service for the flying public, improve safety and efficiency at Love Field in a manner that minimizes impacts on adjacent neighborhoods and cement Dallas-Fort Worth International Airport as the hub of our regional economy. We need your help to make it happen and I urge Congress to enact implementing legislation as quickly as possible. Thank you again for your interest in this important issue and for the opportunity to testify in favor of the five-party agreement.

COUNCIL CHAMBER

June 28, 2006

DALLAS RESOLUTION NO. 061838
FORT WORTH RESOLUTION NO. _____

A CONCURRENT RESOLUTION OF THE CITY COUNCILS OF THE CITIES OF DALLAS AND FORT WORTH, TEXAS: (1) APPROVING THE JUNE 15, 2006 JOINT STATEMENT AMONG THE CITY OF DALLAS, CITY OF FORT WORTH, SOUTHWEST AIRLINES, AMERICAN AIRLINES AND DFW INTERNATIONAL AIRPORT (THE "PARTIES") TO RESOLVE THE "WRIGHT AMENDMENT" ISSUES; (2) AUTHORIZING THE EXECUTION OF A CONTRACT BETWEEN THE PARTIES INCORPORATING THE TERMS OF THE JUNE 15, 2006 JOINT STATEMENT; AND (3) REQUESTING THE UNITED STATES CONGRESS TO INCORPORATE THE TERMS OF THE JUNE 15, 2006 JOINT STATEMENT IN ANY LEGISLATION ENACTED BY CONGRESS REGARDING THE WRIGHT AMENDMENT

WHEREAS, the Cities of Dallas and Fort Worth, Texas (the "Cities") jointly own the Dallas/Fort Worth International Airport ("DFW") which is operated for and on behalf of the Cities by a Joint Airport Board (the "Board") pursuant to the terms, provisions and requirements of a certain "Contract and Agreement" between the Cities and pursuant to the terms, provisions and requirements of the "1968 Regional Airport Concurrent Bond Ordinance" (as amended and supplemented, the "1968 Ordinance"); and

WHEREAS, pursuant to the 1968 Ordinance and various ordinances supplemental thereto (the 1968 Ordinance and the supplemental ordinances being referred to herein collectively as the "Outstanding Ordinances"), the Cities heretofore issued and there are currently outstanding Joint Revenue Bonds of the Cities, the proceeds of which were used to construct, improve, enlarge and equip DFW; and

WHEREAS, the Cities each own and operate other airports that provide various aviation and air carrier services in the Dallas/Fort Worth metropolitan area; and

WHEREAS, the Outstanding Ordinances set forth certain provisions relating to other airports owned by the Cities, which airports by their nature may be potentially competitive with the operation of DFW, including the covenants to take certain actions as may be necessary, appropriate and legally permissible to limit certificated air carrier services at such airports; and

WHEREAS, subsequent to the adoption of the 1968 Ordinance, including the covenants contained therein regarding competition with DFW by other airports owned by the Cities, the Congress of the United States passed and enacted the Airline Deregulation Act of 1978, pursuant to which provisions restricting permitted flight destinations by commercial air carriers were eliminated; and

APPROVED _____ HEAD OF DEPARTMENT APPROVED _____ CITY CONTROLLER APPROVED _____ CITY MANAGER

COUNCIL CHAMBER

061838
June 28, 2006

WHEREAS, in February 1980, the Congress enacted Section 29 of the International Air Transportation Competition Act of 1979, commonly referred to as the " Love Field Amendment" or "Wright Amendment" and declared it to be consistent with the public convenience and necessity to limit air carrier service out of Dallas Love Field Airport ("Love Field") (i) to any interstate destination in an aircraft having a passenger capacity of 56 seats or less (the "Commuter Aircraft Exception"), or on charter flights not exceeding 10 per month, and (ii) to points within Texas and the four states adjacent to Texas (Louisiana, Arkansas, Oklahoma and New Mexico) in aircraft of any size, subject to certain restrictions on through service or ticketing; and

WHEREAS, in 1997, Congress passed an amendment to the Wright Amendment, commonly referred to as the Shelby Amendment, that (i) expanded the adjacent-state rule of the Wright Amendment to allow aircraft of any size to fly to three additional states (Kansas, Alabama, and Mississippi) and (ii) provided that aircraft weighing not more than 300,000 pounds that is reconfigured to accommodate 56 or fewer passenger would comply with the Commuter Aircraft Exception of the Wright Amendment and such aircraft could fly to and from Love Field to any interstate destination; and

WHEREAS, in 2005, Congress again passed an amendment to the Wright Amendment which expanded the adjacent-state rule to add the state of Missouri, thereby allowing aircraft of any size to fly to and from Love Field to any point within Texas, Alabama, Arkansas, Kansas, Louisiana, Mississippi, Missouri, Oklahoma, and New Mexico, subject to certain restrictions on through service or ticketing; and

WHEREAS, certain Congressional leaders have introduced legislation to either repeal or further modify the restrictions of the Wright Amendment, which could impact air capacity and air service in the North Central Texas region; and

WHEREAS, certain Members of Congress informed the Cities that it would be preferable for the Cities to present a local solution for addressing airport capacity and air service needs in the North Central Texas region and particularly, in the Dallas/ Fort Worth metropolitan area, prior to any further action being taken by Congress that would directly impact such aviation services in the region; and

APPROVED _____ HEAD OF DEPARTMENT APPROVED _____ CITY CONTROLLER APPROVED _____ CITY MANAGER

COUNCIL CHAMBER
061838
June 28, 2006

WHEREAS, in response to various pending and proposed Congressional actions that would further affect, modify, or repeal the Wright Amendment, the City Councils of Dallas and Fort Worth, on March 8, 2006 and March 7, 2006, respectively, passed a Concurrent Resolution (identified as Dallas Resolution No. 06-0870 and Fort Worth Resolution No. 3319-03-2006), requesting members of the United States Congress to refrain from taking any action regarding, or making any further amendments to, the Wright Amendment in order to allow the Cities an opportunity to work towards a local solution for addressing airport capacity and air service in the North Central Texas region, and to present a mutually agreed upon plan to the Congress for its consideration; and

WHEREAS, the City of Dallas, pursuant to Resolution No. 06-0997, adopted April 6, 2006, commissioned an Impact Analysis/Master Plan Update for Love Field by DMJM Aviation, Inc., to provide updated information and analysis as to aircraft noise, air quality, traffic impact, and economic impact at Love Field if the Wright Amendment were repealed or substantially modified; and

WHEREAS, the Love Field Impact Analysis/Master Plan Update prepared by DMJM Aviation, Inc., and GRA, Inc., found that, in the absence of the Wright Amendment, the overall impacts of operating 20 gates at Love Field under a "No Wright Amendment scenario" are the most comparable to the environmental thresholds agreed to and established in the 2001 Master Plan/Impact Analysis 32 Gate scenario with the Wright Amendment in place; and

WHEREAS, after investigation and analysis of the available facts and giving due consideration to the economic, environmental, and personal welfare and interests of their respective residents, the general public, and the holders of DFW Airport Joint Revenue Bonds, the Cities conferred, deliberated, and agreed to a local solution regarding the Wright Amendment and related matters that best serves such interests given the likelihood that Congress could take action to repeal or substantially modify the Wright Amendment; and

WHEREAS, the local solution was agreed to by the City of Dallas, City of Fort Worth, Southwest Airlines, American Airlines and DFW International Airport (the "Parties") as evidenced by the Joint Statement Among the Parties to Resolve the "Wright Amendment" Issues executed June 15, 2006 (the "Joint Statement"); NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCILS OF THE CITIES OF DALLAS AND FORT WORTH, ACTING CONCURRENTLY:

Section 1. That the Joint Statement attached hereto as Exhibit A is hereby approved.

APPROVED _____ HEAD OF DEPARTMENT APPROVED _____ CITY CONTROLLER APPROVED _____ CITY MANAGER

COUNCIL CHAMBER
061838
June 28, 2006

Section 2. That following approval as to form by the Dallas City Attorney and approval as to form and legality by the Fort Worth City Attorney, the respective City Managers of the cities of Dallas and Fort Worth are hereby authorized to sign a contract between the Parties incorporating the terms of Exhibit A.

Section 3. That any legislation enacted by the Congress of the United States affecting or modifying the Wright Amendment, shall incorporate and implement the provisions and spirit of the Joint Statement set forth in Exhibit A.

Section 4. That anything set forth in this Resolution, the Joint Statement, and the contract authorized hereby incorporating the terms of Exhibit A that requires the expenditure of public funds or the creation of any monetary obligation by either of the cities be strictly subject to the appropriation of funds for such purposes or the provisions for the payment of such obligation through issuance of legally permissible bonds or other debt obligations.

Section 5. That nothing set forth in this Resolution, the Joint Statement, or the contract authorized herein, shall require the cities of Dallas or Fort Worth or the DFW Airport Board to take any action that would result in: **(i)** the loss of eligibility for future Federal airport grants for either city or the DFW Airport Board, or **(ii)** FAA disapproval of any Passenger Facility Charge Application for either city or the DFW Airport Board, or **(iii)** either city or the DFW Airport Board being found to be in non-compliance with its existing obligations under Federal aviation law.

Section 6. That the Resolution shall take effect only from and after passage by both the City Councils of Dallas and Fort Worth.

APPROVED HEAD OF DEPARTMENT APPROVED CITY CONTROLLER APPROVED CITY MANAGER

TESTIMONY

OF

THE HONORABLE MIKE MONCRIEF
MAYOR
CITY OF FORT WORTH, TEXAS

BEFORE THE

SUBCOMMITTEE ON AVIATION

COMMITTEE
ON
TRANSPORTATION & INFRASTRUCTURE

UNITED STATES HOUSE OF REPRESENTATIVES

July 12, 2006

Chairman Mica, and members of the Aviation Subcommittee: It is indeed an honor to appear before you as mayor of one of the fastest growing large cities in our nation—Fort Worth, Texas.

Let me first say that I fully understand your time is valuable. I will be brief. We deeply respect the jobs you do, and we thank you for giving us a forum to discuss the significance of this local agreement. The debate over the Wright Amendment has been long and turbulent; with passionate arguments on all sides. It goes without saying that I'm delighted to be here in support of a proposal that would settle this local issue, which has at times divided a region.

I am most appreciative of my colleague and friend, Dallas Mayor Laura Miller, for her partnership during this process. (Of course there were times when we would have to agree to disagree.) But in the end, I am proud that our two cities worked jointly toward what was best for our citizens, the flying public, the airlines, and our airports. We also owe a great deal of gratitude to the leadership of Dallas/Fort Worth Airport, American Airlines, and Southwest Airlines for their willingness to chart a new path.

I especially want to thank Senator Kay Bailey Hutchison who, along with Senator John Cornyn, urged us to forge this compromise. I also want to thank Chairman Joe Barton, Representatives Kay Granger, Michael Burgess, Eddie Bernice Johnson, and the rest of our North Texas delegation for their support. Although our target was elusive, I believe

we produced what we were asked to construct by our Congressional leaders: A local solution to a local problem.

In my years of public service, I have never been involved in more intense, challenging, and non-stop negotiations. Each of us spent countless hours, days, weeks, and months cussing and discussing pros and cons. Our compromise is an example of what happens when everyone shares in the pain to make something significant take place. All parties involved have, what I like to say – "some skin in the game."

Sometimes the best decisions are ones where no one really gets everything they want, but rather where everyone walks away at least feeling that the greater good has been served. Our compromise is a case in point. Ultimately, we are presenting you with a fair and balanced product. It is an agreement that—as Mayor—I can represent to you the leaders of Fort Worth firmly stand behind.

This is bigger than two cities, two airlines, or two airports. This settlement affects thousands of families, and it affects businesses large and small alike. This plan has enormous implications for the Dallas/Fort Worth regional economy (one of the largest in the world) as it will protect countless local jobs and preserve the future of our Metroplex.

Our agreement is predicated upon the condition that Congress will enact legislation to implement both the terms and spirit of our proposal. While we are proud of our accomplishments thus far, it will be for naught if Congress alters or fails to adopt this

compromise as presented. We understand the difficult task ahead of you, and we are counting on you to put an end to this debate—for good.

If we all do our jobs, the provisions of this local agreement will be adopted as federal law and we will have a binding contract between all parties. Our local city councils and this Congress can move on to other important issues, and this very difficult challenge will not be left at the feet of future leaders.

If we do our jobs, the largest airline in the world – American, and the largest domestic air carrier in the United States – Southwest can focus their energy on competing in the air, not in the halls of Congress. They can stop spending money on lawyers, lobbyists, and campaign-style advertisements.

If we do our jobs, Dallas/Fort Worth Airport, our region's most important economic engine and job creator, can continue being a gateway to the world. All Americans – your constituents and ours – will ultimately be free to fly anywhere in the United States, and they can realize a future filled with healthy airline competition that will lead to more competitive airfares.

However, should Congress fail to carry through this local compromise, sadly but certainly, everyone, including the public—our citizens, will lose.

By our presence today, we—the parties to this agreement—affirm our approval of this local solution that was negotiated in the best interest of the citizens and economies of the Dallas/Fort Worth Metroplex. We urge your strong support of our legislative proposal without amendments. Thank you for your time and consideration.

STATEMENT of Rep. JON PORTER (R-NV)
House Transportation and Infrastructure Committee
Subcommittee on Aviation
July 14, 2006

Mr. Chairman, I thank you for holding this hearing today on Reforming the Wright Amendment.

America's airline industry is one of the most important sectors of our nation's economy. As a Member of Congress, that represents one of the most desirable tourist destinations in the world, I understand the importance of the airline industry to a states economy and its localities which is why I oppose the Wright Amendment.

Southern Nevada is home to McCarran International Airport, in Las Vegas, which is one of the world's busiest airports and is currently ranked fifth in the world with over 45 million travelers passing through its terminal each year.

For almost thirty years, the Wright Amendment has been a highly contentious issue. As a result of the Wright Amendment, Love Field is the only airport in the nation that has stringent regulations on many aspects of its operations. Southwest Airlines, the dominant air carrier out of Love Field, has managed to overcome these hurdles while becoming the nation's most successful airline.

Congress has imposed restrictions in other regions of the country. For instance, perimeter rules have been implemented for Regan Washington National Airport and La Guardia however, Congress has not restricted the airlines in these regions from seeking to market travel to points beyond their perimeter and there are no regulations on through ticketing.

The compromise reached by Dallas, Fort Worth, the DFW Airport Board, Southwest Airlines, and American Airlines promises to solve this complex issue in the years ahead. As the experts in the field work to solve the problems they face and work out a viable resolution it is important that this body provide support and assistance when necessary.

I am extremely interested in hearing the comments from my fellow subcommittee members as well as the testimony from the witnesses. I yield back

STATEMENT OF THE
THE HONORABLE JAMES L. OBERSTAR, M.C.
HOUSE AVIATION SUBCOMMITTEE HEARING ON
REFORMING THE WRIGHT AMENDMENT
JULY 12, 2006

I want to thank Chairman Mica and Ranking Member Costello for holding this hearing on the agreement reached by the Cities of Dallas and Fort Worth, the Dallas/ Fort Worth International Airport Board, American Airlines and Southwest Airlines to reform the Wright Amendment. I have long been involved in this issue, and what the subject of Love Field may lack in national or international glitter, it certainly makes up for in intensity of feelings, economic consequences, and in regional and local drama. The Wright Amendment was an effort by our former colleague, Jim Wright, then Majority Leader, later, Speaker Wright, to codify an agreement reached in 1979 among the Dallas and Fort Worth business and political communities, and Southwest Airlines, which resisted efforts to move its operations to the newly opened Dallas/Fort Worth (DFW) Airport. This agreement ensured that DFW would be the primary airport for the DFW metropolitan region, and that Love Field would remain a limited, short haul airport.

The DFW communities entered into this compact only after the then-Civil Aeronautics Board and also the then Federal Aviation Administrator (FAA) Najeeb Halaby, made clear to community leaders that it was not in the public interest for the Federal government to continue to fund competing airports so close in proximity. It

was under this Federal direction that both cities agreed to consolidate commercial service at the new airport, thus paving the way for the construction of DFW, which commenced operations in 1974.

Now the Dallas and Fort Worth communities, along with American Airlines and Southwest Airlines, have come together and hammered out a new agreement that would, in their view, make repealing the Wright Amendment acceptable. The agreement boils down to three core provisions: 8 years after enactment of legislation, the Wright Amendment will be repealed; then immediately eliminate the restrictions on through-ticketing from Love Field; and cap Love Field gates at 20 in perpetuity. While I praise the DFW communities and the airlines for their hard work, I believe that two important issues must be addressed in any legislation that stems from the parties' agreement.

This first issue is safety. Love Field is approximately 8 miles from DFW. In 1991, when I served as Chairman of the Aviation Subcommittee, I held a hearing during which significant safety concerns were raised regarding the potential expansion of flights at Love Field. Many witnesses attending that hearing expressed concern that the proximity of approach and departure procedures to and from both DFW and Love Field, along with conflicting flight patterns could decrease the margin of safety. The witnesses expressing these concerns included former Congressmen Martin Frost

and Pete Geren, then-Mayor of Fort Worth, Kay Granger, as well as former Congressman Jim Inhofe, a Member of the Committee at the time. Perhaps former FAA Administrator, and primary architect of the deal to build DFW, Najeeb Halaby said it best:

> Love Field, an overstressed, noise-ridden, in-town airport, was incapable of growth then, and is incapable of growth now . . . The regional airspace was growing congested then, and is growing even more congested now, 30 years later. The margin of safety, the cushion that we always seek, was reduced then, and if the Wright Amendment is repealed, it could be reduced now.

While I have the utmost confidence in our nation's air traffic controllers, I want to ensure that by adding more flights at Love Field, we are not "reducing the cushion of safety." Controllers should neither be placed in a position to have to slow down air traffic to accommodate the safety margin, nor should they be compelled to "operate at the outside of the power curve" to avoid delays in and around the Dallas-Fort Worth area. That is why I would insist that any legislation implementing this agreement include a provision that would require the FAA to certify that aviation operations in the airspace serving Love Field and the Dallas-Fort Worth area facilitated by the parties' agreement can be accommodated without any adverse effect on safety in accordance with the FAA's mandate to maintain safety or efficiency at the highest possible level.

The second issue is competition. The agreement would change the gate availability at Love Field to greatly increase the difficulty of any carrier other than Southwest or American being able to serve Love Field. Currently, there are 32 gates at Love Field, with 19 in use, and 13 available for new entrants. The agreement would reduce the gates to 20, and allocate all of these gates to American, Southwest, and Continental. A prospective new carrier would have to rely on the provision in the agreement that calls for a "voluntary accommodation from . . . existing carriers to accommodate the new entrant service." Carriers opposed to this agreement contend that "voluntary accommodation" would put any new entrant carrier at the mercy of the incumbent carrier as to gates, operations facilities and times for arrivals and departures on any given day. There are slot-controlled airports in our aviation system, but this would be the first gate-controlled airport. The uncertainty as to whether gates would be available at the times a new entrant would want to operate its flights, or in the number necessary to operate the desired amount of service, would effectively prohibit any meaningful new entrant service at Love Field. I believe that the issue of new entrant competition deserves some critical review, and should be addressed directly and fairly in the legislation.

Accordingly, I urge my fellow Members to cautiously approach any repeal of the Wright Amendment in the context of the parties' agreement to ensure that these

very important safety and competition concerns are effectively dealt with in the legislation.

July 11, 2006

VIA FACSIMILE NO. (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515-4304

Re: The Wright Amendment

Dear Congressman Hall:

After reading the attached Joint Statement released by the Cities of Dallas and Fort Worth, Southwest and American Airlines, and the DFW International Airport, addressing issues concerning the "Wright Amendment," I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

The efforts of the Cities of Dallas and Fort Worth, joined by their partners, Southwest Airlines, American Airlines and DFW International Airport, are a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the city limits of the Cities of Dallas and Fort Worth.

Please accept my appreciation in advance for your consideration and assistance and, if you need any additional information to pursue this matter, please do not hesitate to contact me via telephone at 903-227-4626 or admin@druebynum.com .

Respectfully yours,

Drue Bynum
Grayson County Judge Elect

AmericanAirlines

CONTRACT
AMONG THE CITY OF DALLAS, THE CITY OF FORT WORTH, SOUTHWEST AIRLINES CO., AMERICAN AIRLINES, INC., AND
DFW INTERNATIONAL AIRPORT BOARD INCORPORATING THE SUBSTANCE OF THE TERMS OF THE JUNE 15, 2006 JOINT STATEMENT BETWEEN THE PARTIES TO RESOLVE THE "WRIGHT AMENDMENT" ISSUES

WHEREAS, certain Members of the United States Congress have introduced legislation to either repeal or further modify the restrictions of the Wright Amendment, as amended by the 1997 Shelby Amendment and the 2005 Amendment (herein referred to as the "Wright Amendment"), or prohibit commercial air passenger service at Dallas Love Field Airport ("Love Field"); and

WHEREAS, certain Congressional leaders informed the Cities of Dallas and Fort Worth (collectively, the "Cities") that it would be preferable for the Cities to present a local solution for addressing airport issues in the North Central Texas region and particularly, in the Dallas/ Fort Worth metropolitan area, prior to any further action being taken by Congress that would directly impact aviation services in the region; and

WHEREAS, in response to various pending and proposed Congressional actions that would further affect, modify, or repeal the Wright Amendment, the City Councils of Dallas and Fort Worth, on March 8, 2006 and March 7, 2006, respectively, passed a Concurrent Resolution (identified as Dallas Resolution No. 06-0870 and Fort Worth Resolution No. 3319-03-2006), requesting members of the United States Congress to refrain from taking any action regarding, or making any further amendments to, the Wright Amendment in order to allow the Cities an opportunity to work towards a local solution for addressing airport issues in the North Central Texas region, and to present a mutually agreed upon plan to the Congress for its consideration: and

WHEREAS, the City of Dallas, pursuant to Resolution No. 06-0997, adopted April 6, 2006, commissioned an Impact Analysis/Master Plan Update for Love Field by DMJM Aviation, Inc., to provide updated information and analysis as to aircraft noise, air quality, traffic impact, and economic impact at Love Field if the Wright Amendment were repealed or substantially modified; and

WHEREAS, the Love Field Impact Analysis Update prepared by DMJM Aviation, Inc. and GRA, Inc. found that, in the absence of the Wright Amendment, the overall impacts of operating 20 gates at Love Field under a "No Wright Amendment scenario" are the most comparable to the environmental thresholds agreed to and established in the 2001 Master Plan/Impact Analysis 32 gate scenario with the Wright Amendment in place; and

WHEREAS, earlier this year, the Honorable Laura Miller, Mayor of Dallas, and the Honorable Mike Moncrief, Mayor of Fort Worth, held a series of meetings with interested parties in an effort to reach a local agreement regarding Love Field that would end the prolonged and divisive controversies between the two Cities and that would serve and protect the interests of all citizens of the Dallas-Fort Worth area, including

residents living in the vicinity of Love Field, as well as business, consumer, and other constituencies affected by the Love Field controversies; and

WHEREAS, after investigation and analysis of the available facts and giving due consideration to the economic, environmental, and personal welfare and interests of their respective residents, the general public, and the holders of DFW Airport Joint Revenue Bonds, the Cities of Dallas and Fort Worth conferred, deliberated, and agreed to a local solution regarding the Wright Amendment and related matters that best serves such interests given the likelihood that Congress could take action to repeal or substantially modify the Wright Amendment; and

WHEREAS, the Mayors, in consultation with other leaders in the two cities, first were able to reach a basic agreement between themselves and with representatives of the Dallas/Fort Worth International Airport Board ("DFW Board"); and

WHEREAS, the Mayors, representatives of the DFW Board, and other governmental officials then met separately with Southwest Airlines and American Airlines to advise those airlines that the local governments would announce a local solution and recommend it to Congress and that they wanted the airlines to consent to, and endorse, the local solution; and

WHEREAS, the Mayors and representatives of the DFW Board thereafter conducted certain limited negotiations separately with Southwest Airlines and American Airlines; and

WHEREAS, Southwest Airlines and American Airlines concluded, separately, that the local solution reached among, and urged upon them by, the local governments would be favorably received by the Congress, and that under the circumstances presented, the airlines should support the effort of the Cities and the DFW Board and acquiesce in, and agree to support, the local solution; and

WHEREAS, the City Councils of Dallas and Fort Worth, on June 28, 2006 and July 11, 2006, respectively, passed a Concurrent Resolution (identified as Dallas Resolution No. 06-1838 and Fort Worth Resolution No. 3386-07-2006) and the DFW Board on June 29, 2006 passed Resolution No. 2006-06-210, approving the Joint Statement signed by the City of Dallas, City of Fort Worth, Southwest Airlines, American Airlines, and the DFW Board on June 15, 2006, authorizing the execution of this Contract between the Parties incorporating the substance of the Joint Statement, and requesting the United States Congress to enact legislation consistent therewith;

Therefore, the Parties agree as follows:

ARTICLE I.

1. The City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and DFW Board, (herein, the "Parties,") agree to seek the enactment of legislation to allow for the full implementation of this Contract including, but not limited to, amending section 29 of the International Air Transportation Competition Act of 1979, more commonly known as the "Wright Amendment" and ultimately effect its repeal as follows:

    a. To immediately allow airlines serving Love Field to offer through ticketing between Love Field and any destinations (including international destinations) through any point in Texas, New Mexico, Oklahoma, Kansas, Arkansas, Louisiana, Mississippi, Missouri, and Alabama, and to market such services;

b. Except as provided herein, to eliminate all the remaining restrictions on air service from Love Field after eight years from the enactment of legislation; and

c. To limit charter flights as set forth in Article II, Section 16 of this Contract.

2. The Parties agree that non-stop international commercial passenger service to and from the Dallas-Fort Worth area shall be limited exclusively to DFW International Airport ("DFW Airport"). The Cities shall work jointly to encourage all such flights into DFW Airport.

3. The Parties agree that consistent with a revised Love Field Master Plan, based upon the 2006 Love Field Impact Analysis Update prepared by DMJM Aviation, Inc., the number of gates available for passenger air service at Love Field will be, as soon as practicable, reduced from the 32 gates envisioned in the 2001 Love Field Master Plan to 20 gates and that Love Field will thereafter be limited permanently to a maximum of 20 gates.

a. Airlines may not subdivide a "gate." A gate shall consist of one passenger hold room and one passenger loading jet bridge supporting one aircraft parking space, and no hardstand operations, except as allowed herein, shall be permitted. Nothing shall preclude any airline from utilizing hardstands for RON parking, maintenance, training, or for irregular operations (i.e. flights that were scheduled originally for one of the twenty available gates and cannot be accommodated thereon due to weather, maintenance or unforeseen emergencies), or other uses that do not involve passenger air service.

b. American Airlines and Southwest Airlines agree to voluntarily surrender gate rights under existing leases in order to reduce the number of gates as necessary to implement this agreement. During the four year period from the date the legislation as provided herein is signed into law: Southwest Airlines shall have the preferential use of 15 gates under its existing lease to be used for passenger operations; American Airlines shall have the preferential use of 3 gates under its existing lease to be used for passenger operations; and ExpressJet Airlines, Inc., shall have the preferential use of 2 gates under its existing lease to be used for passenger operations. Thereafter, Southwest Airlines shall have the preferential use of 16 gates under its existing lease to be used for passenger operations; American Airlines shall have the preferential use of 2 gates under its existing lease to be used for passenger operations; and ExpressJet Airlines, Inc., shall have the preferential use of 2 gates under its existing lease to be used for passenger operations. In consideration of Southwest Airlines' substantial divestment of gates at Love Field and the need to renovate or reconstruct significant portions of the concourses, Southwest Airlines shall have the sole discretion (after consultation with the City) to determine which of its gates it uses within its existing leasehold at Love Field during all phases of reconstruction. Upon the earlier of (i) the completion of the concourse renovation, or (ii) 4 years from the date the legislation as provided herein is signed into law, all Parties agree that facilities will be modified as necessary, up to and including demolition, to ensure that Love Field can accommodate only 20 gates for passenger service. To the extent a new entrant carrier seeks to enter Love Field, the City of Dallas will seek voluntary accommodation from its existing carriers to accommodate the new entrant service. If the existing carriers are not able or are not willing to accommodate the new entrant service, then the City of Dallas agrees to require the sharing of preferential lease gates, pursuant to Dallas' existing lease agreements. To the extent that any existing airline gates leased at Love Field revert to the City of Dallas, these gates shall be converted to common use during the existing term of the lease.

4. The City of Dallas agrees that it will negotiate a voluntary noise curfew at Love Field precluding scheduling passenger airline flights between 11 p.m. and 6 a.m. Southwest Airlines and American Airlines shall enter into agreements with respect thereto with the City of Dallas.

5. The City of Dallas agrees that it will significantly redevelop portions of Love Field, including the modernization of the main terminal, consistent with a revised Love Field Master Plan based upon the Love Field Impact Analysis Update prepared by DMJM Aviation, Inc. (the "Love Field Modernization Program" or "LFMP"). In addition, the City agrees that it will acquire all or a portion of the lease on the Lemmon Avenue facility, up to and including condemnation, necessary to fulfill its obligations under this Contract. The City of Dallas further agrees to the demolition of the gates at the Lemmon Avenue facility immediately upon acquisition of the current lease to ensure that that facility can never again be used for passenger service.

   The Parties agree that a minimum investment of $150 million and up to a maximum of $200 million in 2006 dollars (the "Spending Cap"), as adjusted for inflation, will be made by the City of Dallas for the LFMP, and that the capital and operating costs for the LFMP may be recovered through increased landing fees, space rental charges, or Passenger Facility Charges ("PFCs"). The Parties contemplate that financing the LFMP will include both the retirement of existing debt and the issuance of new debt for the LFMP.

   The Spending Cap shall be exclusive of the costs connected with the acquisition and demolition of the Lemmon Avenue gates and of the capital costs associated with the development and construction of a "people mover" connector to the DART mass transit system ("the Connector"). The costs for the acquisition and demolition of the Lemmon Avenue gates will be recovered from airport users, but the capital costs for the Connector may not be included in airline terminal rents or landing fees, except as expressly provided for herein below. The City of Dallas may seek approval to use PFC revenues for the Connector, and Southwest Airlines agrees to support such application. The City of Dallas shall, in addition, seek state, federal, DART, and any other available public funds to supplement such PFC funds; provided, however, that nothing herein shall obligate the City of Dallas to undertake the Connector project. Notwithstanding the preceding, in the event PFC funds are not approved for the Connector, the City of Dallas may use airport funds for the Connector; provided, however, if airport funds are used for the Connector, the City of Dallas shall be obligated to apply for, and use, PFCs to pay for PFC eligible portions of the LFMP. In any event, the combined total spending for both the LFMP and the Connector, exclusive of PFCs, shall not exceed the Spending Cap, except as provided immediately below.

   In the event that PFCs are not approved for either the Connector or the LFMP, as provided herein, terminal rents and landing fees may be used for such improvements, thus exceeding the Spending Cap; provided, however, that the City shall use its best efforts to seek and use PFCs, state, federal, DART, and any other available public funds (other than City of Dallas general funds) as the only sources of funding for the Connector and to avoid impacting terminal rents and landing fees.

   Except as otherwise provided herein, capital costs in excess of the aforementioned Spending Cap that impact terminal rents and landing fees shall be subject to agreement between Southwest Airlines and the City of Dallas, except that, following consultation with Southwest Airlines, the City of Dallas may proceed with necessary projects required for reasons of safety, security, normal maintenance and repair, or federal mandate, and such costs may be included in terminal rents and

landing fees. The operating reserve of Love Field shall never exceed one year's operating costs (operating and maintenance plus debt service) during the term of Southwest Airlines' lease.

To recover the costs of the LFMP, the City of Dallas shall negotiate amendments of the Leases of Terminal Building Premises previously entered into with Southwest Airlines, American Airlines, and ExpressJet Airlines, Inc., and will also adopt City ordinances modifying the terminal rents and landing fees to be paid by airline users of Love Field.

Southwest Airlines and the City of Dallas shall agree on a phase-in of the LFMP and will decide which party will fund and manage the construction of the LFMP. Southwest Airlines' expenditures for its share of the LFMP's capital costs shall be credited toward the minimum and maximum requirements. To the extent possible, the LFMP shall be completed by the expiration of the 8-year period.

6. The Cities agree that they will both oppose efforts to initiate commercial passenger air service at any area airport other than DFW Airport (and Love Field, subject to the provisions contained herein) during the eight-year period. "Commercial passenger air service" does not include a spaceport or air taxi service as defined by Part 135 of the Federal Aviation Regulations. The Cities agree to jointly oppose any attempts to repeal or further modify the Wright Amendment earlier than the eight-year period. To the extent any other airport within an eighty-mile radius of Love Field seeks to initiate scheduled commercial passenger service within this eight-year period, both the Cities agree to work diligently to bring that service to DFW Airport, or if that effort fails, then to airports owned by the Cities of Dallas and/or Fort Worth.

7. The continuation of this Contract beyond December 31, 2006, is conditioned on Congress having enacted legislation prior thereto, allowing the Parties to implement the terms and spirit of this Contract. It is the position of the Parties that Congress should not exempt additional states from the Wright Amendment during the eight-year period before it is eliminated.

8. This Contract shall not be modified except upon mutual agreement of all of the Parties.

9. The Cities acknowledge their outstanding DFW Airport bond covenants, to the extent such covenants are legally enforceable, and nothing in this Contract is intended to nor shall contravene such covenants. By the execution of this Contract, Southwest Airlines does not surrender any of its rights to operate at Love Field except as explicitly outlined in this Contract.

10. If Southwest Airlines or its affiliate or code share partner (except for published/scheduled code share service from DFW Airport to Midway Airport as of June 14, 2006) chooses to operate passenger service from another airport within an 80-mile radius of Love Field in addition to its operations at Love Field, then for every such gate which Southwest Airlines, its affiliate or code share partner, operates or uses at another airport within this radius, Southwest Airlines will voluntarily relinquish control of an equivalent number of gates at Love Field, up to 8 gates and such gates shall be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to Southwest Airlines for its use on a common use basis. This requirement to relinquish gates shall expire in 2025. This provision shall not apply to a code share partner not operating under Southwest Airlines' or its affiliates' code at an airport within this 80-mile radius.

11. If American Airlines or its affiliate or code share partner chooses to operate passenger service from another airport within an 80-mile radius of Love Field in addition to its operations at DFW Airport and Love Field, then for every such gate which American Airlines, its affiliate or code share partner, operates or uses at another airport within this radius except for DFW Airport and Love Field, American Airlines will voluntarily relinquish control of an equivalent number of gates at Love Field, up to one and one-half gates and such gates shall be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to American Airlines for its use on a common use basis. This requirement to relinquish gates shall expire in 2025. This provision shall not apply to a code share partner not operating under American Airlines' or its affiliates' code at an airport within this 80-mile radius.

12. Each carrier shall enter into separate agreements and take such actions, as necessary or appropriate, to implement its obligations under this Contract. Similarly, the Cities shall enter into such agreements and take such actions, as necessary or appropriate, to implement the Contract. All such agreements and actions are subject to the requirements of law. Such agreements shall include amendments to: (i) American Airlines' Love Field terminal lease; and (ii) Southwest Airlines' Love Field terminal lease. The City of Dallas shall develop a revised Love Field Master Plan consistent with this Contract.

13. In the event that Congress at any time, enacts legislation that repeals the Wright Amendment sooner than the eight years identified in paragraph 1.b. of Article I. herein, or authorizes service (except for through ticketing service as contemplated by paragraph 1.a. of Article I. herein) between Love Field and one or more domestic or international destinations other than those currently allowed under the Wright Amendment during the eight year period, and if Southwest Airlines or its affiliate or code share partner commences non-stop service to or from Love Field to a destination not currently allowed under the Wright Amendment, then Southwest Airlines will voluntarily relinquish control of 8 gates and such gates will be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to Southwest Airlines for their use on a common use basis. This provision shall not apply to a code share partner not operating under Southwest Airlines' or its affiliates' code. Likewise, in the event that Congress, at any time, enacts legislation that repeals the Wright Amendment sooner than the eight years identified in paragraph 1.b. of Article I. herein, or authorizes service (except for through ticketing service as contemplated by paragraph 1.a. of Article I. herein) between Love Field and one or more domestic or international destinations other than those currently allowed under the Wright Amendment during the eight year period, and if American Airlines or its affiliate or code share partner commences non-stop service to or from Love Field to a destination not currently allowed under the Wright Amendment, then American Airlines will voluntarily relinquish control of half of its gates and such gates will be made available to other carriers. If other carriers are not interested in these gates, then they can be made available to American Airlines for its use on a common use basis. This provision shall not apply to a code share partner not operating under American Airlines' or its affiliates' code.

14. The Parties hereby represent to the Congress of the United States, and to the Citizens of the Dallas-Fort Worth area that they approve of and support the local solution as set forth in this Contract. The Parties each separately covenant that they will support, encourage and seek the passage of legislation necessary and appropriate to implement the terms and spirit of this Contract. The Parties each separately covenant that they will oppose any legislative effort that is inconsistent with the terms of this Contract.

15. The Parties agree that the final documentation to implement this local solution shall be consistent with all federal rules, regulations and laws. The Parties agree that for this Contract to be binding, it must be executed by all parties no later than July 15th, 2006.

16. If the U.S. Congress does not enact legislation by December 31, 2006, that would allow the Parties to implement the terms and spirit of this Contract, including, but not limited to, the 20 gate restriction at Love Field, then this Contract is null and void unless all parties agree to extend this Contract.

17. As part of this Contract, the City of Dallas agrees to grant American Airlines and Southwest Airlines options to extend their existing terminal leases until 2028.

ARTICLE II. ADDITIONAL PROVISIONS

1. SUBJECT TO FEDERAL GRANT ASSURANCES, ETC. Nothing in this Contract shall require the City of Dallas, the City of Fort Worth or the DFW Airport Board to take any action that would result in (i) the loss of eligibility for future Federal airport grants for either city or the DFW Airport Board or (ii) FAA disapproval of any Passenger Facility Charge (PFC) application for either city or the DFW Airport Board, or (iii) either city or the DFW Airport Board being found to be in non-compliance with its existing obligations under Federal aviation law.

2. FUNDING. Any capital spending obligations of the City of Dallas under this Contract for airport projects that require the expenditure of public funds or the creation of any monetary obligation shall be limited obligations, payable solely from airport revenues or the proceeds of airport revenue bonds issued by or on behalf of the City of Dallas, such revenue bonds being payable and secured by the revenues derived from the ownership and operation of Love Field. In order to satisfy its obligations hereunder, the City of Dallas agrees to use best efforts to issue and sell revenue bonds in such amounts and on terms that are commercially reasonable in the credit markets. Southwest Airlines and American Airlines hereby each agree to enter into such additional agreements that are necessary to facilitate the issuance of such revenue bonds, provided, however, nothing herein shall obligate either airline to be an obligor or guarantor of such bonds. Neither the obligations under this Contract nor the obligations with respect to such revenue bonds shall constitute a debt of the City of Dallas payable from, or require the payment or expenditure of funds of the City of Dallas from, ad valorem or other taxes imposed by the City of Dallas.

3. VENUE. The Parties agree that in the event of any litigation in connection with this Contract, or should any legal action be necessary to enforce the terms of this Contract, exclusive venue shall lie in either Dallas County, Texas or Tarrant County, Texas.

4. NON-LIABILITY FOR OTHER PARTIES' OBLIGATIONS, COSTS, AND ATTORNEYS FEES. Each Party hereunder shall only be responsible and liable for its own obligations, costs, and attorneys fees in connection with the performance of this Contract, or any dispute or litigation that may arise in connection with this Contract.

5. APPLICABLE LAWS AND REPRESENTATIONS. This Contract is made subject to the provisions of the Charter and ordinances of the cities of Dallas and Fort Worth, in existence as of the date hereof, and all applicable State and federal laws. Each City, as to itself only, represents and warrants that its existing Charter and ordinances do not preclude such City from executing this

Contract or performing its obligations under this Contract in accordance with its terms. American Airlines, Southwest Airlines and the DFW Board, each as to itself only, represent and warrant that it has the full power and authority to enter into this Contract and perform its obligations under this Contract in accordance with its terms.

6. EFFECTIVE DATE. Notwithstanding anything to the contrary herein, the Parties agree that (i) Sections 1, 7, 8, 9, 14, 15, and 16 of Article I. and all Sections of Article II. shall take effect as of the last date of execution of this Contract by any of the Parties and (ii) the remaining Sections of Article I. shall take effect on the date that legislation that would allow the Parties to implement the terms and spirit of this Contract is signed into law.

7. NON-SEVERABILITY.
(a) The terms of this Contract are not severable. Therefore, in the event any one or more of the provisions contained in this Contract shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then this Contract shall be considered null and void and unenforceable, except as otherwise may be agreed to by all Parties.
(b) Notwithstanding paragraph (a) hereof, each Party shall use its best efforts to restore or replace the affected provisions so as to effectuate the original intent of the Parties.

8. COUNTERPARTS. This Contract may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

9. CAPTIONS. The captions to the various clauses of this Contract are for informational purposes only and shall not alter the substance of the terms and conditions of this Contract.

10. SUCCESSORS AND ASSIGNS; SUBLESSEES. This Contract shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns. Further, the Parties agree that any sublessee or other entity who subleases or uses either American Airlines' or Southwest Airlines' gates at Love Field is subject to and bound by the terms of this Contract, including, but not limited to, paragraph 13 of Article I.

11. NO THIRD PARTY BENEFICIARIES. The provisions of this Contract are solely for the benefit of the Parties hereto; and nothing in this Contract, express or implied, shall create or grant any benefit, or any legal or equitable right, remedy, or claim hereunder, contractual or otherwise, to any other person or entity.

12. NOTICES. All notices required or permitted under this Contract shall be personally delivered or mailed to the respective Parties by depositing same in the United States mail, postage prepaid, at the addresses shown below, unless and until the Parties are otherwise notified in writing of a new address by any Party. Mailed notices shall be deemed communicated as of five days after mailing.

If intended for the City of Dallas:	With a copy to:
City Manager, City of Dallas City Hall, Room 4EN 1500 Marilla Street Dallas, Texas 75201	City Attorney, City of Dallas Dallas City Hall, Rm. 7CN 1500 Marilla Street Dallas, Texas 75201

If intended for the City of Fort Worth:

City Manager, City of Fort Worth
1000 Throckmorton
Fort Worth, Texas 76102

With a copy to:

City Attorney, City of Fort Worth
1000 Throckmorton
Fort Worth, Texas 76102

If intended for the DFW International Airport Board:

Chief Executive Officer
DFW International Airport Board
P.O. Drawer 619428
3200 E. Airfield Drive
DFW Airport, TX 75261-9428

With copy to:

Legal Counsel
DFW International Airport Board
P.O. Drawer 619428
3200 E. Airfield Drive
DFW Airport, TX 75261-9428

If intended for American Airlines, Inc.:

Chief Executive Officer
American Airlines, Inc.
4333 Amon Carter Blvd., MD 5621
Fort Worth, Texas 76155

With copy to:

General Counsel
American Airlines, Inc.
4333 Amon Carter Blvd., MD 5618
Fort Worth, Texas 76155

If intended for Southwest Airlines Co.:

Chief Executive Officer
Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

With copy to:

General Counsel
Southwest Airlines Co.
2702 Love Field Drive
Dallas, Texas 75235

13. PARTIAL WAIVER OF GOVERNMENTAL IMMUNITY. The Cities and the DFW Board, by signing this Contract and to the extent permitted by law, waive their respective immunity from suit by the Parties, but only with respect to a suit to enforce this Contract by a Party seeking a restraining order, preliminary or permanent injunctive relief, specific performance, mandamus, or declaratory relief. The Cities and the DFW Board do not waive any other defense or bar against suit available to the Cities or the DFW Board.

14. NO INDIVIDUAL LIABILITY. To the extent allowed by law, no officer, agent, employee, or representative of any of the Parties shall be liable in his or her individual capacity, nor shall such person be subject to personal liability arising under this Contract.

15. LIMITATION OF REMEDIES. UNDER NO CIRCUMSTANCES SHALL ANY PARTY BE LIABLE TO ANY OTHER PARTY HEREUNDER, IN CONTRACT OR IN TORT, FOR MONETARY DAMAGES RESULTING IN WHOLE OR IN PART FOR ANY BREACH BY SUCH PARTY, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY

PROVISION OF THIS CONTRACT. PROVIDED, HOWEVER, (AND IN EXCHANGE FOR THE FOREGOING SENTENCE), IN THE EVENT OF ANY SUCH BREACH OR THREATENED BREACH BY ANY PARTY, ALL PARTIES AGREE THAT EACH NON-BREACHING PARTY WILL BE ENTITLED TO SEEK ALL EQUITABLE REMEDIES INCLUDING, WITHOUT LIMITATION, DECREES OF SPECIFIC PERFORMANCE, RESTRAINING ORDERS, WRITS OF PRELIMINARY AND PERMANENT INJUNCTION AND MANDAMUS, AS WELL AS DECLARATORY RELIEF, TO ENFORCE THIS CONTRACT. PROVIDED, FURTHER, AS A PREREQUISITE TO THE FILING OF ANY LAWSUIT BY ANY PARTY, ALL PARTIES SHALL IN GOOD FAITH SUBMIT ANY DISPUTE TO NON-BINDING MEDIATION, WHICH MUST BE COMPLETED WITHIN 60 DAYS FROM THE DATE NOTICE REQUESTING MEDIATION IS COMMUNICATED PURSUANT TO SECTION 12. OF ARTICLE II. OF THIS CONTRACT.

16. LOVE FIELD GENERAL AVIATION, U.S. GOVERNMENT FLIGHTS AND CHARTER FLIGHTS. Nothing in this Contract is intended to affect general aviation service at Love Field, including, but not limited to, flights to or from Love Field by general aviation aircraft for air taxi service, private or sport flying, aerial photography, crop dusting, business flying, medical evacuation, flight training, police or fire fighting, and similar general aviation purposes, or by aircraft operated by any agency of the U.S. Government or by any airline under contract to any agency of the U.S. Government. Charter flights at Love Field shall be limited to destinations within the 50 United States and the District of Columbia and shall be limited to no more than ten per month per air carrier except as otherwise permitted by Section 29(c) of the Wright Amendment. All flights operated by air carriers that lease terminal gate space shall depart from and arrive at one of those leased gates. Charter flights operated by air carriers that do not lease terminal space may operate from non-terminal facilities or one of the 20 terminal gates. For the purposes of this Contract, "charter flight" shall have the meaning currently given in 14 C.F.R. 212.2 (2006). This limitation shall remain in effect permanently.

17. ENTIRE AGREEMENT. This Contract embodies the complete agreement of the Parties hereto relating to the matters in this Contract; and except as otherwise provided herein, cannot be modified without written agreement of all the Parties, to be attached to and made a part of this Contract.

EXECUTED as of this the 11th day of July, 2006.

CITY OF DALLAS, TEXAS

Mary K. Suhm, City Manager

APPROVED AS TO FORM:

Thomas P. Perkins, Jr., City Attorney

CITY OF FORT WORTH, TEXAS

Charles R. Boswell, City Manager

APPROVED AS TO FORM AND LEGALITY:

David L. Yett, City Attorney

DALLAS/FORT WORTH INTERNATIONAL AIRPORT BOARD

Jeffrey P. Fegan, Chief Executive Officer

APPROVED AS TO FORM:

Gary Keane, D/FW Legal Counsel

AMERICAN AIRLINES, INC.

Gerard J. Arpey, Chairman and Chief Executive Officer

SOUTHWEST AIRLINES CO.

Herbert D. Kelleher, Executive Chairman

CITY OF DENISON

500 West Chestnut • P. O. Box 347 • Denison, Texas 75021-0347
(903) 465-2720 • FAX (903) 464-4499

June 29, 2006

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

VIA Facsimile (202) 225-3332

Dear Congressman Hall:

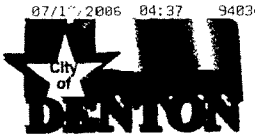
After having the opportunity to become informed of the issues contained in the Dallas and Ft. Worth agreement regarding the Wright Amendment, I was both surprised and disappointed to hear that they are attempting to limit the ability of North Texas airports to provide services within their respective communities. It is inappropriate for Dallas and Ft. Worth to resolve their issues by restricting the ability of Grayson County Airport to provide commercial air service to the residents of Grayson County.

The City of Denison strongly opposes the efforts of the cities of Dallas, Ft. Worth and their partners to restrict air service at airports outside their jurisdictional influence through the legislative process.

We respectfully request that you oppose any legislative that restricts air service outside the City limits of the cities of Dallas and Ft. Worth.

Respectfully submitted,

ROBERT BRADY
MAYOR



215 E. McKinney Street Denton, Texas 76201 (940) 349-7717 FAX (940) 349-8596

OFFICE OF THE MAYOR

July 12, 2006

The Honorable Michael Burgess
United States House of Representatives
Washington DC 20515-4326

VIA MAIL & FACSIMILE: 202-225-2919

Dear Representative Burgess:

The City of Denton is glad to see that the City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and DFW International Airport have reached an agreement on the "Wright Amendment" issue. We feel that the agreement will continue to strengthen the economic vitality of the North Central Texas region.

However, we do have concerns with Sections 6 and 7 of the "Joint Statement" agreement signed by these parties. These sections state:

> 6. "The Cities agree that they will both oppose efforts to initiate commercial passenger air service at any area airport other than DFW during the eight-year period. "Commercial passenger air service" does not include a spaceport or air taxi service as defined by Part 135 of the Federal Aviation Regulations. The City of Dallas and the City of Fort Worth agree to jointly oppose any attempts to repeal or modify the Wright Amendment earlier than the eight-year period. To the extent any other airport within an eighty-mile radius seeks to initiate scheduled commercial passenger service within this eight-year period, both cities agree to work diligently to bring that service to DFW, or if that effort fails, then to airports owned by the Cities of Dallas and/or Forth Worth.
>
> 7. This agreement is predicated upon the condition that Congress will enact legislation to implement the terms and sprit of this agreement...

The vagueness of the wording in these sections concern us because without a clear definition of what is and is not considered "commercial passenger air service," the Denton Airport could be prevented from seeking Class IV Part 139 commercial passenger air service, as defined by the Federal Aviation Regulation, during the eight-year window.

The City of Denton has not aggressively sought commercial passenger air service at the Denton Airport, however in recent years some focus has been given to developing Class IV Part 139 commercial passenger air service. This type of service would allow for charter operations at the Denton Airport, utilizing aircraft with seating capacity of more than 30 passengers. Our strategy is based on the opportunity to engage in charter passenger operations to facilitate Division I collegiate sporting events hosted by the University of North Texas.

In an attempt to determine the intent behind these two sections in the "Joint Statement," I spoke with both Dallas Mayor Laura Miller and Fort Worth Mayor Mike Moncrief. They told me that the five principal parties that signed the "Joint Statement" did not intend restrictions of Part 139 service. They agreed that inclusion of restrictions on Part 139 commercial passenger air service was in fact an "unintended consequence" of the agreement. Mayor Moncrief also stated that we should seek to clarify the commercial passenger air service restriction definition in any proposed federal legislation.

The Denton City Council understands the important role that the Denton Airport plays in this region and to the economic development of our community. In the past eight years, the City, the Texas Department of Transportation (TxDOT) and the Federal Aviation Administration (FAA) have substantially invested in the airport, making significant improvements to enhance the quality of air transportation service for the community and region.

Though the Airport is not currently serviced by commercial passenger air service, the City of Denton desires to maintain the right and option to develop commercial passenger air service should the opportunity present itself. Today, the Denton City Council unanimously agreed that I should contact you and ask for your assistance in including wording in any proposed legislation that clarifies that the "commercial passenger air service" restriction does not include Class IV Part 139 commercial passenger air service as defined by the Federal Aviation Regulation.

Please let us know if you have any questions or need any additional information.

Sincerely,

Perry

Perry McNeill
Mayor

July 12, 2006

The Honorable Ralph M. Hall
U. S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

VIA Facsimile (202) 225-3332

Dear Congressman Hall:

After reading the joint statement released by the Cities of Dallas and Fort Worth to address issues concerning the Wright Amendment, on behalf of the City of Greenville, Texas, I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on the City of Greenville's ability to attract commercial air service to the Greenville Municipal Airport "Majors Field".

The efforts of the Cities of Dallas and Fort Worth, joined by their partners Southwest and American Airlines and DFW International Airport is a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the City Limits of the Cities of Dallas and Fort Worth.

Enclosed is a resolution that was passed by the Greenville City Council last night, objecting to any and all air service restrictions proposed by this agreement. Also enclosed is a position statement by the Greenville Chamber of Commerce.

Thank you for your service and leadership.

Respectfully yours,

Karen Daly

Karen Daly
City Manager

2821 Washington Street
P. O. Box 1049
Greenville, Texas 75403-1049

903-457-3116
903-457-3132 fax
903-450-1492 metro

RESOLUTION NO. 06-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GREENVILLE, TEXAS, OBJECTING TO ANY AND ALL AIR SERVICE RESTRICTIONS PROPOSED BY THE LOCAL AGREEMENT PRESENTED TO THE US CONGRESS BY THE CITIES OF DALLAS AND FORT WORTH, SOUTHWEST AND AMERICAN AIRLINES, AND DFW INTERNATIONAL AIRPORT TO REPEAL THE WRIGHT AMENDMENT.

WHEREAS, the City of Greenville owns and operates Greenville Municipal Airport "Majors Field", a General Aviation airport located within a 55-mile radius of Dallas Love Field and within a 65-mile radius of DFW International Airport; and

WHEREAS, it is every community's right and responsibility to develop a balanced economy and transportation infrastructure that benefits its citizens; and,

WHEREAS, the City of Greenville may wish to study the feasibility of commercial air carrier service in the future to serve Hunt County's growing population and business base; and

WHEREAS, the cities of Dallas and Fort Worth have proposed in a written agreement that they will join together to support legislation to prevent any commercial air passenger service at airports within an 80-mile radius of Love Field for the next eight (8) years; and,

WHEREAS, the cities of Dallas and Fort Worth and DFW International Airport propose that Southwest and American Airlines be penalized if they initiate service at an airport within an 80-mile radius of Love Field for nineteen (19) years; and,

WHEREAS, the City of Greenville views the proposed Local Agreement as unnecessarily restrictive, arbitrary, anticompetitive and an expansion and extension of the Wright Amendment throughout North Texas that threatens the economic development freedoms of the City of Greenville and other North Texas communities;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GREENVILLE, TEXAS RESOLVES THAT:

SECTION 1: The City of Greenville opposes the enactment of any legislation that restricts commercial air service at Greenville Municipal Airport "Majors Field" and other airports in North Texas.

PASSED AND APPROVED this the 11th day of July 2006.

Thomas B. Oliver, Mayor

ATTEST:

Debra Newell, City Secretary

APPROVED AS TO FORM:

J. Andrew Bench, City Attorney

SHERMAN

MAYOR
BILL MAGERS
CITY MANAGER
L. SCOTT WALL

DEPUTY MAYOR
TERRENCE R. STEELE
CITY COUNCIL
CHIP ADAMI

CURT HUGHES
JOHN MARKL
JOE N. SMITH
CAROLYN S. WACKER

June 30, 2006

VIA FACSIMILE NO. (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515-4304

Re: The Wright Amendment

Dear Congressman Hall:

After reading the attached Joint Statement released by the Cities of Dallas and Fort Worth, Southwest and American Airlines, and the DFW International Airport, addressing issues concerning the "Wright Amendment," I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

The efforts of the Cities of Dallas and Fort Worth, joined by their partners, Southwest Airlines, American Airlines and DFW International Airport, are a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the city limits of the Cities of Dallas and Fort Worth.

Please accept our appreciation in advance for your consideration and assistance and, if you need any additional information to pursue this matter, please do not hesitate to contact me or City Manager L. Scott Wall at (903) 892-7201.

Respectfully yours,

Bill Magers
Sherman Mayor

BM:pc

attachment (Joint Statement)

P.O. BOX 1106 • SHERMAN, TEXAS 75091-1106 • (903) 892-7201
www.ci.sherman.tx.us

SHERMAN

MAYOR
BILL MAGERS
CITY MANAGER
L. SCOTT WALL

DEPUTY MAYOR
TERRENCE R. STEELE
CITY COUNCIL
CHIP ADAMI

CURT HUGHES
JOHN MARKL
JOE N. SMITH
CAROLYN S. WACKER

July 11, 2006

VIA FACSIMILE NO. (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515-4304

Re: The Wright Amendment

Dear Congressman Hall:

In follow-up to my letter of June 30, 2006, I am pleased to share with you a copy of the resolution passed by the Sherman City Council at today's meeting, wherein we formally object to any and all air service restrictions proposed by the local agreement presented to the U.S. Congress by the Cities of Dallas and Fort Worth, Southwest and American Airlines, and the DFW International Airport to repeal The Wright Amendment.

Once again, I want to stress the importance of this matter to your constituents, as, if the proposed legislation is permitted to pass, it would serve to restrict our ability to attract commercial air service to the Grayson County Airport in Sherman/Denison, Texas.

We sincerely appreciate your consideration and assistance in this matter and, should you need any other information, please do not hesitate to contact me or City Manager L. Scott Wall at (903) 892-7201.

Respectfully yours,

Bill Magers
Sherman Mayor

THANKS FOR YOUR CALL. HOPE TO SEE YOU SOON. Bill

BM:pc

attachment (Resolution 4833)

P.O. BOX 1106 • SHERMAN, TEXAS 75091-1106 • (903) 892-7201
www.ci.sherman.tx.us

RESOLUTION 4833

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS, OBJECTING TO ANY AND ALL AIR SERVICE RESTRICTIONS PROPOSED BY THE LOCAL AGREEMENT PRESENTED TO THE US CONGRESS BY THE CITIES OF DALLAS AND FORT WORTH, SOUTHWEST AND AMERICAN AIRLINES, AND DFW INTERNATIONAL AIRPORT TO REPEAL THE WRIGHT AMENDMENT; FINDING AND DETERMINING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED WAS NOTICED AND IS OPEN TO THE PUBLIC AS REQUIRED BY LAW.

WHEREAS, Grayson County owns and operates Grayson County Airport, a General Aviation Reliever airport located within a 59-mile radius of Dallas Love Field and within a 62-mile radius of DFW International Airport.

WHEREAS, Grayson County has no immediate intentions to attract commercial air service; and,

WHEREAS, Grayson County, joined by other communities in Grayson County, may wish to study the feasibility of commercial air carrier service in the future to serve Grayson County's growing population and business base.

WHEREAS, it is every community's right and responsibility to develop a balanced economy and transportation infrastructure that benefits its citizens; and,

WHEREAS, the Cities of Dallas and Fort Worth have proposed in a written agreement that they will join together to support legislation to prevent any commercial air passenger service at airports within an 80-mile radius of Love Field for the next eight (8) years; and,

WHEREAS, the Cities of Dallas and Fort Worth and DFW International Airport propose that Southwest and American Airlines be penalized if they initiate service at an airport within an 80-mile radius of Love Field for nineteen (19) years; and,

WHEREAS, Grayson County views the proposed Local Agreement as unnecessarily restrictive, arbitrary, anticompetitive and an expansion and extension of the Wright Amendment throughout North Texas that threatens the economic development freedoms of Grayson County and other North Texas communities;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHERMAN, TEXAS:

SECTION 1. The City of Sherman opposes the enactment of any legislation that restricts commercial air service at Grayson County Airport and other airports in North Texas.

SECTION 2. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public and that public notice of the time, place, and purpose of said meeting was given as required by law.

PASSED AND APPROVED on this the 11th day of July, 2006.

CITY OF SHERMAN, TEXAS

BY: _____
BILL MAGERS, MAYOR

ATTEST:

BY: Linda Ashby
LINDA ASHBY,
CITY CLERK

APPROVED AS TO FORM AND CONTENT:

BY: _____
DOREEN E. MCGOOKEY,
CITY ATTORNEY

SHERMAN

MAYOR
BILL MAGERS
CITY MANAGER
L. SCOTT WALL

DEPUTY MAYOR
TERRENCE R. STEELE
CITY COUNCIL
CHIP ADAMI

CURT HUGHES
JOHN MARKL
JOE N. SMITH
CAROLYN S. WACKER

June 30, 2006

VIA FACSIMILE NO. (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515-4304

Re: The Wright Amendment

Dear Congressman Hall:

After reading the attached Joint Statement released by the Cities of Dallas and Fort Worth, Southwest and American Airlines, and the DFW International Airport, addressing issues concerning the "Wright Amendment," I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

The efforts of the Cities of Dallas and Fort Worth, joined by their partners, Southwest Airlines, American Airlines and DFW International Airport, are a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the city limits of the Cities of Dallas and Fort Worth.

Please accept our appreciation in advance for your consideration and assistance and, if you need any additional information to pursue this matter, please do not hesitate to contact me or City Manager L. Scott Wall at (903) 892-7201.

Respectfully yours,

Curt Hughes
Sherman Council Member

CH:pc

attachment (Joint Statement)

P.O. BOX 1106 • SHERMAN, TEXAS 75091-1106 • (903) 892-7201
www.ci.sherman.tx.us

SHERMAN

MAYOR
BILL MAGERS
CITY MANAGER
L. SCOTT WALL

DEPUTY MAYOR
TERRENCE R. STEELE
CITY COUNCIL
CHIP ADAMI

CURT HUGHES
JOHN MARKL
JOE N. SMITH
CAROLYN S. WACKER

June 30, 2006

VIA FACSIMILE NO. (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515-4304

Re: The Wright Amendment

Dear Congressman Hall:

After reading the attached Joint Statement released by the Cities of Dallas and Fort Worth, Southwest and American Airlines, and the DFW International Airport, addressing issues concerning the "Wright Amendment," I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

The efforts of the Cities of Dallas and Fort Worth, joined by their partners, Southwest Airlines, American Airlines and DFW International Airport, are a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the city limits of the Cities of Dallas and Fort Worth.

Please accept our appreciation in advance for your consideration and assistance and, if you need any additional information to pursue this matter, please do not hesitate to contact me or City Manager L. Scott Wall at (903) 892-7201.

Respectfully yours,

Joe N. Smith
Sherman Council Member

JNS:pc

attachment (Joint Statement)

P.O. BOX 1106 • SHERMAN, TEXAS 75091-1106 • (903) 892-7201
www.ci.sherman.tx.us

June 20, 2006

VIA Facsimile (202) 225-3332
The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

Re: DFW's Joint Statement to Resolve Wright Amendment Issues

Dear Congressman Hall:

During the past several months, the Collin County Regional Airport Board has encouraged organizations and concerned leaders in our community to respect the business of the Cities of Dallas and Fort Worth as they negotiated a local solution to resolve issues raised by the Wright Amendment. We continuously asked that the City and its support organizations remained silent during the negotiations out of respect for their difficult situation.

However, after reading the joint statement released by the Cities, it's time we express our opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on our ability to attract commercial air service to Collin County Regional Airport. The Airport Board considers the efforts of the Cities of Dallas and Fort Worth as deliberate attempts to restrict air service at area airports outside of their jurisdiction through the legislative process. We are constantly reminded that America's vibrant economy was built on free enterprise and market demand. The Cities of Dallas and Ft. Worth and American Airlines have been meddling with their market place for many years. With their most recent actions, we are now convinced that it's time the market is freed to take its natural course.

We respectfully request that you strongly oppose any and all efforts by the Cities of Dallas and Fort Worth to impose air service restrictions upon airports and communities outside of their jurisdiction. Furthermore, we ask that you support the total repeal of the Wright Amendment.

Thank you for your service and leadership.

Respectfully yours,

John Sowerby
Chairman

COLLIN COUNTY REGIONAL AIRPORT AT McKINNEY
1500 E. Industrial Blvd., Suite 118 • McKinney, TX 75069
Metro 972.562.4214 • Fax: 972.542.6686

Dallas Business Journal

Opinion of the Dallas Business Journal

Love betrayed

DALLAS BUSINESS JOURNAL - JUNE 23, 2006

Congress should say not only no, but hell no, to the Wright Amendment compromise proposed last week.

The deal, unveiled in a self-congratulatory news conference hosted jointly by the mayors of Dallas and Fort Worth, as well as American Airlines and Southwest Airlines, would lock in monopoly conditions for the North Texas aviation industry and forever destroy Dallas Love Field's growth potential.

And it sends the biggest warning sign yet that the city of Dallas is in full retreat as an economic power within the Metroplex.

The Wright Amendment is the 1979 federal law that restricts direct passenger traffic at Love Field to Texas and a handful of surrounding states. Its purpose is to shield Dallas/Fort Worth International Airport (and, by proxy, its chief tenant, American) from competition. Wright is an invisible tax on North Texas business fliers, one which this newspaper long has opposed. So why aren't we happy about this new plan, which would lift some restrictions right away and eventually phase out Wright altogether?

Simple: The deal would make it much more difficult for new airlines to enter this market and challenge American or Southwest, because it would permanently destroy the infrastructure that new competitors would need to establish a presence at Love.

The current Love Field masterplan, adopted just a few years back, allows for 32 gates, which is itself a reduction from previous capacity. The compromise plan would ratchet that down to 20 gates, of which Southwest would get 16, American two and Continental two. How many gates does that leave for any other airline that would like to compete at Love? Zero.

Small wonder Southwest Airlines likes this deal. Its through-ticketing provisions (which would allow passengers to buy a single ticket for any market Southwest serves, as long as one stop was made within the existing Wright-defined perimeter) will help it sell more tickets. More importantly, it would forever knight Southwest as the monopoly carrier at Love.

Like most everyone else, we think Southwest is a terrific company. But no company should be handed an airport monopoly on a silver platter. That would be outrageously, scandalously wrong. Indeed, this proposal would be far more protectionist for Southwest than the Wright Amendment ever was for American. That is saying something, and it illustrates with frightening clarity that the long fight for open skies here is going in the wrong direction.

Moreover, the compromise deal would give American almost another decade to enjoy most of the protectionist rules it never should have tasted in the first place. And with bulldozers remodeling Love Field, American's "Fortress D/FW" will be all the more difficult to challenge.

The business community is being asked to support this fiasco because it will likely lead to some lower fares in the short-term. But we know free enterprise when we see it, and this isn't free enterprise, it's market fixing -- a willful constriction of aviation capacity in a region that will grow by millions of citizens in the years ahead. That is lunacy.

We're appalled by Dallas Mayor Laura Miller's eagerness to mothball a huge portion of Love Field. Just a few years ago, under different leadership, Dallas welcomed expansion at Love with the construction of a new terminal for ill-fated Legend Airlines. Now there is talk that the city might invoke eminent domain to seize and destroy that terminal, as well as close forever many other gates at Love.

This is nothing short of an economic betrayal of a city by its mayor. Some pundits would have us believe that the Wright compromise will help Miller get re-elected. Impeachment would be more appropriate.

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(Over >)

Dallas Business Journal

Opinion of the Dallas Business Journal

Wright questions

DALLAS BUSINESS JOURNAL - JULY 7, 2006

People of conscience are waking up to the fact that the Wright Amendment compromise proposed for Dallas Love Field is a disgrace.

A couple of weeks ago people were throwing bouquets at the feet of Dallas Mayor Laura Miller for seemingly doing the impossible -- getting American Airlines and Southwest Airlines (not to mention Fort Worth and Dallas) to play nicely together.

Of course, that's the problem -- they are playing nicely together, to the exclusion of other potential competitors. Folks are starting to see the collusion for what it is. They smell a rat -- and that's because this is one ratty proposal.

The Wright Amendment, which limits commercial passenger traffic at Love in order to protect Dallas/Fort Worth International Airport from competition, has yielded a quarter century of typical protectionist fruit -- artificially high fares, especially for last-minute business fliers at D/FW, and a fortress market that scares off airlines not named American or Southwest.

Congress can -- and should -- restore free-market principles to the North Texas aviation scene by simply abolishing Wright -- completely and immediately. Instead, it is mulling a locally negotiated "compromise" that would extend the protectionism for eight more years, amputate a big piece of Love, and make things even less friendly for airlines not named American or Southwest.

The propaganda blitz for Miller's deal was so intense that many were sucked in. But now the right questions are being asked:

Does it really make sense to destroy more than a third of the gates at Dallas Love Field? Can destroying gates lead to more competition, lower fares or more economic growth for the city of Dallas? Will this compromise encourage other airlines to expand here? Is it right for the city of Dallas to poison a $100 million, private-sector sale of Love's old Legend Airlines terminal and to literally seize and bulldoze that terminal, just to keep a new airline from using it to compete against Southwest and American?

The answer to all those questions is the same: No.

We're confident that the public, Congress and even the courts, if it comes to that, will see this deal for the rubbish it is, and treat it accordingly.

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DallasNews.com
The Dallas Morning News

Audit finds gains in Aviation Department

11:46 AM CDT on Saturday, July 1, 2006

By DAVE LEVINTHAL / The Dallas Morning News

Dallas' Aviation Department has improved its fiscal operations during the past 18 months despite lingering problems, according to a report released Friday night by the office of the city auditor.

The audit comes after the Aviation Department had a $20 million budget shortfall in its two most recent fiscal years combined; its bond rating decreased as a result. The department has been using cash reserves to close funding gaps.

The Aviation Department should increase rental rates and fees at city-owned Dallas Love Field "to make the airport self-sustaining," the audit states.

Kim Tolbert, Aviation Department assistant director for finance and administration, agrees with that recommendation, adding that City Hall should undertake an independent review of airport rates and fees "and ought to do so as soon as possible." The city hasn't conducted such a review in 20 years, she said.

The audit cites the department for improperly reporting its bond ratings, failing to fully collect a loan and not yet proposing a policy for tapping its contingency fund.

The department also should have increased Love Field aircraft landing fees in 2001, the report says, and hasn't yet implemented a City Council order from this year to boost such fees to 55 cents per 1,000 pounds. But the Aviation Department has resolved numerous issues listed in an audit from January 2005.

Ms. Tolbert says the department is working toward fixing unresolved issues.

Ms. Tolbert added that some concerns stated in the audit are either resolved – the Aviation Department began charging 55-cent landing fees on April 1, she says – or are no longer valid.

For example, the audit states the Aviation Department failed to implement a fee on commercial vehicles using Love Field, which may have earned the Aviation Department $250,000 annually. Ms. Tolbert says her department has scrapped the proposed concession fee system in favor of trip-by-trip payments by commercial vehicles.

The audit also cites the Aviation Department for not collecting on a $2.3 million loan to Dallas' 911 Emergency Services from its aviation construction fund. The money should have been repaid by Sept. 30; $1.5 million remains unpaid.

"Management had and still has every intention of repaying this loan to the aviation fund within three years," city officials wrote in their official response to the audit.

E-mail dlevinthal@dallasnews.com

Online at http //www.dallasnews com/sharedcontent/dws/news/localnews/stories/DN-lovefield_01met ART.State.Edition2.246c3b8.html

DallasNews.com
The Dallas Morning News

Council raises Love landing fee

Miller meets with Hutchison on Wright amendment

01:25 PM CST on Thursday, February 23, 2006

By EMILY RAMSHAW / The Dallas Morning News

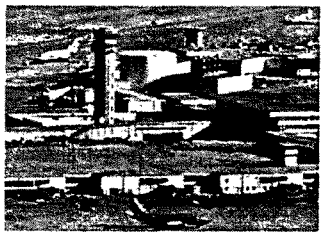
Dallas City Council members raised landing fees at Love Field by 57 percent Wednesday, shutting down a substitute motion that would have quadrupled the fees.

The move came the same day Mayor Laura Miller lunched privately in her office with U.S. Sen. Kay Bailey Hutchison to discuss Wright amendment flight restrictions at Love. They declined to reveal details of their hourlong meeting.

"We just continued our ongoing discussion about the Wright amendment," Ms. Miller said. "We always have good conversations, and this was no different."

The approved landing fee increase – from 35 cents to 55 cents per 1,000 pounds – will go into effect April 1, and bring in another $952,000 to the city annually. The money will be used to offset the airport's $3 million 2006 budget deficit.

CLICK IMAGE TO ENLARGE



SMILEY N. POOL / DMN
A Southwest airlines jet taxis to a gate at Love Field airport.

Still, for three City Council members, 55 cents wasn't enough. They argued for raising the landing fee to $1.40, which they said is the average landing fee for mid-size airports.

"I find it absolutely astounding, given the fact that over the last six years our airport has run at a deficit between $11 million and $13 million, that we have not raised landing fees for 20 years," council member Angela Hunt said.

In the mid-1980s, Love Field landing fees were 45 cents. In an effort to reduce plane noise, the council offered 35-cent fees for quieter aircraft and penalized louder planes with 55-cent landing fees. By 2000, Federal Aviation Administration officials required all aircraft to meet lower-noise standards.

Council members Mitchell Rasansky and Pauline Medrano joined Ms. Hunt in voting for the $1.40 landing fee.

District 3 representative Ed Oakley, who voted for the 55-cent fee, was the only council member to address the underlying issue: the Wright amendment, the federal law that limits most commercial flights from Love to Texas and eight nearby states. Southwest Airlines Co. wants to lift Wright. American Airlines Inc. opposes any changes to the law.

"The issue of the Wright amendment is something that has to be dealt with," he said. "It is beyond our total control what happens to it."

Ms. Miller said she didn't inform her colleagues about her lunch with Ms. Hutchison – which was arranged on Monday.

The mayor said she simply "carried in two plates of food" to her private conference room from the council's lunchroom: one for her, one for Ms. Hutchison.

Ms. Hutchison met with Fort Worth Mayor Mike Moncrief last Friday; Ms. Miller said she's set to meet with him today.

While the mayor said there isn't "anything secret" about her meetings, she wouldn't say where or when she's scheduled to visit with Mr. Moncrief.

"Both of the talks were productive," said Chris Paulitz, Ms. Hutchison's spokesman.

"They talked about the Wright amendment along with other local issues. They are continuing to discuss this so that Congress does not intervene without input from the local community geared toward a local solution."

Staff writer Robert Dodge in Washington contributed to this report.

E-mail eramshaw@dallasnews.com

Online at:
http://www.dallasnews.com/sharedcontent/dws/news/politics/local/stories/022306dnmetlovefees51705db2.html

July 11, 2006

The Hon. John Mica
Chairman
House Committee on
Transportation and Infrastructure
Subcommittee on Aviation
2251 Rayburn HOB
Washington, D.C. 20515

The Hon. Jerry F. Costello
Ranking Member
House Committee on
Transportation and Infrastructure
Subcommittee on Aviation
2251 Rayburn HOB
Washington, D.C. 20515

Dear Mr. Chairman and Ranking Member:

I am writing on behalf of the Fort Worth Chamber of Commerce to place on the record our unequivocal support of the June 15, 2006 Joint Stakeholders Agreement between the cities of Fort Worth and Dallas, DFW Airport and American and Southwest Airlines on the Wright Amendment.

In the 1960s, the federal government asked Fort Worth and Dallas to combine their individual commercial air operations into one major airport. Both communities responded to this entreaty and as a result, what the nation and the world have come to know as DFW Airport was established.

Since that time, the Wright Amendment also came into existence, thus, issues surrounding DFW and Love Field commercial passenger service and this provision of federal law has long unsettled both communities, the airport and the affected carriers.

Recently, Congress and the federal government again asked Fort Worth and Dallas to come together and attempt to, once and for all, resolve this long standing debate. Once again, both communities set aside their individual interests and have worked together, taking the individual strengths both communities possess and uniting them into one purpose for the public benefit, and that is, the agreement you have before you at this time.

Thus, the Fort Worth Chamber of Commerce, our community and our region come to you today in strong support of the local agreement as drafted and urge you and your colleagues to pass into law the legislation necessary to codify the local agreement before December 31, 2006.

Thank you in advance for your consideration of this important request.

Sincerely,

Bill Thornton
President & CEO

FORT WORTH CHAMBER OF COMMERCE ☆ www.fortworthchamber.com
777 TAYLOR STREET, SUITE 900 ☆ FORT WORTH, TEXAS 76102-4997 ☆ (817) 336-2491 ☆ FAX (817) 877-4034

July 11, 2006

Chairman John Mica
Subcommittee on Aviation
Transportation & Infrastructure Committee
2251 Rayburn House Office Building
Washington, DC 20515

Ranking Member Jerry Costello
Subcommittee on Aviation
Transportation & Infrastructure Committee
2251 Rayburn House Office Building
Washington, DC 20515

Mr. Chairman & Ranking Member:

I would like to submit the following statement for the record for the Subcommittee on Aviation Hearing on July 12, 2006.

While I had hoped to contribute oral testimony to this proceeding, I was disappointed to learn that only the principal parties to the Wright Amendment "agreement" have been invited to participate. That is a shame.

I believe that any political process works best when it invites the inclusion of the community. I remain hopeful that this subcommittee feels the same way, and I am optimistic it will embrace the principles of openness and equality under which its members were elected.

I understand that the community was denied access to today's proceedings, in part, because the subcommittee wasn't aware that there was so much opposition to this agreement. That seems unlikely, but perhaps not impossible since this agreement was essentially an end run on the political process.

To be sure, there has been little time for your constituents – airlines companies, affected businesses, travelers and community residents – to voice their disapproval of this backroom deal. You probably do not know that, this agreement was sprung on an unsuspecting public. The deal was shrouded in mystery before it was announced in ceremonial fashion at a press conference at DFW Airport. As has been reported extensively in the media, this deal was engineered in secret sessions – without the involvement of other airlines, businesses and community stakeholders. I suspect this concerns many members of this esteemed subcommittee.

It concerns me for many reasons. As an 11-year resident of Dallas County / Highland Park, business owner, and someone who lives adjacent to Dallas Love Field Airport, I am a founding member of Friends of Love Field – an independent, grassroots organization of local residents and business owners dedicated to repeal of the Wright Amendment and the promotion of economic stability in neighborhoods surrounding Love Field Airport.

Friends of Love Field's dedication to this process is equaled only by its commitment to independence. There is no other public interest or advocacy group involved in this debate more independent than our organization. We receive no funding from any of the major economic players in this arena.

After studying this agreement closely, we believe it is unwise, unfair and unacceptable.

It immediately and forever penalizes members of the flying public and the inner-city Dallas community by limiting competition and ensuring higher fares. By rewarding Southwest Airlines and American Airlines with virtual monopolies at Love Field and DFW Airport, respectively. The deal further calls for the purchase and destruction of existing gates at Love Field. Aside from limiting competition, driving up fares, and being overtly anti-competitive, such an action limits economic gains of downtown Dallas and especially South Dallas. Built in 1999, the six state-of-the-art gates at the Legend Terminal are reportedly valued in excess of $100 million. It is also reported that several airlines have expressed an interest in purchasing rights to use the facility, which would generate new jobs, tax revenue and overall economic progress for the local community.

None of these benefits have been addressed in an open forum.

In fact, this subcommittee should be aware that Dallas Mayor Laura Miller commented publicly on June 3 that she planned to demolish the Legend Terminal. Her comments were made in response to news that the Legend facility was about to be acquired by an airline that would begin service to the local community and came several days before a June 7 vote by the Dallas City Council to empower the Dallas City Manager Mary Suhm to study this issue. And while the city manager's analysis on this facility isn't due until August 16, the mayor continues to publicly comment that the city will demolish the gates. (During the June 15 press conference announcing the Wright agreement, Mayor Miller again boldly declared these gates would come down.)

The public has tried, somewhat unsuccessfully, to share its concerns about the lost economic benefit associated with destroying this terminal. For example, I was a registered speaker on this topic at the June 7 City Council meeting to vote on the city manager's proposed analysis, but I was only given the opportunity to address the council after the vote had been taken.

The abrasive manner in which Mayor Miller considers her personal intentions to destroy this facility a foregone conclusion have drawn the ire of everyone from business associations to minority community groups to members of the Fourth Estate.

One of Dallas' most respected news publications, the *Dallas Business Journal*, recently reported, "We're appalled at Dallas Mayor Laura Miller's eagerness to mothball a huge portion of Love Field. Just a few years ago, under different leadership, Dallas welcomed expansion at Love with the construction of a new terminal...now there is talk that the city might invoke eminent domain to seize and destroy the terminal, as well as close forever many other gates at Love. This is nothing short of economic betrayal of a city by its mayor."

No matter the amount of frustration being felt by the community, the principals in this deal still refuse to conduct open forums on the issue. And while I am disappointed in their apparent lack of regard for the community and flying public, I remain confident in the hope that such shortcomings will not befall this subcommittee. I urge you to not support this agreement until the process can appropriately benefit from a level of debate, socioeconomic analysis and focused discussion worthy of such an important decision.

You would never know it from the manner in which this agreement has been forced upon us all, but this issue is bigger than any two airlines, two airports or two cities. Thousands of jobs and hundreds of millions of dollars are at stake.

Thank you for your time and consideration of this testimony.

Regards,

William H. Foster, III
Friends of Love Field
4504 North Versailles Ave
Dallas, Texas, 75205
214-477-7077

GRAYSON COUNTY AIRPORT

June 28, 2006

VIA Facsimile (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

RE: Wright Amendment

Dear Congressman Hall:

After reading the joint statement released by the Cities of Dallas and Fort Worth addressing issues concerning the Wright Amendment, I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

The efforts of the Cities of Dallas and Fort Worth, joined by their partners, Southwest Airlines, American Airlines and DFW International Airport is a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the City Limits of the Cities of Dallas and Fort Worth.

Thank you for your service and leadership.

Respectfully yours,

Mike Shahan

Mike Shahan
Airport Director

4700 Airport Drive • Denison, Texas 75020 • Phone: 903/786-2904 • Fax: 903/786-9185
airport@co.grayson.tx.us • www.co.grayson.tx.us/airport/airmain.htm

Position Statement 706-1
Wright Amendment Settlement

The Greenville Chamber of Commerce is dedicated to the enhancement of our economy and the quality of life enjoyed by its citizens—without one, there cannot be the other.

As our community grows, the importance of utilizing all our available resources cannot be overemphasized. We are blessed with an excellent airport facility with incredible potential to have a significant impact on the growth and health of our local economy.

In any rational discussions about the economy of Greenville and surrounding communities, Majors Field Municipal Airport is recognized as a jewel for which we should be thankful. That is especially true if we have the freedom to expand the service it is capable of providing.

The current wording of the Wright Amendment settlement would prove detrimental to the development of Majors Field, and by extension, injurious to the development of Greenville's economy. For Greenville and surrounding communities and counties to pay the price for an argument that has never been of our doing is blatantly unfair.

Therefore. the Board of Directors of the Greenville Chamber of Commerce strongly opposes the settlement language and urges the Greenville City Council to take whatever measures necessary to ensure that our voice is heard.

July 11, 2006

VIA Facsimile (202) 225-3332

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

RE: Wright Amendment

Dear Congressman Hall:

After reading the joint statement released by the Cities of Dallas and Fort Worth addressing issues concerning the Wright Amendment, I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

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I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the City Limits of the Cities of Dallas and Fort Worth.

Thank you for your service and leadership.

Respectfully yours,

Denice Hlavenka
State Farm Insurance Agent - Pottsboro

jetBlue

STATEMENT OF DAVID NEELEMAN

CHIEF EXECUTIVE OFFICER, JetBlue AIRWAYS

IN OPPOSITION TO

**THE AGREEMENT REACHED IN DALLAS
CONCERNING LOVE FIELD AND
THE WRIGHT AMENDMENT**

JULY 12, 2006

BEFORE

**The Subcommittee on Aviation
Committee on Transportation and Infrastructure**

United States House of Representatives

STATEMENT
OF
DAVID NEELEMAN
CHIEF EXECUTIVE OFFICER
JETBLUE AIRWAYS CORPORATION

Before the
Subcommittee on Aviation
Committee on Transportation and Infrastructure
United States House of Representatives

July 12, 2006

Chairman Mica, Congressman Costello and distinguished members of the subcommittee:

I am grateful for the opportunity to submit this written testimony, on behalf of JetBlue Airway's 10,500 crewmembers, expressing our opposition to the Agreement recently announced in Dallas concerning the future of Love Field and the Wright Amendment.

Introduction

JetBlue Airways is *New York's low fare hometown airline*. Our goal has always been simply to bring humanity back to air travel. Since launching the airline in February 2000, JetBlue has brought affordable airfares and award-winning customer service to millions of customers. Some attribute our success and accolades to our new planes, low fares, leather seats and free live television. However, we believe our success is attributable to our crewmembers who deliver the JetBlue Experience each and every day, with a smile and an endless pursuit of excellent customer service.

JetBlue now operates 110 jets on 448 daily flights carrying more than 50,000 daily customers to 40 destinations. In fact, this morning we inaugurated service at our 40th destination, Charlotte, North Carolina. We also have firm orders and options for an additional 324 aircraft as we continue our growth.

In every market JetBlue serves, we have made sure the market fits our formula. Our formula is to serve city pairs that are either over priced, under-served or both. JetBlue doesn't shy away from large markets nor do we favor small markets; rather, we fly in markets that fit the formula. JetBlue proudly serves smaller markets like Buffalo-JFK with 8 daily large-jet flights just as proudly as we serve the large Los Angeles market, via three area airports, with 32 daily flights. Whether from our JFK home, our growing cities of Boston, Washington Dulles, Orlando and Fort Lauderdale, or our new smaller markets such as Raleigh Durham, Nashville, Jacksonville and Austin, JetBlue always strives to liberate markets from high airfares.

Our business model might ring familiar to you today as you hear from the nation's largest and most successful low fare carrier, Southwest Airlines. Southwest's admirable record of liberating markets from high fares, while maintaining profitability, is one JetBlue and others have sought to emulate. Southwest's founding philosophy of enabling more travel through low fares is precisely why JetBlue and Southwest agree to date on so many issues facing the airline industry.

For nearly two years, since Delta Air Lines announced it was de-hubbing Dallas-Fort Worth International Airport ("DFW"), Southwest has effectively argued, with JetBlue's full and public support, for the immediate repeal of the Wright Amendment. Against this background, you can understand our surprise at being compelled to submit this testimony in total opposition to our friends at Southwest and the Agreement they have recently signed onto concerning the future of Dallas Love Field.

The Wright Amendment

Less than one year after the Congress passed the Airline Deregulation Act in 1978, designed to take the government out of the business of regulating which routes airlines could fly and from what airports, Congress approved the Wright Amendment, named for its backer, Majority Leader Jim Wright of Fort Worth, and designed to protect the new, growing and nearby DFW International Airport. This legislation, which represented the culmination of more than a decade of intense local battling between cities and hometown airlines, put the federal government right back into the business of regulating airlines by prohibiting any interstate flights to or from Dallas Love Field except for the four states that border Texas. Over time, this outdated vestige of aviation regulation has been modified by Congress to permit nonstop flights between Love Field and Alabama, Kansas and Mississippi (the Shelby Amendment, 1997) and Missouri (2005).

One can safely presume that, but for the eventual success of Southwest's campaign to remove the Wright Amendment, members of Congress would continue to modify the artificial restrictions on Love Field as fares rose between their home states and Dallas as a result of being deprived of Southwest's low fares and price discipline.

Wright is Wrong

In yet another stroke of marketing genius, Southwest Airlines coined and marketed the phrase "Wright is Wrong" as part of its "Set Love Free" campaign aimed at convincing Congress to fully repeal the Wright Amendment. In kicking-off this campaign, Southwest CEO Gary Kelly stated:

> The Wright Amendment is protectionist, anti-competitive and anti-consumer. It is outdated too. . . Love has idle gates and an underutilized new parking garage. . . More competition is good. Lower fares are good. . . More jobs are good. Utilizing idle facilities is good. This is simple. *Don't let someone try to tell you this is complicated.* Times change, as do laws. This is a free country. Let's give North Texans the freedom to fly... (emphasis added)

Southwest CEO Gary Kelly, published in the Dallas Morning News, Nov. 28, 2004.

When I read Southwest's views on the Wright Amendment, as quoted above, I began to believe that for the first time since JetBlue sought an operating certificate, our longstanding desire to serve Dallas[1], from Love Field, might become possible. I agreed with Southwest's statement that the Wright Amendment was an "anti-competitive relic"[2] and with their legislative repeal effort. I was proud to tell everyone we worked with in Congress that JetBlue supported Southwest.

The Deal in Dallas

The Agreement on Love Field reached on June 15, 2006, can better be described as lucrative deal for two airlines coming at the direct expense of those Southwest has long represented, the traveling public of both North Texas and the nation. Southwest joined American Airlines and the cities of Dallas, Forth Worth and DFW Airport in striking a deal that is even more anti-competitive than the Wright Amendment it seeks to eventually repeal.

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[1] As long ago as February 1999, New Air Corporation (later renamed JetBlue Airways) submitted an application for slot-exemptions at JFK in which we listed cities we desired to serve from New York, including the Dallas-Fort Worth region. *See* Application of New Air Corporation, Docket OST-99-5085, App. D.

[2] Southwest Airlines, The Case for Repeal, at http://www.setlovefree.com/caseforrepeal.com (last visited July 10, 2006).

The key provisions of the Agreement reached in Dallas include:

- Repeal of the flight restrictions at Love Field would be delayed for eight years
- Immediately permit Southwest, American and ExpressJet d/b/a Continental (the three airlines currently serving Love Field) to market and offer through ticketing to all 50 states
- Permanently demolish 12 of Love's 32 existing gates
- Assign the remaining 20 gates to Southwest (16), American (2) and Express Jet (2) within four years.

By agreeing to this deal with American Airlines (the only airline ever sued by the Federal Government for engaging in anti-competitive behavior against new entrant carriers), Southwest has dramatically altered its traditional position. It is indeed a mystery how Southwest can turn its back on the best interests of the traveling public after engaging in an intensive campaign to repeal the Wright Amendment for nearly two years. The words of Southwest's co-founder and Executive Chairman Herb Kelleher shed some light on the sudden reversal in direction:

> The essence of our agreement [is] . . . certainty, stability and tranquility.

Southwest Airlines Statement quoting Herb Kelleher at the June 15, 2006, Dallas news conference announcing the Agreement.

Who can argue with Herb Kelleher? He's right. If Congress rubber stamps the local agreement, it will fundamentally change federal law and abrogate its role to serve the interests of the entire nation on what Southwest itself has argued is a truly "national issue."[3] Then the airport will be free from meaningful competition and Southwest will indeed enjoy years of "certainty, stability and tranquility."

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[3] "The Wright Amendment . . . *is truly a national issue.*" Press Release, Southwest Airlines press release "Southwest Airlines Applauds Senate Bill to Repeal Wright Amendment" (July 19, 2005) at http://www.southwest.com/about_swa/press/prindex.htm (last visited Jul. 10, 2006).

The Deal Violates Federal Law

Why is the Congress holding a hearing and considering enacting into federal law the provisions of a local agreement which favors two local airlines, calls for the demolition of valuable gates in one of the nation's largest aviation markets and effectively blocks meaningful competition? The answer is simple: if the parties to this Agreement were to try to implement all of its anti-competitive terms (but for the repeal of the Wright Amendment's flight restrictions which require an act of Congress), the Federal Aviation Administration ("FAA") and the courts would likely strike it down as contrary to federal law governing fair access to airports.

Since Congress called for the deregulation of the airline industry in 1978, federal courts, the Department of Transportation ("DOT") and the FAA have all recognized that commercial aviation involves interstate commerce and thus local authority over airports is extremely limited. As such, the FAA will "closely scrutinize" local regulations to ensure they do not run afoul of federal law.[4] The Airline Deregulation Act of 1978 placed "maximum reliance on competitive market forces and on actual and potential competition."[5] All locally imposed regulations must be "reasonable, nondiscriminatory, nonburdensome to interstate commerce and designed to accomplish a legitimate State objective in a manner that does not conflict with" federal law.[6]

Over the years, the City of Dallas as the operator of Love Field, by accepting federal money for the airport, covenanted with the FAA that it would remain open to all carriers on "reasonable conditions and without unjust discrimination."[7] The DOT and FAA have unequivocally stated that airport managers have an affirmative obligation to accommodate all qualified airlines that wish to serve their airports and that "manipulating the standards to protect the interest of an existing tenant or tenants is unacceptable."[8]

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[4] Arapahoe County Public Airport Auth. v. FAA, 242 F.3d 1213, 1220-21 (10th Cir. 2001).
[5] 49 U.S.C. 40101(a)(6).
[6] British Airways v. Port Auth. of New York, 558 F.2d 75, 84 (2d Cir. 1977).
[7] 49 U.S.C. § 47107(a) (1).
[8] Airport Business Practices and Their Impact on Airline Competition, FAA/OST Task Force Study, October 1999, at 22 (citing FAA Order 5190.1A, Exclusive Rights (1985)).

These federal obligations cannot be overridden, altered or diminished by local laws or private contractual obligations.[9]

Nothing agreed to by the parties to the Agreement in Dallas, nor approved by the legislative bodies in Dallas or Fort Worth, without a fundamental change in federal law as sought by the parties, would excuse Dallas, as the operator of Love Field, from acting in a fair and non-discriminatory manner. Any violation of these unambiguous federal obligations, again absent the fundamental change in federal law now being sought by the parties to this deal, would put at risk all federal funding heretofore received by the airport.[10]

Thus, it seems reasonably certain that expecting the FAA would find the terms of this anti-competitive deal to be in violation of federal law, the parties have taken their agreement to this Committee for approval.

No Room for New Entrants

The deal agreed to in Dallas and now being examined by this subcommittee has a provision that the parties view as somehow providing for meaningful and unfettered future competition at Love Field. This provision reads:

> To the extent a new entrant carrier seeks to enter Love Field, the City of Dallas will *seek voluntary accommodation* from its existing carriers to accommodate the new entrant service. If the existing carriers are not able or are not willing to accommodate the new entrant service, then the City of Dallas agrees to require the sharing of preferential lease gates, pursuant to Dallas's existing lease agreements. (emphasis added)

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[9] Arapahoe, 242 F.3d at 1213.
[10] City and County of San Francisco v FAA, 942 F.2d 1391, 1394 (9th Cir. 1991).

The notion that somehow American Airlines would choose to voluntarily accommodate JetBlue or any other new entrant on one of its Love Field gates is pure folly. Further, if Congress approves this deal, Southwest will be operating at an airport constrained by fewer gates though afforded far greater service opportunities than it has today. In such a scenario, how could JetBlue or any new entrant ever expect to be accommodated in a reasonable fashion as required by current federal law? More likely, if we requested, hypothetically, to operate twenty flights off of two gates, JetBlue would be fortunate if the airport and the parties to the Agreement, with their gate arrangements, would be able or willing to accommodate less than half that many over an extended period of time. Based on past experiences at gate-constrained airports, we know that any "accommodation" would be on unreasonable terms and at the whim of the incumbent, gate-holding carrier.[11]

The Deal is Bad for Competition

In the midst of its own campaign to repeal the Wright Amendment, Southwest applauded two Texas congressmen for introducing a bill to immediately do just that.[12] Southwest stated it had as an "ultimate goal" the opening of "skies for greater access to low fares through unfettered airline competition."[13] Southwest's "ultimate goal" of achieving "unfettered airline competition" is not what the Agreement with American accomplishes. Southwest cannot believe that it is exclusively entitled, or even able, to provide all the low fare competition for North Texas? Certainly this subcommittee and the United States Congress know better.

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[11] DOT observed that new entrant carriers face "inconvenient and frequent gate reassignments in circumstances not favorable to . . . " their operational needs. Airport Business Practices and Their Impact on Airline Competition, FAA/OST Task Force Study, October 1999, at i. DOT went on to state "Airline deregulation can work well only if market forces can discipline the pricing behavior of all air carriers" went on to caution that "if airlines cannot gain access to gates, baggage claim areas, passenger check-in and hold rooms, and other essential airport facilities on reasonable terms, they will be unable to compete successfully..." Id., at ii.

[12] Representatives Jeb Hensarling and Sam Johnson introduced "The Right to Fly Act" (HR-2646) on May 26, 2005.

[13] Press Release, Southwest Airlines "Southwest Airlines Applauds House Bill to Repeal Wright Amendment", May 26, 2005 at http://www.southwest.com/about_swa/press/prindex.html (last visited Jul. 10, 2006).

One of the most disturbing aspects of the Agreement is that while blocking meaningful new entrant competition at Love Field, the Agreement fails to address the crux of what Southwest was fighting for: the immediate repeal of the artificial flight restrictions imposed by the Wright Amendment. Rather, it calls for the flight restrictions to be lifted in the year 2014. Thus, while Southwest and American immediately gain the ability to market direct flights to all 50 states from Love Field, competitors are blocked from gaining meaningful access. Worse, even if new entrants somehow gained meaningful access via a "voluntary" accommodation from one of the parties to the Agreement, only the current eight states exempt from Wright's restrictions can be served on a nonstop basis. Thus, Southwest gains an enormous advantage and the citizens of North Texas remain restricted by Washington in their ability to freely travel from Love Field, nonstop, to many of Dallas's top markets, such as Los Angeles, San Francisco, New York and Boston.

In 1993, the DOT issued a report entitled: *The Airline Deregulation Evolution Continues – The Southwest Effect.*[14] The phrase "The Southwest Effect" has become synonymous in aviation with the great benefits associated with the introduction of low fare airline service. Yet while Southwest may have been nearly alone in its class as a major low fare provider when the phrase was introduced 13 years ago, today other low fare carriers are national in their scope, including JetBlue and AirTran Airways. In fact, within our first year of operations, on one of our earliest routes, JetBlue's low fare entry into the Buffalo-JFK market produced such a strong rise in traffic and decline in prices, that *The Buffalo News* ran an article with a headline about the "JetBlue Effect".[15]

Congress has regularly supported, with few exceptions, Southwest's purported goal of free and unfettered airline competition. This longstanding belief allowed JetBlue to begin in 2000 operations at New York's JFK, an airport that had long been an underutilized though federally slot-controlled airport. Through the slot-exemption process enacted as part of the FAA Reauthorization Act of 1994, Congress provided the

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[14] The Airline Deregulation Evolution Continues: The Southwest Effect, US DOT, Office of Aviation Analysis (May 1993).
[15] Patrick Lakamp, *JetBlue Effect Creates Airport Rainbow*, The Buffalo News (December 28, 2000).

means for JetBlue and others to gain access to a key, constrained airport.[16] Now, as a major carrier, JetBlue's success in providing award-winning, low fare service to million of travelers has demonstrated the wisdom in Congress's policy of promoting, not stifling, free and unfettered competition in the airline industry.

I do not understand how this subcommittee and Congress could seriously consider enacting into law the anti-competitive provisions of the Agreement reached in Dallas when it blocks JetBlue and other interested new entrants from freely choosing to compete in a meaningful fashion at a major city airport with ample gate space: Love Field.

Monopolies are Bad

The same report that coined the phrase "the Southwest Effect" and examined the benefits of Southwest's low fares, sounded a loud warning from the DOT which is quite pertinent to today's hearing. In discussing how Southwest's lower cost structure lead to its low fare success in driving out competitors, DOT cautioned that this:

> . . . creates an even greater need for the government to encourage low-cost, new entry, as a discipline for Southwest's pricing behavior in the future . . .

The Airline Deregulation Evolution Continues: The Southwest Effect, US DOT, Office of Aviation Analysis (May 1993).

[16] 49 U.S.C. § 41714 (c).

Specifically observing the impacts of Southwest's successful entry into the market between southern California and northern California in the early 1990s, DOT added:

> Southwest's demonstrated ability to quickly *dominate markets and force out competitors* may not be perceived as a problem in the near term because Southwest offers lower prices, even as a monopolist, than other major airlines . . . Without a competitive discipline, over time, *Southwest's fares will increase* to cover cost inefficiencies that will creep in, and to *extract monopoly profits*. We already see Southwest's prices beginning to increase where it has forced out its competition... (emphasis added)

The Airline Deregulation Evolution Continues: The Southwest Effect, US DOT, Office of Aviation Analysis (May 1993).

If Congress enacts into law the Agreement reached in Dallas, Southwest will dominate a smaller Love Field, become effectively protected by federal law from meaningful new entrant competition and have the entire nation to eventually serve on a nonstop basis – virtually alone. Other than Southwest, who can possibly benefit from this? The DOT warned more than a decade ago that even low-fare Southwest, as a monopolist in a market, will seek to extract monopoly fares unless there is meaningful new entrant competition. Congress is now being asked to block JetBlue and future low fare competitors from meaningfully entering Love Field while granting Southwest the scenario DOT cautioned on years ago. This is bad public policy and contrary to the goals of Congress in deregulating the airline industry.

Conclusion

The sincere and historic "good guy" of aviation, Southwest Airlines, has been strenuously lobbying for nearly two years to right a wrong, to fully and immediately repeal the outdated and anti-competitive Wright Amendment. JetBlue remains supportive of Southwest in this worthy effort.

Today, the same historic "good guy" of aviation, Southwest, along with others, comes before this subcommittee asking for something completely different than that which Southwest has sought in its Set Love Free, Wright is Wrong campaign to Congress.

Simply because the same "good guy" Southwest is here today to seek Congress's approval of a local agreement, you should not be fooled. The Agreement is one which will violate existing federal law, fly in the face of the founding principles of airline deregulation and lessen competition for the traveling public in North Texas and the nation. What Southwest lobbied for, with JetBlue's support, was good and right, but it is NOT what Southwest and American Airlines are asking you for today.

Southwest Airlines was founded on the premise that "all Americans deserve the ability to enjoy affordable air fares, no matter where they fly."[17] JetBlue admires and shares this core philosophy. Southwest has stated that the "citizens of North Texas deserved the Freedom to Fly" and that these citizens rightly want Love Field to become a "budding competitive niche that is *not* dependent upon monopoly…"[18] If this subcommittee and Congress enact into law the provisions of the Agreement reached in Dallas, everything Southwest's effective campaign advocated on behalf of the traveling public will fail and the fears expressed by DOT about a Southwest monopoly may take hold at Love Field – at the expense of North Texas, and indeed the nation's travelers.

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[17] Southwest Airlines, The Case for Repeal, at http://www.setlovefree.com/caseforrepeal.html (last visited Jul. 10, 2006).
[18] Southwest Airlines, History of the Wright Amendment, at http://www.setlovefree.com/caseforrepeal.com (last visited July 10, 2006).

I urge you to reject the effort to make the anti-competitive terms of the Agreement recently announced in Dallas, the law of the land, and instead immediately and fully repeal the outdated, restrictive Wright Amendment.

Thank you for your consideration of the views of JetBlue Airways.

LAW OFFICES OF
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PROFESSIONAL CORPOR ATKJN

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{ALSO ADMITTED
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DISTRICT OF COLUMBIA

July 11,2006

VIA FACSIMILE AND FIRST CLASS MAIL
Kenneth H. Gwyn, Director
Department of Aviation
Dallas Love Field Dallas,
Texas 75235

Re: Small Community Airlines, Inc., request for access **to Gates 21 or** 22 **Dear**

Mr. Gwyn:

This law firm has been retained to represent Small Community Airlines, Inc. ("SCA"), in response to your letter dated August 19,2005, and further in connection with the recently announced compromise between and among the City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and DFW International Airport concerning Wright Amendment issues. Please direct all future correspondence to the undersigned as counsel for SCA.

Small Community Airlines, Inc., is a preeertiilcation air carrier, having been issued Precertifi cation No. QYGA45OP, and anticipates issuance of its requested certification within the next six (6) months. It currently owns and plans to operate two Jetstream 3100/3200 Jetprop planes capable of carrying fifteen (15) to nineteen (19) passengers each, and is planning to provide commuter airline service between Dallas Love Field and small communities throughout Texas and other southwestern states. Both because of the number of airplanes which SCA has and is likely to operate in the foreseeable future, and because of the size and characteristics of its aircraft, they will have little if any measurable impact on either noise or traffic patterns in and out of Love Field.

Further, because of the communities which SCA will be servicing, it will not create any competition or disruption of the service provided by Southwest Airlines, but in fact will serve as a feeder for Southwest Airlines from the communities which are too small to be serviced by that carrier. Because of the size of SCA and its aircraft, operations at DFW Airport are impractical and would be uneconomical.

Please be advised that we have reviewed your letter and the Airport Master Plan for Love Field, and respectfully disagree with your comments concerning the alleged unavailability of Gates 21 and 22. Both the diagrams of existing and historic gates, and the written text of the Master Plan, specifically recognize the existence and historic usage of Gates 21 and 22. *See, e.g.,* Figures 1-4 and 4-2, and pages 1-12, 1-25, and 1-21, of the Master Plan. The owners of SCA formerly operated Casino Airlines, which in the past operated out of Gate 21 as a ground-level gate. After Casino Airlines ceased operations, Delta Airlines, through its commuter service known as ComAir, operated out of Gate

21 as a ground-level gate. The existing Master Plan recognizes Corn Air-Delta Airlines as an existing tenant in the North Concourse as of the date of the issuance of the Master Plan.

I

I am sure that you are aware that airlines such as those operated by SCA and other small commuter carriers cannot utilize skybridges, and instead need to operate through ground-level gates. Nothing, to my examination of the Master Plan, and nothing in any promulgated rulings of the Federal Aviation Administration of which we are aware contemplates that ground-level gates are to be prohibited and never utilized in the future at Love Field. Historical usage of Gates 21 and 22 has demonstrated the recognition of this necessity, which is confirmed by the language, diagrams, and contents of the Master Plan.

Your refusal as evidenced by your August 19, 2005, plan is, we believe, directly in conflict with the promulgated Airport Compliance Requirements in Order 5190.6A. promulgated by the Federal Aviation Administration on October 2, 1989. In paragraph 4-13 of the Order, the FAA stated:

> The owner of any airport developed with Federal grant assistance is required to operate it for the use and benefit of the public and to make it available to all types, kinds and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination.

Also, in paragraph 4-15 of the Order, the FAA stated further;

> The prime obligation of the owner of a federally-assisted airport is to operate it for the use and benefit of the public. The public benefit is not assured merely by keeping the runways open to all classes of users. While the owner is not required to construct hangars and terminal facilities, it has the obligation to make available suitable areas or space on reasonable terms to those who are willing and otherwise qualified to offer flight services to the public (i.e., air carrier, air taxi, charter, flight training, crop dusting, etc.) or support services (i.e., fuel, storage, tie down, flight line maintenance, etc.) to aircraft operators, This means that unless it undertakes to provide these services itself, the airport owner has a duty to negotiate in good faith for the lease of such premises as may be available for the conduct of aeronautical activities.

Obviously, since Gates 21 and 22 exist, were recognized as existing by the Dallas Love Field Master Plan, and historically have been used for ground-level passenger loading and unloading by small airlines such as ComAir and Casino Airlines, continued availability of Gate 21 and 22 is not only possible, but in fact is mandated by Order 5190.6A of the Federal Aviation Administration. Elimination of such gates will utterly destroy access to Love Field of an entire class of equipment, in direct violation of Order 5190.6A.

Our client is further gravely concerned regarding the recent announcements made regarding the so-called compromise concerning the Wright Amendment controversy. The published information concerning the purported "compromise" has included language that seems to indicate that "hardstand" operations will not be allowed at all, which is apparently directed at airlines such as SCA, and the "compromise" further purports to restrict the number of gates to be maintained at Dallas Love Field, reducing them to a total of twenty (20) and giving Southwest Airlines almost complete and unfettered monopolistic control over the same. Such reduction in numbers of gates would almost certainly mean the elimination of Gates 21 and 22,

Not only would these aspects of the purported "compromise" violate relevant provisions of Order 5190.6A, the same have apparently been "agreed to" on behalf of the City of Dallas without compliance with any of the same procedures utilized to consider, adopt, and implement the current Dallas Love Field Master Plan. Mayor Miller does not have the authority, with the mere stroke of a

pen, to amend the Master Plan and single-handedly eliminate ground-level gates at Love Field, discriminating against small carriers such as SCA.

We therefore believe that the "compromise" to the extent that it purports to eliminate existing and historic gates at Love Field, and to eliminate "hardstand" operations of airlines at Dallas Love Field, will violate numerous provisions of state and federal law, including but not limited to Order 1590.6A, and Sections 1 and 2 of the Sherman Act, 15 U.S.C.§§1 and 2 commonly known as the Federal Antitrust Laws. The refusal to recognize the historic usage of Gates 21 and 22, the refusal to comply with applicable provisions of Order 5190.6A, and the implementation of the "compromise" to the extent that it eliminates Gates 21 and 22 and essentially forever destroys all access of small carriers to the Love Field terminal, will violate numerous provisions of state and federal law, and cannot be allowed in its present form.

This letter is being sent for the purpose of initiating a dialog to avoid the necessity of litigation, such that the historic usage of Gates 21 and 22 will be recognized and confirmed, and that SCA will be allowed to enter into an appropriate lease on fair and reasonable terms for the usage of Gates 21 or 22. Such reasonable accommodation would be perfectly consistent with the Dallas Love Field Master Plan as currently promulgated, would be consistent with historic usage, will do no violation either to the essential provisions of the proposed compromise on the Wright Amendment issues, will cause no adverse competitive consequences for Southwest Airlines, and furnish no adverse noise or other undesirable impact upon Dallas Love Field operations.

We trust that you will appreciate the urgency of this matter, and we look forward to a constructive dialog with you immediately in order to avoid the necessity of litigation concerning these issues,

Very truly yours,

LAW OFFICES OF LIPFE & ASSOCIATES

By: Emil Lippe, Jr.

EL: cm

cc: Hon. Laura Miller, Mayor
Ryan. S, Evans, Assistant City Manager Bob
Sims, Assistant City Attorney Tommy
Poole, Real Estate Manage

TIM MCGRAW
COUNTY JUDGE

June 28, 2006

VIA Facsimile (202) 225-3332
The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

RE: Wright Amendment

Dear Congressman Hall:

After reading the joint statement released by the Cities of Dallas and Fort Worth addressing issues concerning the Wright Amendment, I wish to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on Grayson County's ability to attract commercial air service to Grayson County Airport in Sherman/Denison, Texas.

The efforts of the Cities of Dallas and Fort Worth, joined by their partners, Southwest Airlines, American Airlines and DFW International Airport is a deliberate attempt to restrict air service at area airports outside of their jurisdiction through the legislative process.

I must respectfully ask that you oppose the enactment of any legislation that restricts commercial air service outside of the City Limits of the Cities of Dallas and Fort Worth.

Thank you for your service and leadership.

Respectfully yours,

Tim McGraw
Grayson County Judge

PHONE (903) 813-4228
FAX (903) 892-4085

100 W. HOUSTON, SUITE #15
SHERMAN, TEXAS 75090-5958

E-MAIL
mcgrawt@co.grayson.tx.us

RESOLUTION FOR OPPOSITION TO THE WRIGHT AMENDMENT

A RESOLUTION OF THE COUNTY COMMISSIONERS OF THE COUNTY OF GRAYSON, TEXAS, OBJECTING TO ANY AND ALL AIR SERVICE RESTICTIONS PROPOSED BY THE LOCAL AGREEMENT PRESENTED TO THE US CONGRESS BY THE CITIES OF DALLAS AND FORT WORTH, SOUTHWEST AND AMERICAN AIRLINES, AND DFW INTERNATIONAL AIRPORT TO REPEAL THE WRIGHT AMENDMENT.

WHEREAS, Grayson County owns and operates Grayson County Airport, a General Aviation Reliever airport located within a 59-mile radius of Dallas Love Field and within a 62-mile radius of DFW International Airport.

WHEREAS, Grayson County has no immediate intentions to attract commercial air service, and.

WHEREAS, Grayson County, joined by other communities in Grayson County County, may wish to study the feasibility of commercial air carrier service in the future to serve Grayson County's growing population and business base.

WHEREAS, it is every community's right and responsibility to develop a balanced economy and transportation infrastructure that benefits its citizens; and,

WHEREAS, the Cities of Dallas and Fort Worth have proposed in a written agreement that they will join together to support legislation to prevent any commercial air passenger service at airports within an 80-mile radius of Love Field for the next eight (8) years, and.

WHEREAS, the Cities of Dallas and Fort Worth and DFW International Airport propose that Southwest and American Airlines be penalized if they initiate service at an airport within an 80-mile radius of Love Field for nineteen (19) years; and.

WHEREAS, Grayson County views the proposed Local Agreement as unnecessarily restrictive, arbitrary, anticompetitive and an expansion and extension of the Wright Amendment throughout North Texas that threatens the economic development freedoms of Grayson County and other North Texas communities

NOW, THEREFORE, GRAYSON COUNTY, TEXAS RESOLVES THAT:

It opposes the enactment of any legislation that restricts commercial air service at Grayson County Airport and other airports in North Texas

DULY PASSED AND APPROVED THIS 10th DAY OF JULY 2006.

GRAYSON COUNTY, TEXAS

Tim McGraw County Judge

ATTEST.

Wilma Bush, County Clerk

RESOLUTION

A RESOLUTION OF THE POTTSBORO AREA CHAMBER OF COMMERCE, OBJECTING TO ANY AND ALL AIR SERVICE RESTICTIONS PROPOSED BY THE LOCAL AGREEMENT PRESENTED TO THE UNITED STATES CONGRESS BY THE CITIES OF DALLAS AND FORT WORTH, SOUTHWEST AIRLINES, AMERICAN AIRLINES, AND DFW INTERNATIONAL AIRPORT TO REPEAL THE WRIGHT AMENDMENT.

WHEREAS, the Pottsboro Area Chamber of Commerce supports the development of the Grayson County Airport, a General Aviation Reliever airport located within a 59-mile radius of Dallas Love Field and within a 62-mile radius of DFW International Airport and 3-miles of the City of Pottsboro, Texas.

WHEREAS, Grayson County has no immediate intentions to attract commercial air service; and,

WHEREAS, the Pottsboro Area Chamber of Commerce, joined by other communities in Grayson County, may wish to study the feasibility of commercial air carrier service in the future to serve Grayson County's growing population and business base.

WHEREAS, it is every community's right and responsibility to develop a balanced economy and transportation infrastructure that benefits its citizens; and,

WHEREAS, the Cities of Dallas and Fort Worth have proposed in a written agreement that they will join together to support legislation to prevent any commercial air passenger service at airports within an 80-mile radius of Love Field for the next eight (8) years; and,

WHEREAS, the Cities of Dallas and Fort Worth and DFW International Airport propose that Southwest and American Airlines be penalized if they initiate service at an airport within an 80-mile radius of Love Field for nineteen (19) years; and,

WHEREAS, the Pottsboro Area Chamber of Commerce Board of Directors views the proposed Local Agreement as unnecessarily restrictive, arbitrary, anticompetitive and an expansion and extension of the Wright Amendment throughout North Texas that threatens the economic development freedoms of Grayson County and other North Texas communities;

NOW, THEREFORE, THE POTTSBORO AREA CHAMBER OF COMMERCE BOARD OF DIRECTORS RESOLVES THAT:

It opposes the enactment of any legislation that restricts commercial air service at Grayson County Airport and other airports in North Texas.

DULY PASSED AND APPROVED THIS 10th DAY OF JULY 2006.

GRAYSON COUNTY, TEXAS

Susan McHorse

Susan McHorse, President
Pottsboro Area Chamber of Commerce

ATTEST:

Pam Straus

Pam Straus, Secretary
Pottsboro Area Chamber of Commerce

McKINNEY
CHAMBER

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The Zepp Company

1650 W. Virginia Street
Suite 110
McKinney, TX 75069

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Fax: 972-542-6341
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June 20, 2006

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, D.C. 20515

RE: DFW's Joint Statement to Resolve Wright Amendment Issues

Dear Representative Hall,

As Dallas, Fort Worth and other interested parties have been recently negotiating a joint resolution to resolve Wright Amendment "issues," the Metroplex has been anxiously awaiting their conclusions.

Those conclusions, however, do more than just affect Dallas and Fort Worth – they could negatively affect the surrounding area.

The Joint Statement issued by the City of Dallas, Fort Worth, Southwest Airlines, American Airlines and DFW International Airport is flawed to the detriment of the Metroplex, including the City of McKinney. The resolution delays an appeal to the Wright amendment for eight years. In that time period, the resolution states, Dallas and Fort Worth would oppose expansion to any air service in an 80 mile radius.

The McKinney Chamber of Commerce is respectfully asking that you strongly oppose any and all efforts by the City of Dallas and the City of Fort Worth to impose air service restrictions upon airports and in communities outside of their jurisdiction.

The McKinney Chamber of Commerce, a voice of over 1,000 businesses in the McKinney area and an advocate of business development, adamantly opposes any legislation that would limit the opportunity for the Collin County Regional Airport to host scheduled commercial airline service.

The Chamber appreciates your service and leadership and believes that you will make the right decision in supporting business growth and development.

Sincerely,

Robert S. Clark
Chairman, McKinney Chamber of Commerce

McKINNEY
M E D C
Unique by nature.

June 30, 2006

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

Re: DFW Joint Statement to Resolve Wright Amendment Issues

Dear Congressman Hall:

The Board of Directors of the McKinney Economic Development Corporation (MEDC) has been interested in following the on-going discussions among regional officials in trying to resolve their differences over the possible repeal of the Wright Amendment.

Upon reading the Joint Statement, the intent and implications of this Statement are obvious. The authors of the Statement are attempting to dictate to Congress that the Wright Amendment be "frozen" for another eight years, thus depriving North Texas passengers of the lower fares that would result from free enterprise. These officials are also trying to use Congress to give DFW even more of a monopoly by restricting surrounding airports (not within their jurisdiction) from offering competitive commercial air service. This is restraint of trade for the Collin County Regional Airport, and the proposed 80-mile limit was designed with no input from regional aviation representatives.

Collin County Regional Airport is a viable economic engine for Collin County and its surrounding neighbors. Millions of dollars have been invested in this facility to make it one of the best regional reliever airports in the country. The above agreement would result in a serious restraint to the growth of our airport and our economic development.
We vigorously oppose the passage of legislation that would support this joint statement.

The 80-mile radius restriction is not in the best interest of the Collin County Regional Airport, or in the best interest of the rapidly growing population in this area. We ask that Legislation supporting this agreement be opposed by you.

This position and letter received unanimous approval by the MEDC Board during the MEDC Board of Directors meeting on June 28, 2006.

Thank you for your time and consideration in this matter, and all matters that effect our airport and our economic viability.

Respectfully,

Ray Ricchi
McKinney EDC Chairman

McKinney Economic Development Corporation
321 N.Central Expressway, Suite 200 McKinney, TX 75070
Metro 972.562.5430 • Toll Free 800.839.6259 • Fax 972.562.1222
www.mckinneytxedc.com

MiCRA

July 11, 2006

Chairman John Mica
Subcommittee on Aviation
Transportation & Infrastructure Committee
2251 Rayburn House Office Building
Washington, DC 20515

Ranking Member Jerry Costello
Subcommittee on Aviation
Transportation & Infrastructure Committee
2251 Rayburn House Office Building
Washington, DC 20515

Mr. Chairman & Ranking Member:

I am submitting the following statement for the record for the July 12th, 2006 Subcommittee on Aviation Hearing.

As background, I am an economist and Principal with MiCRA, an economics consulting and research firm located in Washington, D.C. I received a B.A. degree from Yale University, a M.P.A. from the Woodrow Wilson School of Princeton University, and a Ph.D. in Economics from Princeton University. From 1972 to 1983 I was an Assistant and then Associate Professor of Economics at Washington University in St. Louis. From 1983 to 1989, I served as the chief economist for the Antitrust Division of the U.S. Department of Justice, first as Director of its Economic Policy Office and then as Deputy Assistant Attorney General for Economic Analysis.

Since leaving the government, I have served as a Resident Scholar at the American Enterprise Institute, a Visiting Lecturer of Public and International Affairs at the Woodrow Wilson School at Princeton University, and as a Research Associate Professor of Psychology at the American University. I have served as an expert witness or consultant on a number of antitrust matters, including as an expert witness for the Department of Justice in *US v. AT&T*, for the Federal Trade Commission in *FTC v. Staples and Office Depot*, and for the States in *US and*

States v. Microsoft.

I have been retained by counsel for the Love Field Partners to review the agreement signed on June 15, 2006 by the City of Dallas, the City of Fort Worth, Southwest Airlines, American Airlines, and DFW International Airport to "resolve the 'Wright Amendment' issues" (henceforth denoted as the Joint Agreement). Based on the materials I have reviewed, I believe that this agreement would significantly reduce competition for airline services and harm airline customers in Texas and other parts of the United States. I find it deeply troubling that an agreement that appears to be anticompetitive on its face and which would have such significant potential effects on airline competition at Dallas' Love Field (DLF) and Dallas Forth Worth Airport (DFW), has received so little public discussion, debate, or analysis.

The Joint Agreement begins by stating a laudable goal, *i.e.*, "to ultimately seek its [the Wright Amendment's] repeal". As economic studies have shown, the Wright Amendment has reduced competition between airlines at DLF and DFW and increased air fares significantly, especially for non-stop flights between Dallas/Fort Worth and other cities outside the perimeter of the nine states encompassed by the travel restrictions in the Wright Amendment.[1]

The Joint Agreement would immediately allow airlines serving DLF to offer through ticketing throughout the 50 United States and to market those services. This provision would not, however, allow increased competition for non-stop flights, which appeal primarily to higher paying business travelers whose demand is less elastic and where increased competition would thus be particularly effective in lowering fares.

In addition, the Joint Agreement has some troubling provisions that are likely to have deleterious effects on airline competition at DLF and DFW and could harm consumers in North Texas and elsewhere in the country that utilize airline services from these airports. As such, the

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[1] A number of studies have examined the adverse effects of the Wright Amendment on air fares and competition: Federico Ciliberto and Elie Tamer, "Market Structure and Multiple Equilibria in Airline Markets," working paper, February 2006; the testimony of Dr. Brian M. Campbell before the Senate Commerce, Science & Transportation Committee, Subcommittee on Aviation, in support of S.1424, November 10, 2005; Steven Morrison and Clifford Winston, "Foul Regulatory Weather Grounds Airline Competition", *Wall Street Journal (WSJ)*, December 3, 1997, and the statement of Steven Morrison, "The Effect of Airport Restrictions on Air Fares", Hearing Before the Subcommittee on Transportation and Related Agencies, October 21, 1997. There have also been a number of articles in the business press about the adverse effects of the Wright Amendment. See Scott McCartney, "Wright Amendment is Wrong", WSJ, November 30, 2004.

potential effects of the Joint Agreement require careful study and discussion.

The Joint Agreement does not call for the immediate end to all of the Wright Amendment provisions. Instead, it calls for phasing out the Wright restrictions. While restrictions on through ticketing would be immediately lifted, the restrictions on non-stop flights would continue for another eight years. Importantly, the Joint Agreement calls for Southwest and American Airlines to continue the Wright restrictions for another eight years even if "Congress passes legislation that is inconsistent with the Parties' agreement herein, or subsequently amends that legislation [to allow flights from DLF to a state outside the Wright perimeter]".[2] In effect, these two airlines have agreed not to compete for non-stop flights outside the current perimeter of the Wright Amendment for another eight years. Thus, even if Congress were to repeal the Wright Amendment tomorrow, consumers would not receive the full benefits for another eight years.[3]

It is clear that American Airlines benefits by maintaining the current Wright restrictions (either through legislation or voluntarily by Southwest), because these restrictions prevent Southwest Airlines from competing with American, which is primarily based out of DFW airport, for non-stop flights from DLF to cities outside the Wright Perimeter. But the Joint Agreement is beneficial to Southwest Airlines as well because it contains provisions that would deter entry by other low-cost carriers at DLF, effectively preserving Southwest Airlines' monopoly power over passengers that prefer to fly from DLF, while at the same time protecting American Airlines from low-cost entrants at DLF that might compete with American's flights out of DFW.

Entry at DLF would be precluded because the Joint Agreement calls for a substantial and permanent reduction in the number of available gates at DLF and an allocation of the remaining gates to incumbent carriers at DLF roughly in proportion to their current share of available gates.[4]

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[2] If Southwest or American does not voluntarily abide by the Wright restrictions, they could lose half their gates at DLF. See paragraph 13 of the Joint Agreement.

[3] Paragraph 16 of the Joint Agreement states that the agreement is null and void without enabling legislation by Congress – unless the parties agree to extend the agreement. Thus, the provisions of the Joint Agreement could survive regardless of how Congress modifies the Wright Amendment.

[4] There are currently 32 gates available at DLF. Southwest Airlines has 21 gates, American has 3 gates, Continental has 2 gates, and Legend has 6 gates. The number of gates at DLF would go from 32 gates down to 20 gates, a reduction of 12 gates. Of these 12 gates, six are located in the Legend terminal. Moreover, these 12 gates, including the Legend terminal, would be modified or demolished so that they could never be used for passenger service again.

This agreement would effectively prevent potential competitors from entering DLF and lock into place the current market shares of existing carriers at DLF for the foreseeable future.[5] Even if one believed that there was an overriding public interest in reducing capacity at DLF, this method of allocating the remaining capacity is at best an attempt by the dominant incumbent carriers, Southwest Airlines and American Airlines, to preserve their existing market shares and the large fare premium (estimated at about 22%) for flying out of DFW.[6] In plain language, this agreement has all the earmarks of a naked market allocation agreement between Southwest and American, an agreement that would normally be considered as *per se* illegal under the antitrust laws.

Some may argue that such an agreement could be justified as a way to address noise or other environmental concerns at DLF. While such concerns are, of course, perfectly legitimate and understandable, there are other policies that can and have been implemented to address these concerns that would preserve airline competition and which would be more efficient than permanently reducing the number of gates. For example, restrictions could be imposed on the types of planes allowed to land at the airport and on the hours of operation of the airport. Alternatively, landing fees could be set based on the time of day or pollution generated by the aircraft.

Even if Dallas wanted to reduce capacity at DLF, it could do so unilaterally without the participation of Southwest or American Airlines and without Southwest agreeing not to initiate non-stop long-haul flights for another eight years, and thus, without depriving passengers of the benefits of greater competition in long-haul flights. However, even if one accepted the premise that capacity had to be reduced at DLF (which is not at all apparent), there are far more socially beneficial ways to allocate the reduced capacity than by giving it to the existing carriers at DLF based on their current share of gates. For example, one could auction off the remaining gates.

The remaining 20 gates would be allocated as follows: 16 to Southwest, 2 to American Airlines, and 2 to Continental Airlines.

[5] Consequently, the Joint Agreement would reduce any benefit from repealing the Wright Amendment because the substantial reduction in gate capacity at DLF would limit Southwest's ability to expand at DLF and would bar entry at DLF.

[6] Derived by taking the average of the annual fare premium for DFW from 1995-2004 from Table 2 of Severin Borenstein, "US Domestic Airline Pricing, 1995-2004", Working Paper—Competitive Policy Center—UC Berkeley, 2005.

This would at least ensure that the City of Dallas, rather than American Airlines or Southwest Airlines, received some of the expected profits from the higher air fares and reduced competition that would result if capacity was substantially reduced at DLF.

Nor should Congress simply defer to local governments in this matter, even if they were acting on behalf of their local constituents. Many actual and potential passengers at DFW and DLF are citizens of other states or of other counties in Texas. As such, local residents would pay only a portion of the anticompetitive price increases that would flow from the Agreement.

Allocating gates at DLF based on the current market shares of incumbent carriers at DLF can be expected to harm consumers because it deprives them of competition from new carriers that were in the process of entering and offering new service at DLF. There are reports that, just prior to the signing of the Joint Agreement, Love Terminal Partners was close to a deal to sell its lease at Legend Terminal at DLF to Pinnacle Airlines for approximately $100 million dollars. After the Mayor announced that the city would take steps to prevent use of that facility for commercial transport, the deal apparently fell through. If that deal had been consummated, passengers at DLF would have had another low-cost airline competing with Southwest and American Airlines at DLF.

Under the provisions of the Joint Agreement, however, Southwest Airlines will be guaranteed a position as the dominant carrier at DLF, with leases on approximately 80% of the gates at DLF until 2028, even though the Joint Agreement calls for all flight restrictions of the Wright Amendment to end by 2014. Thus, the Joint Agreement would lock in the advantages of the incumbent carriers until at least 2028. Because the Joint Agreement would essentially foreclose entry at DLF, there would be nothing to prevent Southwest from charging higher fares to passengers at DLF.[7] Moreover, passengers will be deprived of more vigorous competition

[7] The Joint Agreement contains vague language that entry will be accommodated at DLF (see footnote 2) but not the terms. It is revealing that the agreement says that Dallas will first seek voluntary accommodation by existing carriers. Given their vocal opposition to the Agreement, potential entrants appear to believe that they will be disadvantaged compared to incumbent carriers. It is instructive to note that a number of potential competitors on the affected routes, such as Northwest Airlines and JetBlue, have complained that the Joint Agreement is exclusionary and will prevent them from entering at DLF. In fact, JetBlue had sent a letter to Love officials requesting two gates if the Wright Amendment was repealed. Thus, the threat of entry at DLF is very real.

Moreover, since the Agreement destroys gate capacity that would support new entry at DLF, and all the remaining gates are allocated by the Agreement to existing carriers, it is far from clear how competitively meaningful entry at

between airlines at DLF and DFW, both because Southwest Airlines would not be able to provide non-stop service outside the Wright Perimeter for another eight years and because entry by other carriers at DLF would be foreclosed for the foreseeable future.

The Joint Agreement thus appears to be no more than a naked attempt by the dominant carriers in the region, Southwest Airlines and American Airlines, to preserve their market shares and fare premiums in the face of potential competition from each other and from rival airlines. One should be skeptical of basing public policy on an agreement that on its face appears to raise serious antitrust and competitive issues. I believe a thorough review of the Joint Agreement is required before it is given any further consideration by this subcommittee.

Sincerely,

Frederick R. Warren-Boulton, PhD.
Principal, MiCRA, Inc.

DLF could occur under the Agreement.

Statement of Dan S. Petty
President/CEO of the North Texas Commission
Submitted to the
United States House of Representatives Aviation Subcommittee
July 12, 2006

Mr. Chairman, members, thank you for the opportunity to submit this written statement for the record to express strong support of the Dallas Fort Worth Compromise Agreement on the Wright Amendment on behalf of the North Texas Commission.

The North Texas Commission believes strongly that the best scenario for the health of the North Texas regional economy, its citizens and business community, is for the local compromise agreement of the Wright Amendment to be implemented which we believe will help keep DFW Airport strong.

Founded in 1971, the North Texas Commission is a regional non-profit consortium of businesses, cities, counties, chambers of commerce, economic development entities and higher education institutions in the North Texas Region. The Commission is the one and only public-private regional organization committed to enhancing the overall economic vitality and quality of life of North Texas.

The mission of the North Texas Commission is to enhance and promote the economic vitality and quality of life of the Dallas/Fort Worth Metroplex by:

1) providing leadership;
2) acting as the catalyst for regional cooperation; and,
3) identifying regional problems and issues and helping create solutions for these problems and issues.

DFW Airport's annual economic impact to the North Texas region is $14 billion. Clearly, this is not just an issue that is critical to the businesses and employees that depend on DFW Airport, including 268,000 jobs supported directly or indirectly, it's also critical to the entire region.

North Texas is home to 22 FORTUNE 500 companies that collectively generated $565 billion in revenue. Most of the 22 FORTUNE 500 companies headquartered here list DFW International Airport as one of the primary reasons to establish and expand operations in the Metroplex and depend upon easy access it offers to both domestic and international flights to sustain their business status and continue to expand.

DFW International Airport is a key reason North Texas has become a top destination for corporate relations and a global business leader that has seen continued growth and prosperity. In fact, a recent study by Conway New Plant Database and Site Selection magazine found that Dallas-Fort Worth experienced more corporate relocations and expansions than any other U.S. metropolitan market in 2004.

An example of DFW's strong influence and appeal to corporations considering relocation was the May, 2005 decision of the Fluor Corporation to move to North Texas. Fluor's CEO stated publicly that the Dallas/Fort Worth Metroplex was selected for its new home because of its accessibility to global clients through DFW Airport's optimal travel connections to customers in all other global locations. Similar rationale applies to EDS, Texas Instruments, Exxon Mobil, RadioShack and others.

The North Texas Commission recognizes that a strong DFW Airport is the engine that drives the North Texas regional economy, and with that in mind, we strongly advocate implementation of the agreed to compromise on the Wright

Amendment that is jointly presented to you by Southwest Airlines, American Airlines, DFW International Airport, the City of Dallas and the City of Fort Worth.

Thank you, Mr. Chairman

Contact Information:

Dan S. Petty
President and CEO
North Texas Commission
www.ntc-dfw.org
972.621.0400

Keith Self
Collin County Judge (Elect)
8324 Beech Lane
McKinney, Texas 75070

June 20, 2006

The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

Re: Joint Statement on Wright Amendment

Dear Congressman Hall:

I watched with intense interest, as did many others, as the Cities of Dallas and Fort Worth negotiated a local solution to resolve issues raised by the Wright Amendment. While I will not take office as the County Judge until January 1, 2007, I believe that the agreement that they negotiated severely restricts the future of Collin County Regional Airport in McKinney, hence the future of Collin County as a whole.

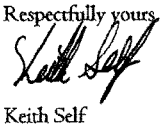
I write to express my opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on the ability to attract commercial air service to Collin County Regional Airport.

The Cities of Dallas and Fort Worth should not be allowed to dictate positions that will restrict air service at area airports outside of their jurisdiction through the legislative process. This is an expansion of the Wright Amendment; an expansion that does grave harm to the North Central Texas region. I respectfully request that you strongly oppose

any and all efforts by the Cities of Dallas and Fort Worth to impose air service restrictions upon airports and communities outside of their jurisdiction.

I thank you for your attention to this matter and look forward to working with you on this and other issues that impact the growth and development of Collin County and our community's economic vitality.

Respectfully yours,



Keith Self
Collin County Judge (Elect)

UNIVERSITY of NORTH TEXAS
College of Business Administration
Center for Logistics Education and Research

Chairman John Mica
Subcommittee on Aviation
Transportation & Infrastructure Committee
2251 Rayburn House Office Building
Washington, DC 20515

Ranking Member Jerry Costello
Subcommittee on Aviation
Transportation & Infrastructure Committee
2251 Rayburn House Office Building
Washington, DC 20515

July 10, 2006

Mr. Chairman & Ranking Member:

I request the following statement be submitted for the record for the Hearing which the Subcommittee on Aviation will hold on July 12, 2006.

As a professor at the University of North Texas, I have closely studied and analyzed the potential impact of the Wright Amendment and its repeal on the surrounding community and the City of Dallas. I have authored several articles on the subject and presently have additional research in progress.

To fairly evaluate the current agreement for repeal – and its potential impact on the local and national community – one should evaluate the plan in the overall context of national transportation regulation.

I. Background

As the United States has developed, transportation regulation has been an important factor in economic and societal advancement. Transportation regulation has evolved from the Granger Movement of the 1870s (which initiated transportation regulation to protect farmers) to the actions in the early 1900s to promote the development of new transportation modes and then the regulation of their actions; and now to deregulation of the transportation industries to allow free-market forces to guide further development.

Academics and historians trace the movement of deregulation to the 1961 Doyle Report. On June 26, 1961, the United States Senate Committee on Commerce issued a staff report on National Transportation Policy, commonly known as the Doyle Report, that concluded that regulatory policy "*has produced a general program of preserving the status quo which is in direct opposition to the*

overall objective of a dynamic transportation system which can best serve the economy and defense of the country" (pages 405-407).

Distracted by the presidential assassination, the civil rights movement and military actions in Southeast Asia, efforts to begin moving transportation toward a free-market system was delayed until the mid-1970s. Legislative efforts since that time, too numerous to cite, have emphasized releasing the regulatory handcuffs on the transportation industry. The result has been to increase competition, and force transportation providers to operate efficiently, effectively, and to address customer needs with the potential reward of potential economic profit.

The results of deregulation have shown this to be a proper course of action. In 1964, the transportation industry represented 9.1% of nominal gross domestic product. It now represents 6.0% of nominal gross domestic product (17th Annual State of Logistics Report, Council of Supply Chain Management Professionals, June 19, 2006).

This significant improvement has helped fuel economic growth and expansion of trade. Important for this discussion is a report released in June 2006, by the General Accounting Office, GAO-06-630, "Airline Deregulation: Reregulating the Airline Industry Would Likely Reverse Consumer Benefits and not save Airline Pensions" that report concluded [as a result of regulatory changes] "airfares have fallen in real terms while service – as measured by industry connectivity and competitiveness – has improved slightly." "The report goes on to say that this evidence suggests that reregulation of airline entry and fares would likely reverse much of the benefits that consumers have gained."

Against this background, it is wise each time we entertain regulatory changes, to consider the economic and societal impact of the entire constituency served. It is this precept that raises concern regarding the current direction of the modification of the International Air Transportation Competition Act of 1979, Pub. L. No. 96-192, § 29, 94 Stat. 48, commonly known as the Wright Amendment.

II. The Wright Amendment

The Wright Amendment was passed in 1979 as a means of protecting the development of a regional airport in the Dallas-Fort Worth Metroplex. Since then, DFW International Airport has grown to be the second-biggest and the third-busiest airport in the world.

After Southwest Airlines announced its intent to seek repeal of the Wright Amendment, a volley of claims and counterclaims occurred between y American Airlines, DFW International Airport, and Southwest Airlines. The debate is summarized in my *Journal of Transportation Law, Logistics, and Policy article,* "Repeal or Retain? The Wright Amendment Debate." (M. Theodore Farris II and Stephen M. Swartz, "Repeal or Retain? The Wright Amendment Debate," *Journal of Transportation Law, Logistics, and Policy.* Volume 73, Number 1, 2006, pp. 86–95.) In an effort to guide this debate, Congressional representatives from Texas apparently asked the cities of Dallas and Fort Worth to prepare a local solution.

The "local" effort comprised intense discussion between a limited number of participants including the mayors of Dallas, Fort Worth, DFW International Airport, American Airlines and Southwest Airlines to develop the compromise currently under consideration. While the compromise appears to represent

the participating five parties, numerous other parties were excluded from those discussions that are affected both socially and economically.

These other parties, including other airlines considering adding routes through Love Field, property owners at Love Field such as Legend Terminal Partners, a multitude of small businesses around Love Field, and the neighborhood homeowners and area labor force, were excluded from the meetings and have not had their concerns addressed in the compromise.

III. Recommendation – Striking a Proper Balance

Further analysis is essential to incorporate the social and economic cost- and benefit- analysis which I believe would improve the legislative repeal to offer a more cost effective, free-market solution promoting the transportation industry and address the concerns of the entire constituency.

For example, while results of the study we have underway are preliminary, the potential economic benefit of utilizing the existing six gates of the Legend Terminal could add 499 new jobs to the surrounding area, which contains a high concentration of Hispanic (over 67% of residents) and African-American (over 15% of residents) citizens with an average household income approximately 30% below the average household income for Dallas County. The potential increase to the Dallas County economy is in excess of $360 million per year. Instead, the current compromise involves an estimated expenditure of up to $60 million to destroy that facility – and its tax revenue generating infrastructure presently in place.

Congressional representatives have received what they asked for – a local solution. But it is one which does not fully encompass the costs and benefits of the local economy. The compromise also fails to consider how the repeal would affect the national community and fit into the national transportation system. History has shown economic development is enhanced through improved transportation. Representatives from numerous states have expressed their interest in the opportunity for air service from Southwest out of Love Field so their consumers can benefit from the lauded "Southwest Effect" as well as the resulting access to other nodal locations served by Southwest.

Under the compromise, the eight-year restriction of air service expansion within an 80-mile radius around Love Field is anti-competitive and imposes a minimum of an eight-year stranglehold on economic growth stemming from new air service to the D/FW Metroplex. It also imposes an economic girdle nationally on any of the states seeking improved air service from any airline related to Love Field and the resulting lower rates that would to help spur their economic growth. Implementing the local "solution" to the repeal of the

Wright Amendment is economically sub-optimizing the DFW market at the expense of the national economy and is a disservice to the constituency of legislators outside of the state of Texas.

IV. Conclusion

Parts of the compromise may be sound. Sub-optimizing the regional and national economies, imposing stricter regulation in place of current regulation, and spending substantial public monies to destroy an employment and tax-generating infrastructure assets already in place make little sense.

The repeal of the Wright Amendment should seek to promote transportation competition while addressing the social and economic advancement of the constituency. Future analysis and invited involvement of all parties affected is imperative to address the true cost and benefits to various compromise elements.

For these reasons, I urge you not to support the proposed agreement.

Sincerely,

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BEFORE THE SUBCOMMITTEE ON AVIATION
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES

TESTIMONY

OF

MAYOR BILL WHITFIELD
CITY OF MCKINNEY, TEXAS

ISSUES CONCERNING THE WRIGHT AMENDMENT

JULY 12, 2006

Mr. Chairman, Members of the Committee, thank you for the opportunity to submit this written testimony on behalf of the City of McKinney, Texas, concerning the recent agreement ("Agreement") among the Cities of Dallas and Fort Worth, Southwest Airlines, American Airlines and Dallas/Fort Worth International Airport ("DFW") relating to the Wright Amendment.

The City of McKinney owns and operates the Collin County Regional Airport, a general aviation airport that is approximately 27 miles from Love Field and serves as a reliever airport for DFW. Our airport has a 7,000 foot runway and has met most of the FAA's Part 139 certification requirements that an airport must satisfy in order to provide scheduled commercial air service. I would also like to point out that Collin County with a population of 700,000 and the City of McKinney, in particular, with a population of 107,000 have been growing rapidly and this strong growth is expected to continue. Thus, it is possible that carriers may want to provide service out of Collin County Regional Airport in the foreseeable future. In fact, McKinney plans to begin an air service feasibility study in early 2007.

For the reasons that I will discuss, the City of McKinney strongly opposes any Congressional legislation that would impose anti-competitive restrictions on commercial air service for communities within an 80-mile radius of Love Field. Specifically, under Section 6 of the Agreement, Dallas and Fort Worth agree to oppose any new commercial service within 80 miles of Love Field for the next 8 years. As we read Section 7 of the Agreement, the cities will seek legislation to implement this plan along with other provisions of the Agreement. This proposal will harm the people and businesses of McKinney and other communities throughout North Texas by unfairly blocking the development of commercial air service at Collin County Regional Airport and other airports within 80 miles of Love Field.

Now, we understand that a city can take steps to market the air service at its airport and to bring new air service to its community. We also understand that cities compete with each other in trying to get a carrier to provide new or additional air service. Consequently, if McKinney were to seek to bring commercial air service to the Collin County Regional Airport, we would not be surprised to face competition from other communities, including Dallas and Fort Worth. However, we would expect to operate under the same rules as any other community in the country. We would expect a level playing field. We would not want Congress to give Dallas and Forth Worth special legislative authority that would give them a competitive advantage in competing with McKinney just because McKinney happens to be within 80 miles of Love Field.

Mr. Chairman, we would like to note that the Wright Amendment has been around for 27 years. It was initially designed to protect the development of a relatively small airport, DFW, that is now one of the world's largest airports. The Dallas/Fort Worth parties announced their agreement on June 15, 2006, only a few weeks ago and now seek legislation on an expedited basis. The Agreement could effect Federal law and policies that ensure that we have an open and competitive national aviation system based on free market principles. The Agreement could impose anti-competitive restrictions on air service in North Texas. These new conditions go beyond the narrow issue of the Wright Amendment. Accordingly, we urge the Committee to take a careful look at these restrictions and their negative impacts.

Specifically, as Congress considers legislation on the Wright Amendment, we ask that it be made clear that Dallas and Fort Worth are not being given any special legislative advantage in competing for commercial air service within 80 miles of Love Field.

Thank you for your consideration of our concerns.

Office of the Mayor

THE HONORABLE BILL WHITFIELD

June 20, 2006

VIA Facsimile (202) 225-3332
The Honorable Ralph M. Hall
U.S. House of Representatives
2405 Rayburn House Office Building
Washington, DC 20515

Re: DFW's Joint Statement to Resolve Wright Amendment Issues

Dear Congressman Hall:

The City of McKinney watched with interest as the Cities of Dallas and Fort Worth negotiated a local solution to resolve issues raised by the Wright Amendment. We remained silent during the negotiations out of respect for their difficult situation and the business of the communities.

However, after reading the joint statement released by the Cities, it's time we express our opposition to any attempt to expand artificially imposed market restrictions, or any attempt to legislate an agreement that does the same, on our ability to attract commercial air service to Collin County Regional Airport in McKinney, Texas.

The City of McKinney considers the efforts of the Cities of Dallas and Fort Worth as deliberate attempts to restrict air service at area airports outside of their jurisdiction through the legislative process. We view the suggestion that airports within an 80-mile radius be restricted from initiating air service for eight years as an expansion of air service restrictions similar to those imposed by the Wright Amendment. In this regard, we respectfully request that you strongly oppose any and all efforts by the Cities of Dallas and Fort Worth to impose air service restrictions upon airports and communities outside of their jurisdiction.

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As always, we thank you for your service and leadership and look forward to working with you on this and other issues that impact the growth and development of our airport, the services it offers and our community's economic vitality.

Respectfully yours,

Bill Whitfield
Mayor