



DALLAS/FORT WORTH  
INTERNATIONAL AIRPORT

## FY2002 Competition Plan

DFW will be the Airport of Choice by creating a positive, competitive, and safe environment that exceeds our customers' expectations.



## CONTENTS

<i>INTRODUCTION</i> .....	1
 <i>PART ONE - EXECUTIVE SUMMARY</i>	
<i>HIGHLIGHTS OF THE PAST YEAR</i> .....	2
I. POLICIES AND PROCEDURES .....	2
II. FACILITY EXPANSION.....	4
III. MARKETING INITIATIVES.....	5
 <i>CONCLUSION - EXECUTIVE SUMMARY</i> .....	7
 <i>PART TWO - PLAN UPDATE</i>	
<i>1.0 BACKGROUND</i> .....	8
1.01 Plan Update Status .....	8
1.02 DFW's Performance.....	8
1.03 Air Service Status.....	14
 <i>2.0 DFW'S FINANCIAL STRUCTURE</i> .....	19
2.01 DFW Use Agreement.....	19
2.02 Majority-in-Interest .....	19
2.03 Airport Cost Structure .....	20
2.04 PFC Funds .....	23
 <i>3.0 TERMINAL FACILITIES USE AND OCCUPANCY</i> .....	25
3.01 Number and Allocation of Gates .....	25
3.02 Gate Utilization Rates and Monitoring .....	27
3.03 Common Use Gates.....	27
3.04 Gate Use and Availability.....	30
3.05 New Service Requests and Accommodation .....	34
3.06 Subleasing Arrangements.....	35
3.07 Disputes Resolution .....	36
 <i>4.0 AIRPORT DEVELOPMENT</i> .....	39
4.01 Airport Development Plan .....	39
4.02 Airport Capital Development Program.....	39
 <i>5.0 AIRFARE ANALYSIS</i> .....	41

5.01	Fare Yield.....	41
5.02	Revenue Yield.....	42
5.03	Average Fare Comparison.....	42
5.04	DFW Average Fare by Airline.....	43
<b>6.0</b>	<b>AIR SERVICE DEVELOPMENT.....</b>	<b>44</b>
6.01	Marketing Initiatives.....	44
6.02	Marketing Programs.....	45
<b>7.0</b>	<b>CONCLUSION.....</b>	<b>48</b>

**APPENDICES**

- Appendix A - Gate Monitoring Procedures*
- Appendix B - Gate Activity Report*
- Appendix C - Average Turns Per Gate Summary*
- Appendix D - Preferential Use Gate and Common Use Gate Policies*
- Appendix E - MII Approval Letter – Terminal D*
- Appendix F - Gate Exchange Location Map*
- Appendix G - Gate Exchange Agreement*
- Appendix H - Preferential Lease Agreement*
- Appendix I - Airline Sub-Lease & Other Agreements Request Letter*

**NOTE:** Copies of the Appendices to this document are not attached in this PDF format due to size and format. Please contact the DFW Planning and Real Estate Department at 972-574-8980 should you desire copies of any of the attached Appendices.

# *DALLAS/FORT WORTH INTERNATIONAL AIRPORT*

## *A Competitive Airport for All Airlines*

### *INTRODUCTION*

The passage of the Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (AIR-21), P.L.106-181, in 2000, marked the beginning of a new era in how the nation's airports conduct their business affairs with respect to airlines, facilities and the furthering of airline industry competition. Congressional intent to expand competition throughout the U.S. airline industry led to many new provisions in the legislation. Airports have a clear and affirmative obligation to provide a pro-competitive atmosphere for all airlines, from the largest network airlines to the smallest regional airlines.

Pursuant to Section 155 of the AIR-21 legislation, Dallas/Fort Worth International Airport (DFW or Airport) submitted its Airport Competition Plan (the DFW Plan) to the Federal Aviation Administration (FAA) Office of Airport Planning and Programming in December 2000. After an exchange of correspondence with DFW, the FAA approved the DFW Plan in March 2001.

DFW has prepared an update to the DFW Plan (FY2001 Competition Plan Update) under the industry guidelines provided by the FAA in August 2001. Included in the FY2001 Competition Plan Update is information about new efforts at DFW to promote competition and updated financial and operational data. Specific responses to issues raised by the FAA in the exchange of correspondence regarding the DFW Plan are also incorporated in the FY2001 Competition Plan Update.

The FY2001 Competition Plan Update is arranged in two parts. The first part (Executive Summary) is a narrative description of the major actions taken by DFW during the period October 1, 2000 - September 30, 2001 (Reporting Period) to promote competition and enhance airline growth at DFW. The second part (Plan Update) updates the information provided to the FAA in the DFW Plan with information from the Reporting Period. This part also addresses the specific issues outlined in the Letter of Approval from the FAA for the DFW Plan.

## *PART ONE*

### *EXECUTIVE SUMMARY*

#### *HIGHLIGHTS OF THE PAST YEAR*

Over the Reporting Period, DFW has taken definitive steps to promote airline competition at the Airport. The Airport's efforts include the adoption of new policies and procedures, facility planning to accommodate future growth of the Airport's airlines and marketing efforts to attract new airlines and new service from existing airlines. Specifically, the pro-competitive actions that have taken place at DFW over the Reporting Period include:

##### *Policies and Procedures*

- Adoption of formal Preferential Use Gate and Common Use Gate Policies
- Establishment of formal Gate Monitoring and Reporting Procedures
- Conversion of two (2) gates from exclusive use gates to preferential use gates

##### *Facility Expansion*

- Start of Construction of Terminal D and a new People Mover System
- Receipt of Majority-in-Interest (MII) approval for Terminal F from American Airlines
- Interim Terminal Expansion Planning

##### *Marketing Initiatives*

- Inauguration of new domestic and international airline service
- Expansion of the Carrier Support Program
- Implementation of New Marketing Programs

These new pro-competitive actions are explained in detail in the attached Plan Update. However, a summary is provided in the following paragraphs.

#### *I. POLICIES AND PROCEDURES*

##### *A. New Gate Use Policies*

Over time, DFW hopes to provide additional passenger terminals and related facilities to continue to provide all airlines with ample facilities reasonably necessary for current and future operations. In the short term however, DFW is somewhat gate constrained and must carefully manage all terminal facilities. Consequently, in September 2001, the Dallas/Fort Worth International Airport Board (DFW Board) passed two new policies

concerning preferential use gates and common use gates at DFW (the Policy or Policies). The new Policies detail the rights and responsibilities in the use of preferential or common use gates at the Airport for incumbent airlines, accommodated airlines and DFW.

The Common Use Gate Policy applies to the six (6) common use gates in Terminal B (Common Use Gates). Historically, DFW has accommodated all airlines wishing to use the Common Use Gates and coordinated operating schedules. However, as demand for Common Use Gates has risen, DFW instituted the formal Common Use Gate Policy that outlines the priority for all future airline accommodation requests for Common Use Gate access.

The Preferential Use Gate Policy assists domestic or international airlines seeking entry into DFW with scheduled service or seeking to expand scheduled flight operations at DFW. If these requirements cannot be reasonably accommodated by use of a sublease with existing airlines on exclusive use gates (Exclusive Use Gates) or on Common Use Gates, then the Chief Executive Officer of DFW shall have the right to pursue accommodation from airlines operating at DFW on preferential use gates (Preferential Use Gates). The innovative aspect of the Preferential Gate Use Policy is the ability to accommodate new or expanding airlines even with high utilization of existing gates. This historically high utilization would exceed the threshold for typical "use it or lose it" provisions.

DFW created these Policies specifically to promote competition by ensuring that any airline seeking to operate or grow at DFW has access to adequate facilities for operations under the unique and competitive environment of the Airport.

#### ***B. Formal Gate Monitoring and Reporting Procedures***

Signatory Airline status is achieved at DFW by executing the Restated Use Agreement (Use Agreement). The Use Agreement, negotiated in the late 1960's, effective in 1974 and terminating in 2009, was a reflection of the industry at that time and provides for long term, exclusive unit terminal leases on a residual basis. Due to the limited number of existing gates and the hubbing activity by American Airlines, Inc. (American) and Delta Air Lines, Inc. (Delta), Exclusive Use Gate utilization remains high. However, in support of the enforcement of Passenger Facility Charge (PFC) Assurance 7, DFW has created and instituted formal gate monitoring procedures (Gate Monitoring and Reporting Procedures) to determine if any of the gates at DFW, specifically including Exclusive Use Gates, are not fully utilized. These Gate Monitoring and Reporting Procedures were put in place beginning in April 2001 and continue today.

### *C. Establishment of Preferential Use Gates*

The first of DFW's Exclusive Use Gates to convert to Preferential Use Gates are Gates B-11 and B-12 in Terminal B. American requested the exchange with DFW of two (2) gates leased to American as Exclusive Use Gates for two (2) gates controlled by DFW as Common Use Gates. DFW required, as part of the Gate Exchange negotiation with American, the conversion of the two (2) Exclusive Use Gates leased to American as a result of the exchange to Preferential Use Gates. When the exchange was completed, the number of Common Use Gates stayed the same. DFW created detailed preferential use accommodation provisions and dispute resolution procedures that were spelled out in the Gate Exchange Agreement and later included in the Preferential Use Gate Lease with American for Gates B-11 and B-12.

The Preferential Use Gates provide a first ever opportunity for DFW to require an incumbent airline to accommodate another airline should there be no other reasonable space at the Airport. DFW plans to use the Policy as a model for future accommodation rights as additional gates are constructed and/or as existing Exclusive Use Gates convert to Preferential Use Gates in the future.

## *II. FACILITY EXPANSION*

Demand for gates at DFW is expected to be greater than supply over the next few years. Even with the recent attacks and subsequent decline in traffic, DFW is still a gate-constrained airport. The opening of Terminal D in 2005 will provide needed customer service enhancements for international operations, however, only with the construction of Terminal F (opening in 2007 or later) will needed gate capacity, particularly for domestic service, be increased. In the interim, DFW has been in discussions with the airlines about how to add temporary facilities to meet the growing demand for terminal facilities.

### *A. Terminal D and Automated People Mover Construction*

During the Reporting Period, significant construction progress has been achieved in the Airport's \$2.6 Billion Dollar Capital Development Program (CDP). Terminal D, the Airport's new international terminal facility, and the Automated People Mover System are two elements of the CDP that will enhance and promote airline competition at DFW. Terminal D will create a state of the art facility for international operations and the Automated People Mover System will provide expeditious connections between passengers on smaller or affiliated



airlines who may want to connect with the American or Delta hubbing operations.

### *B. Terminal F*

Initial planning efforts were continued in the Reporting Period for the approval and construction of an additional terminal facility, Terminal F, which would be scheduled to open two (2) or three (3) years after the opening of Terminal D. The planning effort was initiated based upon the forecasted demand for additional gate facilities, particularly for the non-hubbing airlines, and DFW's commitment to support airline competition by providing adequate gate capacity. The business plan discussed with the airlines serving DFW provided that Terminal F would be a non-exclusive, multi-tenant, Airport-managed international/domestic facility. Airlines would occupy gates at Terminal F either on a Common Use Gate or Preferential Use Gate basis.

The need for this new terminal was generally acknowledged by the airlines. American demonstrated its support for Terminal F by providing its affirmative Majority-In-Interest vote for Terminal F.

Subsequent to these initial efforts, planning for Terminal F has been halted for the immediate future given current demand levels post September 11, 2001. As we continue to monitor demand recovery, environmental processing for this project will continue.

### *C. Interim Gate Expansions*

The airlines and DFW have spent time detailing three options to provide for additional capacity for new entrants prior to new terminal construction. All current options involve the improvement or addition of facilities in or near Terminal B. The plans under consideration create additional gate space for international operations, with the ability to use the gates for domestic operations. Additionally, depending on the exact configuration and/or alignment of airlines and gates, an additional gate may be available for DFW to purchase, which would be used to provide additional capacity for domestic operations. DFW is particularly pleased with the progress on this issue because of the strong support it is receiving from the incumbent airlines and the possibility that DFW will regain the rights to another gate for common or preferential use.

As with the planning efforts for Terminal F, the interim gate expansion projects have been deferred as a result of the impact of September 11, 2001 events. However, DFW is continuing the planning efforts to install a common use terminal equipment system on Common Use Gates in Terminal B to maximize the utilization of such gates.

### **III. *MARKETING INITIATIVES***

DFW has some of the most diverse air service options and choices available to travelers anywhere. The Airport features two hubbing airlines, six new entrant/low cost airlines and nearly two dozen other airlines offering both network and/or point-to-point service. DFW's ability to construct facilities and foster a positive airport environment is critical to promoting local competition for the local Dallas/Fort Worth air service market, but it is also important as a major connecting hub for two network airlines. New services at DFW have the potential to not only benefit the local market, but to also provide enhanced network competition between two spoke markets that previously did not have a connection option at DFW. Thus, DFW strives to fulfill the dual objectives of promoting competition through new entry, but also encourages incumbent airlines to provide additional services to new markets.

#### **A. *Inauguration of New Airline Service***

Airlines celebrating new service at DFW include American Eagle, Air France, Sabena, Delta Connection carriers, Singapore Airlines and Korean Air. DFW has developed and expanded numerous marketing programs during the Reporting Period. More than 30 business case presentations were made to airlines, including low-fare domestic airlines, national and international airlines. Over 22 domestic and 36 international airline markets have been targeted for FY2002.

#### **B. *Expansion of the Carrier Support Program***

DFW has implemented a marketing policy known as the Carrier Support Program (CSP) that focuses on ensuring the success of new airline service as well as attracting new air service to DFW. The CSP allows the Airport to provide specified incentives for new service in the form of cooperative funds aimed at promoting the new service. Since the program's inception in 1999, multiple airlines, both international and domestic, have been eligible for CSP funds. Initially, the CSP requirements provided that only new daily scheduled service was eligible for CSP funds. During the Reporting Period, DFW enhanced the CSP to include airlines with three times weekly non-stop international service.

#### **C. *New Marketing Programs***

In addition to air service marketing, DFW has also expanded many other marketing programs including an award winning print advertising campaign and multi-media enhanced materials. New multi-lingual

passenger and cargo marketing videos were produced as well as the creation of DFW's first ever *Air Shipper* guide, promoting air cargo through DFW maps data and freight forwarder listings.

DFW has also made great progress in promoting and enhancing the official DFW web site, dfwairport.com. DFW launched a new corporate identity in September 2001. This new identity, including a new DFW brand, has been incorporated into the web site and reinforces DFW's customer focused attitude. Utilizing over 8 different advertising venues to support the campaign, visitors to dfwairport.com have increased dramatically. Another tremendously successful addition to the web site includes the Track-A-Flight option, which provides real-time flight information to users and the ability to have flight status updates emailed to the user's computer, cell phone, pager and personal digital assistant (PDA). In addition to these enhancements, DFW has also added key financial and operational information to the web site, giving customers and airlines the tool for tracking airport data in a timely manner. Since the events of September, this information has been especially beneficial to the airlines.

Future enhancements planned for the web-page will give DFW the opportunity to provide valuable information to its current and future airline tenants. Airlines interested in serving the DFW market can benefit from quick access to DFW's published rates schedules, policies and important point of contact information. The evolution of DFW's web page continues to prove a valuable tool for both present and future customers and airlines.

### CONCLUSION

Despite a reduction in demand from the tragic events of September 11, 2001, DFW's sustained growth of international and low-fare airlines and representation by almost all national airlines as well as two hub airlines demonstrates DFW's continued commitment to support a competitive environment. Additional competition enhancements undertaken by the Airport during the Reporting Period are described in Part II, the FY2001 Competition Plan Update. The Airport remains committed to providing the facilities, policies and operational plans to support the needs of all airlines in our unique, competitive environment.

PART TWO

*FY2002 COMPETITION PLAN UPDATE*

*FOR*

*REPORTING PERIOD October 1, 2000 through September 30, 2001*

*1.00 BACKGROUND*

*1.01 Plan Update Status*

DFW is submitting this Plan Update pursuant to Section 155 of Publication L106-181 of AIR-21. This part of the Plan Update provides financial and operational information, addresses the specific issues outlined in the Letter-of-Approval from the FAA for the DFW Plan and identifies new processes and policies being implemented by DFW to ensure continued open and competitive access for all airlines. In order to facilitate the review of the updated information, the Section titles used in the DFW Plan are used in this part of the Plan Update. However, to more accurately describe current data and to accommodate the additional information, individual numbered Paragraphs within a Section have changed and consolidated. Data contained in the DFW Plan that has not changed during the Reporting Period is not included in this Plan Update.

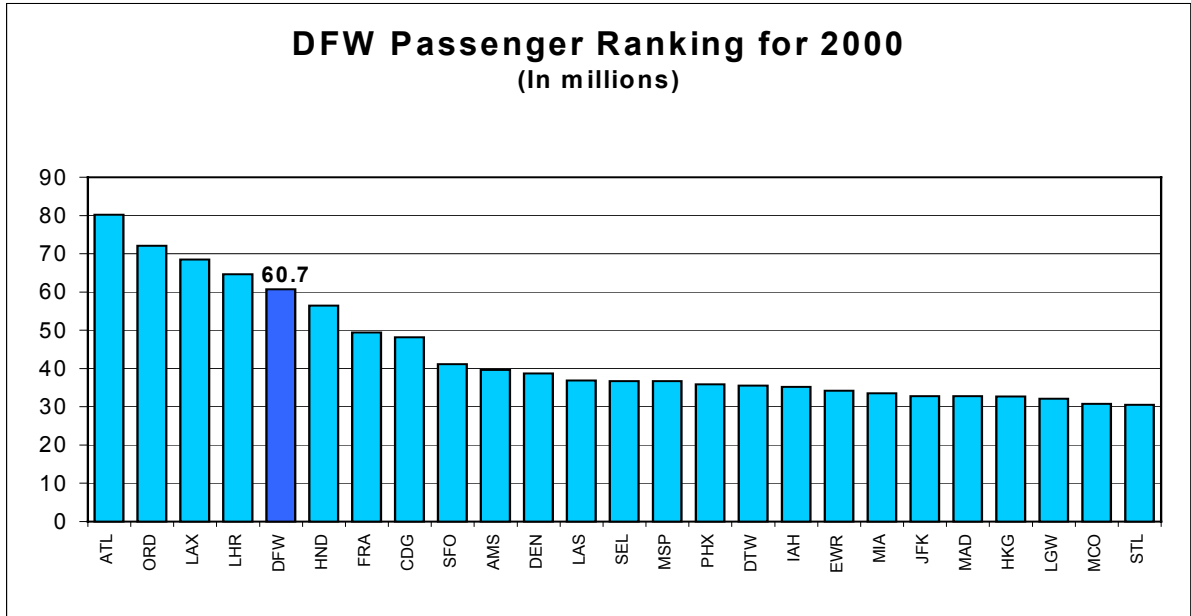
The financial and operational data contained herein will reflect information for the Reporting Period or most recent complete calendar year, Calendar Year 2000. The catastrophic events of September 11, 2001 had a profound impact on the Airport and the results of those events will be presented in the future DFW Fiscal Year 2002 Competition Plan Update.

*1.02 DFW's Performance*

During the Reporting Period, DFW continued to demonstrate growth in air service, both in choices of airlines and in travel destinations with nearly 2,300 daily flights serving 132 domestic and 31 international destinations. As demonstrated in Exhibit 1.1, DFW passengers exceeded 60 million, ranking DFW as the fifth largest among the top U.S. airports in passenger activity.

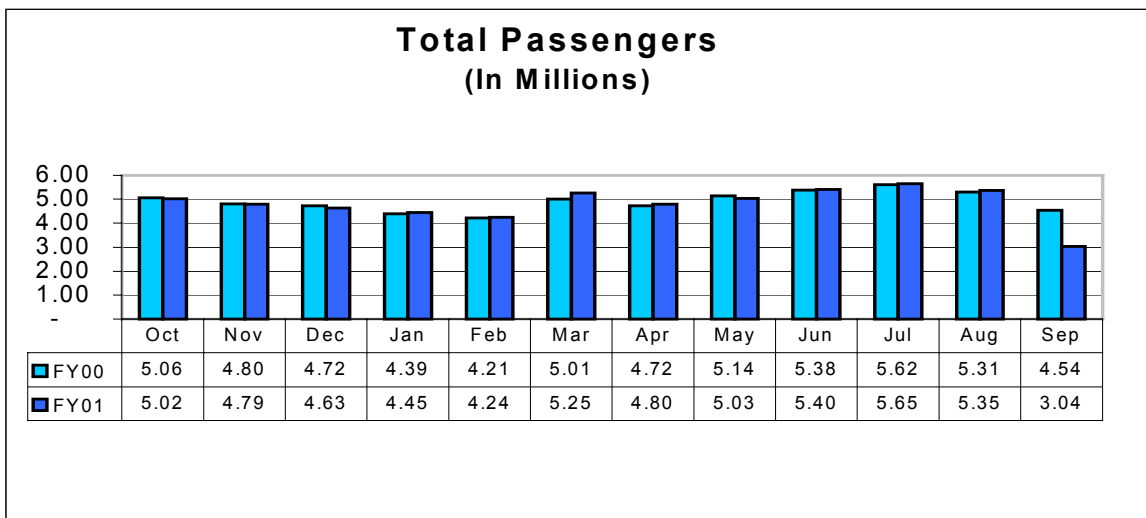
Passenger activity, as reported monthly to DFW during the Reporting Period, is shown in Exhibit 1.2.

Exhibit 1.1 2000 Airport Passenger Ranking



Source: 2000 ACI

Exhibit 1.2 DFW Monthly Passenger Comparisons



Source: DFW Monthly Flight Activity Report

DFW aircraft operations were in excess of 838,000, ranking DFW as the third highest among the top U.S. airports in terms of total operations as illustrated in Exhibit 1.3. Operations data, as reported monthly to DFW during the Reporting Period, is shown in Exhibit 1.4.

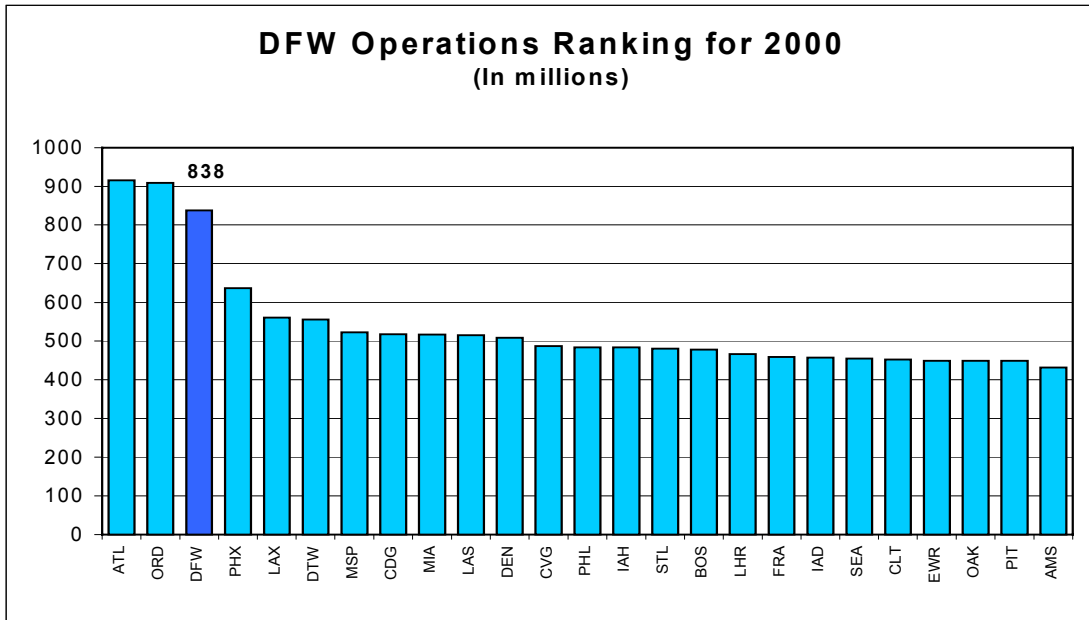
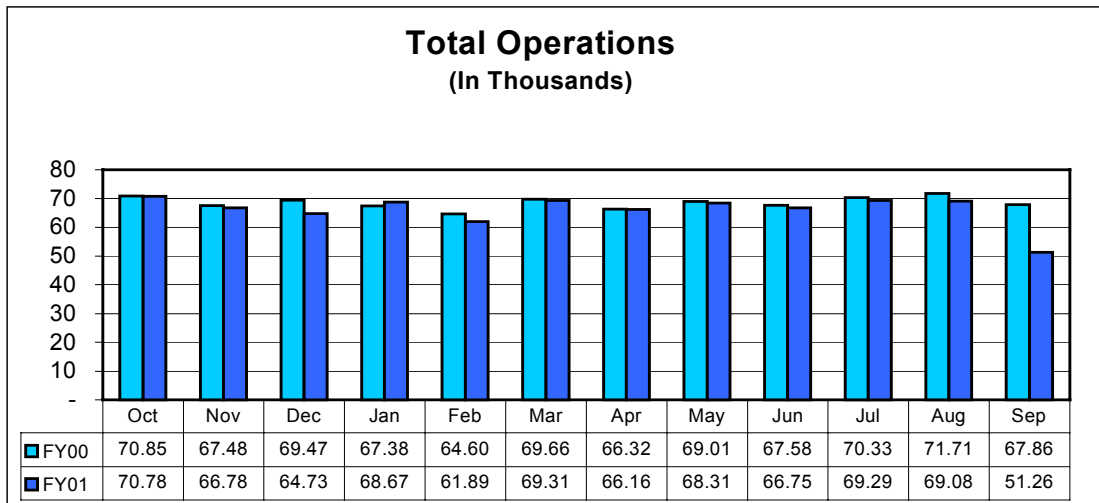


Exhibit 1.3 2000 Airport Operations Ranking  
Source: 2000 ACI

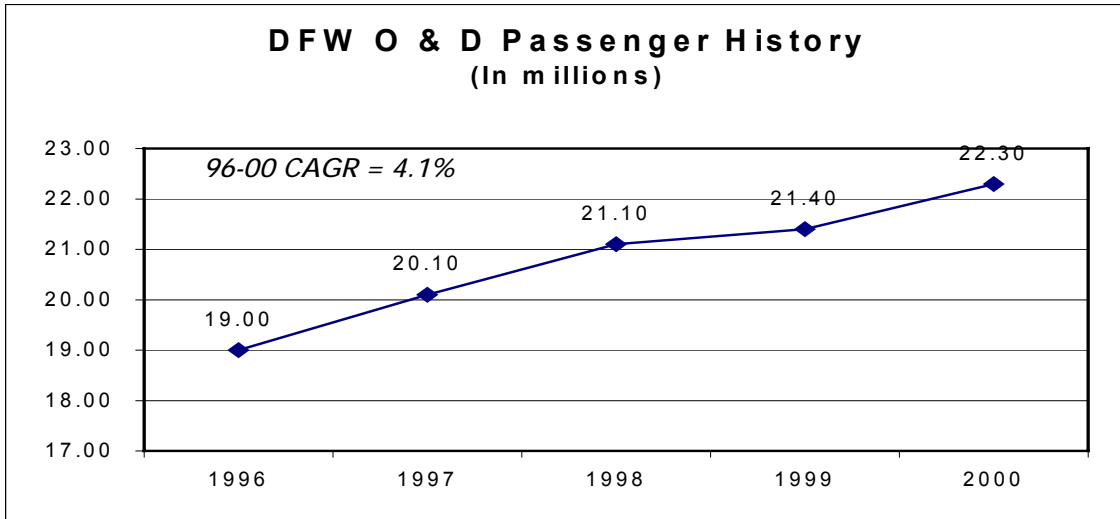
Exhibit 1.4 DFW Monthly Operations Comparison



Source: DFW Monthly Flight Activity Report

DFW recognizes that new service, whether through new entrant airlines or additional service to new markets by incumbent airlines, not only enhances network competition but also benefits the local market. DFW's commitment to provide both the necessary facilities and a positive airport environment for the airlines has contributed to strong growth in the local DFW air service market. Over the past five years, DFW has added over 3 million new O&D passengers, resulting in a compounded annual growth rate of 4.1% as shown in Exhibit 1.5.

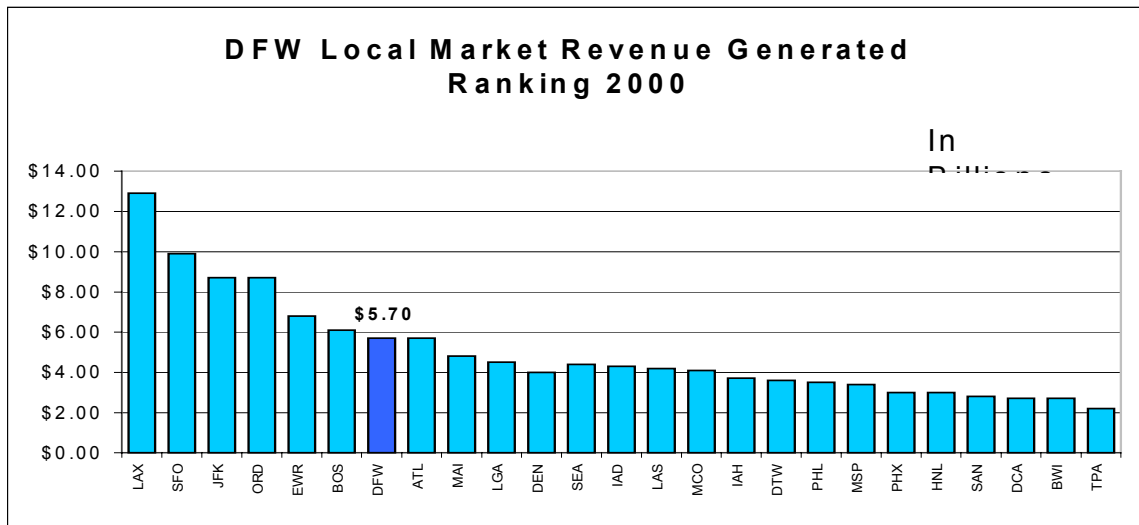
Exhibit 1.5 DFW 5-Year Passenger History



Source: U.S. DOT, DB1A database; domestic + int'l

DFW's commitment to promoting local competition is further demonstrated by Exhibit 1.6, which identifies DFW as seventh among the top U.S. airport in Local Market Revenue generation with over 5.7 billion in Local Market Revenue.

Exhibit 1.6 2000 Local Market Revenue Ranking

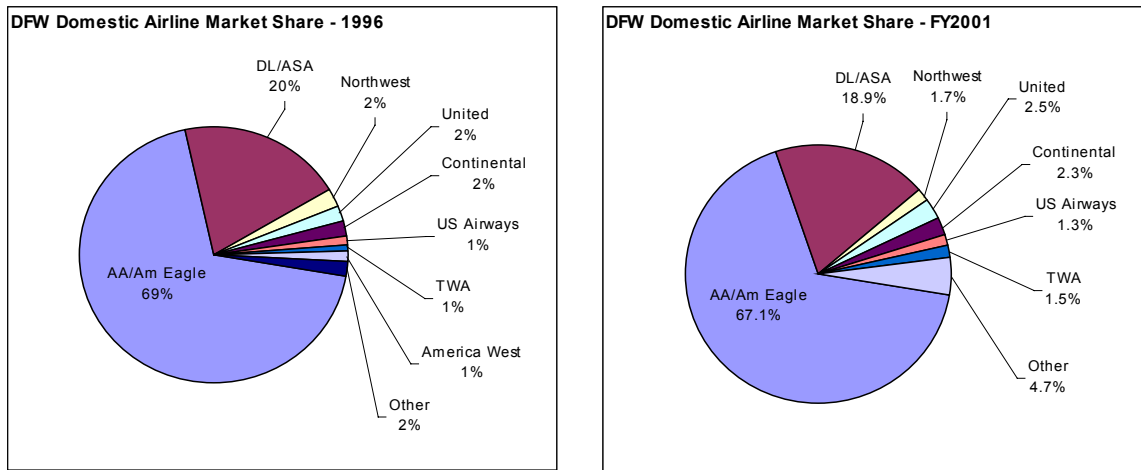


Source: U.S. DOT, DB1A database; adjusted for foreign flags; domestic + int'l

In addition to the history of growth in O & D passengers at DFW, the introduction of new service has the potential to provide enhanced network competition. In addition to being one of only two airports in the world with two major airlines operating hubs at its facilities, DFW provides a competitive environment for six new entrant/low cost airlines and nearly two dozen other airlines offering both network and/or point to point service. Thirty-two airlines are now Signatory Airlines to the DFW Use Agreement.

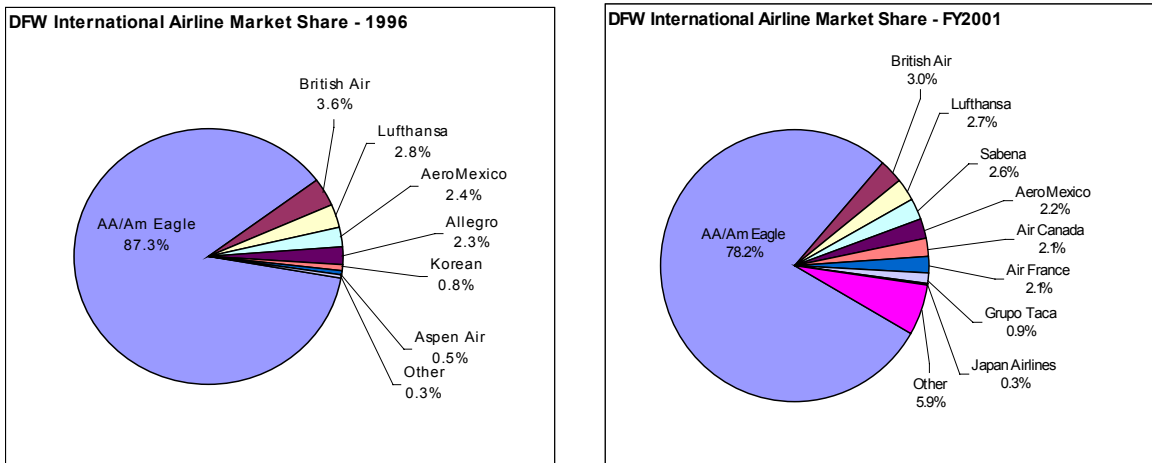
DFW has a dual objective to promote competition through 1) new entrant airlines and 2) the expansion of service from incumbent airlines. The direct marketing efforts of DFW continue to impact the airline market share distribution at DFW, both in domestic and international airline market shares. Exhibit 1.7 and 1.8 illustrate the change in domestic and international airline market shares over the past five-year period.

Exhibit 1.7 DFW Domestic Airline Market Share Comparison



Source: DFW Monthly Flight Activity Report – Total Passenger (Local & Connect)

Exhibit 1.8 DFW International Airline Market Share Comparison

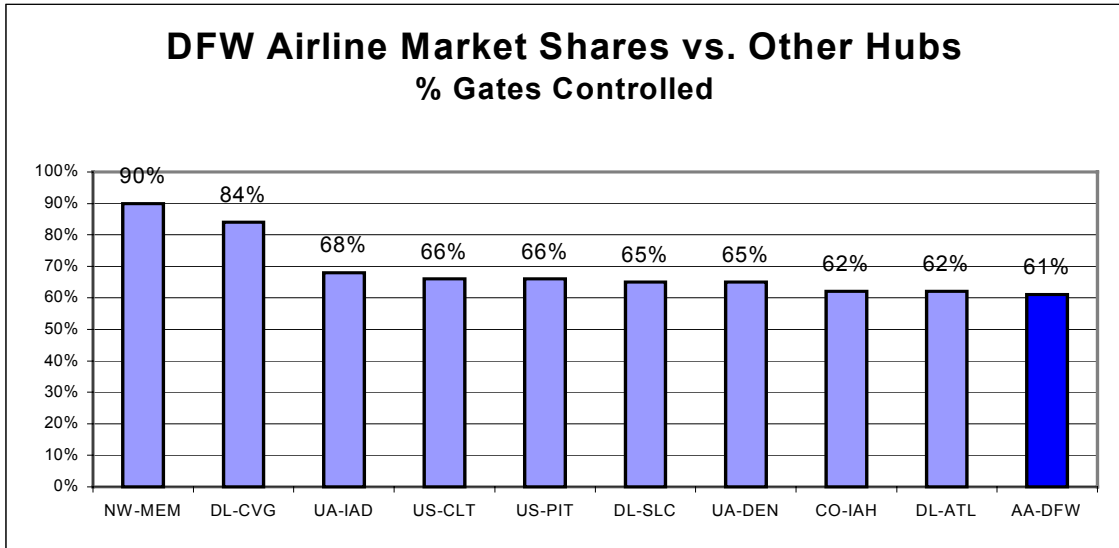


Source: DFW Monthly Flight Activity Report – Total Passenger (Local & Connect)

DFW continues to demonstrate its ability to maintain a positive and competitive environment for all airlines. This fact is further demonstrated by comparing hubbing airlines market share percentages. DFW's largest hubbing airline's market shares remain one of the lowest in comparison to the other hub airports. Gate concentration percentages as well as the percentage of available airline seats for DFW's largest hubbing airline are well below those of other airport hubs, as illustrated in Exhibits 1.9 and Exhibit 1.10.

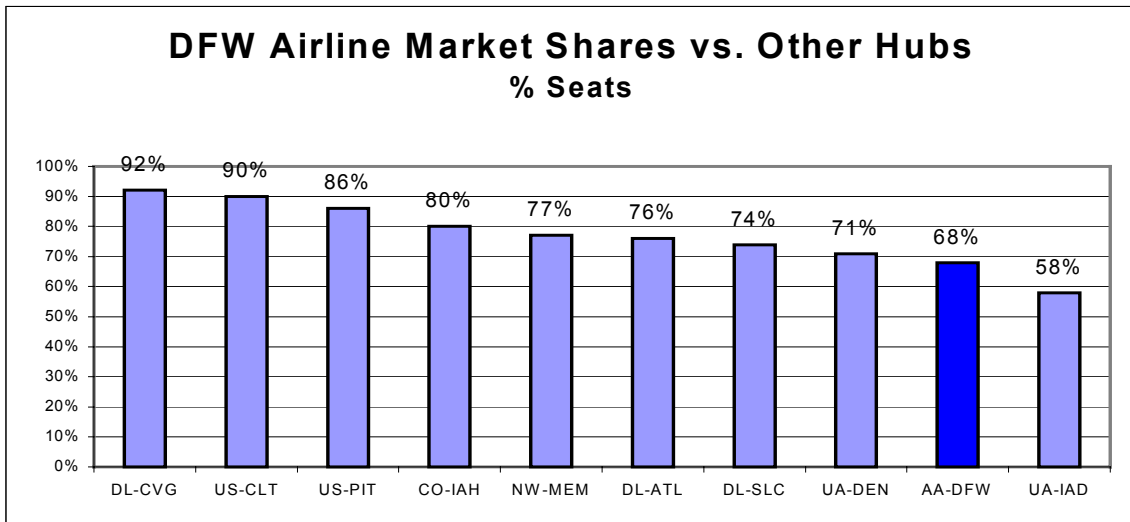


Exhibit 1.9 Hubbing Airline Market Share Comparisons by Gate



Source: Salomon Smith Barney, April 2001 Hub Fact Book

Exhibit 1.10 Hubbing Airline Market Share Comparisons by Seat



Source: Salomon Smith Barney, April 2001 Hub Fact Book

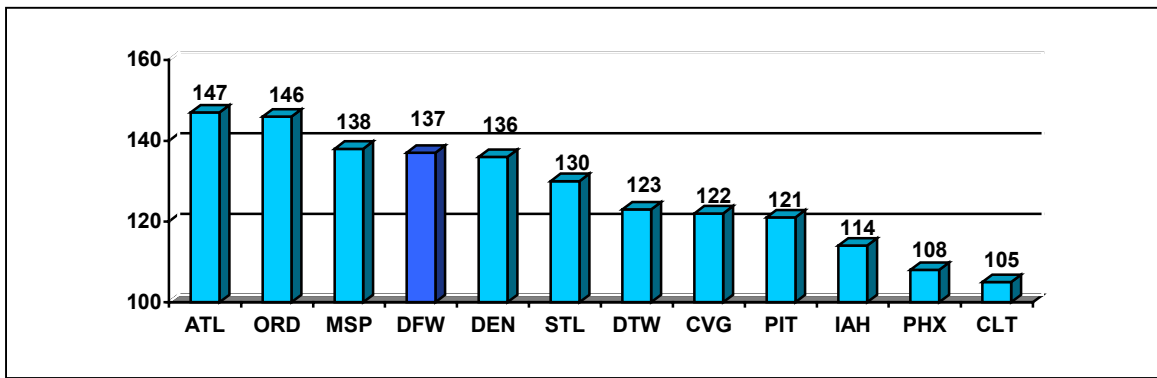
### 1.03 Air Service Status

During the Reporting Period, DFW provided service to 174 markets throughout the world with nonstop or true-direct service, including 137 domestic markets and 37 international markets. Out of the total 174 markets served, 152 markets enjoy non-stop service, including 122 domestic and 30 international markets.

#### Domestic Markets

DFW's domestic service is high compared to other U.S. airports. DFW currently ranks fourth in terms of nonstop and true-direct domestic destinations offered as shown in Exhibit 1.11.

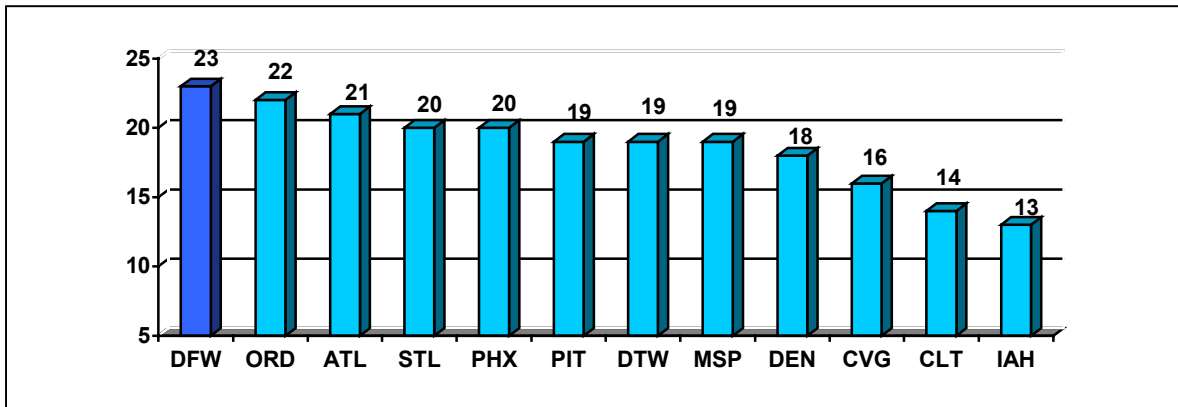
Exhibit 1.11 Domestic Destination Comparison – Nonstop & True-Direct



Source: OAG, Oct. 2001

The top 12 domestic airports average 18 different airline choices to their domestic destinations. DFW, on the other hand, offers 23 domestic airline choices, more options than any other U.S. airport as shown in Exhibit 1.12.

Exhibit 1.12 Domestic Market Carrier Comparison – Nonstop & True-Direct

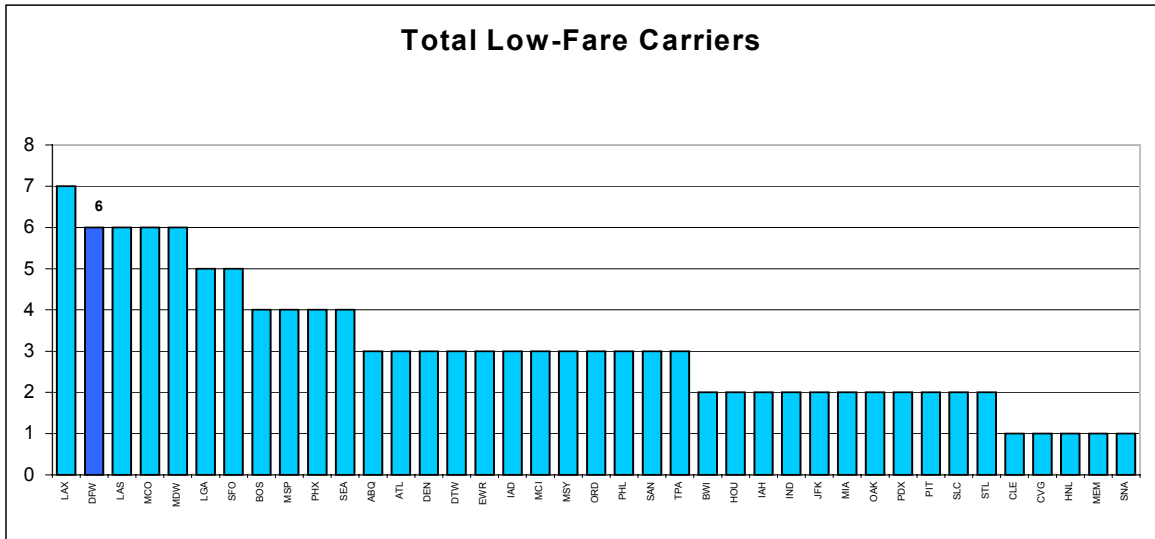


Source: OAG, Oct. 2001

### Low Fare Markets

In addition to offering the largest number of domestic airline choices, DFW has successfully pursued new low-fare service by new entrant airlines. Due to this diligent pursuit, DFW remains one of the top airports in providing more low-fare carrier options as illustrated in Exhibit 1.13.

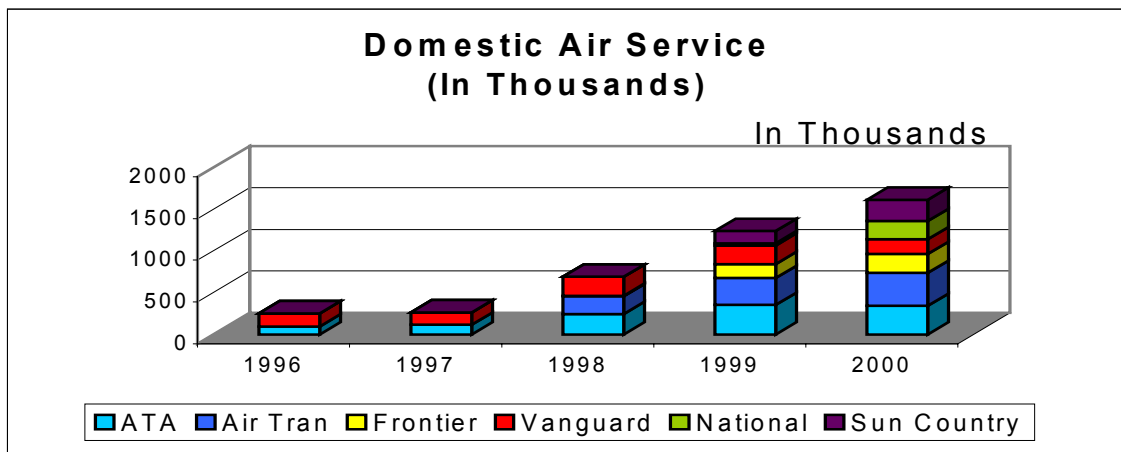
Exhibit 1.13 Low Fare Carrier Comparison



Source: Official Airline Guide, Oct. 2001

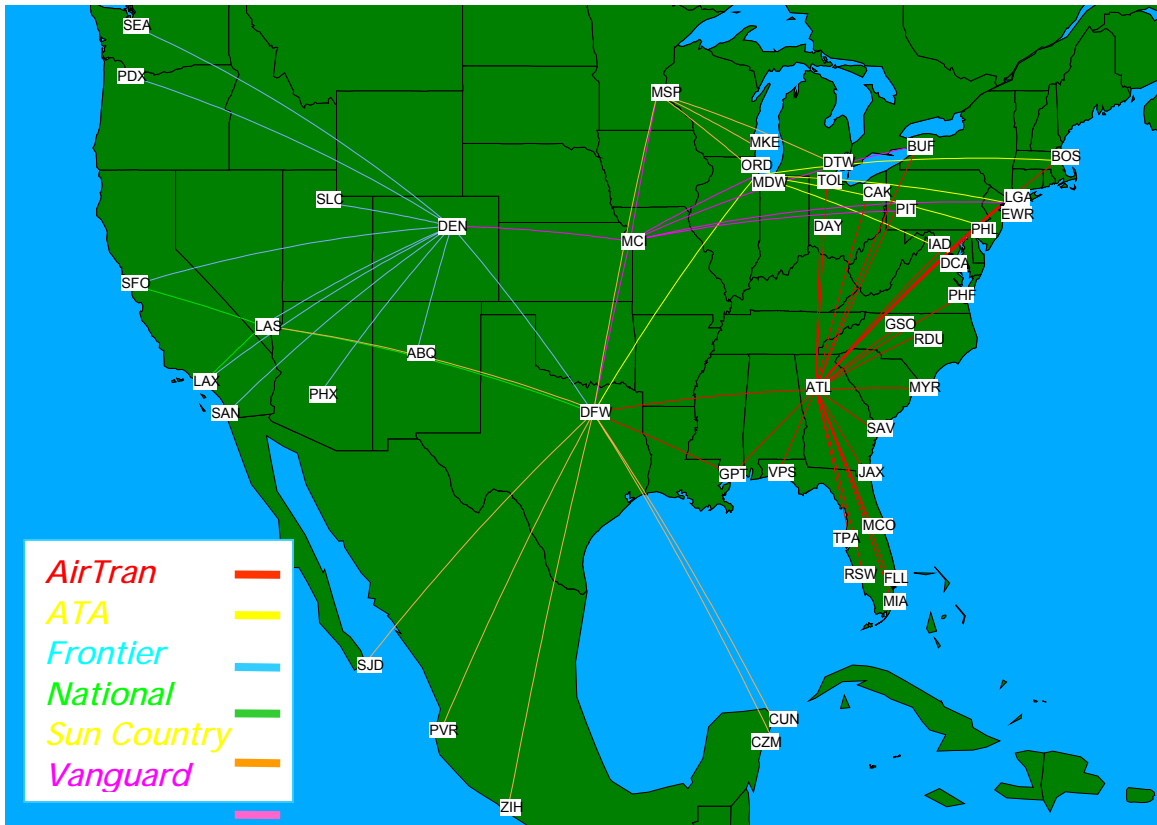
During the Reporting Period, services from DFW by AirTran, ATA, Frontier, National, Sun Country and Vanguard provided more than 1.5 million passengers, as shown in Exhibit 1.14, with connections to more than 60 domestic and international destinations, as illustrated in Exhibit 1.15.

Exhibit 1.14 DFW Low-Fare Domestic Airline Passengers



Source: DFW Airport Statistics

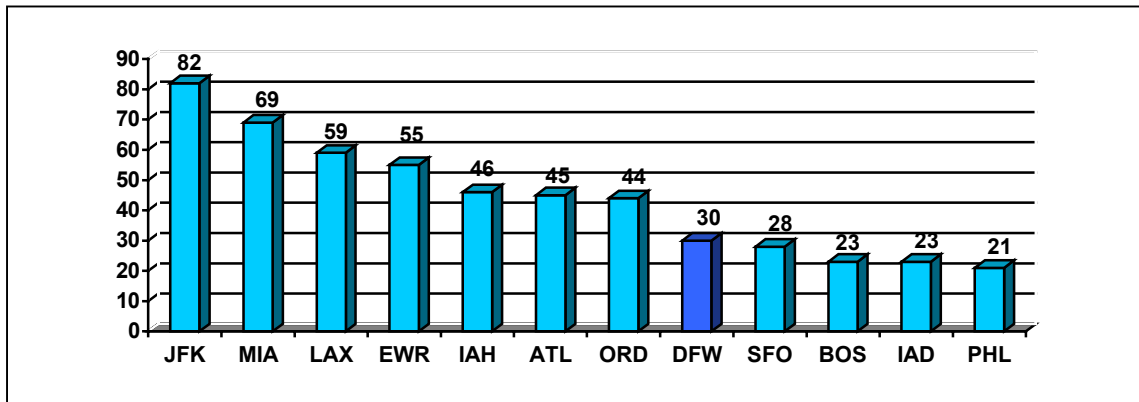
Exhibit 1.15 DFW Extensive Low-Fare Network



*International Markets*

Internationally, DFW ranks eighth in terms of nonstop destinations, with 30 out of 31 international markets serving DFW with nonstop service. (See Exhibit 1.17). During the Reporting Period, DFW has attracted nonstop service to the following new international markets: Brussels, Zurich, and Belize City. Additionally, service to Seoul has been upgraded from true-direct to nonstop.

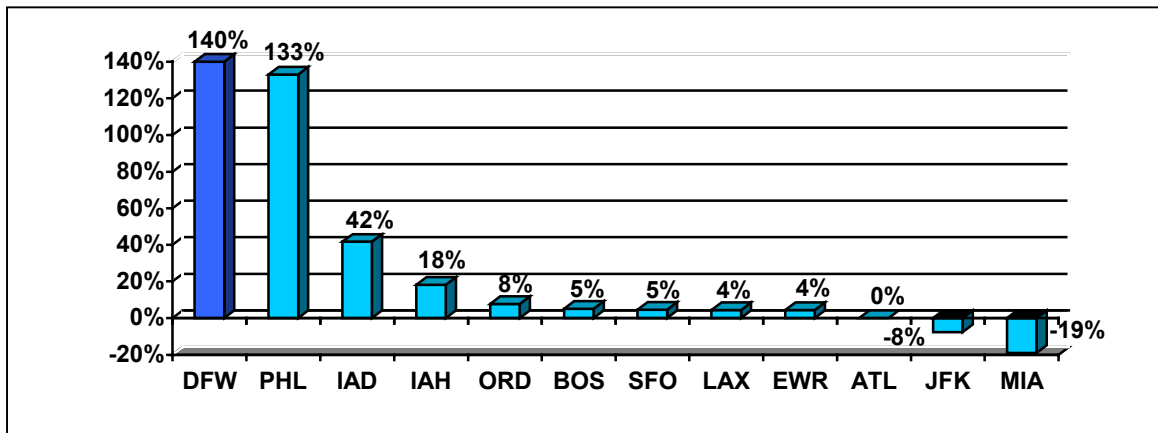
Exhibit 1.17 International Destination Comparison - Nonstop



Source: OAG, Oct. 2001

Similarly, DFW ranks tenth among top international airports in terms of international airline choices. DFW has experienced tremendous growth in international airlines over the past five years. While on average the top U.S. airports increased their number of international market airlines by 1.0%, DFW increased its number of international market airlines by 140%, more than all top U.S. international airports. (See Exhibit 1.18) Realizing the regional economic benefits derived from international service, DFW places a priority on recruitment of both national and foreign flag airlines for international service.

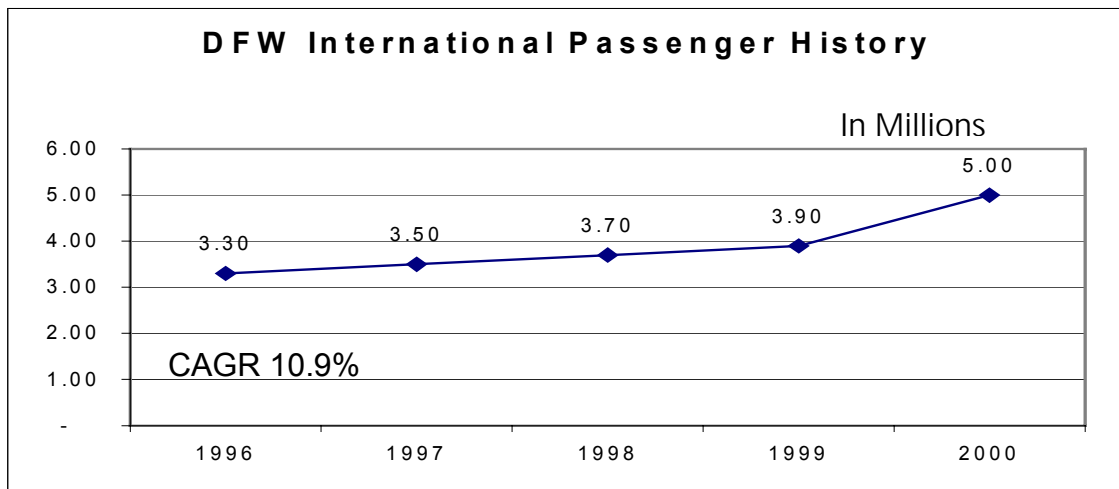
Exhibit 1.18 Growth in International Market Airlines, Oct. 2001 vs. Oct. 1996



Source: OAG, Oct. 2001 vs. Oct. 1996

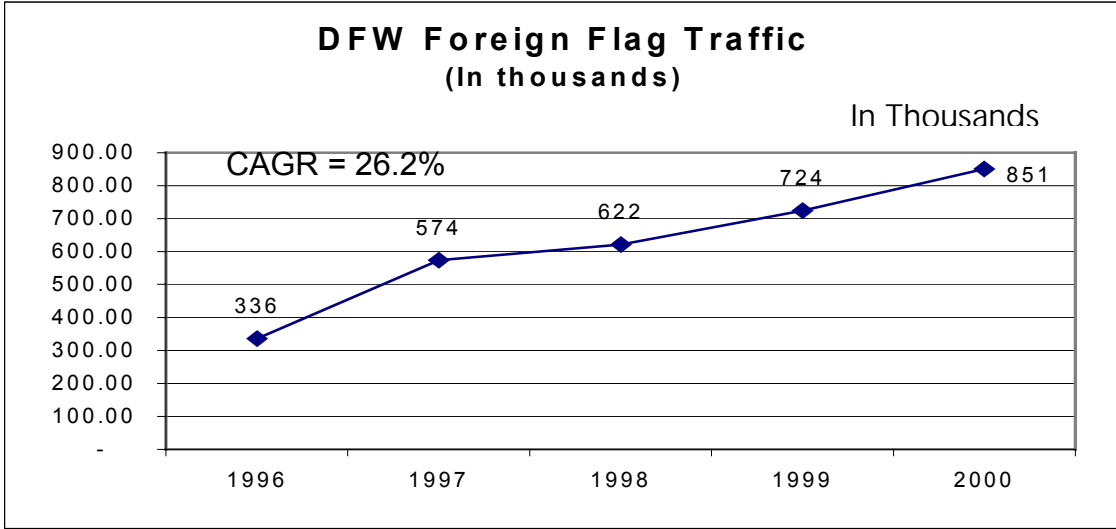
With this tremendous growth in international market airlines, DFW has experienced a similar and steady growth in international passengers and in foreign flag operations. Over the past five years, DFW has enjoyed a compounded annual growth rate of 10.9% in international passengers and 26.2% in foreign flag traffic, as demonstrated in Exhibits 1.19 and 1.20, respectively.

Exhibit 1.19 DFW 5-Year International Passenger History



Source: DFW Monthly Flight Activity Report

Exhibit 1.20 DFW 5-Year Foreign Flag Traffic History



Source: DFW Monthly Flight Activity Report-Local + Connect Traffic

As a result, DFW supports an international network of 31 international destinations, which are identified in Exhibit 1.21. Thirty of these international destinations have nonstop service from DFW.

Exhibit 1.21 DFW International Network



## 2.0 DFW's FINANCIAL STRUCTURE

### 2.01 DFW Use Agreement

The DFW Use Agreement is residual in nature. Airport revenues in any fiscal year that exceed the Airport's debt service, coverage, and operation and maintenance costs are returned to the airlines who are signatories to the Use Agreement (Signatory Airlines), pro rata. Fiscal year-end revenue shortfalls are billed to, and paid by, the Signatory Airlines on the same basis. Although different airlines have become Signatory Airlines at different times, all Airport Use Agreements expire December 31, 2009. There are 32 Signatory Airlines operating at DFW with three (3) airlines obtaining Signatory Airline status during the Reporting Period. The new Signatory Airlines are Air France, Sabena and Champion Air. There have been no amendments to the DFW Use Agreement during the Reporting Period. However, see Section 3.0, Paragraph 3.03 for a description of new terminal lease agreements.

### 2.02 Majority-in-Interest (MII)

DFW Airport continues to work closely with the Signatory Airlines to ensure that the MII process does not delay or prevent needed capital projects at the Airport. To date, DFW Airport has had a successful track record in this regard. Exhibit 2.2 details the MII votes taken during the Reporting Period.

Exhibit 2.2 - 2001 DFW MII Voting Activity

Action Item	Negative Votes	Final Results
Request to increase Capital Development Program Budget by \$345,767,824	US Airways – No Continental –No, except for airfield projects	MII Approval
Request approval for \$37M Bond Sale Proposal for Renewal & Rehabilitation/ Major Works	None	MII Approval
Reimbursement Agreement to fund improvements for accommodating Air France	None	MII Approval

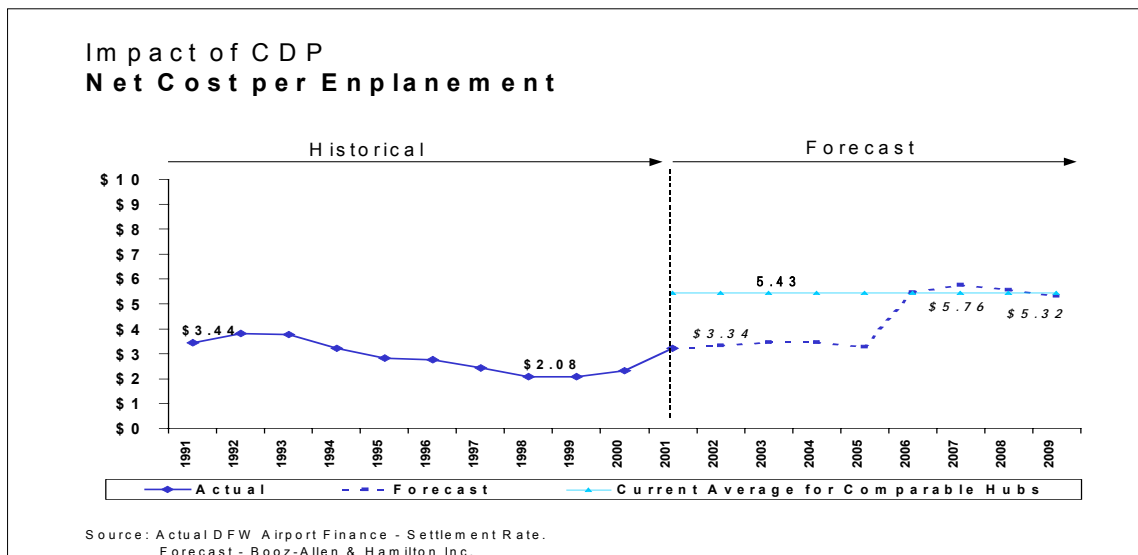
Previously, DFW received a letter from the Signatory Airlines indicating support for terminal expansion and improvements needed to accommodate new entrants. During the Reporting Period, DFW Airport has been working diligently to finalize the scope of projects and obtain an estimated project budget so that a formal MII vote can be requested. This advance communication process expedites the formal MII approval process.

To date, there have been no instances where an MII vote delayed, restricted or prevent construction of capacity related infrastructure improvements to accommodate competition at DFW Airport. To the contrary, during the Reporting Period, MII approval was received for the funding of a portion of the cost of improvements in Terminal E that were necessary to accommodate new service from Air France. In particular, there have been no instances where MII approval has been withheld for terminal projects that are eligible for PFC funding.

### 2.03 Airport Cost Structure

DFW continues to have one of the lowest Net Cost per Enplaned Passenger for a major hub airport. The current Capital Development Program and Expanded Customer Service initiatives, together with the decrease in passengers are expected to increase the record low Net Cost per Enplaned Passenger of \$2.08 from FY1999. Exhibit 2.1 illustrates the projected impact on the Net Cost per Enplaned Passenger as a result of these initiatives. As illustrated, the Net Cost per Enplaned Passenger of \$3.14 for the Reporting Period remains well below the current \$5.43 average for comparable hubs. Despite the projected increase in the Net Cost per Enplaned Passenger for DFW, as other hubs also experience sizable increases to their Net Cost per Enplaned Passenger, DFW will remain very competitive.

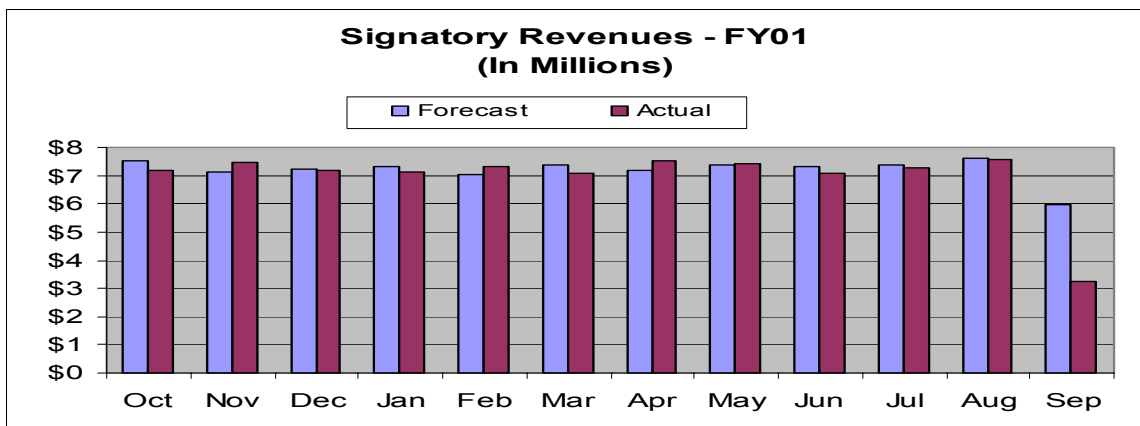
Exhibit 2.1 Forecasted Future Net Cost per Enplaned Passenger





The following financial information details the primary revenue and expense sources contributing to the Net Cost per Enplaned Passenger for the Reporting Period. Regarding revenues, approximately thirty percent (30%) of total annual revenues for the Reporting Period were received from Signatory Airlines in the form of landing fees or terminal rents, which are defined in the DFW Use Agreement and detailed in Exhibit 2.2. Signatory Revenues averaged approximately \$7 million per month for an estimated total of \$83.5 million, which was 3.45% below the forecasted total of \$86.4 million.

Exhibit 2.2 DFW Signatory Revenue Comparison

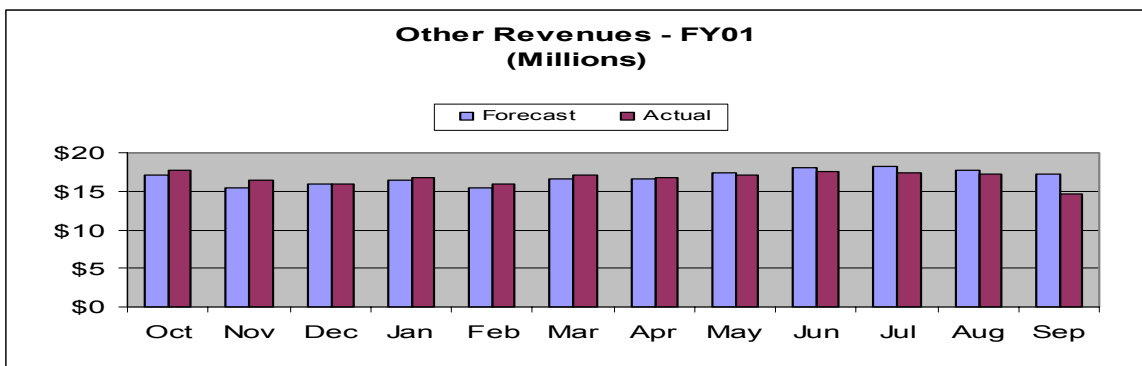


Signatory Payments	Forecast	Actual	Variance	%
Landing Fees	\$ 83,355	\$ 82,016	\$ (1,339)	-1.61%
Terminal Rentals -Signatory	3,106	1,462	(1,644)	-52.93%
<b>Total Signatory Revenues</b>	<b>\$ 86,460</b>	<b>\$ 83,478</b>	<b>\$ (2,983)</b>	<b>-3.45%</b>

Source: FY01 Settlement (unaudited)

The remaining seventy (70%) percent of revenues, defined as Other Revenues can be accounted for by Non-Signatory airlines, concessionaires and other non-aviation funding sources. Other Revenues for the Reporting Period averaged approximately \$16.7 million per month for an estimated total of \$200 million. Compared to the forecast of \$202 million, this was a decrease of just slightly more than 1%, as illustrated in Exhibit 2.3. Other Revenues are DFW's largest funding source and are utilized to help reduce the landing fee costs. In addition, as DFW begins to capitalize on real estate opportunities made available through the use of its Commercial Development Land Use Plan, these non-aviation funding sources will continue to grow.

Exhibit 2.3 Non-Signatory Revenue Comparison

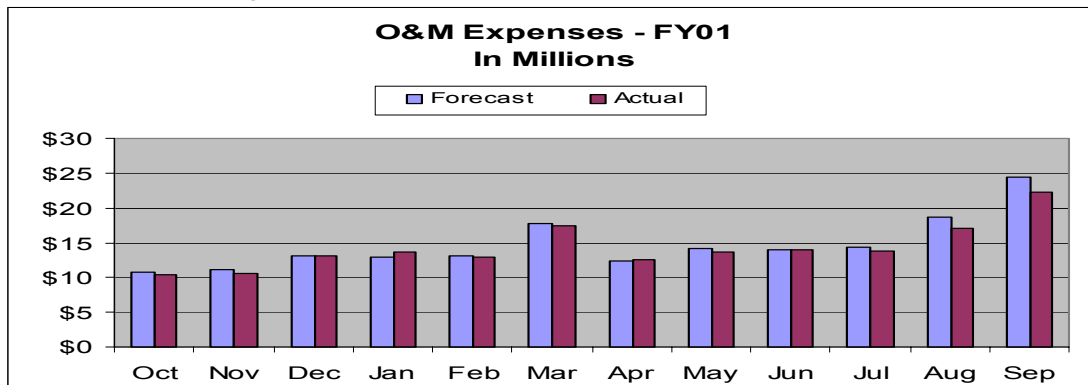


	Forecast	Actual	Variance	%
<u>Non-Signatory Payments</u>				
Terminal rentals - non signatory	\$ 6,601	\$ 6,781	\$ 180	2.72%
Landing Fees - non signatory	3,499	3,630	132	3.76%
Terminal concessions	28,984	29,954	970	3.35%
Parking / ground transportation	81,025	76,121	(4,904)	-6.05%
Ground rental/concessions/RAC	38,976	40,260	1,285	3.30%
Other revenues	43,374	43,455	81	0.19%
<b>Non-Signatory Revenues</b>	<b>\$ 202,458</b>	<b>\$ 200,202</b>	<b>\$ (2,256)</b>	<b>-1.11%</b>

Source: FY01 Settlement (unaudited)

Operating and Maintenance expenses for the Reporting Period averaged approximately \$14.3 million per month for an estimated total of \$171 million. This was approximately 3% below the forecasted total of \$177 million, as illustrated in Exhibit 2.4.

Exhibit 2.4 Operating and Maintenance Expense Comparison

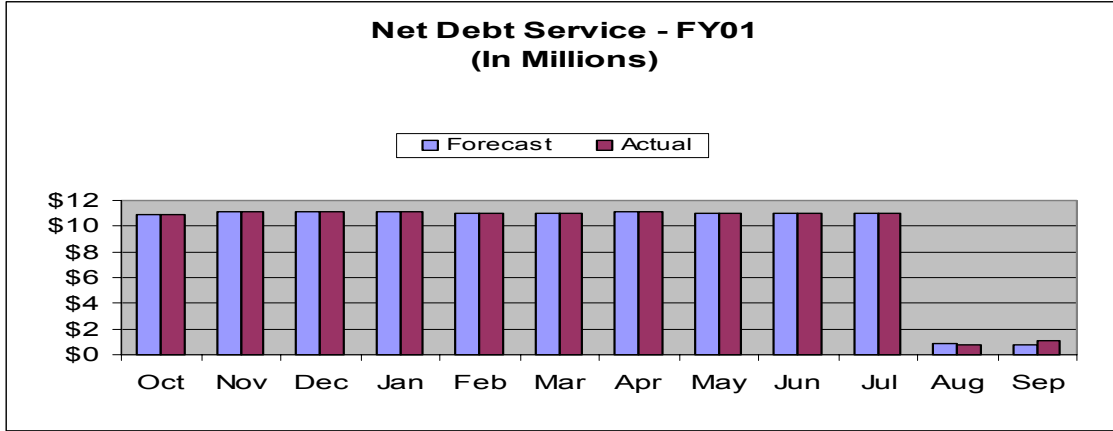


	Forecast	Actual	Variance	%
Salaries, wages, benefits	\$ 101,213	\$ 100,678	\$ (535)	-0.53%
Contract services	38,772	36,305	(2,467)	-6.36%
Maintenance & other supplies	10,677	11,297	620	5.80%
Insurance	2,528	2,351	(177)	-7.02%
Utilities	12,499	14,595	2,096	16.77%
General, administrative & other	11,231	6,269	(4,962)	-44.18%
<b>Total Expenses</b>	<b>\$ 176,920</b>	<b>\$ 171,495</b>	<b>\$ (5,425)</b>	<b>-3.07%</b>

Source: FY01 Settlement (unaudited)

Annual debt service obligations are offset with interest earned on monthly payments received from Signatory Airlines. Total debt service obligations averaged approximately \$11 million per month until the last quarter of the Reporting Period. The sudden drop during this quarter reflects an adjustment made at year end when outstanding capitalized interest was used to pay the annual debt service. (See Exhibit 2.5).

Exhibit 2.5



	Forecast	Actual	Variance	%
Debt Service	\$ 134,566	\$ 134,604	\$ 37	0.03%
Interest earned	(22,569)	(22,420)	149	-0.66%
Net Debt Service	\$ 111,998	\$ 112,184	\$ 186	0.17%

Source: FY01 Settlement (unaudited)

In summary, total DFW revenues from Signatory and Other Revenues, along with operating and maintenance expenses and debt service has resulted in an estimated Net Cost per Enplaned Passenger of \$3.14 for the Reporting Period, as shown in Exhibit 2.6. This is just slightly more than the forecasted Net Cost per Enplaned Passenger of \$2.96 and is still well below the \$5.43 average Net Cost per Enplaned Passenger at comparable hub airports as shown earlier in Exhibit 2.1.

Exhibit 2.6 Net Debt Service Comparison

<b>Fiscal Year 2001</b>				
<b>Financial Summary (\$000's)</b>				
	<b>Forecast</b>	<b>Actual</b>	<b>Variance</b>	
Signatory Revenues	\$ 86,460	\$ 83,478	\$ (2,982)	
Non-Signatory Revenues	202,458	200,201	(2,257)	
<b>Total Revenues</b>	<b>\$ 288,918</b>	<b>\$ 283,679</b>	<b>\$ (5,239)</b>	
O&M Expenses	\$ 176,920	\$ 171,495	\$ (5,425)	
Net Debt Service	111,998	112,184	186	
<b>Total Expenses</b>	<b>\$ 288,918</b>	<b>\$ 283,679</b>	<b>\$ (5,239)</b>	
<b>Excess Revenues over Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Landing Fee Rate	\$ 1.82	\$ 1.84	\$ 0.02	
<b>Net Cost Per Enplanement</b>	<b>\$ 2.96</b>	<b>\$ 3.18</b>	<b>\$ 0.22</b>	

Source: FY01 Settlement (unaudited)

#### 2.04 Past Use of PFC Funds

In the Reporting Period, DFW has submitted one PFC application known as PFC No. 6, and includes the imposition and expenditure of PFC funds for the following proposed elements:

- Terminal D
- Terminal D Roadways
- Terminal D Apron Paving
- Airport-wide Fueling System Upgrade
- Wetlands Mitigation
- ARFF Station No. 5
- Surface Movement Guidance Control System
- Solid Waste Container Area
- 5W Deicing GSE Facility

The inclusion of this last application resulted in total collection authority for DFW's PFC Program of \$4,381,498,989. At the close of the Reporting Period, a total of \$519,988,063 had been collected.

### 3.0 TERMINAL FACILITIES USE AND OCCUPANCY

#### 3.01 Number and Allocation of Gates

Exhibit 3.1 below illustrates the Gate and Aircraft Parking Position distribution for the Reporting Period. Exhibit 3.2 identifies airline operations from specific Airport terminals as of September 30, 2001.

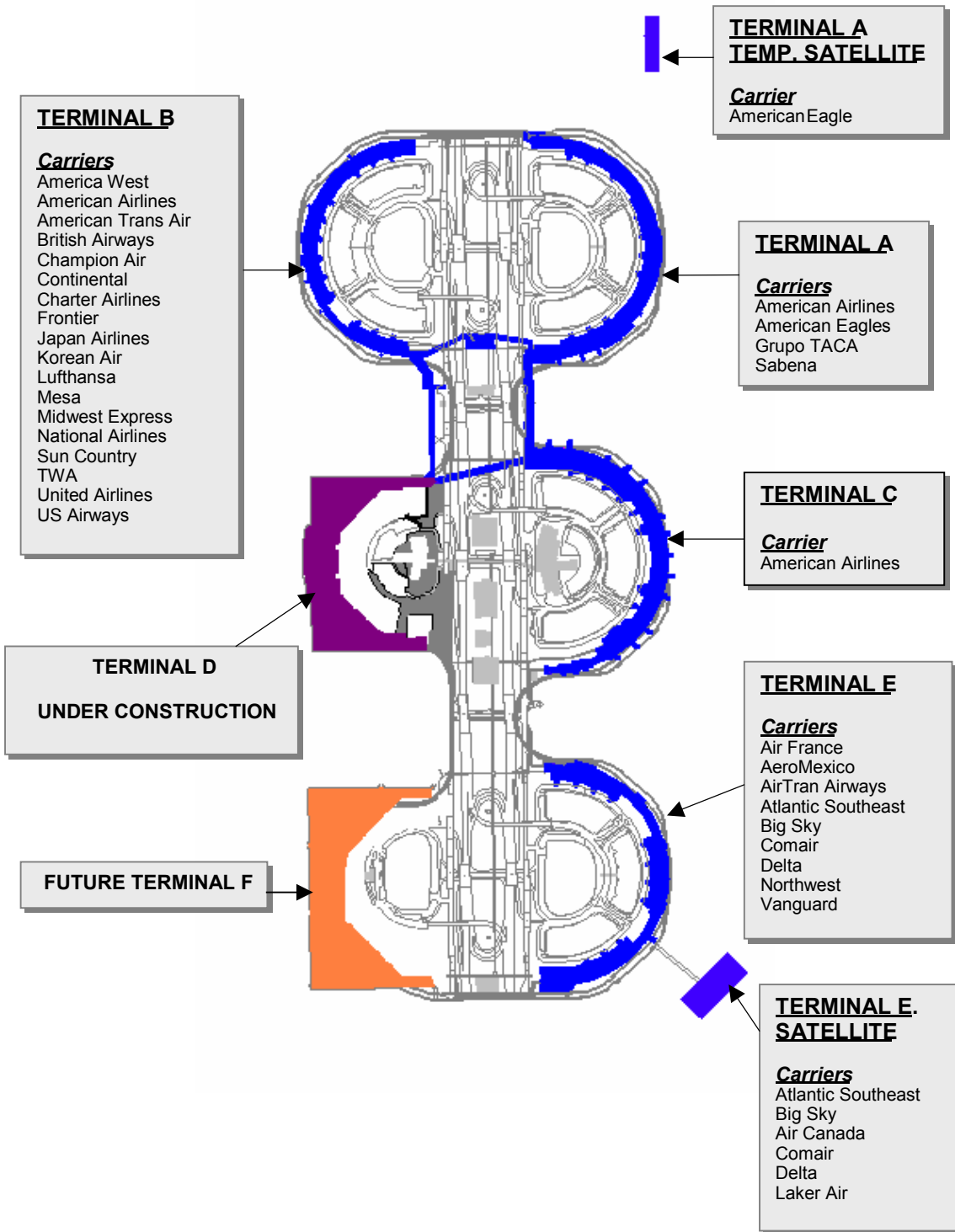
Exhibit 3.1 Current DFW Airport Aircraft Parking Position Distribution

Terminal /Concourse	Exclusive Terminal Tenants	Numbered Gates	Bridge Served Positions	Non-Bridge Served Positions
Terminal A	American Airlines	27	27	0
Terminal A-Satellite (Temporary)	American Airlines	13	13	21
Terminal B	American (TWA)	12	12	0
	DFW Airport Board	8	6	0
	Continental	4	4	0
	United Airlines	3	3	0
	US Airways	4	4	0
	Term B Sub-total	31	29	0
Terminal C	American Airlines	31	31	0
Terminal E	Air Trans	1	1	0
	Northwest	3	3	0
	Delta	22	22	0
	Term E Sub-total	26	26	0
Terminal E Satellite	Delta	9	4	16
<b>Total</b>		<b>137</b>	<b>130</b>	<b>37</b>

The graph exhibits current exclusive gate distribution (identified as numbered gates), and aircraft parking positions associated with them. Bridge served positions are defined as those gates which utilize a jetbridge, whereas Non-Bridge served positions are those which have ramp access only. The American Satellite is defined as a bridge served position because passengers utilize a "tunnelized" platform, and there is no ramp access. Aircraft parking positions were recalculated in fiscal year 2001 to account for increased utilization by wide body aircraft. DFW Board identifies five exclusive gates, these gates are traditionally for narrow body aircraft and can be converted to only three wide-body positions.

\* This graph is intended to account for those aircraft parking positions utilized by airlines during the Reporting Period and does not account for additional permanent aircraft parking positions that are available at the Airport.

**Exhibit 3.2 Airport Terminals**



### *3.02 Gate Utilization Rates and Monitoring*

During the Reporting Period, DFW implemented formal Gate Monitoring and Reporting Procedures, attached as Appendix "A". The Gate Monitoring and Reporting Procedures utilize two sources of data, the Flight Information Display System (FIDS) and DFW's Airline Flight Activity Reports. These two sources provide the highest level of necessary gate utilization data including date, terminal airline, and flight number and gate assignment. Combined, this data is used to summarize daily gate utilization activity by gate and terminal in a monthly Gate Activity Report Summary. A copy of the August 2001 Gate Activity Report Summary is attached as Appendix "B". These monthly reports are compared with the average number of turns per gate for DFW. Any significant variances from DFW gate utilization averages are research by the Airport's Terminal Management department. Appendix "C" outlines the average number of turns per gate for the Reporting Period. Overall, the airlines serving DFW demonstrated a very efficient utilization of existing gates.

In support of the gate monitoring process, DFW has established a Gate Monitoring Task Force responsible for reviewing the monthly Gate Activity Reports and notifying the Airport's Real Estate department regarding any significant variances or changes in gate use patterns that could potentially provide opportunities for additional utilization. The DFW Gate Monitoring Task Force is represented by a staff member from the Airport's Planning, Real Estate, Information and Technology Service and Terminal Management departments. In addition, DFW has created Terminal Coordinator positions for each of the four terminals at the Airport. Terminal Coordinators play an integral part in the gate monitoring process by randomly verifying the accuracy of the flight activity data with on-site monitoring. Since the inception of the Gate Monitoring and Reporting Procedures, no significant variances have been identified.

While still in the early stages of implementation, the Gate Utilization Monitoring Procedures will be a valuable tool for monitoring utilization of all gates at the Airport, to support the enforcement of PFC Program Assurance No. 7 if necessary, and to identify opportunities for the accommodation of new entrant or expanding airlines.

### *3.03 Common Use Gates*

The Common Use Gates controlled and managed by DFW have international and domestic operation ability and are utilized primarily by international and domestic scheduled and charter airlines who do not lease gates at the Airport. Signatory Airlines also use Common Use Gates for increases to existing schedules that exceed their current Exclusive Use Gate capacity. In addition, transient and unscheduled airline flights are also accommodated. Exhibit 3.3 provides a list of the airlines currently operating from Common Use Gates, while



Exhibit 3.4 demonstrates the unscheduled operations accommodated on Common Use Gates during the Reporting Period.

Exhibit 3.3 DFW Common Use Gate Users

<i>Airlines Utilizing Common Gates</i>	
ATA	Lufthansa
British Airways	National
Champion	Sun Country
Korean Air	United
Japan Airlines	

Exhibit 3.4 Unscheduled Common Use Gate Utilization

Airline	Total Number of Turns for 12-Month Period
Air Ground Support Systems	6
Bahamasair Holdings	1
Base Ops World Fuel	1
Lineas Aereas Allegro	6
Miami Air	43
Omni Air	62
Ryan Air	1
Southwest Airlines	1
Spirit Airlines	23
Star Air	28
Sun World International	1
Southeast Airlines	1
Sport Jet	2
Sky Service	1
Sky King	4
Springdale Air	5
Sport Hawk	10
Total	196

In recognition of the high demand for Common Use Gates at peak operating times by various types of airline service providers, and in support of the desire to accommodate as many types of airline services as possible, the DFW Board adopted a formal Common Use Gate Policy. This Policy formalizes the priority of accommodation in the event of schedule conflicts between proposed new airline services. With the adoption of this formal Policy, a written description of gate use priorities will be available to all existing airlines at DFW as well as potential new entrants. A copy of this Policy is attached as Appendix "D".

The Policy applies only to airlines seeking to use jet bridge positions at Common Use Gates. Under the circumstance where facilities are limited at a certain operating time, the Policy determines priority among competing air services. The priority system developed and adopted by the Airport is as follows:

- 1) International Widebody Service;
- 2) International Narrowbody Service;
- 3) New Entrant Airline Introducing Scheduled Domestic Service;
- 4) Current Incumbent Airline Introducing New or Expanded Domestic Service; and,
- 5) Charter, Itinerant and Other Non-scheduled Services.

The Policy was effective on September 6, 2001. All operations at the time of the Policy were grandfathered.

The highest priority is given to the introduction of new international air services in recognition of the economic impact a single new international flight can have on the North Texas Region. In addition, the Policy places new entrants introducing new domestic service at a higher priority level than incumbent airlines proposing new or expanded domestic service in an attempt to ensure that that new, low-cost/fare airlines can enter the DFW market. New entrants retain their priority status for the first twelve (12) months of operation at DFW. This extended priority status permits new entrants to test the market with a limited schedule. If demand supports additional services, then the new entrant can expand its schedule within that first year with the same priority under which it introduced service.

The Policy only takes effect if proposed future operating schedules of two airlines are in conflict and cannot be reconciled through the use of a different gate or operating arrangement. Naturally, DFW will strive to accommodate all airlines at their proposed times and try to limit the number of situations in which the application of this new Policy is needed.

### *3.04 Gate Use and Availability*

As reported in the DFW Plan, DFW is committed to complying with all applicable provisions of federal laws and regulations including the use of PFC revenues. Of course, this commitment extends to PFC funded terminal facilities at the Airport.

Since the PFC legislation was passed, three separate business deals have been negotiated for PFC funded terminal facilities at the Airport. The most recent negotiation that occurred in the Reporting Period resulted in creating the first Preferential Use Gates at DFW. A description of each business transaction is provided herein to illustrate the circumstances and results in gate usage of PFC-funded terminal facilities.

#### *1. Gates B2-B10, Short Term Exclusive Use Gates*

The first terminal lease for PFC funded facilities at the Airport is a lease with American for premises comprising Gates B2-B10 in Terminal B. This Lease was negotiated in 1998 and went into effect on January 1, 1999. This Lease was in effect prior to the enactment of AIR-21 and was negotiated in accordance with PFC Program Assurances Nos. 5 and 6. As a result, American occupies these gates under an Exclusive Use Gate Lease for a term of less than five years with an explicit understanding that there is no automatic carry over opportunity. DFW has clearly noted the concern of the FAA over the exclusive lease of PFC funded facilities to a dominant airline and the FAA's commitment to closely monitor the reassignment of these gates once the current lease expires. DFW will continue to provide information on the use of these gates in future Competition Plan updates.

#### *2. Terminal D*

Beginning in the Spring of 1999, DFW and the Signatory Airlines developed the financing and business plan for the Airport's Capital Development Program. One of the main components of the Capital Development Program is the construction of Terminal D. The construction of Terminal D will be funded with PFC revenues and Joint Revenue Bonds. American will occupy a portion of Terminal D (approximately 17 gates) pursuant to a short-term Exclusive Use Gate Lease and other airlines will operate out of DFW Common Use Gates (approximately 9 gates).

- *Common Use Gates*

In support of the commitment to retain the ability to accommodate all airlines and promote competition, DFW mandated and the Signatory Airlines approved the construction of six wide-body (the equivalent of nine narrow-body), international-capable gates and related facilities in Terminal D. DFW will operate and schedule these gates as Common Use Gates. International and domestic airlines operating a schedule or charter service can be accommodated at these facilities. Prioritization for use of the DFW Common Use Gates will be pursuant to the formal Common Use Gate Policy adopted by the DFW Board in September 2001 as same may be amended in the future. The charges assessed to airlines for use of the Common Use Gates in Terminal D will be on a "per turn" basis and will be substantially similar to the existing methodology set forth in DFW's formal Schedule of Charges, adopted by the DFW Board on an annual basis, currently in effect for the existing Common Use Gates.

DFW operates and schedules Common Use Gates amidst continuous requests by airlines to lease the Common Use Gates as Exclusive Use Gates. DFW has retained control over the Common Use Gates at the Airport in order to provide facilities to new entrants and low-cost airlines under a direct operating relationship with DFW. The enhanced Common Use Gates at Terminal D will allow DFW even greater ability to accommodate all types of air service.

- *Exclusive Leased Gates*

The official MII vote of the Signatory Airlines for the Terminal D project was received in September 1999, prior to the publication titled "Airport Business Practices and their Impact on Airline Competition" and six months before the passage of AIR-21. This MII vote was conditioned upon American's commitment to lease gates in Terminal D under the same terms as American's short term Exclusive Use Gate Lease for Gates B2-B10 in Terminal B and in accordance with PFC Program Assurances Nos. 5 and 6. A copy of the MII letter for Terminal D is provided in Appendix "E".

As a consequence and as provided for in PFC Program Assurance No. 5, American will occupy premises in Terminal D under a less-than-five (5) year Exclusive Use Gate Lease (Terminal D Lease). PFC Program Assurance No. 6 is addressed by virtue of the fact that the Terminal D Lease will expire no later than December 31, 2009, which is the expiration of the Use Agreement. As a part of the overall, comprehensive renegotiation of the Use Agreement, every gate at the Airport, including the gates under the Terminal D Lease will be subject not only to reassignment to other airlines but also to different gate use and lease provisions.

In addition, the Terminal D Lease is intended to satisfy all other applicable provisions of federal law and regulation, as same may be amended, relating to the use of PFC revenues, including specifically PFC Program Assurance No. 7. The Terminal D Lease will explicitly provide that DFW may terminate the lease if:

- 1) American has an exclusive lease or use agreement for existing facilities at the Airport; and
- 2) Any portion of American's existing exclusive use facilities is not fully utilized and is not made available for use by potentially competing airlines or foreign airlines.

**3. *Gates B11 & B12, Preferential Use Gates***

In the Spring of 2001, American approached DFW with a request to exchange two American gates in Terminal B for two DFW gates in Terminal B. After weeks of negotiation, an agreement was reached. On September 6, 2001, the DFW Board approved the establishment of a formal Preferential Use Gate Policy, the execution of a Gate Exchange Agreement and a Terminal B Preferential Lease Agreement with American. The Preferential Use Gate Policy allows DFW to require from airlines operating at DFW under Preferential Use Gates Leases the accommodation of scheduled flight operations that cannot be met by use of sublease or Common Use Gates. In addition, the Gate Exchange Agreement and the resulting Terminal B Preferential Lease Agreement provided the opportunity to effectively convert two gates from Exclusive Use to Preferential Use as recommended by the FAA.

As the Gate Exchange Agreement outlines, American requested that DFW exchange Common Use Gates B11 and B12 (which are adjacent to American's existing gates B2-B10) for Exclusive Use Gates B24 and B25 which American acquired from TWA. See Appendix "F" for a map illustrating gate locations.

As a result of the Gate Exchange transaction and Preferential Lease Agreement with American, DFW achieved the following:

- 1) American was able to exchange acquired TWA gates (B24 and B25) which were not adjacent to existing American operations for contiguous gate areas (B11 and B12). This exchange eliminated the incremental cost and inconvenience of a split operation.
- 2) American immediately initiated three (3) daily incremental flights from DFW as a result of the ability to use adjacent gates.
- 3) Control of Gates B24 and B25 by DFW may allow for the future relocation and/or expansion of United Airlines and potential higher utilization of DFW Common Use Gates.
- 4) American, at its cost, renovated Gates B24 and B25 for DFW.
- 5) In recognition of the need to provide additional gate capacity for new entrants at DFW, American reiterated its support for a reasonable interim gate expansion program at Terminal B.
- 6) American provided its MII vote for the design and construction of a new Terminal F program.
- 7) American leases Gates B11 and B12 on a Preferential Use basis consistent with the Airport's policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. This is the first Preferential Use Gate lease in DFW's history.

- 8) DFW was able to convert two gates previously leased to TWA as long term, Exclusive Use Gates to Common Use Gates owned and managed by the Airport.

The Gate Exchange Agreement and the Preferential Lease Agreement are attached hereto as Appendix "G" and Appendix "H" respectively.

Exhibit B to the Gate Exchange Agreement and the Preferential Lease Agreement contain the specific terms of the Preferential Use for Gates B11 and B12. Acknowledging American's hubbing operation and historical high utilization of all gates, DFW crafted language that would require American to accommodate an airline who could not be otherwise accommodated at the Airport, regardless of American's utilization of the Preferential Use Gates. This type of preferential arrangement addresses the unique operating circumstances at DFW, where a traditional "use it or lose it" provision would not be an effective trigger to direct American to provide a needed accommodation.

Once a requesting airline is accommodated, DFW retains the right to approve the accommodation sublease/gate use terms, including pricing. DFW's right-of-review is ongoing and continuous. Should DFW determine a term or condition unreasonable, DFW may impose reasonable terms on the parties.

Dispute resolution rights are similar. DFW took the opportunity to negotiate a dispute resolution provision that will allow DFW to dictate a solution to the airlines to resolve any material dispute.

Both the sublease review and dispute resolution provisions will be used as the model for the formal policy for the Airport's oversight of sublease activity on Exclusive Use Gates.

In general, the Preferential Use Gate Policy and the resulting Preferential Lease Agreement with American are major milestones in the application of DFW's commitment to provide facilities to new and expanding airlines in the furtherance of industry competition. As Exclusive Use Gate Leases expire, Preferential Use or Common Use terms are expected to be included in subsequent leases, further supporting this goal.

### *3.05 New Service Requests and Accommodation*

In the Reporting Period, DFW introduced new non-stop service to Paris, France via a new carrier, Air France. To accommodate the needs of the new airline, Delta Air Lines, as a code share partner, provided gate access and needed facility space in Delta's existing Exclusive Use Gates. To support the Air France service, the Airport and the Signatory Airlines, through agreement with Delta Air Lines, provided necessary funds to expand an existing VIP lounge in order to accommodate the needs of Air France. Air France terminated service to DFW as a result of the September 11, 2001 tragedy. Funds remain committed to complete the lounge expansion at the time Air France resumes service at DFW.

In addition, L.B. Limited, a/k/a/ Laker Air began operations and Champion Air converted its charter service to a published schedule during the Reporting Period. Both airlines operate in Terminal B on DFW Common Use Gates.

New service from existing scheduled airlines included 1) service to Aguascalientes, Mexico and Saltillo, Mexico by American Eagle, 2) service to Kahului Maui, Hawaii by American, 3) service to Montgomery, Alabama, and Birmingham, Alabama by Atlantic Southeast Airlines, and 4) service to Columbus, Ohio by Mesa Airlines.

Including these additions, the Airport features two hubbing airlines, six new entrant/low cost airlines and nearly two dozen other airlines offering both network and/or point-to-point service. New services at DFW have the potential to not only benefit the local market, but to also provide enhanced network competition between two spoke markets that previously did not have a connection option at DFW. Thus, DFW strives to fulfill the dual objectives of promoting competition through new entry, but also encourages incumbent airlines to provide additional services to new markets. While DFW achieved both of these objectives during the Reporting Period, aggressive marketing efforts continued. More than 30 business case presentations were made to airlines, including low-fare domestic airlines, national and international airlines. In addition, over 22 domestic and 36 international airline markets have been targeted for FY2002.

### *3.06 Subleasing Arrangements*

Several airlines continue to be successfully accommodated under sublease/gate use agreements with existing airlines on Exclusive Use Gates. Sublease arrangements allow for the sharing of operating personnel and equipment as well as customer convenience for airlines affiliated through code share or marketing relationships. Exhibit 3.5 provides a list of these subleases. During the Reporting Period, there have been no instances where legal or contractual rights impeded the ability of the Airport to intervene in specific disputes between a Signatory Airline and a subtenant airline. There were no disputes



between Signatory Airlines and subtenant airlines requiring the intervention of the Airport during the Reporting Period.

Exhibit 3.5 Current Tenant/Sub-tenant/Other Agreement Relationships at DFW

Terminal	Primary Tenant	Sub-Tenant or Other Agreement
A/C	American Airlines	American Eagle, Grupo TACA, Sabena
B	Continental	America West, Frontier, ATA
B	US Airways	Midwest Express
E	Delta	Atlantic Southeast, AeroMexico, Air France, Air Canada, Vanguard, Comair, Big Sky, L.B. Limited (Laker Air), Northwest, AirTran

To begin the process of evaluating the sublease terms of existing sublease arrangements, a letter requesting copies of all sublease agreements was sent by the Airport to each Signatory Airline operating at DFW at Exclusive Use Gates. The documents received were compared to the documents on file to verify the completeness of the documents on file at DFW. A copy of the request letter is attached as Appendix "I".

DFW has received copies of these agreements and is in the process of reviewing each document. DFW will complete a review of all existing sublease and other gate use agreements in FY2002. The results of this review will be used by Airport staff to evaluate the overall reasonableness of such sublease terms. After a thorough analysis of all existing sublease terms, DFW will begin the process of meeting with each affected airline to discuss any issues pertaining to the terms of the documents or the operation at the gate. With the information gathered from the airlines (including gate availability for future sublease opportunities) DFW will begin working with the Signatory Airlines and the subtenant to effectuate any necessary changes to the existing sublease terms including the review right of DFW for pricing, administrative fees and operating/use terms and dispute resolution procedures of DFW as created for and incorporated in the Preferential Lease Agreement with American. These formal review rights and dispute resolution procedures will be made available to all airlines at the Airport or wishing to serve the Airport. A formal, written description of the new sublease policy and procedures will be a priority in FY2002 with completion estimated in FY2003.

### *3.07 Dispute Resolution*

During the Reporting Period there have been extensive temporary gate operation disruptions due to the construction of the Automated People Mover System. Even with all this disruption and relocation there have been no formal complaints regarding disputes among airlines for use of gates.

With respect to airlines operating on Common Use Gates, the DFW Common Use Gate Policy formally defines the levels of prioritization regarding various airline services. Defining the prioritization criteria for Common Use Gate assignment will assist the Airport in gate assignment decisions and in resolving gate-scheduling issues.

Language regarding dispute resolution has been incorporated into the Terminal B Preferential Gate Use Agreement. This language gives DFW the contractual authority to resolve dispute and, with respect to airlines operating on a sublease basis, created the model by which a formal dispute resolution process can be established in conjunction with the proposed sublease policy.

## ***4.0 AIRPORT DEVELOPMENT***

### ***4.01 Airport Development Plan***

The 1997 Airport Development Plan Update outlines the vision for expansion of the Airport for the next 20 years. Future phases of the ADP may include the addition of perimeter taxiways to the north and south ends of the airfield, cross-over taxiway bridges spanning International Parkway, an intermodal center, expanded cargo facilities, and the development of Terminal F.

Terminal F is DFW Airport's next opportunity to increase the Airport's gate capacity thereby enhancing the Airport's ability to provide access to new entrants on a direct lease with the Airport. Preliminary planning to define the space program and to develop a program budget began during the Reporting Period. Terminal F could accommodate between 25 to 29 aircraft gates depending on the aircraft mix and cost approximately \$840 million. The initial building space program would provide 1.6 million square feet with a 5,000 space parking garage.

### ***4.02 Airport Capital Development Program***

Within the Reporting Period, the Signatory Airlines approved an increase to the Capital Development Program budget of \$301,268,000 resulting in a total budget of \$2,579,756,000. The increase was a result of desired changes to the original Capital Development Program elements and the addition of several new projects. The original budget assumptions have been adjusted to reflect refinement of the program scope based on the completion of 35% of the design. Changes in several areas have been incorporated to address new regulatory requirements, operational considerations, terminal size and appearance, the addition of projects not previously identified as part of the program, architectural enhancements, and adjustments to the program implementation strategies.

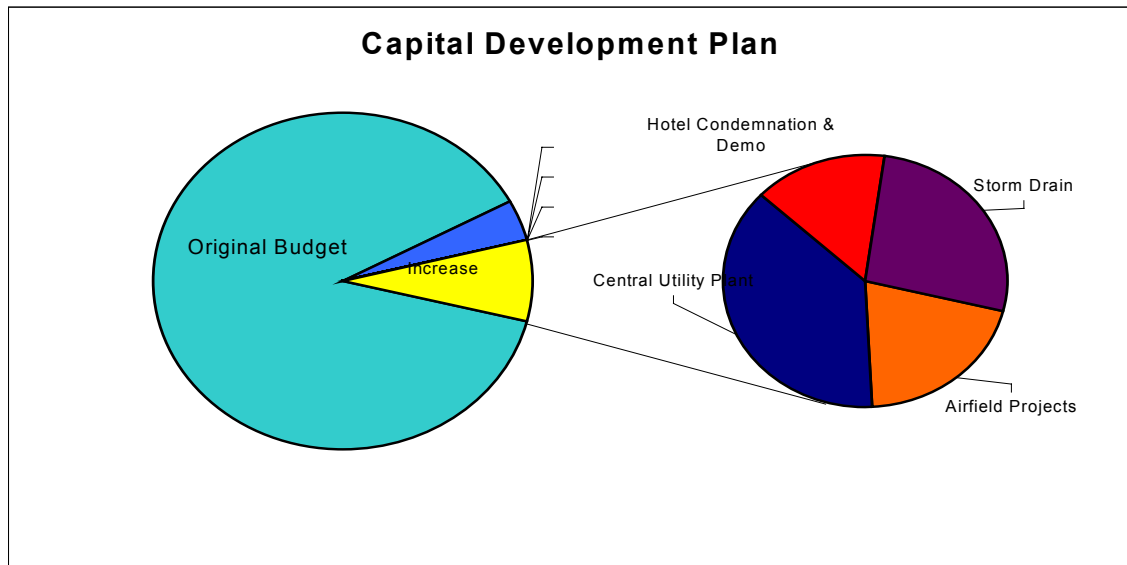
Exhibit 4.1 DFW CDP Budget

<b>Capital Development Plan CDP Budget (\$000's)</b>			
	<b>Original</b>	<b>Change</b>	<b>Revised Budget</b>
Airfield projects	\$ 184,794	\$ 39,969	\$ 224,763
Automated people mover projects	741,638	105,000	846,638
Terminal D projects	1,047,190	30,000	1,077,190
Infrastructure projects	130,297	126,299	256,596
Roads & parking projects	158,785	-	158,785
<b>CDP Projects Totals</b>	<b>\$ 2,262,704</b>	<b>\$ 301,268</b>	<b>\$ 2,563,972</b>

Source: Revised Capital Development Program, March, 2001

In March, 2001 an update to the estimates and scope of work definitions resulted in an additional \$301 million being injected into the comprehensive Capital Development Plan (CDP). The total increase in the program identified \$200 million in the form of new projects, as illustrated in Exhibit 4.2.

Exhibit 4.2 New CDP Budget Components



Source: ADD Capital Development Plan

Despite the events of September 11, 2001, all projects of the CDP remained on schedule. Of the \$2.6 billion budgeted, \$1.4 billion has been committed in the form of contracts or payments and \$400 million worth of work has been performed. The program was approximately 14% complete as of the end of the Reporting Period.

## 5.0 AIRFARE ANALYSIS

### 5.01 Fare Yield

During the last Reporting Period, six low-fare airlines, representation by almost all national airlines, as well as two hub carriers served DFW. DFW conducts airfare comparisons on a regular basis to determine its position relative to other major U.S. airports.

Yield measures the average revenue per passenger on a specific route. It is determined by dividing the total revenue by the product of total passengers times miles. Fare yields in the DFW market are generally competitive with fares in other large metropolitan areas of the United States. In the Short Haul market during the Reporting Period, fare yields at DFW vary from 3% to 26% below the national average for large metropolitan areas, while Long Haul fares range between 18% and 21% above the national average, as shown in Exhibits 5.1 and 5.2, respectively.

Exhibit 5.1 Short Haul Yield Comparison by Mileage Block

0-250 Miles			250-499 Miles			500-749 Miles		
Rank	Airport	Yield	Rank	Airport	Yield	Rank	Airport	Yield
1	CLE	1.47	1	PIT	0.65	1	CVG	0.41
2	CVG	1.18	2	EWR	0.63	2	CLT	0.39
3	STL	1.17	3	CVG	0.62	3	PIT	0.37
4	CLT	1.12	4	CLT	0.60	4	ORD	0.34
5	PIT	1.12	5	DCA	0.56	5	STL	0.34
6	MSP	1.08	6	MSP	0.55	6	DTW	0.33
7	DCA	0.99	7	CLE	0.48	7	<b>DFW</b>	<b>0.33</b>
8	EWR	0.93	8	ORD	0.46	8	MSP	0.32
9	LAX	0.92	9	BOS	0.45	9	BOS	0.31
10	ATL	0.92	10	MCO	0.44	10	CLE	0.31
11	BOS	0.77	11	DEN	0.41	11	MIA	0.27
12	DEN	0.75	12	MIA	0.40	12	DEN	0.26
13	MCO	0.72	13	ATL	0.39		<b>All Airports</b>	<b>0.25</b>
14	IAH	0.70	14	DTW	0.37	13	EWR	0.25
15	BWI	0.70	15	JFK	0.37	14	IAH	0.24
16	DTW	0.69	16	STL	0.37	15	ATL	0.24
17	MIA	0.62	17	IAH	0.33	16	SEA	0.23
18	JFK	0.60		<b>All Airports</b>	<b>0.33</b>	17	DAL	0.21
19	ORD	0.58	18	<b>DFW</b>	<b>0.32</b>	18	JFK	0.19
	<b>All Airports</b>	<b>0.52</b>	19	SFO	0.32	19	SLC	0.19
20	<b>DFW</b>	<b>0.41</b>	20	BWI	0.27	20	BWI	0.18
21	DAL	0.33	21	SEA	0.25	21	MCO	0.18
22	SEA	0.33	22	DAL	0.23	22	LAX	0.17
23	SFO	N/A	23	LAX	0.23	23	SFO	0.17
24	SLC	N/A	24	SLC	N/A	24	DCA	N/A

Source: DFW Planning Dept. from FAA 2000 data

Exhibit 5.2 Long Haul Yield Comparison by Mileage Block

750-990 Miles			1000-1500 Miles			>1500 Miles		
Rank	Airport	Yield	Rank	Airport	Yield	Rank	Airport	Yield
1	CLT	0.30	1	<b>DFW</b>	<b>0.22</b>	1	EWR	0.14
2	BOS	0.27	2	IAH	0.21	2	IAH	0.14
3	DEN	0.26	3	PIT	0.19	3	PIT	0.13
4	MSP	0.25	4	CLE	0.19	4	<b>DFW</b>	<b>0.13</b>
5	ORD	0.24	5	DEN	0.19	5	JFK	0.13
6	CVG	0.24	6	CVG	0.19	6	STL	0.13
7	<b>DFW</b>	<b>0.23</b>	7	DCA	0.18	7	BOS	0.13
8	SEA	0.23	8	CLT	0.18	8	DEN	0.13
9	ATL	0.22	9	ATL	0.17	9	MSP	0.13
10	IAH	0.21	10	DAL	0.17	10	SFO	0.12
11	STL	0.20	11	MSP	0.16	11	ATL	0.12
12	SLC	0.19	12	BWI	0.16	12	ORD	0.11
	<b>All Airports</b>	<b>0.19</b>	13	MIA	0.16	13	SEA	0.11
13	MIA	0.18	14	SLC	0.16		<b>All Airports</b>	<b>0.11</b>
14	DAL	0.17	15	EWR	0.16	14	MIA	0.11
15	CLE	0.17		<b>All Airports</b>	<b>0.15</b>	15	CVG	0.11
16	SFO	0.17	16	ORD	0.15	16	CLT	0.11
17	DCA	0.17	17	SFO	0.14	17	LAX	0.11
18	PIT	0.17	18	DTW	0.14	18	SLC	0.11
19	MCO	0.15	19	SEA	0.14	19	DTW	0.10
20	EWR	0.15	20	LAX	0.14	20	CLE	0.09
21	DTW	0.15	21	STL	0.14	21	BWI	0.09
22	BWI	0.15	22	BOS	0.13	22	MCO	0.08
23	LAX	0.15	23	MCO	0.12	23	DAL	0.08
24	JFK	0.13	24	JFK	0.12	24	DCA	N/A

Source: DFW Planning Dept. from FAA 2000 data

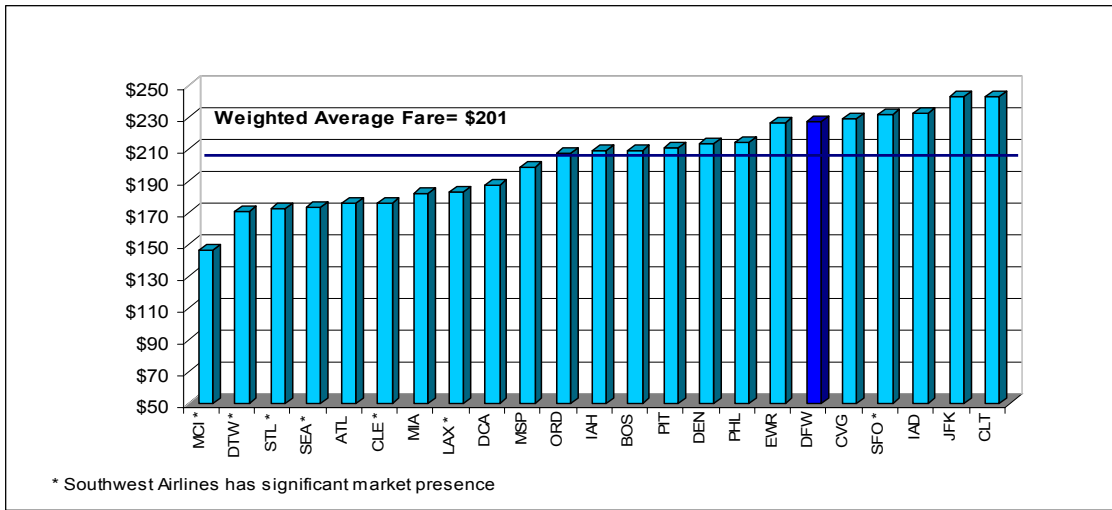
### 5.02 Revenue Yield

DFW's revenue yield remains consistent with the average for all airports. For block lengths less than 500 miles, DFW's revenue yield is slightly below the national average and when compared against block lengths great than 500 miles, DFW's revenue yield is slightly higher than the national average.

### 5.03 Average Fare Comparison

Among DFW's major competitors, the weighted average fare was \$201 in 2000 compared to \$227 for DFW as shown in Exhibit 5.3. However, at many of these airport, low-fare leader Southwest Airlines holds a significant market presence, thereby reducing average fare for the group. By excluding the airports in which Southwest has a strong market position to give DFW a more relevant comparison group, 1999 average fare for the remaining group rises to \$209. DFW continues to focus on attracting low-fare airlines in an attempt to provide the best service among all fare ranges.

Exhibit 5.3 Average Fare Comparison



5.04 DFW Average Fare by Airline

American holds the largest market share at DFW, with 54% of nonstop domestic passengers. American's 2000 average fare was \$246. Delta, DFW's second hub airline, comprises 17% of DFW's market. In 2000, Delta's average fare was \$204. Average airfares at DFW are shown in Exhibit 5.4.

Exhibit 6.4 DFW Average Airfare Trip Length by Airline

Carrier	Non-stop Dom. Passengers	Mkt.Share Non-Stop dom. Pax (%)	Avg. Fare	Avg. Non-stop Distance
American	10,966,780	54	\$ 246	959
USAirways	559,830	3	\$ 241	1,164
United	1,025,370	5	\$ 232	1,026
Northwest	643,740	3	\$ 214	959
American West	342,550	2	\$ 210	1,181
Continental	830,540	4	\$ 206	879
Delta	3,468,460	17	\$ 204	992
Frontier	211,100	1	\$ 203	927
Trans World	442,050	2	\$ 198	867
National	217,580	1	\$ 167	1,125
AirTran	365,030	2	\$ 148	906
American Trans Air	270,900	1	\$ 146	916
* All Airlines	20,251,590	100	\$ 227	992

Source: Table 1 FAA 2000 Airport Competition Plans - Airfare Data Information

## 6.0 AIR SERVICE DEVELOPMENT

### 6.01 Marketing Initiatives

#### *Promotions*

Within the Reporting Period, airlines that have initiated new service at DFW Airport with an inaugural event include American Eagle, Air France, Delta Connection carriers, Singapore Airlines and Korean Air.

#### *Business Case Presentations*

In order to attract new air service, DFW made more than 30 business case presentations around the world during the second half of FY2001, with an additional 25 presentations to airline representatives at the Routes 2001 conference. DFW applies sound statistics and business principles in the development of target markets. Detailed business case presentations are then tailored from this information and presented to airline representatives. During FY2002, DFW plans to visit with approximately 28 airlines, including 9 existing carriers and 19 potential new entrant carriers. DFW's plan includes visits to a number of low-fare domestic carriers, numerous national carriers, as well as a variety of international carriers. Approximately 25 additional airline presentations will be made at the Routes 2002 Conference for a total of 53 airline visits in the upcoming year.

#### *Target Markets*

Domestic and international markets that have been targeted by DFW for the coming year are summarized in Exhibits 6.1 and 6.2, respectively.

Exhibit 6.1 – Domestic Target Markets

Domestic Air Service Target Market Summary			
<b>Alaska</b> Anchorage	<b>Kentucky</b> Lexington	<b>New York</b> Buffalo (year round) Rochester Syracuse	<b>South Carolina</b> Myrtle Beach
<b>Florida</b> Fort Walton Beach <b>Fort Meyers (year round)</b> Sarasota/Bradenton	<b>Louisiana</b> Lake Charles	<b>Ohio</b> Canton/Akron	Tennessee Chattanooga
<b>Idaho</b> Boise	<b>Mississippi</b> Gulfport/Biloxi	<b>Rhode Island</b> Providence	Texas Harlingen
<b>Indiana</b>	New Mexico Hobbs Roswell	<b>South Dakota</b>	<b>Victoria</b> Washington <b>Spokane</b>



South Bend		Sioux Falls	
------------	--	-------------	--

Exhibit 6.2 International Target Markets

International Air Service Target Market Summary					
Europe	Asia	Mexico	Central America	South America	Canada
Amsterdam Dublin Helsinki Lisbon London Madrid Manchester Milan Munich Rome Stockholm	Beijing Hong Kong Seoul Shanghai Sydney Taipei Tokyo #2 Auckland	Chihuahua Hermosillo Ixtapa Mazatlan Merida Tijuana Torreon Vera Cruz	San Pedro Sula San Salvador Tegulcigalpa	Bogota Buenos Aires Quito/Guayaquil Rio de Janerio	Ottawa

## 6.02 Marketing Programs

### *Carrier Support Program (CSP)*

Since the program's inception in 1999, 13 destinations from nine airlines qualified for support. Three international airlines became eligible for CSP funding during the past year. Air France began service from DFW to Charles De Gaulle; Korean Air began service from DFW to Seoul; and Singapore Airlines was the most recent addition, adding cargo service to DFW in September 2001. During the Reporting Period, American Eagle also began regional jet service to two new destinations in Mexico, Saltillo and Aguascalientes, making them eligible for the CSP.

In the DFW Plan, it was noted that two domestic airlines were eligible for CSP funds. One of these airlines, Ozark Airlines, did not take advantage of the funds available. The other airline, Big Sky, reduced service from daily to six times weekly, thus ending their eligibility for the program.

In the Reporting Period, the DFW Airport Board has made it easier for airlines with international service to become eligible for CSP funds by amending the Carrier Support Program Policy. In January 2001, the DFW Airport Board amended the CSP Policy to include airlines with three times weekly non-stop international service. This amendment will enhance the eligibility for the CSP Funds.

## *Advertising*

DFW introduced the third execution of its “more of what you want” print advertising campaign, promoting DFW as a vibrant, economic gateway that drives big business opportunities. This campaign received numerous awards in the aviation industry, including the following:

- ***Air Transport World's*** silver award in October 2000 for outstanding advertising, as judged by airlines
- ***Airline Business*** magazine's AdQ awards in May 2001 and August 2001 for outstanding advertising
- Commendation in the large airport category (20+ million passengers) for airport marketing at the annual Routes Conference, as judged by airlines. This award recognizes airports whose overall marketing activities have left a positive impression in the aviation industry.

In addition, to market DFW's enviable capacity and superb business climate to airlines, DFW also developed brochures and multimedia-enhanced materials such as videos and cd-roms. DFW created its first-ever ***Air Shipper*** guide, with information on the success of current DFW air cargo carriers, trade data, DFW maps and freight forwarder listings. Two new marketing videos for both passenger and cargo audiences were created over the past year and are available in twelve languages. In addition, DFW also won first place in ACI-NAs annual Excellence in Communications Awards in the creative innovations category for its interactive cargo cd-rom. The cd-rom was shown to current and potential cargo airlines in order to develop cargo service.

## *Website Communications*

DFW also implemented its first campaign to promote its official web site, [dfwairport.com](http://dfwairport.com), and drive traffic to the URL. The campaign consisted of advertising efforts such as:

- Weather Channel Local Forecast crawlers
- In-Terminal advertising
- In-Terminal window decals
- Large above-FIDS Terminal signage
- In-Terminal PA announcements
- International Parkway banners
- Handouts at toll plazas
- Direct mail to frequent DFW travelers

Visitors to dfwairport.com increased 152% during the campaign and remained 30 percent higher in the 10 weeks following the effort. The promotion also earned DFW 2<sup>nd</sup> place in ACI-NA's annual ACI Excellence in Communications Awards in the public relations campaign category.

In addition, the web site was enhanced with the addition of the Trak-A-Flight option in January 2001. Trak-A-Flight provides real-time flight information to web site users, with the ability to have flight status updates emailed to a user's computer, cell phone, pager and personal digital assistant (PDA). Average usage of the dfwairport.com's flight information feature increased nearly 90 percent since the introduction of this feature.

In September 2001, DFW launched a new corporate identity, including a new DFW brand, which was also incorporated into the web site. This new direction represents a customer-focused attitude and has produced sweeping changes throughout the Airport. In addition to these enhancements, DFW has also added key financial and operational information to the web site, giving customers and airlines the tool for tracking airport data in a timely manner. Since the events of September, this information has been especially beneficial to the airlines.

Future enhancements planned for the web-page will give DFW the opportunity to provide even more valuable information to its current and future airline tenants. Airlines interested in serving the DFW market can benefit from quick access to DFW's published rates schedules, policies and important point of contact information.

Overall, the evolution of DFW's web page and the emphasis given to it in this Plan demonstrates the value the web site offers in improving the Airport's competitive environment. In addition, these initiatives reinforce DFW's commitment in utilizing available resources to enhance our competitive environment and provide exceptional benefits to both present and future customers and airlines.

## *CONCLUSION*

DFW continues to be one of the busiest airports in the world and serves as a major gateway to both regional and worldwide destinations. During the Reporting Period, DFW continued to demonstrate growth in air service, both in choices of airlines and in travel destinations with nearly 2,300 daily flights. DFW is committed to continue to provide a competitive environment for new entrant/low-cost airlines and the nearly two dozen other airlines operating at the Airport.

DFW recognizes that airport business practices play a critical role in shaping airline competition. To that end, during the Reporting Period described in this FY2001 Competition Plan Update, DFW focused on enhancing current business practices to further support airline competition. This effort resulted in new Common Use and Preferential Use Gate Policies, the establishment of formal Gate Monitoring and Reporting Procedures, the formal review of all sublease agreements and the formation of new dispute resolution procedures. During the Reporting Period, DFW executed the first Preferential Use Gate Lease in DFW history. This accomplishment is consistent with the Airport's policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities.

DFW also recognizes that lack of adequate facilities can constrain the growth of incumbent airlines and new entrant/low-cost airlines. As noted for the Reporting Period, in addition to increasing the funding for the current Capital Development Program, the Airport and the Signatory Airlines continued the planning efforts to create additional capacity on the Airport's Common Use Gates to support the access by new airlines on an interim basis until long term facility capacity growth is achieved with the construction of Terminal F.

DFW's commitment to creating an "entry friendly" environment for new entrant airlines and promoting competitive access is demonstrated by the actions of DFW in expanding the Air Carrier Support Program and aggressively marketing to airlines resulting in more than thirty (30) business case presentations during the Reporting Period. In addition, utilization of the Airport's web site will continue to enhance DFW's ability to communicate the guidelines and timeline to prospective new entrants seeking to serve the Airport.

The events of September 11, 2001, while having a profound impact on the Airport, did not diminish DFW's commitment to enhance airline competition and to take bold and innovative actions to regain the air service lost as a result of those events. Future Competition Plan Updates will describe in detail the operational, financial and air service impacts of September 11, 2001. As DFW looks to the future to rebuild air service through new entrant airlines or reinstatement of service by incumbent airlines, DFW intends to continue to

support and adopt those airport business practices and procedures that enhance competition for the benefit of the Airport and North Texas.