May 29, 2002

Catherine M. Lang, Director  
Office of Airport Planning & Programming  
U.S. Department of Transportation  
Federal Aviation Administration  
800 Independence Ave., S.W.  
Washington, D.C. 20591

Re: Dallas/Fort Worth International Airport Competition Plan Update  
For the Reporting Period October 1, 2000 through September 31, 2001 (DFW Plan Update)

Dear Ms. Lang:

We have received a communication from your office dated May 28, 2002 concerning the DFW Airport Competition Plan Update. It became apparent to us that your office is referring to airport competition plan updates for the reporting period referenced above as FY02 Competition Plan Updates. As you know, the DFW Airport submittal referenced this update as the FY01 Competition Plan Update. Therefore, we are hereby modifying the title of the DFW Plan Update to the title of "FY2002 Competition Plan Update." We have enclosed herein several cover sheets for the DFW Plan Update binders with the title "FY2002 Competition Plan Update" to replace the original cover sheets. The next, annual DFW Airport Competition Plan Update for the Reporting Period October 1, 2001 to September 30, 2002 will be titled the "FY2003 Competition Plan Update." We hope this change will avoid any confusion.

We are pleased to provide herein the additional information requested by your office to assist in the determination that the DFW Plan Update satisfies the requirements of Section 155 of AIR-21. Our responses are categorized to address your questions and comments as they were presented in your communication.

GATE AVAILABILITY

1) Please provide supplemental information that will permit ready determination of activity levels of individual airlines at DFW, including the Common Use Gates.

Upon reading your comment regarding this request, it became apparent that while we have detailed data on the gate utilization at DFW Airport, we did not combine this data on a single chart. Please find enclosed as Exhibit "A" new "Gate Activity" charts
that outline activity level by airline by gate for the month of August 2001 and for the six months prior to the Airport’s fiscal year end of September 30, 2001. We have also enclosed as Exhibit "B" the Tenant Revenue Analysis Report for the month of March 2002. This report outlines activity by airline and by terminal to track revenues pursuant to the cost center components of the Airport’s Use Agreement. On a going-forward basis we will add this new “Gate Activity” chart in the Tenant Revenue Analysis Report in order to identify gate utilization by airline.

2) Please provide specific information on the FIDS data collection utilized to collect airport gate use data. Is the data being collected scheduled gate information or actual gate use, to account for flight cancellations?

As outlined in Appendix A of the DFW Plan Update, an ORACLE database is used to download data from the FIDS. This raw data downloaded from the FIDS is transferred to an Excel Spreadsheet that segregates the data by Airline, generating the following data on a daily basis:

- Airline
- Gate
- Terminal
- Number of Flights

The information generated is exclusive of all canceled flights and multiple code shares. In order to account for gate utilization by aircraft operated by code share partners, a separate spreadsheet is generated reconciling the FIDS data report with the DFW Airline Flight Activity Reports, which documents each airline’s activity by terminal and gate. The Flight Activity Report is also used to compare to FIDS data to identify any discrepancies on reported gate utilization and airline positions. As described in the DFW Plan Update, gate utilization data is gathered daily and reported on a monthly basis. Any significant variances from historical gate utilization averages are researched by the Airport’s Terminal Management department. The DFW Gate Monitoring Task Force is charged with reviewing the monthly Gate Activity Reports and notifying the Airport’s Real Estate department regarding any changes in gate use patterns that could potentially provide opportunities for additional gate utilization.

3) Please describe the dispute resolution procedures that the Airport would employ in the exercise of the Airport’s right to resolve disputes. What are the means by which airlines are informed of these procedures? Please develop procedures and notification methodology promptly if same do not currently exist.

As noted in your letter, DFW Airport has the unilateral right to resolve any material dispute concerning the accommodation of an Airline on a Preferential Use Gate. Any
decision by DFW Airport will be effective immediately and will be binding on the affected parties until such time that a court of competent jurisdiction determines otherwise. This unilateral right for immediate resolution of a dispute is obviously for the benefit of both parties, but particularly for the Accommodated Airline. Both parties can continue to operate under the direction of DFW Airport without being at a "stand still" while a resolution is "negotiated." Since there are currently no airlines under the accommodation provision of Preferential Use Gates, DFW Airport has not had the opportunity to implement the dispute resolution rights or inform affected airlines of the procedures.

However, since the Preferential Lease Agreement provides that the parties will enter into a sublease agreement defining the rights and obligations of each party, DFW Airport intends to develop the procedures and notification plan for dispute resolution (as well as the imposition of sublease terms) in conjunction with the creation of the formal sublease policy and procedures. As noted in Paragraph 3.06 of the DFW Plan Update, a formal, written description of the new sublease policy and procedures will be a priority in FY2002 (now referred to as FY2003) with completion estimated in FY2003 (now referred to as FY2004).

We acknowledge the importance of Airport management's role regarding sublease review rights and dispute resolution on Preferential Use Gates and Exclusive Use Gates. Negotiating the sublease parameters in our Preferential Lease Agreement that provide DFW Airport the right to unilaterally impose reasonable sublease terms on the parties and to unilaterally impose a resolution for a dispute between airlines is a significant step by DFW Airport in creating the sublease policy and procedures. The Airport is committed to continue to facilitate efforts by new entrants to enter into sublease arrangements. We will be pleased to update your office on this initiative in the DFW FY03 Plan Update.

4) We request that the Board consider entering into negotiations or discussions to incorporate "use it or lose it" requirements for all gates at DFW should the opportunity present itself and, if not sooner, into the successor to the current lease after 2009.

As fully described in the DFW Plan Update, the DFW Airport Board of Directors adopted a formal policy pertaining to Preferential Use Gates. This policy assists domestic and international airlines in the event new scheduled service cannot be reasonably accommodated by use of a Common Use Gate or by sublease on an Exclusive Use Gate. The innovative aspect of this policy is the ability to accommodate new or expanding airlines even with high utilization of existing gates. Since a large number of gates at the Airport are leased to a hub airline, the historically high utilization of these gates would exceed the threshold for typical "use it or lose it" provisions. It is true that other gates of the Airport do not have the high utilization rates as hubbing airline gates. While traditional "use it or lose it" provisions would be effective in that circumstance, there may not be the desire to capture a low utilization gate absent a demonstrated need for the gate capacity.
As you know, DFW Airport is committed to maintaining the appropriate number of Common Use Gates, and may choose to add Common Use Gates when individual gate leases expire. Since Common Gates are available for new entrants and increases in service, the accommodation obligations crafted in the DFW Airport Preferential Use Gate Policy provide the desired result of mandated gate sharing without the risk of DFW Airport losing the rental income from an underutilized gate.

While the "use it or lose it" methodology may not be as effective at DFW Airport as it is at other airports, DFW Airport is committed to incorporating preferential use gate accommodation provisions for all gates at DFW Airport when the opportunity presents itself. As stated on Page 1 of Exhibit B to the Preferential Lease Agreement, DFW Airport is implementing plans to provide additional passenger terminal facilities, both on a temporary and permanent basis. Additionally, as current exclusive use gate leases expire in Terminal A, A Satellite, B, C and E, those leases are only being renewed on a preferential-use basis.

5) We continue to encourage you to approach the signatory carriers from the perspective that the Airport has certain rights and obligations to arrange for gate sharing on an exclusive use basis.

DFW Airport is keenly aware that the use of exclusive or preferential use lease arrangements does not relieve the airport operator of the responsibility to make every reasonable effort to accommodate new entrants and carriers expanding operations. In fact, marketing to airlines for new and expanding service is a primary initiative of the Airport as described in Paragraphs 1.02 and 1.03 in the DFW Plan Update. In acknowledgement of the parameters contained in Chapter 2 in your Airport Practices report, DFW Airport included the following language on Page 3 of Exhibit B to the Preferential Lease Agreement:

"(7) DFW must attempt to identify any underutilized gate space that is leased on an exclusive basis and if the Signatory Airline leasing such space is unwilling to provide accommodation for Requesting Airline, DFW shall work with the FAA to determine DFW's rights to force accommodation under applicable Federal statutes and Federal Aviation Regulations and other industry best practices, and to use reasonable efforts to enforce any such rights."

In addition to the Airport's contractual commitments, DFW Airport works closely with all exclusive lease airline tenants to arrange for gate sharing if needed. A recent example was noted in Paragraph 3.07 of the DFW Plan Update where DFW Airport coordinated the sharing of exclusive gates during extensive and protracted construction activities.
GATE ASSIGNMENT POLICIES

6) We are concerned that the Preferential Gate Use Agreement provides that the airline seeking accommodation must initiate a voluntary sublease and be rejected before invoking the forced accommodation. However, there are no time lines imposed on signatory airlines to respond. In addition there is a 90-day notice provision. This combination could lead to a significant delay. We encourage you to take a more active role in assisting carriers to reduce potential of significant delay.

Please note that these provisions are included in the Preferential Lease Agreement between DFW Airport and the holder of the Preferential Use Gates. The other signatory airlines are not a party to this agreement and therefore the time lines for sublease review would not be included in this document. However, DFW Airport has always assisted new entrants and airlines desiring increased service. As soon as an airline expresses interest in the DFW Airport market, DFW Airport works directly with such airlines in addressing all service issues including the access to appropriate gates.

In addition to the active and continuous support and assistance provided to new and expanding airlines, DFW Airport has negotiated in the Preferential Lease Agreement contractual rights to assist the airline seeking accommodation, including, specifically, the sole right to determine the reasonableness of the effort to obtain a voluntary sublease. DFW Airport will communicate clear and reasonable time lines to Signatory Airlines involved in this process. And, at the end of the process, it is DFW Airport that determines the interpretation of the terms of the accommodation provisions of the Preferential Gate Use Agreement. The contract terms of this document alone do not fully describe the commitment of DFW Airport to expedite the process for any airline seeking gate space. We feel confident that, with the assistance from DFW Airport, there will not be an unreasonable delay in the initiation of desired new service.

LEASING AND SUBLLEASING

7) Does DFW Airport contemplate using PFCs to finance the construction of Terminal F?

The Terminal F project anticipates the use of PFCs, Joint Revenue Bonds and, where appropriate, AIP Funds. The gates in Terminal F are anticipated to be either Common Use Gates or Preferential Use Gates.

8) Please advise whether American's favorable vote was conditioned on obtaining even short-term exclusive gates for itself or its affiliates.

Absolutely not. The Mil vote was a component of the negotiation converting two (2) long term exclusive gates to preferential gates as noted in Paragraph 3.04, Subparagraph 3 of the DFW Plan Update.
PATTERNS OF SERVICE
CARRIER SUPPORT PROGRAM

9) We request that the Board consider whether a modification of the eligibility criteria for domestic services may not be appropriate to facilitate access to the program by domestic new entrant carriers.

Of the airlines that became eligible for the Carrier Support Program (CSP) in the year 2001, Air France with service to Paris, Korean Air with service to Seoul and American Eagle with service to Aguascalientes and Saltillo all took advantage of cooperative marketing funds to promote their new services. Singapore Cargo is the only one to not yet take advantage of CSP funds.

In the Fall of 2001, the CSP was modified to address subsidiary, subcontractor and parent airline relationships. In the modification, new entrant airlines operating as a subsidiary or subcontractor are eligible for CSP funds, only if the parent or contractor airline does not provide service to that destination. The purpose of this modification was to clarify an airline's eligibility and to reward the development of new routes which in turn provides more competitive options for travelers. With this modification, SkyWest became eligible for funding as a new entrant airline with two new destinations for DFW: Pensacola and Tallahassee. They have not yet taken advantage of these CSP funds.

A domestic new entrant carrier receives the most liberal opportunity the current CSP has to offer. The airline is eligible for funding for 12 months after start of service to any domestic route they choose, except if related to an airline who flies or has flown to that market.

NEXT COMPETITION PLAN UPDATE

10) In the next Competition Plan Update please report on the status of the initiative to adopt a formal written description of the new sublease policy and procedures.

During the reporting period for the upcoming FY03 DFW Plan Update, significant steps were taken in evaluating the sublease practices at the Airport. We look forward to providing your office a detailed status report in the FY03 Plan Update with the completion targeted for completion in the reporting period for the FY04 Plan Update.
11) New entrants are more likely to be treated fairly by an air carrier tenant when the tenant imposes a reasonable cap on sublease fees.

DFW Airport has already taken steps to make sure air carrier tenants impose reasonable fees for subtenants. Please note the provisions on Page 5 of Exhibit B to the Preferential Lease Agreement, as follows:

Airlines may charge reasonable rates for any subcontracts entered into between the Airlines and an Accommodated Airline, subject to the following exceptions:

1) When an Accommodated Airline is placed on a Leased Gate(s) pursuant to this Agreement by DFW, that Accomodated Airline will be charged rent by the Airline as set forth in the then current Schedule of Charges on a pro rata basis.

2) Accommodated Airline's fees for services at the Airline's Leased Gate shall be pro-rated based on Airline's fully allocated (including overhead) actual costs. (No administrative fee is charged.)

As a part of the sublease policy, we will be performing a detailed review of pricing.

12) An airport is obligated to make sure that the terms and conditions imposed on all the air carriers operating at the airport are reasonable.

DFW Airport has demonstrated its commitment to support favorable sublease terms. As a stated contract term of the Preferential Lease Agreement, DFW has the right to review all terms and conditions of sublease agreements on Preferential Use Gates, including pricing and shall determine the reasonableness of any particular term or condition, based on industry practices and with a spirit of reasonably promoting competition at the Airport. Should DFW determine a term or condition unreasonable, it may allow the parties another effort to resolve the issue or DFW may impose reasonable terms on the parties. DFW's right-of-review is on going and continuous.

WEBSITE POSTING OF
DFW AIRPORT COMPETITION PLANS

13) DFW was encouraged to post its competition plan submittals and the FAA's responses on the DFW Web-site.

Thank you for bringing to our attention the fact that, while hard copies of our competition plans are readily available to the public, this information was inadvertently not incorporated into the DFW website. The FY2001 Competition Plan submittal and the subsequent correspondence will be accessible at dfwairport.com on May 31, 2002. With respect to the current DFW Plan Update under consideration, we will incorporate
the submittal and the subsequent correspondence as soon as the FAA approves the DFW Plan Update.

We look forward to your review of the supplemental information to the DFW Plan Update provided herein. We hope that we have been responsive to your requests and look forward to providing you additional information in the next Plan Update.

As you are aware, we are anticipating your indication that the DFW Plan Update satisfies Section 155 of AIR-21 on or before May 31, 2002. We appreciate your cooperation and consideration in this regard. Please do not hesitate to contact Ms. Tracy Thompson, Vice President, Airport Real Estate at 972-574-3121 immediately if there are any questions regarding the information contained herein.

Thank you again for your prompt review of this information. We look forward to hearing from you.

Sincerely,

[Signature]
Jeffrey P. Fegan
Chief Executive Officer
Dallas/Fort Worth International Airport