



DALLAS/FORT WORTH  
INTERNATIONAL AIRPORT

## **FY2004 Competition Plan Update**

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



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# **DALLAS/FORT WORTH INTERNATIONAL AIRPORT**

## **A Competitive Airport for All Airlines**

### **INTRODUCTION**

Pursuant to Section 155 of the AIR-21 legislation, Dallas/Fort Worth International Airport (DFW or Airport) has completed and received approval of the Airport's Competition Plan.

As required, DFW has prepared an update to the DFW Plan (FY2004 Competition Plan Update) under the industry guidelines provide by the FAA in Program Guidance Letter 03-01 dated November 19, 2002. Included in the 2004 Competition Plan Update is information about new efforts at DFW to promote competition, support flexibility in lease terms, respond to specific FAA requests for information and provide updated financial and operational data.

The 2004 Competition Plan Update is arranged in three parts. Part One is an Executive Summary which summarizes the major actions taken by DFW during the Reporting Period to promote competition and enhance airline growth at DFW. Part Two addresses the specific issues outlined in the most recent approval letter from the FAA for the DFW Plan. Part Three (Plan Update) updates the financial, operational and other statistical information provided in the DFW Plan with information from the current Reporting Period. This information is organized under the eight headings for Plan Updates provided by the FAA in Program Guidance Letter 03-01 dated November 19, 2002. Part Four provides supplemental information regarding additional programs and initiatives performed by DFW during the Reporting Period.

As a result of the extension period of 18 months between Plan Updates, the Reporting Period for the 2004 Competition Plan Update will include information from the previous two fiscal years from October 1, 2001 through September 30, 2003 and for those statistics calculated on a calendar year, from January 2001 through December 2002.

## **PART ONE**

### **EXECUTIVE SUMMARY**

#### **HIGHLIGHTS OF THE PAST YEAR**

Over the previous Reporting Period, DFW continues to demonstrate a strong commitment to promoting airline competition at the Airport. While the anticipated completion of Terminal D and subsequent opening in 2005 has stimulated numerous airline planning and programming efforts, DFW has continued to maintain focus on the present needs of the Airlines and has continued efforts to enhance, expand and adopt initiatives to promote competition, accommodate the present and future growth of the Airport's airlines, and continue strong marketing efforts for growth of both new airlines and new service and for growth from existing airlines. Some of the major milestones in expanding our unique and pro-competitive environment included the following:

#### **I. Policies and Procedures**

- A. Development of DFW Gate/Lease Plan**
- B. Adoption of additional formal Preferential Use Gate Provisions - Airlines with Four (4) or Fewer Gates**
- C. Right of First Refusal Provision**
- D. Right of Relocation**
- E. Contingency Plan**

#### **II. Facility Enhancements and Control of Gates**

- A. Acquisition and Control of 4 Long-Term Exclusive Gates – Accommodation & Growth of 3 Requesting Airlines**
- B. Purchase of One (1) Long-Term Exclusive Gate**
- C. Conversion of 4 Gates to Preferential - Acquisition of 1 Long-Term Exclusive Gate**
- D. Recapture of 9 Exclusive Use Gates**

#### **I. POLICIES AND PROCEDURES**

##### **A. Development of DFW Gate Lease Plan**

During the Reporting Period, DFW implemented a Gate/Lease Plan which combines the leasing strategies of the Airport with the current and

future plans for accommodating and expanding both new and existing airline service. The Gate Lease Plan serves as the current basis for new lease terms while also facilitating the relocation of several requesting Airlines in order to increase service, both in frequency and destination as well as provide synergy among new alliance partners.

The primary objectives of the Gate/Lease Plan are to 1) ensure gate access to accommodate any Airline desiring to serve the DFW marketplace, 2) promote Airline competition at DFW, and 3) maximize lease flexibility through control of gates. These objectives were augmented by existing programs (which were discussed in the most recently approved 2002 Competition Plan) including formal Preferential Gate Use Policies, Common Gate Use Priority Policies, protocols to assist airline relocations, and gate monitoring procedures and dispute resolution programs.

The DFW Gate/Lease Plan initiated additional new Terminal Lease Criteria which included the following: 1) Conversion of long-term, exclusive leases to short-term, preferential leases or DFW managed common gates, 2) Airline relocation provisions, and 3) Right of First Refusal provisions.

The DFW Gate/Lease Plan has proven to be very successful. By the end of 2003, the DFW Gate/Lease Plan effectively reduced the number of exclusive gates by a total of fourteen (14). This reduction in exclusive gates and the expanded lease criteria has allowed DFW to negotiate more control of existing long-term gates and set forth procedures by which the Airport can continue its successful strategy toward more flexibility in gate utilization. A copy of the power point presentation of the highlights of the Gate/Lease Plan is attached as Appendix "A".

#### **B. Adoption of Additional Preferential Use Gate Provisions – Airlines with Four (4) or Fewer Gates**

In addition to the previously reported adoption of the DFW Common Use Gate Policy and the Preferential Use Gate Policy, DFW has taken the initiative to expand the Preferential Use Gate Policy and further define the different needs of the various types of airlines operating at DFW.

This resulted in the development of a second preferential gate use policy, referred to as the Preferential Use Gate Policy for Airlines with Four (4) or Fewer Gates. DFW recognizes legitimate reasons for imposing different preferential use rules on "hubbing" airlines than on non-hubbing airlines in order to be fair to airlines that have the highest utilization rates while at the same time promoting competition. The original Preferential Use Gate Policy applies to hubbing airlines, which is currently defined as Airlines with more than four (4) gates, and provides the unique ability to force

accommodation for new or expanding airlines even with a high utilization of existing gates. In contrast, the new Preferential Use Gate Policy for Airlines with Four (4) or Fewer Gates (which DFW currently defines as a non-hubbing airline) does not force accommodation on gates with a high utilization rate, but rather establishes a required Daily Average Utilization of six turns per gate. If the required Daily Average Utilization is not met, DFW may require the Airline to share the use of the Preferential Use Gate(s), but may also require the Airline to vacate the Preferential Use Gate at the request of the Airport. This allows the Airport greater flexibility in taking back control of gates when necessary to accommodate new entrant airlines or growth of existing airlines. A Copy of the Preferential Use Gate Policy - Airlines with Four or Fewer Gates is attached as Appendix "B".

### **C. Right of First Refusal Provision**

In addition to DFW's policy of promoting the conversion of gates from long-term exclusive to either preferential or common, DFW has also negotiated for Right of First Refusal language in the new Preferential Lease agreements. This allows for additional control over Signatory Airlines who have assignment rights under the existing terms of the DFW Use Agreement. The Right of First Refusal language gives DFW the first opportunity upon assignment to recapture available facilities and negotiate directly for their use. A copy of the Right of First Refusal agreement is attached as Appendix "C".

### **D. Right of Relocation**

As part of the strategies of the DFW Gate/Lease Plan, DFW also included Right of Relocation language in new airline agreements. The Right of Relocation gives DFW the right, in its sole discretion, upon ninety (90) days prior written notice to Airline, to relocate the Airline's leased premises at DFW's expense, to other DFW terminal areas of similar kind, quality, and with relatively equal rental rates. In addition to the flexibility afforded DFW through preferential lease terms, this language allows for even greater control over terminal space planning and the future accommodation of airline growth.

### **E. Contingency Plan**

With the many factors impacting the airline industry since the events of September 11, 2001 and the struggling U.S. economy, DFW developed an intra-agency Contingency Plan for terminal utilization and policymaking purposes related to any current or possible airline bankruptcy filings and any resulting disputes which might arise as a result of any bankruptcies. This document created a proactive approach to anticipating and resolving future challenges based on various potential scenarios regarding facility

use in an effort to test certain contingencies and their financial impacts on the Airport. In addition, the Contingency Plan provides a macro, Airport-wide response to other potential scenarios relating to the strength and continued successful operation and management of DFW. While this plan was not implemented during the Reporting Period, it remains a valuable tool for the Airport.

## **II. Facility Enhancements and Control of Gates**

### **A. Acquisition and control of 4 long-term exclusive gates - Accommodation and growth of 3 requesting Airlines**

Early in 2002, DFW began to work with Delta, Continental and Northwest at their request to consolidate each airline's terminal facilities into one terminal location. This would create a synergy between the new alliance partners and allow them to grow with the ability not only to code share on certain flights, but to also share some common facilities and ramp areas. In order to facilitate a relocation project of this magnitude, Continental would relocate to Terminal E where Delta and Northwest currently operated and Delta and Northwest would both release a portion of gates and terminal facilities to accommodate Continental.

In addition to the benefit received by the three requesting airlines, DFW would gain additional control over more gates at the Airport. As a result of these negotiations, DFW agreed to provide capital for a portion of the needed renovations in exchange for 1) Delta releasing three long-term exclusive gates and related terminal and ramp facilities for release by DFW to Continental under the same terms, 2) Northwest would release additional long-term exclusive terminal facilities under their control and needed for completion of the new Continental space, and 3) Continental would release four (4) long-term exclusive gates in Terminal B to DFW. As a result of this agreement, Delta, Continental and Northwest were compliant with the Department of Transportation's letter dated January 17, 2003 which outlines the final review and conditional approval of the Delta-Northwest-Continental Code Share Agreement which resulted in the required release of two gates at DFW.

As a result, Delta committed to funding terminal improvements in excess of \$1.9 million while Continental committed to making capital improvements of \$4.5 million in Terminal E in addition to the improvements already completed to their existing facilities in Terminal B. In exchange for control of the four (4) long-term exclusive gates in Terminal B, DFW provided capital funding of \$1.5 million to Delta and \$1.3 million to Continental. In addition, DFW approved additional funding of \$3 million from Joint Revenue Bonds for Continental. This was a phenomenal accomplishment in funding from both the Airlines and DFW, especially considering the economic health of the industry and the budget constraints of the Airport. This accomplishment fully demonstrates DFW's

commitment to promoting a competitive environment and supporting the growth of air service.

**B. Purchase of One (1) Long-term Exclusive Gate**

During the Reporting Period, the airline industry and airports across the country were working diligently to recover from the economic downturn since 2001. At the same time airlines were right-sizing, consolidating resources for more efficient use, and searching for methods to increase cash flow, DFW continued to seek out opportunities for recapturing valuable real estate and facilities. As a result, DFW was able to negotiate the purchase of a long-term exclusive gate in Terminal B from American Airlines. As part of the purchased Trans World Airlines assets by American, this was the only remaining gate which was not contiguous to other American gates and the gate was of interest to DFW because of its proximity to other DFW common gates. The deal was negotiated and DFW took control of an additional long-term exclusive gate, utilizing the new asset as a common gate controlled by the Board.

**C. Acquisition of additional Long-term Exclusive Gate, and conversion of Four (4) Gates to Preferential Use for growth and expansion of Airline**

As a result of the recapture of the above mentioned gates in Terminal B, DFW had another opportunity to support and expand airline service. While continuing DFW's ongoing marketing efforts to attract new airlines and promote the expansion of existing airlines, DFW received a proposal from AirTran which would aggressively add service by AirTran to both existing AirTran markets and to new AirTran markets. With a mutually agreed upon service commitment, AirTran was offered the four (4) gates in Terminal B vacated by Continental's relocation to Terminal E. The new AirTran lease was executed as a short-term (12 month) Preferential Lease under the terms of the Preferential Use Gate Policy for Airlines with Four (4) Gates or Fewer, the Right of First Refusal and the right of relocation lease criteria. In exchange for the four preferential gates, AirTran would release their existing long-term exclusive gate in Terminal E to DFW. As result, DFW acquired and converted the long-term gate in Terminal E to a common gate which will be added to the inventory of DFW Board operated and controlled gates.

An additional advantage to the resulting airline relocations and move of both Continental to Terminal E and AirTran to Terminal B, DFW was able to eliminate two sublease agreements and accommodate both sublease airlines on DFW controlled facilities. Prior to any of the relocation negotiations, DFW had been working with Frontier Airlines to accommodate Frontier on board operated facilities. The operations of Frontier has grown to a point where they were no longer fully accommodated on the sublease facilities of Continental and DFW was

able to offer the needed facilities along with sufficient gate and ramp areas to fully accommodate the operations of Frontier. This relocation provided the airline with the flexibility for additional accommodation as needed in close proximity on additional Board gates.

At the same time, America West who is a Signatory Airline at DFW but one who has never directly leased facilities at DFW, indicated their interest in obtaining two gates for their use directly from DFW. With the earlier purchase of the long-term exclusive gate from American, the Board agreed to lease two gates to America West on a short-term (12-month) Preferential Lease under the terms of the Preferential Use Gate Policy for Airlines with Four (4) Gates or Fewer, the Right of First Refusal and the right of relocation lease criteria. At the same time, the newly purchased long-term exclusive gate allowed us to relocate an adjacent existing airline to a new common gate and allow America West to lease two contiguous preferential gates.

#### **D. Recapture of Nine (9) Exclusive Use Gates.**

As discussed in previous Updates, DFW, like many residual airports that have long-term Use Agreements, has both long-term exclusive and short-term exclusive leases, along with common use gates. DFW has committed to take back control of gates whenever an opportunity arises such as a renegotiation of an existing agreement or when the agreement expires. DFW was able to again demonstrate this commitment as the lease agreement for nine (9) exclusive gates under lease to American Airlines in Terminal B expired December 31, 2003. While American and American Eagle have demonstrated the need for retaining the use of these gates, DFW has negotiated to take back control of these nine (9) gates and allow American to lease the gates and related facilities on a very short-term agreement with a ninety day cancellation clause by the Board. This allows American to continue to utilize needed facilities and allows DFW to maintain great flexibility and control over the use of the gates.

## CONCLUSION

DFW, through the development of the Gate/Lease Plan and the above described negotiations for control of gates and related facilities, has demonstrated a commitment to accommodating all airlines who wish to serve DFW and those existing airlines who desire to expand and enhance service at the Airport. In total, DFW has been able to reduce exclusive-use gates at the Airport by fourteen (14) during the Reporting Period. See Appendix B.

DFW continues to position itself to provide the facilities and policies which promote competition, expand airline service, and further develop and control the use of airport facilities. DFW is committed to continue the formalization and expansion of new leasing strategies for the new terminal as well as develop and expand existing policies which will be applicable to both Terminal D and to other new agreements for existing facilities. To assist in this effort, DFW will retain the services of a consulting team that will be offering support in the redevelopment of terminal agreements as well as reviewing existing policies and procedures. All of these measures will continue to enhance and expand the flexibility and control of airline gates and related facilities at DFW, thereby continuing DFW's mission to ensure that all airlines desiring to provide service are not only accommodated but encouraged to take advantages of the many opportunities available at DFW.

## **PART TWO**

### **INFORMATION REQUESTED BY FAA IN PREVIOUS UPDATE'S APPROVAL LETTER**

In addition to the information required for this Update, this section answers the specific requests of the FAA regarding issues where additional information was requested in the approval letter for DFW regarding the 2002 Competition Plan Update. The information is organized by the category and subject referenced in the FAA approval letter, dated September 30, 2002.

#### **I. Availability of Gates and Related Facilities**

##### **A. Discuss Gate Monitoring Program and Use of Gate Activity Reports**

#### **II. Leasing and Subleasing**

##### **A. Sublease Review and Results**

- 1) Sublease Policy and Procedures**
- 2) Formal Review Rights and Dispute Resolution Procedures**

##### **B. Detail of requests for accommodation on Preferential Use Gate**

The following additional information is provided as requested:

#### **I. AVAILABILITY OF GATES AND RELATED FACILITIES**

##### **A. Discuss Gate Monitoring Program and Use of Gate Activity Reports**

During the Reporting Period, gate utilization averages continue to remain above the activity level established by DFW for fully utilized gates. A copy of the September 2003 Gate Activity Report Summary as well as a yearly summary detailing the annual average number of turns per gate for both years of the Reporting Period is attached as Appendix "D". However, DFW is committed to continuous monitoring of gates to ensure required utilization by all airlines. Therefore, DFW evaluated the gate utilization process and determined that enhancements could be made to both simplify the process and provide more efficient use of the available data. Previously, DFW's gate monitoring had complications resulting from airlines who do not utilize the FIDS systems or those who do not

maintain real time flight information on the FIDS system but display predetermined schedules.

To address the issues with the existing gate monitoring program, DFW has dedicated necessary funding to implement additional enhancements and update the processes associated with the Gate Monitoring Procedures. These new processes include the introduction of new software that will integrate current data sources with the FAA direct feed data source (VOLPE). The integration will reduce the cumbersome task of processing data for monthly gate utilization activity. The real time information will now provide specific time of day which has been previously unavailable through existing sources. The software will better enable DFW to monitor and identify major schedule gaps in gate activity.

A formal agreement has been executed between DFW and the FAA effective November 20, 2003. Upon receipt of the new system requirements, the updated gate monitoring procedures will be implemented early in 2004. An updated copy of the Gate Monitoring Procedures is attached as Appendix "E". In addition to the upgrades to the Gate Monitoring Procedures, DFW continues to improve the process by which monthly gate activity is made available to the airlines. Currently, after a final review by DFW's Gate Monitoring Task Force, Terminal Management staff addresses any variances from required utilization with the affected airline before publishing a final Gate Activity Report.

DFW continues to work directly with the Airlines regarding accommodations. Two major events requiring accommodation occurred during this particular Reporting Period. First of all, gate utilization was disrupted and accommodations have been complicated by the construction of the Automated People Mover. Numerous gate closures have required the temporary relocation of numerous airlines to common and other airline gate locations. While the utilization of gates remains high, monitoring gate activity remains a complicated process.

In addition, DFW continues to demonstrate the success of working directly with airlines regarding accommodation through the numerous airline relocations during the Reporting Period. As the construction phase comes to a close in 2005 and with the enhancements noted above, DFW will be working on the next phase of airline relocations. The direct distribution of the Gate Activity Reports to Airline representatives will demonstrate the basis for relocation decisions.

In summary, Gate Utilization Monitoring Procedures will continue to be a valuable tool for monitoring utilization of gates at the Airport. This program supports the enforcement of PFC Program Assurance No. 7 and can provide assistance to the Airport not only in the relocation of airlines to maximize capacity, but also when accommodating new

entrants or expanding airlines. DFW continues to utilize this program as well as all available resources in providing a competitive environment for all airlines desiring to serve DFW.

## **II. LEASING AND SUBLEASING**

### **A. Sublease Review and Results**

#### **1) Sublease Policy and Procedures**

DFW's Use Agreement and other related agreements require that sublease agreements be approved by DFW, with approval not to be unreasonably withheld. During the Reporting Period, DFW continued the process of reviewing current subleases in order to develop a more formalized process for approving future subleases. Current sublease reviews included the agreements where gate and related facilities were occupied by a third party under a separate sublease agreement with an existing tenant airline.

The net results of this review determined that none of the current sublease agreements were deemed unreasonable in terms. In addition, the review resulted in the development of a formal document outlining the review criteria for obtaining DFW approval of any sublease agreements. A copy of the Sublease Review Procedures is attached as Appendix "F".

In addition, DFW, through the implementation of the Gate/Lease Plan, was able to eliminate a substantial number of sublease agreements. Four (4) sublease agreements were eliminated by accommodating those airlines on preferential gate(s) and DFW common gates. During the process of reviewing the agreements, there were several other agreements which were canceled as a result of the loss of service from several carriers after September 11, 2001. The remaining sublease agreements for the Reporting Period are identified in Part III of this Update.

While not requiring DFW approval, DFW acknowledges the importance of ground handling agreements and encourages providers to utilize the ground handling standards recommended by the International Air Transport Association. DFW also recognizes that many airlines operate through these type of agreements due to the ability to utilize not only the facilities of other airline partners, but also their resources, enabling the airline to operate at the Airport without full staffing. In fact, many airlines operate at numerous airports under ground handling agreements which are negotiated nationally. As a result, copies of ground handling agreements are

now required when applying for an aeronautical operating permit at DFW.

In addition, DFW has taken steps to address this issue along with other terminal subleasing issues as new protocols and procedures are developed for Terminal D. DFW will continue to work with a team of industry consultants to address and complete these documents, which will serve as the cornerstone for the refinement and formalization of the additional protocols and procedures related to subleases, dispute resolution and other policies. The results of this effort will be reported in the next Plan Update.

## **2) Formal Review Rights and Dispute Resolution Procedures**

DFW has committed to formalizing Review Rights and Dispute Resolution Provisions for all airlines. In doing so, DFW has taken a holistic approach to implementing these and other new policies, protocols and procedures prior to the opening of Terminal D. As an interim measure, DFW has not only incorporated dispute resolution language into new agreements but has also made this information available to all airlines regarding the process for resolving disputes with the Board. A copy of the Dispute Resolution Procedures is attached in Appendix "G".

### **B. Details of Requests for Accommodation on Preferential Gates**

During the Reporting Period, there were no requests for accommodation on existing Preferential Gates.

Although there were no requests for this type of accommodation, DFW had the opportunity to assist several airlines in expanding service through gate relocations, expansion in number of gates by airline, and by accommodating requests for preferential gates by airlines who had previously been operating under sublease agreements. Details of these accomplishments are included in Part One of this Plan Update.

During the airline relocation program, DFW received a request from American Eagle for the Airport to consider leasing two of the four additional gates which were available as a result of the DFW Gate/Lease Plan. Prior to this request, AirTran had requested these gates and committed to a comprehensive new growth plan including new service and destinations. DFW requested that American Eagle provide a comprehensive plan, identifying the specific current and future gate needs at DFW based on their growth plan. As with all airlines, DFW has committed to work very closely with American Eagle to ensure accommodation. As DFW moves closer to the opening of Terminal D and

the reconfiguration of existing terminals, new gate/lease programs will ensure the accommodation of all airlines who continue to recover, renew and expand service levels. These plans will be included in future updates.

DFW continues to demonstrate the benefit of working closely with its Airline partners. As a result, Airlines operating at DFW continue to be able to expand and add service, with the help of innovative leasing strategies and support from DFW. Even during a time of numerous gate closures through out the Reporting Period, DFW worked closely with all airlines in coordinating the temporary relocation and sharing of leased gates in order to accommodate the construction related to the APM project. At a time when construction resulted in a very limited amount of gate flexibility and capacity, the airlines were able to work together with DFW to ensure that no airline, regardless of the type of lease arrangement, was unreasonably restricted due to construction and that all flights were accommodated.

## **PART THREE**

### **FY2004 COMPETITION PLAN UPDATE**

#### **FOR**

**REPORTING PERIOD October 1, 2001 through September 30, 2003**

#### **BACKGROUND**

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 and statistical information for the Reporting Period. In order to facilitate the review of the updated information, the Section titles and paragraphs used in the 2002 Plan Update are used in this part of the Plan Update. Data contained in the 2002 Plan Update that has not changed during the Reporting Period is not included in this Plan Update.

The financial, operational and statistical data contained herein will reflect information for the Reporting Period, which represents the Airport's FY2002 and FY2003. Information available on a calendar year basis is reporting through calendar year 2002.

In addition, DFW's approved Competition Plan and Plan Updates are made available through the Airport's webpage at [www.dfwairport.com](http://www.dfwairport.com) under Publications. The posting of this information on the webpage satisfies FAA AIP grant assurance No. 26.

#### **1.0 AVAILABILITY OF GATES AND RELATED FACILITIES**

##### **1.01 Number and Allocation of Gates**

Exhibit 1.1 below illustrates the Gate and Aircraft Parking Position distribution during the Reporting Period. There have been no changes in the number of gates, however, the distribution by Airline has been updated to reflect the results of the relocation efforts during the Reporting Period. Exhibit 1.2 identifies airline operations from specific Airport terminals as of September 30, 2003 and the results of the airline relocations which will be completed by early January 2004.

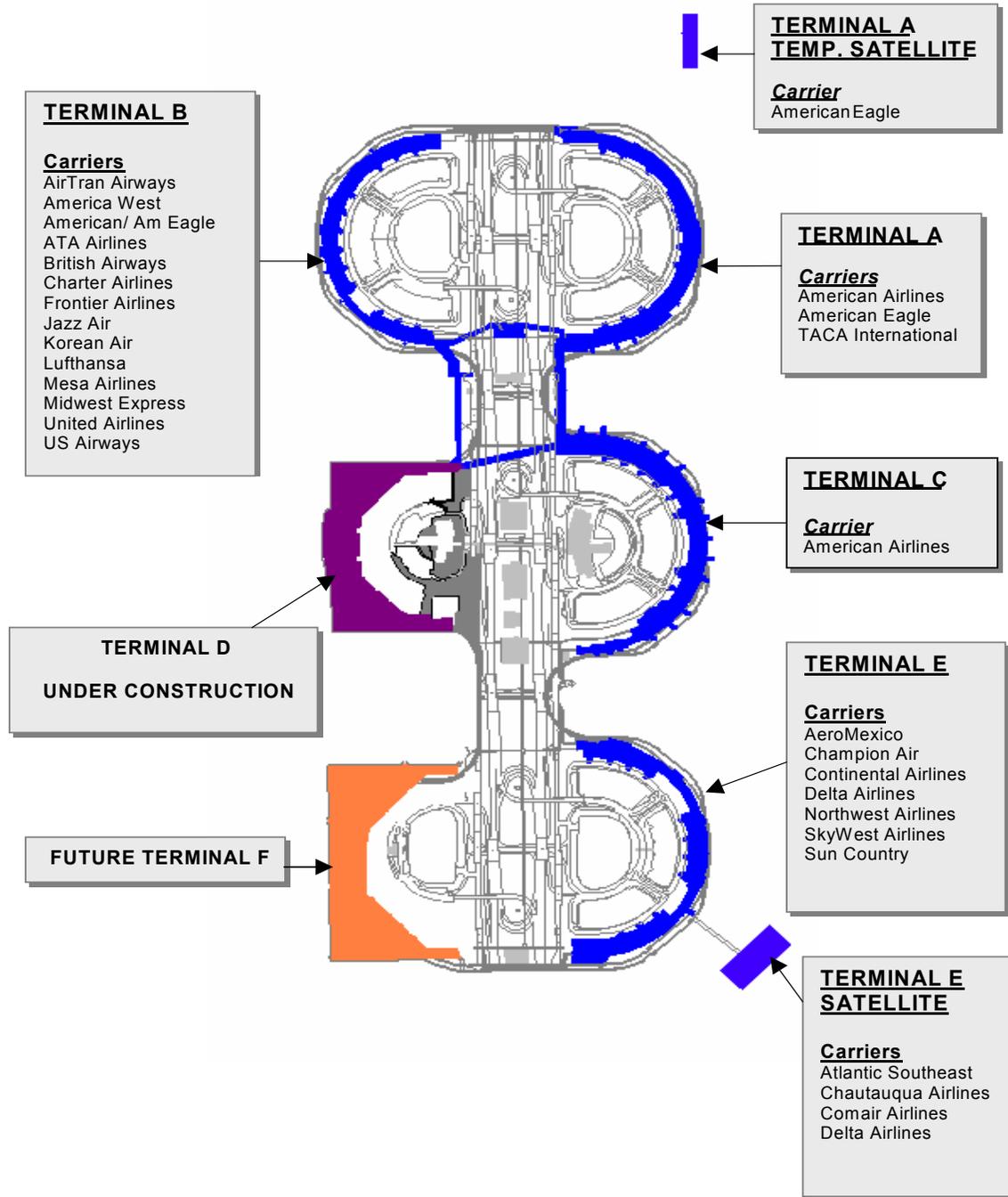
Exhibit 1.1 Current DFW Airport Aircraft Parking Position Distribution

<b>Terminal /Concourse</b>	<b>Terminal Tenants</b>	<b>Numbered Gates</b>	<b>Bridge Served Positions</b>	<b>Non-Bridge Served Positions</b>
Terminal A	American Airlines	27	27	0
Terminal A-Satellite	American Airlines	13	13	21
Terminal B	American	11	11	0
	DFW Airport Board	9	7	0
	AirTran Airways	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	DFW Airport Board	1	1	0
	Northwest	3	3	0
	Continental	3	3	0
	Delta	19	19	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 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.

\* 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 1.2 Airport Terminals**



## **1.02 Gate Use and Availability**

Please refer to Part One, Section II, Facility Enhancements and Control of Gates and Part Two, Section I, Availability of Gates and Related Facilities for detail on the progressive actions taken by DFW, both in monitoring the utilization of airport gates and gaining additional control over a number of gates during the Reporting Period. As reported, DFW has made great progress in establishing new policies and acquiring control of existing gates.

In addition, DFW is committed to complying with all applicable provisions of federal laws and regulations including the use of PFC revenues and the use of PFC funded terminal facilities at the Airport. As a result, one of the original short-term exclusive lease agreements related to PFC funded terminal facilities expired and DFW has negotiated for more favorable terms to ensure flexibility and control over these facilities. For details on the recapture and future use of these gates, please refer to Part One, Section II, Facility Enhancements and Control of Gates, Paragraph D, Recapture of Nine (9) Exclusive Use Gates.

## **1.03 Common Use Gates**

During the Reporting Period, DFW acquired control of several additional gates, one of which will become a Common Use Gate in Terminal E upon the relocation of AirTran to Terminal B in January 2004. DFW continues to manage and utilized common gates primarily for 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 gate capacity. In addition, transient and unscheduled airline flights are accommodated.

DFW remains committed to having several gate use and leasing options for accommodating all airlines and promoting competition. In support of this commitment, plans remain in place for DFW to operate, schedule and control six wide-body (the equivalent of nine narrow-body), international-capable Common Use Gates gates and related facilities in Terminal D.

Exhibit 1.3 provides a list of the airlines operating from Common Use Gates during the Reporting Period, while Exhibit 1.4 demonstrates the unscheduled operations accommodated on Common Use Gates during the Reporting Period.

Exhibit 1.3 DFW Common Use Gate Users

Airlines Utilizing Common Gates	
ATA	Lufthansa
British Airways	United
Champion	National
Korean Air	Sol Air
Frontier	Sun Country

Exhibit 1.4 Unscheduled Common Use Gate Utilization

Airlines	Total Number of Turns for 12-Month Period FY03	Total Number of Turns for 12-Month Period FY02
Allegro Air	476	280
Boeing Commercial Airplane	2	0
Casino Express	95	0
Hawaiian Air Lines	1	0
Miami Air International	31	25
MLW Aviation	1	1
North American Airlines	1	0
Northwest KLM Airlines	1	0
Olympia Aviation	1	1
Pace Airlines	2	0
Planet Airlines	22	1
Sky King	3	1
Sport Jet	5	12
Transmeridian Airlines	140	0
World Airways	1	0
Total	782	321

DFW continues to utilize the Common Use Gate Policy to accommodate as many types of airline services as possible. There have been no instances during the Reporting Period where DFW was not able to accommodate an airline requesting use of a Common Use Gate.

#### 1.04 New Service Requests and Accommodation

Air service development efforts yielded new domestic service to the following markets in the FY2002 Reporting Period: Boise, ID, Pensacola, FL, Fort Walton Beach, FL and Tallahassee, FL. In total, DFW offered nonstop domestic service to 130 markets during the FY2002 Reporting Period, including seasonal and charter service.

In the FY2003 Reporting Period, DFW gained the following new domestic markets: Columbus, MS, Daytona Beach, FL, Fort Myers, FL, Panama City, FL, Gulfport/Biloxi, MS, Myrtle Beach, FL, Melbourne, FL and Lexington, KY. DFW offered 134 nonstop domestic markets during the FY2003 Reporting Period, including seasonal and charter service.

Internationally, after losing five international nonstop markets as a result of industry downturn after September 11, 2001, DFW gained three new markets during the FY2002 Reporting Period, including seasonal and charter service: Nassau, Bahamas, Punta Cana, Dominican Republic and San Salvador, El Salvador.

In the FY2003 Reporting Period, DFW further rebounded from the impacts of September 11, 2001, by adding two new nonstop international markets, including seasonal and charter service: Cozumel, Mexico and Roatan, Honduras.

Despite the airline fallout resulting from 2001, DFW, through the success of the incumbent airlines, achieved numerous new service destinations, both domestic and international. All of the new service requests were accommodated primarily through incumbent airlines using existing facilities. New entrants to the DFW market included a seasonal charter airline, Sol Air which was accommodated on DFW Common Gates and the addition of two Delta Connection carriers, SkyWest Airlines and Chautauqua Airlines, who along with incumbent Delta Connection carriers Atlantic Southeast Airlines and Comair began service to 15 new Delta markets during the Reporting Period.

DFW strives to fulfill the dual objectives of promoting competition through new entry and encouraging incumbent airlines to provide additional services to new markets. DFW continued aggressive marketing efforts during the Reporting Period. Almost 100 business case presentations were made to airlines, including low-fare domestic airlines, national and international airlines. In addition, DFW will continue to target both domestic and international airline markets in FY2004.

#### **1.05 Gate Utilization Rates and Monitoring**

Please refer to Part Two, Section I, Availability of Gates and Related Facilities of this Update for information regarding Gate Utilization Rates and Monitoring for the Reporting Period.

## **2.0 LEASING AND SUBLEASING ARRANGEMENTS**

### **2.01 Leasing Arrangements**

During the Reporting Period, DFW implemented a Gate/Lease Plan which created new Terminal Lease Criteria that gives the Airport more flexibility and control over gates and facilities. The DFW Gate/Lease Plan resulted in several new policies which were incorporated into DFW lease agreements. These include additional formal Preferential Use Gate Provisions-Airlines with Four (4) or Fewer Gates, a Right of First Refusal Provision and a Right of Relocation. For additional information regarding these provisions, please refer to Part One, Section I, Policies and Procedures of the Executive Summary of this Update.

### **2.02 Subleasing Arrangements**

Please refer to Part Two, Section II, Leasing and Sub-leasing of this Update for details on the progress DFW has made in regard to sublease arrangements and sub-lease review procedures. While several sub-leases were eliminated during the Reporting Period, there remain several airlines that continue to be successfully accommodated under sublease/gate use agreements with existing airlines on Exclusive Use Gates. Exhibit 2.1 provides a list of these subleases.

Exhibit 2.1 Current Tenant/Sub-tenant/Other Agreement Relationships at DFW

<b>Terminal</b>	<b>Primary Tenant</b>	<b>Sub-Tenant or Other Agreement</b>
A/C	American Airlines	American Eagle, Grupo TACA
B	US Airways	Midwest Express
E	Delta	Delta Connection Carriers, AeroMexico, Champion

During the Reporting Period, there have been no disputes between Signatory Airlines and subtenant airlines requiring the intervention of the Airport.

### **2.03 Dispute Resolution**

In order to facilitate any future need for dispute resolution, DFW expanded the Dispute Resolution language into procedures which are available to all airlines. For details on these measures, please refer to Part Two, Section II, Leasing and Sub-leasing of this Update.

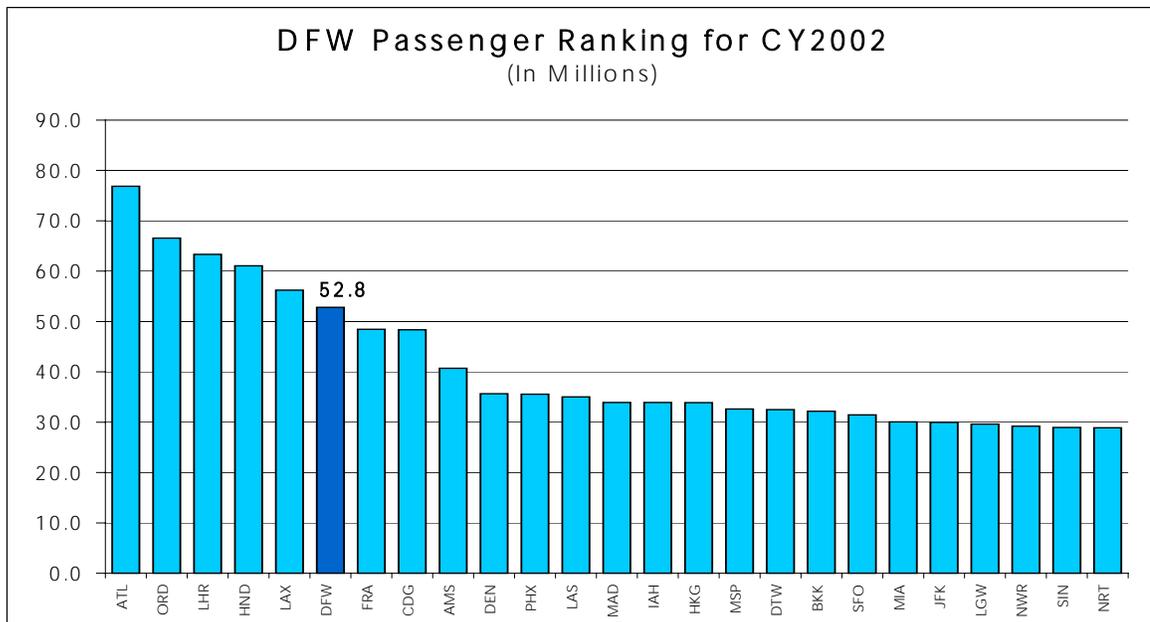
### 3.0 PATTERNS OF AIR SERVICE

#### 3.01 DFW's Performance

During the FY2002 Reporting Period, DFW continued to demonstrate growth in air service, both in choices of airlines and in travel destinations, with approximately 2,000 daily flights serving 130 domestic and 29 international destinations, including seasonal and charter service. Likewise, in FY2003, DFW offered nearly 2,100 daily flights serving 134 domestic and 31 international destinations, including seasonal and charter service.

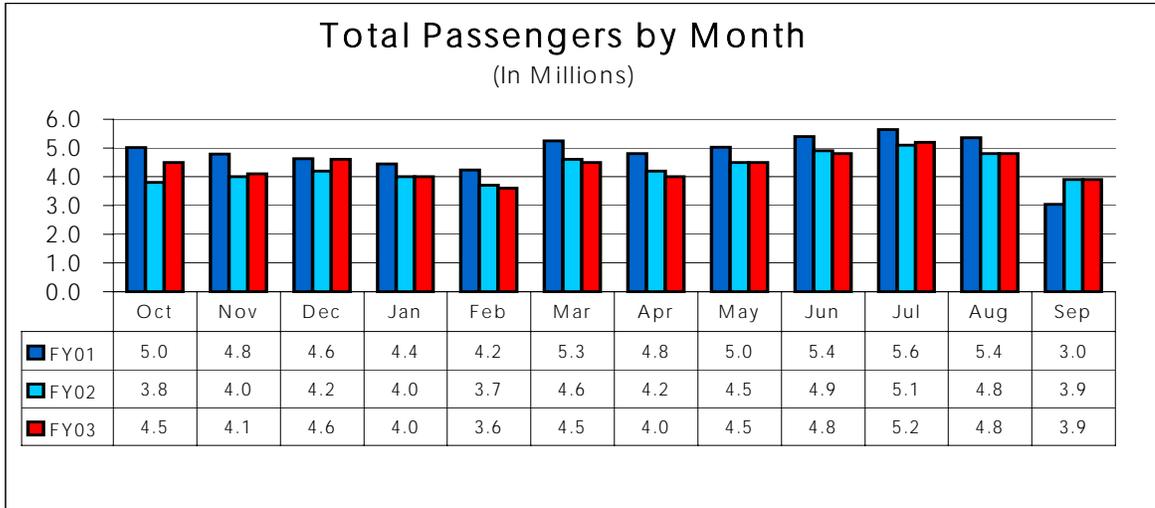
DFW's passengers totaled 51.7 million in FY2002, down 9.5% from FY2001. DFW passengers rebounded to 52.5 million in FY2003. As demonstrated in Exhibit 3.1, DFW passengers neared 53 million in CY2002, ranking DFW as the fourth largest U.S. airport and sixth largest in the world in passenger activity. Passenger activity, as reported monthly to DFW during the FY2002 and FY2003 Reporting Periods, is shown in Exhibit 3.2.

Exhibit 3.1 CY2002 Airport Passenger Ranking



Source: CY2002 ACI

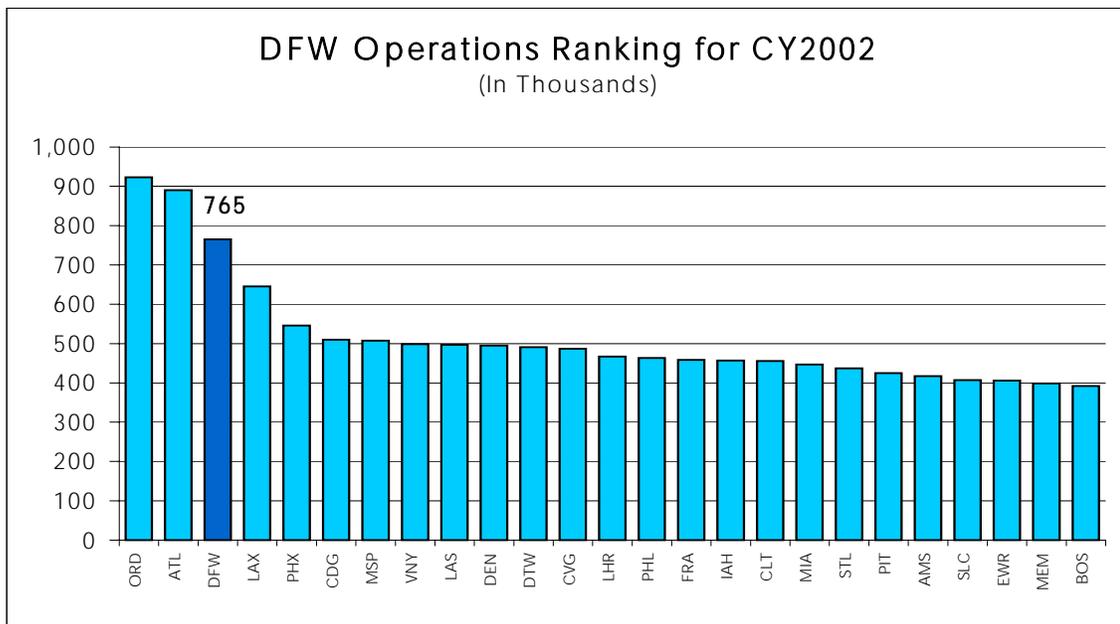
Exhibit 3.2 DFW Monthly Passenger Comparison



Source: DFW Monthly Flight Activity Report

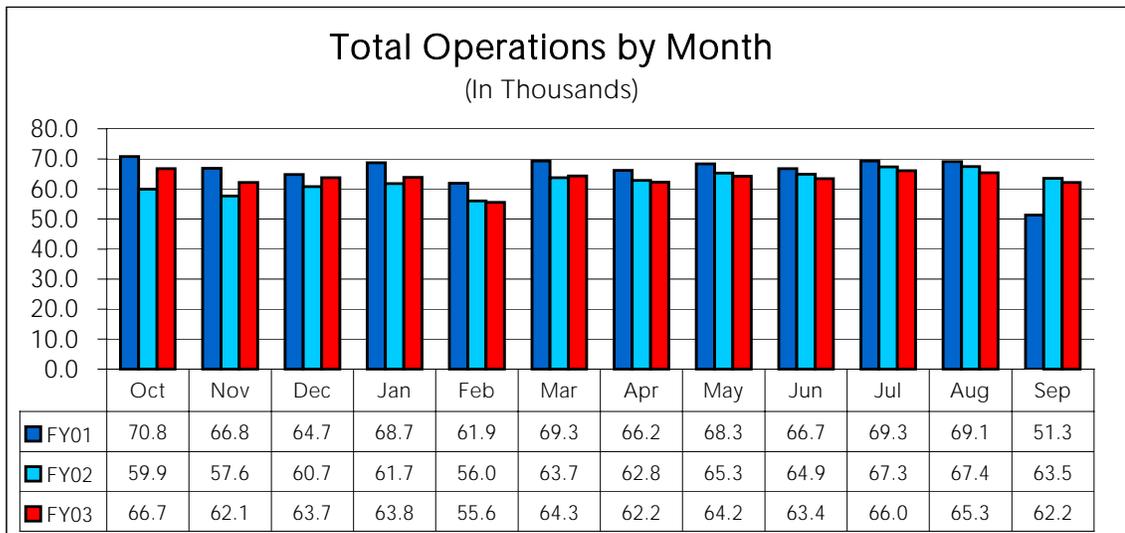
DFW aircraft operations were 750,813 in FY2002, down 7.5% over FY2001. Operations totaled 759,411 in FY2003. DFW ranked as the third highest U.S. airport for CY2002 in terms of total operations, as illustrated in Exhibit 3.3. Operations data, as reported monthly to DFW during the FY2002 and FY2003 Reporting Period, is shown in Exhibit 3.4.

Exhibit 3.3 CY2002 Airport Operations Ranking



Source: CY2002 ACI

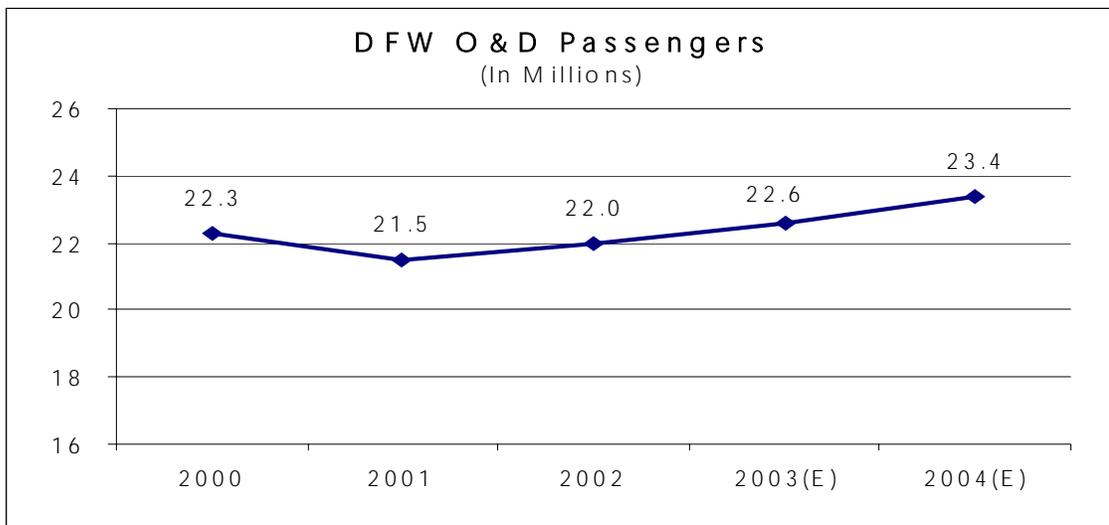
Exhibit 3.4 DFW Monthly Operations Comparison



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 growth in the local DFW air service market. DFW's local market improved in CY2002 and grew approximately 5% in CY2003. In CY2004, DFW's local market is projected to grow to 23.4 million, its highest level ever, as shown in Exhibit 3.5.

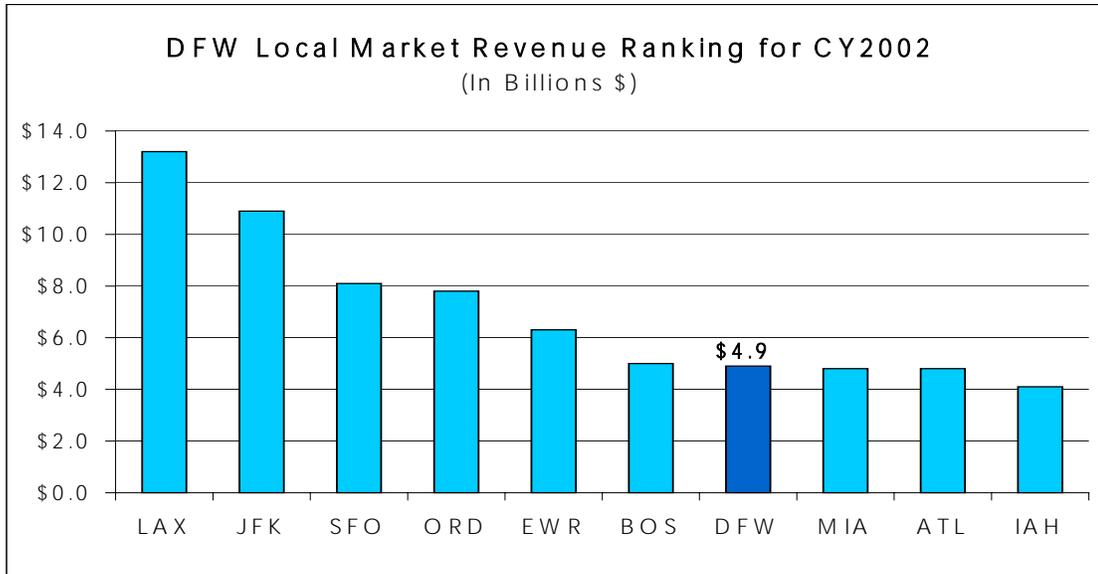
Exhibit 3.5 DFW Local Passengers



Sources: Sabre Consulting, adjusted MIDT data; Leigh Fisher Associates

DFW's commitment to promoting local competition is further demonstrated by Exhibit 3.6, which identifies DFW as seventh among the top U.S. airport in local market revenue generation, with \$4.9 billion in CY2002.

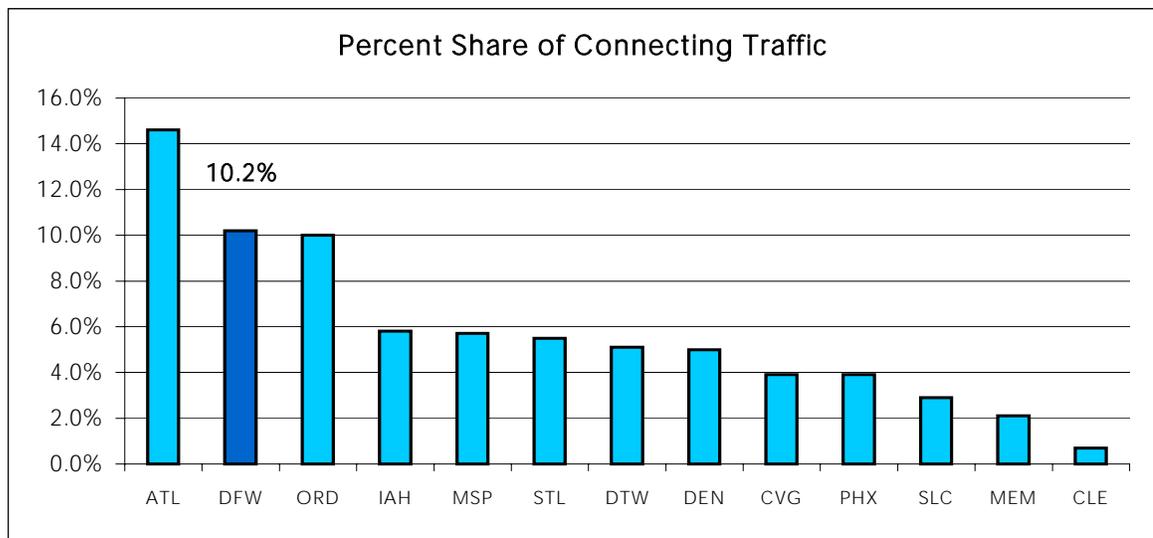
Exhibit 3.6 CY2002 Local Market Revenue Ranking



Source: Sabre Consulting, adjusted MIDT traffic with DB1A fares, CY2002

In addition to local passengers, DFW provides one of the best connecting complexes in the U.S. As Exhibit 3.7 illustrates, one out of ten connecting passengers in the U.S. connect at DFW.

Exhibit 3.7 Percent Share of Connecting Traffic

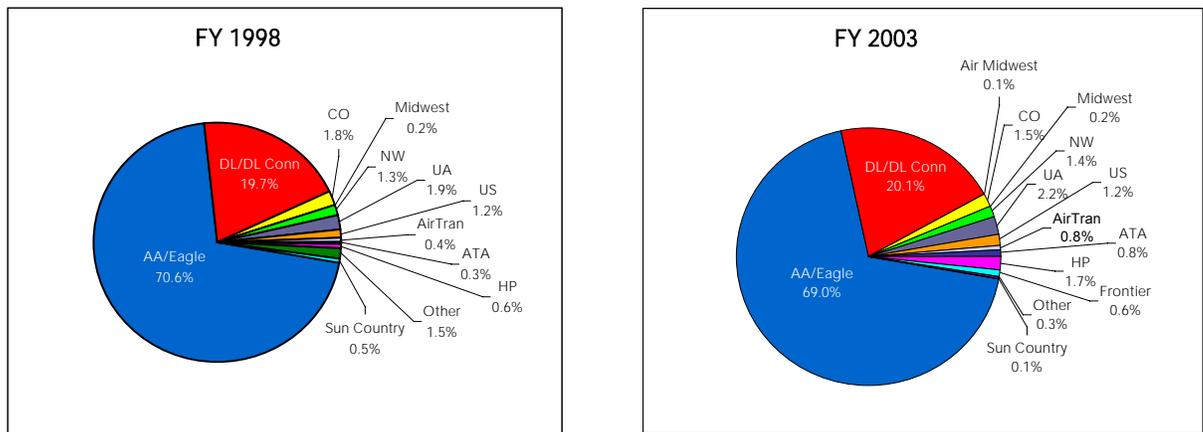


Source: Citigroup Smith Barney, 2003 Hub Fact Book, April 16, 2003

The introduction of new service also 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 five low-cost airlines and nearly two dozen other airlines offering both network and/or point to point service.

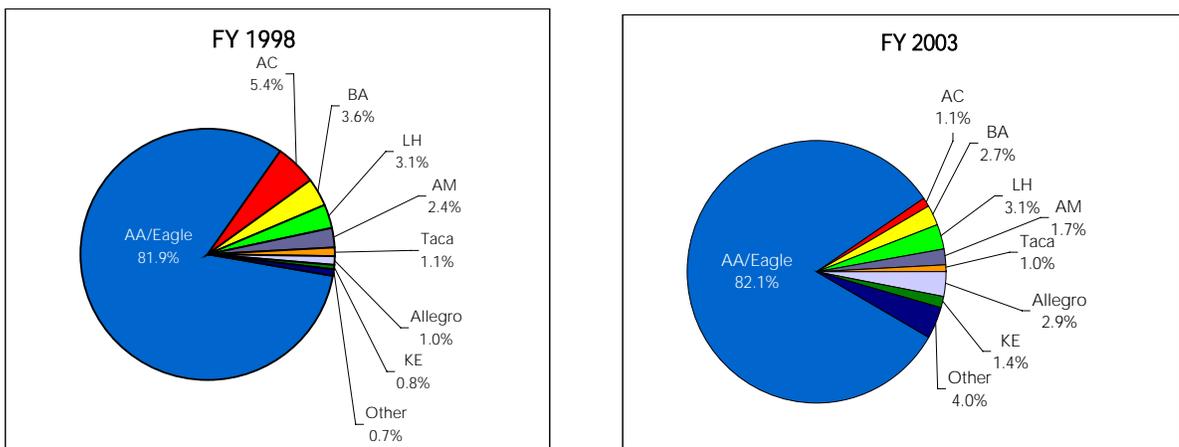
DFW has a dual objective to promote competition through 1) new entrant airlines and 2) the expansion of service from incumbent airlines. The direct marketing efforts of DFW continue to impact the airline market share distribution at DFW, both in domestic and international airline market shares. Exhibits 3.8 and 3.9 illustrate the change in domestic and international airline market shares over the past five-year period.

Exhibit 3.8 DFW Domestic Airline Market Share Comparison



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

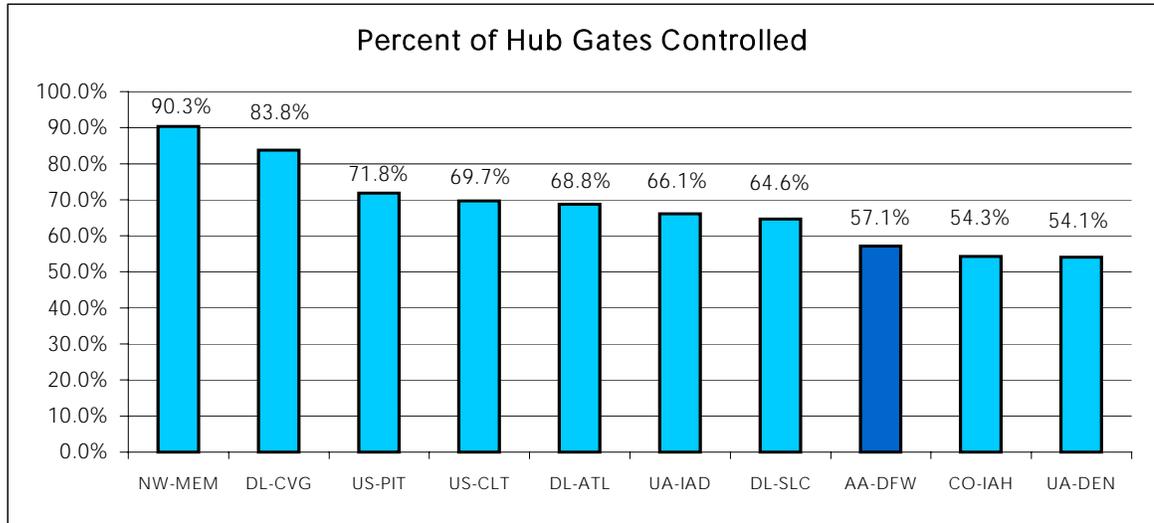
Exhibit 3.9 DFW International Airline Market Share Comparison



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

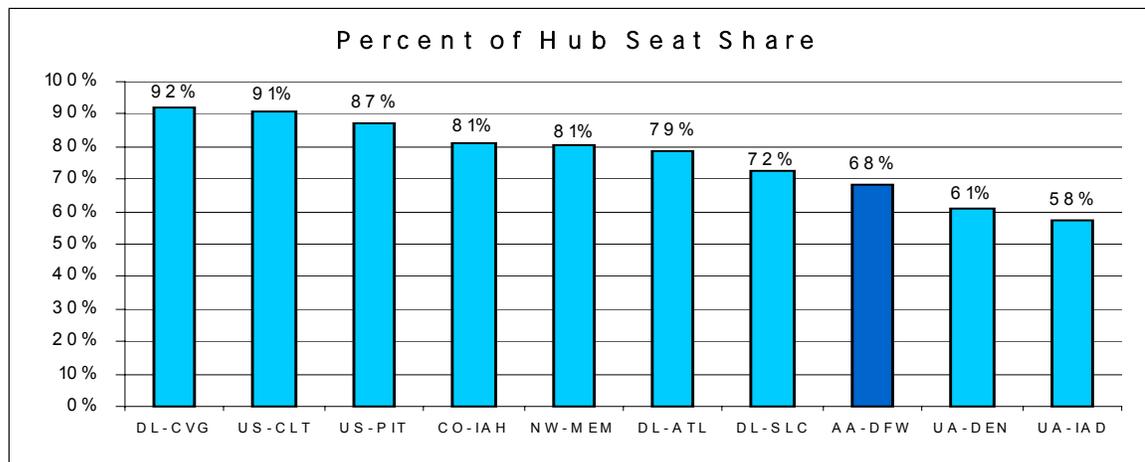
DFW continues to demonstrate its ability to maintain a positive and competitive environment for all airlines. This fact is further demonstrated by comparing hubbing airlines' market share percentages. DFW's largest hubbing airline market share remains one of the lowest in comparison to the other hub 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 3.10 and Exhibit 3.11.

Exhibit 3.10 Hubbing Airline Market Share Comparison by Gate



Source: Citigroup Smith Barney, 2003 Hub Fact Book, April 16, 2003

Exhibit 3.11 Hubbing Airline Market Share Comparison by Seat



Source: Citigroup Smith Barney, 2003 Hub Fact Book, April 16, 2003

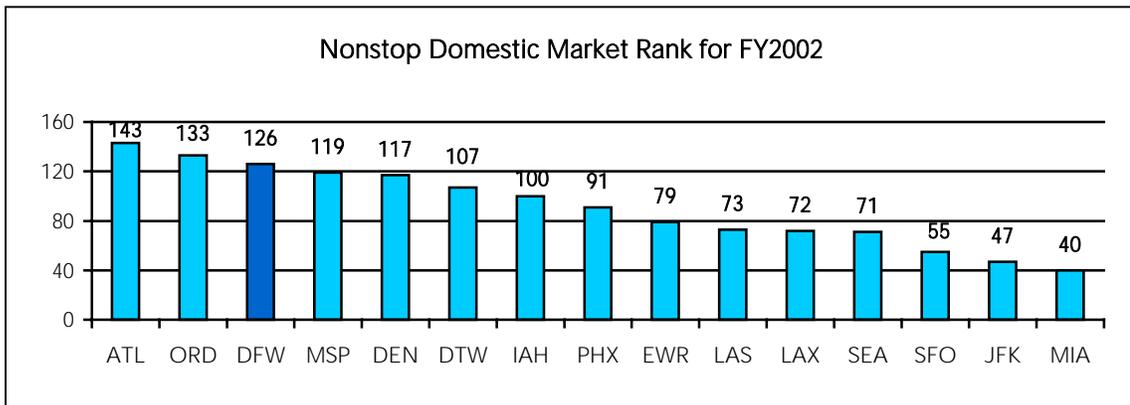
### 3.02 Air Service Status

During the FY2002 Reporting Period, DFW provided service to 159 markets throughout the world with nonstop service, including 130 domestic markets and 29 international markets. During the FY2003 Reporting Period, DFW provided service to 165 markets throughout the world with nonstop service, including 134 domestic markets and 31 international markets. (Note: All market totals include seasonal and charter service.)

#### Domestic Markets

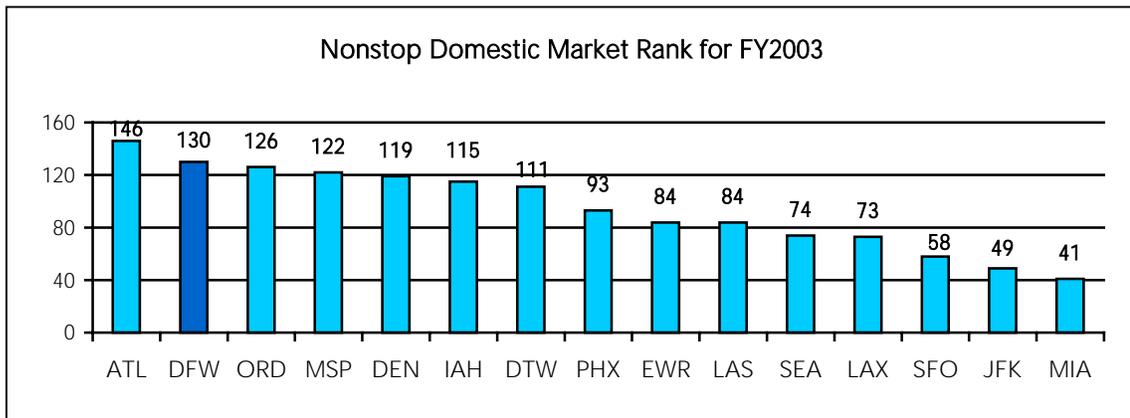
DFW's domestic service is high compared to other U.S. airports. In FY2002, DFW ranked third in terms of nonstop domestic markets offered, as shown in Exhibit 3.12. DFW moved to second among U.S. airports for nonstop domestic markets offered in FY2003, as illustrated in Exhibit 3.13.

Exhibit 3.12 Nonstop Domestic Market Rank – FY2002



Note: Ranking based on top 15 U.S. airports for passengers as determined by ACI for CY2002; market totals do not include seasonal or charter markets  
 Source: OAG, September 2002

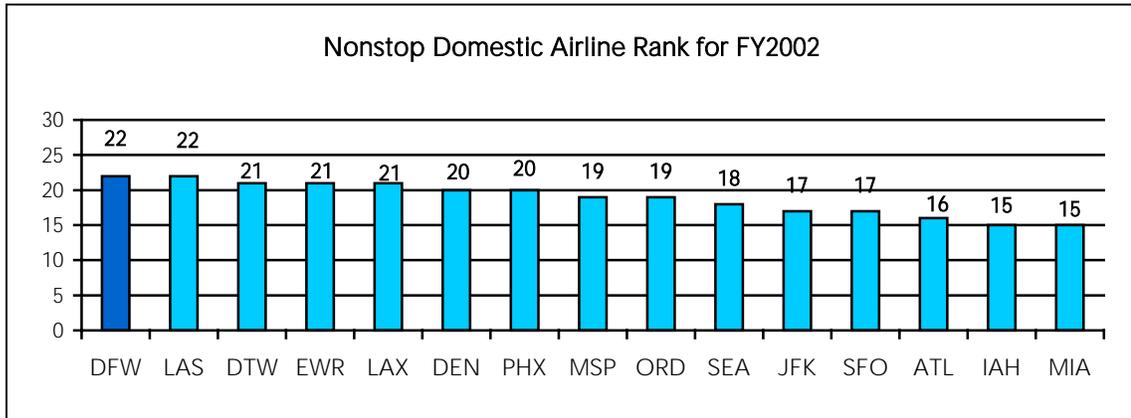
Exhibit 3.13 Nonstop Domestic Market Rank – FY2003



Note: Ranking based on top 15 U.S. airports for passengers as determined by ACI for CY2002; market totals do not include seasonal or charter markets  
 Source: OAG, September 2003

During the FY2002 Reporting Period, the top 15 U.S. airports averaged 19 different airline choices to their nonstop domestic destinations. No other airport offers more nonstop domestic airline options than DFW, with 22, as shown in Exhibit 3.14.

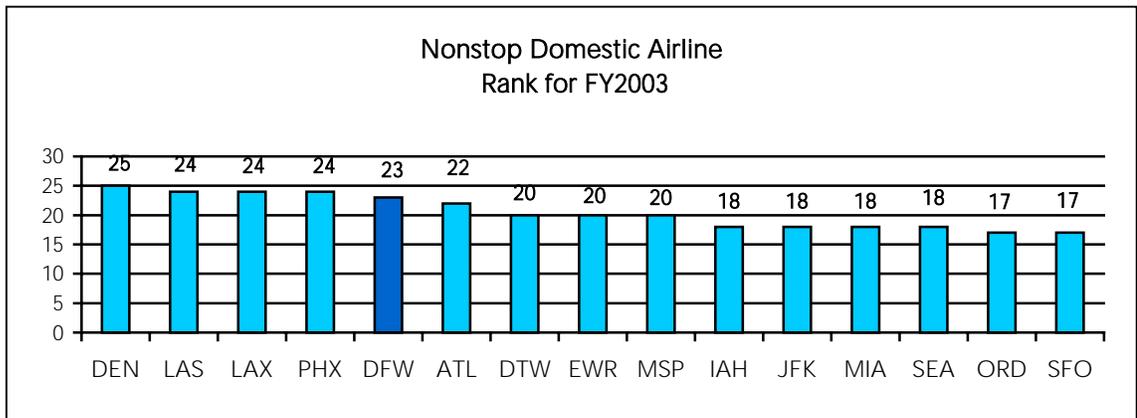
Exhibit 3.14 Nonstop Domestic Airline Rank – FY2002



Note: Ranking based on top 15 U.S. airports for passengers as determined by ACI for CY2002; carrier totals do not include seasonal airlines, charter airlines or international airlines traveling domestically  
 Source: OAG, September 2002

During the FY2003 Reporting Period, the top 15 U.S. airports averaged 20 different airline choices to their nonstop domestic destinations. With 23 airlines, DFW ranked fifth for nonstop domestic airlines, as shown in Exhibit 3.15.

Exhibit 3.15 Nonstop Domestic Airline Rank – FY2003

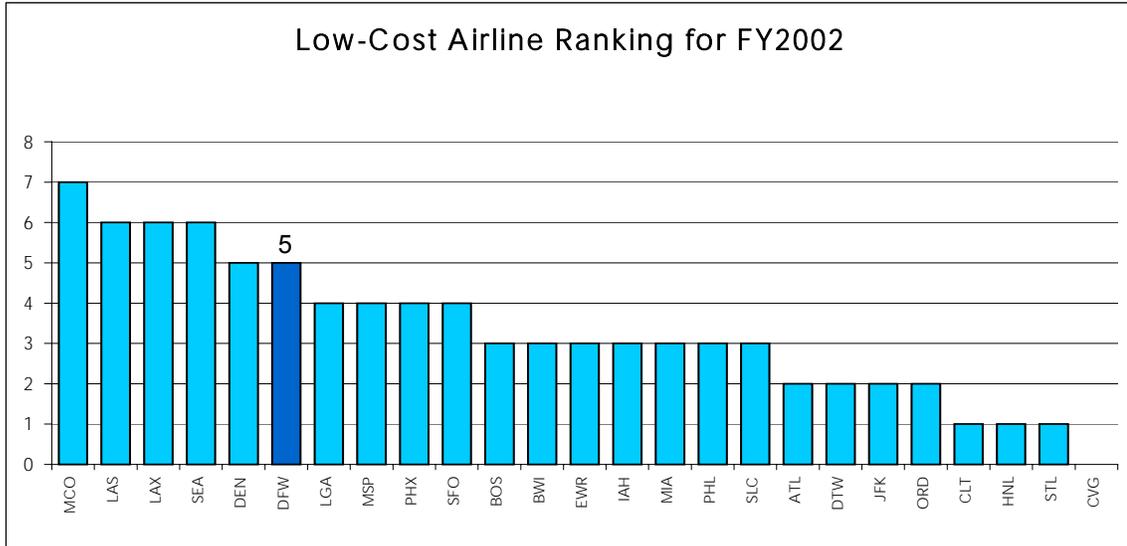


Note: Ranking based on top 15 U.S. airports for passengers as determined by ACI for CY2002; airline totals do not include seasonal airlines, charter airlines or international airlines traveling domestically  
 Source: OAG, September 2003

## Low Fare Markets

In addition to offering a large 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-cost airline options, as illustrated in Exhibit 3.16.

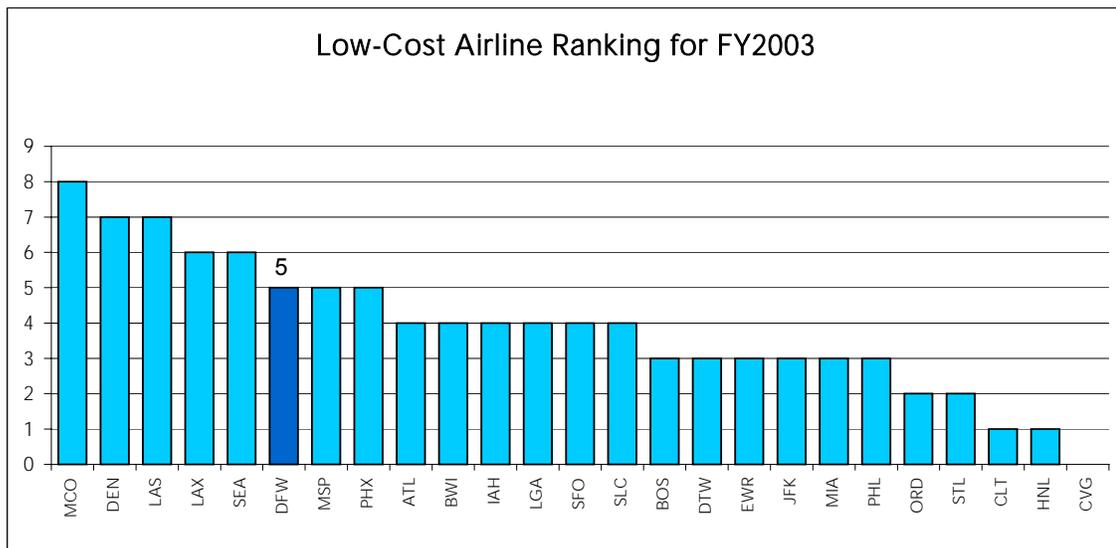
Exhibit 3.16 FY2002 Low-Cost Airline Ranking



Note: Ranking based on top 25 U.S. airports for passengers as determined by ACI for CY2002  
 Source: OAG, September 2002

In FY2003, DFW offered more low-cost airline options than most of the top U.S. airports, as shown in Exhibit 3.17. Excluding major leisure destinations, DFW ranked fourth in the number of low-cost airline choices offered.

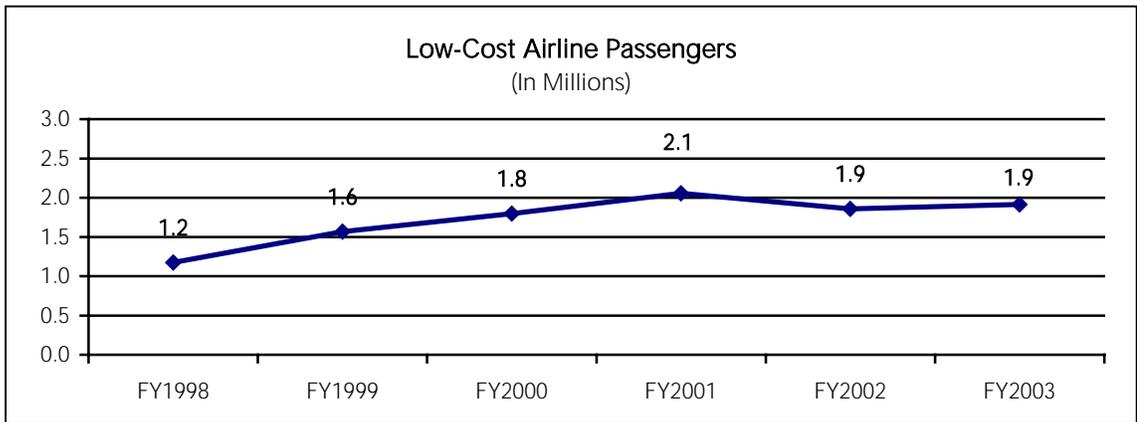
Exhibit 3.17 FY2003 Low-Cost Airline Ranking



Note: Ranking based on top 25 U.S. airports for passengers as determined by ACI for CY2002  
 Source: OAG, September 2003

In FY2002, DFW experienced 1.9 million low-cost passengers, down 9.5% over FY2001, a record year for low-cost passengers at DFW. During the FY2003 Reporting Period, services from DFW by AirTran, America West, ATA, Frontier and Sun Country provided nearly 2.0 million passengers, as shown in Exhibit 3.18, with nonstop service to seven markets, as illustrated in Exhibit 3.19. By connecting through these seven nonstop markets, DFW passengers can take advantage of low-fare service to 130 domestic and international markets.

Exhibit 3.18 DFW Low-Cost Airline Passengers



Source: DFW Monthly Flight Activity Report

Exhibit 3.19 DFW's Low-Cost Airline Nonstop Network

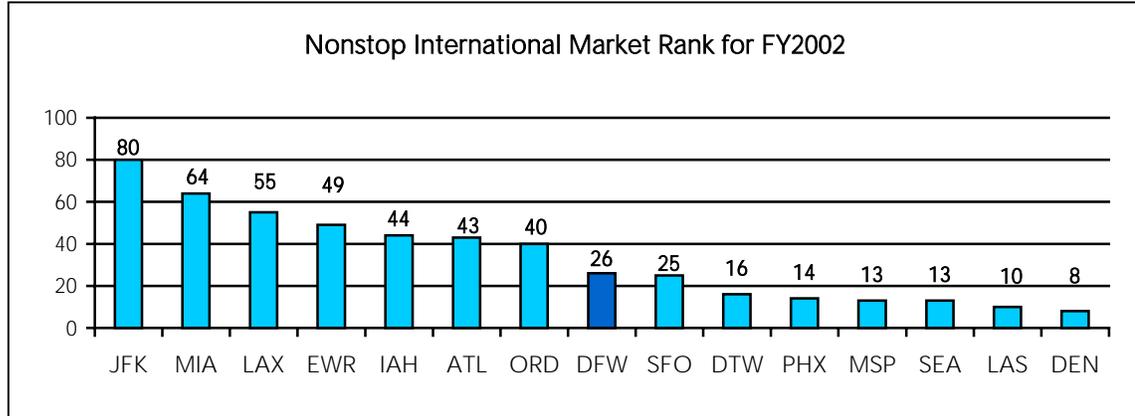


Source: OAG, September 2003

## International Markets

During the FY2002 Reporting Period, DFW ranked eighth in terms of nonstop international markets, with 26, as illustrated in Exhibit 3.20.

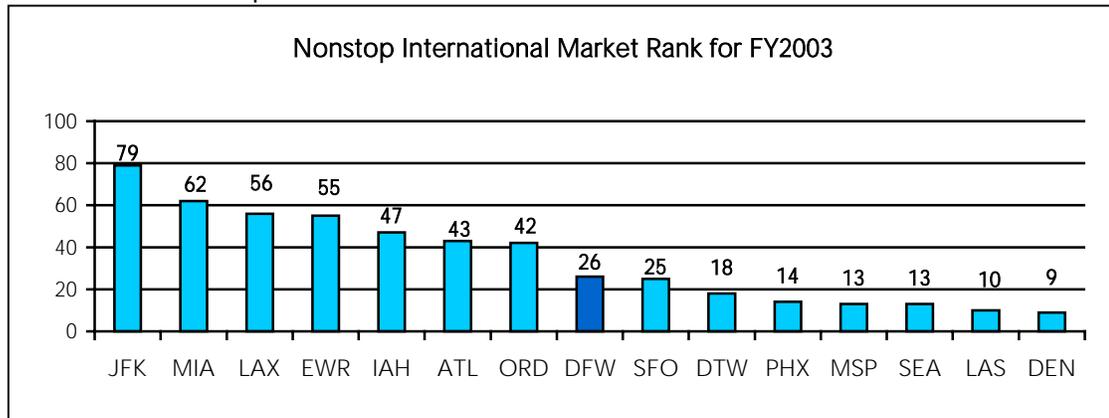
Exhibit 3.20 Nonstop International Market Rank – FY2002



Note: Ranking based on top 15 U.S. airports for passengers as determined by ACI for CY2002; market totals do not include seasonal or charter markets  
 Source: OAG, September 2002

During the FY2003 Reporting Period, DFW retained its eighth place ranking among the top U.S. airports for nonstop international markets, with 26, as shown in Exhibit 3.21.

Exhibit 3.21 Nonstop International Market Rank – FY2003

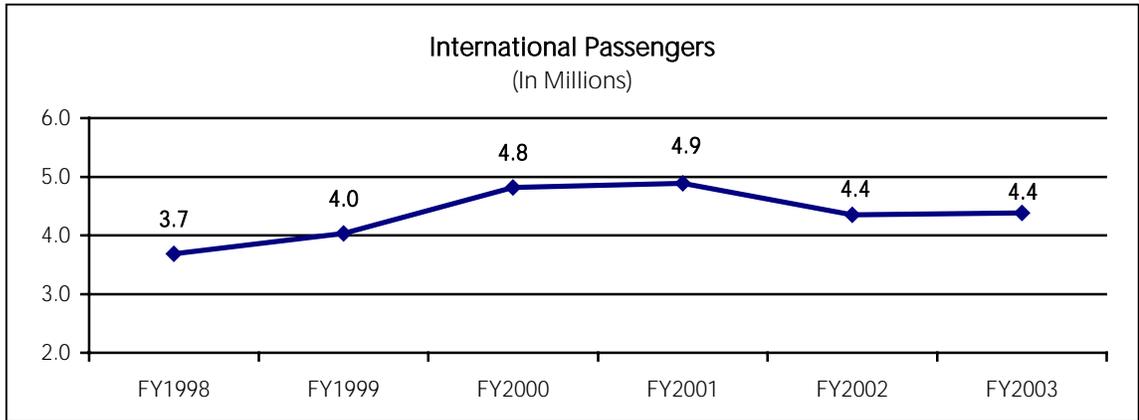


Note: Ranking based on top 15 U.S. airports for passengers as determined by ACI for CY2002; market totals do not include seasonal or charter markets  
 Source: OAG, September 2003

Similarly, during both the FY2002 and FY2003 Reporting Periods, DFW ranked eleventh among top U.S. airports in terms of international airline choices. 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.

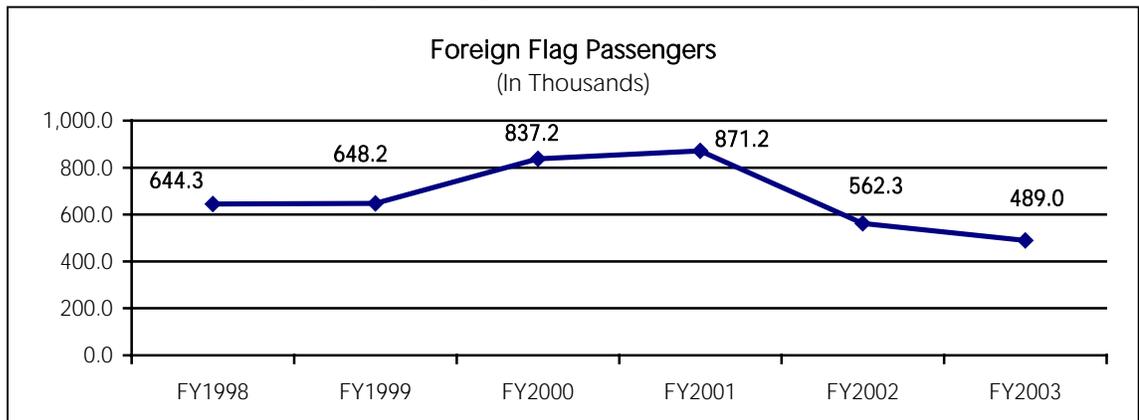
As international markets and carriers have grown, so too have international passengers. Between 1998 and 2003, DFW enjoyed a compounded annual growth rate of 3.5% in international passengers, as demonstrated in Exhibit 3.22. Foreign flag passenger traffic has been impacted by the industry downturn, the war in Iraq, SARS, and the general economy, as illustrated in Exhibit 3.23, however, DFW Airport continues to categorize the addition of service by foreign flag carriers as a top priority.

Exhibit 3.22 DFW International Passengers



Source: DFW Monthly Flight Activity Report

Exhibit 3.23 DFW Foreign Flag Passengers



Source: DFW Monthly Flight Activity Report

#### **4.0 GATE ASSIGNMENT POLICY**

There have been no significant changes to gate and RON assignment policies during the Reporting Period.

#### **5.0 GATE USE REQUIREMENTS**

##### **5.01 DFW Use Agreement**

There have been no amendments to the DFW Use Agreement during the Reporting Period. With Skywest Airlines becoming a Signatory Airline during the Reporting Period, there are currently 25 active Signatory Airlines operating at DFW, of which 17 are passenger airlines. This reflects a reduction in the number of operating Signatory Airlines as the downturn in 2001 left DFW with five Signatory Airlines who are not currently operating at the Airport, including Air France, Japan Airlines, Sabena, National Airlines and Sun Country Airlines. Sabena, National and Sun Country ceased operations as a result of bankruptcy.

##### **5.02 Lease Requirements**

During the Reporting Period, DFW adopted several new provisions related to new leases. These included additional formal Preferential Use Gate Provisions-Airlines with Four (4) or Fewer Gates, a Right of First Refusal Provision and a Right of Relocation. For additional information regarding these provisions, please refer to Part One, Section I, Policies and Procedures of the Executive Summary of this Update.

##### **5.03 Common Use Gate Priorities and Common Use Fees**

There have been no significant changes to common use gate priorities or the calculation of rental rates and common use fees.

##### **5.04 Gate Use Monitoring**

Please refer to Part Two, Section 1, Availability of Gates and Related Facilities, of this Update which details enhancements to DFW's gate monitoring program and the use of gate activity reports.

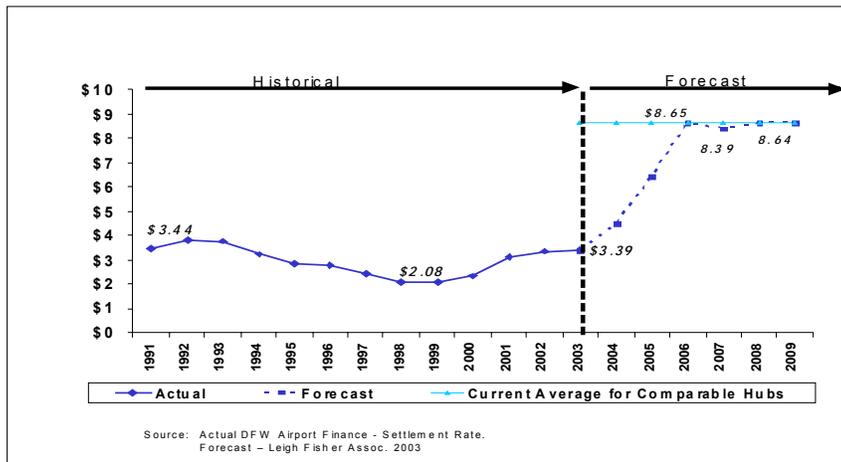
## 6.0 FINANCIAL CONSTRAINTS

### 6.01 Airport Cost Structure

The financial results of the Reporting Period were shaped largely by the events of 2001. A majority of the operating revenues at DFW are directly related to the number of passenger and aircraft operations. After the events of 2001, there was a decrease in aviation activity and a resulting decrease in operating revenues. Operating expenses, other than security related expenditures, were curtailed immediately and this trend continued throughout the Reporting Period.

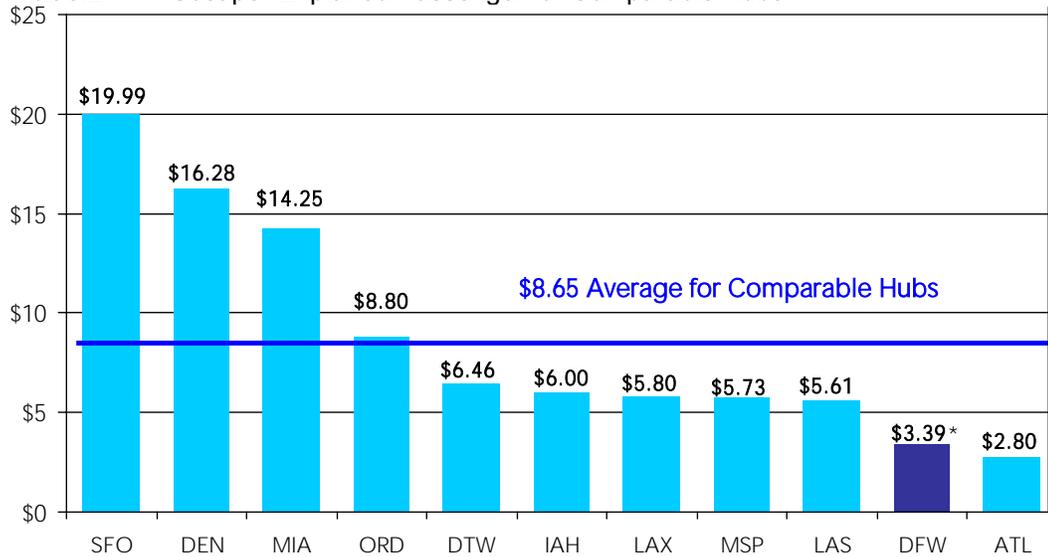
**Net Cost per Enplaned Passenger** – During the Reporting Period, Net Cost per Enplaned Passenger increased as shown on Exhibit 6.1 by \$ .25 to \$3.39 as a result of decrease in operating revenues. However, DFW still maintains of the lowest net costs per enplaned passenger of any of the major airports.

Exhibit 6.1 Forecasted Future Net Cost per Enplaned Passenger



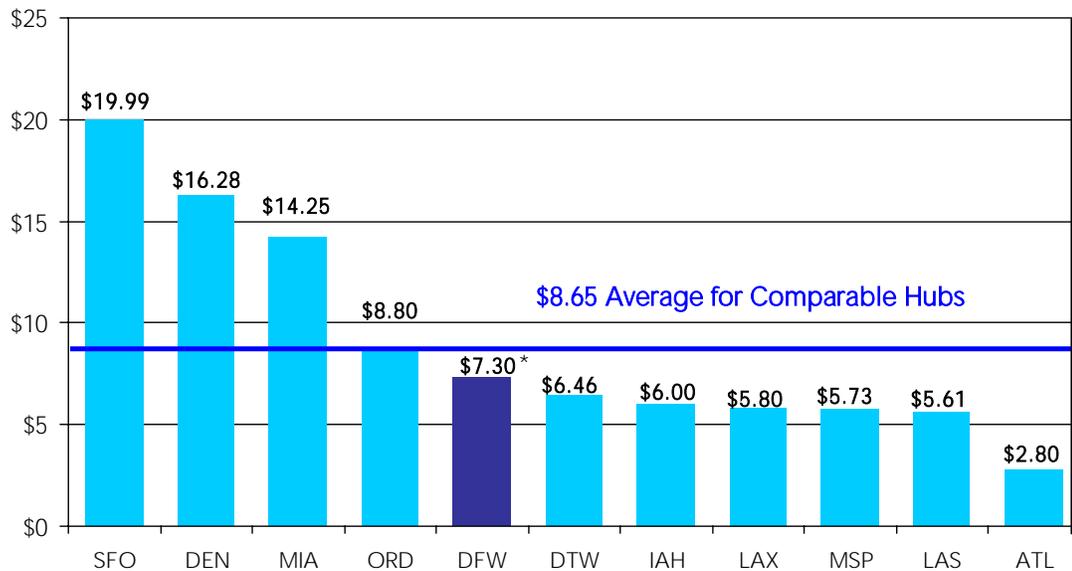
Upon completion of the Airport's \$2.6 billion Capital Development Program, the Airport's net cost per enplaned passenger is expected to increase to an estimated \$8.64 in Fiscal Year 2009. It is estimated that with the addition of the \$2.6 billion in debt used to finance the Capital Development Program – assuming that no other major hubs add any additional debt – DFW's net cost per enplaned passenger will remain at the average net cost per enplaned passenger of \$8.65 for other major hub airports as shown in Exhibit 6.2, and 6.3.

**Exhibit 6.2 Cost per Enplaned Passenger for Comparable Hubs**



Source: Salomon Smith Barney, 2002 Hub Factbook, April 15, 2002  
 \*Estimated cost per enplaned passenger (CPE) Post 9/11/2002 compared to DFW's FY03 Actual

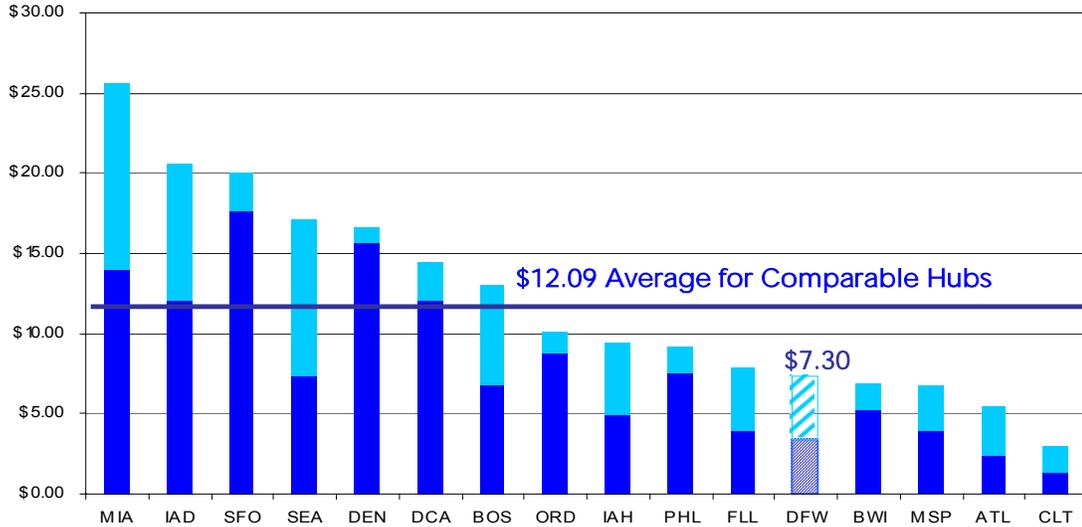
**Exhibit 6.3 Cost per Enplaned Passenger upon Completion of CDP**



Source: Salomon Smith Barney, 2002 Hub Factbook, April 15, 2002  
 \*Estimated cost per enplaned passenger for 2009 with completion of CDP.  
 Note: Assumes 2002 costs with no additional debt for other airports.

When other airport hubs complete anticipated additional capital development programs and the associated debt service is factored in, it is projected that DFW's net cost per enplaned passenger will remain under the average rate of \$12.09 for its peer airports at the completion of all Capital Development Programs as shown in Exhibit 6.4.

Exhibit 6.4 Average Cost per Enplaned Passenger for Comparable Hubs following all CDP Programs



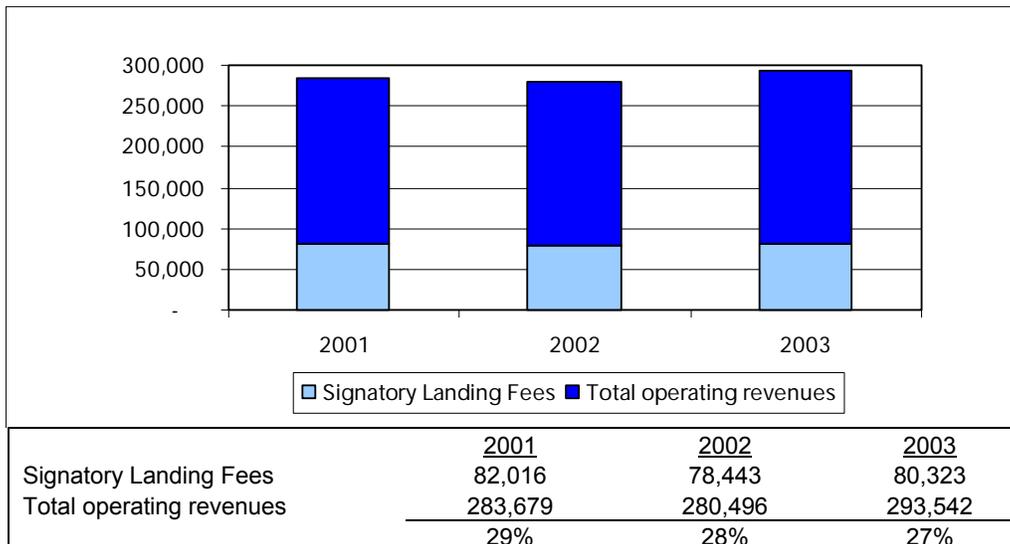
Source: Leigh Fisher Associates

Note: Other airport debt based on approved CDP programs.

Primary revenue and expense sources contributing to the Net Cost per Enplaned Passenger during the Reporting Period are discussed in the following financial information.

**Signatory Landing Fee Rates-** During the Reporting Period, landing fees collected from the Signatory Airlines have constituted the single largest source of the Airport's total operating revenue. Signatory Airline landing fee revenues totaled \$78.4 million and \$80.3 million for FY2002 and FY2003, respectively. Exhibit 6.5 illustrates the percentage of Signatory Airline landing fee revenue to total operating revenue for the past three fiscal years.

Exhibit 6.5 Signatory Landing Fees to Total Operating Revenues



Source: Actual FY01-FY03 Settlement

**Other Revenues** - The remaining seventy-three (73%) percent of revenues presents a combination of revenues from Non-Signatory airlines, concessions and other non-aviation funding sources. In FY2003, DFW reduced the Signatory Airline landing fee rate from \$2.41 to \$2.09 to account for reduced operating expenses and DFW's agreement to transfer a total of \$14.7 million from capital funds to the operating budget as a result of a projected reduction in total operating revenue for the year. DFW worked closely with the Airlines in offering this financial relief during a critical economic time for the industry. As a result of these efforts, the landing fee rate and the net cost per enplaned passenger remained very competitive with other hub airports and stable through the Reporting Period as illustrated in Exhibit 6.6.

**Operating Expenses** – As previously indicated, operating expenses were curtailed immediately following September 11, 2001. Non-essential procurements were delayed, travel was restricted and a hiring freeze was implemented. During FY2002, this resulted in budget reductions of \$29 million which were partially offset by \$8 million in budget increases to cover the additional security measures. These same measures continued in FY2003 with additional budget cuts as necessary and included additional reductions in personnel which were achieved through an early retirement offering and an eventual reduction in force during June of FY2003. As a result, 62 full-time positions and 20 temporary positions were eliminated as well as the elimination of over 200 vacant positions. An enhanced retirement package resulted in 87 retirements, of which 45 were not backfilled. In addition to the reduction in force, DFW implemented organizational changes to restructure the organization in order to achieve DFW's goals of improving business structure, enhancing functional synergies, increasing organizational efficiencies, reducing duplication and functional overlap, revitalizing the organization and reducing costs.

While non-essential expense elements were reduced or eliminated, there were still increases in other essential operating expenses due to numerous factors including overtime related to security measures and increases in insurance costs due to the terrorist attacks. Overall, operating expenses were reduced where possible to offset other necessary increases in expense which resulted in total operating expenses of \$171 million and \$178 million for FY2002 and FY2003, respectively. A detail summary of these expenses is shown in Exhibit 6.6.

**Debt Service** – Net debt service obligations, while offset by interest earned on monthly payments received from Signatory Airlines, will continue to increase as the Capital Development Program progresses. The projected impact of these increases in debt service on the landing fee and the net cost per enplaned are detailed in this section in the Net Cost per Enplaned Passenger section. The total debt service for FY2002 and FY2003 is shown in Exhibit 6.6.

Exhibit 6.6

**DFW International Airport  
Settlement Executive Summary  
2001-2003**

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Landing Fees - Signatory	\$ 82,016	\$ 78,444	\$ 80,323
Terminal Rentals - Signatory	2,139	3,075	3,088
	<u>\$ 84,155</u>	<u>\$ 81,519</u>	<u>\$ 83,411</u>
Terminal Rentals - Non Signatory	\$ 6,781	\$ 5,725	\$ 4,868
Landing Fees - Non Signatory	3,630	3,370	4,919
Terminal Concessions	29,954	26,474	28,382
Parking / Ground Transportation	76,121	77,916	75,470
Ground rental/concessions/RAC	40,260	40,798	41,975
Other revenues	43,455	46,371	40,402
Non-Signatory Revenues	<u>\$ 200,202</u>	<u>\$ 200,654</u>	<u>\$ 196,016</u>
DFW Discretionary Account - Operating (Credit)/Charge	\$ (1,937)	\$ (1,678)	\$ (620)
Capital Transfers	1,259	0	14,735
	<u>\$ (678)</u>	<u>\$ (1,678)</u>	<u>\$ 14,115</u>
Total Revenues	<u>\$ 283,679</u>	<u>\$ 280,495</u>	<u>\$ 293,542</u>
<u>O&amp;M Expenses</u>			
Salaries, wages, benefits	\$ 100,678	\$ 109,050	\$ 112,440
Contract Services	36,305	31,632	34,286
Maintenance & Other supplies	11,297	8,644	9,655
Insurance	2,351	3,427	4,690
Utilities	14,595	12,109	12,735
General, Administrative & Other	6,269	6,394	4,659
Total Operating Expenses	<u>\$ 171,495</u>	<u>\$ 171,256</u>	<u>\$ 178,465</u>
<u>Net Debt Service</u>			
Debt Service	\$ 134,604	\$ 162,856	\$ 225,668
Interest Earned	(22,420)	(53,617)	(110,591)
Net Debt Service	<u>\$ 112,184</u>	<u>\$ 109,239</u>	<u>\$ 115,077</u>
	<u>\$ 283,679</u>	<u>\$ 280,495</u>	<u>\$ 293,542</u>
Landing Fee Rate	\$ 1.82	\$ 1.92	\$ 2.03
Net Cost Per Enplanement	\$ 3.14	\$ 3.35	\$ 3.39

Source: Actual FY01-FY03Settlement

## 6.02 Past Use of PFC Funds

**Passenger Facility Charges** - On May 31, 2002 the Airport received approval to increase its Passenger Facility Charge (“PFC”) from PFC Application 5, which provides pay-as-you-go and debt service funding for the Automated People Mover (“Skylink” or “APM”), from \$3.00 to \$4.50, effective July 1, 2002.

The Airport received notification from the FAA in April 2003, of its approval of PFC Application 6 to impose and use \$52 million for the purpose of developing the Source Isolation Deicing System (SIDS).

DFW has submitted one PFC application known as PFC 7, and includes the imposition and expenditure of PFC funds for the Air Transportation Security Administration Compliance (“ATSAC”) in the amount of \$59.6 million.

The six applications have resulted in a total collection authority of \$2,038,551,463. As of September 30, 2003, the Airport has a remaining collection authority of \$1,353,363,609, with a total of \$685 million collected and \$502 million expended.

## 7.0 AIRPORT CONTROL OVER AIRSIDE AND GROUNDSIDE CAPACITY

### 7.01 Majority-in-Interest (MII) Activity

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. During the Reporting Period, there were several actions taken by DFW which required MII approval, all of which were approved. Exhibit 7.1 details the MII votes taken during the Reporting Period.

Exhibit 7.1 - 2001 DFW MII Voting Activity

Action Item	Negative Votes	Final Results
Request to defer some non-essential capital projects and replace with renewal/ replacement projects for which CIF are not available	None	MII Approval
Request \$1 million transfer from Fund 301 to O&M Fund to offset revenue shortfall from concession abatements from 9/11 to 9/30 in 2001 and the transfer of \$1.6 million for the period of 10/1 to 10/31 in 2001.	None	MII Approval
Request to approve estimated funding of \$33,573,000 for the upgrade of SIDS-PTP System Project.	None	MII Approval

Request approval to transfer up to \$5 million from the Capital Improvement Fund (301) for TSA required vehicle inspection program.	None	MII Approval
Request to approve the rescope of Capital Development Program.	None	MII Approval
Request to approve Bond Issue of \$118 million for interim financing of TSA terminal improvements.	Northwest	Approved with condition of transferring \$10 million from Capital Fund to Operating Fund.
Request to approve \$10 million from Capital Improvement Fund to the Operating Fund	None	MII Approval
Request approval to utilize Capital Fund (301) savings for LEO Flex Response.	None	MII Approval
Request to approve \$5.3 million debt service charge for Central Utilities Plant to be applied to FY03 HVAC charges	None	MII Approval
Request Transfer from Capital Fund (301) for salary expenses not in Bond Sale and related to the Capital Development Program.	None	MII Approval
Request \$35,000 from Joint Revenue Bonds to fund multiple airline construction and relocation related costs in Terminal B.	None	MII Approval
Request to approve increase in approved Joint Revenue Bonds of \$77,000 for additional project funding.	None	MII Approval

To date, there have been no instances where an MII vote delayed, restricted or prevented construction of capacity related infrastructure improvements to accommodate competition at DFW Airport. In fact, during the Reporting Period, MII approval was received for the partial funding of multiple airline construction and relocation related costs to accommodate the growth and expansion of numerous airlines.

## **7.02 Rates and Charges Policy**

There have been no significant changes in DFW's rates and charges policy during the Reporting Period.

## **8.0 DFW's INTENTIONS TO BUILD OR ACQUIRE GATES THAT WOULD BE USED AS COMMON FACILITIES**

Please refer to Section 1, Paragraph 1.03 Common Use Gates of this Section for information regarding DFW's current and future plans regarding common use facilities.

## **PART FOUR**

### **ADDITIONAL INFORMATION**

The following information is supplemental to the requirements of the Update and is provided to demonstrate the additional programs and initiatives performed by DFW during the Reporting Period.

#### **I. Airport Development**

- A. Airport Development Plan**
- B. Airport Capital Development Program**

#### **II. Air Service Development**

- A. Marketing Initiatives**
- B. Marketing Programs**

#### **I. AIRPORT DEVELOPMENT**

##### **A. Airport Development Plan**

The 1997 Airport Development Plan (ADP) Update outlines the vision for expansion of Dallas/Fort Worth International Airport for the next 20 years and beyond as well providing a management tool for translating this vision into a strategy. The ADP Update identifies immediate and long-term Airport development needs and provides guidance for future updates as the Airport responds to changes in its business environment. The document was prepared to serve as the basis for a continuous planning process and the foundation by which the Airport can respond promptly to changes in the aviation environment.

The Airport Development Plan (“ADP”) provides guidelines and direction for the Airport’s future capital development. The CDP represents the first phase of capital development, as described by the ADP.

##### **B. Airport Capital Development Program**

The CDP was presented to Signatory Airlines in November, 1999 and a majority-in-interest of the Signatory Airlines, as required by the Use Agreement, approved the Original CDP in 2000. A Revised CDP totaling \$2.6 billion was approved by MII in March, 2001. During the current Reporting Period, another MII further amended the Revised CDP.

The CDP, as amended, totals approximately \$2.6 billion and consists of five principal elements; Airfield Projects, Automated People Mover, Terminals, Support Infrastructure and Roadway and Parking Infrastructure. The elements of the CDP are at different stages of construction and no assurance is given that the estimated costs of each or any element will not be exceeded.

In connection with the construction of the CDP projects, regular update reports are presented regarding the status of CDP construction. These reports detail on an ongoing basis the then current status of each component of the CDP and include such information as cost-to-date and percentage to completion. A copy of the most recent such report is on file with the Airport and may be obtained by contacting the office of the Chief Executive Officer.

Exhibit 9.1 DFW CDP Budget

<b>Capital Development Plan CDP Budget (\$000's)</b>			
	<b>Revised Budget</b>	<b>Change</b>	<b>Current Budget</b>
Airfield projects	\$ 224,763	\$ 739	\$ 225,502
Automated people mover projects	846,638	38,512	885,150
Terminal D projects	1,077,190	9,944	1,087,134
Infrastructure projects	256,596	(3,991)	252,605
Roads & parking projects	158,785	(45,204)	113,581
Other projects	15,784	-	15,784
<b>CDP Projects Totals</b>	<b>\$ 2,579,756</b>	<b>\$ -</b>	<b>\$ 2,579,756</b>

Source: Capital Development Program, March, 2003

Of the \$2.6 billion budgeted, \$2.2 billion has been committed in the form of contracts or payments and \$1.7 billion worth of work has been performed. The program was approximately 69% complete as of the end of the Reporting Period.

## II. AIR SERVICE DEVELOPMENT

### A. Marketing Initiatives

#### 1) Business Case Presentations

DFW's Air Service Development (ASD) section is responsible for marketing the airport to both U.S. and international airlines. ASD prioritizes its airline leads much like a corporate sales department, contacting and determining those airlines with a level of interest in serving DFW. In addition, ASD seeks airlines capable of serving top unserved DFW markets. ASD then prepares and delivers detailed and unique business case presentations to these airlines, oftentimes including profit and loss estimates. ASD makes between 60 and 80 of these presentations a year.

#### 2) Target Markets

Domestic and international markets that have been targeted by DFW for the coming year are summarized in Exhibits 9.2 and 9.3, respectively.

Exhibit 9.2 – Domestic Target Markets

Domestic Air Service Target Market Summary	
<p><b>California</b> Santa Barbara (SBA)</p> <p><b>Idaho</b> Boise (BOI)</p> <p><b>Illinois</b> Bloomington-Normal (BMI) Moline (MLI)</p> <p><b>Indiana</b> South Bend (SBN)</p> <p><b>Maine</b> Portland (PWM)</p> <p><b>Michigan</b> Flint (FNT)</p> <p><b>Montana</b> Billings (BIL)</p> <p><b>New Hampshire</b> Manchester (MHT)</p> <p><b>New York</b> Buffalo (BUF) Albany (ALB) Rochester (ROC) Syracuse (SYR)</p>	<p><b>Ohio</b> Akron/Canton (CAK) Toledo (TOL)</p> <p><b>Pennsylvania</b> Harrisburg (MDT)</p> <p><b>South Dakota</b> Sioux Falls (FSD)</p> <p><b>Tennessee</b> Bristol/Kingsport/Johnson City (TRI) Chattanooga (CHA)</p> <p><b>Virginia</b> Newport News/Williamsburg (PHF)</p> <p><b>Virgin Islands</b> St. Thomas (STT)</p> <p><b>Washington</b> Spokane (GEG)</p> <p><b>Wisconsin</b> Appleton (ATW) Green Bay (GRB) Madison (MSN)</p>

Exhibit 9.3 International Target Markets

**International Air Service  
Target Market Summary**

<p><b>Asia</b></p> <ul style="list-style-type: none"> <li>Bangkok, Thailand (BKK)</li> <li>Hong Kong, Hong Kong (HKG)</li> <li>Beijing, China (PEK)</li> <li>Shanghai, China (PVG)</li> <li>Singapore, Singapore (SIN)</li> <li>Taipei, Taiwan (TPE)</li> </ul> <p><b>Canada</b></p> <ul style="list-style-type: none"> <li>Edmonton, Canada (YEG)</li> <li>Ottawa, Canada (YOW)</li> <li>Winnipeg, Canada (YWG)</li> </ul> <p><b>Europe</b></p> <ul style="list-style-type: none"> <li>Amsterdam, Netherlands (AMS)</li> <li>Brussels, Belgium (BRU)</li> <li>Dublin, Ireland (DUB)</li> </ul>	<p><b>Europe (continued)</b></p> <ul style="list-style-type: none"> <li>Rome, Italy (FCO)</li> <li>Helsinki, Finland (HEL)</li> <li>London-Heathrow, U.K. (LHR)</li> <li>Madrid, Spain (MAD)</li> <li>Manchester, U.K. (MAN)</li> <li>Munich, Germany (MUC)</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>Aruba, Aruba (AUA)</li> <li>Mumbai, India (BOM)</li> <li>Grand Cayman, Cayman Islands (GCM)</li> <li>Montego Bay, Jamaica (MBJ)</li> <li>Ho Chi Minh City, Vietnam (SGN)</li> <li>Sydney, Australia (SYD)</li> <li>Tel Aviv, Israel (TLV)</li> </ul>
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**B. Marketing Programs**

**Advertising -** Following the success of its three-year trade ad campaign focusing on the theme “more of what you want,” DFW emerged with a new theme, “The World Connected” and a new series of three trade ads to further connect it with its target audience, the top-level airline decision-makers from around the world. The previous campaign created awareness of DFW among this target audience and “introduced” the Airport to air carriers. The next step in DFW’s trade advertising evolution was to highlight the more specific strategic advantages that the Airport can offer air carriers.

The new campaign of three ads, the “Chips,” “Fiber” and “Watch” concepts, emphasize the dynamic North Texas business environment by juxtaposing two reputable businesses with corporate locations in the Dallas-Fort Worth area. Representatives from each company sit next to each other in airline seats in the middle of a beautiful Texas landscape, and the copy incorporates a play on the job titles of the two individuals. The ads highlight the diverse business culture of the DFW area, while the ethnic and gender diversity of talent represents the diversity of the local area population. In addition, the expansive setting portrays the vastness of DFW Airport and endless opportunities available to airlines.

“The World Connected” trade ad campaign has received numerous awards in the aviation industry, including the following:

- *Air Transport World’s* Ad-Q award January 2003 for outstanding advertising
- “Highly Commended” in the large airport category (25+ million passengers) for airport marketing at the annual Routes Conference

in 2002 and 2003, as judged by airlines. This award recognizes airports whose overall marketing activities have left a positive impression in the aviation industry. DFW was the only U.S. airport to receive recognition in each of the two years.

- 1st place award in ACI-NA's 2002 ACI-NA Excellence in Marketing and Communications Awards in the print advertising/color category for the "Chips" ad.

To market DFW's enviable capacity to airlines, DFW also developed and distributed direct mail pieces, brochures and multimedia-enhanced materials such as videos and CD-ROMs. DFW introduced a targeted direct mail piece that tied into "The World Connected" print ad campaign and was sent to more than 150 senior-level airline executives. The piece showcased currency (coins) from the country headquarters of prominent companies located in the Dallas-Fort Worth area. In addition, DFW created its first-ever *Inside DFW Cargo* guide, with information on the success of current DFW air cargo carriers, trade data, Airport maps and freight forwarder listings. The Airport's marketing videos for both passenger and cargo audiences was updated with new information and made available in seven languages.

DFW also enhanced customer service at its parking products in order to increase the Airport's non-airline revenues. The revamped parking options were promoted through various campaigns.

On November 2, 2002, DFW Airport introduced new names for three key parking products to the traveling public. The new products were designed to deliver a simplified parking experience and to enhance the service levels that existed at DFW's current parking areas. DFW designed and named the new parking products based on extensive market research of its parking customers in order to find out what parking product elements were most important to them and what names were most descriptive of these products. The enhanced service levels did not bring an increase in the price of any of DFW's parking products – the price structure remained exactly the same as before the changes.

Along with the new names and service enhancements, DFW introduced a brand identity for each of the parking products in order to convey key information about each product to customers and to help current and potential customers to easily associate and remember DFW's parking options. Each of the three key parking products was assigned a unique color so that customers could associate and recognize their parking area, and each product was assigned a tagline that conveys that product's most prominent and unique feature. In addition, the overall parking segment at DFW Airport was branded with a color and tagline.

The name changes occurred in conjunction with a major new signage package that launched in November 2002. Even before the roadway signs reflected the new parking names, the upcoming changes had to be effectively communicated to all DFW guests in order to reduce and/or eliminate confusion upon a guest's trip to the Airport. As such, DFW created and implemented a comprehensive Parking Name Change Promotion in order to communicate the changes to all Airport guests to make the new product name switch as seamless as possible for current DFW travelers. The campaign consisted of the following advertisement efforts:

- Radio advertisements/radio traffic sponsorships
- Print advertisements
- In-terminal advertising
- Rolling stock advertising
- International Parkway banners
- Collateral
- Direct mail to frequent DFW travelers
- Interactive media, including cooperative opportunities with DFW airlines
- Media releases and press events

More than 20 different types of parking-related items and/or communications pieces have been branded with the new identify, and the branding was a key element in the success of the Airport's parking name change campaign that was launched simultaneously. Because of the branding and the promotion campaign, to date, DFW Airport has not received any complaints on the communications of the name changes. In fact, twenty-one percent of those parking at Express Parking in December 2002, which was the most enhanced parking option, heard about the new service through the Airport's ad campaign or its web site.

DFW utilized a combination of purchased and free media for the promotion, which enhanced the campaigns effectiveness at a reduced cost. News activity produced 24 print articles, 46 broadcast media mentions and 39 Internet articles on the parking name change launch. All stories were positive and included coverage from high-profile media avenues such as USA Today and CNN. In addition, the campaign utilized a significant amount of on-Airport media such as diorama space in the terminals, ads in Airport parking vehicles, and collateral handouts, which lowered the Airport's media cost by an estimated \$940,000!

DFW WAS RECOGNIZED FOR THE PARKING BRANDING EFFORTS WITH A 3RD PLACE AWARD IN ACI-NA'S 2003 EXCELLENCE IN MARKETING COMMUNICATIONS AWARDS IN THE CORPORATE BRANDING CATEGORY. FOR THE COMMUNICATIONS CAMPAIGN, DFW WAS RECOGNIZED WITH A 1ST PLACE AWARD IN ACI-NA'S 2003 ACI-NA EXCELLENCE IN MARKETING COMMUNICATIONS AWARDS IN THE RADIO ADVERTISING CATEGORY FOR THE RADIO ADS THAT WERE AIRED IN BOTH ENGLISH AND SPANISH, AND WAS A FINALIST IN THE 2003 DFW EXCELLENCE IN INTERACTIVE MARKETING AWARDS IN THE MOST EFFECTIVE INTEGRATED MARKETING CAMPAIGN.

DFW also implemented two parking-product-specific campaigns to upgrade lower-priced (and lower revenue-generating) parking products to the next higher-priced tier of parking product. The Upgrade to Express and Upgrade to Terminal campaigns utilized a combination of on-Airport and interactive media to communicate the benefits of the advertised product. Media utilized included in-terminal advertising, rolling stock static and video advertising, International Parkway banners, collateral, and banner ads.

**Promotions** - The Airport introduced the use of sweepstakes and coupons to build brand awareness and overall loyalty to DFW's parking products and to increase parking revenue. In February 2003, DFW implemented an online promotion on its web site, [dfwairport.com](http://dfwairport.com), that linked Valentine's Day and DFW's Express Parking. Travelers provided romantic and funny experiences that occurred when traveling from DFW Airport that were posted to the web site. Voters choose the "best" stories, and the winners were awarded prizes.

DFW also implemented targeted discount coupons to increase trial of specific parking products and build loyalty for these products. The Upgrade to Express coupon for summer leisure travel increased Express parking revenues by more than 20 percent, and boasted a high redemption rate of 34 percent. The Upgrade to Terminal coupon for the Labor Day holiday led to an increase in Terminal Parking occupancy, which is DFW's highest revenue-generating parking option.

The Airport partnered with one of its concessionaire to provide free coffee to all guests entering the Airport between August and September of 2003, in exchange for the guest providing DFW with his/her e-mail address. The promotion was a great success, increasing its e-mail database from below 1,000 entries to more than 19,000.

**Website Communications** - The Airport's official web site, [www.dfwairport.com](http://www.dfwairport.com), was enhanced with the addition of the audio parking availability feature, which provides up-to-date parking space availability via

an audio track. In addition, DFW introduced the use of Flash technology on its site to create a more interactive experience for its users. The technology is currently used permanently on its Parking Guide page, and through temporary banner ads during specific promotions.

DFW introduced a SantaTracker on its web site during for the Christmas 2002 holiday. The web page provided children with the ability to track Santa's arrival into the Dallas-Fort Worth area on Christmas Eve from noon to 11:00 p.m. It also provided site users with additional information about Santa's arrival (specifically how DFW Airport was preparing for such an event) and an interactive medium to view a simulated video of Santa's arrival during Christmas 2001. The page also included web site links to various holiday sites. DFW promoted the site through the news media, always directing reporters to "try out" the site – and they did! The SantaTracker was a great success among its intended audience of the DFW community. User sessions to dfwairport.com peaked on Christmas Eve due to the feature, receiving the highest number of daily sessions (8,470) for both holiday travel seasons (normal sessions are at 6,000). The SantaTracker page was the second-most frequently viewed page of the site behind the home page. Average view time was 6 minutes, 39 seconds, so children stayed on the page to view features. The page received 1,100 referrals from nbc5.com and cbs11.com, prominent local news station web sites.

**Carrier Support Program** - Because of the aftereffects of September 11 and the declining economy, no air carriers took advantage of advertising and promotional funds available under DFW's Carrier Support Program. However, within the last reporting years, DFW supported the following airlines with an inaugural event:

- Singapore Airlines Cargo (October 2001) – celebration of new "around the world" service from Singapore to DFW and the addition of a new all-cargo carrier at DFW
- Korean Airlines (December 2001) – welcome back to DFW after short suspension of passenger service
- Delta Connection carriers (January 2002) – Delta Connection carrier service expansion and welcome to SkyWest Airlines, DFW's newest Delta connection carrier
- American Eagle (May 2002) – new regional jet service to Boise, Idaho
- FunJet Vacations (May 2002) – new service to Punta Cana, Mexico
- TACA Airlines (June 2002) – addition of daily nonstop service to El Salvador, San Salvador, which was a new international market for DFW
- American Airlines (June 2002) addition of nonstop service to Guatemala City, Guatemala
- Estafeta Cargo (February 2003) – new freighter service to Mexico

- AirTran Airways (September 2003) – new low-fare passenger service to Orlando, Florida

In addition, DFW showcased new and/or expanded service by featuring the following airlines and their new service on [www.dfwairport.com](http://www.dfwairport.com). Web site article content included service announcements by the following airlines:

- Singapore Airlines Cargo (October/November 2001 & July 2002)
- SkyWest and all Delta Connection carriers (January & April 2002, January 2003)
- American Airlines (March 2002)
- TACA Airlines (June 2002)
- Sol Air (January 2003)
- Estafeta (February 2003)
- EVA Air Cargo (July 2003)

DFW looks forward to working with AirTran Airways in 2004 to promote its growth of low-fare service destinations from DFW to key destinations in the U.S.