



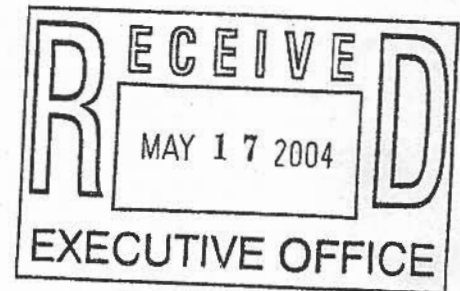
U.S. Department
of Transportation
**Federal Aviation
Administration**

Office of Airport Planning
and Programming

800 Independence Ave., SW.
Washington, DC 20591

MAY 10 2004

Mr. Jeffery P. Fegan
Chief Executive Officer
Dallas/Fort Worth International Airport Board
3200 East Airfield Drive
P.O. Drawer 619428
DFW Airport, TX 75261-9428



Dear Mr. Fegan:

Thank you for submitting the Dallas/Fort Worth International Airport Board's FY 2004 Competition Plan update for Dallas/Fort Worth International Airport (DFW) and for participating in our recent telephone conference call. We have reviewed your Plan update and have determined that it is in accordance with the requirements of section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub. L. 106-181, April 5, 2000, codified as Title 49 U.S. Code sections 40117(k) and 47106(f).

The DFW FY 2004 Update indicates the airport has implemented additional competitive actions, including the following policies and practices:

- Improved DFW Gate Utilization Monitoring Procedures and the process by which information in Monthly Gate Activity Reports is made available to affected airlines;
- Developed *DFW Guidelines for Approving Airline Subleases*, capping administrative charges at 15 percent of direct costs, and *DFW Dispute Resolution Procedures*, which were incorporated into new agreements and also were made available to all airlines serving or intending to serve the Airport;
- Implemented procedures encouraging transparency of ground handling agreements by requiring copies of such agreements upon application for an aeronautical operating permit at DFW;
- Introduced the *DFW Gate/Lease Plan* establishing formal preferential-use gate, common-use gate priority and gate monitoring policies, and protocols to assist airline gate relocations;
- Expanded the *DFW Preferential-Use Gate Policy* to include a preferential-use gate policy applicable to airlines with four or fewer gates (non-hubbing airlines), effectively distinguishing them from those with

- five or more gates (hubbing airlines) for assignment of preferential-use gates;
- Introduced Right of First Refusal and Right of Relocation provisions into new preferential-use leases, requiring an airline tenant to offer DFW the opportunity to recapture available facilities when the tenant's facilities are subject to an acquisition or assignment offer by another airline or a third party;
 - Accommodated the relocation of Northwest, Continental and Delta airlines to respond to their code-sharing and marketing alliance, including assisting Northwest, Continental and Delta in complying with the Department's April 7, 2003 condition that the alliance carriers release two gates at DFW for use by domestic non-alliance carriers or for common-use, at the time of their co-location;
 - Accommodated growth of AirTran (through 12 month preferential leases on the four former Continental gates); Frontier (on common-use gates); and of America West (through 12 month preferential leases on two former American gates);
 - Accommodated new entrants including Sol Air (a seasonal charter airline, on common gates) and SkyWest and Chautauqua airlines (Delta Connection carriers);
 - Negotiated a gate utilization agreement between AirTran and American Eagle to accommodate American Eagle's request for two additional gates to expand service using jet bridges as opposed to hard stands.
 - Reviewed all currently effective airline subleases under exclusive-use leases and determined that none contained unreasonable terms;
 - Eliminated exclusive-use rights on a total of 14 gates through the following actions:
 - Recaptured 9 exclusive-use (4.5-year term), PFC-financed gates after the expiration of the American Airlines lease in December 2003; gates are now under short-term lease agreements with a 90-day cancellation clause;
 - Converted one gate purchased from American Airlines from exclusive use to common-use; and
 - Converted from exclusive use to common use 4 gates recaptured in Terminal B by the relocation of Continental Airlines to Terminal E;
 - Received MII approval for the partial funding of multiple airline and construction and relocation costs to accommodate the growth and expansion of several airlines; and
 - Initiated air service development efforts resulting in the addition of five new entrant airlines to the DFW market, and new service, including seasonal and charter service, to eight domestic and five international destinations.

Your Update also indicates that the Airport plans to implement the following competitive actions:

- Enhancing the FIDS-based gate monitoring procedures, including the introduction of new software that will integrate current gate utilization data sources with the FAA direct feed data source (VOLPE) to capture real-time gate use information and better enable DFW to monitor and identify major schedule gaps in gate activity;
- Improving the process by which monthly gate activity is made available to airlines, including implementation of the direct distribution of monthly gate activity reports to all airlines serving or intending to serve the Airport, to support decisions on the relocation of airlines to maximize airport capacity and to accommodate new entrants or expanding airlines;
- Implementing plans for DFW operation, scheduling and control of six wide-body, international service capable common-use gates and related facilities in Terminal D; and
- Retaining the services of a consulting team to redevelop terminal agreements and review existing policies and procedures (including those pertaining to subleasing and ground handling agreements) to enhance and expand the flexibility and control of airline gates and related facilities at DFW.

As noted above, we have determined that your Update meets the requirements of section 155 of AIR-21. We are enclosing with this letter a chart, prepared in April 2003, highlighting actions taken by airports covered by the Competition Plan requirements to reduce barriers to entry and enhance competitive access (DFW is included). We have distributed this product at several airport conferences in order to demonstrate the tools airport managers are using to comply with the statutory elements of the Competition Plan requirement, the competitive benefits that may be achieved through implementation of these tools, and other ancillary advantages that may be derived from these tools. This chart may be of interest to you as you implement your Competition Plan. Further, although not shown on the chart, at 29 of the 38 airports highlighted on the chart, new or expanded entry or service by low-cost carriers has occurred, and larger carriers have benefited through new lease arrangements and gate change accommodations.

We commend the Board for its continuing commitment to promoting a competitive environment and the growth of air service at the Airport during the reporting period by developing and implementing a new gate/lease plan and gate monitoring procedures which have allowed DFW to negotiate more control of existing long-term exclusive-use gates and provides procedures by which the Airport can continue its successful strategy of obtaining more flexibility in gate

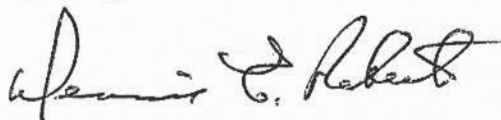
utilization so as to accommodate the expansion of air service by all airlines serving or intending to serve the Airport.

Finally, we request that you continue to post the FY 2004 Competition Plan Update on the DFW website.

We look forward to reviewing the future updates to your Competition Plan. Your next update shall be due 18 months from the date of this letter. We will notify you before the end of your 18-month cycle as to whether you remain a covered airport. As you may know, the Secretary is required by section 40117(k) to review implementation of Competition Plans from time to time to verify each covered airport implements its plan successfully. In connection with our review, we may determine that site visits to, or teleconferences with, one or more locations would be useful. We will notify you should we decide to visit DFW in connection with its Competition Plan.

If you have any questions regarding this letter or the FAA's review of your Plan, please contact Ms. JoAnn Horne, Manager, Airports Financial Analysis and Passenger Facility Branch, at (202) 267-3831.

Sincerely,



Dennis E. Roberts
Director, Office of Airport
Planning and Programming

Enclosure