



Federal Aviation
Administration

Office of Airport Planning
and Programming

100 Independence Ave. SW
Washington, DC 20591

Mr. Kenneth H. Gwyn
City of Dallas Aviation Department
8008 Cedar Springs Road
LB-16, Love Field Terminal Building
Dallas, TX 75235

Dear Mr. Gwyn:

Thank you for submitting the City of Dallas FY 2003 Competition Plan update for Dallas-Love Field (DAL). 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). However, we have identified some issues that should be addressed in your next update.

As you are aware, Competition Plan updates are required before a covered airport may receive approval for a new passenger facility charge (PFC) or a grant issued under the Airport Improvement Program (AIP) for the current fiscal year. The Federal Aviation Administration (FAA) Program Guidance Letter (PGL) 03-01 (November 19, 2002), addresses the information airports need to provide under eight categories in their Competition Plan updates. This PGL reminds airports to address questions or recommendations included in previous FAA approval letters for past updates. It further calls for a justification for an airport's decision to decline to adopt an FAA recommendation. The PGL also requests that an airport submit certain documents associated with practices reviewed under the competition plan requirements, including samples of current gate monitoring charts and lease and use agreements. In addition, this PGL, which cancels PGL 00-3 (May 8, 2000), changes the deadline for filing plan updates to 18 months rather than 12 months. The time begins from the date of the FAA acceptance of each update. Acceptance of plan updates remains in effect for the full 18 months and satisfies the competition plan prerequisite for receiving PFC approval or AIP grants.

The DAL FY 2003 update indicates the airport is implementing or intends to implement additional competitive actions, including the following policies and practices:

- Capping overhead and profit surcharges on subleases at 20 percent
- Converting two Continental Express gates to common-use when the current lease expires in June 2004 and
- Proactively ensuring fair administration of gate-sharing provisions in existing leases and moving toward common-use arrangements at the earliest convenience.
- Providing information on gates and gate availability on the airport's web site through posting of the airport master plan

As noted above, we have determined that your update meets the requirements of section 155 of AIR-21. However, there are some issues that DAL should address in its next update. For your convenience, we have categorized the remaining issues according to the applicable features discussed in PGL 00-3.

Gate Availability

The FAA, in its February 12, 2002 letter accepting your competition plan, suggested that the City recover any gates that are on an exclusive-use long-term lease for conversion to common-use by new entrant air carriers. Your 2003 plan update indicated that none of the DAL gates are exclusive use and all but the six gates at the former Legend Airlines facility have clearly defined gate share provisions. Thank you for this clarification. In your next update please confirm the successful conversion of the Continental Express gates to common-use and report on any other changes in gate leasing arrangements.

Leasing or Subleasing

We also encouraged the City to negotiate the addition of a "use or lose" provision with American Airlines on the carrier's three unused gates at the main terminal. The FAA was concerned that the current arrangement may place a new entrant at a competitive disadvantage by requiring it to sublease the gates, thereby incurring surcharges and the potential of being bumped in use by the prime tenant. You replied that, although American has informally indicated a desire to terminate the lease, such an action would result in a negative financial impact on the City. We do not consider the Competition Plan requirement to mandate that an airport suffer a substantial reduction in lease revenue by terminating leases when no alternative users are seeking access to the airport. Therefore, at this time, FAA has no objection to American's continuation of the leasehold due to the conditions described below:

- A 14% reduction in average daily departures since September 11, 2001;

- No new entrant carrier interest in available gates; and
- The pending expiration of two preferential-use gates in June 2004

FAA will revisit this issue in the next Competition Plan update. In the interim should there be a demand warranting conversion of the American gates, we would expect the City to pursue a termination of the American lease. We also would expect the City to negotiate a termination of American's option to extend its lease to 2021, unless American were to resume service at the airport and fully use the gates. Please report on the status of these gates in your next update.

Gate Assignment Policy

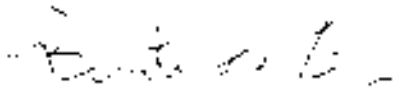
We had recommended that the City establish a notification system that would inform all existing carriers who may wish to expand service at DAL as well as any new entrants who have expressed an interest in serving the airport by utilizing DAL's available gates. The City replied that the current conditions at the airport have not necessitated the introduction of a formal notification system. Given the availability of vacant gates, we have no objection at this time to the City's current practice, but we restate the need to prepare for the introduction of a notification system. As expected service demands increase, this preparation will enhance your readiness to meet the needs of your both potential entrants and existing carriers.

Finally, Plan update reports that the City has included the Competition Plan on the airport's web site. We were unable to access the plan through the website. We request that you provide, within 30 days, the specific location of the Competition Plan on the web-site, and that you arrange for a more transparent link to the competition plan materials. We also request that the airport continue its practice and post the FY 2003 Plan update and this response on the airport's web site.

We look forward to reviewing future updates to your competition plan. Your next update will be due 18 months from the date of this letter. 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 Dallas-Love Field in connection with its Competition Plan.

if you have any questions regarding this letter or the FAA's review of your plan, please contact Mr. Barry Molar, Manager, Airports Financial Assistance Division, at (202) 267-3831.

Sincerely,



Bonito DeLeon
Deputy Director, Office of Airport Planning
and Programming