

Before The
SENATE COMMERCE, SCIENCE & TRANSPORTATION COMMITTEE
SUBCOMMITTEE ON AVIATION

Testimony of

DR. BRIAN M. CAMPBELL

Chairman



IN SUPPORT OF S.1424

Washington, D.C.

November 10, 2005

TESTIMONY OF BRIAN M. CAMPBELL, Ph.D.

In 1978 Congress deregulated the domestic airline industry. Then, in 1979 with the passage of the Wright Amendment, it re-regulated a small piece of the business – that dealing with service to Dallas Love Field.

Because of the Wright Amendment, American enjoys a protected position today at Dallas/Ft. Worth. American accounts for 85% of the flights and seats at DFW (Exhibit 1). It enjoys a monopoly on non-stop service over 63 protected domestic routes between DFW and cities beyond the Wright Amendment Perimeter (Exhibit 2). The fares American charges at DFW are significantly higher in markets when there is no Love Field competition; American's fares are much lower on the 12 routes where it competes with Southwest's flights at Love Field (Exhibit 3). In fact, American's domestic fares outside of Dallas are significantly lower than those in comparable DFW markets that do not have Southwest competition (Exhibit 4).

American prices its Chicago O'Hare Airport services to compete with Southwest, at Chicago's Midway Airport in the 36 markets served by both carriers from Chicago. Yet, American has chosen not to fly head-to-head with Southwest at Midway. Nevertheless, Southwest's new market entry with low fares at Midway has caused the

O'Hare carriers to respond by lowering their fares. Traffic at both airports increased, and dramatically so at Midway (See specific market examples in Exhibits 5 through 10).

So, Southwest's price competition has worked well to discipline, and in fact, lead its competitors and expanded markets dramatically, while not adversely affecting American's O'Hare Airport hub. In fact, American has expanded O'Hare routes and flights. In my experience American has always been aggressive in matching competitors' price and service offerings, and I believe American will respond to Southwest's prices in these 15 new Dallas Love Field routes.

Our firm has prepared a study to measure the consumer benefits and economic impacts that will accrue from new Southwest flights at Love Field if the Wright Amendment is repealed. With Southwest's concurrence we selected 15 new Love Field routes beyond the current Wright Amendment Perimeter. And, we assumed initial frequencies of three round trips per day in each market. At its typical fares, which are well below prevailing prices at DFW, Southwest's new 45 round trips per day at Love Field will generate:

- (1) 3.7 million additional passengers each year to/from North Texas (Exhibits 11 and 12),

- (2) \$688 million in annual fare savings to North Texas travelers (Exhibits 11, 13 and 14),
- (3) \$1.7 billion in annual economic benefits to North Texas (Exhibit 15), and
- (4) \$1.8 billion in annual economic impact for the economies of the 15 newly connected cities (Exhibit 16).

Last spring DFW Airport hired Simat, Helliesen & Eichner, Inc. (SH&E) to estimate the impacts of repealing the Wright Amendment. Among SH&E findings were the following:

- (1) there will be 3.6 million additional annual Dallas origin/destination passengers (1.4% below my estimate),
- (2) total market fare savings will be \$715 million per year (3.8% more than my estimate), and
- (3) the initial impact on American's DFW operation would be a trivial decline in load factor of 1.6 percentage points – from 78.9% to 77.3% – with no decrease in flights.

DFW Airport's consultants (SH&E) included market stimulation analysis that is very similar to ours.

American has now hired Eclat to counter the results of the SH&E study for DFW, and to rebut our findings.

The Eclat report suffers from many fundamental infirmities. It is based on a few critical assumptions that drive their mechanical number crunching. The key assumptions, for which there is no substantiating evidence, and which are completely counter to American's competitive behavior, are as follows:

- (1) First, Eclat assumes that American will transfer 45 daily round trips to Love Field to compete flight-for-flight with Southwest. Eclat does not say whether American told them to assume this or whether this would, in fact, be American's competitive response. Eclats only reference for this assumption is a vague nonspecific comment made by Mr. Arpey to the press last February - 9 months ago!
- (2) Second, Eclat assumed that American would not deviate from its current DFW fares – either for its new Love Field services, or for the remaining flights at DFW. Eclat simply assumed that American will not lower its price and compete with Southwest on fares. This is completely contrary to American's DFW pricing strategy in markets served by Southwest at Love Field today; and it is completely counter to American's consistent behavior

at O'Hare where it has lowered its fares significantly to compete with Southwest's services at Midway Airport.

The result of these major assumptions, along with others that are equally unsupported or irrational, causes Eclat to create a cascading effect through American's flight schedule. Essentially it is saying that without any fare response (reduction) its model shows that American will simply cancel 140 daily round trip flights at DFW, because by shifting 45 round trips to Love Field it will suffer the loss of connecting passengers. There is no price/fare element, and no profit and loss element (or analysis) in Eclat's model. It is fabricated entirely from a series of irrational assumptions designed to scare the public. When these assumptions are exposed and proven to be untrue, all of Eclat's forecast of dire consequences will collapse.

One significant Eclat tactic is to show large losses of American's DFW service to small communities. This analysis is simply not credible. It all results from their set of irrational assumptions.

For example, on page 45 of its report Eclat lists ten DFW markets to points in Texas where Southwest does not operate from Love Field. Eclat asserts that these ten will lose 16 of their 51 daily departures to DFW. This is absurd! All ten are American

monopoly markets with high average fares (over \$100 per one-way passenger), and American's traffic increased by 19.1% from the second quarter of 2004 to the second quarter of 2005. American will not weaken itself in these markets simply because Southwest has begun new service at Love Field to points beyond Texas and the region.

American's competitive behavior in Chicago is completely contrary to Eclat's model assumptions and results. During the past five years¹ American has increased the number of O'Hare non-stop markets served with commuter/regional aircraft – from 31 to 60 city-pairs. Correspondingly, its total departures and seat capacity with aircraft under 75 seats increased by more than 50% (Exhibit 17). American's significant increase in Chicago service to small communities occurred at the very same time (November 2000 to November 2005) that Southwest expanded its low fare Midway Airport service. Southwest added 20 new routes and increased its total departures and seat capacity by 70% over the past five years (Exhibit 18). Eclat's assumption that American will eliminate scores of DFW flights in small or regional markets is strikingly contrary to the factual evidence of American's behavior and it belies sound economic logic.

¹ November 2000 to November 2005.

If American does not compete with Southwest on price, then total market stimulation, total fare savings, and total economic benefits will initially be less than what I and DFW's consultant have projected. Both of our studies assumed competitive pricing response by American. Nevertheless, if American chooses to go against all of its history, and to not be price competitive, then it will lose some passengers, but the total Dallas market will still be much larger, and Southwest will have the opportunity to add a lot more flights to those 15 markets. So, in time, the overall North Texas market impacts would grow to the levels projected in our study.

So why would American not defend its position and compete on fares in the 15 new Southwest routes? This is a mystery and it's a major flaw in Eclat's logic.

Eclat made a lot of other self-serving errors.

- (1) It moved arbitrarily 31% of American's flights in the 15 markets to Love Field, but assumed that 35% to 65% of the passengers would shift. This makes no sense, especially when it assumes further that American's fares will remain static for its purported Love Field service.

- (2) It assumed many other carriers would move flights from DFW to Love with no factual basis for the assumption. Actually, AirTran recently announced its complete withdrawal from the DFW – Los Angeles market.
- (3) Eclat assumed that in any market where American suffered a 5% or more decline in load factor, it would reduce frequencies, and this is irrational and unsupported in history.
- (4) It assumed any load factor below 85% in multi-frequency markets would trigger a reduction in flights. This too makes no sense.
- (5) In its so-called stimulation analysis Eclat selectively included some markets, and excluded others.
- (6) Eclat focused certain analyses on low-fare carriers as a group, and not just Southwest's actions and the market's response. No other airline operates Southwest's business model.
- (7) There is no recognition of what American gained at DFW when Delta dismantled its hub early this year. In fact, American has 70 more daily departures today than it did a year ago; and this is 56% more than the 45 departures Eclat assumes American would have to shift to Love Field to compete with Southwest. American's windfall from the demise of Delta's hub is greater than any competitive harm it might suffer from repeal of the

Wright Amendment. One Wall Street firm estimated the value to American of Delta's withdrawal at \$600 million per year in revenue.

In brief, Eclat's conclusions are pre-ordained by its unsubstantiated assumptions, especially the assumption that American will not lower its fares to compete with the new Southwest services. Since deregulation in 1978 it has not been the U.S. Government's policy to protect carriers that do not want to compete on fares. This is a major Achilles heel in the Eclat study.

I wish to point out that the Eclat study is silent with respect to consumer benefits (or fare savings), or economic impacts to North Texas and the 15 cities that will benefit from new low fare service at Love Field.

Finally, the extent to which Eclat purported to characterize what Southwest might do after repeal of the Wright Amendment reveals two things:

- (1) Eclat lacks an understanding of how the Wright Amendment works in practice; and
- (2) Eclat lacks any understanding of Southwest Airlines' business model.

Eclat states that Southwest has reduced service in some of the existing Wright Amendment markets. But, it misses the point! After 9/11 air travel in short haul markets suffered generally, and in some cases by large degrees. Due to heightened fears of flying after 9/11, coupled with new time-consuming and personally undesirable airport security procedures, a lot of short haul passengers avoided flying. Yet short haul markets are the only markets available to Southwest within the current Wright Amendment prohibition.²

By repeal of the Wright Amendment Southwest's low fares would stimulate travel from existing Wright Amendment markets to new markets, allowing Southwest to grow these short haul markets again.

In its report Eclat predicts that Southwest's service to some cities will decline because it could "fly over" those cities after repeal. By definition, all traffic between Love Field and the alleged "fly over" cities is local, because no connecting or one-stop passengers are permitted under the silly and unjust restrictions on through ticketing and marketing. Upon repeal, Southwest could sell connections and single-plane through service with just one check-in by the passenger. That would strengthen the service between Love Field and the "fly over" cities. The dramatic improvement in service and

² In fact, 9 of Southwest's 12 routes from Love Field are less than 350 miles. To many, this is hardly worth the airport "hassle factor".

reduction in fares to Love Field will bring about even more traffic stimulation as a result of repealing the Wright Amendment.

After Delta's Withdrawal DFW Service Became More Heavily Dominated by American Airlines

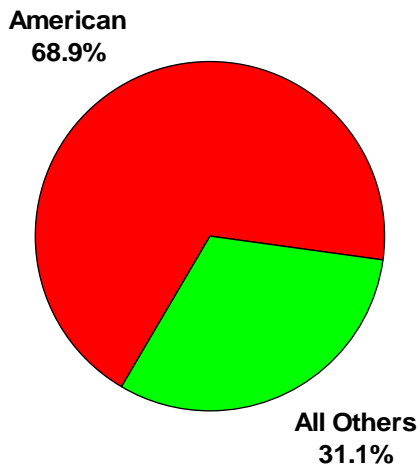
November 2004

November 2005

Aircraft Departures

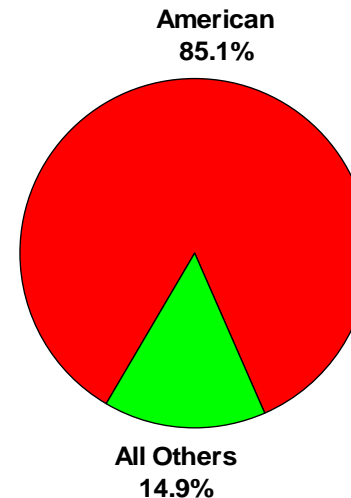
Weekly Departures:

American	5,020
Other	<u>2,267</u>
Total	7,287



Weekly Departures:

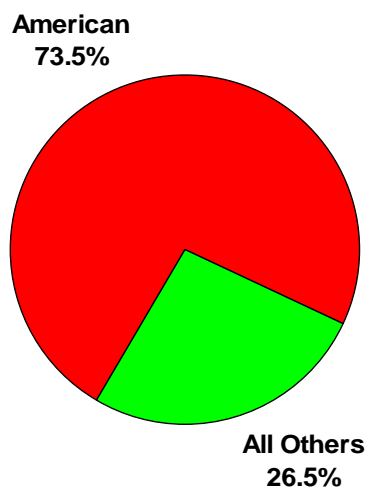
American	5,478
Other	<u>957</u>
Total	6,435



Seat Departures

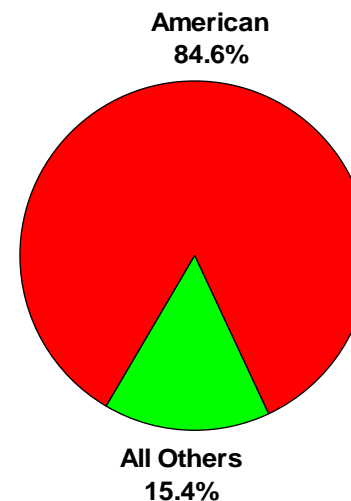
Weekly Seat Departures:

American	559,457
Other	<u>202,207</u>
Total	761,664

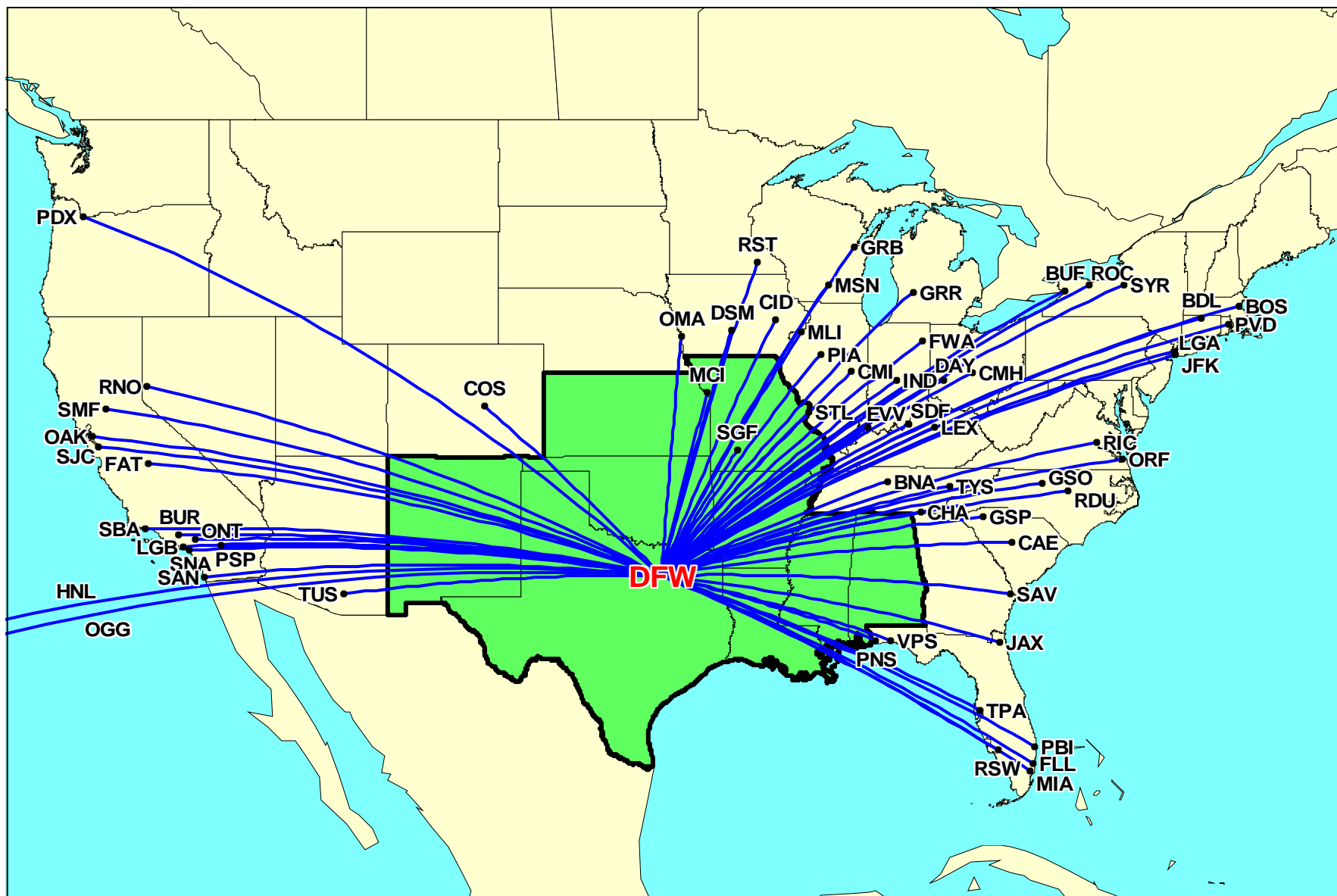


Weekly Seat Departures:

American	606,926
Other	<u>110,389</u>
Total	717,315



Today, American Has a Monopoly in 63 Wright Amendment Protected DFW Nonstop Domestic Markets With Over 7.6 Million Annual One-Way Passengers

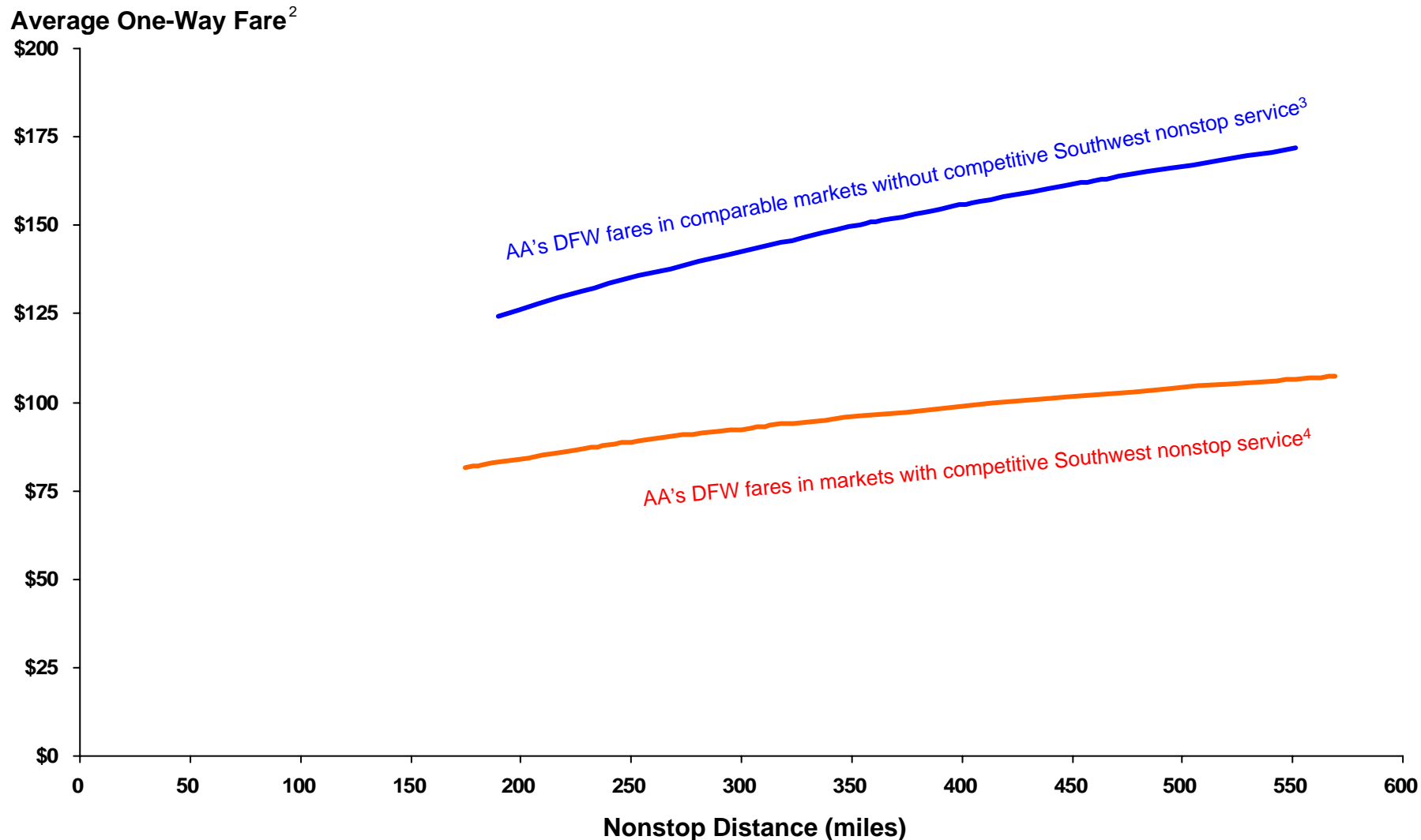


Source: Official Airline Guide, schedules for the week of November 7 - 13, 2005; and U.S. DOT, Origin-Destination Passenger Survey, year ended June 30, 2005, via Data Base Products, Inc.

AA's Monopoly Markets in Wright Amendment Protected States

Rank	Airport	YE 6/30/05 O&D Passengers	Rank	Airport	YE 6/30/05 O&D Passengers
1	New York LaGuardia	774,200	33	Norfolk	79,380
2	Boston	455,760	34	Greensboro	70,780
3	Orange County	325,160	35	Ft. Myers	68,500
4	Tampa	306,010	36	Providence	67,460
5	St. Louis	290,970	37	Grand Rapids	64,190
6	San Diego	282,740	38	Pensacola	58,980
7	Kansas City	270,700	39	Buffalo	58,080
8	Ft. Lauderdale	270,470	40	Des Moines	54,850
9	San Jose	224,300	41	Knoxville	51,640
10	Raleigh/Durham	223,370	42	Savannah	51,250
11	Indianapolis	216,610	43	Kahului	49,360
12	Miami	207,230	44	Rochester	48,650
13	Ontario	181,760	45	Greenville/Spartanburg	47,270
14	Nashville	177,290	46	Fresno	35,700
15	Long Beach	169,220	47	Lexington	35,420
16	Portland	161,160	48	Cedar Rapids	35,190
17	Sacramento	156,620	49	Syracuse	34,730
18	Burbank	154,490	50	Columbia	32,620
19	Oakland	145,930	51	Valparaiso	32,340
20	Columbus	141,210	52	Palm Springs	31,750
21	Jacksonville	130,520	53	Madison	31,260
22	New York Kennedy	127,190	54	Fort Wayne	29,880
23	Hartford	117,520	55	Springfield	25,590
24	Honolulu	105,240	56	Santa Barbara	23,190
25	Dayton	100,630	57	Moline	23,080
26	Richmond	99,170	58	Peoria	19,170
27	Omaha	97,950	59	Green Bay	18,880
28	Colorado Springs	93,980	60	Chattanooga	13,390
29	Tucson	91,710	61	Evansville	9,380
30	Reno	88,270	62	Champaign/Urbana	6,180
31	West Palm Beach	84,040	63	Rochester	5,620
32	Louisville	79,850			
				Total	7,565,030

American's Fares at DFW Are Sharply Higher When Southwest Does Not Have Competing Service at Love Field¹ (Second Quarter, 2005)



1/ Nonstop Southwest cities include ABQ, AMA, AUS, ELP, HOU, LBB, LIT, MAF, MSY, OKC, SAT, and TUL.

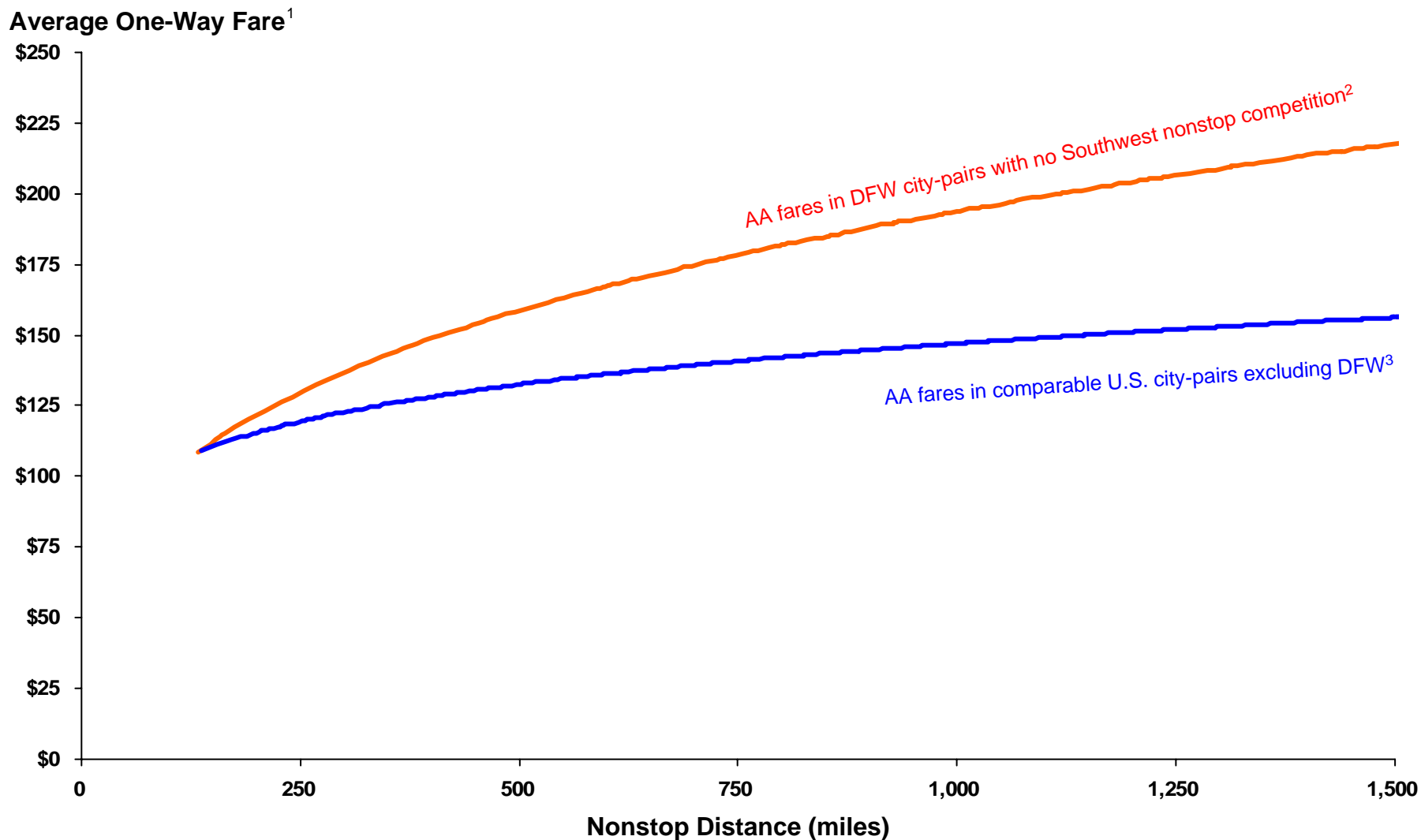
2/ Average fare paid per passenger excluding zero fare passengers (frequent flyer redemptions, etc.) as reported by the U.S. DOT, Origin-Destination Passenger Survey.

3/ Regression formula: Fare = Distance $\times e^{-0.6937 \times \ln(\text{Distance}) + 7.819}$; $R^2 = 0.3483$.

4/ Regression formula: Fare = Distance $\times e^{-0.7684 \times \ln(\text{Distance}) + 7.812}$; $R^2 = 0.9363$.

Source: U.S. DOT, Origin-Destination Passenger Survey, via Data Base Products, Inc.

Because of the Wright Amendment American's Fares at DFW Are Significantly Higher Than Its Fares at other U.S. Cities (Second Quarter, 2005)



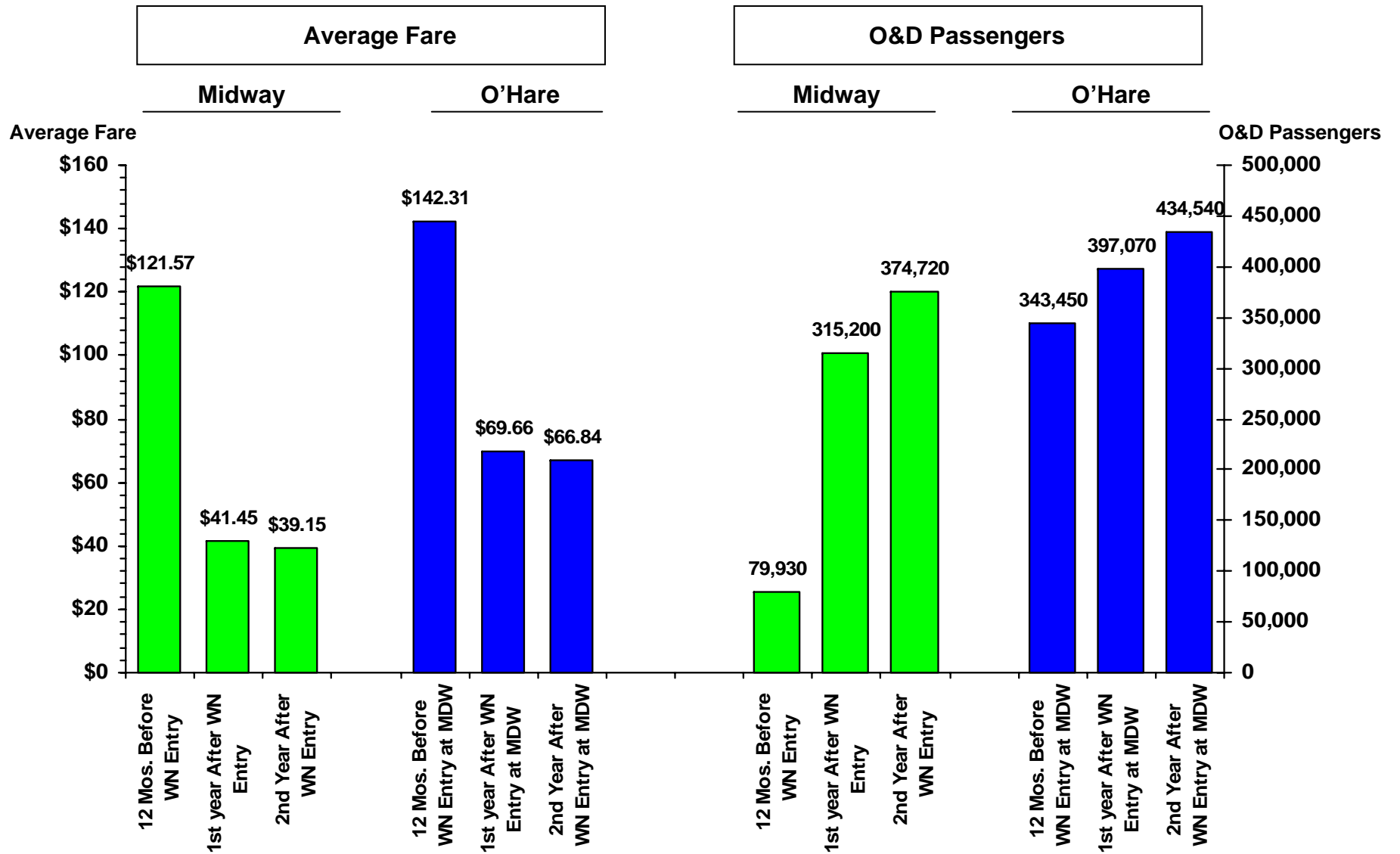
1/ Average fare paid per passenger excluding zero fare passengers (frequent flyer redemptions, etc.) as reported by the U.S. DOT, Origin-Destination Passenger Survey.

2/ Regression formula: Fare = Distance x $e^{-0.712 \times \ln(\text{Distance}) + 7.8824}$; $R^2 = 0.822$.

3/ Regression formula: Fare = Distance x $e^{-0.8502 \times \ln(\text{Distance}) + 8.5609}$; $R^2 = 0.7902$.

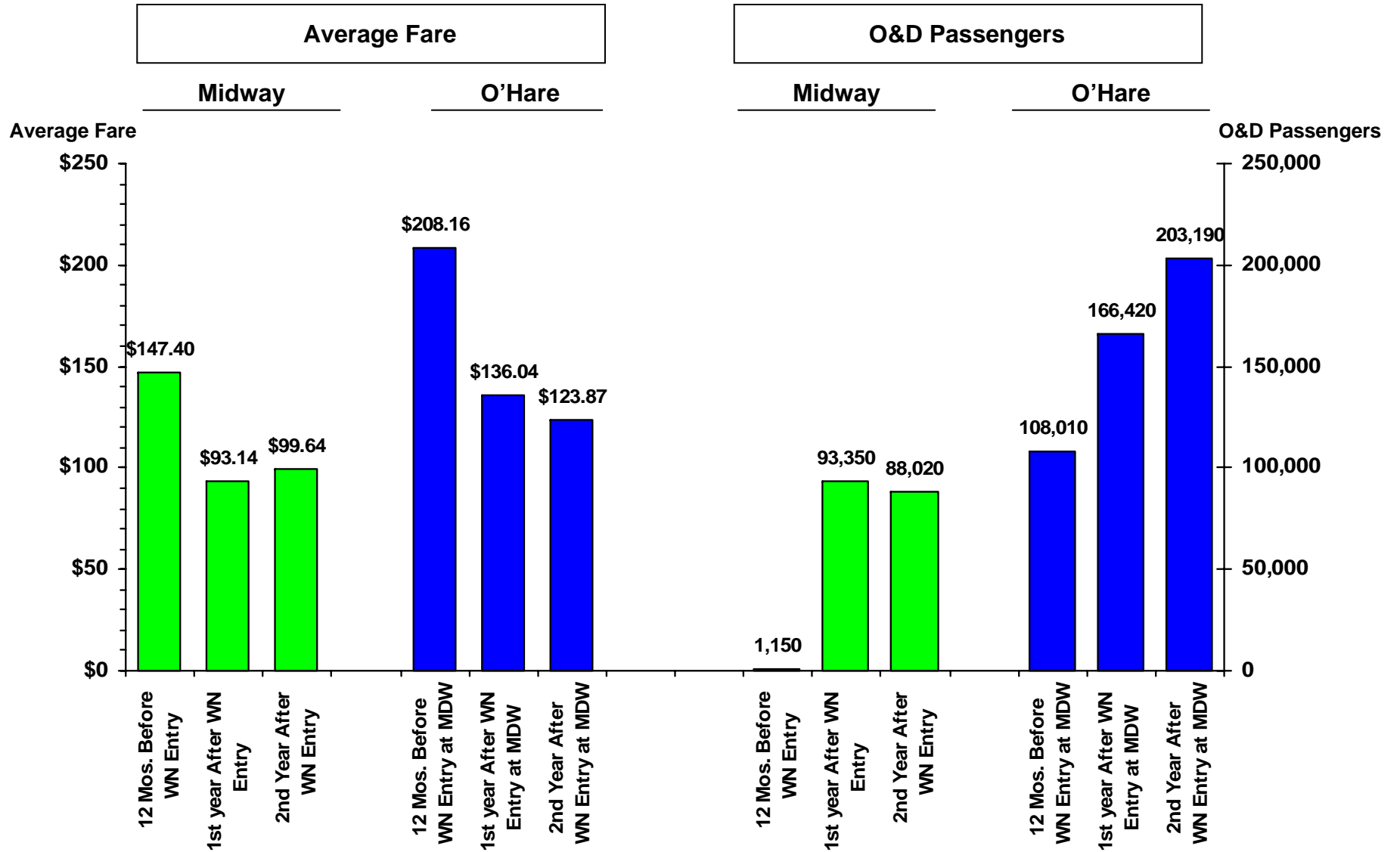
Source: U.S. DOT, Origin-Destination Passenger Survey, via Data Base Products, Inc.

Southwest's Entry into Midway – Cleveland Lowered Fares at Both Midway and O'Hare and Stimulated Overall Chicago Traffic



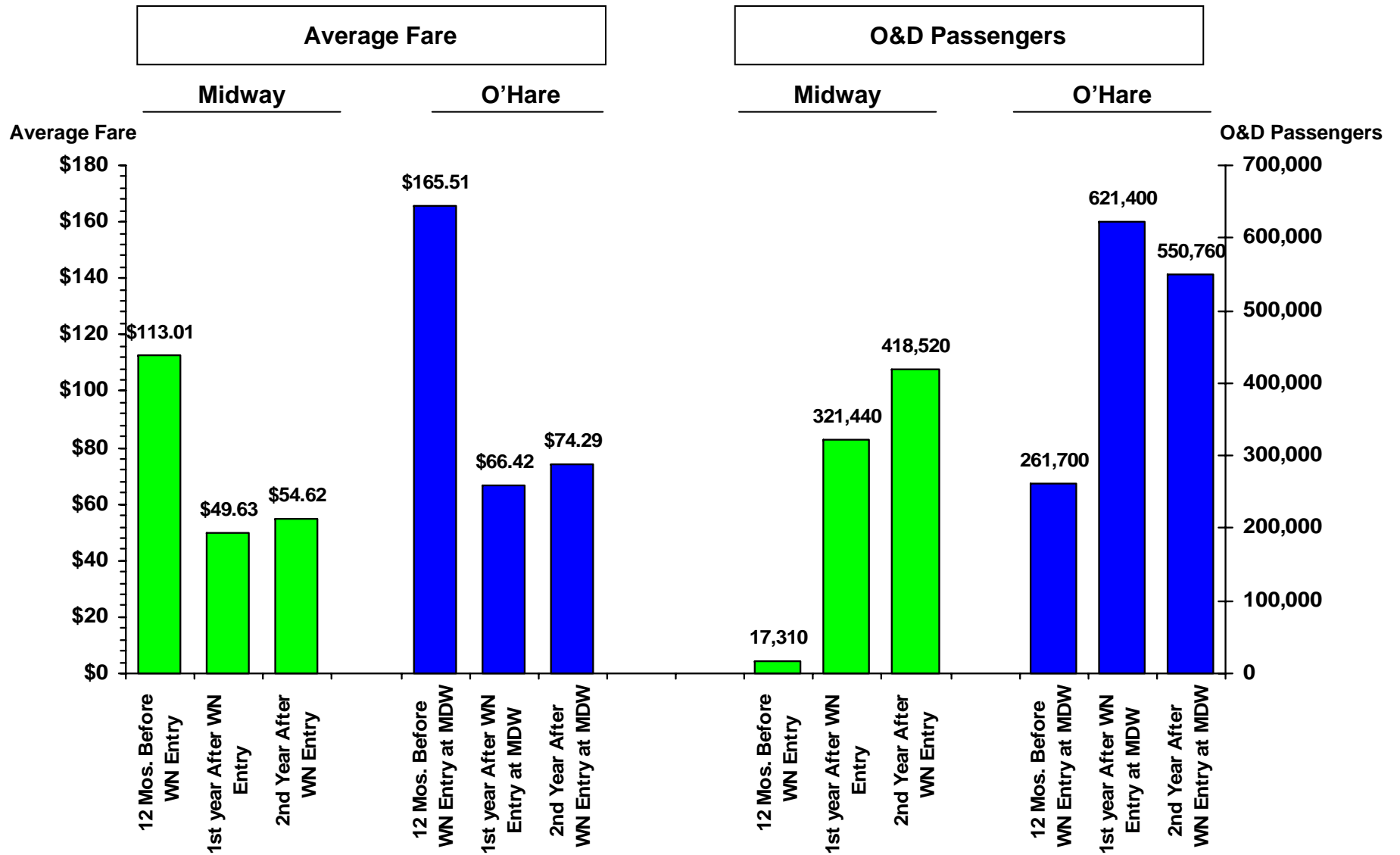
Source: U.S. DOT, Origin-Destination Passenger Survey and T-100 data, CY 2003, via Database Products, Inc.

Southwest's Entry into Midway – Providence Lowered Fares at Both Midway and O'Hare and Stimulated Overall Chicago Traffic



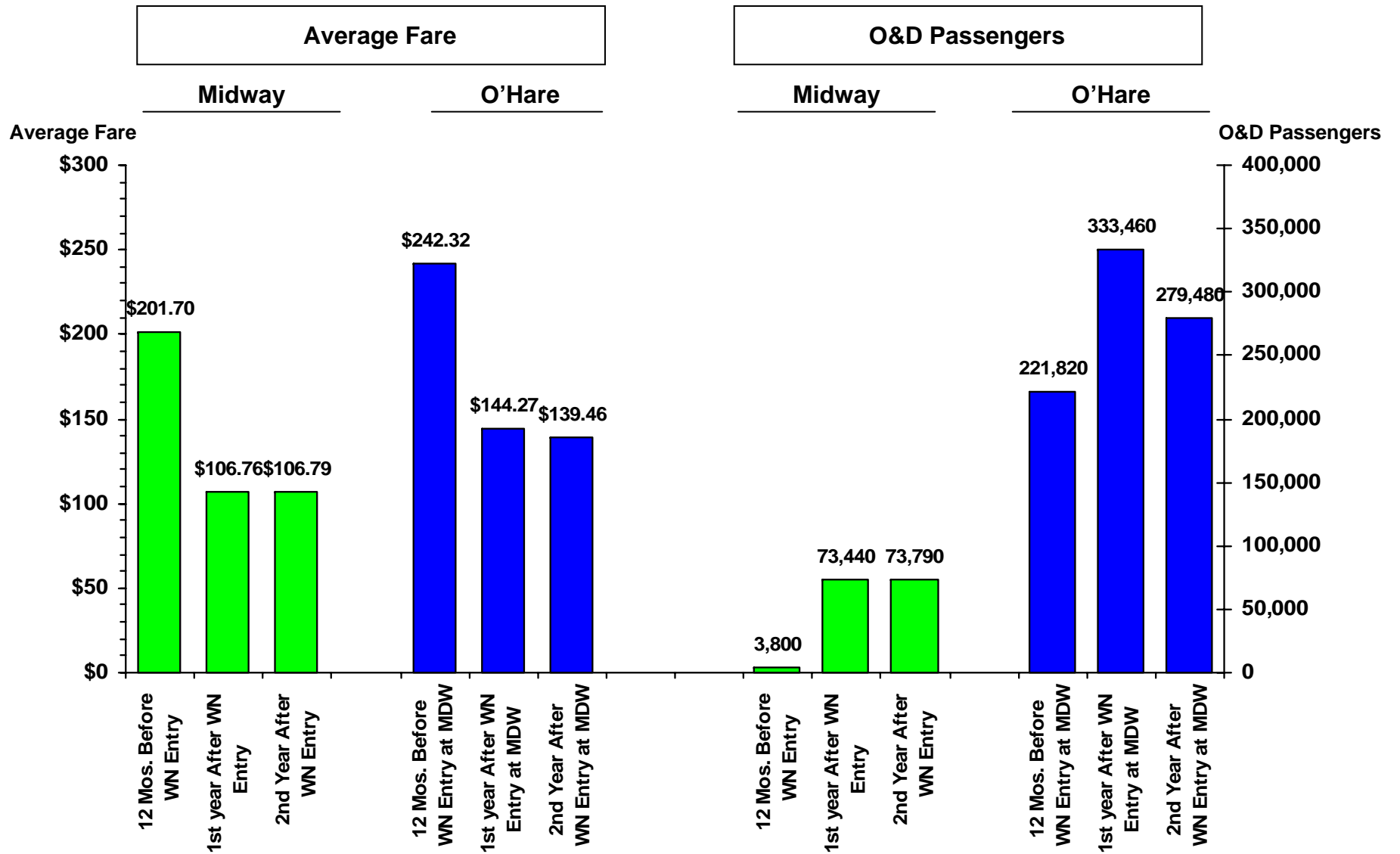
Source: U.S. DOT, Origin-Destination Passenger Survey and T-100 data, CY 2003, via Database Products, Inc.

Southwest's Entry into Midway – Baltimore Lowered Fares at Both Midway and O'Hare and Stimulated Overall Chicago Traffic



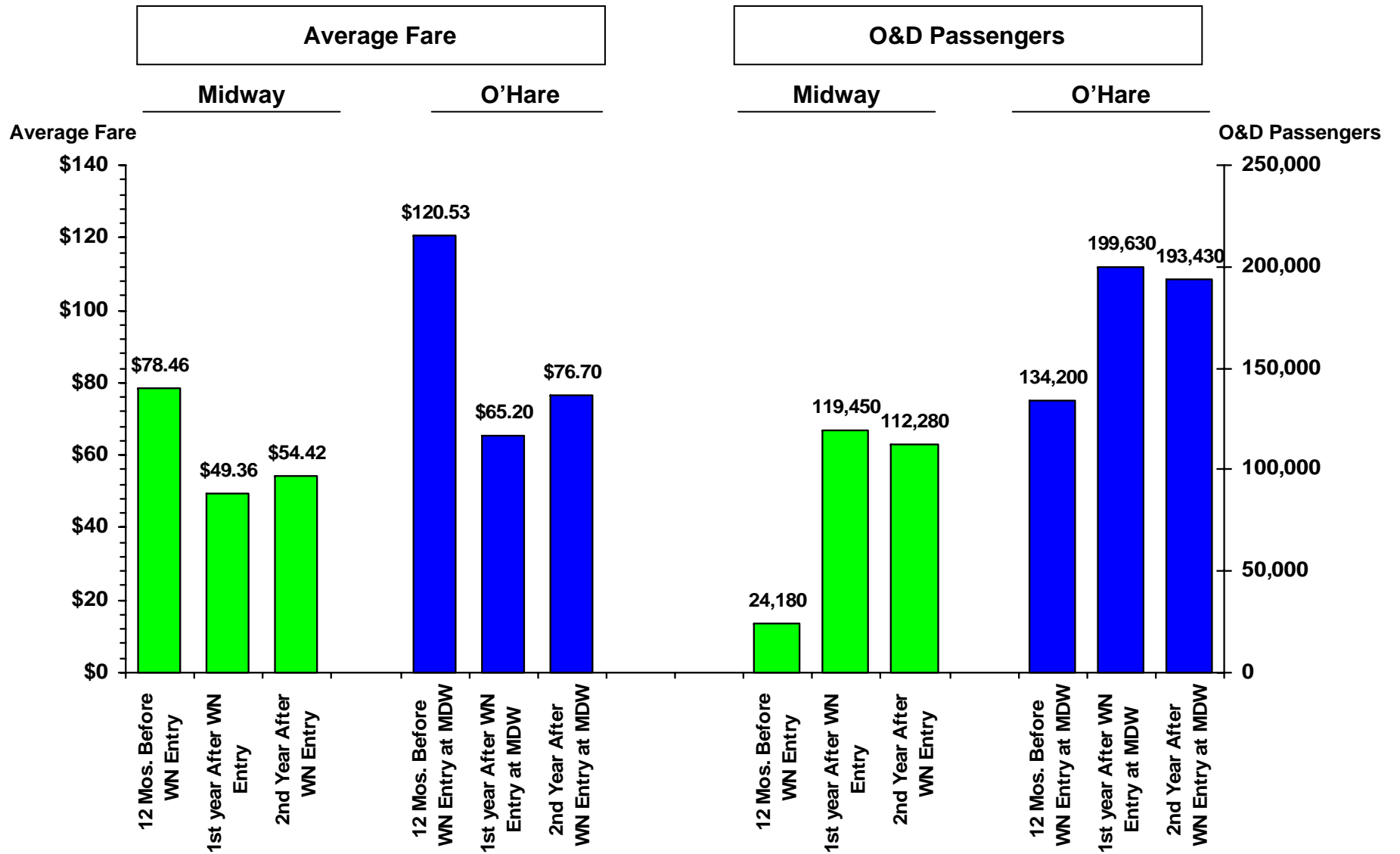
Source: U.S. DOT, Origin-Destination Passenger Survey and T-100 data, CY 2003, via Database Products, Inc.

Southwest's Entry into Midway – Hartford Lowered Fares at Both Midway and O'Hare and Stimulated Overall Chicago Traffic



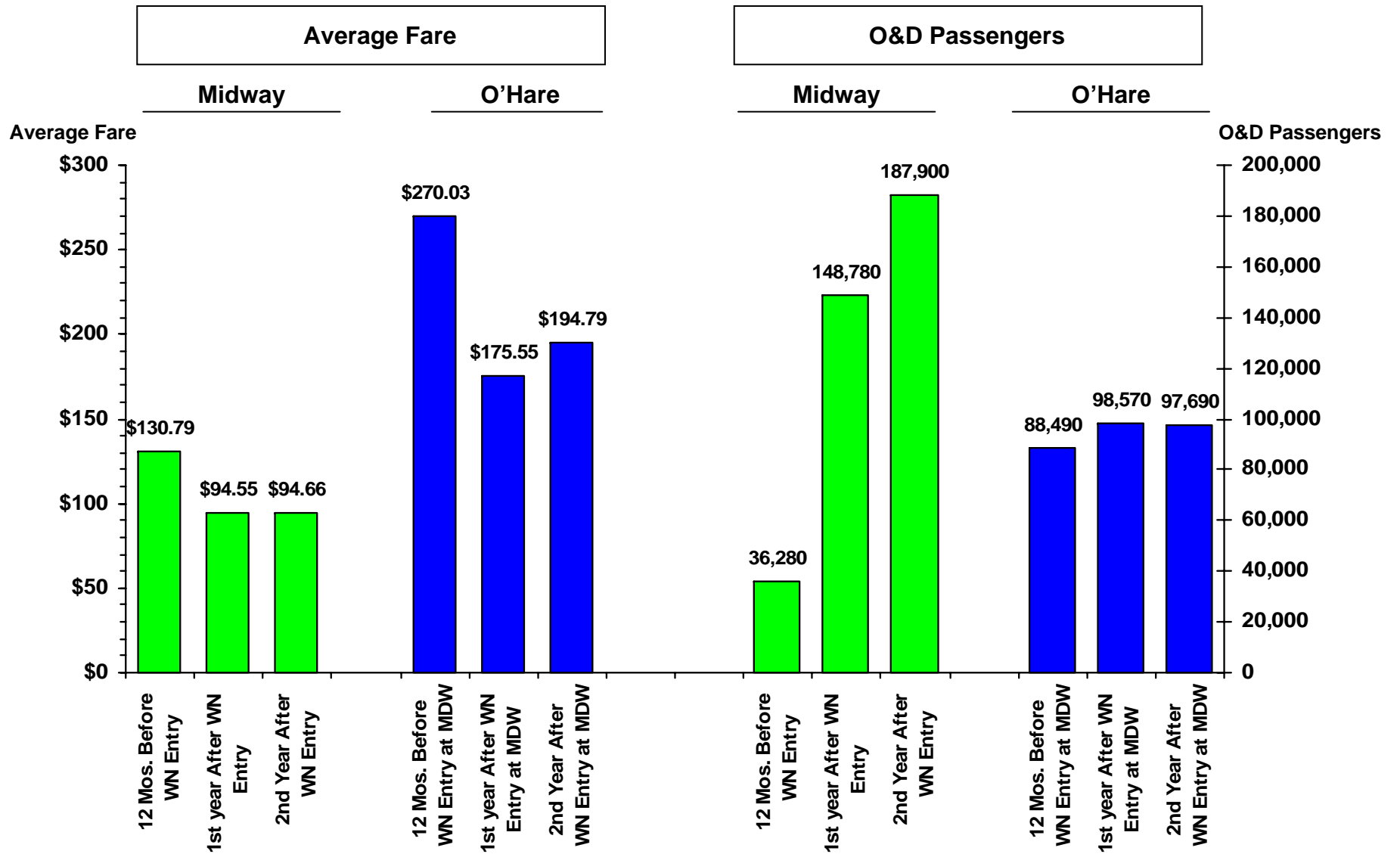
Source: U.S. DOT, Origin-Destination Passenger Survey and T-100 data, CY 2003, via Database Products, Inc.

Southwest's Entry into Midway – Omaha Lowered Fares at Both Midway and O'Hare and Stimulated Overall Chicago Traffic



Source: U.S. DOT, Origin-Destination Passenger Survey and T-100 data, CY 2003, via Database Products, Inc.

Southwest's Entry into Midway – Oakland Lowered Fares at Both Midway and O'Hare and Stimulated Overall Chicago Traffic



Source: U.S. DOT, Origin-Destination Passenger Survey and T-100 data, CY 2003, via Database Products, Inc.

Total Passengers Benefiting From Repeal of the Wright Amendment

	Current DFW O&D Passengers	Current DFW Average Fare Including Tax	Probable WN Fare Including Tax	New Passengers Generated by Fare Reduction	Total Passengers After Fare Reduction	Passenger Savings	
	(A)	(B)	(C)	(D)	(E)	Current Passengers (F)	New Passengers (G)
15 Assumed New Markets							
Boston Area ¹	501,030	\$233	\$153	333,457	834,487	\$40,202,647	\$26,756,590
BWI	453,580	\$163	\$142	83,009	536,589	\$9,643,111	\$1,764,771
Chicago Area ²	994,470	\$189	\$141	419,390	1,413,860	\$47,605,279	\$20,076,199
LAS	714,510	\$141	\$128	83,217	797,727	\$8,824,199	\$1,027,730
LAX	574,290	\$188	\$142	230,120	804,410	\$26,308,225	\$10,541,797
MCI	264,930	\$191	\$108	264,287	529,217	\$21,978,593	\$21,925,250
MCO	561,720	\$141	\$124	92,170	653,890	\$9,391,958	\$1,541,082
PHL	361,230	\$257	\$145	363,405	724,635	\$40,537,231	\$40,781,309
PHX	365,870	\$225	\$122	407,853	773,723	\$37,794,371	\$42,131,215
RNO	82,700	\$193	\$152	27,600	110,300	\$3,394,835	\$1,132,980
SAN	258,600	\$229	\$139	214,268	472,868	\$23,271,414	\$19,281,977
SEA	301,590	\$259	\$154	264,886	566,476	\$31,615,680	\$27,767,999
SF Bay Area ³	636,540	\$250	\$150	542,940	1,179,480	\$63,443,942	\$54,114,830
STL	278,240	\$178	\$110	220,429	498,669	\$18,942,579	\$15,006,806
TPA	275,810	\$175	\$124	142,207	418,017	\$14,055,278	\$7,246,869
Totals/Avg.	6,625,110	\$196		3,689,238	10,314,348	\$397,009,340	\$291,097,405

See Page 2 for notes.

1/ Boston, Providence, Manchester.

2/ O'Hare, Midway.

3/ San Jose, San Francisco and Oakland.

Source: U.S. DOT, Origin-Destination Passenger Survey, CY 2004, via Data Base Products, Inc.

Total Passengers Benefiting From Repeal of the Wright Amendment

Notes to Exhibit A

- (A) U.S. DOT O&D Survey, CY 2004, excluding zero fare passengers.
- (B) U.S. DOT O&D Survey, CY 2004, excluding zero fare passengers. Includes security segment fee, 7-1/2% excise tax and Passenger Facility Charge (PFC) appropriate to each airport.
- (C) Based on log-log regression analysis of Southwest's historical (CY 2004) average fares between each assumed new city and all other Southwest cities.

	<u>Elasticity Coefficient (R²)</u>		<u>Elasticity Coefficient (R²)</u>
Boston Area	$e^{-0.6859\text{Ln}(\text{Distance})+7.1959}$; (0.8146)	PHX	$e^{-0.5932\text{Ln}(\text{Distance})+6.4928}$; (0.7953)
BWI	$e^{-0.6046\text{Ln}(\text{Distance})+6.6016}$; (0.9127)	RNO	$e^{-0.5698\text{Ln}(\text{Distance})+6.3860}$; (0.9264)
Chicago Area	$e^{-0.6298\text{Ln}(\text{Distance})+6.7901}$; (0.7933)	SAN	$e^{-0.6729\text{Ln}(\text{Distance})+7.0825}$; (0.8901)
LAS	$e^{-0.6756\text{Ln}(\text{Distance})+7.0477}$; (0.9358)	SEA	$e^{-0.6159\text{Ln}(\text{Distance})+6.6513}$; (0.8611)
LAX	$e^{-0.6474\text{Ln}(\text{Distance})+6.9023}$; (0.8548)	SF Bay Area	$e^{-0.6555\text{Ln}(\text{Distance})+6.9674}$; (0.9387)
MCI	$e^{-0.6254\text{Ln}(\text{Distance})+6.8352}$; (0.7583)	STL	$e^{-0.5343\text{Ln}(\text{Distance})+6.1959}$; (0.7340)
MCO	$e^{-0.7170\text{Ln}(\text{Distance})+7.3296}$; (0.8927)	TPA	$e^{-0.6989\text{Ln}(\text{Distance})+7.2069}$; (0.9062)
PHL	$e^{-0.4812\text{Ln}(\text{Distance})+5.4304}$; (0.8374)		

Because of Southwest's partial year service, fares at Philadelphia are assumed to follow the Baltimore regression equation. All fares include security and segment fees, 7-1/2% excise tax and PFC appropriate to each airport.

- (D) New passengers generated by fare reductions using a coefficient of price elasticity (E_p) of -1.2. See Page 3.
- (E) Total DFW/DAL market after fare reductions (Column A plus Column D).
- (F) Current passengers savings computed by multiplying passengers in Column A by the difference in the fares shown in Columns B and C.
- (G) New (or stimulated) passenger savings computed by multiplying passengers in Column D by the difference in fares shown in Columns B and C.

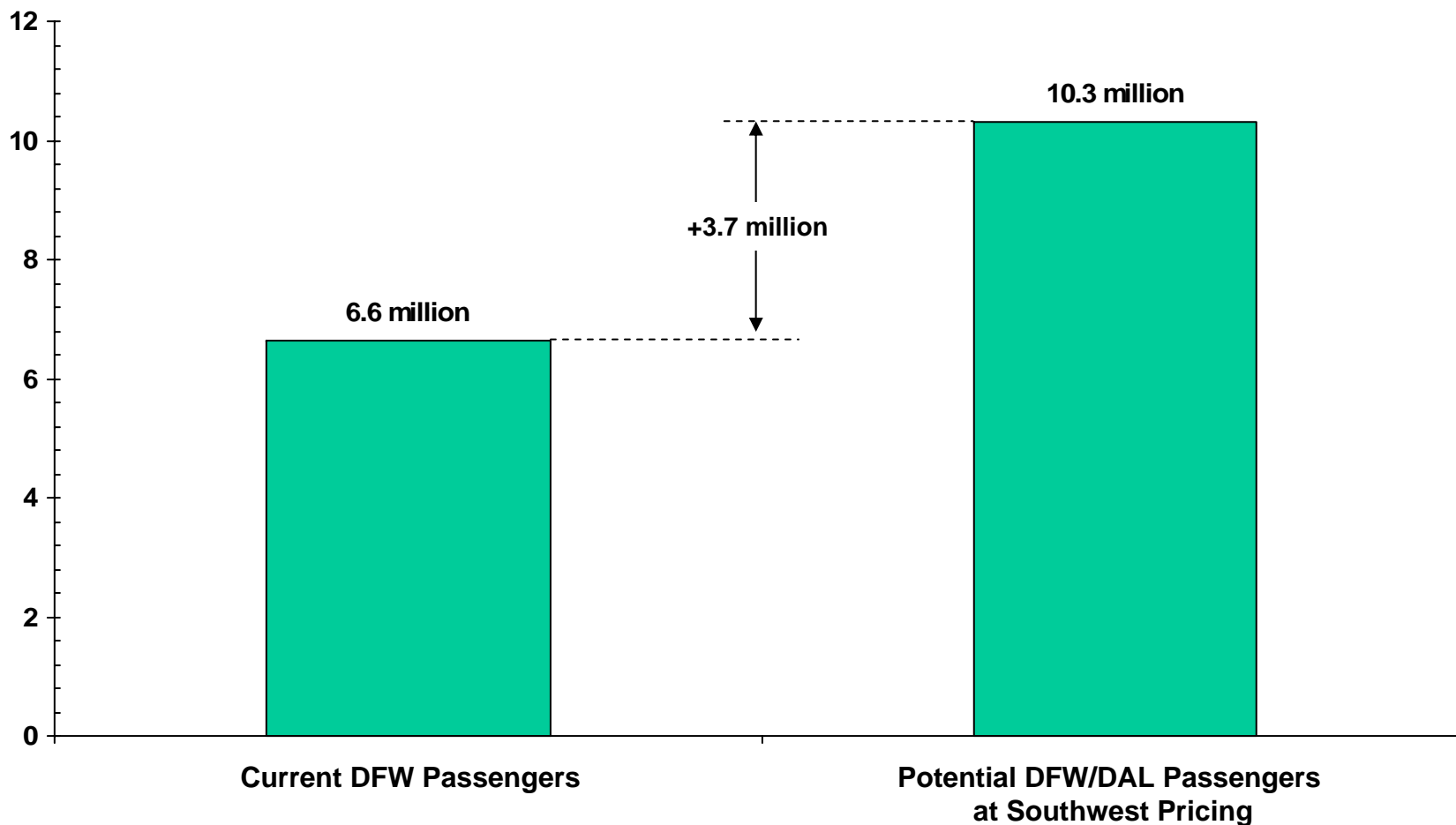
Lower Fares Will Increase North Texas Passenger Volume

“Total elasticity of demand for air travel is a measure of air travelers’ response to variations in the cost of air travel. This parameter measures the percentage change in air passenger trips resulting from a one-percent change in trip prices. Total elasticities are negative because price and quantity demanded are inversely proportional. ...

... FAA sponsored an extensive review of the economic literature regarding total elasticity of demand for air travel at a national level. The findings of this review are summarized in Chapter 2 and Appendix G of Report to Congress: Child Restraint Systems, Vol. 1 and 2, May 1995. The elasticity values found in the academic literature range from -0.6 to -4.5 . Representative values for business and non-business travelers are presented in Table C.2. Values in Table C.2 can be tailored to the mix of passengers at an airport. Overall weighted values are -0.79 and -1.59 for business and non-business travelers, respectively, with an overall average (assuming the 50/50 mix typical of the nation at large) of -1.2”

New Low-Fare Service by Southwest In 15 Wright Amendment Protected Markets Would Generate 3.7 Million New One-Way Passengers Annually To/From North Texas

Annual O&D Passengers (Millions)

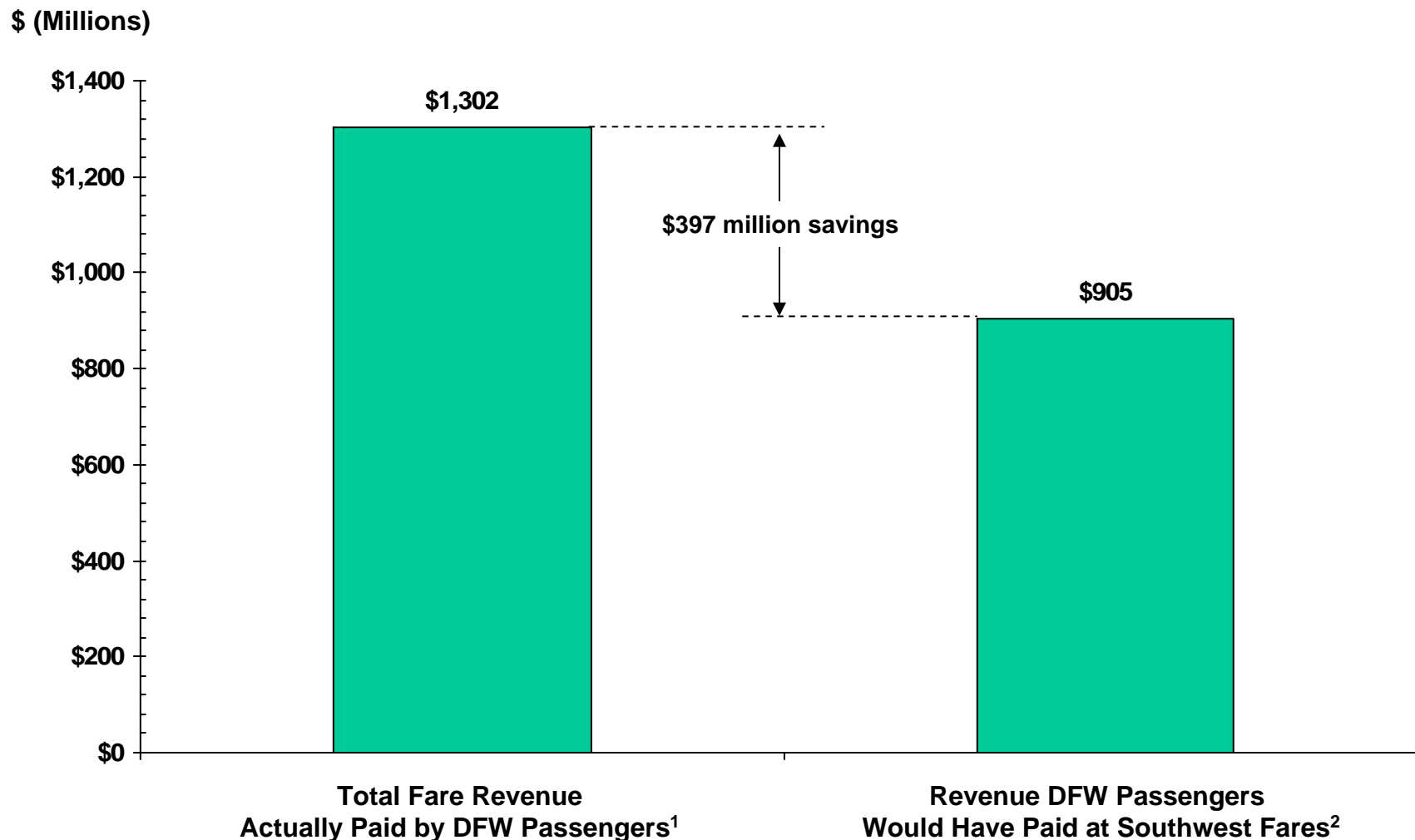


15 Selected DFW Markets Protected by the Wright Amendment¹

¹/ Boston Area, BWI, Chicago Area, LAS, LAX, MCI, MCO, PHL, PHX, RNO, SAN, SEA, SF Bay Area, STL, TPA.

Source: Exhibit 11.

New Low-Fare Service by Southwest in 15 Wright Amendment Protected Markets Would Save Current DFW Passengers \$397 Million Annually



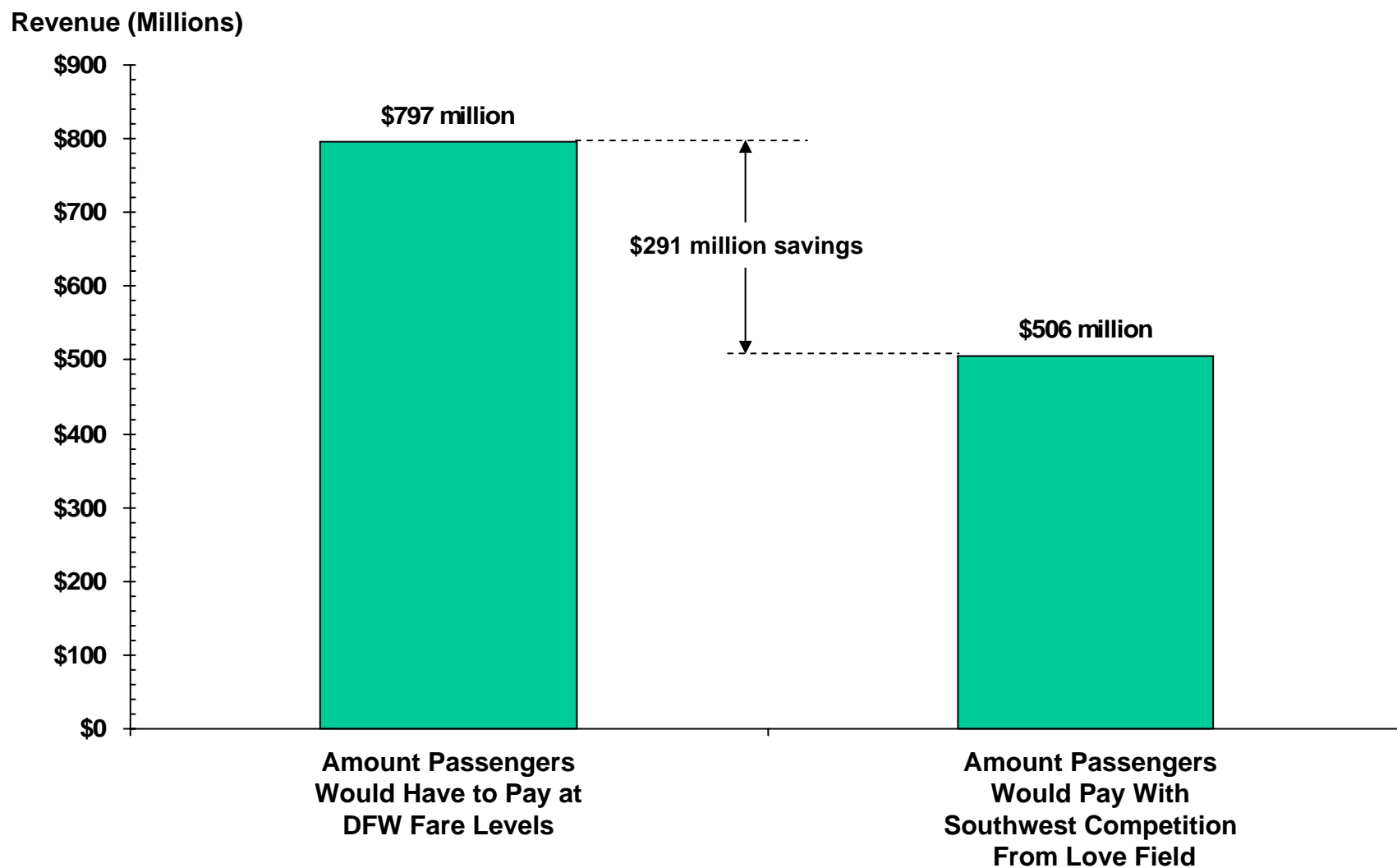
15 Selected DFW Markets Protected by the Wright Amendment³

1/ U.S. DOT, Origin-Destination Passenger Survey, CY 2004, via Data Base Products, Inc. Does not include taxes and other surcharges.

2/ CY 2004 DFW passengers at fares computed from regression of WN system fares as shown in Exhibit 11.

3/ Boston Area, BWI, Chicago Area, LAS, LAX, MCI, MCO, PHL, PHX, RNO, SAN, SEA, SF Bay Area, STL, TPA. Assumes Southwest provides 3 roundtrips per day in each market.

New North Texas Passengers in the 15 New Markets Would Save \$291 Million Annually



15 Selected DFW Markets Protected by the Wright Amendment¹

¹/ Boston Area, BWI, Chicago Area, LAS, LAX, MCI, MCO, PHL, PHX, RNO, SAN, SEA, SF Bay Area, STL, TPA.

Source: Exhibit 11.

North Texas Would Gain \$1.7 Billion Annually in Economic Benefits From Allowing Love Field Competition in 15 New Markets

Assuming Competition in Just 15 Currently Protected Markets:

Total New One-Way O&D Passengers	3,689,238
New Roundtrip Passengers With North Texas as Destination	848,902
Average Economic Benefit per Texas Destined Passenger	\$2,010

**ANNUAL Economic Benefit to North Texas
From New Passengers in 15 Markets**

\$1.7 billion

The Wright Amendment Costs Other Cities and States Beyond the Perimeter an Additional \$1.8 Billion Annually

<u>Examples</u>	<u>Annual Economic Impact</u>
PVD (Boston Area)	\$101 million
BWI	\$43 million
MDW (Chicago Area)	\$196 million
LAS	\$34 million
LAX	\$119 million
MCI	\$123 million
MCO	\$36 million
PHL	\$265 million
PHX	\$169 million
RNO	\$10 million
SAN	\$119 million
SEA	\$145 million
SJC/OAK (SF Bay Area)	\$286 million
STL	\$95 million
TPA	\$41 million

Total economic cost on 15 markets beyond Wright Amendment perimeter	\$1.8 billion
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American Has Doubled the Number of O'Hare Markets Served with Commuter/Regional Aircraft and Increased Departures and Seat Capacity by over 50% since 2000

Destination	Flights	Seats	Flights	Seats	Destination	Flights	Seats	Flights	Seats
ALB			3	132	LSE	4	200	3	150
ATL			4	280	MDT			4	200
AZO	5	250	4	200	MEM	3	150	4	200
BMI	5	250	3	144	MKE	10	500	5	250
BNA			5	284	MLI			4	200
BTR	2	100	2	88	MSN	8	400	7	344
BUF			5	250	NAS			1	70
BWI			2	140	OKC			6	380
CHA	3	150	2	100	OMA	5	250	4	240
CID	4	200	7	350	ORF			2	94
CLE	8	400	8	468	PIA	6	300	5	238
CLT			5	250	PIT	5	250	4	200
CMH	8	400	8	414	PNS			1	50
CMI	6	300	7	350	RDU			3	144
COS			2	140	RIC			4	188
CVG	5	250	7	332	ROC			5	270
DAY	5	250	3	150	RST			5	250
DBQ	4	200	4	194	SBN	6	300		
DLH	3	150			SDF			5	238
DSM	5	250	7	390	SGF			3	150
EVV	5	250	6	300	SWF			3	150
FWA	5	250	4	200	SYR			5	250
GRB	4	200	5	244	TOL	6	300	4	200
GRR	8	400	6	300	TUL			1	44
GSP	4	200	2	100	TVC	3	150	2	100
HPN			7	412	TYS			4	200
HSV	3	150	2	100	XNA	7	350	5	310
IAD			5	250	YOW			3	150
ICT			4	200	YUL			3	150
IND	9	450	6	294	Grand Total	164	8,200	249	12,904
JAX			3	150	# of Destinations	31		60	
LEX			2	88					
LIT			4	200					

Note: Commuter aircraft are defined as those aircraft which have less than 75 seats.

Source: Official Airline Guide, schedules for November 10, 2000 (November 2000 Max) and November 10, 2005 (November 2005 Max)

During the Past Five Years Southwest Has Started Twenty New Chicago Routes and Increased Daily Departures Almost 70%

	November 10 Aircraft Departures		November 10 Seat Departures			November 10 Aircraft Departures		November 10 Seat Departures	
	2000	2005	2000	2005		2000	2005	2000	2005
ABQ	-	2	-	274	PHX	2	8	274	1,096
ALB	-	2	-	274	PIT	-	6	-	822
AUS	-	1	-	137	PVD	3	4	411	548
BDL	2	3	274	411	RDU	3	4	411	548
BHM	2	2	274	259	RSW	-	2	-	274
BNA	9	8	1,188	1,096	SAN	-	4	-	548
BUF	-	2	-	274	SAT	-	1	-	137
BWI	8	9	1,096	1,233	SDF	7	6	929	807
CLE	8	8	1,036	1,081	SEA	-	3	-	411
CMH	6	7	807	959	SJC	-	1	-	137
DEN	-	4	-	548	SLC	-	1	-	137
DTW	11	8	1,447	1,066	SMF	-	2	-	274
FLL	1	5	137	685	STL	15	11	1,980	1,492
HOU	2	6	274	822	TPA	2	7	274	959
IND	5	4	655	533	TUS	-	1	-	137
ISP	2	7	274	959					
JAN	2	2	274	259		121	204	16,172	27,783
LAS	2	10	274	1,370					
LAX	-	7	-	959					
LIT	1	1	137	137	Increase: - No.		83		11,611
MCI	18	12	2,406	1,599	- %		69%		72%
MCO	2	7	274	959					
MHT	2	4	274	548					
OAK	-	6	-	822					
OMA	6	6	792	822					
ORF	-	1	-	137					
PDX	-	1	-	137					
PHL	-	8	-	1,096					