

**Testimony of  
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**Before the  
United States Senate Committee on Commerce, Science and Transportation  
Subcommittee on Aviation**

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Mr. Chairman, I am Gerard Arpey, Chairman and Chief Executive Officer of AMR Corporation, parent company of both American Airlines and American Eagle Airlines. On behalf of our nearly 100,000 employees worldwide, I thank you for the opportunity to testify today on the critical importance of maintaining the federal law commonly referred to as the Wright Amendment.

For the last 26 years, the Wright Amendment has helped ensure a balance in the Dallas/Fort Worth aviation infrastructure. In the late 1960s, the leaders of Dallas and Fort Worth, at the urging of the Civil Aeronautics Board, decided to join together and invest their resources in one world-class airport rather than in two small, competing facilities. The results speak for themselves. DFW has grown into a major international gateway — American and American Eagle alone provide nonstop service to 28 international destinations — and the engine that drives the regional economy, both as an employer and as a magnet for corporate relocations.

Our hub at DFW International Airport is an important part of our operation. When DFW was built, both Dallas and Fort Worth intended to close all the other local airports to commercial airline service, including Love Field. Every airline serving those cities was told they would have to move their operations to the new airport, and in 1970, every airline signed an agreement committing to do so.

At that time, Southwest Airlines had not yet begun operating, so it was not asked to sign the agreement. To the consternation of virtually everyone involved, when the new DFW Airport opened in 1974, Southwest – which had started its Love Field service by that time – refused to move with everyone else. Their refusal led to litigation enabling them to stay at Love Field – providing intra-Texas service only – while American and their other competitors were forced out.

When Southwest later sought to fly outside of Texas from Love Field, more legal wrangling ensued, and ultimately a compromise was reached. Southwest and representatives of the local communities drafted and agreed to federal legislation – now famously known as the Wright Amendment – allowing Love Field to remain open, but become exclusively a short-haul airport with service limited to markets within Texas and the four contiguous states. The law’s provisions are not uniquely applied to Southwest. They apply to every airline. Meanwhile, any airline, including Southwest, remained free to fly anywhere in the country from the DFW Airport.

For the past quarter century, as we – and dozens of other carriers – slugged it out at DFW, Southwest has *chosen* to restrict its Dallas flying to Love Field, where it has been able to exploit its near-monopoly and grow itself into a large and very successful airline.

During that time, DFW International airport has become an engine for economic growth in the North Texas region. The billions of dollars of community, private, and federal investment at DFW have ensured access to worldwide markets for the region, access to those same markets for small and medium-sized cities across the nation, and an outstanding facility where 23 airlines compete today.

Today, DFW’s role in the North Texas economy is more important than ever. As we have stated publicly many times, airline competition is good, airport competition is bad. If Love Field had been a non-constrained infrastructure for the last 31 years, the massive public and private investment in DFW would have been jeopardized. All airlines would have been torn between offering service at a superior, central airport, DFW, or flying from the older, smaller airport,

Love Field, with the sole advantage – though an advantage that can not be underestimated – of a location that is 12 miles closer to approximately 60 percent of the local population. Many of the carriers serving the region would have chosen to offer flights only at Love Field.

The decision to build DFW, and close all the other local airports to commercial service, was made long before American Airlines had such a major presence in Dallas/Fort Worth. In fact, when DFW was opened, American was only the third or fourth largest presence at the airport. The Wright Amendment was in no way created with American Airlines specifically in mind.

Indeed, the battle over the Wright Amendment is less a story of American and Southwest and more a story of the importance of hubs to cities, large and small, connected by the U.S. air transportation system to domestic and international destinations.

In early October, ECLAT Consulting Group, a highly-respected independent aviation firm, released a study assessing the impact of potential repeal of the Wright Amendment on air service in communities throughout Texas and the nation. The study concluded that repeal would lead to a net loss of 185 daily flights in the DFW market, including the loss of some key international flights.

Although some major cities may receive additional service from Southwest Airlines, a net loss of 185 flights would have a negative economic impact for the North Texas region and a serious reduction in connecting service opportunities for many smaller communities now served by American Airlines and American Eagle through the hub and spoke system. Communities specifically at risk include small towns in Texas, Arkansas, Louisiana, Oklahoma and Missouri.

The hub and spoke system allows airlines to collect and redistribute traffic from cities of all sizes. For those cities that are fortunate enough to be hub cities, like Dallas/Fort Worth, residents enjoy access to significantly more service than could be supported by the economics of their population alone. It is the connecting traffic that makes most international flights economically feasible. The desirability of international flights is one reason so many cities with

new hub airports go to great lengths to make sure these facilities are not undermined by the old airports they replace. This is also what attracts large companies to relocate here.

Without the construction of DFW International Airport, the nation would not have had a North Texas facility that could support a full-fledged airline hub. As a landlocked metropolis with no other port of entry for people and goods, the region could not have grown and prospered as it has for the past 31 years.

Today, DFW stands as the third largest airport in the world in the number of operations, serving 39 nonstop international destinations and 135 nonstop domestic destinations. And DFW connects travelers from across the country to a network of flights. If passengers lose their connection to the network, they will lose opportunities for travel.

If Southwest succeeds in their effort to get the Wright Amendment repealed, American could remain at DFW and match fares to maintain its customer base to the west of DFW. However, almost 60% of American's best customers live closer to Love Field – customers who would choose the closer airport and the airlines that operate there. American can not afford to lose those customers. That is why American and other airlines would seek to start service at Love Field.

If the Wright Amendment restrictions on Love Field are lifted, American and other airlines, to serve the needs of their customers and to lower their facility costs, will shift flights from DFW to Dallas's closer-in airport. That's bad news for DFW and for the North Texas community that enjoys the robust international schedule that the hub makes possible.

A network airline hub requires local passengers from surrounding communities as well as connecting passengers from spoke cities in order to support its vast number of destinations and frequencies. Because American would have to move flights to Love to compete for local passengers, a lot of local traffic would shift away from DFW. With a reduction in flights, connecting opportunities are reduced for passengers flying through DFW. This reduction in

connecting passengers, coupled with the shift of local traffic to Love Field will cause a further decrease in frequencies or loss of service altogether for some communities.

DFW Airport has repeatedly offered Southwest Airlines incentives to move to DFW, where they could fly to any destination they choose and charge whatever they like. In fact, there are over 20 gates just waiting to be used, and Southwest could be in place and competing – in dozens of markets – very quickly if it chose to.

However, by refusing to consider DFW, Southwest is trying to have its cake and eat it too. It is lobbying to remove restrictions on its own flying, while opposing any change to the Love Field Master Plan that limits the number of allowed gates and daily flights. With Southwest controlling 21 out of 26 reasonably usable gates – and by setting a 32 gate maximum – such restrictions deny American or any other airline a chance to establish a meaningful presence at that airport. Southwest is well aware of this outcome.

I want to make it very clear that despite our adversarial roles, I am a great admirer of Herb Kelleher and the entire Southwest team. But on this issue they are simply wrong. The fact is, Southwest has always had the opportunity to fly anywhere it wants, charge whatever it wants, and compete – along with everyone else – at DFW, a world class airport just 8 miles, as the crow flies, from its headquarters. That opportunity is still available to them. But rather than take advantage of this community's enormous investment in DFW, they want to change the rules of the game, again, to their advantage.

In fact, to prove to you how much Herb and I agree, I would like to read to you a statement he made in 1990:

**“We think that there is some merit to the position that there is no city in the United States that has two full-fledged hubs competing against one another successfully. . . we too have to agree as a matter of logic and principle that if you allowed Love Field to come up as a full-fledged hub in opposition to DFW Airport that indeed air service to the Metroplex would suffer to some extent because basically a hub-and-spoke system depends for its success upon attracting passengers from a**

**multitude of spokes that will fill up an airplane going to another destination. If you divide that type of operation between two airports, you're likely to lose service to some of the smaller cities."**

Herb Kelleher's words are as compelling today as they were the day he made them.

From a federal viewpoint, it is important to ask why we would choose to spend even more federal money – scarce tax dollars – to duplicate TSA security services, FAA and air traffic control services, and airport improvement monies at a near-obsolete airport that is simply redundant. DFW International Airport has facilities available for all, the capacity to continue growing for decades, and a location in the region that is accessible for all.

In closing, let me say again: competition between airlines is a perfect reflection of a free market, but competition between airports – public infrastructure – is bad. It reduces the strength of the aviation system in a local region. The only airline pushing for this change in law, Southwest, has consciously chosen operate at the constrained airport for 31 years in order to partake of its inherent advantages. Southwest could actually compete in any market from North Texas by simply choosing to fly out of DFW. Instead, it seeks an act of Congress to legislate a further advantage at Love Field, rather than compete head-to-head with 23 airlines at DFW.

Thank you for allowing me to testify before you today. We look forward to working with members of this committee to ensure that the Wright Amendment remains in place so that all airlines may effectively compete to benefit customers across the country – and the world.