

Statement of Lori Palmer
On Behalf of
The Love Field Citizens Action Committee

Senate Aviation Subcommittee Hearing
November 10, 2005

On behalf of the Love Field Citizens Action Committee, I want to express my appreciation for the opportunity to testify today before the Senate Aviation Subcommittee on current efforts to repeal the “Wright Amendment” at Dallas Love Field in Dallas, Texas.

Love Field Citizens Action Committee has 25 Years of Experience with Dallas Love Field

The Love Field Citizens Action Committee (LFCAC) is a coalition of residents and neighborhoods in the Love Field impact area. The organization was established in 1980 to address the airport’s adverse environmental impact on the large and densely populated community that surrounds the facility to the north, south, east and west. LFCAC’s mission is *to enhance the quality of life in Love Field area neighborhoods by reducing negative noise and air pollution, traffic congestion, and safety risks posed by aircraft operations at Dallas Love Field.*

Over the last two and a half decades, LFCAC has been actively involved in many Love Field issues. Its first major accomplishment was the adoption of Dallas Love Field’s first noise control program, approved by the Dallas City Council in 1981, when citizens filled the Council chambers to demonstrate their strong dissatisfaction with increasing airport noise. During the subsequent 24 years, the citizens’ organization has worked on many fronts to try to create a balance between the interests of the airport and interests of the densely populated community surrounding it.

During these two and a half decades, the Love Field Citizens Action Committee LFCAC has developed a solid understanding of Love Field's operations and their impact on the environment. It has participated in 23 years worth of Noise Abatement Advisory Committee meetings at Dallas Love Field, researched and recommended municipal ordinances to address noise impact, visited with elected officials at the local and national levels, testified before the U.S. House of Representatives Subcommittee on Aviation (1991), submitted legal briefs to state and federal courts and promoted a series of voluntary noise abatement procedures at the inner city airport including one of the earliest and most comprehensive noise monitoring systems in the country. Most recently, the LFCAC actively participated in the development of the Love Field Master Plan, approved unanimously by the Dallas City Council in April 2002 and by the Federal Aviation Administration.

Dallas Love Field Operations Impact Large Area in Population and Value

According to the Love Field Master Plan, the Noise Impact Area of the Dallas Love is 25.4 square miles. The estimated population was 89,307 in the year 2000 – a population figure that has, undoubtedly, grown in the five years since then. What do we know about the value of residential properties within the 55 DNL or greater Love Field Noise Impact Area? Again, according to the Love Field Master plan, in the year 2000, the estimated market value of the residential properties was \$5.3 billion. The taxable value of all residential properties was approximately \$3.9 billion and the total annual property tax contributions from those residential properties was \$95.6 million. Undoubtedly, these values have increased as well since the year 2000.

Dallas Love Field is an inner-city airport located on only 1300 acres. Densely populated residential communities with single-family homes, apartments, schools, parks, recreation centers, libraries and retail businesses surround it on all sides. Planes that take off and land at Dallas Love Field must fly over neighborhoods that are homes to thousands of residents. The airport is locked in on all sides by single-

family homes, churches, parks, schools, apartments, and retail businesses. There are no “clear zones” in the event of an emergency on take off or landing.

As an example, near Love Field, less than a mile off the end of Runway 13R, there is a school named T.J. Rusk Middle School. Each school day, its 690 students and 45 teachers attend class while over 100 Southwest flights take off or land overhead, so far without incident. Across the street from T.J. Rusk is a day school and 200 yards away is Maple Lawn Elementary School with 829 students and 50 teachers. These children and teachers occupy classrooms just below what pilots call *short final*, which means less than one minute from landing at an altitude of 300 feet. Going the other way, on takeoff, these children and their teachers are directly below the planes as the landing gear is retracting. There are four ways to take off or land at Love Field. All of them impact neighborhoods.

History of the Wright Amendment – A Community Perspective

In 1968, Dallas and Fort Worth adopted the 1968 Regional Airport Concurrent Bond Ordinance that called for the eventual phase-out of certificated air carrier services at Love Field. Homeowners and others began to anticipate the eventual change at the airport, looking forward to a future time when all air carriers would move to the new regional airport. As a result of the bond ordinance’s adoption by the two cities, many residents made the decision to stay in their homes rather than move away. Other residents made the decision to move into the neighborhoods and buy homes. They too believed that all air carrier operations would move to DFW Regional Airport. They felt secure about the future

When the new DFW Airport opened in early 1974, all air carriers but one moved to the new airport. Southwest Airlines had managed to stay at the inner city airport due to its intrastate status with flights to Houston and Austin. Although residents expressed concern that the intent of consolidating all air carrier

operations at DFW Airport had not yet occurred, the issue of noise was not serious because the number of daily takeoffs and landings was small during the first few years as SWA flew its intrastate routes.

Gradually, however, the number of SWA's daily operations increased, as did their noise impact on Dallas neighborhoods surrounding Love Field. Not only did the number of operations and noise increase, so did the level of alarm on the part of residents who had been told that air carrier traffic at the airport would become a thing of the past. Residents' concern grew stronger in 1979 when SWA started interstate service to New Orleans. Residents felt angry and betrayed.

When the Wright Amendment was enacted into law in early 1980, permitting interstate traffic to the four states adjacent to Texas, it translated into additional take-offs and landings over homes, schools, churches, parks, and nearby businesses. In a matter of months, homeowners from 14 major neighborhoods around Love Field coalesced and established the Love Field Citizens Action Committee.

Wright Amendment Becomes Critical Component in Love Field's Noise Abatement Program and Love Field Master Plan

In subsequent years, the Wright Amendment came to be recognized as a key assumption and component in Love Field's Noise Abatement Program by creating the foundation for balancing the needs of the airport with the needs of the surrounding community. It also created the foundation for balancing the role of Dallas Love Field in providing short-haul service with that of DFW International Airport in providing long-haul service.

In the year 2000, the Dallas City Council commissioned the Love Field Master Plan. DMJM Aviation, a nationally and internationally recognized aviation consultant, conducted the study.

The development of the Love Field Master Plan was based squarely on the assumption that the Wright Amendment would remain in effect. As stated on page 1 of the Executive Summary of the Airport Impact Analysis/Master Plan, “the study was undertaken by the City to determine the highest practical use of Love Field within federal guidelines, while maintaining balance with the environmental and socio-economic impacts that might result from increased use of the airport.”

Also stated on page 1 of the document, “the technical approach to the study centered around a demand analysis which established the market demand profile and growth potential of Love field given the restrictions imposed by the Wright/Shelby Amendment which were assumed to remain in effect.”

Love Field residents played a key role in the master planning process due in large part to the fundamental operating assumption that the Wright Amendment would remain in place. Although the Master Plan forecasted aviation growth at Love Field, it would be within the parameters of the Wright Amendment, occurring mostly in smaller and quieter regional jets over an extended period of time resulting in minimal impact on the noise contours.

Members of the Love Field Master Plan Advisory Committee included Southwest Airlines, American Airlines, Continental, Delta, general aviation, the Love Field Citizens Action Committee, neighborhoods, and Love Field area businesses. New Legend Airlines also participated for a short period of time before it went out of existence due to a bad business plan.

At the completion of the study, all the parties signed a Consensus Statement. Language in the statement included the phrase, “The Wright/Shelby Amendment is assumed to remain intact.” The first signature on the Statement was SWA’s representative, a corporate vice president.

Very much because of this agreement among the diverse parties, the Dallas City Council unanimously approved the Master Plan in April 2002 after what can only be described as a tremendous community effort to reach a historic agreement on the future of this center city airport. The Master Plan was heralded as a resolution to more than two decades of public conflict regarding Love Field, its impact on neighborhoods, and its role in the North Texas transportation system.

SWA's Betrays the Master Plan and the Community

Then, on November 12, 2004, the chief executive officer of Southwest Airlines announced a corporate assault on the Wright Amendment, dropped like a bombshell, at a public breakfast meeting. In so doing, SWA broke apart the carefully constructed Master Plan consensus and destroyed the spirit of good will and trust that had shaped the plan for Love Field's future.

In its subsequent public relations strategy, SWA would have its target audience believe many things. For example, it would have one believe that it had never wanted the Wright Amendment and that it had actually strongly opposed it. In fact, the airline was delighted to have the Wright Amendment in place, making it possible for SWA to expand its service to four additional states under its protection.

SWA would also have its target audience believe that the Wright Amendment prevents the airline from flying to other states directly from Love Field. In truth, SWA can fly out of Love Field today to any destination it wants in aircraft of 56 seats or less.

In addition, SWA would have its target audience believe that the removal of the Wright Amendment would have no greater negative affect on the neighborhoods around Love Field than what is provided for in the Master Plan's future forecasts. In fact, if the Wright Amendment were removed, a change in the future fleet mix of the airport would predictably occur to service new long haul markets. Future increases

in daily operations would not be in regional jets – as forecasted in the Master Plan – but rather in larger and louder planes including MD80's and other aircraft. This, in turn, would result in increased noise and ground traffic, well beyond that which was projected by the Master Plan. In reality, long haul flights require significantly more fuel than current Wright Amendment destination flights. Planes would be closer to the end of the runways before liftoff and lower over neighborhoods for a longer periods of time at full thrust before reaching the 1000 feet of altitude, required for a pilot to cut the power back to reduce noise. Long haul service of Love Field would mean longer flights, more fuel, heavier planes, longer take offs, airplanes lower over the neighborhoods and louder noise. In other words, Longer, Lower, Louder.

In addition, SWA would have its target audience believe that the Master Plan, as written, would still protect the neighborhoods. In fact, however, the Master Plan would not protect the neighborhoods in a post-Wright Amendment Love Field because no studies were done on that assumption. There would be no way to guarantee the maximum of 32 gates provided for in the Master Plan, which was a significant basis for the historic consensus. In truth, any future City Council in the future could decide to commission a new master planning study to accommodate the certain increase in demand from other airlines for additional gates at Love Field from which to serve long-haul destinations. Nor could the Master Plan enable mandatory noise restrictions, now prohibited by a 1990 federal law. Consequently, any size plane could fly in and out of Love Field to any distant location as many times a day as desired at any of the day and night.

The Love Field Master Plan would very likely be the first casualty if the Wright Amendment were eliminated along with its 32-gate maximum. SWA already controls 21 of these gates; 14 on the West Concourse and 7 on the North Concourse where the airline currently has its training facility. Backing out the 6 gates located at the former Legend Terminal off of Lemmon Avenue on the other side of the airfield, there would remain only 5 gates in the Main Terminal for other airlines that might also want to serve long haul markets out of Love Field. Other airlines seeking to serve Love Field would inevitably sue the City

of Dallas to eliminate the gate limitation portions of the Master Plan. It is unlikely that the City of Dallas could legally sustain the Master Plan without the Wright Amendment in place.

SWA's Monopoly at Love Field

To give perspective to the current debate, it is helpful to examine the comfortable position that Southwest Airlines enjoys at Dallas Love Field beginning with the fact that it has established a strong monopoly at with a market share as high as 100% and currently between 95% - 96% in 2005.

There are financial benefits as well at Love Field. For example, Southwest Airlines currently flies into 60 airports. Fifty-five of those airports have a Passenger Facility Charge (PFC) ranging from \$3.00 to \$4.50. Only five of those airports do not have a PFC. One of them is Dallas Love Field.

In addition, each of the 60 airports that SWA flies into has a landing fee, ranging from \$0.29 to \$4.47 per 1000 pounds of landing weight. Dallas Love Field is near the bottom of the list with the second lowest landing fee at only \$0.35, based on the same rate structure that has been in place for two decades. This landing fee is extremely low by industry standards.

Recently, the financial health and management practices of Dallas Love Field have received attention. In February 2004, Moody's downgraded Love Field's bond rating to Baa2. The airport was only one of two airports that were downgraded that year, putting Dallas' airport near the bottom of the list of airports in the United States.

The report stated, "In Moody's opinion, the airline payments based on the rates and charges ordinance have not been adjusted to cover the increased cost on a per unit basis as a result of the steep declines in enplaned passengers. In fact, airline payments have actually decreased over this volatile time, which has

put additional pressure on non-airline revenues and have caused the City to use cash balances in reserve for future capital expenditures. The use of these cash balances to make up the difference in operating revenues is a key factor in the rating downgrade.”

Per Moody’s report, Dallas Love Field had to supplement by \$8.9 million and \$5.1 million, respectively, from excess bond proceeds and its restricted capital funds in order to meet their bond covenants for FY2002 and FY2003. In addition, Moody’s reported that the airport planned to continue to draw down on its capital funds to supplement operations through FY2008. Based on reviews of the airport’s FY2005 and FY 2006 budgets, Love Field has continued to plan for deficits. It is currently anticipated that the airport’s restricted cash account will be reduced from \$84.3 million in FY 2002 to \$28.5 million in FY 2009. This is significant deterioration given that annual revenues are only approximately \$30 million per year.

Seven months later, Standard and Poor’s also downgraded Dallas Love Field in September 2004, stating that it lowered its underlying rating issued for Dallas Love Field from A- to BBB as a result of the airport’s continued weak financial performance, generating debt service coverage on a cash flow basis of less than 1x in fiscal years 2002 and 2003 with debt service coverage on a cash flow basis not forecasted to be above 1x until 2009.

The report noted the airport does not need to generate sufficient revenues to meet its obligations because it can rely on other fund balances practice of paying. The report further noted its concern with declining unrestricted cash balances. According to the report, overall for fiscal 2003, the unrestricted cash position was equivalent to 171 days’ cash on hand.

Four months later on January 14, 2005, the Office of the City Auditor of the City of Dallas issued a report entitled “Aviation Lease and Rental Agreements.” In this report, the auditors stated the following findings:

“The reasonableness of Love Field rates, as established by the Aviation Department, is questionable Aviation management’s reluctance to adjust rental rates demonstrates that it has not fully assessed the circumstances that could make the airport(s) self-sustaining. Rates have remained the same despite rising costs for utilities and significant increases in security costs resulting from the September 11, 2001 tragedy.”

The report noted the operating loss in recent years and reminded management that cash earmarked for capital projects is a restricted asset and is not available for airport operations and maintenance. The auditor reiterated that the management should strive to make the airport self-sustaining. The audit concluded that the airport should “strive to make the Airport self-sustaining by developing rates and fees based on market conditions and based on its financial position and obligations.”

LFCAC finds it hard to understand why airport management would plan to operate at a deficit, degrade its capital fund balance that will be required in the future, and incur a bond downgrade when airport management could easily raise landing fees and/or terminal rents to mitigate the situation. Pre-September 2001, Love Field was one of the highest rated airports in the United States (A1 Moody’s/A S&P) with credit strengths that included low costs of operations and very strong liquidity (cash on hand). During the years since September 2001, there has been a dramatic downturn in the financial performance of the airport with insufficient revenues to pay operation and maintenance expenses and debt service. This has resulted in the airport using cash in the construction account to meet debt service requirements instead of increasing other fees sufficiently such as airline rates and charges. In other words, the airport’s construction fund is subsidizing the operations of Southwest Airlines at Love Field.

Although the use of surplus revenues to pay debt service is allowed under the bond ordinance, this is not a common practice of commercial service airports in the United States. To that point, the current Baa2/Moody's and BBB/S&P rating of Love Field are some of the lowest in the U.S. and are definitely lower than any major city airport especially given the City of Dallas' AA ratings (the County of Dallas is rated AAA).

In summary, given SWA's dominant position at Love Field, it becomes reasonable to question whether SWA has exerted any influence or control over these pricing decisions. It is also reasonable to wonder if this may help explain why the airline steadfastly refuses to move to DFW International Airport, even when offered significant financial incentives.

Public Policy Debate Launched for Whose Benefit?

The current debate is a major public policy issue with many complex elements and potential negative impacts on the regional aviation system of North Texas, the future of DFW and the passengers and businesses that it now serves, the economy of North Texas, the tax base of Dallas, and the lives of 10s of thousands of people who reside in the large noise impact area of Dallas Love Field.

It is not about low fares; rather it is about one airline that has built a monopoly at Dallas Love Field as a result of the Wright Amendment and which now wants to get rid of it in order to further expand its monopoly and, thereby, discourage its low-fare competitors from serving or expanding service at DFW.

It is about one airline that wishes the elimination of a law in order to serve its singular corporate interest.

It is about one airline that betrayed the community in which its corporate home exists, destroyed the community consensus that had, at last, been achieved after more than two decades of conflict, and set upon a campaign to unravel the very foundation and successful relationship between two airports that are

only 8 miles apart -- each of which has an important role as a long-haul facility and as a short-haul facility in serving North Texas.

As noted by Norm Scroggins in his testimony before the U.S. House of Representatives Aviation Subcommittee in 1991, the airports share the most complex air space in the United States. (Norm Scroggins had 37 years in air traffic control and served as the Manager of all air traffic control towers in North Texas for six years before his retirement.)

It is about one airline that says it wants competition and yet, by its actions, is doing everything possible to expand a monopoly and prevent competition – both at Love Field and at DFW.

Summary: The Wright Amendment Provides Necessary Balance

The Wright Amendment is the best approach to balancing a number of environmental and aviation related factors in Dallas and in the Dallas/Fort Worth region. It balances the operations of an inner city airport with the environmental impact of those operations on the surrounding community. It balances the role and niche of an inner city airport that provides short-haul service and that of a regional airport that provides long-haul service by creating an air transportation system that is both efficient and effective.

A repeal or weakening of the Amendment would destroy the balance between Love Field operations and the quality of life of our neighborhoods. It would bring more noise, air pollution, and traffic congestion than had been anticipated in the Love Field Master Plan. It would bring renewed public conflict that would jeopardize the economic viability of much of Dallas' vibrant center city that is impacted by Love Field operations. It would destabilize the North Texas air transportation system.

The Wright Amendment is not about preventing low fares -- for, in fact, low fares can benefit a much larger North Texas flying public at DFW International Airport if SWA were to establish service there. Instead, the Wright Amendment is about balance, fairness, good sense, and sane public policy; it should be left as is.

* * * * *

(Lori Palmer was founding president of the Love Field Citizens Action Committee and served on the Dallas City Council for eight years. Dallas Love Field was located in her City Council district as were most of the neighborhoods impacted by airport operations. She currently serves as a consultant to the LFCAC.)