

**Before the
United States Senate Committee
on Commerce, Science and Transportation
Hearing on the Wright Amendment
November 10, 2005**

**William S. Swelbar
President and Managing Partner
Eclat Consulting, Inc.**

Introduction

Good Morning Chairman Burns, Senator Rockefeller, and other Members of the subcommittee. My name is William Swelbar. I am President and Managing Partner of Eclat Consulting, Inc., a firm that specializes in assessing economic, financial and regulatory issues and their impact on commercial air transportation companies and the industry. I am appearing today as the principal author of a study performed for American Airlines entitled: “Repealing the Wright Amendment – Risks Facing Small Communities and the Dallas Metroplex”.

While this issue would appear to be a Dallas/Ft. Worth issue only; it is not. It may appear to be a Southwest and American issue only; it is not. It may appear to be an issue only for those 8 states currently named in each the Wright and Shelby legislation; it is not. It may appear to be a simple issue; it is not. This is an issue that touches 95 cities in 29 states and the District of Columbia and Puerto Rico.

Eight members of this subcommittee are from states that have large hub and spoke airport operations. Twelve members of this subcommittee represent states that are dependent on hub and spoke systems for access to the U.S. air transportation system and at least twelve members represent states that we estimate to be negatively impacted by repeal. The analysis that is the core of our work done for American could be applied at virtually any air carrier hub and spoke operation. Depending on the scope and scale of that operation, the results of lost service to communities dependent on any respective hub operation would be similar.

Findings

I would like to summarize three basic findings of the study:

First, smaller communities must rely on large hubs for effective service. Only network airlines, like American, Continental, Delta, Northwest, United, and others, which have invested billions of dollars in smaller aircraft and in building large hub operations, can effectively serve those smaller communities. Their ability to serve small communities is directly tied to their ability to redistribute traffic to multiple cities that are generally too small to support stand-alone service between two points.

Airlines that are referred to as LMOs (Large-Market Oriented Airlines), such as Southwest, do not and cannot serve smaller communities. Instead, their focus is on serving much larger cities where they are able to find enough passengers to fill larger aircraft with passengers going to a single destination.

Second, hub operations are fragile. That is why industry and market changes have resulted in the closure of many smaller hubs, such as Nashville, Raleigh, Columbus, Dayton, Pittsburgh, and Reno. Hubs rely on an elaborate web of interdependencies among the large and small cities they serve. As individual flights to and from the hub are impacted, so too are many other flights. It is a cascading effect.

Hubs cannot survive just on the basis of connecting passengers. And that is a critical point for DFW. If local Dallas/Ft. Worth passengers shift to Love Field, the DFW hub must and will be impacted. And it will be impacted to a much greater extent—several times greater—than the number of passengers who decide to use Love Field instead.

The mechanics of airline networks are complicated, but suffice it to say that it takes very little time to degrade a hub operation. And the scenario painted points to a net loss of airline operations at DFW and for Metroplex.

Third, the so-called Southwest Effect is yesterday's benefit, still being claimed today. Ten years ago, it was true that new service by Southwest resulted in a large increase in the number of passengers flying. Now, however, almost every large community in the country already has service from one or more of the LMOs (including Southwest, jetBlue, Frontier, Spirit, ATA and AirTran). When Southwest or another LMO enters a new route today, the result is predominantly to change travelers' driving patterns. The travelers were going to fly anyway—they are not new passengers—but now they drive to a different airport than the one they previously used.

In industry terms, the primary result of repealing the Wright Amendment would be to **divert** traffic to Love Field, not to **stimulate** it (or increase it) for the region. We are confident of this finding, and it is documented in our study.

I should also point out that one of the industry myths is that consumer benefits are due solely to LMOs. That is simply not the case, as intense competition (perhaps too intense under the current macroeconomic environment) has resulted in a myriad of travel options in cities of all sizes.

Conclusion

As the Fort Worth Star-Telegram wrote on Sunday, November 6, this is “Not that Simple.” It is a complicated issue that has Dallas/Ft. Worth roots with far reaching tentacles. There are many other tangential issues relating to this debate that we have addressed in our study.

For a student of the industry, the effort to repeal the Wright Amendment appears to be an effort to change the economic framework of the industry to benefit one carrier at the expense of not only Dallas but also the cities that rely on DFW today. The LMOs that would benefit from such a change simply do not have the right sized aircraft today to profitably serve city pairs like Birmingham, AL to Dallas multiple times a day. Repeal of the Wright Amendment would mean those cities will continue to experience a decline in service.

Before any action on this important issue is taken, please rely less on sound bites about the enormous economic benefits that will be derived from the repeal of the Wright Amendment and rely more on analysis of a network industry where interdependencies exist at each and every corner. This is just one example of the fragility of network architecture and there will probably be other ramifications for other carriers and hubs as well.

I thank you for the opportunity to present my views, and request that my testimony and a copy of the study entitled “Repealing the Wright Amendment – Risks Facing Small Communities and the Dallas Metroplex” be entered into the record.