

UNGARETTI
& HARRIS

October 15, 1997

WASHINGTON
1747 Pennsylvania Ave. N.W. Suite 400
Washington, D.C. 20006-4604
Telephone: 202 872 4310
Fax: 202 331 1486

VIA MESSENGER

CHICAGO
3500 Three First National Plaza
Chicago, Illinois 60602-4283
Telephone: 312 977-4400
Fax: 312 977-4405

<http://www.uhlaw.com>

Mr. Tom Ray
Senior Trial Attorney
Office of the General Counsel, C-30
Department of Transportation
400 Seventh Street, S.W.
Washington, DC 20590

Dear Tom:

This is a follow-up to your discussion with Paul Olsen. Over the last several months, there has been numerous statements by various parties threatening litigation over any new service at Love Field whether permitted by DOT interpretation or by statute.

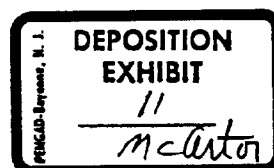
During the last year American has made it clear that it will protect its dominance in the marketplace. If there is any question as to whether American and its surrogates would take all possible steps to block Love Field service, I note the following:

1. Bob Crandall has publicly stated that he will sue everyone in America to close Love Field if the Wright Amendment is changed in any way
2. Ray Hutchison, as DFW bond counsel, has advised City of Dallas officials that bond holders would sue if Legend was allowed to operate as proposed.
3. Fort Worth City officials have stated that they will challenge the City of Dallas' right to allow operations beyond the existing perimeter States in any size jet.
4. American has been subsidizing various civic and corporate entities to generate opposition to new service (see attached article).

Crandall, Hutchison and Fort Worth officials were true to their words -- they have sued to close Love Field.¹ On Friday, October 10, 1997 the City of Fort Worth sued the City of Dallas, Dallas/Ft. Worth Airport Board, Legend, Dalfort and others to stop any additional competition at Love Field (a copy of the papers they filed is attached). This suit is another attempt to close

¹ In 1992, Ft. Worth sued Dallas when the Dallas City Council entertained a plan to propose modifying the Wright Amendment. Dallas got the message! When Dallas dropped the idea, Ft. Worth withdrew its court action.

ray.ltr



LAI 00163

JNGARETTI
& HARRIS
Mr. Tom Ray
October 15, 1997
Page 2

Love Field. If successful, the litigation could also be a fatal blow to Southwest Airlines and close Meacham Airport and Alliance Field.

Bob Crandall's statement, "If the Wright Amendment is ever changed, we'll sue everybody to close Love Field," was a call to action and they have been ready to tie this issue up in court for years. It is interesting to note how the Fort Worth parties and American officials have been making similar threats for the past several months. Considering that they have been meeting, working together and are represented by the same parties, it is not surprising that they have an identical interest -- maintaining American's dominance over the DFW market. Counsel for the City of Fort Worth also represents American (filed brief in Fifth Circuit) and Dee Kelley, lead partner in the firm is on American's Board of Directors.

By filing against the City of Dallas, American and its surrogates may hope to force Dallas officials to slow down any actions that would permit Legend or other carriers to operate at the airport. They know that by delaying the start-up of a new carrier and increasing its costs that the carrier may be driven out of the marketplace. This type of collusion and anti-competitive behavior should not be tolerated, particularly at a time in which there are few new carriers in the system.

I hope that the Department will carefully review these and other actions taken by those that will do what it takes to eliminate competition in a market already among the nation's most concentrated. These practices are contrary to competition and the effort of this Administration to enhance competitive airline service.

We will not make a decision on the Fifth Circuit case until we have completed our review of the Fort Worth litigation.

Please call if you have any questions.

Sincerely,



Edward P. Faberman

Attachments

cc: Paul Olsen
Allan McArtor

LAI 00164