A Conversation with Jeff Fegan

Outgoing D/FW Airport Chief Cites International Growth as Key to Future

Jeff Fegan, chief executive officer of Dallas/Fort Worth International Airport, is retiring after 19 years of leading what has become the world's fourth-busiest airport. He reflects on the facility's evolution and its impact as a driver of regional economic activity.

Q. How much have D/FW Airport's operations grown during your tenure and how has the airport's stature changed in the past two decades?

At the time of my appointment as CEO for D/FW, it had flights to 24 international destinations and 113 domestic markets and was listed among the busiest airports in the world. Today, D/FW has service to 201 total destinations; 53 of those are international cities and the other 148 are domestic. More importantly, D/FW continues to serve the economic interests of the Dallas–Fort Worth region by attracting new air service, giving our community direct access to five continents and connectivity to the entire world.

D/FW has now become one of the most highly regarded airports in the world for customer service, having been ranked among the top 10 large airports worldwide for seven straight years in surveys by Airports Council International. That organization constantly asks hundreds of thousands of international passengers about their airport experiences.

Q. What makes D/FW different from other large U.S. airports? What role does the vision of the airport's early backers have in its continuing operations?

D/FW Airport differs through its governance; it is owned by the cities of Dallas and Fort Worth and operated by a board of directors that includes the mayors of the two owner cities. That governance and the board's support of our management team make it possible for D/FW to seek continuous improvement and a culture of excellence and to look for ways to set itself apart from other airports. That kind of culture of excellence shows itself in many ways, such as when you see D/FW leading the airport industry on initiatives like sustainability, airfield safety, fire training, research and customer satisfaction.

The airport's founders had a vision that it needed a lot of land. They were very wise to gather 18,000 acres of farmland and put it to use as an airport—that land continues to pay dividends to this day. D/FW uses it not only as a buffer zone for noise, but also for appropriate commercial development—leases and warehouses, for example—that we are doing in cooperation with our city neighbors. As D/FW develops its land, those projects add revenue, making the airport more cost competitive for airlines to operate here.

Q. In the early 1980s, D/FW was a hub to three airlines; now it's just American Airlines. How did that happen, and what are the trade-offs of single-carrier dominance?

When Braniff Airways collapsed in 1982, the hub-and-spoke-system we know today [in which an airline feeds its passengers into a hub for connecting service] was really in its infancy. It was an outgrowth of airline deregulation from the late 1970s, as was Braniff's collapse. American Airlines really developed the hub system to its full potential using D/FW as its largest hub and home base, to the point that Delta eventually shrank its hub at D/FW in 2005.

American holds about 85 percent of the market share at D/FW. However, that does not mean that airlines don't have competition at D/FW because our airport has low-cost carriers serving about 40 markets and competitive flights to most major cities. We've added a record amount of new airline service in recent years, including international carriers such as Qantas and Emirates, and we've seen a lot more low-cost service, with carriers such as Virgin America, JetBlue and Spirit Airlines starting service. With single-carrier dominance, as you put it, the D/FW market also enjoys a lot more air service than other population centers of its size because it is American's largest hub.

Q. How will D/FW's competitive position change with the end of Wright Amendment limitations on flights at nearby Dallas Love Field in 2014?

We don't anticipate we will see a lot of changes at D/FW based on the end of these restrictions. The airlines already serving D/FW today will continue to do so. You might see some additions of new cities from Love Field, but those cities are already served by airlines out of D/FW, so the competition will simply increase.

We are working very hard on improving our facilities, primarily through the Terminal Renewal and Improvement Program. We will renovate D/FW's four original terminals with new infrastructure, new parking, new concessions, new technology and new amenities for passengers, to be completed in 2017. The terminals date back to the opening of the airport, in 1974, and a lot has changed since then, so we are adapting to the new needs of the modern traveler.

Q. How has the revenue stream from more than 100 natural gas wells on airport property changed how D/FW does business? Do they provide a buffer against the cyclical nature of air travel?

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The revenue stream from the natural gas wells has not changed anything about D/FW business operations. From the start, the natural gas revenues were earmarked for capital accounts, and so the money [$15 million in royalties in 2011, about $8 million in 2012 and an anticipated $4 million this year] is saved and invested in new projects or new construction, and not day-to-day operations. The gas revenue doesn't provide any buffer against ups and downs in the air travel market because the revenue is set aside.

Q. What flights are D/FW's biggest revenue generators? How have the sources of airport income changed during your tenure?

Our most popular destinations continue to be Cancun, Las Vegas, London, Orlando and some of the major population and business centers such as New York, Chicago, Los Angeles and Washington, D.C. Regarding airport income, one of the major changes that we have engineered at D/FW over the years is the model of how our revenue is generated. At one point, we earned 65 percent of revenue from airline sources, such as landing fees and rents. Over the past 15 years, we've managed to reverse that so that D/FW earns 65 percent of its revenue from our own sources such as concessions, parking, rental cars or commercial development. That was a significant achievement because by diversifying and increasing nonairline revenue sources, D/FW has remained a very cost-competitive airport for airlines to do business.

Q. How well has D/FW competed against other airports for international routes? Why was Chicago O'Hare able to get Beijing and India flights that D/FW sought?

D/FW has competed very well for new international routes. There's not another airport in America that has added 15 new international routes and seven new passenger carriers in the past 30 months. We've done very well in adding service to regions of the world that we were most interested in, such as Dubai and Australia. We're still keenly interested in new service to China or other Asian destinations, and we hope to see something materialize there soon. All this additional service means we've seen our international passenger traffic grow by 11 percent this year, and we are seeing new flights to emerging economies, such as the new, expanded service from American Airlines into South America, specifically Brazil and Peru, with new service to Bogota, Colombia, later this year.

D/FW is really helped in the pursuit of new air service primarily by the strength of our home travel market, connectivity through our hub and the airport's cost-competitive structure. As to why D/FW was not able to get service to Beijing or India as Chicago O'Hare did, one of those decisions was driven by a labor [union] issue and the other by the strength of the market in relation to how it could serve the destination. We do have a growing market in the Dallas–Fort Worth area—the fastest-growing metropolitan area in the U.S.—and that fact will also help D/FW gain more air access to more air markets in the future.

Q. How has the air freight business changed and what does D/FW offer freight customers that the newer Fort Worth Alliance Airport doesn't?

The international air freight business is really a key driver for us in terms of revenue, and we think it can improve with more efforts to integrate our services with the needs of cargo carriers and freight forwarders. The international air freight industry is currently in a bit of a downturn, but we've managed to keep pace with the world trends, so we think cargo will continue to be a strong slice of our market. The biggest change we are seeing is the effort to adopt new technologies to make shipping more efficient.

D/FW and Alliance Airport are both great, providing outstanding locations and services to their customers. I think what sets D/FW apart is the ability to interact with a more diverse portfolio of freight forwarders and shippers here, a lot more capacity for flights and faster access to more major highways.

Q. How do you assess the future of D/FW? What changes are planned in the near term and the long term?

I think the future is very bright for D/FW. Our team is really working hard to update our original terminals. For the long term, major projects such as Dallas Area Rapid Transit rail service from Dallas are underway, and we hope to have the Fort Worth Tex Rail project on the planning cycle sometime soon. We've already begun adding new gates to Terminal B and have plans in the works if other new gate needs arise. We've never wanted to be an impediment to economic growth for the D/FW area, and by having capacity for airlines to grow, D/FW can continue to drive the local economy forward.