The Impact of the Repeal of the Wright Amendment on the Dallas Area Air Travel Market

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ABSTRACT

This project studies the effect of the repeal of the Wright Amendment on air travel in the Dallas market. In 1979, the Congress enacted the Wright Amendment, a federal law to govern air traffic in the Dallas metropolitan area. The Amendment limited flights (with greater than 36 seats) originating from Dallas Love Field Airport (DAL) to only fly to destinations in Texas or its neighboring states. The law was fully repealed in October 2014, which allowed some airlines including Southwest Airlines (WN) to schedule flights and extend service from Dallas Love Field to the previously restricted destinations. This project mainly investigates the growth of Southwest’s operations from their hub at Dallas Love Field Airport after the Wright Amendment restrictions were removed. Additionally, the response of Southwest’s competitor American Airlines (AA) to this growth from their Dallas Fort Worth Airport (DFW) hub was also investigated. This study fosters a better understanding of how both airlines establish their strategic responses in this competitive environment. This paper examines pricing and capacity changes for multiple origin-destination markets originating from the Dallas area, before and after the repeal, to study the impact of the amendment’s abolishment.

The maps above show Southwest’s and American’s operations from the Dallas Area before (Q1 2014) and after (Q1 2016) the lift of the Wright Amendment restrictions. The maps are divided into four categories for each airline: No Service Offered, Low Market (60000-100000) seats, Medium Market (60000-100000) seats and High Market (100000+ seats). Note that all airports are not labeled (text) due to spatial limitations on this poster.

The graphs on the left show Southwest’s and American’s seats (capacity) and local fares for flights originating from the Dallas Area before (Q1 2014) and after (Q1 2016) the lift of the Wright Amendment restrictions.

- For most Wright Zone destinations (such as ABQ and HOU), Southwest cut seats (capacity) in 2016 to reallocate those aircraft to non-Wright Zone destinations where they were allowed to now serve since restrictions were lifted.
- As a result, American also cut seats but was able to increase fares due to lower competition from Southwest.
- For non-Wright Zone destinations (such as ATL and LAX shown in the graphs), Southwest introduced new flights to those destinations after the lift of restrictions, therefore adding more seats to the market.
- For some non-Wright Zone destinations (such as ATL), American responded to Southwest’s increase in capacity by reducing their own seats offering in the market.
- In other non-Wright Zone destinations (such as LAX), American responded by adding more seats to the marketplace.
- For almost all non-Wright Zone destinations, American was forced to lower fares to be more competitive with Southwest. Southwest is historically a low-cost carrier and typically has lower fares than American for most flights. As a result, American was forced to lower their fares in 2016 to closely match those Southwest was offering.

Source of Data: US Department of Transportation Traffic and Fare Data obtained from Diio