Air deal may trim fares here

Southwest expected to provide service in Upstate next year

By Jenny Munro
STAFF WRITER
jmunro@greenvillenews.com

Southwest Airlines may turn out to be a better deal for Upstate business travelers than they expected when the discount carrier known primarily for its leisure routes said earlier it would launch service from Greenville-Spartanburg International Airport in 2011.

That's because Southwest's deal to acquire Atlanta-based AirTran for $1.42 billion, announced Monday, likely would put more planes in the air to New York and Boston, destinations important to business travelers.

Analysts said the deal, while allowing Southwest to expand its footprint, wouldn't significantly hurt competition and put upward pressure on fares.

"AirTran and Southwest don't compete so much head to head," Mark Vitner, senior economist with Wells Fargo Economics, told *The Greenville News*. "This creates a more powerful discount carrier."

For any anti-competitive effect to be felt, the sector would have to have far fewer competitors — both full-fare and low-fare carriers, he said.

The AirTran deal puts Southwest, which carries the most U.S. passengers of any airline, in direct competition with Atlanta-based Delta Air Lines in its home base as well as in areas such as GSP, which has a heavy concentration of Delta passengers.

The boards of Southwest and AirTran have approved the definitive agreement, Southwest said, but the closing must also be approved by AirTran stockholders and federal regulatory bodies.

The merger would likely give Southwest a bigger market share in cities like Boston and New York, areas where it has been growing. Southwest is based in Dallas, and AirTran has hubs in Milwau-

See **FARES** on page 6A

FARES

FROM PAGE 1A

kee and Orlando as well as Atlanta.

The Upstate courted Southwest heavily for months as it sought to entice a low-fare carrier to the region in an effort to lower fares, stem some of the loss of potential traffic to nearby airports and perhaps add more direct destinations.

Upstate business travelers also are seeking more direct flights out West. Southwest announced its GSP service in May.

Rosylin Weston, GSP spokeswoman, reiterated that the airport doesn't "know what Southwest's plan is for GSP. We don't know exactly when they're coming. Hopefully, it will be early 2011.

"I think it's good news that you've got two successful low-fare carriers that want to merge," she said. "You get more low fares to more destinations for more customers."

Even before the airline arrives, some passengers said they have found certain fares at GSP have dropped. High fares are a major reason given by many who fly out of the Charlotte or Atlanta airports instead of GSP.

"I think it will increase the size of their reach," Rick Stroud, president of Dynamic Realty in Greenville, said of Southwest. By adding to the airline's presence along the East Coast, the purchase could result in better flight frequency and more direct destinations for GSP travelers.

When he travels, "I probably never find a time it would make sense to go out of GSP," he said, but the arrival of Southwest could make some of those drives to the Charlotte and Atlanta airports a thing of the past.

When a low-fare carrier comes in, "The other airlines always match the

fares," he said. When Southwest announced service to GSP, Stroud said he wrote a letter to the airline, saying the manner in which it made its decision would make Upstate residents loyal customers.

"They knew what would work and came up with the numbers," he said.

Southwest and AirTran will operate independently until the deal closes. Then Robert Fornaro, chief executive of AirTran Holdings, plans to work on the seamless merging of the two companies.

Southwest said it doesn't plan to keep AirTran's baggage fees when the two combine in 2012.

AirTran currently charges $20 for a passenger's first checked bag and $25 for the second. Major carriers like United and American charge $25 for the first bag and $35 for the second. Southwest has built a marketing campaign around its policy of not charging for checked bags.

"The acquisition of AirTran represents a unique opportunity to grow Southwest Airlines' presence in key markets we don't yet serve and takes a significant step towards positioning us for future growth," said Gary C. Kelly, Southwest's chief executive.

"This acquisition creates more jobs and career opportunities for our combined employee groups, as a whole," he said. "It allows us to better respond to the economic and competitive challenges of our industry, and fits perfectly within our strategy for our fifth decade of service."

He added that the proposed merger "offers customers more low-fare destinations as we extend our network and diversify into new markets, including significant opportunities to and from Atlanta, the busiest airport in the U.S. and the largest domestic market we do not serve, as well as Washington, D.C., via Ronald Reagan National Airport."

Southwest service in Atlanta could potentially stimulate more than 2 million new passengers and more than $200 million in consumer savings annually, the airline said, citing an economic analysis by Campbell-Hill Aviation Group LLP.

AirTran has about 202 departures daily out of Atlanta, which would be the third-largest operation in Southwest's network, behind Las Vegas and Chicago Midway, according to AirTran.

"Joining Southwest Airlines will give us opportunities to grow, both professionally as individuals and as a group, in ways that simply would not be possible without this agreement," Fornaro said.

Airlines covet business passengers because they travel frequently and often pay more to buy their tickets at the last minute.

Southwest has long been considered a vacationer's airline, but it has lured corporate customers with offers like Business Select fares that cost more but promise priority boarding, extra frequent-flier credit and a free drink.

AirTran has carved out a profitable business in Atlanta. Southwest had stayed out of the fight, making Atlanta the biggest U.S. city that it doesn't serve. As a result, Southwest lost potential customers.