City hopes market's potential flies with Southwest

Recession a good planning time for airlines looking to expand, experts say

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A recession can be the best time to set the stage for future growth, economists say, and a great time for companies to grab market share from rivals.

Greenville business leaders and officials at Greenville-Spartanburg International Airport hope that's the case with the recent visit of a Southwest Airlines planning and scheduling team to the Upstate. The group met with business leaders and government officials to find out more about the city, which they had not officially visited for at least 10 years.

In making a decision whether to come here, said economic development experts, the airline will have to be convinced that it can capture a large enough share and win back to the market some of the 55 percent of local travelers who are driven to Charlotte or Atlanta by the cost of flights out of GSP, the fourth-highest in the nation.

Gary Jackson, the airport's executive director, said that airlines "start looking at a new market probably a year out. A recession is a good time to look. You know you'll come out of a recession and you really want to be ready."

That is true of both airlines and airports, he said, adding that GSP officials never stop knocking on doors.

"Southwest Airlines is always exploring and looking at new markets to serve," said Ashley Rogers, Southwest spokeswoman. She said there are "no firm plans" to serve the Upstate.

Butch Kirven, Greenville County Council chairman, said Southwest representatives were noncommittal but "very receptive."

Recessions can be planning times, said Donald Schunk, research economist at Coastal Carolina University.

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"To be successful, you have to take some gambles and make some moves" during periods of slow growth, he said. This is the time a company can take chances to improve market share, which would then solidify with a recovery and remain strong for some time.

"It's during a time of slow activity when some firms will get aggressive," he said. "Southwest recognizes we will come out of this recession."

Activity is definitely slow. Gary Kelly, Southwest's chief executive, told The Associated Press that June looks weaker than May and he doesn't see any signs of a turnaround.

"It's a very, very difficult time and earnings are going to be very stressed until the economy changes," he said. Business travel remains weak, cutting into the number of last-minute, full-fare tickets and traffic on shorter routes.

Southwest is responding by cutting unprofitable flights, adding fees for unaccompanied minors and pets and offering incentives for employees to leave the airline. But Kelly said the company is in better financial shape, with about $2.3 billion in unrestricted cash, than it was entering the 1991 recession — the last time Southwest lost money.

"You can cajole and ask a lot, but at the end of the day, they have to believe that they can capture enough passengers on their planes to make it work," said Harvey Schmitt, president and chief executive officer of the Greater Raleigh Chamber of Commerce.

"And Southwest has been one of the best at that," said Schmitt, a former chief executive of the Greenville Chamber. "If you've got a good case to make, which I think Greenville should, they'll make a decision that's in the best interest of the airline, not what's in the best interest of Greenville, South Carolina."

But "if you were able to attract Southwest, you'd be a happy camper," he said.

Lynn Mann, spokeswoman for Michelin North America located just minutes from GSP, said the company "has a lot of business travelers. Like every company during these difficult economic times, we're looking to cut costs."

Some employees have shifted their travel from GSP to airports with lower fares and better schedules, primarily Atlanta and Charlotte, she said.

"We'd certainly like any choice that would allow us to use the convenience of GSP, but would allow us to get the savings we get from other regional airports," she said.

Schunk said that adding Southwest to the mix of airlines at GSP would obviously be a boon to the region.

"The more air service you have, the better off you will be," he said. And including a low-fare carrier is especially important in the Upstate because the airport is losing potential traffic, primarily because of high fares.

"We've had great experience with Southwest," which just celebrated its 10th anniversary in Raleigh, said Schmitt.

The airline's involvement in Raleigh has doubled or tripled over the time it has operated at Raleigh-Durham International Airport, he said. Southwest started out with 12 daily departures to five destinations and now has 33 departures to 10 cities serving nearly 2 million passengers last year alone.

Southwest considering Greenville as a potential market is not a stretch, he said.

"Obviously, Greenville's been a great market, great growth market over the years, and I would not at all be surprised if they were seriously considering you as they look at redeploying their equipment to the places where they've got the best opportunities going forward," he said.

A Southwest decision could depend "upon what kind of traffic generation they can get. Greenville is a pretty dynamic market regardless of its proximity to Charlotte and Atlanta. If they can get enough trips generated out of the market — and given that there are going to be some places that they're operating now that aren't going to be as successful, and to go forward — I would think Greenville would be an attractive spot."

Allegiant Air, a niche leisure airline with low fares to Florida, is the only low-fare carrier currently serving GSP. Independence Air served GSP for about a year before the airline faced bankruptcy.

The year Independence Air flew out of the airport, GSP had record numbers of passenger traffic. Roslyn Weston, GSP spokeswoman, attributed that primarily to travelers deciding to fly instead of drive and those who had switched to Charlotte or Atlanta returning to GSP.

Schunk said that making a decision now — and having the resources to implement it — means "you will be ahead of the curve. It's a very smart move. Most airlines currently are just scrambling to survive. Any gains in terms of market share, those gains will be solidified."

Having a vibrant airport and aviation service "is very important. It's especially important when you're trying to attract higher-end activity" such as corporate headquarters and research and development facilities, he said.

Reasonable fares are part of that equation, particularly when GSP is losing about 55 percent of its potential market to Charlotte and Atlanta, he said.

"Any time you lose potential traffic, you can recapture it, it will benefit the airport," he said. But it also will benefit the region by providing lower fares, more air service and an attractive economic development tool.

Schunk also sees a plus for the rest of the state.

If Southwest is considering Greenville or anywhere in South Carolina, it could mean they'll look at other regions of the state, he said, adding that the coastal area would enjoy having a Southwest connection because it would open more tourism markets to them.