

Southwest Airlines 30th Anniversary

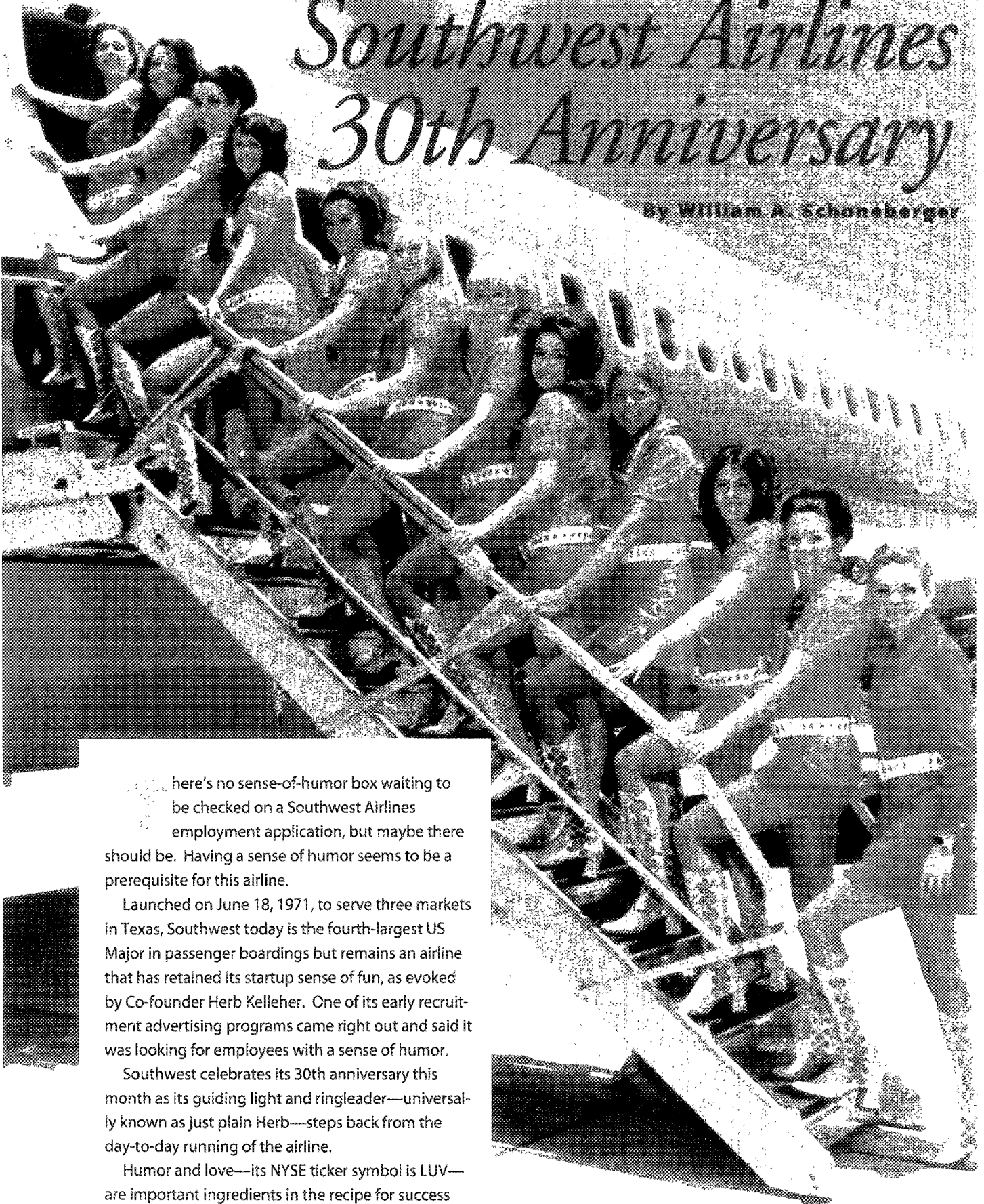


Herb steps back

Southwest parties at 30

Southwest Airlines 30th Anniversary

By William A. Schoneberger



There's no sense-of-humor box waiting to be checked on a Southwest Airlines employment application, but maybe there should be. Having a sense of humor seems to be a prerequisite for this airline.

Launched on June 18, 1971, to serve three markets in Texas, Southwest today is the fourth-largest US Major in passenger boardings but remains an airline that has retained its startup sense of fun, as evoked by Co-founder Herb Kelleher. One of its early recruitment advertising programs came right out and said it was looking for employees with a sense of humor.

Southwest celebrates its 30th anniversary this month as its guiding light and ringleader—universally known as just plain Herb—steps back from the day-to-day running of the airline.

Humor and love—its NYSE ticker symbol is LUV—are important ingredients in the recipe for success that has made Southwest Airlines an industry pace-setter. Part of its dedication to “love” comes from its

use of Dallas's downtown airport, Love Field, which also serves as its headquarters. An example of its humor is the title of a book about SWA, "Nuts!"—also a tribute to the 90.9 million bags of peanuts, plus 7.3 million bags of raisins for the peanut-challenged, served to passengers in a year.

Fun coupled with warm, snugly feelings can provide a prompt, positive response to the question: Is this any way to run an airline? But to grow and thrive for 30 years, these characteristics must be combined with another vital element—profitability. During some very trying economic times for the airline industry, Southwest has been the only carrier consistently to make a profit. Over three decades it has morphed from the little airline that could into a big airline that does.

Hundreds of publications from local dailies to international business newspapers and magazines have documented the leadership role played by Southwest in evolving airline operations. Carriers big and small have studied its philosophies and techniques to find pieces of the formula that might alter their own operations profitably. Few have performed successful transplants.

Financial experts at US and overseas carriers have studied Southwest's model of annual growth and return on equity. Some years ago the airline wisely chose to grow at a rate below what it believed to be sustainable, giving it a margin of financial safety—lower risk—and the ability to accumulate additional capital.

When they began 30 years ago, Kelleher and Co-founder Rollin King took advantage of a loophole in federal regulation of the airline industry. The Civil Aeronautics Board regulated interstate air commerce but had no say over a carrier operating completely within the borders of a single state. If the state was big enough, King and Kelleher believed, it could support an airline—but not one that played by the old rules. "With President Lamar Muse at the helm, Southwest Airlines takes off on its maiden voyage and begins service between Dallas, Houston, and San Antonio," the airline says of its own creation.

The founders based their startup plan on a very simple concept: If you get your passengers to their destinations when they want to get there, ontime, at the lowest possible fare, and make darn sure they have a good time doing it, peo-

pie will fly your airline. It apparently worked. "We started back in 1971 with three planes serving three Texas cities," Kelleher has said. "In the short-haul markets, most people will drive those distances instead of fly. A lot of people figured us for roadkill at the time." Today Southwest has more than 350 airplanes and serves 57 cities.

"We like mavericks—people who have a sense of humor,"

Kelleher says. "We've always done it differently. You know we don't assign seats. Used to be we only had about four people on the whole plane, so the idea of assigned seats just made people laugh. Now the reason is you can turn the airplanes quicker at the gate. And if you can turn an airplane quicker, you can have it fly more routes each day. That generates more revenue, so you can offer lower fares."

By 1973 Southwest had spread out to the Rio Grande Valley and was announcing its first profitable year after only two

years of service, starting a string of 28 consecutive profitable years. From that modest beginning it has expanded across the US, moving outside of Texas in the late 1970s when deregulation arrived and growing until now it has more than 2,700 daily flights.

Although highly researched, there really is no secret to Southwest's success. From its inception it has dedicated itself to being a low-fare, high-frequency, point-to-point, no-frills carrier. In three decades it has not deviated from its initial mission. Evidence of its commitment to low-cost operation and its reputation for going against the flow is its decision—which provoked a lengthy legal battle—to remain at Love Field after all the other carriers moved to the new Dallas/Fort Worth International Airport in 1974.

In an age when ever more travelers are complaining loudly about crowded airplanes and airports, delayed or canceled flights and lost luggage, Southwest's dedication to customer service under the tutelage of Colleen Barrett, who becomes its president and COO this



Photo: Friends



Barrett

Photo: Agency

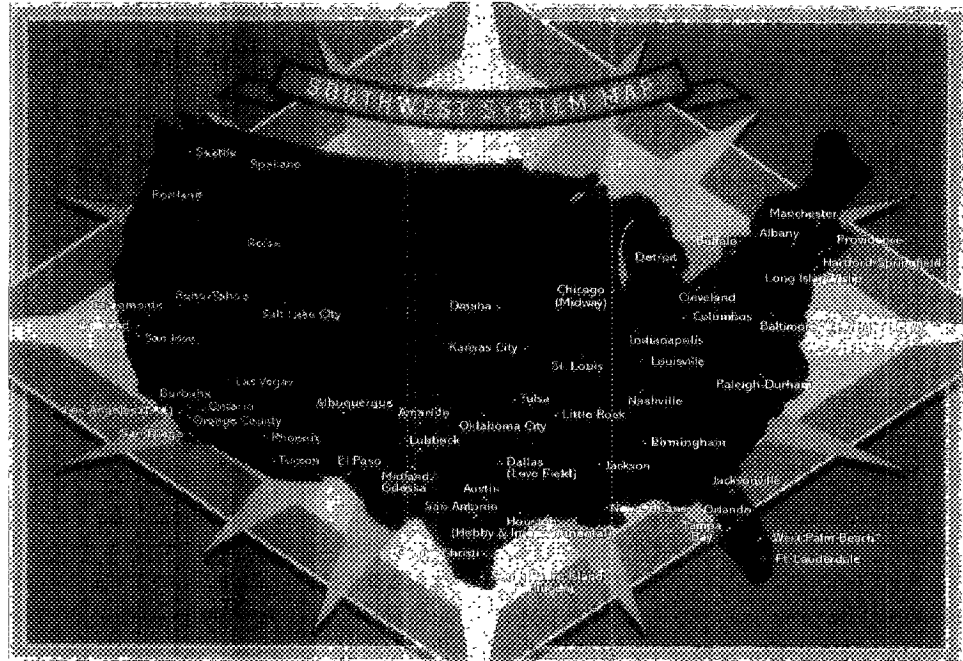
month, is legend. Despite its no-frills policy of no assigned seats and no meals, its fliers are dedicated repeat customers.

flies about eight flights or 12 hr. each day, very high utilization for short-haul aircraft. This use of one airplane type consider-

America's most successful

Southwest has been called America's most successful airline, dramatically outperforming its competitors. It is the industry's most consistently profitable carrier, its record the envy of its peers.

In addition to its dedication to customer service, humor and reliability, another major reason for Southwest's success is its commitment to a single airplane type, the 737. It is the world's largest operator of 737s, flying more than 350 in four different models. Average age of its entire fleet is only 8.2 years. Average trip length is 492 mi.; each aircraft



Source: Courtesy of Southwest

♥ Herb ♥

Who Loves you Baby?

Nashville!

Metropolitan Nashville Airport Authority

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ably simplifies maintenance, spare parts, crew training and operations. Southwest studiously avoids the complexities of the multi-aircraft fleets that often sharply increase costs at other carriers.

The newest 737 model, the 737NG, was designed by Boeing with substantial guidance from Southwest. The newest type in the SWA fleet is the 737-700. In March the airline took delivery of its 100th 737-700—a little more than three years after delivery of its first dash 700 in 1997.

Jim Wimberly, SWA's executive VP and director-operations, says, "Adding to our fleet of 737-700s has enabled us to continue to grow into new markets, serve more customers and bring our brand of affordable service to more people than ever before." In addition to the fact that the dash 700 flies more quietly, farther and more fuel efficiently than earlier models, it is roomier. Befitting Southwest's current strategy of adding longer routes, the aircraft can fly coast-to-coast nonstop although the airline is not yet doing so.

Southwest keeps its cockpit systems simple, preferring its pilots to hand-fly much more than those of competing airlines. It also became an industry leader in installing head-up displays to increase its ability to meet its schedule without relying on automation, plus giving its pilots an additional tool to fly safely in all weather.

However, its continuing commitment to customer service is evidenced by the fact that seat pitch is 33-34 in., an



amount of space seemingly in conflict with its low-fare role, where packing the cabin is standard operating procedure. That ample pitch, combined with an innovative seat design and, in the dash 700s, removal of cabin dividers, gives passengers a comfort feel akin to business class on other carriers. The dash 700 also has the added advantage of more overhead bin space.

Like most 737s, the dash 700 is powered by CFM56 turbofans. The CFM56, the most-produced civil jet engine in the world, is the product of CFM International, a 50-50 joint company of General Electric USA and Snecma of France. Engine departure reliability for the CFM56-7 on Southwest's 737-700s has climbed to 99.94% since the engine was introduced into service in 1997.

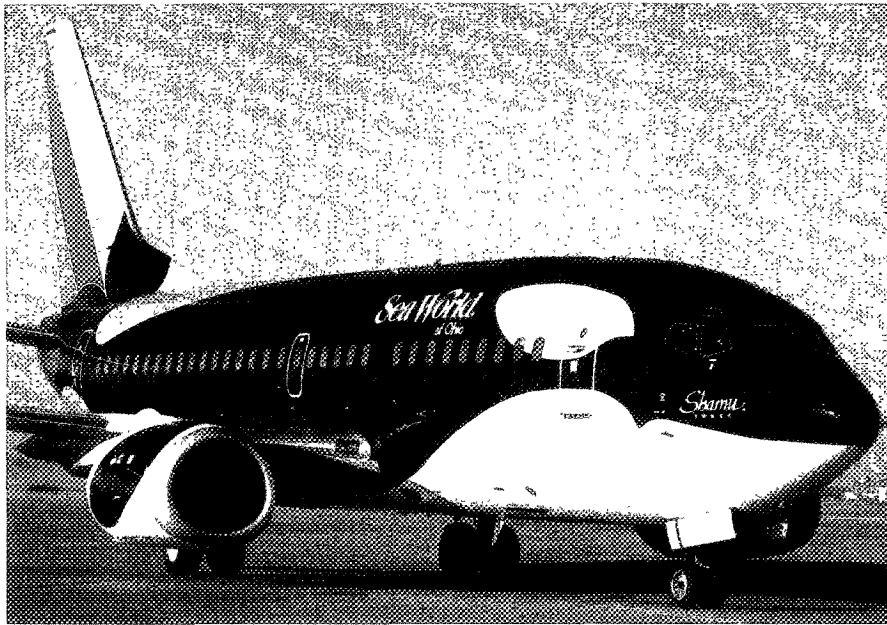
Even including Southwest's 737 Classics, the entire fleet is powered by only two CFM56 models. This commitment to a single engine greatly simplifies the work of the carrier's engineering and maintenance staffs. Because the powerplant of any jetliner accounts for the majority of its technical com-

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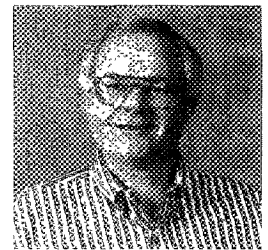
plexity, having only a single type to service contributes mightily to the airline's reliability and low-cost operation.

Can other airlines clone Southwest?

Southwest never has conformed to industry norms. As most in the airline business know, it is a different breed. Moreover, its attitudinal difference is only one factor in its success. Low fares and reliable service, wacky staff members and a close eye on expenses have added to the carrier's dominance in the market, but other pioneering advances such as ticketless travel, Internet ticket sales, pilots taking stock options in lieu of pay raises and minimum ground crews also contribute to its success formula. Southwest was the first carrier to award frequent-flier credit for number of trips taken in contrast to miles flown. It pioneered senior discounts, Fun Fares, Fun Packs and same-day airfreight service.

In at least one market, intra-California, Southwest bested rival Shuttle by United, which was set up by the larger carrier specifically to battle the Texas upstart. Despite a significant advertising and promotional campaign for the Shuttle's inau-

vice carrier fell on hard times and became TranStar before Southwest acquired it in 1983 and eventually closed it down after integrating some of its parts. In 1991 Southwest bought Morris Air and used its assets to expand to the West Coast.



Parker

Chronicled as a leader

In a January 2000 *Fortune* magazine feature documenting the "Top Ten List of America's Most Admired Companies," Southwest Airlines was No. 6. No other airline was included.

Southwest maintains its reputation for love and humor in its relations with the traveling public by dedication to an unusual recruitment policy: Hire for attitude, train for skill. In fact, it has been said that the carrier's strategy is to hire hams and let their personalities shine through.

Southwest caters to the business traveler by making air travel as reliable, unobtrusive and comfortable as possible. Like most airlines it recognizes that this traveler accounts for the

guration, SWA eventually regained lost traffic and actually increased its Golden State business.

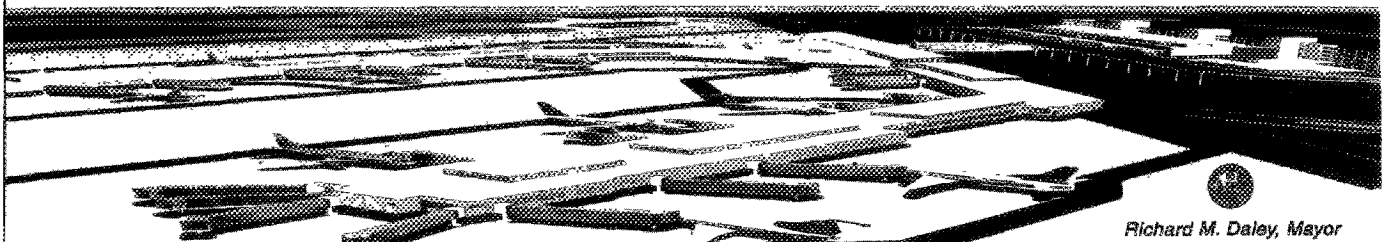
Despite this leadership role in the industry, Southwest has not been a target of the many takeovers making news in today's airline world. CEO-Elect Jim Parker observes, "Our business model really doesn't fit with any other airline, so I don't think there's any likelihood of Southwest acquiring or being acquired by any other airline."

In fact, in its 30-year history Southwest has made only two acquisitions. Its first president, Lamar Muse, left in 1978 and founded his own company, Muse Air, also flying largely in Texas.

That full-ser-

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bulk of any carrier's income and repeat business.

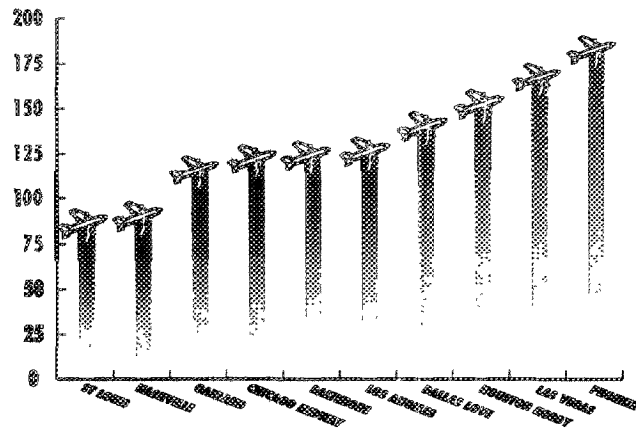
Southwest is the only airline in the US that consistently has made a profit. Management guru Tom Peters has called it "Air Travel's Greatest (profitable) Show on Earth."

The *Los Angeles Times Magazine*, beneath a headline that read "Southwest Airlines is the Zaniest and Savviest Company on Earth," in 1996 wrote: "The tiny Texas-based airline shook up the industry and nothing's been the same since."

'You are now free to move about the country!'

That advertising tag summarizes today's "culture" of Southwest Airlines. In fact, its key marketing image for the past several years has been one of its 737s above the slogan "The Symbol of Freedom!" In its 1999 annual report, the airline

Top 10 Airports Daily Departures 2000



Source: Southwest

explained: "The freedom to fly was first envisioned and sketched in the late 15th century by Leonardo da Vinci, the Italian master painter, sculptor, architect and engineer. At the turn of the 20th century Leonardo's vision became reality when Orville and Wilbur Wright ushered in the Age of Flight at Kitty Hawk, North Carolina. Seven decades later, Southwest Airlines made commercial flight affordable.

We are proud to be part of a vision that has resulted in one of America's most basic freedoms—affordable flight."

No longer the little Texas carrier of 30 years ago, Southwest's network now reaches from coast to coast, from New England and the deep Southeast to California and the Northwest. The cities it serves stretch from Manchester, N.H., and Portland, Me., to Los Angeles, San Diego and Orange County in California; from Orlando, Tampa and Fort Lauderdale to Portland, Ore., and Seattle; from Amarillo and Austin to Chicago Midway and

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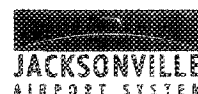
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Detroit Metro airports. And throughout Middle America as well. Based on daily departures, its top 10 airports are Phoenix, Las Vegas, Houston Hobby, Dallas Love Field, Los Angeles International, Baltimore/Washington International, Chicago Midway, Oakland, Nashville and St. Louis.

Its history filled with short-haul flights, Southwest in the past several years has expanded its vistas into longer non-stops, driven there by a new federal tax structure promoted by its larger rivals. Based on 2000 financial results—a record net income of \$625 million—this obviously hasn't crimped its style or profitability. One analyst described a rival carrier's perception of SWA's expansion into longer routes as "the genie they always hoped would not come out of the bottle."

'The Southwest Effect'

Meanwhile, Southwest takes pride in its contribution to, and impact on, the communities it serves. An example is Manchester. After it inaugurated service there in June 1998, Manchester became the nation's fastest-growing airport that year. Passengers flying between Manchester and BWI increased more than 4,500%. Reflecting the response of competitors, average fares dropped 71% from the previous year. Southwest produced a similar impact in Provi-

dence, Hartford, Islip, Albany and Buffalo.

US DOT studies show Southwest is the driver for fares in major markets where it offers service. Competitors' fares drop when it enters the marketplace, and it even has an effect on neighboring cities when passengers are willing to drive some distance for its lower fares. Southwest competes with intercity buses and even entices travelers out of their cars for trips.

Herb Kelleher calls Pete McGlade "our mad scientist," kidding him about his mystical qualities. McGlade is the executive responsible for searching out and recommending cities to add to Southwest's route structure. In 2000, 145 cities wrote, called or visited the Dallas headquarters to petition for SWA service, up from 113 cities in 1999.

The so-called "Southwest effect" is akin to ever-widening ripples on a pond when a stone is dropped. Civic leaders find themselves thanking the airline for its impact on the local economy. Airports are building additional parking garages and lots. Many cities use every form of communication—advertising, billboards, personal letters, even offering free rent and tax breaks—to entice the carrier to choose their location. Despite these enticements, Southwest keeps its growth at a level it thinks it can manage well: Since 1994 it



Way to go Southwest!

Many congratulations offered on your 30th Anniversary from your friends at

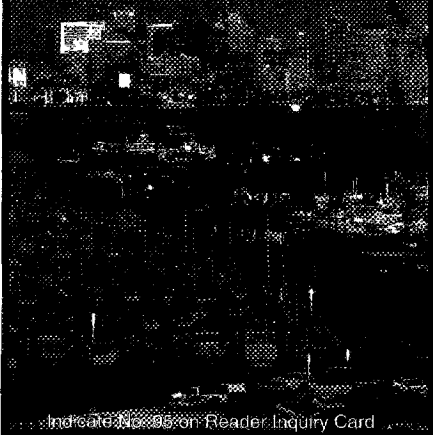
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has entered only 13 new markets.

Nonetheless, SWA has been growing and plans to grow in excess of 10% per year in revenue passenger-miles for years to come. In 2000 it carried 63.7 million passengers. If present trends continue, in a few short years it will become the carrier of more people than any other airline.

Modern airline, advanced technology

Southwest's basic tenet remains the same. Quoting from its mission statement, "Our Mission Statement has also led to the airline industry's best cumulative consumer satisfaction rating, according to statistics accumulated and published by the US Department of Transportation. That is why we are sharing it with you."

Moreover, the mission statement says, "We tell our Employees we are in the Customer Service business; we just happen to provide airline transportation." Colleen Barrett, who often has been called Southwest's cultural conscience, states: "The mission of Southwest Airlines is dedication to the highest quality Service delivered with a sense of warmth, friendliness, individual pride, and Company Spirit." All of this information, and much more that directly benefits SWA customers, is found on the company's informative and well-designed website, www.southwest.com.

In 1999 *Fortune* stated: "Southwest Airlines utilizes the Net more effectively than its competitors." Southwest was the first airline to establish a home page on the Internet. With more than 2.7 million subscribers to its weekly Click-N-Save e-mails, it reports that approximately 30% of its 2000 revenue—some \$1.7 billion—was generated by online bookings. An April *Los Angeles Times* chart shows that Southwest accounts for 14% of online ticket purchases, more than any other travel site except Travelocity.com.

That well-publicized book "Nuts!" documents how the people of Southwest Airlines have created, nurtured and sustained a very special culture radically different from those of most other airlines. In addition, the *Wall Street Journal's* annual consumer survey cites SWA for having one of the best national reputations; no other airline made the list. The January 2000 *Fortune*, reporting on the "100 Best Companies to Work For in America," said in describing Southwest: "Swimming pools and surging pay may give employees a lift, but continual training and humane treatment get the best ones to stick around."

One intriguing statistic is that Southwest's employee roster contains 812 married couples—both husband and wife work there. And although 85% of its employees are union members, the airline has had only one 8-hr. strike in its history—this in an industry that in the past several years has been beset by labor strife.

Despite Southwest's vaunted reputation for low fares, its employees are not poorly paid. Flight attendant and pilot salaries are on a par with or above those at other airlines. A major distinction that sets SWA's operations, and profitability, apart from its competitors is the productivity of its people.

Southwest is chronicled frequently in both business and aviation trade publications as one of America's best, most-admired and best-to-work-for companies. It has won five *Air Transport World* awards, notably Airline of the Year in 1991 when it was nearly alone in reporting a profit and a special Twenty Years of Excellence Award in 1993 for being the best short-haul airline in the business. It also won *ATW's* Financial Management Award in 1982 and the Labor Relations Award in 1998.

In May 1988 Southwest won its first Triple Crown—best ontime performance, best baggage handling, fewest customer complaints—based on DOT's monthly report card on airlines. Since then it not only has captured more than 30 monthly Triple Crowns but five annual Crowns as well. It also ranked first for four consecutive years for fewest

S O U T H W E S T A I R L I N E S

customer complaints. And the leading consumer travel publication, *Conde Nast Traveler*, called it the world's safest airline.

However, Southwest's coast-to-coast expansion has stressed its system and caused it to drop out of the top rank in DOT performance indicators. From its first-place position in 1999 it fell to third for overall performance last year. To bolster its reputation for punctuality, it pulled out of San Francisco earlier this year because it could not maintain its schedules there. In addition, in April it announced it will eliminate all three-stop flights.

Wall Street has recognized Southwest's worth and profitability. It has a stock market value of \$13.1 billion—about the same as the combined worth of American, Delta, Northwest and United. It is committed to remaining profitable even in the face of economic downturns affecting other carriers.

The other side of the corporate face is the enthusiastic support the airline's 30,000-plus employees have given the Ronald McDonald House, Southwest's corporate charity for more than 15 years and a favorite because of its dedication to kids and fun. Ronald McDonald has been featured in the carrier's advertising and last year SWA held the first annual Phoenix LUV Classic Golf Tournament with proceeds going to Ronald McDonald House.

The 'culture' of Herb

A pilot said upon hearing of Kelleher's change of roles in the company, "Herb is Southwest."

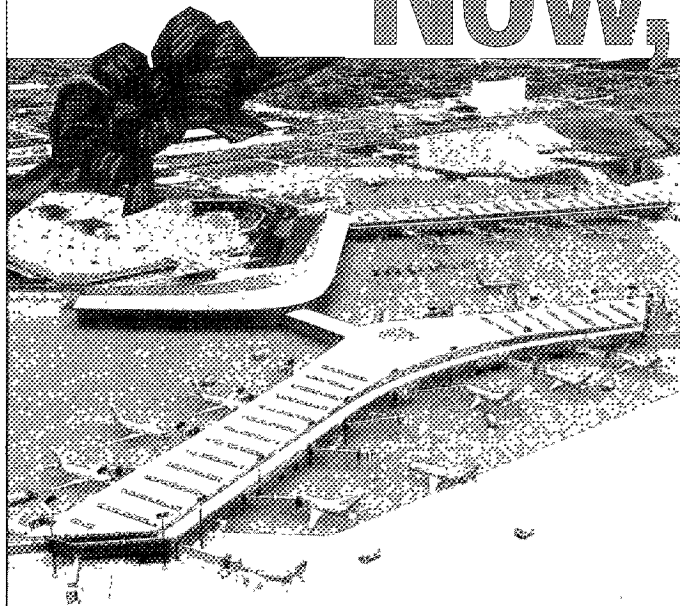
In the historic tradition of those one-of-a-kind pioneers of the so-called golden age of the US airline business whose names have become inexorably linked with the airlines they led—Bob Six, Juan Trippe, Jack Frye, Howard Hughes, C.R. Smith, C.E. Woolman, Pat Patterson—the name Herb Kelleher has become synonymous with Southwest Airlines. It is well nigh impossible to talk about SWA without talking about Herb.

He began his business career as a lawyer. Perhaps the often-humorless law was not his bag but it was helpful in launching the airline. It took Kelleher and company nearly four years to work their way through the Texas and federal courts against opposition from powerful opponents, including now-defunct Braniff and Texas International.

When Kelleher and King hatched the idea that became Southwest, they sketched their plans on a cocktail napkin, an appropriate medium for someone with Kelleher's appreciation of Wild Turkey. And while they planned for their new airline to fly passengers between destinations on time and at the lowest fare, you can't plan the creation of the type of corporate culture that has come to represent the essence of Southwest Airlines.

Congratulations, Southwest Airlines,
on your 30th Anniversary.

Now, open your
present.



Actually, Hobby Airport's brand new, central concourse designed exclusively for Southwest Airlines isn't ready just yet. Ribbon-cutting ceremonies are scheduled for some time in 2002. But even now, all the new construction is reason for celebration. As part of a \$227 million renovation at Houston Hobby, the new 20-gate concourse will offer Southwest passengers more and better amenities and services. Additional improvements to the terminal will give travelers easier access from the curbside to the gate. With more than 150 Southwest Airlines flights departing from Hobby every day, we thank you for the gift of convenient air travel for us all.



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For that element, much credit must go to Kelleher's sense of humor and penchant for seeing the fun in life.

He quickly evidenced the basic common sense for which he has become known when he transferred the airline's Houston operations to Hobby Airport from Houston Intercontinental. He said, "Why should our customers have to drive 45 minutes to take a 40-minute flight?" That policy has become an integral element of Southwest's philosophy: Use underserved and smaller airports that provide greater convenience to passengers, have lower operating fees and don't get jammed up with airplane traffic on the ground that slows the airline's quick-turn operating style.

While committed to the corporate image, Southwest's legendary flexibility and sense of fun got it into painting its airplanes in distinctive styles. The paint-the-airplane custom began when it inked an exclusive deal as official airline for Sea World and promptly painted a 737 as the amusement park's biggest attraction, the giant killer whale Shamu. After five consecutive Triple Crowns it painted a 737 as Triple Crown One and dedicated it to its employees who made the record possible. Now there is Nevada One, a high-flying tribute to that state's flag, two more Shamus, a big Texas flag and designs saluting the states of Arizona, New Mexico and California, plus Silver One for Southwest's 25th anniversary. This lack of uniformity has attract a plethora of photo coverage.

The fun-loving Kelleher has been known to don whatever clothing he is asked to wear to promote Southwest. He has dressed as Elvis at company functions and in ads, put on a dress, donned Hawaiian shirts, acted as a flight attendant and served the airline's trademark bags of nuts to passengers in flight.

When it turned out that Southwest's "Just Plane Smart" advertising slogan also was used by fixed-base-operator Stevens Aviation (see pages 18-19), attorney Kelle-

her arm-wrestled the chairman of Stevens for the right to use the slogan at a spectacular event in Dallas that garnered the airline even more outrageous publicity, including coverage in *ATW*. Herb lost but got to keep using the slogan anyway.

The renowned, oft-quoted Kelleher was honored as 1999 Chief Executive of the Year and has been called "America's funniest fly-boy" by *US News and World Report*. *Forbes* magazine wrote that Southwest Airlines "has carved out a unique niche market—one with short flights, low costs and a zany chief executive." In January, *Business Week* named Kelleher as one of its "Top 25 Managers of the Year." No other airline executive was included.

For the unique management style he brought to the industry, Kelleher won *ATW*'s Industry Service Award in 1988. More recently he received the 2000 Wright Brothers Memorial Trophy from the National Aeronautics Association in impressive ceremonies at a black-tie dinner in Washington attended by more than 1,000. He joins aviation pioneers such as Arnold, Curtiss, Lindbergh and Doolittle whose names are engraved on a trophy

that first was awarded in the early days of aviation. Herb evidenced his unique reputation by smoking two cigarettes simultaneously during his introduction.

In a 1999 issue of *Fortune* under the headline "The Jack and Herb Show," Kelleher joined forces with arguably the world's most famous corporate executive, GE Chairman Jack Welch, to discuss how to create great companies and keep them that way. Even in the economic dip of 2001, both CEOs and their companies have demonstrated success.

Herb Kelleher sets the tone for Southwest Airlines and the employees follow suit—although the suit disappeared as normal corporate dress at Southwest long before casual-dress policies became the standard window dressing for companies

Continued on page 118



Photo: Frank's

Thanks Southwest Airlines!

The Kansas City Aviation Department thanks Southwest Airlines for fueling the strong growth at Kansas City International Airport. Your low fares, superb service and access to many nonstop markets gives people in the region something to cheer about. Our hats are off to you, Southwest, as we cheer you on for another 30 years.

Keep Up the GOOD Work!



KANSAS CITY
AVIATION DEPARTMENT

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A D V E R T I S I N G S U P P L E M E N T

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trying to appear innovative. He regularly puts his employees first, convinced that an increase in customers will follow a satisfied workforce. He believes that allowing employees to be proactive increases productivity. His antics—and his results—clearly establish him as a high-flying entrepreneur.

Despite his penchant for chain-smoking and Wild Turkey-swilling, the fun-loving Kelleher inspires the carrier that's been called the "mother of low-fare flights" and its employees. Astride his Harley-Davidson motorcycle he's kept Southwest on the fast track and his employees in stitches while at the same time having fun himself.

28 years of profitability

Fun and games notwithstanding, a major reason Southwest Airlines is admired by customers and Wall Street and envied by competitors is its record of profitability. In 2000 it logged its 28th consecutive year of profits and its fourth-quarter net income of \$.29 per share, up from \$.18 for the 1999 quarter, exceeded veteran financial expert First Call's consensus estimate of \$.28. SWA is committed to staying profitable even in the face of economic downturns that push other carriers into the red, or out of business. Total operating revenues in 2000 increased 19.3% over the

previous year to \$5.6 billion and net income was up 30.7% to \$625.2 million for a margin of 11%.

Another of its statistics, load factor, attests to Southwest's way of doing business. While that vital number was a company-record 70.5% in 2000, that is not high among US carriers, pointing to SWA's ability to keep fares low and utilization rates high, manage costs and wind up highly profitable year after year. However, recognizing the precarious state of the US economy, CFO Gary Kelly said in April that his earnings expectations for the year are not as "robust" as they were when 2000 results were announced.

Reflecting Southwest's financial success, in January the board declared yet another stock split and increased the quarterly dividend by 22%. The dividend for the 2000 fourth quarter was the 98th consecutive payout to shareholders. Kelleher was exuberant: "Our fourth quarter 2000 earnings were gratifying and a splendid way to end 2000, our 28th consecutive year of profitability. In spite of high fuel prices and adverse weather conditions in December, our ... earnings increased 64%. Strong customer demand for our low fares; excellent yields; and disciplined cost control efforts by our people all contributed to this outstanding performance."

The torch is passed

When your co-founder, chairman, president and CEO is the charismatic industry icon and guru Herb Kelleher, the automatic



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conclusion is that he's a hard act to follow. He has been called the soul of the company. Airlines and the business world in general long have speculated about what would happen to Southwest Airlines when Herb's tenure concluded, as it inevitably must.

However, with the careful, studious planning synonymous with three decades of progress, the board of directors carefully examined its options for what it knew was a mandatory passing of the baton. In mid-March the board and Kelleher announced a neat, well-conceived transition package to become effective coincident with the airline's 30th anniversary. The official passing of the torch will take place on June 19, the day after the anniversary date.

Two of Kelleher's most-trusted staffers will be elevated to the airline's top positions as well as joining the board. James W. Parker, VP and general counsel, becomes vice chairman and CEO. Parker joined the airline in 1986 but his relationship with Kelleher dates to 1979. He knows the airline's operations well, having been a key executive planning committee member as well as a leader of SWA's collective bargaining and contract negotiations and involved in properties, facilities, technical, vendor and partner activities.


Colleen Barrett, executive VP-customer services and corporate secretary, was named president and COO and will be the first woman to be president of a US Major airline. A Southwest

Airlines employee since 1978 although she worked with Kelleher as early as 1967, she is credited with pioneering the airline's famed customer service as well as creating much of the "culture" so envied by competitors and admired by American business.

Most significantly for the "passing of the torch" news release, it was announced that Kelleher has signed a new three-year contract under which he will remain as chairman of the board and of the executive committee through 2003. The succession plan is for his continuing responsibilities to include longer-range strategic planning, governmental affairs and the schedule-planning facet of marketing. As Herb himself put it, "I'll be reducing my time from 70 hours to 50 hours a week."

Evidencing the in-depth planning in the succession package, it also outlined a complete management structure, including a number of newly created executive VP and VP posts. Kelleher said of those appointed to the jobs, "each has been with the company at least 13 years. I firmly believe . . . the changes will enable our shareholders, employees and customers to continue to be proud to be part of the ongoing Southwest Airlines success story. I personally look forward to continuing to work with the ever-growing, diverse, dynamic, altruistic, fun, spirited, and servant leader team at Southwest Airlines."

That pretty well summarizes the culture of Southwest Airlines—and the culture of Herb. ■



Air Transport World Salutes the Employees of Southwest Airlines for 30 Years of Excellence

Southwest was named *Airline of the Year* for 1991 in ATW's Airline Achievement Awards. Southwest also received honors over the years in the categories of Labor Relations, Excellence in Short Haul Service and Financial Management. Southwest Chairman and CEO Herb Kelleher was presented with the *ATW Industry Service Award*.