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Elbert: Why Southwest Airlines is coming to Des Moines

Right kind of market, right airport chief seal deal for D.M.

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Written by **DAVID ELBERT**

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The conventional wisdom is that Southwest Airlines is coming to Des Moines because last year the premier low-fare carrier acquired Orlando-based AirTran Airways, which provides service between Des Moines and Milwaukee.

That's true. But the back story is that Don Smithey, 71, the new executive director of the Des Moines airport, is a large part of the reason Southwest decided to keep AirTran's Des Moines-Milwaukee route.

Local officials have been trying to lure Southwest to Des Moines for more than a decade, so most people were not surprised when the Dallas-based airline made its Jan. 21 announcement.

But the fact is the Des Moines area has more in common, as far as size, with the six AirTran cities that will not be converted to

Southwest service than it does with the cities that will switch over to Southwest. Several of the latter are more than twice the size of Des Moines.

"It's really a big deal for Southwest to stay" in Des Moines, said Sheri Ernico of LeighFisher, a California-based airport consulting firm.

But, she added, "Southwest loves to go to a city that is underserved and overpriced, and that's Des Moines."

Ernico and others said that sometime in the next year or two, Des Moines should experience the "Southwest effect" of lower

Smithey lands SouthwestRetired Omaha airport executive Don Smithey used decades of knowledge, connections and favors to help lure low-fare carrier Southwest Airlines to Des Moines. Smithey, 71, retired to Des Moines in 2009. A year later, he was asked to advise the Des Moines airport, and then to lead efforts to bring in a low-fare carrier.

Low fares: how they do it

Southwest Airlines is well-known for its low fares, but do you know why? Southwest spokeswoman Ashley Dillon, airport consultant Steve Benson of Coffman Associates and Des Moines airport chief Don Smithey offer these reasons:

LINEAR ROUTES: Southwest began in Texas in 1967 by flying a triangle linking Dallas, Houston and San Antonio. Ever since, the airline has avoided, as much as it could, establishing hub-spoke routes in favor of linear routes, although it does have "focus cities,"

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such as Chicago and Dallas, where it operates at smaller airports. Avoiding major airports helps keep landing fees and other expenses associated with hub systems lower.

ONE JET: Southwest flies only Boeing 737s, a short-to medium-range jet that can carry from 85 to 215 passengers. Having one jet simplifies maintenance and turnaround operations.

FUEL COSTS: Several years ago, Southwest hedged its fuel costs and signed long-term contracts that allow the airline to buy jet fuel at lower rates than most of its competitors can. Those contracts will phase out over the next couple of years, Dillon said.

QUICK TURNAROUNDS: Southwest's policies of not assigning passenger seats and having onboard stewards and stewardesses pick up trash as passengers deplane help it turn around flights and get them back in the air in half the time it takes other major carriers. "We keep our aircraft in the air, where they are making money," Dillon said.

the Southwest effect

Airport consultants say that when Southwest Airlines enters a market, two things happen: Fares go down and passenger volume goes up.

Fares in Omaha and Kansas City, which have Southwest service are about 20 percent lower than Des Moines, said airport consultant Sheri Ernico.

During Southwest's first year in Omaha, passenger traffic increased 43 percent, Ernico said. Other cities have experienced even larger jumps, said Steven Benson of Kansas City-based Coffman Consultants. Two years after Southwest entered Manchester, N.H., in 1997, annual passenger traffic jumped from 540,000 to 1.4 million, he said, and one year after service began in Providence, R.I, traffic increased from 1.2 million to just over 2 million per year.

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fares and expanded service.

Although Southwest has not said what will happen in Des Moines, the expectation is for added service and lower fares to Chicago, and eventually the East and West coasts.

When it happens, Ernico and others said, you can thank Smithey.

But who is he, and why is he in Des Moines? More important, why do Southwest executives listen to him, which they clearly did in deciding not to shutter AirTran service in Des Moines, as they did in other cities of similar size?

Smithey was born near St. Louis but spent much of his youth in Durant, a small town west of Davenport. He graduated from Southern Illinois University and worked at airports in Alton, Ill., and Cedar Rapids before moving to Omaha in 1986 to work at Eppley Airfield. In 1989, he was named executive director of Eppley. In 2009, at age 68, he retired.

During his 20 years, Omaha's air passenger traffic doubled to nearly 4.5 million. That's a number that has turned a lot of heads. It's four times the passenger volume of Des Moines, even though the Omaha metro is only about 50 percent larger than the Des Moines metro.

Smithey credits the "Southwest effect" for a good portion of that volume. He said that once Southwest arrived in Omaha in 1995, Iowans from as far away as Des Moines,

Ames, Sioux City and even Iowa City began traveling to Omaha to take advantage of the lower fares.

Back when Smithey was trying to persuade Southwest to come to Omaha, he used census figures for cities within 200 miles of there to convince the airline executives that there was plenty of business to be had. And there was.

So, why is he now in Des Moines?



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Smithey said that when he decided to retire, he and his wife, Lisa, looked at where their relatives lived, which included Missouri, Wisconsin and eastern Iowa, and they selected a middle ground.

His wife had seen Des Moines touted as a good place to retire, Smithey said.

“So, we drove over here and spent a weekend. We liked what we saw,” he said.

David Sokol, a member of the Omaha Airport Authority, offered to help Smithey find a house in Des Moines. At the time, Sokol was head of MidAmerican Energy, which owns Iowa Realty.

“The first house we saw, we loved. We decided to buy it even though I wasn’t going to retire for a year. It gave us time to do some work on it,” he said.

“We moved here in August of 2009. I certainly wasn’t looking for a job,” Smithey said.

He got one anyway after Sokol told Jordan Hansell that Smithey was living in Des Moines. Hansell is the son of Des Moines lawyer Edgar Hansell, who was a member of the city’s airport advisory board.

“I called and asked if Don would consult with us,” Edgar Hansell said.

Smithey had been in Des Moines about a year when Craig Smith resigned as director of the Des Moines airport to take another job. Hansell and Des Moines City Manager Rick Clark “asked me if I could step in until they could find somebody,” Smithey said. Clark asked him to stay at least six months and do an analysis of the airport.

Smithey told them that one thing they needed was to change the airport’s governance. Instead of having an advisory board that reported to the City Council, he said the airport needed its own authority board.

A single airport authority is easier for airlines and airport vendors to deal with, because they don’t have to go through two or three layers of bureaucracy to get a decision, Smithey said.

Des Moines had tried in the past to create an airport authority, but it had not worked, Smithey said, because officials had tried to spread membership among several different cities.

This time, Des Moines alone created the authority. The new five-member board chaired by Hansell took over airport operations on Nov. 1.

It was good timing, considering Southwest's Jan. 21 announcement. Dealing with a single entity will make it easier for Southwest, or any other carrier, to implement changes in the future, Smithey said.

Another Smithey recommendation was addition of a low-fare airline.

It wasn't a new idea. Des Moines had courted Southwest and other low-fare carriers with very little success since the 1980s. In 1999, a group of Des Moines businesses even offered to cover Southwest's airport operating costs for two years if the airline would add a Des Moines stop.

The difference with Smithey at the controls was that he knew how Southwest executives thought. He understood the airline's low-cost culture and fast-turnaround work ethic.

Smithey even provided key help by inspiring a Nebraska congressman in 2006 to help erase federal legislation that had limited Southwest growth for decades.

The legislation was known as the Wright Amendment, because it was sponsored by former Rep. Jim Wright of Texas when it was adopted in 1979. It was designed to protect the then-new Dallas-Fort Worth airport from encroachment by the older, Dallas-based Love Field, which was home to startup Southwest.

The amendment said that airplanes leaving or landing at Love Field, which was all Southwest traffic, could not fly nonstop to or from any city that wasn't in Texas or an adjacent state. It meant that Southwest flights from Omaha and many other locations had to stop at least once, and passengers had to change planes, before they could land at Love Field.

Smithey collected figures showing that the absurd rule was costing Omaha travelers as much as \$30 million a year in needless expenses and delays. His research was headline news in Dallas, and it prompted Rep. Lee Terry of Nebraska, whose district includes Eppley Airfield, to sponsor legislation in 2006 that led to a phaseout of the effects of the Wright Amendment.

Soon after joining the Des Moines airport, Smithey arranged for a group of Southwest officials to come to Des Moines. The group included an Iowa State University graduate who had grown up in Nevada.

The group met with Principal Financial Group Chief Executive Larry Zimpleman, who explained that the insurance company has employees all over the country and is constantly bringing people to Des Moines for training. They also met Gov. Terry Branstad, who offered to write a letter to the Department of Justice's antitrust

division supporting the AirTran acquisition.

Smithey also presented data showing which businesses in central Iowa have operations in what parts of the country and, more important, showing a population base of more than 2 million served by the Des Moines airport.

“We didn’t have that many in Omaha,” he said.

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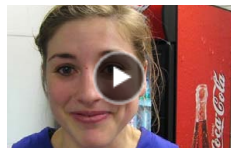
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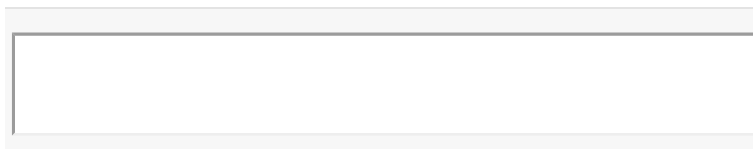
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