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## Panama City airport lands Southwest service

*Carlton Proctor*  
*cproctor@pnj.com*

Despite assurances from local officials that Pensacola is not out of the running for Southwest Airlines service, Southwest CEO Gary Kelly says the city is not on the company's radar screen for 2010.

Southwest announced Wednesday that it had reached a lucrative, three-year deal with The St. Joe Co. to begin air service to the new \$330 million Northwest Florida-Panama City International Airport when it opens in May.

The announcement came as a shock to Pensacola officials who were deeply involved in an aggressive campaign to bring the low-cost carrier to the Pensacola Gulf Coast Regional Airport.

"It surely would be nice to be having a party in Pensacola to celebrate this today," Pensacola Mayor Mike Wiggins said. "We're still in the hunt, but it's going to be a while."

As late as an hour before Southwest's official announcement in Panama City, Pensacola Bay Area Chamber of Commerce President Evon Emerson said Southwest officials had assured Pensacola officials in a morning conference call that the door was not closed on the airline coming to Pensacola as well.

Kelly spoke by streaming video from the company's headquarters in Dallas.

Pensacola officials had been scheduled to meet with Southwest executives on Monday of this week to discuss the local proposal. Last week, the meeting was put off until Nov. 13 because Southwest said scheduling conflicts prevented everyone it wanted from attending.

Wiggins said the meeting still will be held. However, he said he's not positive the date is solid.

Minutes after Southwest's announcement, Kelly was asked if the airline still wants to come to Pensacola.

He said the airline wants to start its service to the Florida Panhandle in Panama City.

"The reason for that is very simple: That was far and away the best opportunity for us to get started, especially in this very, very difficult economic environment," he said.

Southwest's three-year agreement with St. Joe will provide eight nonstop flights a day from Panama City to four cities, which have not yet been named.

"So, Pensacola is still an opportunity for us to consider, but it's not anything we would have on our list of considerations for 2010," Kelly said.

## St. Joe's role

St. Joe CEO Britt Greene described the partnership with Southwest as a "strategic alliance that is the first of its kind in the airline industry."

St. Joe owns some 600,000 acres in Bay County and the Florida Panhandle. The company hopes to leverage Southwest's service to drive tourism, economic development and job growth in the area.

A St. Joe filing on Wednesday with the U.S. Securities and Exchange Commission describes the following terms:

n During the first three years of service, if Southwest operates at a loss in Panama City, St. Joe will make quarterly payments to cover those shortfalls.

n If Southwest profits during those three years, those profits will be shared up to the maximum amount of St. Joe's break-even payments.

n The agreement may be terminated if St. Joe's payments to Southwest exceed \$14 million in the first year of service or \$12 million the second year.

n Southwest agreed not to start service at any airport within 80 miles of the Panama City airport during the three years of the agreement. That would rule out service to the Northwest Florida Regional Airport in Okaloosa County, which had been competing for Southwest service along with Pensacola.

n If Southwest starts service at an airport between 80 and 120 miles from the new airport within the three years, the airline and St. Joe could modify the terms of their agreement to accommodate that impact. Pensacola falls within that area.

Pensacola advertising firm owner Ellis Bullock III, who has been deeply involved in the negotiations to bring Southwest to Pensacola, said the Panama City area also offered up millions of dollars in community support.

He said that includes:

n \$22.5 million in bed tax revenue to pay for marketing, advertisements and vacation packages.

n A minimum of \$20 million for free hotel rooms from Coastal Vision 3000, a nonprofit regional membership group of businesses, hospitality operators, and tourism and civic organizations.

## **Pensacola's offer**

The Pensacola Bay Area Chamber of Commerce has been leading Pensacola's pursuit of the airlines for the past two months.

Pensacola Gulf Coast Regional Airport is currently undergoing a \$78 million expansion that local officials hoped would help in the wooing.

Pensacola's incentives package includes \$1.7 million from about 1,500 individual pledges for advance ticket purchases, \$1.2 million a year in bed taxes for marketing, and 186,000 free room-nights pledged by hotel owners in Escambia County and Baldwin County, Ala.

Wiggins said he felt confident after discussions with Southwest on Wednesday morning that Pensacola is still a contender for the airline.

"Southwest reiterated that Pensacola is a strong market and is still being considered by them for service," he said. "After our discussions, I am even more confident than before that Southwest sees Pensacola as a market they want to serve."

Emerson said the Chamber will move forward with its Pledge LUV campaign to get Southwest service. LUV is the stock exchange symbol for the airline.

Despite the disappointment, Emerson said she was "extremely pleased by the wonderful response we've gotten from the community."

## **Pledge LUV**

Hotel owner and developer Julian MacQueen, who has pledged 45,000 free room nights to Southwest, was at the announcement Wednesday in Panama City. He said his company Innisfree will

cooperate with Southwest on a regional marketing initiative.

"I was impressed to see the cooperative spirit between government and the business leaders in Bay and Walton counties," MacQueen said. "I think that was the key to their success, and we could learn a lot from their example."

Pensacola resident Frank Brueske, who participated in the Pledge LUV campaign, said he was not too surprised at the decision because of the massive financial support from Panama City.

But he thinks Pensacola draws from a larger population than Panama City and would fill more seats on a regular basis.

"I am disappointed because I feel that they are missing the boat by not coming to Pensacola," Brueske said. "I feel like the business community here was not really aware of the massive impact that Southwest would have had on the Pensacola economy."

Southwest supporter Bill Ford of Pensacola said he was disappointed by the news.

"I'm at a loss to understand their choice, frankly," he said. "Pensacola represents a ready market for them. It almost seemed a no-brainer choice for the airline."

## Additional Facts

Southwest's announcement

Today, Southwest Airlines announced its intent to begin service at the Northwest Florida's new international airport.

It's no secret that we've been interested in serving Northwest Florida for many years. We love this region, and we've been looking for a long and mutually profitable relationship. We make decisions about the markets we serve and how we serve them on a case-by-case basis, grounded in data and based on what makes best sense for our business and shareholders. We've proven that we can successfully serve multiple airports in one region (ex. Boston area, Bay area). But today, we are pleased to announce service at the new Northwest Florida International Airport. Our current focus is making service here as successful as it can be.

We are very flattered by the interest we've received from Northwest Florida and we are looking forward to learning more about the viability of the market. We remain in the assessment phase with other airports in the market but need to fully understand the region before we can even consider adding additional airports to the area. The best decision for us now is to begin service to Panama City, by serving Northwest Florida's new international airport – which will benefit the entire region.

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