SOUTHWEST TAKES OFF INTERNATIONALLY – PART 2, FORT LAUDERDALE

News / Airlines

After over forty years of connecting passengers with destinations across the United States, the low-cost leader Southwest Airlines stepped down a new path in 2010: flying beyond the border into international skies. The airline's merger with AirTran Airways placed several new foreign dots on Southwest's map, routes which the airline assumed in completely integrating the two companies last year. In Part 1 we analyzed the role Houston Hobby Airport will play in this major international expansion.

But Southwest appears ready to dial it up a bit in terms of its international flying. The airline identifies three gateway airports – Houston Hobby (HOU), Fort Lauderdale (FLL), and Baltimore/Washington (BWI) – to take central stage in its pursuit of international traffic. In this three part series, we attempt to begin unpacking what each one of these three selections might offer the airline.

SWAFL-1 Image not found or type unknown

Houston Hobby garners the most immediate attention, scheduled to open a new five-gate international terminal on October 15, a date rapidly approaching. In recognition of this, we analyzed the airport's significance in part one of this series. Fort Lauderdale takes part two, with its

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impact likely a bit more delayed than Houston's. Indeed, most fliers will hardly notice Fort Lauderdale as an international player until several years down the line, but it nonetheless carries some great importance for Southwest's broader international goals.

Southwest traces its root back to Texas, where it originally started by flying a triangle between the cities of Dallas, Houston, and San Antonio. However, the airline boasts some history in the state of Florida as well, servicing nine cities in the "Sunshine State" as of today.

Fort Lauderdale-Hollywood

FLL-Aerial2
Source: Fort Lauderdale-Hollywood International Airport

When many people think of Fort Lauderdale (or better yet, the Miami area), visions of beach vacations bubbling over with all sun exposure one could possibly want likely pop into mind. That is to say, most probably think of the area as a destination by itself, hardly a waypoint along a journey elsewhere. But Southwest will employ Fort Lauderdale as an international gateway, devoting a significant portion of its traffic there to customers simply passing through.

FLL Proposed Construction
Southwest's five new international gates at FLL will field approximately 25 daily flights abroad by 2017 – Source: Broward County, Florida

Fort Lauderdale's footprint will remain relatively soft until 2017, when it opens the doors to its new international terminal. Whereas Southwest will pull the curtain off its Houston terminal this year, the shovels won't come out to begin construction until 2016 in Fort Lauderdale, according to Broward County (which maintains jurisdiction over the airport). It will add five international gates to the existing Terminal 1 operations – sounds strikingly familiar, doesn't it?

Also like Houston, Fort Lauderdale's convenient location, perched on the southern tip of Florida, explains much of Southwest's enamoration with the city. It rests very close to the Caribbean area, in tight proximity to many of Southwest's newly acquired cities. Although the airline currently operates no international flights from the airport, and has yet to reveal the destinations it will offer, it's more than likely Fort Lauderdale will take on more of an Caribbean bent than will Houston. Tailoring Houston to more directly southward traffic while facilitating traffic a bit more to the east via Fort Lauderdale makes too much sense for Southwest. This dual approach allows the airline to service the breadth of its international destinations without stretching too far from either airport.

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FLL represents a hotbed of international growth recently, a trend likely to continue as Southwest stakes its claim – Source: CAPA and OAG

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The Miami area also features an audience of particular interest to Southwest, with a population more inclined to travel frequently to some of the new international dots the airline is adding to the map. Miami hosts a notably vibrant Latino community, from which Southwest wants to draw. Currently all of the airline's international cities are geared toward travel south of the border, which could entice fliers in the Miami metropolitan area.

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Southwest's unique baggage policies might also resonate especially strongly with local fliers, giving an advantage to Southwest with its rivals charging for checked luggage. While not true in every case, more generally passengers heading internationally tend to check more luggage than do fliers domestically, magnifying the effect of a "bags fly free" approach. This fact could serve as a competitive weapon for Southwest, which remains the only airline to allow two bags without a fee.

But wading into Fort Lauderdale more deeply, where the competitive waters are much warmer and where Southwest controls less of the pool, thus marking a very different step for Southwest than in Houston.

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Southwest controls only a slice of the market share at FLL – Source: CAPA and OAG

For one, despite its advantages, Southwest will have to compete heavily with other airlines in Fort Lauderdale. Spirit Airlines and jetBlue also maintain sizable operations at the airport (and particularly with respect to the international destinations Southwest might eye), and American runs one of its larger hubs at Miami International Airport (MIA). While it's true that other airlines play fiercely in the Houston metropolitan area, the battle hits closer to home in Fort Lauderdale with the airport itself featuring a number of direct competitors, in addition to American adding pressure down the road.

he degree of low-cost and legacy competition locally will challenge Southwest's ability to consistently offer the lowest fare, and jetBlue easily takes the prize with respect to the most supreme in-flight product. Southwest could very well believe the market still remains below saturation and may capably support another entrant, but clearly the airline will have to fight harder to win the attention of potential customers, particularly as the new guy so far as international service is concerned.

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Additionally, Fort Lauderdale lacks a similarly sized web of connections to offer Southwest's customers. The airline currently only operates about seventy flights a day from the airport (though it envisions another twenty-five or so going abroad), placing it well below some of its larger focus cities. Fliers are unlikely to patronize Southwest if doing so involves two connections, suggesting that Fort Lauderdale's appeal lies even more limitedly than in Houston, which boasts over 150 daily flights to over forty cities non-stop.

Still, in addition to other factors going its way, Fort Lauderdale represents quite a financially savvy choice for Southwest. The airline itself predominantly financed the expansion project in Houston. But Florida's Broward County will "back" the terminal makeover while still leaving Southwest to "manage and construct the entire project" – the best of both worlds for the airline (and also speaking highly as to just how much the city itself values having Southwest's presence on international routes). Southwest most probably struck some agreement to keep its international routes active for an extended period of time, which equally touches on the idea that the airline plans an international presence for the long-haul.

The funding will stem from fees charged directly to the airlines, which certainly impacts Southwest

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though not necessarily proportionally. But Fort Lauderdale's minimal cost per enplaned passenger (CPE) – an industry metric which averages the costs imposed on each flying passenger from operating at the airport – remains a positive. According to CAPA, even while several expansion projects (of which the new terminal is only one) will force the airport's CPE upward slightly, it estimates the figure will only hit $6.51 by 2017, drastically lower than the cost of operating at Miami International Airport as well as the majority of other airports across the nation. For comparison, Houston parallels Fort Lauderdale's cost advantage nicely; the data show the CPE for the Houston Airport System collectively lies around $9.58, though it's pretty safe to assume that Hobby falls somewhere below that figure and brings down the average. Again, Southwest appears quite conscious in both cases of expanding internationally in a way that will remain consistent with its image – one that in part hinges on a low price tag for consumers.

Featured on Southwest's homepage, the airline's marketing team is hitting tropical destinations hard - So

Featured on Southwest's homepage, the airline's marketing team is hitting tropical destinations hard – Source: Southwest Airlines

Where Southwest decides to service and how frequently it will do so from Fort Lauderdale ultimately remains yet to be seen. One card the airline carries in its back pocket is the advantage of experiencing the international market more firsthand elsewhere before it has to make those calls at Fort Lauderdale. Assuredly the degree of success it enjoys at its other international gateways will influence the way it will choose to deploy Fort Lauderdale.

But one thing's for sure: with the traditionally disruptive Southwest set to enter the market in a significant way, the forecast for international air travel in southern Florida appears to contain some sunny days ahead.

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28 SEPTEMBER 2015

SOURCE: AIRWAYSNEWS
ARTICLE LINK:
https://ids.50skyshades.com/news/airlines/southwest-takes-off-internationally-part-2-fort-lauderdale

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