

Free Hobby Executive Summary



The Southwest Effect

- The “Southwest Effect” is alive and well. History shows that lower pricing drives demand. (*Free Hobby Report, p 2, Moody’s, p 1 & 4*)
- Low Fare stimulation creates a bigger passenger pie for all. (*Free Hobby Report, p 9 & 10*)
- Monopoly fares at IAH are significantly higher than fares in markets that compete with Southwest at Hobby. (*Campbell-Hill Traffic Forecast, p 3 & 4, Free Hobby Report, p 5, 6 & 7*)
- Houston travelers will save approximately \$255 million per year due to lower fares. (*Campbell-Hill Traffic Forecast, p 8*)
- Campbell-Hill projects that 2 million additional passengers will be created by Southwest’s international service at Hobby – 1.95 million at Hobby and 50,000 at IAH. This is comprised of 1.4 million increased local travelers and .6 million new connecting passengers. (*Campbell-Hill Traffic Forecast, p 7 & 8*)
- Conservative fare assumptions drive this conclusion. Both Hobby and IAH projected increases are in addition to normal growth, and are driven by competitive pricing. (*Campbell-Hill Traffic Forecast, p 7*)

Missed Opportunities

- Value minded passengers are already flying out of Hobby to international destinations. They do this by flying to other hubs such as DFW and Atlanta in their quest for value. (*Free Hobby Report, p 12*)
- Low fare passengers are presently lost to other Cities. These lost passengers will be reclaimed, thereby increasing Houston’s competitive position. (*Campbell-Hill Traffic Forecast, p 7, Table 5*)
- A market exists – Miami and Ft. Lauderdale - that is similar to the Hobby/IAH proposal and sheds light on what will happen in Houston with lower fares and competition. While Spirit Airlines has grown at Ft. Lauderdale, American Airlines has also grown at Miami. (*The Boyd Report, p 5*)

Outdated Arguments

- United Airlines retained William Swelbar to predict the consequences of competition. Mr. Swelbar has predicted traffic shifts and loss of service at IAH. Mr. Swelbar made similar predictions in 2005 concerning Dallas Love Field as part of an analysis of the Wright Amendment impacts to DFW and American Airlines. Despite his dire assessment, American Airlines increased or maintained service to 15 of 18 markets Mr. Swelbar predicted would shrink. American matched fares, and Dallas traffic grew significantly. (*Wright Amendment testimony to Congress*)

Costs are Covered

- Houston taxpayers will not be at risk. An existing Use and Lease Agreement covers operations and capital improvements at Hobby Airport. This agreement anticipates expansion, as does the Hobby Master Plan.