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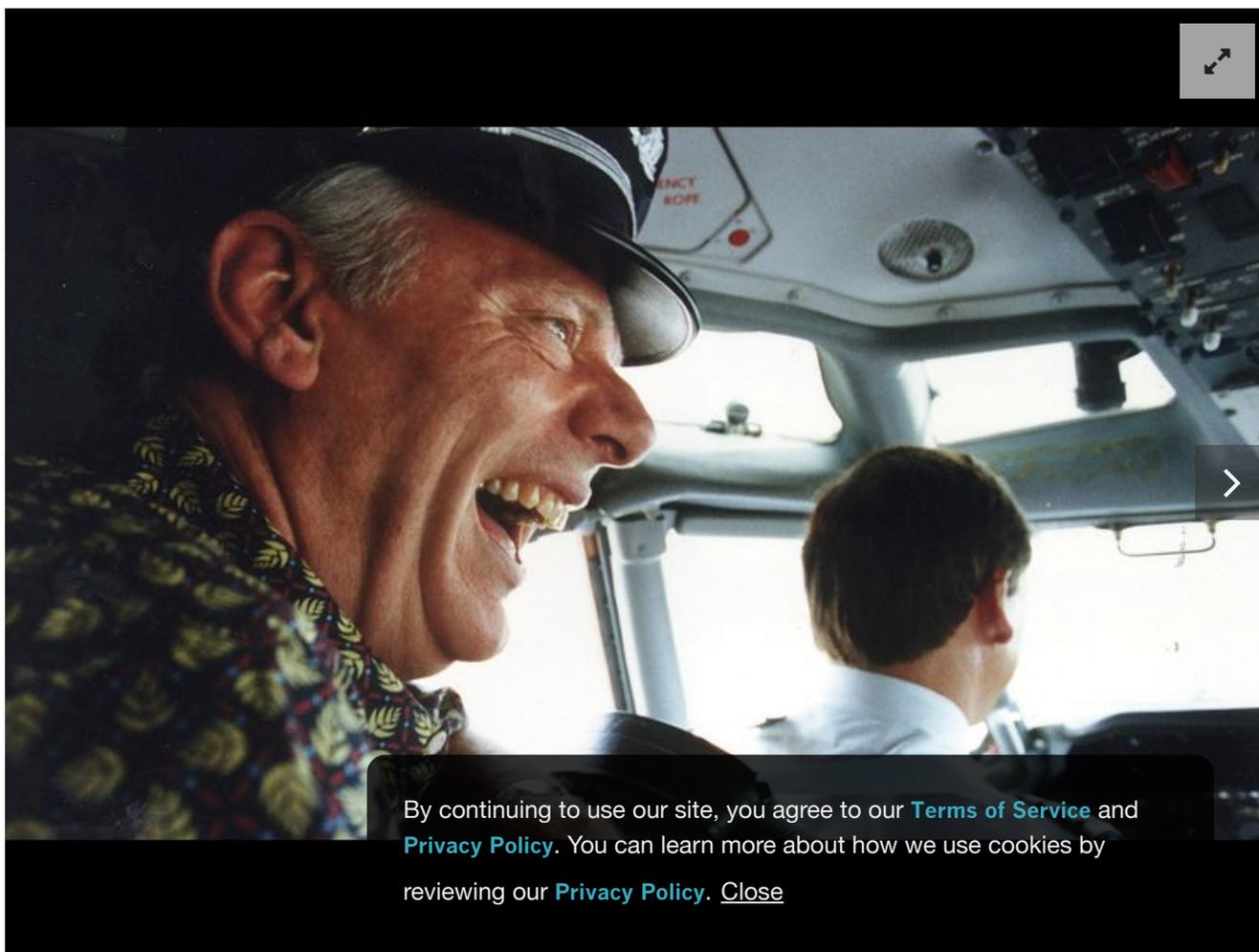


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OBITUARIES LOCAL

Herb Kelleher, co-founder of Southwest Airlines, dies at 87

By MARY SCHLANGENSTEIN
BLOOMBERG | JAN 03, 2019



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Herb Kelleher, co-founder and former chairman and CEO of Southwest Airlines, aboard a Southwest flight. (Southwest Airlines)

Herb Kelleher, the lawyer with a Texas swagger who built Southwest Airlines Co. into the biggest discount carrier and set the standard for budget air travel for more than three decades, died Thursday. He was 87.

Kelleher's persona as a chain-smoking sipper of Wild Turkey whiskey fit Southwest's creation story: He and Texas businessman Rollin King used a cocktail napkin in 1966 to sketch a plan for flights in a triangle of Houston, Dallas and San Antonio. Their formula of short, frequent, no-frills trips spawned dozens of imitators, made Southwest the largest U.S. carrier by domestic traffic and led to an annual profit streak dating to 1973.

"His stamp on the airline industry cannot be overstated," said Southwest Chief Executive Gary Kelly in a statement confirming the death. "His vision for making air travel affordable for all revolutionized the industry, and you can still see that transformation taking place today."

Kelleher retired as CEO of Dallas-based Southwest in 2001 and stepped down as chairman in 2008. He retained the title of chairman emeritus.

"Herb Kelleher is a guy who changed the industry by being a unique mix of talents," former Continental Airlines Inc. CEO Larry Kellner said in a 2012 interview with Bloomberg. "He was smart and he was savvy but, most importantly, he was sensible."

Along with Colleen Barrett, his onetime secretary and later president of the company, Kelleher infused Southwest with a culture that encouraged fun and what he called a "maverick spirit." As Southwest flouted convention by putting some 1970s flight attendants in hot pants and go-go boots, so did Kelleher, appearing at corporate events with his trademark bourbon and Merit cigarettes.

"We've always operated on the thesis that a company can have a personality, that people can be themselves, and be very successful in business at the same time," Kelleher said in a 2001 interview with Charlie Rose.

After posting losses in its first 10 years of flying, in 1971 and 1972, Southwest started the industry's longest run of profits while most firms lost billions and filed for bankruptcy or went out of business. Kelleher served as general counsel until 1978, when he became chairman. He took over as president and CEO in 1981.

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Known as Herb to employees, passengers and shareholders, Kelleher had a booming laugh and lent his name and image to promotions for Southwest. He was once seen shimmying in an Elvis Presley jumpsuit for the cover of Texas Monthly magazine.

“Herb did a lot of crazy stuff, deliberately eccentric stuff, and that worked in the context of the kind of company he was trying to build,” former American Airlines CEO Robert Crandall, a close friend, said in a 2012 interview with Bloomberg.

In the 1990s, Kelleher’s CEO tenure overlapped with those of Crandall and Gordon Bethune of Continental, then based in Houston. They formed a colorful Texas troika of airline chiefs, with Kelleher known for his humor, Crandall for his acerbic personality and confrontations with union leaders, and Bethune for his penchant for profanity-laced anecdotes.

Kelleher developed a loyal following at Southwest because he gave his workforce broad latitude and personal attention. He and Barrett routinely sent notes to mark events such as birthdays, marriages or deaths. After Southwest’s initial annual profit, Kelleher started the industry’s first employee profit-sharing program.

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Herb Kelleher, the chain-smoking former chief executive of Southwest Airlines, straddles a Harley-Davidson motorcycle given to him by his pilots at a company chili cook-off in Dallas in 1994. (Associated Press)

A leather-clad Kelleher once rode a Harley-Davidson motorcycle to an employee party. He occasionally helped baggage handlers load luggage on planes, and attendants were encouraged to tell jokes, sing and create games.

The casual atmosphere he nurtured masked Southwest's cost discipline and power in grabbing market share.

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Kelleher focused on expenses at every level, shunning onboard meals, offering only single-class cabins and setting a goal of keeping jets on the ground for only 20

minutes between flights. In 2000, Southwest removed three nuts from each bag of snack peanuts to save \$300,000 a year.

Kelleher's decisions to fly a single plane type, Boeing Co. 737s, and eschew assigned seats saved money and established a new model for airline service "quite deviant from what was being done," said Crandall, who watched his Dallas rival from American Airlines' headquarters in neighboring Fort Worth, Texas.

Billionaire investor Warren Buffett, who disparaged airline investments after taking a stake in a predecessor of US Airways Group Inc. in 1989, called Southwest "a fabulous business" in 2001. When Buffett's Berkshire Hathaway Inc. returned to investing in airlines in 2016, it took stakes in four carriers — including Southwest.

A 1993 U.S. Transportation Department study titled "The Southwest Effect" detailed how the airline's entry into new markets increased travel and reduced ticket prices. US Airways' then-CEO David Siegel told employees that Southwest "is coming to kill us" as the discounter — with Kelleher still leading the board — jumped into US Airways' Philadelphia hub in 2004.

"When he saw an opportunity, he didn't need analysis," Kellner said. "He just went after it."

That trait marked Kelleher's airline career from the start. Southwest's incorporation in 1967 was followed by several years in court as Kelleher beat back efforts by Braniff International Airways, Continental and Trans-Texas Airways to ground the upstart carrier.

Kelleher's success inspired copycats in the U.S. and around the world, with Europe's biggest low-fare airline, Ryanair, adopting Southwest's approach of flying only Boeing 737s. JetBlue Airways Corp. founder David Neeleman was a former Kelleher lieutenant at Southwest.

Herbert David Kelleher was born March 12, 1931, in Camden, N.J. He was the youngest of four children of parents Harry, general manager of a Campbell's Soup factory, and Ruth Kelleher.

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Kelleher credited late-night talks with his mother for helping develop his belief that each person carries the same value, without regard to social standing. He also embraced the idea that business success began with happy employees who, in turn,

treated customers well and encouraged them to fly more with Southwest, making shareholders happy.

Over the years, Kelleher’s larger-than-life image and Southwest’s rapid growth made the CEO and the airline inseparable in the public eye. In 1999, when he was diagnosed with prostate cancer, investors and analysts pressed Southwest for a succession plan. After eight weeks of radiation treatment, he proclaimed himself fit, though he wasn’t giving up cigarettes.

“I don’t smoke with my prostate,” he said.

Kelleher and his wife, the former Joan Negley, had four children: Julie, Michael, Ruth and David.

Schlangenstein writes for Bloomberg.

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