



Two Entrepreneurs and a Napkin Make History

by Scott Sosebee

The East Texas Historical Association provides this column as a public service.

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(May 31, 2022) The path to commercial success in the twenty-first century depends on a number of factors, but one of the most vital is access to reliable and efficient transportation. A gateway to transporting products and services to a market was a primary reason that railroads often made or broke companies through the mid-twentieth century, and today our transportation grid is vital to our economy. More recently the need to transport people quickly and frugally has become more important, which has led to the development of our commercial airline network. In the early days of flying, it was primarily a means of leisure travel for the wealthy, but by the late 1950s U.S. commercial airlines had come to rely on business travel for most of their profits. Still, flying was expensive, primarily because the federal government regulated the routes airlines could fly, times they could fly, and—to a large extent—what they could charge to fly. For that reason, only a handful of airlines dominated the business, and regulation essentially prevented competitors from entering into the air travel system. However, that was about to change, and one of the leading charges of that change would come from Texas, and two men who, in their own words, “didn’t know any better.”

Rollin King moved to San Antonio in 1962, shortly after receiving his MBA from Harvard, where he began an investment firm. He was also a licensed pilot, which led him to acquire in 1964 one of the few air services that was not federally regulated, an air-taxi service, Southwest Air, that primarily shuttled businessmen from San Antonio to small towns that the airlines did not service. The little air-taxi business was never profitable, but King liked the idea of owning an “airline.” His little company operated just two planes out of San Antonio and—if you will excuse the pun—“flew under the radar” transporting people mostly to Del Rio and Laredo.

Herb Kelleher was also a newcomer to Texas and San Antonio. Raised in a middle-class family in New Jersey, Kelleher received a law degree from New York University. He and his wife moved to her hometown, San Antonio, where through his legal work he met and became friends with Rollin King. The now legendary story goes that King and Kelleher met for lunch one day in 1967 and began to discuss the airline business. King proposed expanding his air service, but with a new dimension. He took a napkin and drew a triangle connecting the three largest Texas cities: Houston, Dallas, and San Antonio. His idea was to link those cities with a “no-frills” airline, one that would offer frequent flights at low prices for those small to middle-sized businessmen that needed to travel between the three cities. In many ways, it was the airline for the salesman, the lawyer at the small firm, and the independent oilman. Kelleher supposedly said, “Hell, Rollin, that’s crazy. Let’s do it.”

The road to Southwest Airlines becoming the now largest domestic carrier in terms of passengers in the United States was not an overnight success. The two men first convinced their banker, John Parker of the Alamo National Bank, to gather investors, and then they fought a four-year long battle with not only federal regulators but the two established carriers in Texas—American and Braniff—to just get the right to fly. Courts continually ruled against the new venture, but Kelleher the lawyer continued pressing his case. On more than one occasion the little company was near bankruptcy. One time, after arguing his case in front of an unfriendly judge and once again receiving an unfavorable ruling, Kelleher was so angry that he clenched his jaw so tight that he cracked three teeth. On another occasion, just ahead of another legal proceeding, the nascent company was so broke that Kelleher had to personally finance all of his travel between court proceedings for two years. He jokingly told Rollin in 1978 that he never remembered getting reimbursed for that.

Finally, on June 18, 1971, after finally winning the right in court, Southwest Airlines began service out of Love Field in Dallas. It was an immediate success, but it retained the personality of an underdog competing against the giants. It grew from there, particularly when the Jimmy Carter administration led a successful campaign to deregulate the nation’s airlines. Southwest was uniquely qualified to take advantage of that turn and they began to build their route map. But they had to face one more hurdle. City officials in Dallas and Fort Worth, who had spent a great deal of money to open Dallas-Fort Worth Regional (now International) Airport in 1974 joined forces with American Airlines to lobby Congress to pass a unique law in 1980, known as the Wright Amendment. The essentially applied only to Southwest Airlines as it forbade an airline that flew out of Dallas’ Love Field—it did not apply to DFW—from flying to any state without stopping in an adjacent state. In other words, if Southwest wanted to operate a flight from Dallas to Nashville, they would have to fly from Dallas to Little Rock, and then passengers would have to book a separate ticket to fly from Little Rock

to Nashville. Its intent was to severely hinder any growth by Southwest and Love Field and force most flights that originated in Dallas to fly from DFW.

Southwest, King, and Kelleher, however, did not fight to open to just lie down when confronted by adversity. They developed a successful “point-to-point” flying system that subverted the Wright Amendment. For example, if you wanted to fly to Las Vegas from Dallas, the flights went from Dallas to Lubbock, where they landed, and then on to Las Vegas. Southwest expanded greatly throughout the 1980s and the 1990s to become the dominant low-cost carrier in the nation. The Wright Amendment expired in 2014 and Southwest began an even greater expansion. Today it flies to over 100 destinations in the U.S., as well as ten additional countries. It is also now carries the most domestic passengers of any airline in the United States and the most profitable airline in the country per mile flown. That’s quite a leap from two guys discussing a new business over a napkin.

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