

Southwest Closes \$1B AirTran Deal

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DALLAS (AP) — Southwest Airlines Co. closed its \$1 billion purchase of AirTran on Monday, securing its spot as one of the biggest domestic airlines.

For travelers, nothing much changes right away. They'll continue to deal with whichever airline sold their ticket. And policies such as checked bag fees are not changing right away. AirTran charges for checked baggage, while Southwest allows two bags for free.

Integrating the two airlines will take years. Southwest plans to begin painting AirTran airplanes in Southwest colors next year. It expects to get a single operating certificate from the Federal Aviation Administration in the first quarter of 2012.

"It will take several years to fully transition AirTran into Southwest Airlines to become one airline," Southwest said.

Buying AirTran Holdings Inc. gives Southwest its first presence in Atlanta, as well as Ronald Reagan National Airport in Washington.

Southwest says the deal that closed on Monday values AirTran at \$1 billion. AirTran shareholders are getting \$3.75 in cash and 0.321 shares of Southwest in exchange for their AirTran shares. Southwest said AirTran shareholders will own 5.6 percent of the company. Southwest used cash to pay for the transaction.

The deal increases Southwest's size overnight by about a quarter.

Southwest said it expects to spend about \$500 million on the integration. It expects "synergies" — money saved from eliminating overlapping functions, and people — to be more than \$400 million by 2013.

Bob Jordan, Southwest's executive vice president of strategy and planning, will run AirTran as its president. AirTran Chairman, President, and CEO Bob Fornaro will be a full-time consultant for the integration, Southwest said.

Southwest is based in Dallas. It said plans for AirTran's operations in Orlando, where it is based, and Atlanta, its biggest hub, are "still under review."

Southwest shares fell 2 cents to \$11.73 in afternoon trading. AirTran shares fell a penny to \$7.50.

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