

Average Air Fares Reach Highest Fourth-Quarter Level Since 2000

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Top 100 Airports: Highest Fare in Anchorage, Lowest Fare at Dallas Love

Average air fares in the fourth quarter of 2006 reached the highest fourth-quarter level since 2000, rising 3.4 percent from the fourth quarter of 2005, the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported Wednesday (April 25).

BTS, a part of the Research and Innovative Technology Administration, reported that the average domestic itinerary fare in the fourth quarter of 2006 was \$378, up 3.4 percent from the average fare in the fourth quarter of 2005 but down 6.8 percent from the historic fourth-quarter high of \$407 in 2000.

Average fares are based on domestic itinerary fares, round-trip or one-way for which no return is purchased. Averages include frequent-flyer fares.

Average air fares in the fourth quarter fell 3.0 percent from the third-quarter average of \$391. The post-2001 high of \$406 was set in the second quarter of 2006. Quarter-to-quarter changes may be affected by seasonal factors.

Of the top 100 airports based on passenger enplanements, the highest fourth-quarter average fares were in Anchorage, AK, followed by Cincinnati, Honolulu, San Francisco and New York John F. Kennedy International Airport. The lowest fares in the top 100 airports were at Dallas Love Field, followed by Chicago Midway International Airport, Houston William P. Hobby Airport, Islip, NY and Buffalo, NY. See www.bts.gov/xml/atpi/src/index.xml for average fares for the top 100 airports.

A separate measure of fares, the BTS Air Travel Price Index (ATPI) reached the highest fourth-quarter level recorded in the 11-year period measured by the index, 2.2 percent higher than the previous fourth quarter high in 2000 (1995 1st quarter = 100).

ATPI is a statistical index that documents quarterly changes in airline prices since the first quarter of 1995 using 5 million to 6 million tickets actually used by passengers for itineraries on U.S. carriers beginning in the United States. The index measures changes in airline ticket prices used on identical routings and identical classes of service on a quarter-by-quarter basis. The index can be used to compare airfares in the most recent available quarter to any quarter since the base year of 1995.

While the ATPI measures changes in fares, average fares measure the actual level of fares paid by passengers. Average fares take account of both the level of fares and the number of passengers purchasing fares at different levels. Average fares do not necessarily account for the level of service, as ATPI does.

The different results from the fourth quarter of 2000 to the fourth quarter of 2006 demonstrate that ATPI and average fares, while similar, measure air fares in two different ways. ATPI measures the rise in airfares and average fares show the increased use of lower fares. The varying results reflect trends in the airline industry that have resulted in more passengers using lower air fares even though fare levels continue to rise.

First, low-cost carriers, which generally offer lower fares, now carry more than 27 percent of all domestic enplaned passengers, up from about 14 percent in 1995. Second, the network carriers have changed some of their fare rules, such as the 'Saturday Night Stay Rule', which has allowed more passengers to purchase lower fares. Third, use of the internet allows almost instant price comparisons that give the customer the opportunity for unprecedented low-fare shopping.

The ATPI for the fourth quarter of 2006 was 9.1 percent higher than the fourth quarter 2005 index.

While reaching a fourth-quarter high, the ATPI declined for the second consecutive quarter and was down 5.5 percent from the record high set in the second quarter of 2006. Quarter-to-quarter changes may be affected by seasonal factors.

The largest year-to-year fare index increase for the fourth quarter among the 85 largest airline markets, ranked by passengers, was 16.1 percent in Long Beach, CA followed by Hartford, CT; Providence, RI; Charleston SC; Manchester, NH.

The biggest year-to-year fare index decrease for the fourth quarter was 21.5 percent for itineraries originating in Lihue, HI. The top four fare decreases over this period took place at Hawaiian airports. Charlotte, NC, was the non-Hawaiian market with a top fare decrease.

The largest fare index increases from the fourth quarter of 1995 to the fourth quarter of 2006 was 173.7 percent in Long Beach. The other top five fare index increases over this period took place at Lihue; Burbank/Glendale/Pasadena, CA; Kona, HI; and Phoenix.

The only fourth-quarter 11-year fare index decreases were in Richmond, VA; Manchester; and Baltimore. The smallest increases were in Chicago and Denver.

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