

## Average Fourth-Quarter Air Fares Rose 4.0 Percent from 2006 Top 100 Airports

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Highest Fare in Anchorage, Lowest Fare at Hilo, HI

Average air fares in the fourth quarter of 2007 were up 4.0 percent from the fourth quarter of 2006, reaching the highest fourth-quarter level since 2001 but remaining 2.7 percent below the high set in 2000 for any October-to-December period, the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported Wednesday (April 23). BTS, a part of the Research and Innovative Technology Administration, reported that the average domestic itinerary fare in the fourth quarter of 2007 of \$331 was the highest average fare since the second quarter of 2006. The fourth-quarter 2007 average fare was up 11.3 percent from the post-9/11 fourth-quarter low of \$297 in 2004.

Average fares are based on domestic itinerary fares, round-trip or one-way for which no return is purchased. Fares include taxes and fees. Averages do not include frequent-flyer or 'zero fares' or a few abnormally high reported fares. Average fares in this release may not be comparable to BTS fare press releases before the second quarter of 2007 which did not exclude frequent flyer fares or abnormally high fares. Bulk fares continue to be excluded as in earlier releases.

Average air fares in the fourth quarter rose 1.0 percent from the third-quarter 2007 average of \$328. Quarter-to-quarter changes may be affected by seasonal factors.

Of the top 100 airports based on originating passengers, the highest fourth-quarter average fares were in Anchorage, AK, followed by Cincinnati, OH, San Francisco, Madison, WI, and Knoxville, TN. The lowest fares in the top 100 airports were at four Hawaii airports followed by Dallas Love. See [www.bts.gov/xml/atpi/src/index.xml](http://www.bts.gov/xml/atpi/src/index.xml) for average fares for the top 100 airports.

The largest year-to-year average fare increase for the fourth quarter among the 100 largest airports, ranked by originating passengers, was 16.2 percent in Houston, followed by Washington Reagan, Boston, Washington Dulles, and Honolulu.

The biggest year-to-year average decrease was 18.5 percent in Charleston, SC, followed by White Plains, NY, Wichita, KS, Memphis, TN, and Columbus, OH.

Four of the five largest average fare increases from the fourth quarter of 1995 to the fourth quarter of 2007 were at Hawaii airports. The other top fare increase over this 12-year period took place at Dallas Love.

The largest average fare decrease from the fourth quarter of 1995 to the fourth quarter of 2007 was 38.9 percent in White Plains, NY. The other top five average fare decreases over this period took place at Manchester, NH, Akron/Canton, OH, Flint, MI, and Providence, RI.

### **The Air Travel Price Index (ATPI)**

A separate measure of fares, the BTS Air Travel Price Index (ATPI) was up 4.1 percent from the fourth quarter of 2006 to the fourth quarter of 2007, reaching the highest fourth-quarter level recorded in the 13 years of the ATPI (1995 1st quarter = 100). The ATPI is up 6.4 percent from its pre-9/11 fourth quarter high set in 2000 and up 16.1 percent from its post-9/11 fourth quarter low set in 2004.

ATPI is a statistical index that documents quarterly changes in airline prices since the first quarter of 1995. 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 amount paid by passengers, including taxes and fees. 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.

Average fare calculations and the ATPI, while similar, measure air fares in two different ways and may produce different results. 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. Three of these trends follow.

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 been forced to match some of the low-cost carrier relaxed fare rules, such as eliminating 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 4.1 percent rise in the ATPI from the fourth quarter of 2006 to the fourth quarter of 2007 is the third consecutive year-to-year increase.

The ATPI declined 0.1 percent from the third quarter to the fourth quarter of 2007. 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 11.0 percent in Houston, TX, followed by Charlotte, NC, Buffalo/Niagara, NY, Boston, and Washington DC.

The biggest year-to-year ATPI decrease for the fourth quarter was 10.8 percent for trips originating in Charleston, SC, followed by Savannah, GA, Anchorage, AK, Memphis, TN, and Kona, HI.

The largest fare index increase from the fourth quarter of 1995 to the fourth quarter of 2007 was 182.9 percent in Long Beach, CA. The other top ATPI increases over this period took place at Lihui (Kauai), HI, Burbank/Glendale/Pasadena, CA, Phoenix, and Kona, HI.

The only fourth-quarter 12-year fare index decrease was in Richmond, VA. The four markets with the smallest increases were Manchester, NH, Baltimore, MD, Denver, and Rochester, NY.

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