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Update: Fares and Competition in Largest US Domestic Markets

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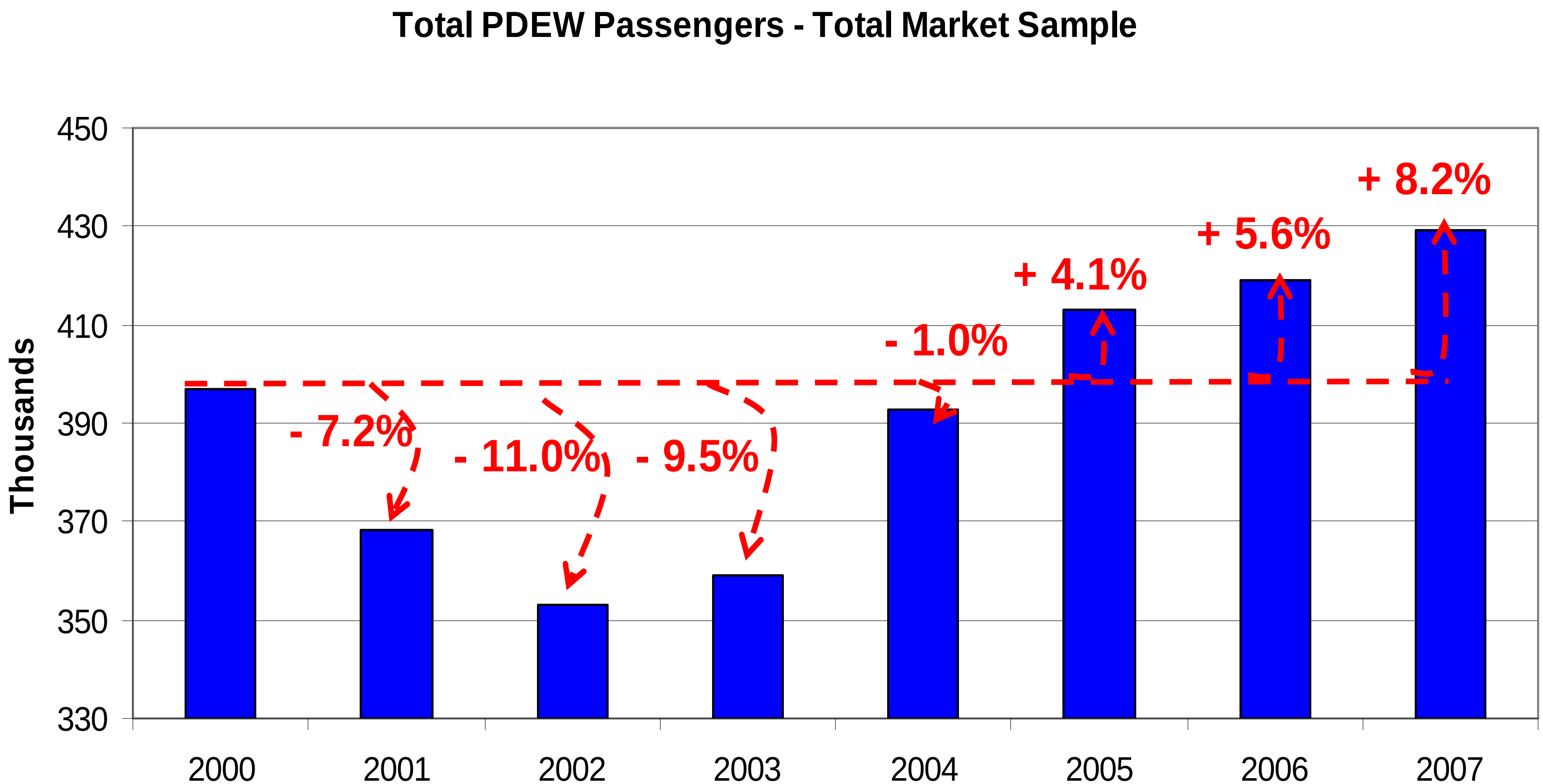
Objectives & Approach

- Objectives
  - Track fare and traffic changes in US domestic markets since 2000, with focus on more recent trends
    - By length of haul
    - In hub vs. non-hub markets
    - Distribution of fare increases and decreases

- Data Sample
  - Top 1000 US O+D Markets extracted from DOT 10% Ticket Sample
  - Markets were matched across each year 2000-2007
    - 856 matching markets – Total “Market Sample”

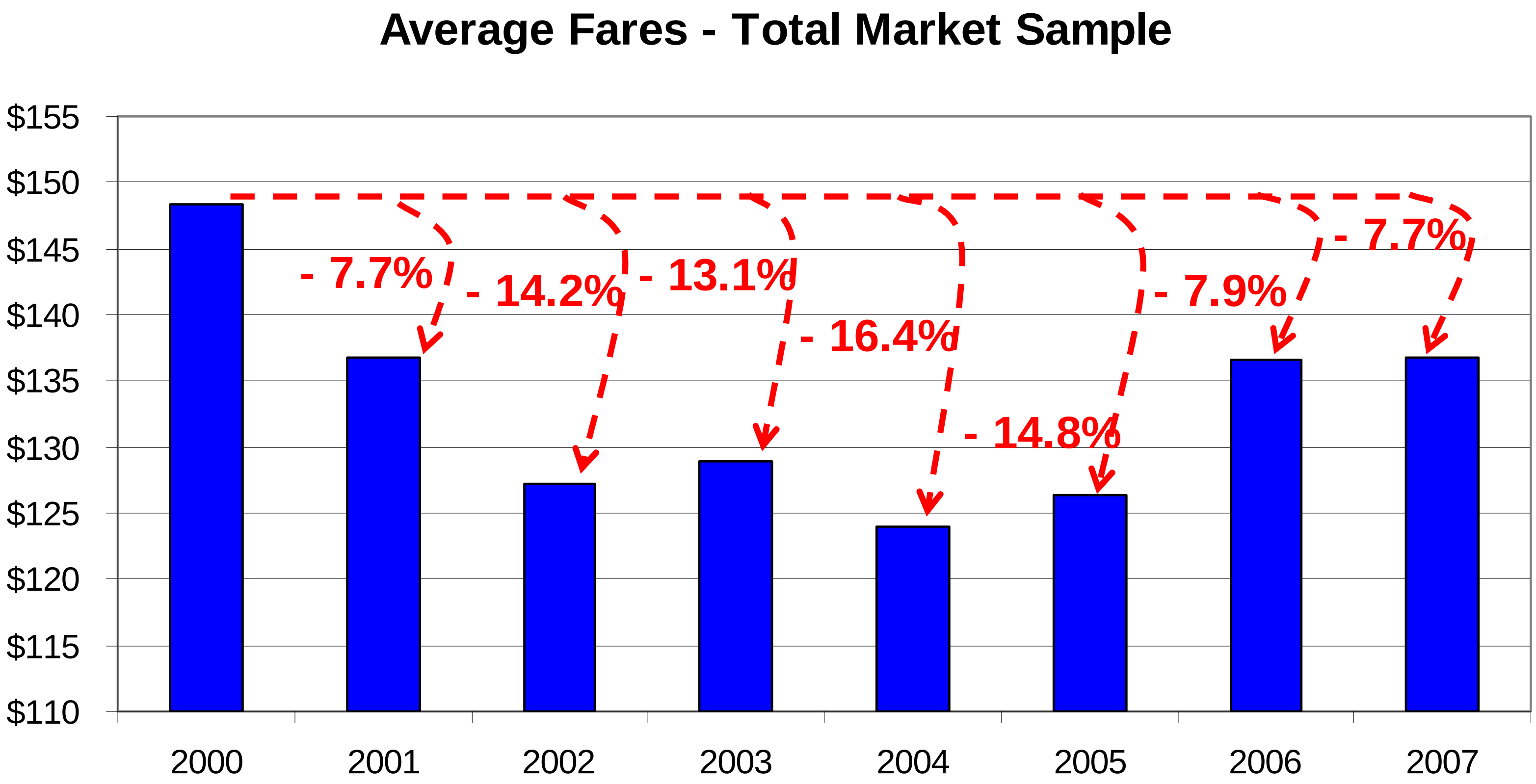
Total Traffic in Market Sample

- Passenger volumes rebounded by 2007 to 8% above 2000 levels after dropping by 11%.



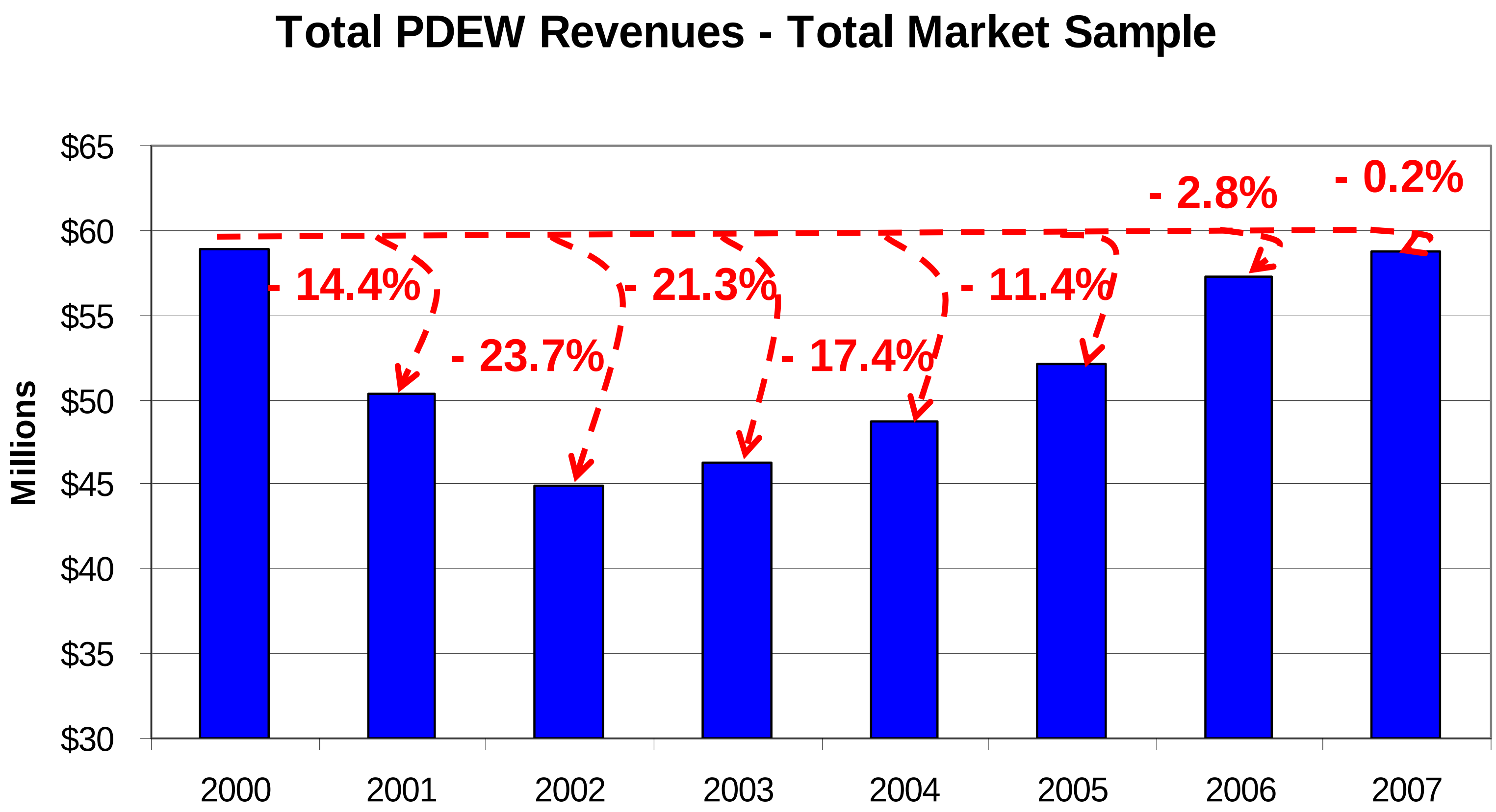
Average Fares

- Fares increased slightly from 2006 to 2007, but were still 7.7% lower than in 2000.



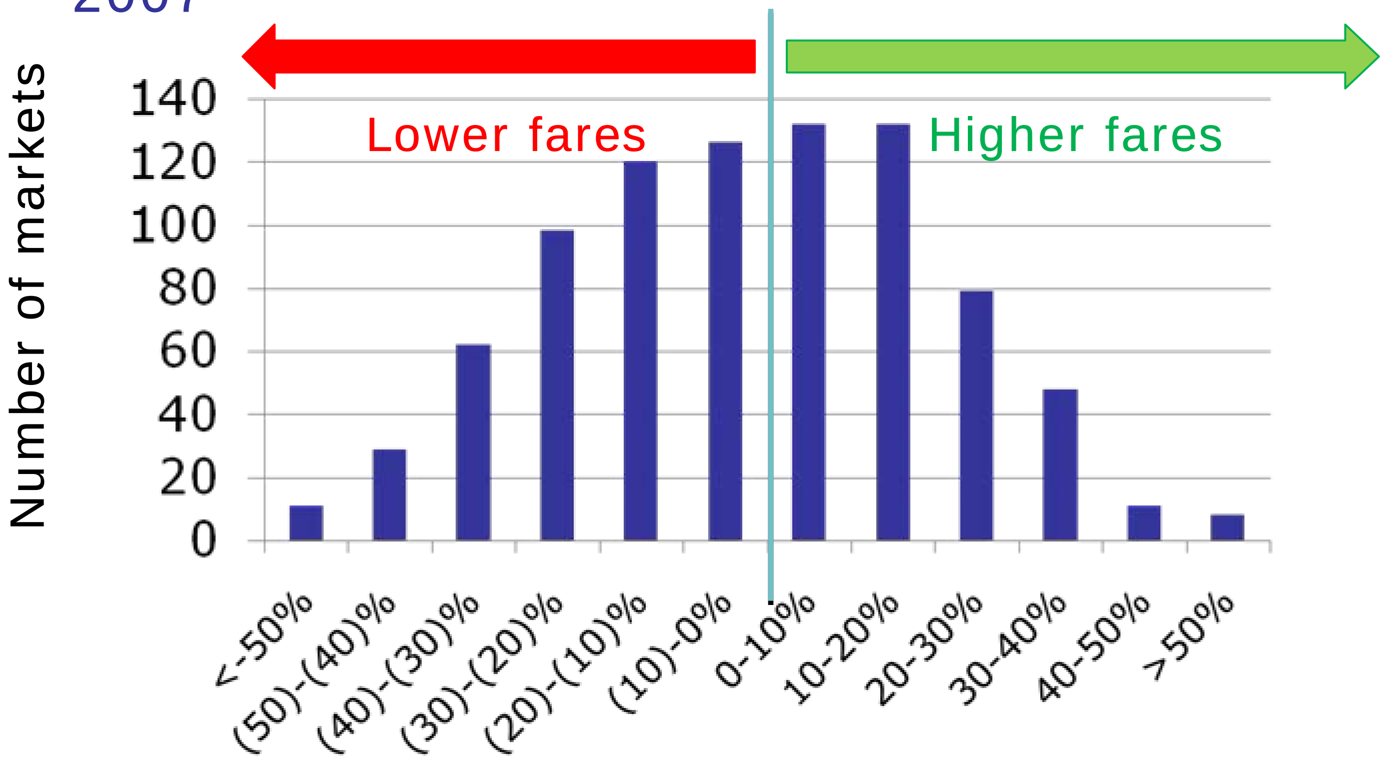
Total Market Revenues

- Slow recovery since 24% drop from 2000 to 2002, still 0.2% below 2000 levels.



Distribution of Fare Changes

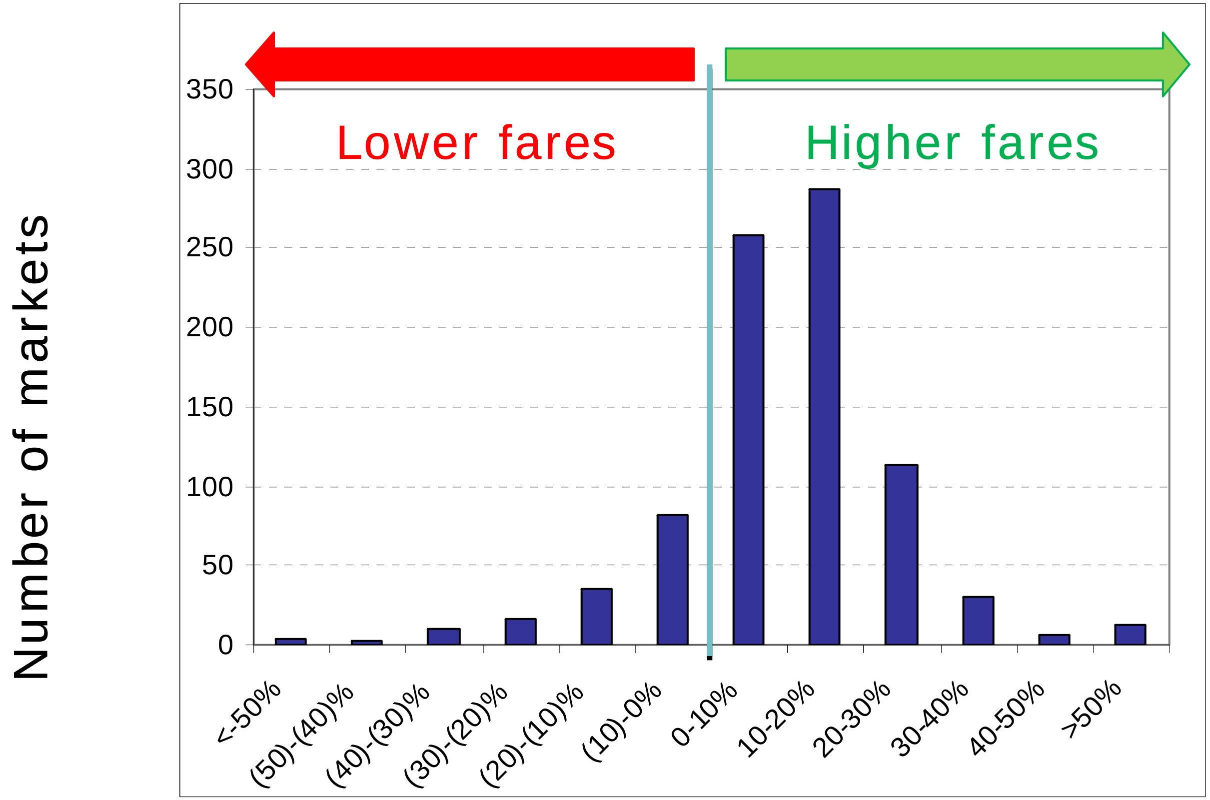
- Compared to 2000, 52% of the markets have lower fares in 2007



Change in Average Fare between 2000 and 2007

Fare Changes 2005-2007

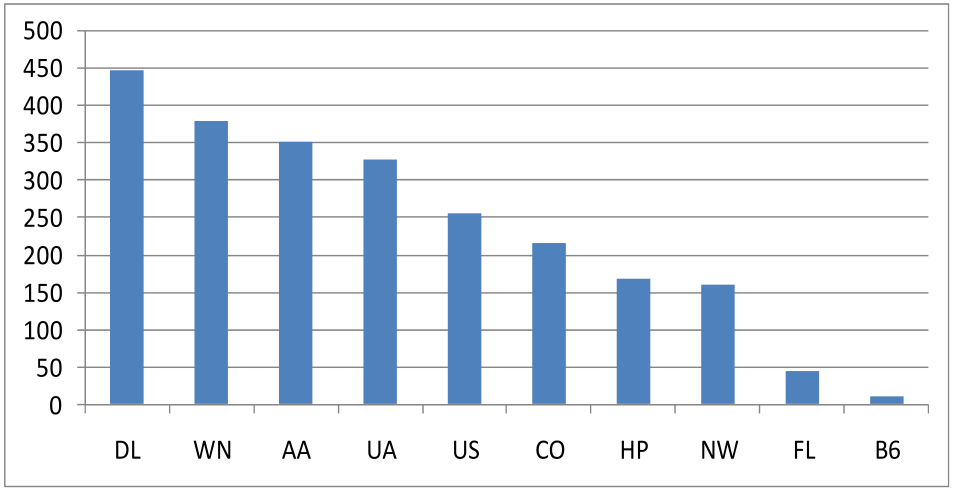
- But, 82.5% of the markets have higher average fares in 2007 compared to 2005



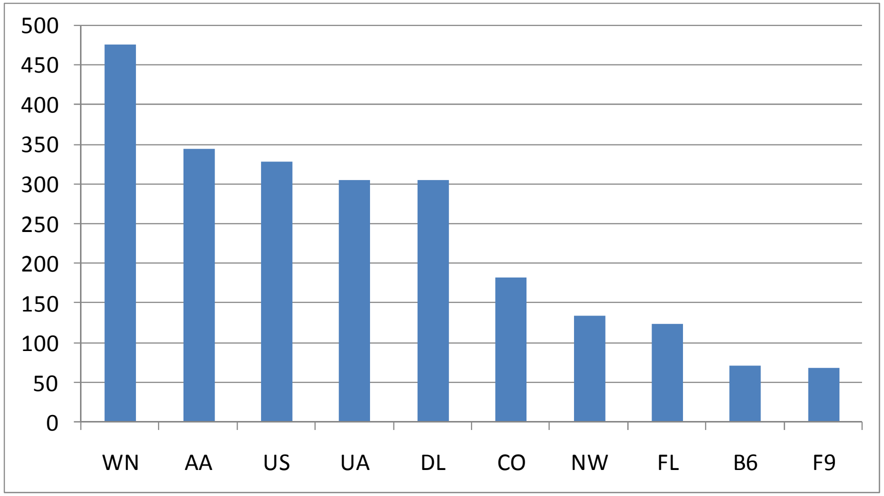
Change in Average Fare between 2005 and 2007

Carrier Participation in Top Markets

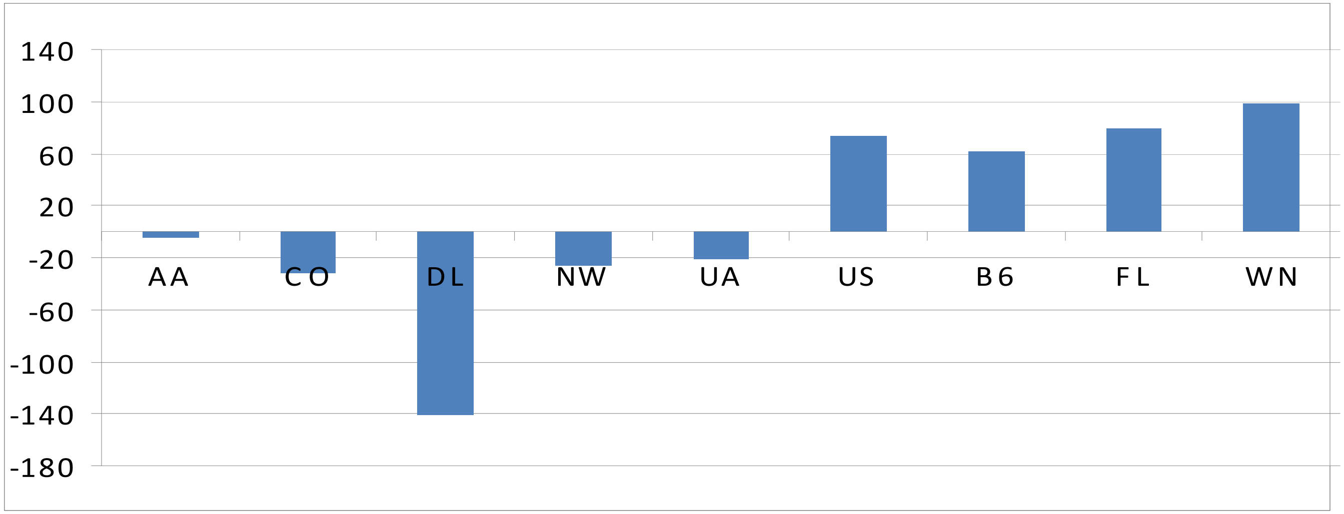
Carrier Participation in Top 856 Markets 2000



Carrier Participation in Top 856 Markets 2007

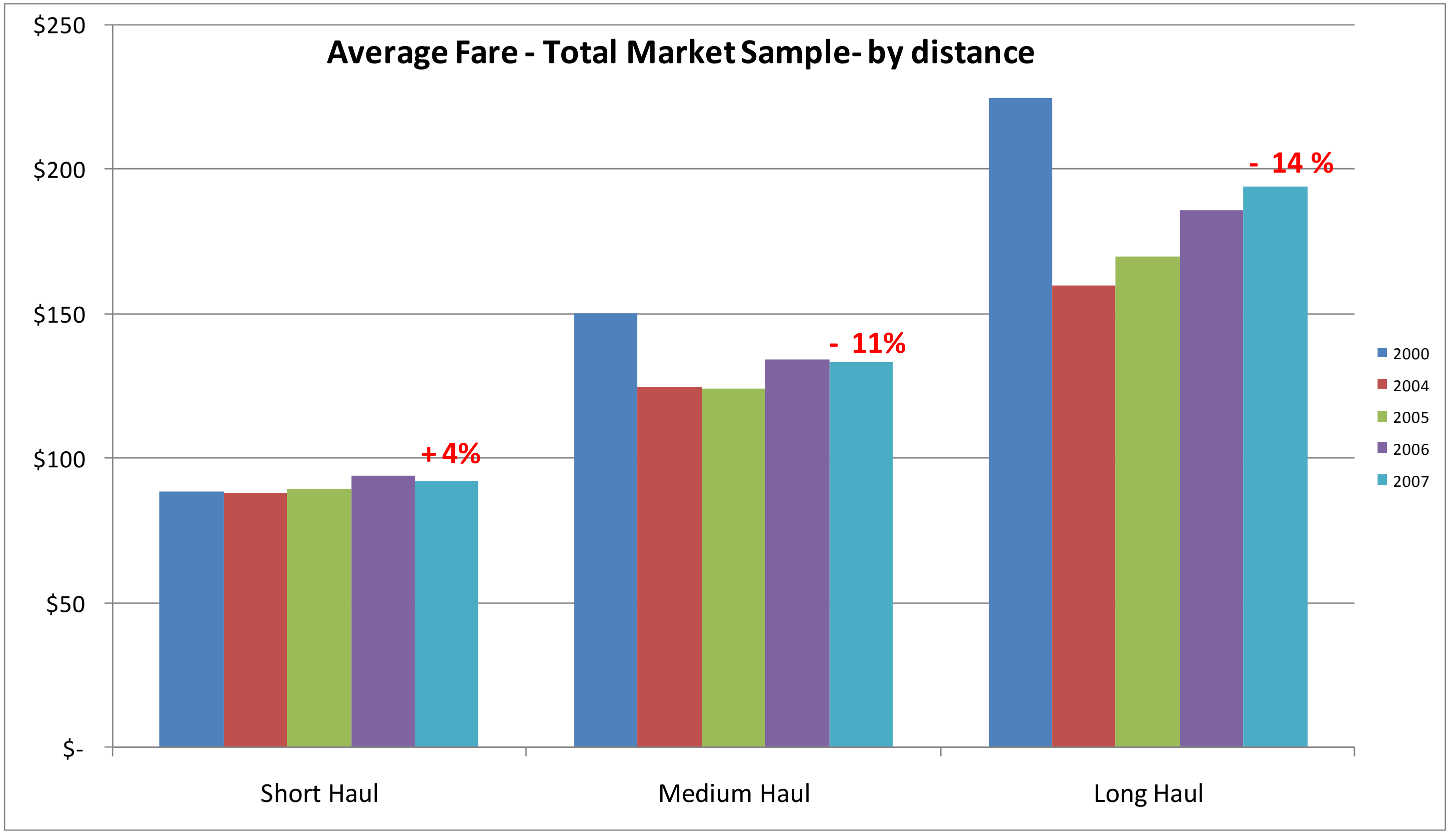


Change in Market Participation between 2000 & 2007



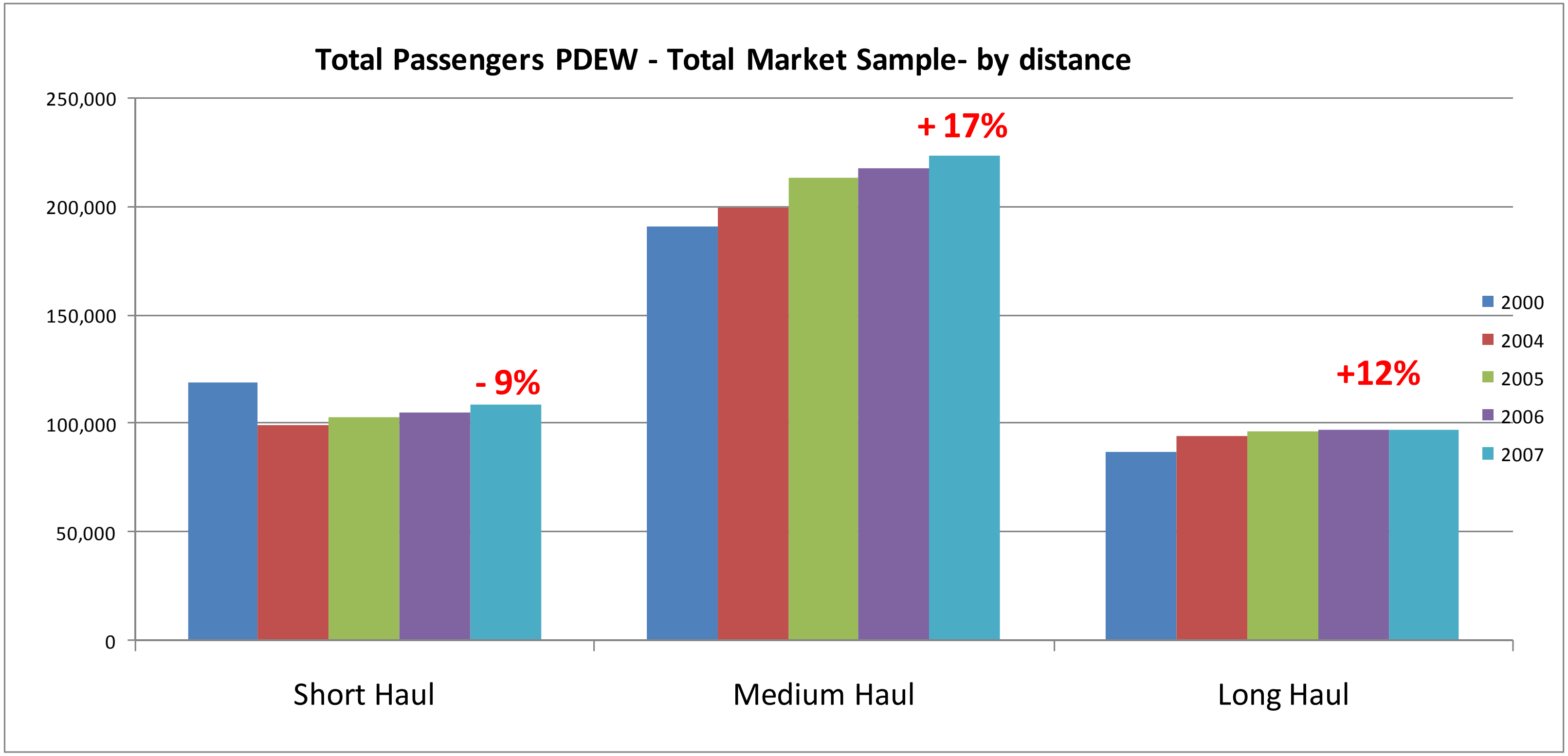
Average Fares by Distance

- Average fares still 14% lower than 2000 in Long haul markets, while Short haul fares have increased by 4%.



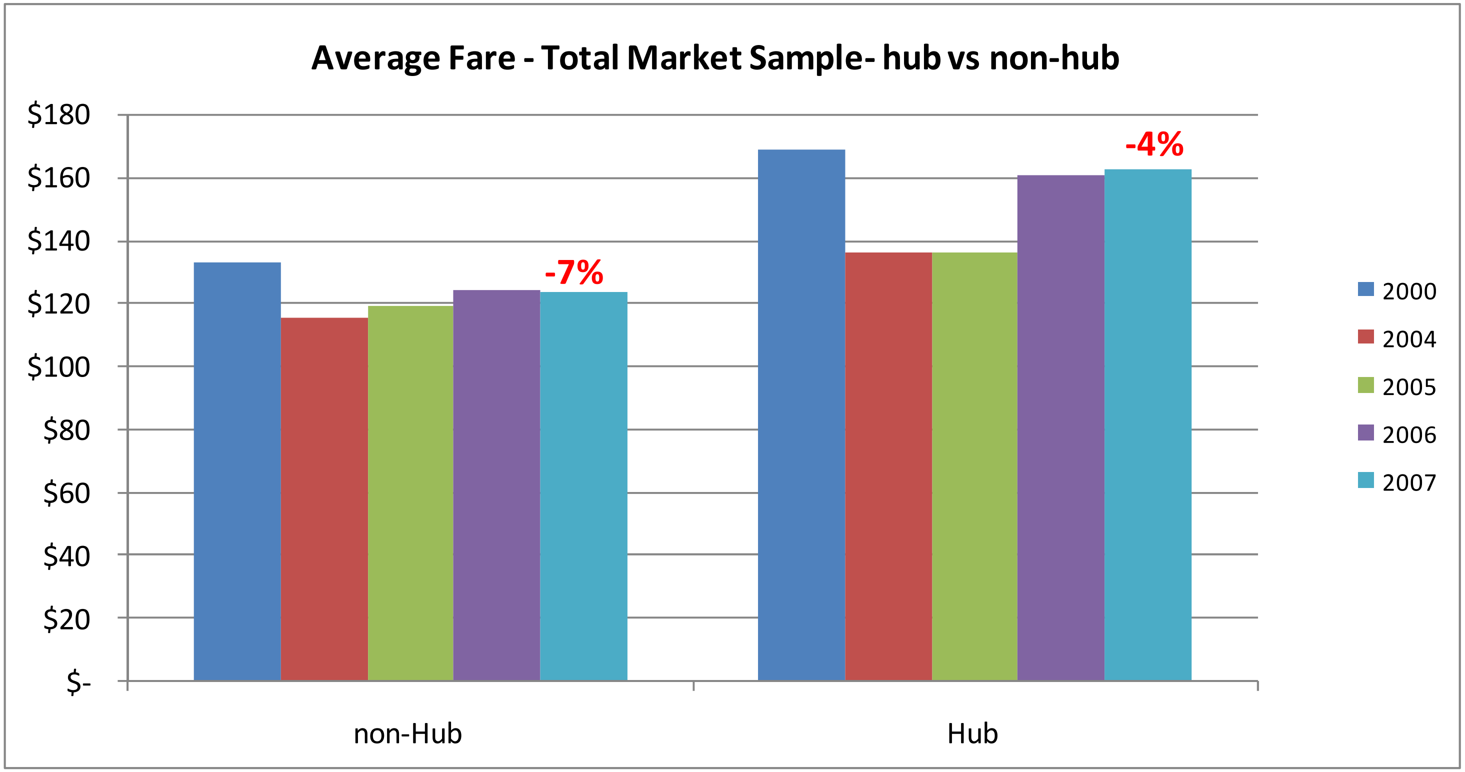
Total Passengers by Distance

- Passenger traffic in short haul markets still down 9%, while increasing 12% and 17% respectively in Long haul and Medium haul markets.



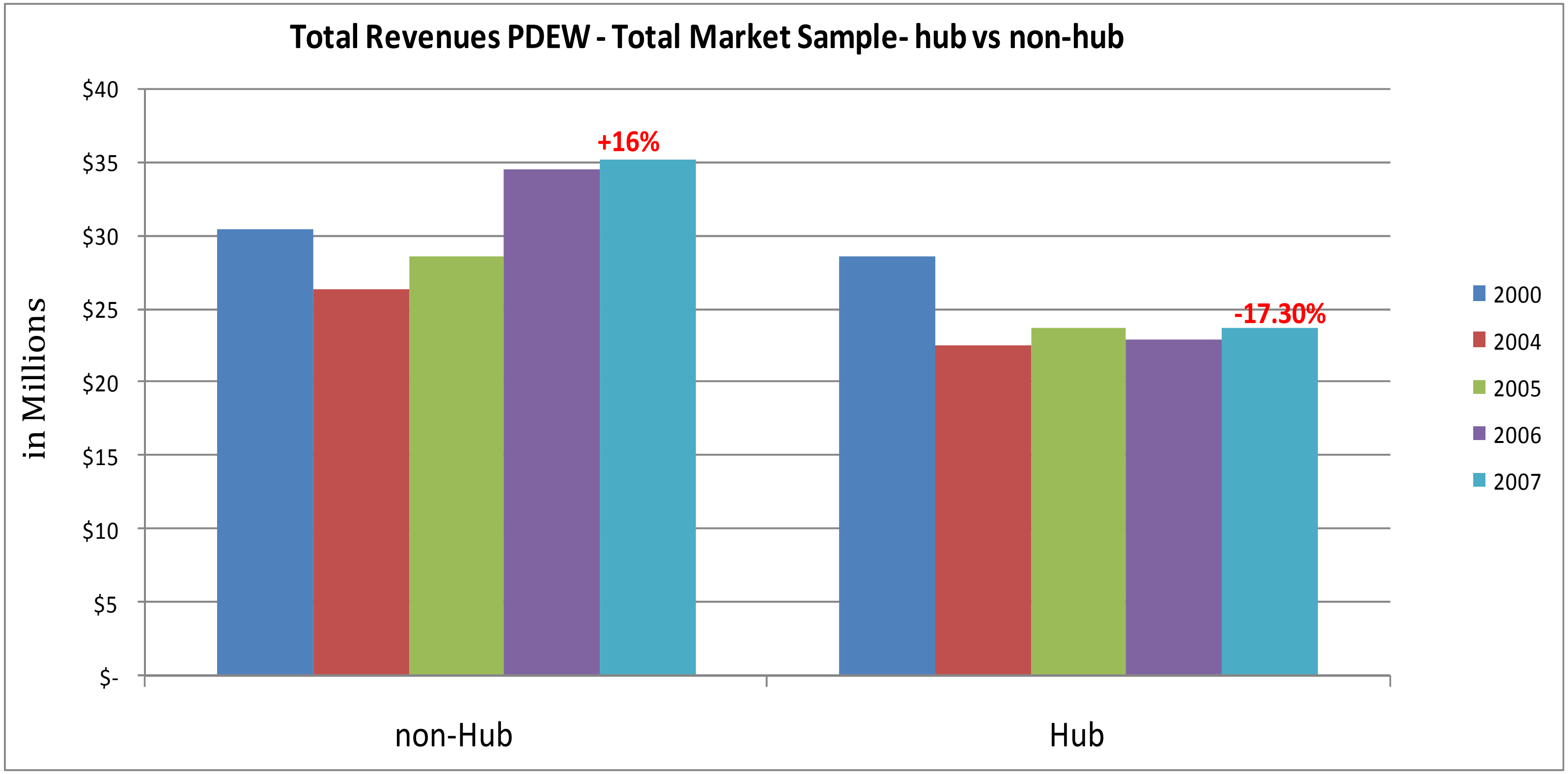
Hub vs. non-Hub Fares

- Average fares dropped slightly more in non-hub markets, and have increased recently in hub markets.



Hub vs. non-Hub Revenues

- Hub markets have seen reductions of 17% in total revenues, while revenues in non-hub markets increased by 16%.



Summary of Results

- Fare and traffic trends since 2000:
  - Total revenues almost back to 2000 levels, with 8% higher traffic volume at 8% lower average fares
  - Short haul traffic is still 9% lower than 2000, while fares have remained stable
  - 12-17% traffic growth in medium and long haul markets, with 11-14% lower average fares
  - Hub market revenues still 17% lower, while non-hub revenues have increased
- Since 2005, most markets have seen higher average fares
  - Hub markets and long-haul markets have seen greatest fare increases