

**Special Feature**  
**Detailed Fare Information for Ten City-Pairs**  
**Under 1,000 Miles with the Highest Average Fares**

As discussed earlier in this report, airlines offer a wide variety of prices in any given market, and it is unlikely that the average fares listed in this report will match any particular fare being offered. A high average fare usually indicates that a broad range of fares is offered in the market. It is likely that low fare seats in these markets are offered in limited numbers, and are subject to various travel restrictions. Fares in markets with low average fares tend to be clustered closely around the average fare. Because only a small percentage of passengers in these markets pay high fares, it is much easier for consumers to find competitive prices. This feature focuses on markets with high average fares where consumers must make extra efforts to get low price service.

The attached table shows detailed fare and passenger data for the ten city-pairs under 1,000 miles that were identified as having the highest average fare levels in the third quarter of 1997. The average fares in these markets ranged from \$271 to \$302 (one-way). Fare and passenger information is provided for both the entire city-pair market as well as for individual competitors in the market. Any airline that carries ten percent or more of the passengers in a market is considered a competitor for the purpose of this special feature.

For each competitor in the market, the table shows the number of passengers carried, the competitor's market share, and the competitor's average fare. To demonstrate the various levels of fares within these markets we have collected data by \$25 fare intervals and show four categories. The least expensive \$25 fare interval available to at least five percent of passengers is listed under the column heading *Minimum \$25 Fare Interval*, along with the percentage of the competitor's passengers that flew in that fare interval.<sup>1</sup> The same information is provided for the \$25 fare interval *below* the average fare in which the largest percentage of passengers flew, the \$25 fare interval *above* the average fare in which the largest percentage of passengers flew, and the most expensive \$25 fare interval in which at least five percent of passengers flew. Data listed under the carrier "Total" is data for the entire market.

The data demonstrates the large disparity between fares paid in markets with high average fares. In the Charlotte to Houston market, for example, six percent of passengers paid fares as low as \$51-\$75 one-way; seven percent of passengers in the market paid over seven times that amount-- \$526-\$550 each way. Fare disparity is an indication of an airline's ability to price discriminate within a market. Price discrimination is the practice of maximizing revenues by charging passengers different fares based on the passengers' willingness to pay for the specific service required. Certain passengers, such as business travelers, will be willing to pay higher travel costs in order to travel in a particular market

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<sup>1</sup> The fare listed is the top of the \$25 fare increment. For example, United Airlines Minimum Fare Level between Allentown and Chicago is \$125; the percent of passengers in that interval is 12 percent. This means that 12 percent of United's passengers in this market flew at fares between \$101 and \$125.

at a particular time, with a large degree of flexibility to change their travel arrangements. For this reason, the number of low-fare seats (usually with substantial restrictions) available on each flight is limited using sophisticated revenue management systems so that potential high-fare customers will not be diverted into low-fare seats. The fewer substitutes (competing air service) in a market, the greater an airline's ability to price discriminate. Note that seven out of the ten markets examined are served by only one competitor.

It is the Department's intention to continue exploring ways to make valuable fare detail available to consumers in markets with highly disparate fares, particularly markets with high average fares. One option being considered is making a table similar to this special feature a permanent addition to the Consumer Air Fare Report. The decision to include such a table regularly is dependent on the usefulness of the information to consumers and users of this report.

**Special Feature- Detailed Fare Information for Ten City-Pairs Under 1,000 Miles with the Highest Average Fares, 3<sup>rd</sup> Quarter 1997**

Origin	Destination	Carrier	Pax	Market Share	Average Fare	Minimum \$25 Fare Interval		Largest Fare Interval Below Average Fare		Largest Fare Interval Above Average Fare		Maximum \$25 Fare Interval	
						Fare\$	%Pax	Fare\$	%Pax	Fare\$	%Pax	Fare\$	%Pax
Allentown, PA	Chicago, IL	Total	14,340	100.00%	\$276.84	\$125.00	11.85%	\$150.00	22.18%	\$500.00	14.02%	\$500.00	14.02%
		UA	12,560	87.59%	\$277.60	\$125.00	12.02%	\$150.00	21.18%	\$500.00	14.97%	\$500.00	14.97%
Baltimore, MD	Minneapolis, MN	Total	27,110	100.00%	\$276.00	\$125.00	8.23%	\$150.00	18.92%	\$525.00	15.75%	\$550.00	5.24%
		NW	21,670	79.93%	\$279.90	\$125.00	6.69%	\$150.00	19.52%	\$525.00	18.41%	\$550.00	5.91%
Birmingham, AL	New York, NY	Total	21,300	100.00%	\$273.68	\$125.00	7.18%	\$150.00	19.01%	\$525.00	7.00%	\$525.00	7.00%
		DL	12,540	58.87%	\$292.48	\$100.00	5.10%	\$150.00	18.74%	\$525.00	8.77%	\$525.00	8.77%
		US	4,710	22.11%	\$257.17	\$125.00	8.70%	\$175.00	26.54%	\$500.00	12.31%	\$525.00	5.73%
Charlotte, NC	Houston, TX	Total	20,090	100.00%	\$286.63	\$75.00	6.02%	\$150.00	19.41%	\$525.00	15.93%	\$550.00	7.27%
		US	15,790	78.60%	\$288.35	\$75.00	7.22%	\$150.00	20.39%	\$525.00	19.13%	\$550.00	7.66%
Chicago, IL	White Plains, NY	Total	49,610	100.00%	\$302.14	\$100.00	5.85%	\$150.00	14.96%	\$525.00	13.47%	\$550.00	5.52%
		UA	32,640	65.79%	\$313.99	\$125.00	10.26%	\$150.00	15.01%	\$525.00	15.41%	\$550.00	6.59%
		AA	13,930	28.08%	\$274.11	\$100.00	8.97%	\$150.00	16.08%	\$525.00	10.70%	\$525.00	10.70%
Cincinnati, OH	Houston, TX	Total	17,210	100.00%	\$270.98	\$100.00	6.28%	\$125.00	19.47%	\$525.00	13.42%	\$525.00	13.42%
		DL	13,280	77.16%	\$266.93	\$100.00	5.87%	\$125.00	18.52%	\$525.00	14.16%	\$525.00	14.16%
Detroit, MI	Minneapolis, MN	Total	56,360	100.00%	\$282.39	\$100.00	6.48%	\$150.00	17.37%	\$450.00	25.83%	\$475.00	7.67%
		NW	52,310	92.81%	\$289.92	\$100.00	5.30%	\$150.00	17.78%	\$450.00	27.76%	\$475.00	8.11%
Memphis, TN	Minneapolis, MN	Total	18,410	100.00%	\$273.05	\$100.00	5.81%	\$150.00	21.73%	\$450.00	18.20%	\$475.00	5.98%
		NW	16,640	90.39%	\$274.68	\$125.00	8.53%	\$150.00	22.90%	\$450.00	19.71%	\$475.00	6.37%
Minneapolis, MN	Philadelphia, PA	Total	54,750	100.00%	\$275.39	\$125.00	11.51%	\$150.00	18.96%	\$475.00	19.58%	\$500.00	5.68%
		NW	34,770	63.51%	\$273.13	\$125.00	11.39%	\$150.00	20.30%	\$475.00	24.13%	\$500.00	6.50%
		US	14,780	27.00%	\$271.35	\$125.00	11.30%	\$150.00	16.31%	\$475.00	14.07%	\$475.00	14.07%
Philadelphia, PA	St. Louis, MO	Total	28,850	100.00%	\$284.28	\$125.00	13.14%	\$150.00	17.05%	\$475.00	6.62%	\$550.00	5.10%
		TW	23,070	79.97%	\$285.52	\$125.00	13.61%	\$150.00	17.64%	\$475.00	7.11%	\$550.00	5.98%