

SPECIAL FEATURE
Airtran's Influence on Atlanta Fares

In order to highlight the positive effect that low-fare competition has had on the airline industry, this Special Feature focuses on Airtran's impact on Atlanta's local traffic and fare levels. Airtran held approximately ten percent of local Atlanta market share at the end of 1998, compared to Delta's 64 percent. Despite this relatively small share of total market share, Airtran's exercises great influence in the markets it does serve.

To demonstrate this influence, we have examined 68 Atlanta city-pairs¹ in the third quarters of 1997 and 1998. Because of a high level of Airtran entry and exit activity between these two periods, the third quarter comparisons were more illustrative of the effects of low-fare service on fares than the more recent fourth quarter. Three comparisons are made to demonstrate the impact of low-fare service in Atlanta markets: change in passenger traffic and fares in markets when Airtran enters a market, change in passenger traffic and fares when Airtran exits a markets, and the difference in fares and passenger levels in markets that had Airtran competition in both periods and markets that had Airtran competition in neither period.

New Low-Fare Entry

Out of the 68 Atlanta city-pairs in the top 1,000 domestic markets, Airtran started competitive service in six between the third quarter of 1997 and the third quarter of 1998. Passenger traffic increased between 45% and 100% in all markets after Airtran entry. Average fares fell between 30% and 51%.

Atlanta Markets with Airtran Entry since Third Quarter 1997

Atlanta to:	Nonstop Distance		Passengers per Day		Change in Passgrs	Average Fare		Change in Avg Fare
	3rd qtr 97	3rd qtr 98	3rd qtr 97	3rd qtr 98		3rd qtr 97	3rd qtr 98	
Buffalo, NY	712	712	269	443	65%	\$169	\$119	-30%
Dayton, OH	432	432	261	521	100%	\$178	\$116	-35%
Greensboro, NC	306	306	310	575	85%	\$229	\$113	-51%
Hartford, CT	859	859	514	885	72%	\$242	\$124	-49%
Houston, TX	693	693	974	1409	45%	\$211	\$130	-38%
Richmond, VA	481	481	426	700	64%	\$223	\$118	-47%
Group Average:	625	615	459	756	65%	\$213	\$122	-43%

¹ There were 72 Atlanta city-pairs common to the two periods used. Atlanta- Kansas City, Denver and New York were removed from the analysis because they are served by other low-fare carriers. Atlanta-Norfolk was removed from the analysis because Norfolk is considered a substitute market for Newport News, an Airtran market.

Loss of Low-Fare Competition

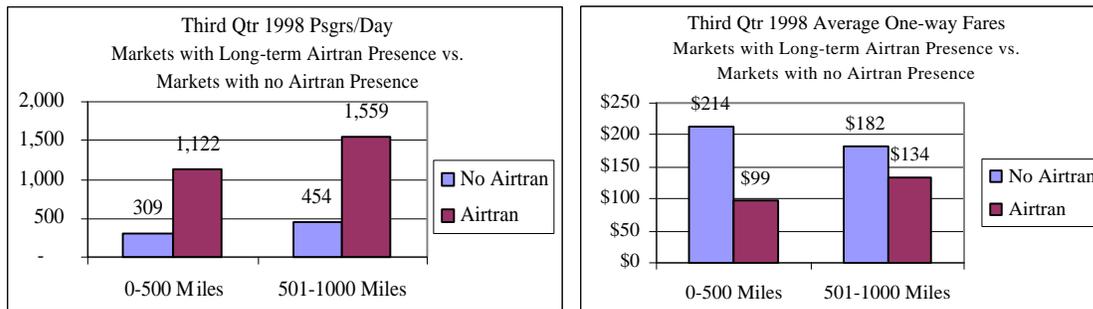
Airtran exited four Atlanta city-pairs between the time periods examined. On average, passenger traffic in these markets dropped by 25 percent after Airtran's departure, while fares increased 55 percent. The one exception seems to be the Atlanta-Mobile, AL market, where traffic stayed nearly level and average fares actually declined. However, examination of fourth quarter 1997 and 1998 data shows that Atlanta-Mobile traffic declined by 20 percent, accompanied by a 25 percent increase in fares. The usual effect of Airtran's exit from the market lagged by a quarter.

Atlanta market with Airtran Exit since Third Quarter 1997

Atlanta to:	Nonstop Distance		Passengers per Day		Change in Passgrs	Average Fare		Change in Avg Fare
	3rd qtr 97	3rd qtr 98	3rd qtr 97	3rd qtr 98		3rd qtr 97	3rd qtr 98	
Charlotte, NC	227	227	875	623	-29%	\$110	\$181	65%
Columbus, OH	446	446	728	546	-25%	\$114	\$182	60%
Louisville, KY	321	321	589	391	-34%	\$101	\$188	86%
Mobile, AL	302	302	349	345	-1%	\$103	\$92	-11%
Group Average:	322	323	635	476	-25%	\$108	\$167	55%

Markets with and without Long-Term Airtran Presence

The remaining 58 Atlanta city-pairs were divided into two groups: those that had Airtran competition in both periods examined, and those that had Airtran competition in neither period. The markets were further divided according to distance. Because Airtran concentrates service in short-haul markets, only two distance blocks between the two groups of markets are comparable. In the shortest haul markets (those under 500 miles nonstop), Airtran markets have a third quarter 1998 average one-way fare that is less than half the average fare of non-Airtran markets. In markets with a nonstop distance between 501 and 1,000 miles, non-Airtran markets have an average fare about 30 percent higher than the average fare in Airtran markets.



Passenger levels differ greatly between the two groups of markets as well. Under 500 miles, over 1,000 passengers fly each day in the average Airtran market, while only 309 passengers fly each day in the average non-Airtran market. Once again, the longer-haul

markets exhibit the same pattern. Airtran markets average 1,559 passengers each day compared to an average of 511 per day in non-Airtran markets.

Third Qtr 1998	Markets without Airtran in either Period				Markets with Airtran in Both Periods			
Atlanta Markets	Number of Mkts	Avg Trip Length	Passgrs per Day	Average Fare	Number of Mkts	Avg Trip Length	Passgrs per Day	Average Fare
0-500 Miles	9	379	309	\$214	8	362	1,122	\$99
501-1000 Miles	16	687	511	\$182	11	651	1,559	\$134
1001-2000 Miles	9	1,769	506	\$260	-	-	-	-
Over 2000 Miles	5	2,150	563	\$306	-	-	-	-