

SPECIAL FEATURE

Competition in the Northeastern United States

Over the past few years, the northeastern U.S. has seen an increase in the level of low-fare service. In addition to the introduction of additional Southwest service, major airline low-fare subsidiaries MetroJet (US Airways) and Delta Express have also concentrated services in the region. This special feature examines the benefits of low-fare entry to travelers in the Northeast.¹

Special Feature Table 1 summarizes top-1,000 northeastern markets receiving low-fare service in the 1st quarter of 2000 compared to the same set of markets in the 1st quarter 1997.² In 1997, Delta's low-fare subsidiary Delta Express served six markets combined. Low-fare subsidiaries Delta Express and MetroJet (US Airways) now serve a total of 28 markets. While the majority of markets served by the low-fare subsidiaries are leisure markets to Florida, MetroJet also serves Baltimore, Raleigh Durham and Washington, DC from northeastern points. The presence of traditional low-fare carriers has also expanded rapidly over the three-year period being examined.

Southwest had already built a strong presence in Providence, RI before the 1st quarter of 1997.³ Over the next three years, Southwest expanded service to Hartford, CT, Islip/Long Island, NY, and Manchester, NH. In this quarter's Fare Report, Southwest is shown carrying passengers in over 50 top-1000 city-pairs involving a northeastern point. AirTran shows a presence in 39 markets out of Boston, Buffalo, and New York City; Spirit is in 10 markets out of New York City and Islip/Long Island, National Airlines is in four New York City markets, Vanguard is in three Buffalo markets; and American Trans Air is in 16 New York City markets. Spirit also continues as the primary service provider at Atlantic City, NJ.

Special Feature Table 2 shows the change in passenger levels and yields by city. Positive yield and passenger level changes were relatively largest in Manchester, NH – a city with Southwest and MetroJet service. Yields declined by 21%, while passenger traffic increased fivefold. Buffalo and Hartford both posted 17% declines in yield and passenger traffic more than doubled. Albany, and Syracuse – both with low-fare subsidiary service to Orlando - experienced more modest declines in yield of 5% and 4% respectively. Islip/Long Island, which has new service from Spirit, Southwest, and Delta Express saw yields drop 8%, matched with a doubling of passenger traffic. The remaining cities experienced increases in average yield as well as increases in passenger traffic. The exceptions are the two smallest markets on the list: Newburgh, NY, and White Plains, NY. Passengers in the city-pairs including these two cities declined over the three-year period examined.

¹ Includes the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York (including Newark), Rhode Island, and Vermont.

² Market and passenger counts are for all city-pairs in which the carrier listed had any presence, regardless of market share.

³ See the 2nd quarter 1997 *Domestic Airline Fares Consumer Report* special feature for more detail about price and passenger impact of Southwest service to Providence, RI.

A comparison of average yields in the first quarter 2000 highlights the importance of low-fare competition on prices. The cities with the five lowest yields also have the highest percentage of passengers flying in markets with low-fare competition. The number of city-pairs out of the Northeast receiving low-fare service is still not widespread enough to show a consistent, region-wide drop in yields. However, the city-pairs that do benefit from low-fare competition have, in general, experienced fare and passenger level changes substantial enough to pull down the average fare level for some cities (see Special Feature Table 2).

Special Feature Tables 3 and 4 list northeastern city-pairs that have gained and lost low-fare competition (measured at 10% market share on the part of the low-fare entrant⁴) between the two periods examined. There are thirty-six city-pairs with new low-fare competition. Of those, only five do not show a fare decline. All five are Florida discretionary markets that were already competitively priced compared to other destinations from the Northeast. In spite of higher average fares, traffic in these markets has been stimulated by the new service. Traffic more than doubled in three of the five markets.

The largest relative average fare declines – 72% and 71% - took place between Baltimore –Islip/Long Island and Baltimore – Manchester respectively. Both city-pairs are served by Southwest. Baltimore – Manchester also experienced the largest actual increase in passengers. It grew from only 20 passengers each day in 1997 to 1,280 passengers a day in 2000.

The eleven city-pairs that lost low-fare competition during the period examined all saw increases in average fare. The loss of Spirit Airlines in the Atlantic City – Boston and Atlantic City - Detroit markets wiped out nearly all service in those markets. New York City lost low-fare service in a number of city-pairs. Tower Air's exit from the New York City – Oakland market resulted in a doubling of the average fare. Air South's demise left New York – Greenville, SC, and Columbia, SC without low-fare service and resulted in fare increases of over 50%. Western Pacific's departure from New York – Colorado Springs had an even more pronounced impact, with average fares increasing almost 80%.

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⁴ Market share criterion does not apply in MetroJet and Delta Express because the DOT is unable to separate low-fare subsidiary passengers from mainline passengers using current reporting methods. Nonstop markets with low-fare subsidiary service are included on the list of new low-fare entry.

Table 1: Low-Fare Presence in Northeastern Top-1000 Markets

City	Carrier	1st Quarter 1997			1st Quarter 2000		
		Markets	Passengers	Market Share	Markets	Passengers	Market Share
Albany, NY	DL US				Delta Express*: 1 market MetroJet*: 1 market		
Atlantic City, NJ	NK	5	58,390	93%	7	158,530	99%
Boston, MA	DL FL US	Delta Express: 3 markets 11	31,710	1%	Delta Express: 4 markets 16 MetroJet: 6 markets	48,960	1%
Buffalo, NY	FL NJ				5 3	27,820 22,580	8% 6%
Hartford, CT	DL KW US WN	Delta Express: 1 market 2	26,290	4%	Delta Express: 3 markets MetroJet: 3 markets 18	140,300	13%
Islip/Long Island, NY	DL KW NK WN	5	99,150	67%	Delta Express: 3 markets 5 5	126,770 93,840	39% 29%
Manchester, NH	US WN				MetroJet: 1 market 9	154,640	43%
New York, NY	DL FL KW N7 NK TZ	Delta Express: 1 market 6	211,580	2%	Delta Express: 3 markets 18 4 5 16	97,720 71,620 198,560 117,280	1% 1% 2% 1%
Newburgh, NY	KW	1	12,240	22%			
Providence, RI	DL US WN	Delta Express: 1 market 15	188,200	34%	Delta Express: 1 market MetroJet: 1 market 18	300,630	39%
Syracuse, NY	DL US				Delta Express: 1 market MetroJet: 1 market		

* Low-fare subsidiary passenger data is reported to DOT under the mainline air carrier's code. Data is not flight specific. DOT is unable to determine with exactitude which passengers are flying on the low-fare subsidiary vs. the mainline parent.

Table 2: Change in Passengers and Yield - Northeastern Cities

City	Low-Fare Markets / Markets	97/1 Passengers	00/1 Passengers	Pssgr Change	97/1 Yield	00/1 Yield	Yield Change	Pssgrs in Low-Fare Mkts
Albany, NY	1/6	107,920	127,670	18%	20	19	-5%	39%
Atlantic City, NJ	7/9	63,060	160,100	154%	11	12	9%	100%
Boston, MA	7/53	3,177,960	3,572,190	12%	19	21	11%	26%
Buffalo, NY	6/13	285,600	361,970	27%	23	19	-17%	55%
Burlington, VT	0/1	6880	15,340	123%	66	75	14%	0%
Hartford, CT	15/29	713,820	1,081,830	52%	18	15	-17%	67%
Islip/Long Island, NY	7/7	149,010	325,410	118%	12	11	-8%	100%
Manchester, NH	8/10	70,510	361,800	413%	14	11	-21%	89%
Newburgh, NY	0/3	55,580	26,890	-52%	18	20	11%	0%
New York, NY	5/82	8,628,320	9,625,450	12%	18	21	17%	21%
Portland, ME	0/5	45,980	48,780	6%	27	30	11%	0%
Providence, RI	16/25	559,620	776,300	39%	12	13	8%	80%
Rochester, NY	0/8	190,280	196,440	3%	31	32	3%	0%
Syracuse, NY	1/6	124,440	132,680	7%	24	23	-4%	39%
White Plains, NY	0/2	51,130	45,060	-12%	44	54	23%	0%

**Table 3: Northeastern Markets in the Top 1,000 with New Low-Fare Competition
First Quarter 1997 vs. First Quarter 2000, Sorted by Distance**

Origin	Destination	Nonstop Distance	Passengers per Day			Average One-Way Fare			Low-Fare?	
			1997/1	2000/1	Difference	1997/1	2000/1	Difference	1997/1	2000/1
Baltimore, MD	Islip/Long Island, NY	220	2	423	21050%	\$224	\$62	-72%	N	Y
Baltimore, MD	Hartford, CT	283	188	752	300%	\$166	\$65	-61%	N	Y
Hartford, CT	Washington, DC	318	492	613	25%	\$147	\$130	-12%	N	Y
Baltimore, MD	Manchester, NH	377	20	1280	6300%	\$214	\$62	-71%	N	Y
Atlantic City, NJ	Cleveland, OH	406	3	60	1900%	\$159	\$89	-44%	N	Y
Atlantic City, NJ	Myrtle Beach, SC	466	1	126	12500%	\$105	\$87	-17%	N	Y
Buffalo, NY	Chicago, IL	468	272	562	107%	\$210	\$90	-57%	N	Y
Cleveland, OH	Hartford, CT	475	161	191	19%	\$249	\$224	-10%	N	Y
Hartford, CT	Raleigh/Durham, NC	533	176	242	38%	\$156	\$154	-1%	N	Y
Detroit, MI	Hartford, CT	548	187	200	7%	\$311	\$292	-6%	N	Y
Providence, RI	Raleigh/Durham, NC	567	62	153	147%	\$154	\$118	-23%	N	Y
Atlanta, GA	Buffalo, NY	712	141	464	229%	\$197	\$105	-47%	N	Y
Buffalo, NY	Minneapolis, MN	736	47	103	119%	\$263	\$173	-34%	N	Y
Chicago, IL	Islip/Long Island, NY	765	81	225	178%	\$235	\$115	-51%	N	Y
Chicago, IL	Hartford, CT	783	505	804	59%	\$270	\$156	-42%	N	Y
Chicago, IL	Manchester, NH	843	103	455	342%	\$245	\$157	-36%	N	Y
Atlantic City, NJ	Tampa, FL	914	11	329	2891%	\$132	\$103	-22%	N	Y
Atlantic City, NJ	West Palm Beach, FL	936	5	200	3900%	\$153	\$120	-22%	N	Y
Hartford, CT	Jacksonville, FL	936	97	193	99%	\$163	\$121	-26%	N	Y
Melbourne, FL	New York, NY	955	281	398	42%	\$132	\$116	-12%	N	Y
Hartford, CT	St. Louis, MO	958	117	176	50%	\$316	\$262	-17%	N	Y
Hartford, CT	Orlando, FL	1050	995	1628	64%	\$112	\$116	4%	N	Y
Buffalo, NY	Tampa, FL	1055	219	305	39%	\$145	\$132	-9%	N	Y
Hartford, CT	Tampa, FL	1111	539	755	40%	\$124	\$121	-2%	N	Y
Manchester, NH	Orlando, FL	1142	248	618	149%	\$111	\$122	10%	N	Y
Buffalo, NY	Ft. Lauderdale, FL	1167	176	201	14%	\$133	\$136	2%	N	Y
Manchester, NH	Tampa, FL	1205	110	297	170%	\$114	\$139	22%	N	Y
Ft. Lauderdale, FL	Manchester, NH	1265	68	185	172%	\$133	\$139	5%	N	Y
Hartford, CT	Houston, TX	1510	114	196	72%	\$344	\$282	-18%	N	Y
Hartford, CT	Phoenix, AZ	2216	160	388	143%	\$306	\$175	-43%	N	Y
Manchester, NH	Phoenix, AZ	2282	25	248	892%	\$249	\$157	-37%	N	Y
Hartford, CT	Las Vegas, NV	2301	121	379	213%	\$230	\$164	-29%	N	Y
Las Vegas, NV	Manchester, NH	2361	15	213	1320%	\$230	\$147	-36%	N	Y
Providence, RI	Seattle, WA	2503	39	165	323%	\$319	\$179	-44%	N	Y
Hartford, CT	Los Angeles, CA	2527	195	363	86%	\$332	\$245	-26%	N	Y
Los Angeles, CA	Manchester, NH	2591	35	233	566%	\$325	\$178	-45%	N	Y

**Table 4: Northeastern Markets in the Top 1,000 that Lost Low-Fare Competition
First Quarter 1997 vs. First Quarter 2000, Sorted by Distance**

Origin	Destination	Nonstop Distance	Passengers per Day			Average One-Way Fare			Low-Fare?	
			1997/1	2000/1	Difference	1997/1	2000/1	Difference	1997/1	2000/1
Atlantic City, NJ	Boston, MA	274	109	5	-95%	\$70	\$234	234%	Y	N
New York, NY	Norfolk, VA	296	522	389	-25%	\$155	\$205	32%	Y	N
Atlantic City, NJ	Detroit, MI	497	136	2	-99%	\$33	\$208	530%	Y	N
Greenville, SC	New York, NY	609	325	279	-14%	\$167	\$260	56%	Y	N
Columbia, SC	New York, NY	616	288	243	-16%	\$141	\$214	52%	Y	N
Charleston, SC	New York, NY	639	351	323	-8%	\$131	\$188	44%	Y	N
Ft. Lauderdale, FL	Newburgh, NY	1121	199	75	-62%	\$113	\$140	24%	Y	N
Co Springs, CO	New York, NY	1634	484	117	-76%	\$146	\$262	79%	Y	N
New York, NY	Oakland, CA	2570	227	94	-59%	\$231	\$463	100%	Y	N