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## **Airline fares topsy- turvy**

### **Last-minute seats far cheaper than last year, but leisure fares get more costly**

**By BILL HENSEL JR.**  
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Travelers seeking the cheapest seats on many of the nation's big airlines are paying more now versus a year ago, while consumers flying at the last minute are paying dramatically less.

Many airlines this year increased leisure fares — the least expensive tickets that come with restrictions on their use — eight times according to some counts by May's end, while cutting prices on top-dollar business, or last-minute, fares.

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"Despite all the jargon about fare increases, business fares have been dropping," said airline consultant **Bob Harrell.**

And Houston travelers and businesses are benefiting.

Last year, when a lawyer for Baker Botts would fly to New York on short notice to take a deposition in a case, it cost \$1,700 or more round-trip. Now, the price has fallen by almost half.

"Anybody traveling between here and New York or Washington, D.C., you are talking about \$700 or \$800 less per trip, a ton of savings, " said David Averre, who handles most travel arrangements for Houston-based Baker Botts.

Consumers often have a hard time figuring out what all the fare hikes and reductions really mean, as changes can apply across the board or just on select routes.

**Harrell Associates, a New York-based company,** studied domestic fare prices for seven of the nation's biggest airlines on the 40 busiest routes for each — including Houston-based Continental Airlines — in effect for May 31 and a year earlier. Discounter Southwest Airlines, which in Houston flies only out of Hobby Airport, wasn't included in the review.

The consultant found that for leisure tickets, the average one-way fare increased 7 percent. Leisure fares out of Houston's Bush Intercontinental Airport — where Continental has a hub — were flat: they averaged \$129 one-way as of May 31, the same as a year earlier.

However, Houston-based Continental's average leisure fare nationwide is up 6 percent, from \$114 in 2004 to \$121 as of May 31, Harrell's statistics show. The snapshot varies by airline, with American Airlines' average leisure fares up by 16 percent, while Northwest's fell 10 percent.

When it comes to business fares, consumers have seen a more dramatic change — a significant drop — Harrell Associates found.

Nationwide, such fares dropped 32 percent one-way, while out of Houston they dropped 41 percent.

For example, this time last year a Continental business fare from Houston to Washington, D.C., cost \$904, one-way. It's now \$499 — a 45 percent drop.

"Business fares have dropped, driven by several things," Harrell said. "The most noticeable is the dramatic business fare restructuring that took place in early January that was initiated by Delta."

The carrier's "Simplifares" resounded in the marketplace because it capped Delta's fares on coach seats one-way at \$499 for travel in the contiguous United States, including the pricey walk-up fares.

Virtually all of the other so-called legacy airlines, including Continental, immediately matched Delta to stay competitive.

## Reaching 'magic formula'

The result was a much-needed overhaul of fare pricing, according to Kevin Mitchell, chairman of the Business Travel Coalition, a group founded in 1994 that has worked to lower costs for business travelers.

"Airlines are finally getting close to the magic formula they have talked about for years," Mitchell said. "They said great, we'd like people in the front of the plane to pay less, but we can't do that without people on the back of the plane paying more. That seems to be what is happening here."

It used to be that airlines got roughly 60 percent of their revenue from business and about 40 percent from leisure passengers, but the split has become increasingly difficult to track as more and more business travelers use discount fares and discount carriers.

Lower prices on first-class fares also appear to be fueling the sale of more of those seats.

"Some of the first-class fares have come down considerably," said Houston-based travel agent Sheridan Scott. "People who like to do first class are buying them instead of upgrading."

The average one-way business fare out of Houston's Intercontinental Airport, where Continental is the dominant carrier, as of May 31 was \$499; a year earlier it was \$849.

Continental, which also has hubs in Cleveland and Newark, N.J., had an average business fare of \$660 at the end of last May; that fell by 33 percent, to \$439, a year later, according to Harrell's data.

A number of factors, including the level of competition and the presence of low-fare carriers, affects fares in any given market.

For example, in Cleveland, the average business fare fell from \$527 to \$321.

The airline recording the biggest percentage drop in business fares was United. Its average fare fell 46 percent from \$712 to \$384.

## **Travelers want consistency**

What business travelers want is a fair shake and a consistent program, something they could easily explain to their grandmothers, Mitchell said.

"That is why Southwest, Air Tran, Jet Blue and others have engendered such loyalty among business travelers," he said. "Because business travelers can count on them and they know there is integrity in the pricing structures."

Scott, an independent travel agent affiliated with Frosch Travel, has a client who often commutes from New York to California and now takes advantage of the new, lower priced one-way tickets.

The businessman travels on short notice and will take either Delta or Continental, depending on the time of day, she said.

Others, like Houstonian Steve Biegel, travel on business but often book far enough out to take advantage of the lower leisure fares.

## **Low fare, new house**

If longtime air traveler Walter Fullmer hadn't gotten a last-minute low fare from Chicago to Phoenix, he probably wouldn't have a new house.

Fullmer, of Milwaukee, said the low fare he snared sealed his decision to go to Phoenix. He was headed

there to participate in a lottery to buy a new house in the city's sizzling hot housing market.

"Northwest had a low fare out of Chicago and I took advantage of it and we got the house," said Fullmer, a grocer who often flies on either Continental or Northwest Airlines.

For the airlines, the changes in business fares have meant some lost revenues, which isn't helping in the face of high jet fuel prices.

Some analysts say that over the long haul those changes — which consumers like — will draw more passengers, leading to increased revenues.

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