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Step Right Up, the Fares Are Down



Matthew Staver for The New York Times

Pressure from the discount carriers has kept business fares low at the major carriers like American Airlines, despite rising fuel costs.

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By [CHRISTOPHER ELLIOTT](#)

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Forced to book a last-minute airline ticket from New York to [Denver](#) recently, Beth Zimmerman braced for the inevitable sticker shock. Walk-up fares bought by business travelers typically cost hundreds, even thousands of dollars more than tickets purchased in advance.

Instead, Ms. Zimmerman, a marketing strategist from Long Beach, N.Y., got a pleasant surprise: A round-trip ticket on [Frontier Airlines](#) cost \$275, about \$75 more than the discount tickets. "I was stunned," she said. "I really thought I was going to have to pay through the nose to get to Denver."

With fuel prices soaring and the holiday season approaching, leisure travelers are starting to grumble about higher fares. But business travelers, far from feeling the pain, are enjoying one of the longest periods of generally falling prices in recent memory.

The average one-way business fare has fallen 36 percent over the last three years, to \$431 last month from \$676 in September 2002, according to [Harrell Associates](#), a New York company that analyzes air fares. And the decline has accelerated each year, with prices dropping by an average \$34 in 2003, \$75 in 2004 and \$137 this year.

The fares are still much higher than leisure fares that are reserved ahead of time, but the gap has narrowed sharply, from a 6-to-1 differential a year ago to 4-to-1 today, according to [Bob Harrell](#), the analysis firm's founder. "Business travelers used to pay outrageously more for their tickets," he said. "Now, they're only paying more."

Bargain-hunting business travelers can often do even better with a little legwork. Ms. Zimmerman, who manages her own travel, says she now considers the price of an airline ticket "almost inconsequential" and worries more about hotel and rental car expenses. "It's a buyer's market for airline tickets," she said.

The fares that big corporations negotiate with airlines, generally in the autumn for the following year, are also shrinking, if not quite so rapidly. In the second quarter of this year, the average price of a negotiated one-way ticket fell 7 percent from a year earlier, to \$218, according to the [American Express](#) Business Travel Monitor. That compares with \$259 five years ago.

Business travelers can thank no-frills airlines like [AirTran](#) Airways, [JetBlue](#) Airways and [Southwest Airlines](#) for the savings, even if they are flying on a network carrier. "The major airlines have adjusted their pricing to better compete with the low-cost carriers," said Thomas S. Wilson, a spokesman for American Express Business Travel.

Here is the bad news: The sustained drop in business fares probably cannot last. Prices will most likely rise in the short term. Runzheimer International, a management consulting firm in Rochester, Wis., predicts companies will spend 12 percent more on airfares in 2006. Phyllis Schumann, a Runzheimer analyst, says business fares have "hit bottom."

Then again, she hastens to add, she could be wrong. At the very least, the price gyrations in the weeks and months ahead could be uneven. "In some markets, air fares are going to go up," she said. "In other markets, they won't. It depends how much competition there is from a low-cost airline, and how willing they are to raise fares."

And, of course, events could overtake the industry and put downward pressure on prices yet again. "Maybe there will be a flu outbreak," Ms. Schumann said. "Maybe there will be another catastrophe. Right now, it's reasonable to assume that fares will go up, but not necessarily that they will stay there."

Business travelers are already experiencing some of this uncertainty when they go shopping for cheap tickets. Consider Richard Laermer's recent experiences booking transcontinental flights. Mr. Laermer, who owns a public relations agency in [Manhattan](#), flies regularly to and from Palm Springs, Calif., where he owns a home.

"The fares have been nutty," he said. For years, flights from Palm Springs to New York were priced "reasonably," he says - from \$250 to \$350. Then, after [Delta Air Lines](#) filed for bankruptcy, American Airlines raised its prices for that route. The last time he checked, American was charging about \$800 for a round-trip economy-class flight to Kennedy Airport. The same flight on Delta cost \$700 - in first class. Mr. Laermer said he believed that American was taking advantage of worries about the future of Delta.

"I had to call American Airlines to make sure it wasn't some kind of typographical error," he said. It wasn't.

Travelers can avoid higher fares by selecting an alternate airport. For example, Mr. Laermer can drive an extra 45 miles to [Ontario](#) International Airport or 120 miles to Los Angeles International Airport and save hundreds of dollars on a ticket.

If the current buyer's market for business fares turns into a seller's market next year - and barring natural disasters, terrorist attacks or a flu pandemic, it probably will - then what happens? Will corporate travelers simply pay more for these expensive tickets? Probably not, a recent survey of business travelers by [Accenture](#) suggests. Half of those questioned in the poll said they were now making their travel arrangements more than 14 days in advance, up from 46 percent eight months ago.

In other words, business travelers are behaving like leisure travelers to qualify for a better price. That puts the airlines, particularly the ailing network airlines, in a tight spot. "Profits are elusive," said Michael Allen, the chief operating officer of Back Aviation Solutions, a consulting firm. "Airlines either need to raise fares, or the price of oil has to come down."

If the network airlines increase prices, they are probably going to have to do it across the board. Before their low-cost rivals came along, they could get away with passing along most of the rising costs to business travelers. But

those days are gone. "There's more price sensitivity among business travelers than ever," Mr. Allen said.

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