

Working Papers

Competition Policy Center

University of California, Berkeley



Working Paper No. CPC05-48

U.S. Domestic Airline Pricing, 1995-2004

Severin Borenstein

E.T. Grether Professor of Business and Public Policy

Haas School of Business, University of California, Berkeley

January 2005

JEL Classification: L13, L93, E31

Keywords: Airline Competition, Airline Hubs, Price Indices

Abstract:

Between 1995 and 2004, I find that airline prices fell more than 20% adjusted for inflation. I also show that premia at hub airports declined and that there is now substantially less disparity between the cheaper and more expensive airports than there was a decade ago. Still, I find that prices remain quite high at a few dominated airports.

U.S. Domestic Airline Pricing, 1995-2004

by

Severin Borenstein

E.T. Grether Professor of Business and Public Policy
Haas School of Business, University of California, Berkeley
(<http://faculty.haas.berkeley.edu/borenste/>)

This study is an extension of the work that I presented in my January 21, 1999 testimony before the Transportation Research Board committee that was established to investigate competition in the U.S. Airline Industry.¹ The methodology here is nearly the same as for the previous study.² The basic idea is to compare the prices that passengers on scheduled airlines actually paid to fly to and from various airports in the U.S., both ones that would generally be thought of as fortress hubs and ones that would not.

The details of the analysis are described in the appendix. To summarize the approach, using a 10% sample of all tickets purchased by passengers for domestic U.S. travel, I compare the prices passengers paid to fly to/from specific airports with the average prices paid by all passengers flying on all domestic routes of similar origin-to-destination distance.

Airline Prices Overall are Declining

Overall, as shown in Table 1, I find that from 1995 to 2004 prices that passengers actually paid for tickets declined slightly, even before adjusting for inflation.³ After adjusting for inflation (using the consumer price index, all urban) the decline has been quite dramatic, more than 20%. For a variety of reason, including the glut of aircraft capacity and increased competition from low-cost competitors, consumers are paying much lower prices, inflation-adjusted, than they have at any time in the last decade.

¹ My 1999 testimony is available at <http://faculty.haas.berkeley.edu/borenste/trb99.pdf>. The TRB committee's report is available at <http://gulliver.trb.org/publications/sr/sr255/sr255toc.pdf>.

² I have made some minor changes to test the robustness of the results and to adapt to some changes in the way that the data I use were collected.

³ Table 1 presents figures for full years and for the second quarter only of each year. I include the latter to allow comparability to the most recently available data, which are for second quarter 2004.

These figures contrast significantly with those released by Bureau of Labor Statistics in its calculation of an air travel cost index for incorporation into the CPI. It appears that the BLS uses quite rigid fare inquiries from a computer reservation service and in doing so greatly overstates the increase in the cost of air travel.⁴ The BLS index suggests a 21% increase in nominal airline prices between second quarter 1995 and second quarter 2004, while my calculations suggest a 5% *decrease* in prices airline passengers actually paid.

Hub Premia are Declining

Focusing on 50 of the busiest U.S. airports, I find that hub premia have declined substantially in the last 10 years.⁵ The results are shown in Table 2. At the 10 most expensive of the large U.S. airports in 1995 – all but one of which served as a hub for at least one carrier – the 1995 prices exceeded overall national levels by an average of 33%.⁶ By 2004, the premium at those same 10 airports had fallen to 24%.⁷ The most dramatic drop was at Philadelphia where the price premium fell from 21% in 1995 to 2% in 2004, with most of that decline occurring in the last year, after the entry of Southwest airlines.

Among the 50 large airports, the variation in price levels across airports has declined noticeably, with the most expensive airports declining in price relative to the national average and the least expensive airports increasing in price relative to the national average. Across the 50 large airports, the standard deviation of the percentage premium/discount has declined from 21% in 1995 to 16% in 2004. Of the 29 airports that were below national average prices in 1995, 20 have increased in price compared to national average, including all of the 10 least expensive airports in 1995. Of the 21 airports that were above national

⁴ See http://www.bts.gov/help/air_travel_price_index.html for an interesting discussion of the DOT's Air Travel Price Index and how it differs from BLS's index. My calculations are fairly similar to those for the DOT's ATPI, but mine include only domestic travel (and differ in the exact method of route comparisons, the handling of first-class fares, censoring of fares that appear to be entry errors and other minor details).

⁵ All of the figures discussed here are for the second quarter of each year to allow a fair comparison to 2004 data.

⁶ The only non-hub among the 10 most expensive airports was La Guardia in New York City.

⁷ In 2004, those were no longer the 10 most expensive of the 50 large airports I studied, though 7 of the 10 were the same. At the 10 most expensive large airports in 2004, the premium averaged 26%.

average prices in 1995, 15 have decreased in price compared to national average, including 7 of the 10 most expensive airports in 1995.

But Significant Premia Remain at Some Airports

Prices at some airports remain stubbornly high, however. I find that the four most expensive airports in 1995 (Charlotte, Cincinnati, Minneapolis and Memphis) remain the four of the five most expensive in 2004.⁸ These airports are notable for their lack of large scale entry by low-cost carriers. At Charlotte (a USAirways hub), Cincinnati (a Delta hub), Minneapolis (a Northwest hub) and Memphis (also a Northwest hub), I calculate that passengers paid hundreds of millions of dollars per year more than they would have if they had paid prices equal to the national average for the distances they were flying.⁹ These calculations are shown in Tables 3 and 4, and explained in more detail in the appendix.

Conclusion

Of course, prices paid are not the only measure of the value the airline industry is producing for the U.S. economy. The losses that many carriers are currently experiencing are worrisome, as are indications that resurgent demand is beginning to lead to increased airport congestion and travel delays. Still, prices play a major role in the value that consumers receive, and the industry as a whole has recently been delivering the best prices travelers have seen at any time in the last decade.

⁸ Washington D.C.'s National airport now has the fourth highest prices, but the airport has been operating with substantially different security costs and restrictions than other airports since September 11, 2001.

⁹ The data I analyze go through June 2004, prior to Delta's August 2004 introduction of a new pricing initiative at Cincinnati that they suggested would significant lower average fares.

Appendix: Methodology

The data presented are constructed from the U.S. Department of Transportation's Databank 1A (and its successor, Databank 1B, for 2003 and later). This is a 10% random sample of all tickets collected by U.S. airlines during a quarter. The data used cover every quarter from 1995Q1 to 2004Q2, the most recent available. The D.O.T.'s Databank 1A/1B is the primary source of information on actual prices of tickets sold. It is used by government, academic, and industry analysts.

From each quarter the following tickets are eliminated from the analysis of prices:

1. Any ticket that includes a destination or change-of-plane point outside the U.S.
2. Any ticket that is not either a one-way or round-trip itinerary, *e.g.*, open-jaw or circle trip tickets are excluded.
3. Any ticket that includes more than four coupons (each time a passenger changes flights, a new coupon is collected).
4. Any ticket that includes more than two coupons for an origin to destination trip, *i.e.*, any itinerary in which the passenger changes planes more than once as part of travelling from an origin to a destination.
5. Any first-class ticket (except from Southwest and some small airlines that report all of their tickets as first-class).
6. Any ticket with a fare greater than five times the D.O.T.'s Standard Industry Fare Level (SIFL) for the origin-to-destination distance of travel. These are assumed to be keypunch errors.

After eliminating these tickets, the remaining round-trip tickets are treated as two directional trips, one in each direction, with each directional trip costing half the ticket price. Using all of these "split" round-trip tickets and all remaining one-way domestic tickets, the average fare in every 50-mile origin-to-destination-distance category is calculated. For instance, the average fare in the 551-600 mile category is calculated by counting the total number of origin-to-destination passenger trips in this category and adding up the total revenue collected for those trips. The average price in the 551-600 mile category is then the total revenue divided by the total number of passenger trips. This is done for every 50 mile category.

To calculate the price premium at a given airport, all passenger trips to or from the airport are collected and the price for each trip is compared to the average price for trips in the same distance category. The actual calculation is most easily demonstrated with an example:

Assume there were only two trips to or from airport XXX during a given period, one from XXX to YYY, a distance of 371 miles for which the passenger paid \$191, and one from ZZZ to XXX, a distance of 593 miles, for which that passenger paid \$424. Assume that the average price for all U.S. trips in the 351-400 mile category during the quarter was \$195 and the average price in the 551-600 mile category was \$350. Then the total amount paid by passengers at XXX, $\$191 + \$424 = \$615$, would be greater than the total amount these passengers would have paid if they had been charged the national average price for the trip in the same distance category as theirs, $\$195 + \$350 = \$545$. \$615 is 13% greater than \$545, so the price premium at XXX would be 13% during that period.

Analysis of a specific airline's fare premium at an airport is done the same way except only tickets to/from the airport that include the specific airline are used for making the comparison.

Comparisons between years are made by comparing the fares paid on all eligible tickets during a given year to the average fares from the base year (1995 for this study) for the distance categories into which the tickets fall.

In databank 1B, both the "operating" carrier and the "ticketing" carrier are shown. These differ in cases on code share agreement. The operating carrier is used for assigning a ticket to a specific airline

Results: The results are presented in four tables:

Table 1 presents the comparison of all tickets in a given time period, adjusted for distance, as explained above, to the same time period in 1995. The data used in Table 1 are not limited to just the 50 largest airports.

Table 2 presents recent percentage airport premia/discounts for the 50 busiest U.S. airports (ranked by number of domestic passengers) using only second quarter data. All tickets to/from an airport are included regardless of the airline on which the passenger flew.

Tables 3 and 4 focus on the four most expensive airports among the 50, examining the magnitude of the additional payments made above total payments that would have been made if prices were equal to the distance-adjusted national average. These tables also examine separately the dominant airlines at these airports and all other airlines.

Table 3 uses full-year data, except for 2004 which includes just data from the first and second quarter.

- Column A compares US domestic fares in each year (using the method described above) to US domestic fares in 1995.
- Column B compares domestic fares in each year for trips in which the passenger is originating or destined for the specific airport (CLT,CVG,MEM,MSP) to US domestic fares in 1995.
- Column C compares domestic fares in each year for trips in which the passenger is originating or destined for the specific airport to US domestic fares in the same year.
- Column D translate the percentage premium in column C to a dollar figure.
- Column E presents the total revenue at the airport that is considered.

Panel 1 considers all trips to/from the airport regardless of airline. Panel 2 considers only trips to/from the airport on the dominant airline. Panel 3 considers only trips to/from the airport not on the dominant airline.

Table 4 is the same as Table 3 except data from only the second quarter of each year are used. This allows better comparability for considering the most recent data, which are from second quarter 2004. The top panel of Table 4 is comparable to those airport premia presented in Table 2.

Table 1: National Average Airline Prices Compared to 1995 (annual and second quarter)						
	Full-Year Data			Second-Quarter Data		
	Compared to 1995			Compared to 1995Q2		
	Nominal	CPI-Adjusted		Nominal	CPI-Adjusted	
1995	0%	0%		1995Q2	0%	0%
1996	-5%	-8%		1996Q2	-6%	-9%
1997	1%	-4%		1997Q2	-1%	-6%
1998	3%	-3%		1998Q2	2%	-5%
1999	4%	-5%		1999Q2	4%	-5%
2000	9%	-3%		2000Q2	8%	-4%
2001	1%	-13%		2001Q2	2%	-13%
2002	-4%	-19%		2002Q2	-5%	-20%
2003	-2%	-19%		2003Q2	-5%	-21%
2004 (Q1 & Q2)	-2%	-21%		2004Q2	-5%	-24%

Table 2: Air Travel Price Premium/Discount at 50 large U.S. Airports (second quarter of each year)											
APT	CITY	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04
ABQ	ALBUQUERQUE	-20%	-22%	-18%	-16%	-16%	-16%	-14%	-7%	-6%	-4%
ATL	ATLANTA	13%	0%	6%	4%	5%	4%	10%	4%	4%	5%
BDL	HARTFORD	18%	19%	20%	18%	6%	-9%	-6%	-5%	0%	0%
BNA	NASHVILLE	9%	1%	-4%	-5%	-7%	-8%	-8%	-4%	-3%	-1%
BOS	BOSTON	15%	14%	16%	12%	12%	13%	13%	6%	10%	-1%
BWI	BALTIMORE	-8%	-3%	-9%	-13%	-15%	-17%	-15%	-12%	-11%	-11%
CLE	CLEVELAND	8%	11%	7%	5%	12%	10%	10%	15%	13%	14%
CLT	CHARLOTTE	50%	50%	55%	53%	50%	51%	54%	53%	48%	39%
CVG	CINCINNATI	47%	43%	37%	50%	41%	41%	40%	49%	53%	57%
DAL	DALLAS/FT.WORTH -- LOVE	-34%	-26%	-23%	-21%	-16%	-15%	-11%	-9%	-4%	-7%
DAY	DAYTON	23%	36%	28%	17%	19%	14%	18%	14%	6%	10%
DCA	WASHINGTON D.C.-- NATION	21%	27%	30%	26%	22%	18%	20%	25%	30%	26%
DEN	DENVER	8%	9%	5%	5%	16%	17%	15%	6%	-2%	-3%
DFW	DALLAS/FT.WORTH -- DFW	25%	22%	26%	20%	24%	25%	25%	15%	18%	16%
DTW	DETROIT	14%	16%	15%	5%	5%	6%	12%	14%	15%	12%
EWR	NEWARK	11%	10%	11%	13%	14%	18%	17%	11%	15%	17%
FLL	FT. LAUDERDALE	-8%	-18%	-22%	-18%	-22%	-22%	-21%	-20%	-17%	-20%
HNL	HONOLULU	-29%	-23%	-26%	-23%	-22%	-20%	-11%	-6%	0%	7%
HOU	HOUSTON -- HOBBY	-16%	-14%	-10%	-15%	-14%	-17%	-12%	-5%	-4%	-5%
IAD	WASHINGTON D.C. -- DULLES	6%	12%	13%	8%	4%	14%	20%	17%	13%	6%
IAH	HOUSTON -- INTERNATIONAL	14%	13%	13%	11%	11%	14%	13%	13%	11%	13%
IND	INDIANAPOLIS	-2%	-5%	-5%	-3%	-4%	-4%	2%	-2%	-9%	-3%
JFK	NYC -- JFK	-1%	6%	0%	6%	2%	12%	-1%	-4%	-10%	-18%
LAS	LAS VEGAS	-32%	-35%	-32%	-29%	-26%	-27%	-26%	-23%	-19%	-19%
LAX	LOS ANGELES	-13%	-13%	-12%	-12%	-12%	-10%	-11%	-7%	-11%	-14%
LGA	NYC -- LA GUARDIA	19%	23%	23%	21%	16%	15%	10%	7%	9%	10%
MCI	KANSAS CITY, MO	-14%	-15%	-17%	-13%	-10%	-10%	-10%	-8%	-9%	-5%
MCO	ORLANDO	-14%	-19%	-27%	-24%	-24%	-24%	-21%	-21%	-16%	-18%
MEM	MEMPHIS	34%	31%	32%	31%	31%	24%	30%	36%	37%	41%
MIA	MIAMI	-8%	-13%	-10%	-3%	-7%	-3%	0%	-6%	-3%	-2%
MSP	MINNEAPOLIS	34%	39%	33%	36%	31%	20%	22%	28%	29%	24%
MSY	NEW ORLEANS	-9%	-9%	-8%	-13%	-13%	-13%	-13%	-8%	-6%	0%
OAK	OAKLAND	-34%	-28%	-25%	-24%	-19%	-17%	-16%	-15%	-16%	-16%
OGG	KAHULUI	-20%	-17%	-15%	-18%	-16%	-12%	4%	2%	2%	13%
ONT	ONTARIO, CA	-23%	-20%	-20%	-21%	-17%	-17%	-17%	-12%	-12%	-11%
ORD	CHICAGO -- O'HARE	10%	14%	19%	18%	25%	17%	15%	6%	1%	3%
PBI	WEST PALM BEACH	-10%	-17%	-22%	-18%	-17%	-19%	-21%	-17%	-15%	-15%
PDX	PORTLAND, OR	-19%	-21%	-18%	-18%	-19%	-18%	-17%	-13%	-14%	-11%
PHL	PHILADELPHIA	19%	26%	26%	28%	25%	21%	23%	16%	17%	2%
PHX	PHOENIX	-24%	-22%	-22%	-20%	-18%	-17%	-20%	-20%	-19%	-17%
PIT	PITTSBURGH	32%	37%	45%	44%	36%	34%	22%	24%	13%	16%
SAN	SAN DIEGO	-23%	-21%	-20%	-18%	-17%	-16%	-15%	-11%	-13%	-10%
SAT	SAN ANTONIO	-8%	-14%	-12%	-10%	-10%	-7%	-7%	2%	4%	6%
SEA	SEATTLE	-15%	-18%	-15%	-14%	-13%	-12%	-11%	-8%	-10%	-9%
SFO	SAN FRANCISCO	-8%	-3%	-3%	-2%	1%	8%	7%	5%	-1%	-3%
SJC	SAN JOSE	-14%	-13%	-10%	-9%	-7%	3%	-7%	-6%	-10%	-9%
SLC	SALT LAKE CITY	-24%	-25%	-19%	-16%	-14%	-14%	-14%	-6%	-6%	-6%
SNA	ORANGE COUNTY, CA	-2%	4%	-2%	2%	4%	3%	2%	-2%	-5%	-3%
STL	ST. LOUIS	-9%	1%	-1%	-2%	-4%	1%	-2%	-1%	3%	7%
TPA	TAMPA	-6%	-19%	-20%	-18%	-19%	-21%	-17%	-20%	-15%	-18%
	Standard Devation Across 50 Airports	21%	22%	21%	21%	19%	18%	18%	17%	17%	16%

TABLE 3 -- Full-Year Data for Charlotte (CLT)						
	A	B	C	D	E	
SAME-YEAR PREMIUM AT CLT						
	Compared to 1995			PREMIUM	REVENUE	
	National	CLT	PCTG	AT CLT	AT CLT	
1995	0%	52%	52%	\$231,513,690	\$673,840,190	
1996	-5%	50%	58%	\$282,390,684	\$768,863,750	
1997	1%	57%	55%	\$325,775,428	\$914,308,770	
1998	3%	61%	55%	\$359,240,502	\$1,008,308,510	
1999	4%	58%	52%	\$372,501,063	\$1,085,052,260	
2000	9%	68%	54%	\$411,957,364	\$1,169,747,760	
2001	1%	60%	59%	\$358,376,760	\$965,185,430	
2002	-4%	43%	49%	\$297,838,901	\$906,466,220	
2003	-2%	45%	48%	\$300,601,800	\$923,058,140	
2004 (Q1 & Q2)	-2%	41%	44%	\$148,821,086	\$484,733,500	
SAME-YEAR US Airways (US) PREMIUM AT CLT						
	Compared to 1995			US PREMIUM	US REVENUE	
	National	CLT-US	PCTG	AT CLT	AT CLT	
1995	0%	55%	55%	\$177,145,884	\$497,829,960	
1996	-5%	61%	69%	\$231,222,261	\$567,381,680	
1997	1%	67%	65%	\$258,727,887	\$654,778,460	
1998	3%	70%	64%	\$274,265,773	\$702,410,170	
1999	4%	65%	59%	\$273,734,559	\$740,788,540	
2000	9%	77%	62%	\$302,157,717	\$788,875,670	
2001	1%	69%	68%	\$256,797,059	\$634,665,250	
2002	-4%	52%	59%	\$211,104,141	\$570,427,150	
2003	-2%	56%	60%	\$194,704,689	\$521,209,990	
2004 (Q1 & Q2)	-2%	51%	55%	\$95,910,125	\$271,859,320	
SAME-YEAR NON-US PREM AT CLT						
	Compared to 1995			NON-US PREMIUM	NON-US REVENUE	
	National	NON-US CLT	PCTG	AT CLT	AT CLT	
1995	0%	45%	45%	\$54,367,806	\$176,010,230	
1996	-5%	27%	34%	\$51,168,423	\$201,482,070	
1997	1%	36%	35%	\$67,047,541	\$259,530,310	
1998	3%	43%	38%	\$84,974,729	\$305,898,340	
1999	4%	46%	40%	\$98,766,504	\$344,263,720	
2000	9%	53%	41%	\$109,799,647	\$380,872,090	
2001	1%	45%	44%	\$101,579,701	\$330,520,180	
2002	-4%	29%	35%	\$86,734,760	\$336,039,070	
2003	-2%	32%	36%	\$105,897,111	\$401,848,150	
2004 (Q1 & Q2)	-2%	30%	33%	\$52,910,961	\$212,874,180	

TABLE 3 -- Full-Year Data for Cincinnati (CVG)						
	A	B	C	D	E	
SAME-YEAR PREMIUM AT CVG						
	Compared to 1995			PREMIUM	REVENUE	
	National	CVG	PCTG	AT CVG	AT CVG	
1995	0%	49%	49%	\$190,633,096	\$579,362,900	
1996	-5%	39%	47%	\$180,091,909	\$566,740,700	
1997	1%	45%	44%	\$219,054,341	\$722,569,530	
1998	3%	55%	50%	\$260,285,584	\$783,385,760	
1999	4%	49%	43%	\$236,678,348	\$785,797,440	
2000	9%	55%	42%	\$280,892,631	\$942,780,020	
2001	1%	49%	48%	\$259,779,074	\$803,110,680	
2002	-4%	46%	52%	\$258,220,917	\$754,875,310	
2003	-2%	49%	53%	\$250,642,582	\$727,900,900	
2004 (Q1 & Q2)	-2%	55%	59%	\$141,690,916	\$382,430,060	
SAME-YEAR DELTA (DL) PREMIUM AT CVG						
	Compared to 1995			DL PREMIUM	DL REVENUE	
	National	CVG-DL	PCTG	AT CVG	AT CVG	
1995	0%	58%	58%	\$159,813,134	\$437,700,690	
1996	-5%	46%	53%	\$147,745,464	\$424,143,400	
1997	1%	47%	46%	\$178,852,975	\$565,364,110	
1998	3%	54%	49%	\$195,686,197	\$598,429,810	
1999	4%	52%	46%	\$181,131,065	\$578,101,400	
2000	9%	50%	37%	\$160,362,763	\$588,336,770	
2001	1%	41%	40%	\$141,301,898	\$493,017,710	
2002	-4%	37%	43%	\$127,962,649	\$423,531,400	
2003	-2%	38%	42%	\$112,802,011	\$381,657,830	
2004 (Q1 & Q2)	-2%	46%	49%	\$67,841,746	\$206,503,240	
SAME-YEAR NON-DL PREM AT CVG						
	Compared to 1995			NON-DL PREMIUM	NON-DL REVENUE	
	National	NON-DL CVG	PCTG	AT CVG	AT CVG	
1995	0%	28%	28%	\$30,819,962	\$141,662,210	
1996	-5%	23%	29%	\$32,346,445	\$142,597,300	
1997	1%	35%	34%	\$40,201,366	\$157,205,420	
1998	3%	59%	54%	\$64,599,387	\$184,955,950	
1999	4%	42%	37%	\$55,547,283	\$207,696,040	
2000	9%	65%	52%	\$120,529,868	\$354,443,250	
2001	1%	63%	62%	\$118,477,176	\$310,092,970	
2002	-4%	58%	65%	\$130,258,268	\$331,343,910	
2003	-2%	62%	66%	\$137,840,571	\$346,243,070	
2004 (Q1 & Q2)	-2%	69%	72%	\$73,849,170	\$175,926,820	

TABLE 3 -- Full-Year Data for Memphis (MEM)						
	A	B	C	D	E	
	Compared to 1995				SAME-YEAR PREMIUM AT MEM	
	National	MEM	PCTG	AT MEM	PREMIUM	REVENUE
					AT MEM	AT MEM
1995	0%	32%	32%	\$126,942,728	\$518,741,270	
1996	-5%	28%	35%	\$130,381,659	\$506,499,330	
1997	1%	35%	34%	\$144,671,855	\$571,320,460	
1998	3%	36%	31%	\$138,708,416	\$580,235,790	
1999	4%	34%	29%	\$135,108,022	\$600,430,420	
2000	9%	38%	26%	\$135,629,827	\$653,558,220	
2001	1%	34%	34%	\$144,633,572	\$575,832,860	
2002	-4%	31%	37%	\$147,961,290	\$549,959,830	
2003	-2%	33%	37%	\$148,475,980	\$552,067,460	
2004 (Q1 & Q2)	-2%	39%	42%	\$88,216,071	\$298,703,320	
	Compared to 1995				SAME-YEAR NORTHWEST (NW) PREMIUM AT MEM	
	National	MEM-NW	PCTG	AT MEM	NW PREMIUM	NW REVENUE
					AT MEM	AT MEM
1995	0%	31%	31%	\$65,761,162	\$281,300,860	
1996	-5%	32%	39%	\$81,533,386	\$290,835,420	
1997	1%	38%	36%	\$83,153,747	\$311,102,690	
1998	3%	38%	33%	\$69,822,894	\$279,982,490	
1999	4%	38%	32%	\$71,536,212	\$293,392,260	
2000	9%	43%	31%	\$76,617,226	\$326,510,780	
2001	1%	41%	41%	\$86,274,533	\$298,551,680	
2002	-4%	37%	43%	\$84,049,879	\$278,657,520	
2003	-2%	36%	40%	\$75,060,836	\$263,884,240	
2004 (Q1 & Q2)	-2%	43%	46%	\$41,865,752	\$132,232,930	
	Compared to 1995				SAME-YEAR NON-NW PREM AT MEM	
	National	NON-NW MEM	PCTG	AT MEM	NON-NW PREMIUM	NON-NW REVENUE
					AT MEM	AT MEM
1995	0%	35%	35%	\$61,181,566	\$237,440,410	
1996	-5%	23%	29%	\$48,848,273	\$215,663,910	
1997	1%	32%	31%	\$61,518,108	\$260,217,770	
1998	3%	34%	30%	\$68,885,522	\$300,253,300	
1999	4%	31%	26%	\$63,571,810	\$307,038,160	
2000	9%	33%	22%	\$59,012,601	\$327,047,440	
2001	1%	27%	27%	\$58,359,039	\$277,281,180	
2002	-4%	25%	31%	\$63,911,411	\$271,302,310	
2003	-2%	31%	34%	\$73,415,144	\$288,183,220	
2004 (Q1 & Q2)	-2%	36%	39%	\$46,350,319	\$166,470,390	

TABLE 3 -- Full-Year Data for Minneapolis (MSP)						
	A	B	C	D	E	
	Compared to 1995			PREMIUM		REVENUE
	National	MSP	PCTG	AT MSP		AT MSP
1995	0%	31%	31%	\$408,851,930		\$1,748,471,620
1996	-5%	30%	37%	\$513,306,811		\$1,907,384,790
1997	1%	33%	32%	\$520,331,902		\$2,128,732,080
1998	3%	37%	33%	\$533,695,013		\$2,175,418,340
1999	4%	31%	26%	\$470,422,247		\$2,269,156,540
2000	9%	29%	18%	\$377,826,153		\$2,468,132,100
2001	1%	21%	21%	\$395,204,189		\$2,317,881,170
2002	-4%	22%	27%	\$480,926,062		\$2,251,709,120
2003	-2%	22%	25%	\$456,283,913		\$2,311,280,580
2004 (Q1 & Q2)	-2%	18%	21%	\$210,171,086		\$1,214,595,760
	Compared to 1995			NW PREMIUM		NW REVENUE
	National	MSP-NW	PCTG	AT MSP		AT MSP
1995	0%	33%	33%	\$314,528,501		\$1,255,385,520
1996	-5%	34%	40%	\$400,529,693		\$1,390,508,360
1997	1%	37%	36%	\$394,567,872		\$1,484,198,030
1998	3%	38%	33%	\$338,415,331		\$1,353,759,500
1999	4%	33%	28%	\$326,611,590		\$1,506,539,890
2000	9%	31%	20%	\$277,891,652		\$1,671,821,730
2001	1%	27%	27%	\$318,896,194		\$1,521,303,440
2002	-4%	30%	35%	\$373,023,519		\$1,436,523,220
2003	-2%	31%	34%	\$365,721,316		\$1,434,289,320
2004 (Q1 & Q2)	-2%	28%	31%	\$178,801,496		\$759,832,080
	Compared to 1995			NON-NW PREMIUM		NON-NW REVENUE
	National	NON-NW MSP	PCTG	AT MSP		AT MSP
1995	0%	24%	24%	\$94,323,429		\$493,086,100
1996	-5%	22%	28%	\$112,777,118		\$516,876,430
1997	1%	25%	24%	\$125,764,030		\$644,534,050
1998	3%	36%	31%	\$195,279,682		\$821,658,840
1999	4%	28%	23%	\$143,810,657		\$762,616,650
2000	9%	25%	14%	\$99,934,501		\$796,310,370
2001	1%	11%	11%	\$76,307,995		\$796,577,730
2002	-4%	11%	15%	\$107,902,543		\$815,185,900
2003	-2%	9%	12%	\$90,562,597		\$876,991,260
2004 (Q1 & Q2)	-2%	5%	7%	\$31,369,590		\$454,763,680

TABLE 4 -- Second-Quarter Data for Charlotte (CLT)						
	A	B	C	D	E	
SAME-QUARTER PREM AT CLT						
	Compared to 1995			PREMIUM	REVENUE	
	National	CLT	PCTG	AT CLT	AT CLT	
1995Q2	0%	50%	50%	\$58,541,717	\$176,705,170	
1996Q2	-6%	41%	50%	\$65,961,870	\$198,998,890	
1997Q2	-1%	54%	55%	\$83,560,751	\$235,849,430	
1998Q2	2%	56%	53%	\$90,595,214	\$261,149,690	
1999Q2	4%	55%	50%	\$95,840,166	\$289,372,040	
2000Q2	8%	62%	51%	\$107,317,583	\$318,750,390	
2001Q2	2%	56%	54%	\$97,003,080	\$277,350,760	
2002Q2	-5%	45%	53%	\$86,154,522	\$249,444,450	
2003Q2	-5%	41%	48%	\$79,021,667	\$243,776,150	
2004Q2	-5%	32%	39%	\$73,070,102	\$258,209,260	
SAME-QUARTER US Airways (US) PREM AT CLT						
	Compared to 1995			US PREMIUM	US REVENUE	
	National	CLT-US	PCTG	AT CLT	AT CLT	
1995Q2	0%	52%	52%	\$44,162,133	\$129,719,960	
1996Q2	-6%	52%	62%	\$55,897,963	\$146,733,340	
1997Q2	-1%	65%	66%	\$66,036,522	\$166,612,930	
1998Q2	2%	64%	61%	\$69,389,685	\$182,877,590	
1999Q2	4%	61%	55%	\$70,704,137	\$198,450,770	
2000Q2	8%	71%	59%	\$78,923,813	\$213,554,940	
2001Q2	2%	64%	61%	\$69,920,490	\$184,159,270	
2002Q2	-5%	54%	62%	\$61,402,181	\$160,738,910	
2003Q2	-5%	53%	61%	\$52,793,881	\$139,504,970	
2004Q2	-5%	42%	50%	\$47,273,325	\$141,780,670	
SAME-QUARTER NON-US PREM AT CLT						
	Compared to 1995			NON-US PREMIUM	NON-US REVENUE	
	National	NON-US CLT	PCTG	AT CLT	AT CLT	
1995Q2	0%	44%	44%	\$14,379,584	\$46,985,210	
1996Q2	-6%	16%	24%	\$10,063,907	\$52,265,550	
1997Q2	-1%	33%	34%	\$17,524,229	\$69,236,500	
1998Q2	2%	39%	37%	\$21,205,529	\$78,272,100	
1999Q2	4%	43%	38%	\$25,136,029	\$90,921,270	
2000Q2	8%	48%	37%	\$28,393,770	\$105,195,450	
2001Q2	2%	43%	41%	\$27,082,590	\$93,191,490	
2002Q2	-5%	32%	39%	\$24,752,341	\$88,705,540	
2003Q2	-5%	27%	34%	\$26,227,786	\$104,271,180	
2004Q2	-5%	21%	28%	\$25,796,777	\$116,428,590	

TABLE 4 -- Second-Quarter Data for Cincinnati (CVG)						
	A	B	C	D	E	
SAME-QUARTER PREM AT CVG						
	Compared to 1995			PREMIUM	REVENUE	
	National	CVG	PCTG	AT CVG	AT CVG	
1995Q2	0%	47%	47%	\$51,584,481	\$160,569,550	
1996Q2	-6%	35%	43%	\$44,801,079	\$148,154,920	
1997Q2	-1%	36%	37%	\$50,846,331	\$187,822,610	
1998Q2	2%	52%	50%	\$69,269,582	\$208,657,770	
1999Q2	4%	46%	41%	\$60,427,389	\$208,370,790	
2000Q2	8%	52%	41%	\$73,149,479	\$253,108,690	
2001Q2	2%	42%	40%	\$61,933,219	\$217,246,370	
2002Q2	-5%	42%	49%	\$67,645,533	\$204,982,160	
2003Q2	-5%	46%	53%	\$65,410,481	\$187,788,530	
2004Q2	-5%	48%	57%	\$72,049,581	\$198,666,220	
SAME-QUARTER DELTA (DL) PREM AT CVG						
	Compared to 1995			DL PREMIUM	DL REVENUE	
	National	CVG-DL	PCTG	AT CVG	AT CVG	
1995Q2	0%	56%	56%	\$43,281,628	\$120,828,830	
1996Q2	-6%	40%	49%	\$36,516,077	\$110,304,640	
1997Q2	-1%	38%	39%	\$40,809,664	\$146,011,840	
1998Q2	2%	52%	49%	\$52,687,024	\$160,107,070	
1999Q2	4%	49%	44%	\$46,581,030	\$152,380,500	
2000Q2	8%	46%	36%	\$40,795,684	\$155,265,910	
2001Q2	2%	37%	35%	\$39,137,598	\$151,399,280	
2002Q2	-5%	35%	42%	\$33,952,645	\$115,123,310	
2003Q2	-5%	34%	40%	\$27,504,268	\$95,733,710	
2004Q2	-5%	41%	49%	\$35,371,280	\$107,432,490	
SAME-QUARTER NON-DL PREM AT CVG						
	Compared to 1995			NON-DL PREMIUM	NON-DL REVENUE	
	National	NON-DL CVG	PCTG	AT CVG	AT CVG	
1995Q2	0%	26%	26%	\$8,302,853	\$39,740,720	
1996Q2	-6%	20%	28%	\$8,285,002	\$37,850,280	
1997Q2	-1%	31%	32%	\$10,036,667	\$41,810,770	
1998Q2	2%	54%	52%	\$16,582,558	\$48,550,700	
1999Q2	4%	38%	33%	\$13,846,359	\$55,990,290	
2000Q2	8%	61%	49%	\$32,353,795	\$97,842,780	
2001Q2	2%	56%	53%	\$22,795,621	\$65,847,090	
2002Q2	-5%	52%	60%	\$33,692,888	\$89,858,850	
2003Q2	-5%	62%	70%	\$37,906,213	\$92,054,820	
2004Q2	-5%	58%	67%	\$36,678,301	\$91,233,730	

TABLE 4 -- Second-Quarter Data for Memphis (MEM)						
	A	B	C	D	E	
SAME-QUARTER PREM AT MEM						
	Compared to 1995			PREMIUM	REVENUE	
	National	MEM	PCTG	AT MEM	AT MEM	
1995Q2	0%	34%	34%	\$35,020,185	\$139,240,830	
1996Q2	-6%	23%	31%	\$31,396,354	\$132,900,970	
1997Q2	-1%	32%	32%	\$35,929,979	\$146,642,920	
1998Q2	2%	33%	31%	\$36,497,301	\$153,223,210	
1999Q2	4%	35%	31%	\$37,557,581	\$160,616,360	
2000Q2	8%	34%	24%	\$33,784,956	\$173,831,520	
2001Q2	2%	32%	30%	\$37,811,634	\$164,650,920	
2002Q2	-5%	29%	36%	\$39,204,997	\$147,841,830	
2003Q2	-5%	31%	37%	\$39,097,749	\$144,411,880	
2004Q2	-5%	33%	41%	\$46,163,823	\$159,314,600	
SAME-QUARTER NORTHWEST (NW) PREM AT MEM						
	Compared to 1995			NW PREMIUM	NW REVENUE	
	National	MEM-NW	PCTG	AT MEM	AT MEM	
1995Q2	0%	31%	31%	\$17,590,956	\$75,014,110	
1996Q2	-6%	27%	35%	\$20,000,297	\$76,435,610	
1997Q2	-1%	35%	36%	\$21,228,265	\$80,878,570	
1998Q2	2%	37%	35%	\$20,096,548	\$77,851,090	
1999Q2	4%	40%	35%	\$20,300,744	\$77,834,960	
2000Q2	8%	39%	29%	\$18,752,660	\$84,166,140	
2001Q2	2%	37%	35%	\$23,141,565	\$89,723,410	
2002Q2	-5%	36%	43%	\$21,990,256	\$73,133,340	
2003Q2	-5%	34%	40%	\$20,590,452	\$71,708,120	
2004Q2	-5%	37%	44%	\$21,404,471	\$69,515,760	
SAME-QUARTER NON-NW PREM AT MEM						
	Compared to 1995			NON-NW PREMIUM	NON-NW REVENUE	
	National	NON-NW MEM	PCTG	AT MEM	AT MEM	
1995Q2	0%	37%	37%	\$17,429,229	\$64,226,720	
1996Q2	-6%	18%	25%	\$11,396,057	\$56,465,360	
1997Q2	-1%	28%	29%	\$14,701,714	\$65,764,350	
1998Q2	2%	30%	28%	\$16,400,753	\$75,372,120	
1999Q2	4%	31%	26%	\$17,256,837	\$82,781,400	
2000Q2	8%	29%	20%	\$15,032,296	\$89,665,380	
2001Q2	2%	27%	24%	\$14,670,069	\$74,927,510	
2002Q2	-5%	23%	30%	\$17,214,741	\$74,708,490	
2003Q2	-5%	28%	34%	\$18,507,297	\$72,703,760	
2004Q2	-5%	31%	38%	\$24,759,352	\$89,798,840	

TABLE 4 -- Second-Quarter Data for Minneapolis (MSP)						
	A	B	C	D	E	
SAME-QUARTER PREM AT MSP						
	Compared to 1995			PREMIUM	REVENUE	
	National	MSP	PCTG	AT MSP	AT MSP	
1995Q2	0%	34%	34%	\$116,229,683	\$455,677,740	
1996Q2	-6%	31%	39%	\$138,111,505	\$489,922,320	
1997Q2	-1%	33%	33%	\$137,544,250	\$550,421,960	
1998Q2	2%	39%	36%	\$153,054,777	\$574,301,600	
1999Q2	4%	36%	31%	\$139,518,385	\$593,135,750	
2000Q2	8%	29%	20%	\$106,240,874	\$642,336,630	
2001Q2	2%	24%	22%	\$113,934,771	\$640,006,470	
2002Q2	-5%	22%	28%	\$126,685,530	\$578,806,500	
2003Q2	-5%	23%	29%	\$130,405,534	\$580,901,600	
2004Q2	-5%	17%	24%	\$117,789,564	\$618,629,540	
SAME-QUARTER NORTHWEST (NW) PREM AT MSP						
	Compared to 1995			NW PREMIUM	NW REVENUE	
	National	MSP-NW	PCTG	AT MSP	AT MSP	
1995Q2	0%	37%	37%	\$86,434,408	\$321,335,610	
1996Q2	-6%	35%	44%	\$107,856,222	\$353,826,040	
1997Q2	-1%	37%	38%	\$105,268,332	\$383,516,800	
1998Q2	2%	41%	38%	\$100,622,778	\$363,038,660	
1999Q2	4%	38%	33%	\$96,016,010	\$387,627,350	
2000Q2	8%	31%	22%	\$77,876,573	\$431,596,940	
2001Q2	2%	30%	28%	\$91,420,595	\$418,211,340	
2002Q2	-5%	29%	36%	\$96,519,727	\$366,920,400	
2003Q2	-5%	33%	39%	\$101,566,440	\$361,157,840	
2004Q2	-5%	27%	34%	\$97,202,452	\$384,243,650	
SAME-QUARTER NON-NW PREM AT MSP						
	Compared to 1995			NON-NW PREMIUM	NON-NW REVENUE	
	National	NON-NW MSP	PCTG	AT MSP	AT MSP	
1995Q2	0%	28%	28%	\$29,795,275	\$134,342,130	
1996Q2	-6%	21%	29%	\$30,255,283	\$136,096,280	
1997Q2	-1%	23%	24%	\$32,275,918	\$166,905,160	
1998Q2	2%	35%	33%	\$52,431,999	\$211,262,940	
1999Q2	4%	32%	27%	\$43,502,375	\$205,508,400	
2000Q2	8%	24%	16%	\$28,364,301	\$210,739,690	
2001Q2	2%	13%	11%	\$22,514,176	\$221,795,130	
2002Q2	-5%	11%	17%	\$30,165,803	\$211,886,100	
2003Q2	-5%	10%	15%	\$28,839,094	\$219,743,760	
2004Q2	-5%	4%	10%	\$20,587,112	\$234,385,890	