

Airfare Competition Pushes Prices Up, Down

If you're trying to budget for business travel this year, good luck. Airfare prices are likely to fluctuate frequently in this competitive industry.

By: Jonathan Steiman

March 1, 2005 -- As small businesses begin budgeting for the coming months, projecting the amount needed for air travel will depend on whom they listen to.

According to the American Small Business Travelers Alliance (ASBTA), major airlines, like Delta and American, are slashing fares and simplifying their price structures to compete against budget carriers, like Southwest and Jet Blue.

"The big airlines have become much more competitive in markets where they've been challenged by low-cost airlines," said Chuck Sharp, president of ASBTA, a travel resource. As an example, Sharp pointed to American Airlines' new "Lowest Fare Guarantee" program, where American matches a lower price on an identical trips plus gives a the traveler a \$50 voucher.

Though prices are down, they are marching upwards. Two weeks ago, the major airlines--Delta, United and American--announced that they would match Northwest Airlines' \$5 to \$10 price hike.

In addition to price hikes, President Bush's budget for 2006 includes a \$3 tax on all airfare; the tax will help finance the \$2.2 billion increase at The Department of Homeland Security.

Senator Frank Lautenberg (NJ-D), in a letter to the President sent after the budget was released, said, "We cannot balance the budget on the backs of the traveling public and small business people."