Second-Quarter 2006 Air Travel Price Index (ATPI); Air Fare Index Reaches Highest Level in 11-Year Measurement; Top Increase in Cincinnati, Top Decrease in Kahului (Maui)

The Air Travel Price Index (ATPI) rose in the second quarter of 2005 to the highest level recorded in the 11-year period measured by the index (Table 2), the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported today. The second quarter level of 120.6 was 3.1 percent higher than the previous high of 116.9 in the first quarter of 2001.

BTS, a part of the Research and Innovative Technology Administration, reported that the fare index rose 11.5 percent in the second quarter of 2006 from the second quarter of 2005 (Table 1), the biggest year-to-year rise since the start of the index numbers in 1995 (1995 1st quarter = 100).

The ATPI is a statistical index that documents changes in airline prices using 5 million to 6 million tickets actually used by passengers each quarter. The index measures changes in airline ticket prices used on identical routings and identical classes of service on a quarter-by-quarter basis.

While the ATPI has now risen above the historical high reached in early 2001, average fares and yields are still well below their pre-9/11 peak. The increasing competitive influence of Lower Cost Carriers on the entire industry and the increasing use of the internet for comparison shopping and booking have been major forces in keeping average fares from rising. Even though virtually all fares are rising, more passengers are using lower fares and fewer passengers are using higher fares. Therefore, industry fare levels are up, but the average fares paid are down.

The largest year-to-year fare index increase for the second quarter among the 85 largest airline markets, ranked by passengers, was 33.9 percent in Cincinnati, OH, followed by Charleston SC; Savannah, GA; Greensboro/High Point, NC; and Raleigh/Durham, NC. The biggest year-to-year fare index decrease was 1.8 percent for itineraries originating in Kahului (Maui), HI. The only other index decrease, in the top 85 markets was in Lihue (Kauai), HI, with the smallest increases recorded in Kona, HI, Denver, CO, and Colorado Springs, CO (Table 4).

The largest 11-year second-quarter fare index increase was 110.1 percent in Lihue (Kauai), HI. The other top five fare index increases over this period took place at Long Beach, CA; Kona, HI; Burbank/Glendale/Pasadena, CA; and Greensboro/High Point, NC. The only second-quarter 10-year fare index decrease was 4.1 percent for itineraries originating in Manchester, NH, with the smallest increases in Denver, CO; Long Island (Islip), NY; Buffalo/Niagara, NY; and Minneapolis/St. Paul, MN (Table 5).

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The ATPI in the second quarter of 2006 was 19.3 percent above the level of the second quarter of 1995 (Table 1). The second-quarter 2006 index rose 5.3 percent from the first quarter 2005 level, the sixth consecutive increase from the previous quarter (Table 3), and the second highest quarter-to-quarter rise for the eleven years of the index. For previous quarters, see http://www.bts.gov/xml/atpi/src/datadisp.xml?t=1. Quarter-to-quarter changes may be affected by seasonal factors.

The ATPI is a quarterly measure of changes in airfares since the first quarter of 1995 for itineraries on U.S. carriers beginning in the United States. The ATPI was released for the first time in March 2004.

Additional information about the ATPI, including indexes for foreign-origin itineraries and the top 85 air travel markets based on originating passengers, can be found on the BTS website, http://www.bts.gov/xml/atpi/src/index.xml. The third-quarter 2006 ATPI will be released on Jan. 24, 2007.

The ATPI series are computed using a price index methodology. Although the ATPI is computed using a tested index methodology, it is considered a research series at this time.

Table 1: Percent Changes to 2006 in the Air Travel Price Index, from Second Quarter Each Year Since 1995 (U.S.-Origin Itineraries, Second Quarter to Second Quarter)

Percent Change to Second Quarter 2006	Since 2nd Quarter . . .	Duration in Years
11.5	**2005**	1
13.5	**2004**	2
14.0	**2003**	3
13.4	**2002**	4
7.9	**2001**	5
11.5	**2000**	6
18.2	**1999**	7
20.6	**1998**	8
16.5	**1997**	9
23.3	**1996**	10
19.3	**1995**	11

SOURCE: BTS, based on calculations using data from the BTS Passenger Origin and Destination Survey.

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Table 2: Year-to-Year Changes in the Air Travel Price Index (ATPI) Since 1995 for U.S.-Origin Itineraries (Second Quarter to Second Quarter, First Quarter 1995 = 100)

	ATPI	Percent Change from 2nd Quarter Previous Year
1995	101.12	
1996	97.83	-3.3
1997	103.49	5.8
1998	100.00	-3.4
1999	102.06	2.1
2000	108.18	6.0
2001	111.77	3.3
2002	106.39	-4.8
2003	105.79	-0.6
2004	106.24	0.4
2005	108.20	1.8
2006	120.61	11.5

SOURCE: BTS, based on calculations using data from the BTS Passenger Origin and Destination Survey.

Table 3: Quarter-to-Quarter Changes in the Air Travel Price Index (ATPI) for the Latest Five Quarters (U.S.-Origin Itineraries, First Quarter 1995 = 100) Quarter-to-Quarter changes may be affected by seasonal factors

Quarter and Year	ATPI	Percent Change from Previous Quarter
Second Quarter 2005	108.20	4.1
Third Quarter 2005	109.20	0.9
Fourth Quarter 2005	111.54	2.2
First Quarter 2006	114.57	2.7
Second Quarter 2006	120.61	5.3

SOURCE: BTS, based on calculations using data from the BTS Passenger Origin and Destination Survey.

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Table 4: Top Five Fare Increases and Decreases, 2005-2006
Top 85 Air Travel Markets
(Air Travel Price Index Percent Change, Second Quarter 2005 to Second Quarter 2006, First Quarter 1995 = 100)

Rank	Origin	Second Quarter 2005	Second Quarter 2006	Percent Change from 2005
	Largest Increases			
1	Cincinnati, OH	102.33	136.96	33.9
2	Charleston, SC	110.62	141.34	27.8
3	Savannah, GA	108.88	138.84	27.5
4	Greensboro/High Point, NC	125.68	158.81	26.4
5	Raleigh/Durham, NC	95.45	116.13	21.7
	ATPI for All U.S. Origins	**108.20**	**120.61**	**11.5**
	Largest Decreases/Smallest Increases			
1	Kahului (Maui), HI	132.50	130.06	-1.8
2	Lihue (Kauai), HI	219.63	216.71	-1.3
3	Kona, HI	181.20	181.51	0.2
4	Denver, CO	104.11	104.69	0.6
5	Colorado Springs, CO	110.95	112.25	1.2

SOURCE: BTS, based on calculations using data from the BTS Passenger Origin and Destination Survey.

Table 5: Top Five Fare Increases and Decreases, 1995-2006
Top 85 Air Travel Markets
(Air Travel Price Index Percent Change, Second Quarter 1995 to Second Quarter 2006, First Quarter 1995 = 100)

Rank	Origin	Second Quarter 1995	Second Quarter 2006	Percent Change from 1995
	Largest Increases			
1	Lihue (Kauai), HI	103.13	216.71	110.1
2	Long Beach, CA	88.81	163.62	84.2
3	Kona, HI	102.39	181.51	77.3
4	Burbank/Glendale/Pasadena, CA	101.44	165.50	63.2
5	Greensboro/High Point, NC	103.72	158.81	53.1
	ATPI for All U.S. Origins	**101.12**	**120.61**	**19.3**
	Largest Decreases/Smallest Increases			
1	Manchester, NH	99.44	95.38	-4.1
2	Denver, CO	104.45	104.69	0.2
3	Long Island, NY	104.75	109.16	4.2
4	Buffalo/Niagara, NY	102.66	107.13	4.4
5	Minneapolis/St. Paul, MN	103.63	108.18	4.4

SOURCE: BTS, based on calculations using data from the BTS Passenger Origin and Destination Survey.

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For indexes for the following markets, go to http://www.bts.gov/xml/atpi/src/index.xml:

Alabama:	Birmingham
Alaska:	Anchorage
Arizona:	Phoenix, Tucson
Arkansas:	Little Rock
California:	Burbank, Greater Los Angeles, Long Beach, Los Angeles, Oakland, Ontario, Sacramento, San Diego, San Francisco, San Jose, Santa Ana (Orange County)
Colorado:	Colorado Springs, Denver
Connecticut:	Hartford
District of Columbia:	Washington, DC (Dulles and Reagan National combined)
Florida:	Ft. Lauderdale, Ft. Myers, Jacksonville, Miami, Orlando, Tampa, West Palm Beach
Georgia:	Atlanta, Savannah
Hawaii:	Honolulu, Kahului (Maui), Kona, Lihue (Kauai)
Idaho:	Boise
Illinois:	Chicago (Midway and O'Hare combined)
Indiana:	Indianapolis
Iowa:	Des Moines
Kentucky:	Louisville
Louisiana:	New Orleans
Maryland:	Baltimore
Massachusetts:	Boston
Michigan:	Detroit, Grand Rapids
Minnesota:	Minneapolis/St. Paul
Missouri:	Kansas City, St. Louis
Nebraska:	Omaha
Nevada:	Las Vegas, Reno
New Hampshire:	Manchester
New Jersey:	New York/Newark
New Mexico:	Albuquerque
New York:	Albany, Buffalo, Long Island, New York/Newark, Rochester, Syracuse
North Carolina:	Charlotte, Greensboro/High Point, Raleigh/Durham
Ohio:	Cincinnati, Cleveland, Columbus, Dayton
Oklahoma:	Oklahoma City, Tulsa
Oregon:	Portland
Pennsylvania:	Philadelphia, Pittsburgh
Rhode Island:	Providence
South Carolina:	Charleston

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Tennessee:	Memphis, Nashville
Texas:	Austin, Dallas/Ft. Worth, El Paso, Houston, San Antonio
Utah:	Salt Lake City
Virginia:	Norfolk, Richmond
Washington:	Seattle, Spokane
Wisconsin:	Milwaukee
Puerto Rico:	San Juan

Brief Explanation of the ATPI

The ATPI is based on fares paid by travelers and draws its data from the BTS Passenger Origin and Destination Survey. Through this survey, BTS collects information from the airlines on a 10-percent sample of airline tickets. Each ticket sold is assigned an identification number, and if this number ends in 0, the ticket is in the sample.

The index measures the aggregate change in the cost of itineraries originating in the United States, whether the destinations are domestic or international, but only for U.S. carriers (excluding charter air travel). The ATPI is based on the changes in the price of individual itineraries, that is, round trips or one-way trips for which no return trip is purchased, and the relative value of each itinerary, for the set of matched itineraries.

The index uses the first quarter of 1995 as the reference point (expressed as the number 100) against which all subsequent quarterly prices are measured. ATPI values below 100 represent overall "cost of flying" levels less than those in the first quarter of 1995, while values above 100 represent cost of flying levels that exceed those of the first quarter of 1995. ATPI levels can be used to compute percentage changes in overall fare costs between any two quarters in an ATPI series.

Unlike many other price index estimates, the ATPI is not based on a fixed "market basket" of air travel services. Rather, all of the data from the Passenger Origin and Destination (O&D) Survey are fed into the estimation system each quarter, and this collection of itineraries varies from one quarter to the next. New entry, including routes and carriers, will not be included in the ATPI calculations until it has been present in the O&D Survey for two consecutive quarters.

For price comparison purposes, itineraries flown in each quarter are "matched up" with identical or very similar itineraries flown in other quarters. A price index formula is then used to compute aggregate index estimates such as those that appear in this release.

The fares reported in the O&D Survey include taxes, so the ATPI values reflect changes in tax rates as well as changes in fares received by the airlines. The ATPI values in this release are not adjusted for seasonality, so some movements in the series are due to seasonal variations in airfares.

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       The ATPI differs from the Bureau of Labor Statistics' (BLS) airfare index, a component of the Consumer Price Index. The BLS index is based on fares advertised through SABRE, a leading computerized airline ticket reservation system, while the ATPI uses actual fares paid by travelers. Since a growing number of tickets are purchased through the internet at discounted prices not listed with SABRE, the ATPI does not show the same levels of increases as the BLS index.

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