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Average Air Fares Reach Highest Fourth-Quarter Level Since 2000; Top 100 Airports: Highest Fare in Anchorage, Lowest Fare at Dallas Love

Average air fares in the fourth quarter of 2006 reached the highest fourth-quarter level since 2000, rising 3.4 percent from the fourth quarter of 2005 (Table 1), the U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) reported today**.**

BTS, a part of the Research and Innovative Technology Administration, reported that the average domestic itinerary fare in the fourth quarter of 2006 was $378, up 3.4 percent from the average fare in the fourth quarter of 2005 but down 6.8 percent from the historic fourth-quarter high of $407 in 2000 (Table 1).

Average fares are based on domestic itinerary fares, round-trip or one-way for which no return is purchased. Averages include frequent-flyer fares.

Average air fares in the fourth quarter fell 3.0 percent from the third-quarter average of $391. The post-2001 high of $406 was set in the second quarter of 2006 (Table 2). Quarter-to-quarter changes may be affected by seasonal factors.

Of the top 100 airports based on passenger enplanements, the highest fourth-quarter average fares were in Anchorage, AK, followed by Cincinnati, Honolulu, San Francisco and New York John F. Kennedy International Airport. The lowest fares in the top 100 airports were at Dallas Love Field, followed by Chicago Midway International Airport, Houston William P. Hobby Airport, Islip, NY and Buffalo, NY (Table 3). See http://www.bts.gov/xml/atpi/src/index.xml for average fares for the top 100 airports.

A separate measure of fares, the BTS Air Travel Price Index (ATPI) reached the highest fourth-quarter level recorded in the 11-year period measured by the index, 2.2 percent higher than the previous fourth quarter high in 2000 (Table 4) (1995 1st quarter = 100)**.**

ATPI is a statistical index that documents quarterly changes in airline prices since the first quarter of 1995 using 5 million to 6 million tickets actually used by passengers for itineraries on U.S. carriers beginning in the United States. The index measures changes in airline ticket prices used on identical routings and identical classes of service on a quarter-by-quarter basis. The index can be used to compare airfares in the most recent available quarter to any quarter since the base year of 1995.

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While the ATPI measures changes in fares, average fares measure the actual level of fares paid by passengers. Average fares take account of both the level of fares and the number of passengers purchasing fares at different levels. Average fares do not necessarily account for the level of service, as ATPI does.

The different results from the fourth quarter of 2000 to the fourth quarter of 2006 demonstrate that ATPI and average fares, while similar, measure air fares in two different ways. ATPI measures the rise in airfares and average fares show the increased use of lower fares. The varying results reflect trends in the airline industry that have resulted in more passengers using lower air fares even though fare levels continue to rise.

First, low-cost carriers, which generally offer lower fares, now carry more than 27 percent of all domestic enplaned passengers, up from about 14 percent in 1995. Second, the network carriers have changed some of their fare rules, such as the "Saturday Night Stay Rule", which has allowed more passengers to purchase lower fares. Third, use of the internet allows almost instant price comparisons that give the customer the opportunity for unprecedented low-fare shopping.

The ATPI for the fourth quarter of 2006 was 9.1 percent higher than the fourth quarter 2005 index (Table 5).

While reaching a fourth-quarter high, the ATPI declined for the second consecutive quarter and was down 5.5 percent from the record high set in the second quarter of 2006 (Table 6). Quarter-to-quarter changes may be affected by seasonal factors.

The largest year-to-year fare index increase for the fourth quarter among the 85 largest airline markets, ranked by passengers, was 16.1 percent in Long Beach, CA followed by Hartford, CT; Providence, RI; Charleston SC; Manchester, NH (Table 7).

The biggest year-to-year fare index decrease for the fourth quarter was 21.5 percent for itineraries originating in Lihue, HI. The top four fare decreases over this period took place at Hawaiian airports. Charlotte, NC, was the non-Hawaiian market with a top fare decrease (Table 7).

The largest fare index increases from the fourth quarter of 1995 to the fourth quarter of 2006 was 173.7 percent in Long Beach. The other top five fare index increases over this period took place at Lihue; Burbank/Glendale/Pasadena, CA; Kona, HI; and Phoenix (Table 8).

The only fourth-quarter 11-year fare index decreases were in Richmond, VA; Manchester; and Baltimore. The smallest increases were in Chicago and Denver (Table 8).

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 first-quarter 2007 ATPI and average fare data will be released on July 25.

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.

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Table 1: Fourth Quarter Average Domestic Fares from Year-to-Year
Fares based on domestic itinerary fares, round-trip or one-way for which no return is purchased.

	Average Domestic Fares ($)	Percent change from same quarter previous year
1995	358.71	
1996	369.16	**2.9**
1997	392.13	**6.2**
1998	380.61	**-2.9**
1999	383.76	**0.8**
2000	407.45	**6.2**
2001	352.21	**-13.6**
2002	362.19	**2.8**
2003	363.45	**0.3**
2004	348.19	**-4.2**
2005	367.17	**5.5**
2006	379.54	**3.4**

Source: Bureau of Transportation Statistics

Table 2: Air Travel Price Index and Average Domestic Airline Fares Since First Quarter 2005
Percent Change by Quarter
ATPI 1Q 1995=100
Fares based on domestic itinerary fares, round-trip or one-way for which no return is purchased.

	Air Travel Price Index		Average Domestic Fares	
	Index	Pct. Change	Avg Fare ($)	Pct. Change
First Quarter 2005	103.90		352.71	
Second Quarter 2005	108.20	**4.1**	362.24	**2.7**
Third Quarter 2005	109.20	**0.9**	359.98	**-0.6**
Fourth Quarter 2005	111.54	**2.2**	367.17	**2.0**
First Quarter 2006	114.57	**2.7**	381.99	**4.0**
Second Quarter 2006	120.61	**5.3**	406.43	**6.4**
Third Quarter 2006	117.43	**-2.6**	391.17	**-4.3**
Fourth Quarter 2006	114.03	**-2.9**	379.54	**-3.0**

Source: Bureau of Transportation Statistics

Table 3: Highest and Lowest Average Fares Fourth Quarter 2006
Top 100 Airports Based on Passenger Enplanements
Fares based on domestic itinerary fares, round-trip or one-way for which no return is purchased.

Rank	Origin	Fourth Quarter 2006
	Highest Average Fares	
1	Anchorage	**537.00**
2	Cincinnati	**503.38**
3	Honolulu	**485.06**
4	San Francisco	**482.94**
5	New York Kennedy	**472.86**
	Average Fare at All Airports	**379.54**
	Lowest Average Fares	
1	Dallas Love	**235.34**
2	Chicago Midway	**270.04**
3	Houston Hobby	**277.46**
4	Islip, NY	**292.35**
5	Buffalo-Niagara	**295.58**

Source: Bureau of Transportation Statistics

Table 4: Percent Changes to 2006 in the Air Travel Price Index
From Fourth Quarter Each Year Since 1995
U.S.-Origin Itineraries, Fourth Quarter to Fourth Quarter

Percent Change to Fourth Quarter 2006	Since...	Duration in Years
2.2	2005	1
11.5	2004	2
7.0	2003	3
8.9	2002	4
10.9	2001	5
2.2	2000	6
12.1	1999	7
15.1	1998	8
5.8	1997	9
14.8	1996	10
15.2	1995	11

Source: Bureau of Transportation Statistics

Table 5: Year-to-Year Changes in the Air Travel Price Index (ATPI) Since 1995 U.S.-Origin Itineraries Fourth Quarter to Fourth Quarter (First Quarter 1995 = 100)

Year	ATPI	Percent Change from 4th Quarter Previous Year
1995	98.96	
1996	99.30	**0.4**
1997	107.80	**8.6**
1998	99.09	**-8.1**
1999	101.73	**2.7**
2000	111.56	**9.7**
2001	102.86	**-7.8**
2002	104.73	**1.8**
2003	106.56	**1.8**
2004	102.24	**-4.1**
2005	111.54	**9.1**
2006	114.03	**2.2**

Source: Bureau of Transportation Statistics

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Table 6: 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 and Year	ATPI	Percent Change from Previous Quarter
Fourth Quarter 2005	111.54	**2.2**
First Quarter 2006	114.57	**2.7**
Second Quarter 2006	120.61	**5.3**
Third Quarter 2006	117.43	**-2.6**
Fourth Quarter 2006	114.03	**-2.9**

Source: Bureau of Transportation Statistics
Note: Quarter-to-Quarter changes may be affected by seasonal factors

Table 7: Top Five Fourth Quarter Air Travel Price Index Increases and Decreases, 2005-2006
Top 85 Air Travel Markets
Air Travel Price Index Percent Change, Fourth Quarter 2005 to Fourth Quarter 2006
(First Quarter 1995 = 100)

Rank	Origin	Fourth Quarter 2005	Fourth Quarter 2006	Percent Change from 2005
	Largest Increases			
1	Long Beach, CA	139.23	161.64	**16.1**
2	Hartford, CT	100.24	112.88	**12.6**
3	Providence, RI	99.35	109.87	**10.6**
4	Charleston, SC	116.93	128.34	**9.8**
5	Manchester, NH	83.89	91.57	**9.2**
	ATPI for All U.S. Origins	111.54	114.03	**2.2**
	Largest Decreases			
1	Lihue (Kauai), HI	222.79	174.93	**-21.5**
2	Kona, HI	184.01	149.86	**-18.6**
3	Kahului (Maui), HI	130.40	107.59	**-17.5**
4	Honolulu, HI	149.16	133.02	**-10.8**
5	Charlotte, NC	118.34	109.85	**-7.2**

Source: Bureau of Transportation Statistics

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Table 8: Top Five Air Travel Price Index Increases and Decreases (Smallest Increases), 1995-2006
Top 85 Air Travel Markets
Air Travel Price Index Percent Change, Fourth Quarter 1995 to Fourth Quarter 2006 (First Quarter 1995 = 100)

Rank	Origin	Fourth Quarter 1995	Fourth Quarter 2006	Percent Change from 1995
	Largest Increases			
1	Long Beach, CA	59.06	161.64	**173.7**
2	Lihue (Kauai), HI	102.13	174.93	**71.3**
3	Burbank/Glendale/Pasadena, CA	95.72	159.10	**66.2**
4	Kona, HI	98.54	149.86	**52.1**
5	Phoenix, AZ	80.18	120.36	**50.1**
	ATPI for All U.S. Origins	98.96	114.03	**15.2**
	Largest Decreases/Smallest Increases			
1	Richmond, VA	102.93	97.76	**-5.0**
2	Manchester, NH	95.58	91.57	**-4.2**
3	Baltimore, MD	106.02	104.81	**-1.2**
4	Chicago, IL	105.12	105.41	**0.3**
5	Denver, CO	97.55	98.73	**1.2**

Source: Bureau of Transportation Statistics

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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
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

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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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