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BTS Releases Third-Quarter 2004 Air Travel Price Index (ATPI) Airline Fares Down 2.9 Percent from 2003 for Five-Year Low ; Top Increase in Honolulu, Top Decrease in Philadelphia

The Air Travel Price Index (ATPI) fell 2.9 percent in the third quarter of 2004 from the same period in 2003 (Table 1) marking the lowest third-quarter fares of any July-to-September period since 1999 (Table 2), the U.S. Department of Transportation's Bureau of Transportation Statistics reported today.

The third-quarter level was 102.5 (1Q1995=100), the third year-to-year drop in the third-quarter index in four years following a 2.1 percent year-to-year third-quarter increase one year ago (Table 2).

The largest year-to-year fare increase among the 85 largest airline markets, ranked by originating passengers, was 14.6 percent in Honolulu, HI, and the top four fare increases all took place at Hawaii airports. Milwaukee, WI had the largest increase of any non-Hawaiian city (Table 4), although its index remains below the overall ATPI for U.S.-origin itineraries. The biggest year-to-year fare decrease was 15.8 percent in Philadelphia. Other top fare decreases were recorded in Boston, MA, Charlotte, NC, Chicago, IL, and Cincinnati, OH. [*The 3rd Quarter 2004 data for Chicago are being reviewed for accuracy, and users should interpret the numbers with caution. All estimates will be revised in April, 2005.*]

The largest nine-year fare increase was 125.9 percent in Lihue (Kauai), HI. Four of the top five fare increases over this period took place at Hawaii airports. Long Beach, CA, had the largest increase of any non-Hawaiian city (Table 5). The biggest nine-year fare decrease was 18.9 percent in Manchester, NH, followed by Grand Rapids, MI, Providence, RI, Boston, MA, and Raleigh/Durham, NC.

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.

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Airline ticket prices in the third quarter of 2004 were 6.0 percent below their third quarter 2000 level, which was the third-quarter high since the period covered by the data beginning in 1995 (Table 1).

Third-quarter 2004 airfares fell 3.5 percent from the second quarter (Table 3). Quarter-to-quarter changes may be affected by seasonal factors.

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 fourth-quarter 2004 ATPI will be released on Apr. 27, 2005.

The ATPI series are computed using a price index methodology similar to that used by other federal statistical agencies. Although the ATPI is computed using a tested index methodology, the effective application of this methodology to the airlines' data is still under development and it is considered a research series at this time.

Table 1: Percentage Changes to 2004 in the Air Travel Price Index, from Third Quarter Each Year Since 1995 (U.S.-Origin Itineraries, Third Quarter to Third Quarter)

Percentage Change to Third Quarter 2004	Since...	Duration
-2.9	2003	One Year
-0.9	2002	Two Years
-3.4	2001	Three Years
-6.0	2000	Four Years
2.0	1999	Five Year
3.0	1998	Six Years
0.3	1997	Seven Years
4.2	1996	Eight Years
2.1	1995	Nine Years

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, Third Quarter to Third Quarter, First Quarter 1995 = 100)

Year	ATPI	Percentage Change from Previous Year
1995	100.4	
1996	98.4	-2.0
1997	102.2	3.9
1998	99.5	-2.7
1999	100.4	1.0
2000	109.0	8.5
2001	106.1	-2.7
2002	103.4	-2.5
2003	105.5	2.1
2004	102.5	-2.9

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 and Year	ATPI	Percentage Change from Previous Quarter
Third Quarter 2003	105.5	-0.3
Fourth Quarter 2003	106.6	1.0
First Quarter 2004	108.6	1.9
Second Quarter 2004	106.2	-2.2
Third Quarter 2004	102.5	-3.5

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

Note: Quarter-to-quarter changes may be affected by seasonal factors

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**Table 4: Top Five Fare Increases and Decreases, 2003-2004
Top 85 Air Travel Markets
(Air Travel Price Index Percentage Change, Third Quarter 2003 to Third Quarter 2004,
First Quarter 1995 = 100)**

Rank	Origin	Third Quarter 2003	Third Quarter 2004	Percentage Change from 2003
Largest Increases				
1	Honolulu, HI	141.3	161.9	14.6
2	Kona, HI	168.2	192.5	14.5
3	Lihue (Kauai), HI	203.0	231.6	14.1
4	Kahului (Maui), HI	126.8	142.9	12.7
5	Milwaukee, WI	96.7	101.5	4.9
ATPI for All U.S. Origins		105.5	102.5	-2.9
Largest Decreases				
1	Philadelphia, PA	109.6	92.2	-15.8
2	Boston, MA	102.3	90.5	-11.6
3	Charlotte, NC	132.6	118.0	-11.1
5	Chicago, IL	108.0	99.2	-8.2
5	Cincinnati, OH	117.2	107.6	-8.2

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

NOTE: The 3rd Quarter 2004 data for Chicago are being reviewed for accuracy, and users should interpret the numbers with caution. All estimates will be revised in April, 2005.

**Table 5: Top Five Fare Increases and Decreases, 1995-2004
Top 85 Air Travel Markets
(Air Travel Price Index Percentage Change, Third Quarter 1995 to Third Quarter 2004,
First Quarter 1995 = 100)**

Rank	Origin	Third Quarter 1995	Third Quarter 2004	Percentage Change from 1995
Largest Increases				
1	Lihue (Kauai), HI	102.5	231.6	125.9
2	Kona, HI	100.4	192.5	91.7
3	Honolulu, HI	105.7	161.9	53.2
4	Long Beach, CA	86.7	128.3	48.0
5	Kahului (Maui), HI	101.3	142.9	41.1
ATPI for All U.S. Origins		100.4	102.5	2.1
Largest Decreases				
1	Manchester, NH	96.3	78.1	-18.9
2	Grand Rapids, MI	102.6	90.5	-11.8
3	Providence, RI	100.7	89.7	-10.9
4	Boston, MA	100.0	90.5	-9.6
5	Raleigh/Durham, NC	97.0	88.0	-9.2

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

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Cities covered are:

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.

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.

AIR TRAVEL PRICE INDEX PRESS RELEASE
ADD SIX

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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