



U.S. Department of Transportation  
Bureau of Transportation Statistics  
Washington, D.C.  
www.bts.gov  
**BTS DATA**

BTS 06-04  
Wednesday, March 31, 2004

Contact: Dave Smallen  
Tel.: 202-366-5568

## **BTS Announces New Air Travel Price Index**

The U.S. Department of Transportation's Bureau of Transportation Statistics (BTS) today announced a new tool to provide the public with additional information about trends in the price of air travel.

Currently experimental, the new Air Travel Price Index (ATPI) produced by BTS shows that airline ticket prices for itineraries beginning in the United States declined 3.2 percent from the third quarter of 2000 to the same period in 2003 (Table 1). In the third quarter of 2000 it reached the highest level of any third quarter since the base period in 1995 (Table 2). The ATPI will provide a quarterly measure of changes in airfares since the first quarter of 1995.

In addition, third-quarter 2003 airfares fell 0.2 percent from the second quarter. Quarter-to-quarter changes may be affected by seasonal factors (Table 3).

The third-quarter 2003 index was 2.1 percent higher than the same period the previous year, reaching the highest level third-quarter level since 2001. The increase was the first third-quarter-to-third-quarter rise since 2000, when fares were higher than a year earlier (Table 2).

The ATPI series are computed using 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 is considered a research series at this time.

Additional information about the ATPI, including indexes for foreign-origin itineraries and selected individual cities can be found on the BTS website, [www.bts.gov](http://www.bts.gov). The fourth quarter 2003 ATPI will be released in May.

-more-

**Air Travel Price Index Quarterly Release**  
**ADD ONE**

**Table 1: Percent Changes for U.S.-origin flights from Previous Years to 2003  
 Third Quarter to Third Quarter**

<b>Percent change to 3rd Quarter 2003</b>	<b>Since . . .</b>	<b>Duration</b>
2.1	2002	One Year
-0.5	2001	Two Years
-3.2	2000	Three Years
5.1	1999	Four Years
6.1	1998	Five Years
3.3	1997	Six Years
7.3	1996	Seven Years
5.2	1995	Eight Years

**Table 2: Third Quarter ATPI - U.S.-origin (First Quarter 1995 = 100)**

	<b>ATPI</b>	<b>Percent change from previous year</b>
<b>1995</b>	100.36	
<b>1996</b>	98.36	-2.0
<b>1997</b>	102.19	3.9
<b>1998</b>	99.48	-2.7
<b>1999</b>	100.44	1.0
<b>2000</b>	108.98	8.5
<b>2001</b>	106.05	-2.7
<b>2002</b>	103.39	-2.5
<b>2003</b>	105.53	2.1

**Table 3: Quarter-to-Quarter Change in ATPI for Five Quarters for U.S.-origin  
 Itineraries (First Quarter 1995 = 100) Quarter-to-quarter changes may be affected  
 by seasonal factors.**

	<b>ATPI</b>	<b>Percent change from previous quarter</b>
<b>2002 - 3rd Quarter</b>	103.39	-2.82
<b>2002 - 4th Quarter</b>	104.73	1.29
<b>2003 - 1st Quarter</b>	107.98	3.11
<b>2003 - 2nd Quarter</b>	105.79	-2.02
<b>2003 - 3rd Quarter</b>	105.53	-0.25

-more-

## **Air Travel Price Index Quarterly Release**

### **ADD TWO**

#### 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.

For price comparison purposes, itineraries flown in each quarter are “matched up” with 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.

-end-