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Third-Quarter 2006 Air Travel Price Index (ATPI): Air Fare Index Reaches Highest Third-Quarter Level in Index's 11 Years; Top Increase in Cincinnati, Top Decrease in Lihue (Kauai)

The Air Travel Price Index (ATPI) for the third quarter of 2006 reached the highest third-quarter level recorded in the 11-year period measured by the index, 7.5 percent higher than the previous third quarter high in 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 fare index rose 7.5 percent in the third quarter of 2006 from the third quarter of 2005 (Table 2), the biggest year-to-year rise since third quarter 2000 (1995 1st quarter = 100).

While reaching a third-quarter high, the ATPI declined 2.6 percent from the record high set in the second quarter of 2006 (Table 3). Quarter-to-quarter changes may be affected by seasonal factors.

The Air Travel Price Index (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.

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 average domestic itinerary fare in the third quarter of 2006 was $389.08, up 8.1 percent from the average fare in the third quarter of 2005 but down 4.7 percent from the historic third-quarter high of $408.35 in 2000. Average fares are based on domestic itinerary fares, round-trip or one-way for which no return is purchased. Averages include frequent flyer fares. See http://www.bts.gov/xml/atpi/src/index.xml for average fares for the top 100 airports.

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The largest year-to-year fare index increase for the third quarter among the 85 largest airline markets, ranked by passengers, was 24.9 percent in Cincinnati, OH, followed by Charleston SC; Manchester, NH; Providence, RI; and Greensboro/High Point, NC (Table 4).

The biggest year-to-year fare index decrease for the third quarter was 16.3 percent for itineraries originating in Lihue (Kauai) HI. The top four fare decreases over this period took place at Hawaiian airports. Denver, CO was the non-Hawaiian airport with the top fare decrease (Table 4).

The largest fare index increases from the third quarter of 1995 to the third quarter of 2006 was 92.4 percent in Long Beach, CA. The other top five fare index increases over this period took place at Lihue; Burbank/Glendale/Pasadena, CA; Kona, HI; and Anchorage, AK (Table 5).

The only third-quarter 11-year fare index decreases were in Denver and Manchester. The smallest increases were in Richmond, VA; Chicago; and Baltimore (Table 5).

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 2006 ATPI will be released on Apr. 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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AIR TRAVEL PRICE INDEX
ADD TWO

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

Percent Change to Third Quarter 2006	Since...	Duration in Years
7.5	2005	1
14.4	2004	2
11.3	2003	3
13.6	2002	4
10.7	2001	5
7.8	2000	6
16.9	1999	7
18.0	1998	8
14.9	1997	9
19.4	1996	10
17.0	1995	11

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

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

Year	ATPI	Percent Change from 3rd Quarter Previous Year
1995	100.36	
1996	98.36	**-2.0**
1997	102.19	**3.9**
1998	99.48	**-2.7**
1999	100.44	**1.0**
2000	108.98	**8.5**
2001	106.05	**-2.7**
2002	103.39	**-2.5**
2003	105.53	**2.1**
2004	102.63	**-2.8**
2005	109.20	**6.4**
2006	117.43	**7.5**

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

AIR TRAVEL PRICE INDEX PRESS RELEASE
ADD THREE

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	Percent Change from Previous Quarter
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**
Third Quarter 2006	117.43	**-2.6**

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

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

Rank	Origin	Third Quarter 2005	Third Quarter 2006	Percent Change from 2005
	Largest Increases			
1	Cincinnati, OH	105.91	132.24	24.9
2	Charleston, SC	112.78	134.47	19.2
3	Manchester, NH	79.90	94.63	18.4
4	Providence, RI	93.69	110.89	18.4
5	Greensboro/High Point, NC	127.68	149.75	17.3
	ATPI for All U.S. Origins	**109.20**	**117.43**	**7.5**
	Largest Decreases			
1	Lihue (Kauai), HI	227.72	190.70	-16.3
2	Kona, HI	184.32	162.02	-12.1
3	Kahului (Maui), HI	132.67	119.87	-9.7
4	Honolulu, HI	159.60	148.12	-7.2
5	Denver, CO	107.81	103.48	-4.0

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

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

Rank	Origin	Third Quarter 1995	Third Quarter 2006	Percent Change from 1995
	Largest Increases			
1	Long Beach, CA	86.69	166.82	92.4
2	Lihue (Kauai), HI	102.54	190.70	86.0
3	Burbank/Glendale/Pasadena, CA	101.18	164.05	62.1
4	Kona, HI	100.39	162.02	61.4
5	Anchorage, AK	107.74	160.43	48.9
	ATPI for All U.S. Origins	**100.36**	**117.43**	**17.0**
	Largest Decreases/Smallest Increases			
1	Denver, CO	107.01	103.48	-3.3
2	Manchester, NH	96.30	94.63	-1.7
3	Richmond, VA	100.20	103.20	3.0
4	Chicago, IL	106.09	109.41	3.1
5	Baltimore, MD	103.19	106.59	3.3

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

AIR TRAVEL PRICE INDEX
ADD FIVE

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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AIR TRAVEL PRICE INDEX
ADD SIX

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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