



M O V I N G T H E
AMERICAN
ECONOMY

U.S. Department of Transportation
Office of Public Affairs
Washington, D.C.
www.dot.gov/affairs/briefing.htm

Research and Innovative Technology Administration
BTS Data

BTS 18-05
Wednesday, April 27, 2005

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Air Travel Price Index Down 4.1 Percent in Fourth-Quarter 2004 from Fourth Quarter 2003

The Air Travel Price Index (ATPI) fell 4.1 percent in the fourth quarter of 2004 from the same period in 2003 (Table 1), marking the lowest fourth-quarter fares of any October-to-December period since 1999 (Table 2), 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 year-to-year decline in the fourth-quarter level to 102.2 (1995 1st quarter = 100) was the second consecutive quarter in which the ATPI was lower than the same period a year earlier (Table 3).

The largest year-to-year fare increase for the fourth quarter among the 85 largest airline markets, ranked by originating passengers, was 6.4 percent in Lihue (Kauai), HI, and four of the top five fare increases all took place at Hawaii airports. Milwaukee had the largest increase of any non-Hawaiian city (Table 4). The biggest year-to-year fare decrease was 17.2 percent for itineraries originating in Cincinnati. Other top fare decreases were recorded in Philadelphia; Charlotte, NC; Providence, RI; and Manchester, NH.

The largest nine-year fourth-quarter fare increase was 113.6 percent in Long Beach, CA. Three of the top five fare increases over this period took place at Hawaii airports. Burbank/Glendale/Pasadena, CA, was the other non-Hawaiian airport (Table 5). The biggest fourth-quarter nine-year fare decrease was 19.6 percent for itineraries originating in Manchester, NH; followed by Grand Rapids, MI; Providence, RI; Baltimore; 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. The numbers are not adjusted for inflation.

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The ATPI in the fourth quarter of 2004 was 8.4 percent below its fourth quarter 2000 level, which was the fourth-quarter high since the period covered by the data beginning in 1995 (Table 1).

The fourth-quarter 2004 index fell 0.3 percent from the third quarter, the third consecutive quarterly decline (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 first-quarter 2005 ATPI is scheduled for release on July 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 Fourth Quarter Each Year Since 1995 (U.S.-Origin Itineraries, Fourth Quarter to Fourth Quarter)

Percentage Change to Fourth Quarter 2004	Since Fourth Quarter...	Duration
-4.1	2003	One Year
-2.4	2002	Two Years
-0.6	2001	Three Years
-8.4	2000	Four Years
0.5	1999	Five Year
3.2	1998	Six Years
-5.2	1997	Seven Years
2.9	1996	Eight Years
3.3	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, Fourth Quarter to Fourth Quarter, First Quarter 1995 = 100)

Year	ATPI	Percentage Change from Previous Year
1995	99.0	
1996	99.3	0.4
1997	107.8	8.6
1998	99.1	-8.1
1999	101.7	2.7
2000	111.6	9.7
2001	102.9	-7.8
2002	104.7	1.8
2003	106.6	1.8
2004	102.2	-4.1

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	Percentage Change from Previous Year
Fourth Quarter 2003	106.6	1.0	1.5
First Quarter 2004	108.6	1.9	0.6
Second Quarter 2004	106.2	-2.2	0.4
Third Quarter 2004	102.5	-3.5	-2.9
Fourth Quarter 2004	102.2	-0.3	-4.1

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, Fourth Quarter 2003 to Fourth Quarter 2004,
First Quarter 1995 = 100)**

Rank	Origin	Fourth Quarter 2003	Fourth Quarter 2004	Percentage Change from 2003
Largest Increases				
1	Lihue (Kauai), HI	204.1	217.1	6.4
2	Kona, HI	169.8	177.9	4.8
3	Honolulu, HI	138.3	143.9	4.1
4	Milwaukee, WI	97.6	101.4	3.9
5	Kahului (Maui), HI	132.4	135.1	2.1
ATPI for All U.S. Origins		106.6	102.2	-4.1
Largest Decreases				
1	Cincinnati, OH	113.6	94.1	-17.2
2	Philadelphia, PA	109.4	92.3	-15.6
3	Charlotte, NC	127.9	112.9	-11.8
4	Providence, RI	99.8	88.3	-11.6
5	Manchester, NH	85.4	76.9	-10.0

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

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

Rank	Origin	Fourth Quarter 1995	Fourth Quarter 2004	Percentage Change from 1995
Largest Increases				
1	Long Beach, CA	59.1	126.2	113.6
2	Lihue (Kauai), HI	102.1	217.1	112.6
3	Kona, HI	98.5	177.9	80.6
4	Burbank/Glendale/Pasadena, CA	95.7	137.6	43.8
5	Honolulu, HI	101.3	143.9	42.0
ATPI for All U.S. Origins		99.0	102.2	3.3
Largest Decreases				
1	Manchester, NH	95.6	76.9	-19.6
2	Grand Rapids, MI	101.9	89.2	-12.4
3	Providence, RI	98.7	88.3	-10.5
4	Baltimore, MD	106.0	96.8	-8.7
5	Raleigh/Durham, NC	94.7	86.4	-8.7

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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AIR TRAVEL PRICE INDEX PRESS RELEASE

ADD FIVE

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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