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Fourth-Quarter 2005 Air Travel Price Index (ATPI) Up 9.1 Percent from Fourth Quarter 2004; Top Increase in Cincinnati, OH, Top Decrease in Kahului (Maui), Hawaii

The Air Travel Price Index (ATPI) rose 9.1 percent in the fourth quarter of 2005 from a five-year low set in the fourth quarter of 2004 (Table 1) to reach the highest index level since just before Sept. 11, 2001, 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 9.1 percent year-to-year rise in the fourth-quarter level to 111.6 (1995 1st quarter = 100) was the biggest rise in the index level from the same period the previous year since the first quarter of 2001. The 111.6 level in the fourth quarter of 2005 was the highest index level of any quarter since the second quarter of 2001 when the index was 111.8. The fourth quarter level is the highest of any October-to-December period since 2000 (Table 2).

Price increases were greater in the unrestricted category, an indication that last-minute fares targeted at business travelers are up more than fares generally used for leisure passengers. Unrestricted tickets are refundable and changeable without any restrictions or penalties and are generally purchased at higher prices.

The largest year-to-year fare index increase for the fourth quarter among the 85 largest airline markets, ranked by passengers, was 25.9 percent in Cincinnati, OH, followed by Greensboro/High Point, NC, Grand Rapids, MI, Dayton, OH, and Atlanta, GA (Table 4). The biggest year-to-year fare index decrease was 3.5 percent for itineraries originating in Kahului (Maui), HI. The only other fare decrease in the top 85 markets was in Richmond, VA while the smallest increases were recorded in Houston, TX, Cleveland, OH, and Anchorage, AK.

The largest 10-year fourth-quarter fare index increase was 135.7 percent in Long Beach, CA. Three of the top five fare increases over this period took place at Hawaiian airports. Burbank/Glendale/Pasadena, CA, was the other non-Hawaiian airport with a top fare increase (Table 5). The biggest fourth-quarter 10-year fare index decrease was 12.2 percent for itineraries originating in Manchester, NH, followed by Baltimore, MD, Richmond, VA, Buffalo/Niagara, NY, and Long Island (Islip), NY.

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AIR TRAVEL PRICE INDEX ADD ONE

The ATPI in the fourth quarter of 2005 was 12.7 percent above the level of the fourth quarter of 1995 (Table 1). The fourth-quarter 2005 index rose 2.15 percent from the third quarter 2005 level, the fourth consecutive increase from the previous quarter (Table 3). Quarter-to-quarter changes may be affected by seasonal factors.

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.

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 2006 ATPI will be released on July 26.

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.

Table 1: Percentage Changes to 2005 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 2005 | Since 4th Quarter ... | Duration in Years |
|--|-----------------------------|----------------------|
| 9.1 | 2004 | 1 |
| 4.7 | 2003 | 2 |
| 6.5 | 2002 | 3 |
| 8.4 | 2001 | 4 |
| 0.0 | 2000 | 5 |
| 9.7 | 1999 | 6 |
| 12.6 | 1998 | 7 |
| 3.5 | 1997 | 8 |
| 12.3 | 1996 | 9 |
| 12.7 | 1995 | 10 |

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

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**AIR TRAVEL PRICE INDEX
ADD TWO**

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)

| | ATPI | Percent change from same quarter previous year |
|------|-------------|---|
| 1995 | 99.0 | - |
| 1996 | 99.3 | 0.3 |
| 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 | 1.7 |
| 2004 | 102.2 | -4.1 |
| 2005 | 111.6 | 9.1 |

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-to-Quarter changes may be affected by seasonal factors

| Quarter and Year | ATPI | Percentage Change from Previous Quarter |
|----------------------------|-------------|--|
| Fourth Quarter 2004 | 102.2 | -0.4 |
| First Quarter 2005 | 103.9 | 1.6 |
| Second Quarter 2005 | 108.2 | 4.1 |
| Third Quarter 2005 | 109.2 | 0.9 |
| Fourth Quarter 2005 | 111.6 | 2.2 |

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

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**Table 4: Top Five Fare Increases and Decreases, 2004-2005
Top 85 Air Travel Markets
(Air Travel Price Index Percentage Change, Fourth Quarter 2004 to Fourth Quarter 2005,
First Quarter 1995 = 100)**

| Rank | Origin | Fourth Quarter 2004 | Fourth Quarter 2005 | Percentage Change from 2004 |
|---|---------------------------|------------------------------------|------------------------------------|--|
| Largest Increases | | | | |
| 1 | Cincinnati, OH | 94.2 | 118.6 | 25.9 |
| 2 | Greensboro/High Point, NC | 114.1 | 135.8 | 19.0 |
| 3 | Grand Rapids, MI | 89.2 | 105.3 | 18.0 |
| 4 | Dayton, OH | 95.8 | 111.9 | 16.9 |
| 5 | Atlanta, GA | 95.6 | 111.2 | 16.3 |
| ATPI for All U.S. Origins | | 102.2 | 111.6 | 9.1 |
| Largest Decreases (Smallest Increases) | | | | |
| 1 | Kahului (Maui), HI | 135.1 | 130.4 | -3.5 |
| 2 | Richmond, VA | 102.0 | 101.6 | -0.5 |
| 3 | Houston, TX | 109.8 | 110.8 | 0.9 |
| 4 | Cleveland, OH | 112.9 | 115.1 | 1.9 |
| 5 | Anchorage, AK | 142.3 | 145.4 | 2.2 |

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

**Table 5: Top Five Fare Increases and Decreases, 1995-2005
Top 85 Air Travel Markets
(Air Travel Price Index Percentage Change, Fourth Quarter 1995 to Fourth Quarter 2005,
First Quarter 1995 = 100)**

| Rank | Origin | Fourth Quarter 1995 | Fourth Quarter 2005 | Percentage Change from 1995 |
|----------------------------------|-------------------------------|------------------------------------|------------------------------------|--|
| Largest Increases | | | | |
| 1 | Long Beach, CA | 59.1 | 139.2 | 135.7 |
| 2 | Lihue (Kauai), HI | 102.1 | 222.8 | 118.1 |
| 3 | Kona, HI | 98.5 | 184.0 | 86.7 |
| 4 | Burbank/Glendale/Pasadena, CA | 95.7 | 153.6 | 60.4 |
| 5 | Honolulu, HI | 101.3 | 149.2 | 47.2 |
| ATPI for All U.S. Origins | | 99.0 | 111.6 | 12.7 |
| Largest Decreases | | | | |
| 1 | Manchester, NH | 95.6 | 83.9 | -12.2 |
| 2 | Baltimore, MD | 106.0 | 104.0 | -1.9 |
| 3 | Richmond, VA | 102.9 | 101.6 | -1.3 |
| 4 | Buffalo/Niagara, NY | 99.4 | 98.4 | -1.1 |
| 5 | Long Island (Islip), NY | 102.5 | 103.0 | 0.4 |

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

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AIR TRAVEL PRICE INDEX

ADD FOUR

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 |

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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.

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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