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BTS Releases Fourth Quarter 2003 Air Travel Price Index (ATPI) Airline Fares Up 1.5 Percent from 2002

The Air Travel Price Index (ATPI) rose 1.5 percent in the fourth quarter of 2003 from the same period in 2002, the second consecutive year-to-year increase (Table 1), the Department of Transportation's Bureau of Transportation Statistics reported today.

The fourth quarter level was 106.33 (1Q1995=100), the highest fourth quarter since 2000.

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.

ATPI shows that airline ticket prices in the fourth quarter of 2003 rose 3.4 percent from their post-2000 low in the fourth quarter of 2001. In the fourth quarter of 2000, fares reached their highest level of any fourth quarter since the base period in 1995 (Table 2).

In addition, fourth-quarter 2003 airfares rose 0.8 percent from the third quarter. Quarter-to-quarter changes may be affected by seasonal factors (Table 3).

The largest year-to-year fare increase among major cities for which BTS calculated individual indexes was 23.2 percent in Kahului, HI. The biggest drop was 6.2 percent in Milwaukee. (Table 4).

Additional information about the ATPI, including indexes for foreign-origin itineraries and the top 30 air travel markets based on passenger enplanements, can be found on the BTS website, www.bts.gov. The first quarter 2004 ATPI will be released in August.

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 it is considered a research series at this time.

**AIR TRAVEL PRICE INDEX QUARTERLY RELEASE
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**Table 1: Percent Changes for U.S.-origin flights from Previous Years to 2003
Fourth Quarter to Fourth Quarter**

Percent change to 4th Quarter 2003	Since ...	Duration
1.5	2002	One Year
3.4	2001	Two Years
-4.7	2000	Three Years
4.5	1999	Four Years
7.3	1998	Five Years
-1.4	1997	Six Years
7.1	1996	Seven Years
7.4	1995	Eight Years

SOURCE: BTS, 2004

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

	ATPI	Percent change from previous year
1995 - 4th Quarter	98.96	—
1996 - 4th Quarter	99.30	0.3
1997 - 4th Quarter	107.80	8.6
1998 - 4th Quarter	99.09	-8.1
1999 - 4th Quarter	101.73	2.7
2000 - 4th Quarter	111.56	9.7
2001 - 4th Quarter	102.86	-7.8
2002 - 4th Quarter	104.72	1.8
2003 - 4th Quarter	106.33	1.5

SOURCE: BTS, 2004

**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.**

	ATPI	Percent change from previous quarter
2002 - 4th Quarter	104.72	1.3
2003 - 1st Quarter	107.98	3.1
2003 - 2nd Quarter	105.79	-2.0
2003 - 3rd Quarter	105.53	-0.2
2003 - 4th Quarter	106.33	0.8

SOURCE: BTS, 2004

AIR TRAVEL PRICE INDEX QUARTERLY RELEASE
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Table 4: Top 30 Air Travel Markets - Top Five Fare Increases and Decreases
Fourth Quarter 2002 to Fourth Quarter 2003
(First Quarter 1995 = 100)

		Fourth Quarter 2002	Fourth Quarter 2003	Pct. Change
Largest Increase	1. Kahului, HI	109.48	134.83	23.2
	2. Honolulu, HI	125.64	143.68	14.4
	3. Charlotte, NC	116.76	128.34	9.9
	4. Columbus, OH	103.22	113.31	9.8
	5. Manchester, NH	81.22	87.86	8.2
National Average		104.73	106.33	1.5
	5. W. Palm Beach, FL	100.40	97.27	-3.1
	4. Dallas/Ft Worth, TX	104.04	100.77	-3.1
	3. Orlando, FL	96.75	93.56	-3.3
	2. Atlanta, GA	102.00	96.36	-5.5
Biggest Decrease	1. Milwaukee, WI	101.87	95.55	-6.2

SOURCE: BTS, 2004

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.

**AIR TRAVEL PRICE INDEX QUARTERLY RELEASE
ADD THREE**

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 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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