

TICKET TAXES NOT SO HIGH

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Aviation tax policy has become so complex that it sometimes leads to misunderstandings. An example is the suggestion that "taxes now represent 24% of the price of the average ticket" (AW&ST Mar. 1, p. 49). The actual average is closer to half that level.

When illustrating ticket taxes, airline industry representatives consider a "typical" ticket: a round-trip with connecting flights and each airport levying passenger facility charges (PFC) at the allowed maximum of \$4.50. In practice, only about one-third of passengers make connections. This matters, because most ticket taxes are charged each time the passenger boards. Not every airport collects a PFC of \$4.50. Moreover, the typical fare used in some of the industry examples is lower than the true average paid by travelers. The combined effect is to overstate the size of ticket taxes.

The impact of aviation taxes on the cost of air travel can be computed more accurately by studying actual tickets. In a research paper with others, we have analyzed ticket records for eight million domestic passengers. Our conclusion is that ticket taxes make up 13% of the average domestic fare. In relative terms, taxes have gone up--in 1992, taxes made up less than 10% of the ticket price. However, this is due in large part to a decline in the real cost of air travel. When adjusted for inflation, domestic fares have dropped by more than 25% since 1992. This decline in yields is striking and, far more than ticket taxes, is the most distressing part of the current picture.

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