

The Standard Industry Fare Level Methodology for Determining
Change in Operating Expense per Available Seat-Mile
Domestic Operations of the Major Carriers

September 30, 2011

Total Operating Expense 1/ (000)	\$94,063,076
Less: Property and Mail Revenue 2/ (000)	\$3,746,296
Charter Revenues 3/ (000)	\$430,764
Transport Related Expense Plus Subsidy 4/ (000)	\$15,806,841
Passenger Operating Expense (000)	\$74,079,176
Passenger Fuel Cost 5/ (000)	\$24,295,650
Passenger Non-Fuel Cost (000)	\$49,783,526
Scheduled Service Available Seat-Miles (millions)	599,001
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08311
Fuel Expense per Seat-Mile (\$)	0.04056
Total Expense per Seat-Mile (\$)	0.12367

September 30, 2010

Total Operating Expense 1/ (000)	\$84,645,966
Less: Property and Mail Revenue 2/ (000)	\$3,805,767
Charter Revenues 3/ (000)	\$341,285
Transport Related Expense 4/ (000)	\$13,852,405
Passenger Operating Expense (000)	\$66,646,509
Passenger Fuel Cost 5/ (000)	\$18,594,962
Passenger Non-Fuel Cost (000)	\$48,051,547
Scheduled Service Available Seat-Miles (millions)	586,522
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08193
Fuel Expense per Seat-Mile (\$)	0.03170
Total Expense per Seat-Mile (\$)	0.11363

Estimated Expense per Available Seat-Mile at October 1, 2011

Percent Change in Non-Fuel Unit Expense 6/ (%)	1.45
Projected Change in Non-Fuel Unit Expense from Y.E. September 30, 2011 to October 1, 2011 7/ (%)	0.72
Percent change in Unit Fuel Expense 6/ (%)	27.94
Change in Fuel Cost at October 1, 2011 8/	5.12
Non-Fuel Expense per Available Seat-Mile at October 1, 2011 9/	0.08371
Fuel per Available Seat-Mile at October 1, 2011 9/	0.04264
Total Expense per Available Seat-Mile at October 1, 2011	0.12635

The Standard Industry Fare Level Methodology for Determining
Change in Operating Expense per Available Seat-Mile,
Domestic Operations of the Major Carriers

Expense per Available Seat-Mile at October 1, 2011	0.12635
Projected Expense per Available Seat-Mile at July 1, 1977 10/	0.04549
Cost Adjustment Factor at October 1, 2011	2.77749
Cost Adjustment Factor at April 1, 2011	2.53077
Percentage Change From Preceding Period:	9.75

D.P.F.I. Formula Effective July 15, 1977 11/

Terminal Charge	\$16.16	
Plus: (\$)	0.0884	per mile (0-500 miles)
	0.0674	per mile (501-1,500 miles)
	0.0648	per mile (Over-1,500 miles)

S.I.F.L. Formula Effective July 1, 2011 through December 31, 2011 12/

Terminal Charge	\$44.88	
Plus: (\$)	0.2455	per mile (0-500 miles)
	0.1872	per mile (501-1,500 miles)
	0.1800	per mile (Over-1,500 miles)

1/ Total Operating Expense, all services, for the following major carriers: AirTran (FL), Alaska (AS), American (AA), American Eagle (MQ), Atlantic Southeast (EV), Comair (OH), Continental (CO), Delta (DL), Frontier (F9), Hawaiian (HA), JetBlue (B6), SkyWest (OO), Southwest (WN), United (UA) and US Airways (US).

2/ Total scheduled service cargo revenue. Includes all mail, freight, express and excess baggage revenues.

3/ Total non-scheduled revenue times .95, assuming charter operations would only be conducted at a profit.

4/ No adjustment has been made for the difference between transport related revenues and transport related expenses. Amounts include subsidy payments.

5/ Total fuel cost, times complement of Property and Mail Revenue to Total Operating Expense.

6/ Change in unit rate from one year to the next.

7/ Percentage change (ratio) in Non-Fuel Unit Expense raised to the .50 power. (Unit rate projected six months from the midpoint of the base year to the midpoint of the six-month projection period.)

8/ Page 3.

9/ Operating Expense per Seat-Mile for the Y.E. March period, times percentage changes, above.

10/ Year Ended March 1977 cost per ASM, times cost escalation factor of 1.04543 (to July 5, 1977). See D.P.F.I. Workpapers, Y.E. March 1977, and C.A.B. Order 80-12-96, which incorporated the capitalized lease adjustment required under F.A.S.B. standard 13.

11/ Order 77-7-26.

12/ D.P.F.I. Fare Formula effective July 15, 1977, times Cost Adjustment Factor at April 1.

Note: Some of the airlines have included special charges for aircraft groundings and impairments, workforce reductions and other similar special items in operating expenses. Because of the effort to reflect "normal" operations as part of the ratemaking nature of the SIFL calculation, adjustments were made to total operating expenses to reflect these special items.

Fuel Price Per Gallon, Domestic Operations
of the Major, National and Large Regional Carriers

<u>Month</u>	Average Price per Gallon (cents)	Change From Preceding Month (%)
2010-January	221.32	
2010-February	215.60	-2.58
2010-March	220.39	2.22
2010-April	230.32	4.50
2010-May	232.93	1.14
2010-June	217.80	-6.50
2010-July	221.09	1.51
2010-August	222.66	0.71
2010-September	218.21	-2.00
2010-October	232.12	6.38
2010-November	226.48	-2.43
2010-December	230.53	1.79
2011-January	262.28	13.77
2011-February	276.29	5.34
2011-March	282.07	2.09
2011-April	299.45	6.16
2011-May	305.26	1.94
2011-June	293.75	-3.77
2011-July	292.85	-0.31
2011-August	292.92	0.02
2011-September	297.34	1.51
2011-October	281.74	-5.25
2011-November	289.45	2.74
2011-December	277.06	-4.28
Fuel Cost/Gallon at October 1, 2011		288.59
Fuel Cost/Gallon for Y.E. September 30, 2011		274.53
Percentage Change (%)		5.12