

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

March 31, 2012

| | |
|---|--------------|
| Total Operating Expense 1/ (000) | \$97,768,603 |
| Less: Property and Mail Revenue 2/ (000) | \$3,693,211 |
| Charter Revenues 3/ (000) | \$564,785 |
| Transport Related Expense Plus Subsidy 4/ (000) | \$16,165,562 |
| Passenger Operating Expense (000) | \$77,345,045 |
| Passenger Fuel Cost 5/ (000) | \$25,992,926 |
| Passenger Non-Fuel Cost (000) | \$51,352,119 |
| Scheduled Service Available Seat-Miles (millions) | 598,310 |
| Non-Fuel Operating Expense per Seat-Mile (\$) | 0.08583 |
| Fuel Expense per Seat-Mile (\$) | 0.04344 |
| Total Expense per Seat-Mile (\$) | 0.12927 |

March 31, 2011

| | |
|---|--------------|
| Total Operating Expense 1/ (000) | \$88,074,531 |
| Less: Property and Mail Revenue 2/ (000) | \$3,738,231 |
| Charter Revenues 3/ (000) | \$369,769 |
| Transport Related Expense 4/ (000) | \$14,600,149 |
| Passenger Operating Expense (000) | \$69,366,382 |
| Passenger Fuel Cost 5/ (000) | \$20,621,146 |
| Passenger Non-Fuel Cost (000) | \$48,745,236 |
| Scheduled Service Available Seat-Miles (millions) | 594,360 |
| Non-Fuel Operating Expense per Seat-Mile (\$) | 0.08201 |
| Fuel Expense per Seat-Mile (\$) | 0.03469 |
| Total Expense per Seat-Mile (\$) | 0.11671 |

Estimated Expense per Available Seat-Mile at April 1, 2012

| | |
|---|---------|
| Percent Change in Non-Fuel Unit Expense 6/ (%) | 4.65 |
| Projected Change in Non-Fuel Unit Expense from Y.E. March 31, 2012 to April 1, 2012 7/ (%) | 2.30 |
| Percent change in Unit Fuel Expense 6/ (%) | 25.22 |
| Change in Fuel Cost at April 1, 2012 8/ | 2.25 |
| Non-Fuel Expense per Available Seat-Mile at April 1, 2012 | 0.08780 |
| Fuel per Available Seat-Mile at April 1, 2012 9/ | 0.04442 |
| Total Expense per Available Seat-Mile at April 1, 201 | 0.13222 |

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| | | |
|---|---------|-----------------------------|
| Expense per Available Seat-Mile at April 1, 2012 | | 0.13222 |
| Projected Expense per Available Seat-Mile at July 1, 1977 10/ | | 0.04549 |
| Cost Adjustment Factor at April 1, 2012 | | 2.90664 |
| Cost Adjustment Factor at October 1, 2011 | | 2.77749 |
| Percentage Change From Preceding Period: | | 4.65 |
| <u>D.P.F.I. Formula Effective July 15, 1977 11/</u> | | |
| 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) |
| <u>S.I.F.L. Formula Effective January 1, 2012 through June 30, 2012 12/</u> | | |
| Terminal Charge | \$46.97 | |
| Plus: (\$) | 0.2569 | per mile (0-500 miles) |
| | 0.1959 | per mile (501-1,500 miles) |
| | 0.1884 | 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.)

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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 <u>(cents)</u> | Change From <i>Preceding</i> Month <u>(%)</u> |
|--|--|---|
| 2010-July | 221.09 | |
| 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 | 284.50 | -1.71 |
| 2012-January | 295.87 | 4.00 |
| 2012-February | 303.35 | 2.53 |
| 2012-March | 311.83 | 2.79 |
| 2012-April | 315.11 | 1.05 |
| 2012-May | 305.22 | -3.14 |
| 2012-June | 283.17 | -7.22 |
| | | |
| Fuel Cost/Gallon at April 1, 2012 | | 302.28 |
| | | |
| Fuel Cost/Gallon for Y.E. March 31, 2012 | | 295.63 |
| | | |
| Percentage Change (%) | | 2.25 |