

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

March 31, 2016

Total Operating Expense 1/ (000)	\$96,034,395
Less: Property and Mail Revenue 2/ (000)	\$3,850,129
Charter Revenues 3/ (000)	\$451,247
Transport Related Expense Plus Subsidy 4/ (000)	\$14,730,254
Passenger Operating Expense (000)	\$77,002,765
Passenger Fuel Cost 5/ (000)	\$14,815,199
Passenger Non-Fuel Cost (000)	\$62,187,566
Scheduled Service Available Seat-Miles (millions)	707,343
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08792
Fuel Expense per Seat-Mile (\$)	0.02094
Total Expense per Seat-Mile (\$)	0.10886

March 31, 2015

Total Operating Expense 1/ (000)	\$102,970,097
Less: Property and Mail Revenue 2/ (000)	\$3,676,963
Charter Revenues 3/ (000)	\$502,023
Transport Related Expense 4/ (000)	\$16,249,449
Passenger Operating Expense (000)	\$82,541,662
Passenger Fuel Cost 5/ (000)	\$23,597,175
Passenger Non-Fuel Cost (000)	\$58,944,486
Scheduled Service Available Seat-Miles (millions)	674,067
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08745
Fuel Expense per Seat-Mile (\$)	0.03501
Total Expense per Seat-Mile (\$)	0.12245

Estimated Expense per Available Seat-Mile at April 1, 2016

Percent Change in Non-Fuel Unit Expense 6/ (%)	0.54
Projected Change in Non-Fuel Unit Expense from Y.E. March 31, 2016 to April 1, 2016 7/ (%)	0.27
Percent change in Unit Fuel Expense 6/ (%)	(40.17)
Change in Fuel Cost at April 1, 2016 8/	(14.46)
Non-Fuel Expense per Available Seat-Mile at April 1, 2016 9/	0.08815
Fuel per Available Seat-Mile at April 1, 2016 9/	0.01792
Total Expense per Available Seat-Mile at April 1, 2016	0.10607

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Expense per Available Seat-Mile at April 1, 2016	0.10607
Projected Expense per Available Seat-Mile at July 1, 1977 10/	0.04549
Cost Adjustment Factor at April 1, 2016	2.33172
Cost Adjustment Factor at October 1, 2015	2.42519
Percentage Change From Preceding Period:	(3.85)

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 January 1, 2016 through June 30, 2016 12/

Terminal Charge	\$37.68	
Plus: (\$)	0.2061	per mile (0-500 miles)
	0.1572	per mile (501-1,500 miles)
	0.1511	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 (cents)	Change From Preceding Month (%)
July 2014	299.85	
August 2014	298.19	-0.56
September 2014	288.93	-3.10
October 2014	269.20	-6.83
November 2014	257.61	-4.31
December 2014	231.47	-10.14
January 2015	193.59	-16.36
February 2015	222.98	15.18
March 2015	200.68	-10.00
April 2015	192.25	-4.20
May 2015	209.01	8.72
June 2015	203.94	-2.43
July 2015	182.75	-10.39
August 2015	167.66	-8.26
September 2015	159.31	-4.98
October 2015	163.31	2.52
November 2015	156.85	-3.96
December 2015	144.35	-7.97
January 2016	128.90	-10.71
February 2016	123.78	-3.97
March 2016	127.81	3.26
April 2016	132.84	3.93
May 2016	143.04	7.67
June 2016	179.07	25.19
Fuel Cost/Gallon at April 1, 2016		140.16
Fuel Cost/Gallon for Y.E. March 31, 2016		163.86
Percentage Change (%)		-14.46