

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

September 30, 2014

Total Operating Expense 1/ (000)	\$100,048,917
Less: Property and Mail Revenue 2/ (000)	\$3,291,659
Charter Revenues 3/ (000)	\$494,814
Transport Related Expense Plus Subsidy 4/ (000)	\$17,514,481
Passenger Operating Expense (000)	\$78,747,962
Passenger Fuel Cost 5/ (000)	\$24,348,019
Passenger Non-Fuel Cost (000)	\$54,399,943
Scheduled Service Available Seat-Miles (millions)	601,931
Non-Fuel Operating Expense per Seat-Mile (\$)	0.09038
Fuel Expense per Seat-Mile (\$)	0.04045
Total Expense per Seat-Mile (\$)	0.13083

September 30, 2013

Total Operating Expense 1/ (000)	\$98,091,363
Less: Property and Mail Revenue 2/ (000)	\$3,259,144
Charter Revenues 3/ (000)	\$502,784
Transport Related Expense 4/ (000)	\$17,562,396
Passenger Operating Expense (000)	\$76,767,040
Passenger Fuel Cost 5/ (000)	\$24,680,572
Passenger Non-Fuel Cost (000)	\$52,086,468
Scheduled Service Available Seat-Miles (millions)	586,550
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08880
Fuel Expense per Seat-Mile (\$)	0.04208
Total Expense per Seat-Mile (\$)	0.13088

Estimated Expense per Available Seat-Mile at October 1, 2014

Percent Change in Non-Fuel Unit Expense 6/ (%)	1.77
Projected Change in Non-Fuel Unit Expense from Y.E. September 30, 2014 to October 1, 2014 7/ (%)	0.88
Percent change in Unit Fuel Expense 6/ (%)	(3.87)
Change in Fuel Cost at October 1, 2014 8/	(8.64)
Non-Fuel Expense per Available Seat-Mile at October 1, 2014 9/	0.09117
Fuel per Available Seat-Mile at October 1, 2014 9/	0.03696
Total Expense per Available Seat-Mile at October 1, 2014	0.12813

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Expense per Available Seat-Mile at October 1, 2014	0.12813
Projected Expense per Available Seat-Mile at July 1, 1977 10/	0.04549
Cost Adjustment Factor at October 1, 2014	2.81667
Cost Adjustment Factor at April 1, 2014	3.00280
Percentage Change From Preceding Period:	(6.20)

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, 2014 through December 31, 2014 12/

Terminal Charge	\$45.52	
Plus: (\$)	0.2490	per mile (0-500 miles)
	0.1898	per mile (501-1,500 miles)
	0.1825	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 (%)
2013-January	312.63	
2013-February	328.48	5.07
2013-March	320.42	-2.45
2013-April	305.08	-4.79
2013-May	291.99	-4.29
2013-June	290.51	-0.51
2013-July	291.30	0.27
2013-August	307.20	5.46
2013-September	308.22	0.33
2013-October	304.30	-1.27
2013-November	301.82	-0.82
2013-December	301.86	0.01
2014-January	309.14	2.41
2014-February	304.43	-1.52
2014-March	300.42	-1.32
2014-April	297.95	-0.82
2014-May	298.87	0.31
2014-June	296.98	-0.63
2014-July	299.85	0.97
2014-August	298.19	-0.56
2014-September	288.93	-3.10
2014-October	269.20	-6.83
2014-November	257.62	-4.30
2014-December	230.45	-10.54
Fuel Cost/Gallon at October 1, 2014		274.21
Fuel Cost/Gallon for Y.E. September 30, 2014		300.13
Percentage Change (%)		-8.64