

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

**March 31, 2014**

Total Operating Expense 1/ (000)	\$98,376,293
Less: Property and Mail Revenue 2/ (000)	\$3,191,158
Charter Revenues 3/ (000)	\$474,265
Transport Related Expense Plus Subsidy 4/ (000)	\$17,648,849
Passenger Operating Expense (000)	\$77,062,020
Passenger Fuel Cost 5/ (000)	\$24,051,459
Passenger Non-Fuel Cost (000)	\$53,010,561
Scheduled Service Available Seat-Miles (millions)	592,821
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08942
Fuel Expense per Seat-Mile (\$)	0.04057
Total Expense per Seat-Mile (\$)	0.12999

**March 31, 2013**

Total Operating Expense 1/ (000)	\$98,443,045
Less: Property and Mail Revenue 2/ (000)	\$3,383,133
Charter Revenues 3/ (000)	\$569,117
Transport Related Expense 4/ (000)	\$17,267,134
Passenger Operating Expense (000)	\$77,223,660
Passenger Fuel Cost 5/ (000)	\$25,578,351
Passenger Non-Fuel Cost (000)	\$51,645,309
Scheduled Service Available Seat-Miles (millions)	580,182
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08902
Fuel Expense per Seat-Mile (\$)	0.04409
Total Expense per Seat-Mile (\$)	0.13310

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

Percent Change in Non-Fuel Unit Expense 6/ (%)	0.46
Projected Change in Non-Fuel Unit Expense from Y.E. March 31, 2014 to April 1, 2014 7/ (%)	0.23
Percent change in Unit Fuel Expense 6/ (%)	(7.97)
Change in Fuel Cost at April 1, 2014 8/	0.01
Non-Fuel Expense per Available Seat-Mile at April 1, 2014	0.08962
Fuel per Available Seat-Mile at April 1, 2014 9/	0.04057
Total Expense per Available Seat-Mile at April 1, 201	0.13020

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Expense per Available Seat-Mile at April 1, 2014	0.13020	
Projected Expense per Available Seat-Mile at July 1, 1977 10/	0.04549	
Cost Adjustment Factor at April 1, 2014	2.86214	
Cost Adjustment Factor at October 1, 2013	2.84556	
Percentage Change From Preceding Period:	0.58	
<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, 2014 through June 30, 2014 12/</u>		
Terminal Charge	\$46.25	
Plus: (\$)	0.2530	per mile (0-500 miles)
	0.1929	per mile (501-1,500 miles)
	0.1855	per mile (Over-1,500 miles)

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- 1/ Total Operating Expense, all services, for the following major carriers: Alaska (AS), American (AA), American Eagle (MQ), Continental (CO)/United (UA), Delta (DL), Frontier (F9), Hawaiian (HA), JetBlue (B6), SkyWest (OO), Southwest (WN)/Airtran (FL), 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 <b><i>Preceding</i></b> Month (%)
2012-July	296.52	
2012-August	309.69	4.44
2012-September	322.92	4.27
2012-October	330.23	2.26
2012-November	318.20	-3.64
2012-December	313.26	-1.55
2013-January	312.63	-0.20
2013-February	328.48	5.07
2013-March	320.42	-2.45
2013-April	305.08	-4.79
2013-May	292.02	-4.28
2013-June	290.64	-0.47
2013-July	291.30	0.23
2013-August	306.83	5.33
2013-September	308.22	0.45
2013-October	304.30	-1.27
2013-November	301.82	-0.82
2013-December	301.86	0.01
2014-January	309.21	2.44
2014-February	304.48	-1.53
2014-March	300.46	-1.32
2014-April	297.99	-0.82
2014-May	298.92	0.31
2014-June	296.98	-0.65
Fuel Cost/Gallon at April 1, 2014		301.12
Fuel Cost/Gallon for Y.E. March 31, 2014		301.09
Percentage Change (%)		0.01

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1/ Average cost for the six months ended June 30, 2014  
June estimated.