

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

September 30, 2015

Total Operating Expense 1/ (000)	\$99,049,602
Less: Property and Mail Revenue 2/ (000)	\$3,759,482
Charter Revenues 3/ (000)	\$479,432
Transport Related Expense Plus Subsidy 4/ (000)	\$15,607,990
Passenger Operating Expense (000)	\$79,202,698
Passenger Fuel Cost 5/ (000)	\$18,866,917
Passenger Non-Fuel Cost (000)	\$60,335,781
Scheduled Service Available Seat-Miles (millions)	682,875
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08836
Fuel Expense per Seat-Mile (\$)	0.02763
Total Expense per Seat-Mile (\$)	0.11598

September 30, 2014

Total Operating Expense 1/ (000)	\$104,001,034
Less: Property and Mail Revenue 2/ (000)	\$3,558,465
Charter Revenues 3/ (000)	\$495,278
Transport Related Expense 4/ (000)	\$17,076,418
Passenger Operating Expense (000)	\$82,870,872
Passenger Fuel Cost 5/ (000)	\$25,269,508
Passenger Non-Fuel Cost (000)	\$57,601,364
Scheduled Service Available Seat-Miles (millions)	655,290
Non-Fuel Operating Expense per Seat-Mile (\$)	0.08790
Fuel Expense per Seat-Mile (\$)	0.03856
Total Expense per Seat-Mile (\$)	0.12646

Estimated Expense per Available Seat-Mile at October 1, 2015

Percent Change in Non-Fuel Unit Expense 6/ (%)	0.52
Projected Change in Non-Fuel Unit Expense from Y.E. September 30, 2015 to October 1, 2015 7/ (%)	0.26
Percent change in Unit Fuel Expense 6/ (%)	(28.35)
Change in Fuel Cost at October 1, 2015 8/	(21.32)
Non-Fuel Expense per Available Seat-Mile at October 1, 2015 9/	0.08858
Fuel per Available Seat-Mile at October 1, 2015 9/	0.02174
Total Expense per Available Seat-Mile at October 1, 2015	0.11032

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Expense per Available Seat-Mile at October 1, 2015	0.11032
Projected Expense per Available Seat-Mile at July 1, 1977 10/	0.04549
Cost Adjustment Factor at October 1, 2015	2.42519
Cost Adjustment Factor at April 1, 2015	3.00280
Percentage Change From Preceding Period:	(19.24)

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, 2015 through December 31, 2015 12/

Terminal Charge	\$39.19	
Plus: (\$)	0.2144	per mile (0-500 miles)
	0.1635	per mile (501-1,500 miles)
	0.1572	per mile (Over-1,500 miles)

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

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 (%)
2014-January	309.14	
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	231.47	-10.15
2015-January	193.59	-16.36
2015-February	222.98	15.18
2015-March	200.68	-10.00
2015-April	192.25	-4.20
2015-May	209.01	8.72
2015-June	203.94	-2.43
2015-July	182.75	-10.39
2015-August	167.66	-8.26
2015-September	159.31	-4.98
2015-October	163.31	2.52
2015-November	156.85	-3.96
2015-December	144.35	-7.97
Fuel Cost/Gallon at October 1, 2015		162.65
Fuel Cost/Gallon for Y.E. September 30, 2015		206.72
Percentage Change (%)		-21.32