

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

March 31, 2008

Total Operating Expense 1/ (000)	\$94,897,708
Less: Property and Mail Revenue 2/ (000)	\$1,761,461
Charter Revenues 3/ (000)	\$265,309
Transport Related Expense Plus Subsidy 4/ (000)	\$15,864,023
Passenger Operating Expense (000)	\$77,006,914
Passenger Fuel Cost 5/ (000)	\$24,038,743
Passenger Non-Fuel Cost (000)	\$52,968,171
Scheduled Service Available Seat-Miles (millions)	679,664
Non-Fuel Operating Expense per Seat-Mile (\$)	0.07793
Fuel Expense per Seat-Mile (\$)	0.03537
Total Expense per Seat-Mile (\$)	0.11330

March 31, 2007

Total Operating Expense 1/ (000)	\$88,891,152
Less: Property and Mail Revenue 2/ (000)	\$1,795,423
Charter Revenues 3/ (000)	\$239,637
Transport Related Expense 4/ (000)	\$14,810,749
Passenger Operating Expense (000)	\$72,045,344
Passenger Fuel Cost 5/ (000)	\$20,609,528
Passenger Non-Fuel Cost (000)	\$51,435,816
Scheduled Service Available Seat-Miles (millions)	675,334
Non-Fuel Operating Expense per Seat-Mile (\$)	0.07616
Fuel Expense per Seat-Mile (\$)	0.03052
Total Expense per Seat-Mile (\$)	0.10668

Estimated Expense per Available Seat-Mile at April 1, 2008

Percent Change in Non-Fuel Unit Expense 6/ (%)	2.32
Projected Change in Non-Fuel Unit Expense from Y.E. March 31, 2008 to April 1, 2008 7/ (%)	1.15
Percent change in Unit Fuel Expense 6/ (%)	15.90
Estimated Change in Fuel Cost at April 1, 2008 8/	13.49
Non-Fuel Expense per Available Seat-Mile at April 1, 2008	0.07883
Fuel per Available Seat-Mile at April 1, 2008 9/	0.04014
Total Expense per Available Seat-Mile at April 1, 200	0.11897

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Estimated Expense per Available Seat-Mile at April 1, 2008		0.11897
Projected Expense per Available Seat-Mile at July 1, 1977 10/		0.04549
Cost Adjustment Factor at April 1, 2008		2.61536
Cost Adjustment Factor at October 1, 2007		2.46634
Percentage Change From Preceding Period:		6.04
<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, 2008 through June 30, 2008 12/</u>		
Terminal Charge	\$42.26	
Plus: (\$)	0.2312	per mile (0-500 miles)
	0.1763	per mile (501-1,500 miles)
	0.1695	per mile (Over-1,500 miles)

1/ Total Operating Expense, all services, for the following major carriers: AirTran (FL), Alaska (AS), America West (HP), American (AA), American Eagle (MQ), American Trans Air (TZ), Atlantic Southeast, Comair (OH), Continental, Delta, ExpressJet d/b/a Continental Express (XE), JetBlue (B6), Northwest (NW), 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>	<u>Average Price per Gallon (cents)</u>	<u>Change From Preceding Month (%)</u>
2006-July	207.52	
2006-August	211.83	2.07
2006-September	198.42	-6.33
2006-October	186.48	-6.02
2006-November	180.37	-3.27
2006-December	185.88	3.05
2007-January	180.88	-2.69
2007-February	173.97	-3.82
2007-March	181.30	4.22
2007-April	193.27	6.60
2007-May	203.84	5.47
2007-June	202.18	-0.81
2007-July	209.02	3.38
2007-August	212.12	1.49
2007-September	210.07	-0.97
2007-October	220.02	4.74
2007-November	242.39	10.16
2007-December	248.97	2.71
2008-January	257.82	3.56
2008-February	254.27	-1.38
2008-March	285.66	12.35
2008-April	296.36	3.75
2008-May	318.68	7.53
2008-June	338.88	6.34
Fuel Cost/Gallon at April 1, 2008		292.51
Fuel Cost/Gallon for Y.E. March 31, 2008		257.74
Percentage Change (%)		13.49