

Order 2008-7-4
Serve July 7, 2008



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Action on IATA Agreement
Issued by the Department of Transportation
on the 1st day of July, 2008

**Agreements adopted by the Traffic
Conferences of the International Air
Transport Association relating to
Passenger fare matters**

Docket OST-2006-25307

**Exemption under 49 U.S.C. 40109 from
the conditions of CAB Order 68-7-55 for
Passenger Tariff Coordinating Conference
Action**

Docket OST-2007-28556
Docket OST-2007-28558
Docket OST-2007-28569
Docket OST-2007-28570

ORDER

Background

On March 30, 2007, the Department issued a final order in the International Air Transport Association Tariff Conference Proceeding, Docket OST-2006-25307. In that order, we disapproved the Provisions for the Conduct of the IATA Traffic Conferences (the IATA "Provisions") insofar as that agreement authorized U.S. and foreign carriers to discuss and agree upon fares, rates, conditions of service, and price and rate applicability conditions, either directly or indirectly or through tariff conferences or other related means of information sharing, for passenger and cargo air services (i) between the United States and the European Union (together with Iceland, Norway, Switzerland, and Liechtenstein); (ii) between the United States and the overseas territories of the member states of the European Union subject to an air services agreement between the United States and a member state; and (iii) between the United States and Australia.¹ The Order took effect on June 30, 2007. The Department's approval and antitrust immunity for the IATA Provisions is still in place for other U.S. international markets.

¹ Order 2007-3-23, Docket OST-2006-25307.

The Order finalized the tentative conclusions of our show-cause order of July 5, 2006.² After considering extensive public comments, the Department found that the tariff conferences are anti-competitive and do not provide important public benefits or meet a serious transportation need. Pricing discussions among competitors of the kind that take place at the IATA tariff conferences are inherently anti-competitive and likely to increase the fares paid by consumers. Travelers and shippers will continue to have ready access to interline service without the tariff conferences, and individual airlines already offer interlineable fares that provide passengers almost as much flexibility as the fares established by the traffic conferences. We found further that foreign policy no longer represents a consideration for the continued approval of the tariff conference provisions for the transatlantic and U.S.-Australia markets, because the European Union and the Commonwealth of Australia were phasing out the tariff conferences' exemptions from their own competition laws.³

Our decision covered IATA's tariff conference procedures under the Provisions, which provide for airline discussions and agreements on interlineable fares at meetings, by mail votes, and in conference calls. We recognized that IATA was planning to develop new procedures for establishing IATA fares -- "Flex Fares" -- that might eliminate our competitive concerns with IATA's traditional tariff conference procedures. Our disapproval of IATA's existing procedures because they are anti-competitive did not mean that we would find the Flex Fares procedures anti-competitive, if IATA chose to file an agreement establishing such procedures.⁴

IATA's application for Flex Fares in U.S. markets

IATA has since filed agreements with the Department under sections 41308 and 41309 of Title 49 or the United States Code (the Code), and Part 303 of the Department's regulations (14 CFR Part 303) that would establish interline Flex Fares in U.S./Canada-Europe and U.S./Canada-Southwest Pacific markets.⁵

² Order 2006-7-3, Docket OST-2006-25307.

³ The EU's Regulation (EC) No. 1459/2006, adopted September 28, 2006, terminated the block exemption for tariff coordination effective January 1, 2007 within the European Common Aviation Area (the ECAA consists of the EU and Iceland, Norway, Switzerland, and Liechtenstein), effective June 30, 2007 between the EU and the U.S. and Australia, and effective October 31, 2007 on other EU-third country routes. The Australian Competition and Consumer Commission (ACCC), in its Determination of November 9, 2006, revoked the authorization of IATA tariff coordination under Australia's competition law and approved a new, temporary exemption that will expire June 30, 2008.

⁴ Order 2007-3-23, at 18.

⁵ The U.S./Canada-Europe agreement was filed in Docket OST-2007-28556, June 19, 2007, and under IATA's standard definition of Europe would apply to Albania, Algeria, Andorra, Armenia, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Georgia, Germany, Gibraltar, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia (FYROM), Malta, Moldova, Monaco, Morocco, Netherlands, Norway, Poland, Portugal, Romania, Russia (West of the Urals), San Marino, Slovakia, Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, and Yugoslavia. The U.S./Canada-Southwest Pacific agreement was filed in Docket OST-2007-28569, June 20, 2007; under IATA's standard definition of the Southwest Pacific it would apply to Australia, Cook Islands, Fiji, French Polynesia, Kiribati, Nauru, New Caledonia, New Zealand, Niue, Norfolk Island, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Wallis and Futuna Islands.

As part of the Flex Fares agreements, IATA is rescinding or canceling existing U.S.-Europe and U.S.-Southwest Pacific fares resolutions and fares that were previously adopted as part of the traditional tariff coordination process.⁶

Under the Flex Fares scheme described in the applications, IATA will establish interline first, business and economy-class normal fares by computing an average of IATA carriers' own fully-flexible market fares for each city pair, based on certain criteria, and then add an "interline premium" of 10 percent for U.S.-Europe and seven percent for U.S.-Southwest Pacific fares. IATA will no longer establish interline discount fares. IATA carriers may opt out of the Flex Fares upon two weeks' notice, and non-IATA carriers may opt in or out of Flex Fares on two weeks' notice.

Flex Fares algorithm The first step in establishing flex Fares is to identify roundtrip fares in each class of service for a given city-pair that meet specified standards and are offered in the market on the calculation date.⁷ The identified fares are then averaged and those that deviate excessively from the average are excluded, using a formula based on the standard deviation of the market fares. The remaining fares are re-averaged and that resulting figure is then increased by the interline premium percentage. In the usual case, the resulting figure becomes the roundtrip Flex Fare. However, under the "safeguard check," if the highest market fare used in computing the average is higher than the computed Flex Fare price, then that higher market fare becomes the Flex Fare. IATA states that without the safeguard check, pricing the Flex Fare below the unrestricted fare of a participating carrier "could erode carrier participation and product value."⁸ Appendix C contains an example of the Flex Fares computation process in the New York-Amsterdam market based on information in IATA's application.

The Flex Fares will be updated once annually, for travel and ticketing on or after September 1, and participating IATA carriers may request an exceptional update, for all Flex Fares markets or for specific city pairs.⁹ Any participating carrier may propose changes to the Flex Fares methodology or interline premium percentage. Amendments are considered through an internet voting platform ("e-Tariffs") operated by IATA that involves no direct communication between carriers; each carrier's proposals remain anonymous except to the IATA staff, who package

⁶ Some existing South Pacific fares resolutions will be amended to exclude the United States and Canada, rather than completely rescinded, because they will continue to apply to South Pacific-Mexico/Caribbean markets.

⁷ Qualifying fares are IATA member carriers' "unrestricted" fares that are available for sale to the public. Expressly excluded are "coupon fares," which are special promotional fares of various types. Also excluded are fares that deviate from standard conditions specified by Resolution 101, which defines the attributes of "normal fares" (no eligibility requirements, advance purchase, or minimum/maximum stay). If an airline offers two or more qualifying fares, the higher fare in each class of service is used.

⁸ IATA states that in practice the safeguard rule will not govern when the standard deviation is small, *i.e.*, when market fares are closely grouped around the average.

⁹ Exceptional updates are intended to respond to unexpected events that produce widespread, significant changes in market fares.

proposals for blind voting. Unanimity is required for adoption of amendments. Non-IATA carriers who participate in Flex Fares have voting rights along with participating IATA carriers.

In its application, IATA states that the Flex Fares agreements provide mechanisms for establishing highly traveler-friendly fare products for fully flexible first class, business class and economy class travel. These "top of the line" fares will offer both a wide choice of routing (up to 20 percent circuitry compared to the shortest operated mileage) and the ability to seamlessly change itinerary, without additional charge or significant administrative burden. They allow unlimited stopovers and full flexibility for travelers to change itineraries. The Flex Fares products are intended to create a systemwide, joint-venture product that none of the individual participants could otherwise offer, and are not intended to replace any fare products of the individual participants. The Flex Fares products will succeed in the market only if travelers conclude that the added benefits have sufficient added value to warrant paying a higher price. The agreements do not include specific numerical fares; rather, what is submitted for DOT review is a process and algorithm for defining Flex Fares products and computing their prices, including procedures for making system adjustments as market conditions change.

IATA states further that traditionally, multilateral interlineable fares have been developed through airline negotiations in immunized tariff conference meetings, but the Department has disapproved that process for U.S.-Australia and most U.S.-Europe routes on the ground that conference meetings, as a process and decision making forum, substantially reduce competition. The EU and Australian competition authorities have taken similar steps, and others may also do so. Flex Fares seek to preserve the consumer benefits of the IATA interline product by developing multilateral interline fares without face-to-face meetings or the other types of inter-airline communications on price-related matters that governments believe create unreasonable risks of restraining inter-airline competition. Flex Fares are being introduced in stages to ensure that system mechanics take into account any significant differences in regional markets. IATA intends that, in the comparatively near future, Flex Fares products will be available to travelers worldwide.

IATA requests approval and antitrust immunity for the agreements, arguing that approval and immunity, as distinct from exemption from review, are needed because the Department determined in Order 2007-3-23 that setting multilateral interline fares through IATA tariff conferences was a *per se* violation of U.S. antitrust laws, and further argues that without approval and immunity the risk potential of private antitrust suits will cause many airlines not to participate in Flex Fares.

IATA Flex Fares in non-U.S. markets

As explained above, the EU and Australian competition authorities have issued decisions terminating IATA's exemption from their respective competition laws for tariff coordination in EU and Australian markets. IATA developed an intra-ECAA Flex Fares system, generally similar to that proposed here for U.S. markets, to operate along with the e-Tariff procedures as a method of establishing IATA interline fares consistent with EU competition law, without an EU exemption. IATA filed the agreement with the Department in compliance with our requirement that it file agreements establishing fares between foreign points, and receive approval before such

agreements may be implemented, because such fares are typically combinable with fares to/from the United States and thus have indirect application in foreign air transportation as defined by Section 40102. In Order 2006-12-24, December 27, 2006,¹⁰ we exempted the intra-ECAA Flex Fares agreement from our filing and approval requirements, on grounds that IATA's intra-Europe fare agreements have seldom raised any public-interest issues; the ECAA Flex Fares will be fully subject to EU competition law, and intra-Europe fares and competition policy are primarily the concern of the EU and its member states; we do not believe that a grant of immunity from U.S. antitrust law is required for IATA to go forward; for the Department to approve and immunize the ECAA Flex Fares Agreement would require resolution of issues that could not easily be addressed at this time; and to grant approval and immunity we would need to make findings on the agreement's likely competitive effects within the ECAA but we lacked the factual basis to make this determination.

We subsequently approved applications by IATA to expand the scope of the exemption granted by Order 2006-12-24, to cover agreements establishing Flex Fares in other European and Southwest Pacific markets. We found that extending the exemption was consistent with the public interest for reasons similar to those stated in Order 2006-12-24.¹¹

Analysis

Our approval and immunization from U.S. antitrust laws of IATA's Provisions for the Conduct of the IATA Traffic Conferences (the IATA "by-laws") require all agreements of the Conferences to be filed with and approved by the Department before they may be declared effective and implemented.¹²

Sections 41308 and 41309 authorize the Department to approve and grant antitrust immunity to inter-airline agreements related to international air transportation if the Department can make the findings prescribed by these sections. Section 41309 allows the Department to approve an agreement only if it will not substantially reduce or eliminate competition or, if the agreement will substantially reduce or eliminate competition, only if the agreement is necessary to meet a

¹⁰ Docket OST-2006-26409.

¹¹ Orders 2007-9-16, September 14, 2007, and 2008-4-45, May 5, 2008, Docket 26409. The Flex Fares methodology for these markets is virtually identical to that for intra-ECAA markets although the interline premiums differ.

¹² Since the U.S. first approved and immunized the IATA traffic Conference carrier coordinating system in 1946, the Civil Aeronautics Board and its successor, DOT, have imposed general procedural conditions on the various tariff, agency and procedures conferences. Reflecting a then-existing statutory requirement that U.S. carriers file for advance government approval every contract or agreement with another carrier affecting foreign air transportation, such a condition was expressly imposed on the bylaws. See, e.g. CAB Order E-3888, February 9, 1950. As last formulated in CAB Order 68-7-55, July 12, 1968, and reaffirmed by DOT in Order 85-5-12, condition #2 requires that "all recommended practices, agreements and resolutions adopted by IATA and each of its conferences and permanent conference committees" be submitted to the CAB/DOT for "appropriate action," which has been construed uniformly as prior review and approval before any implementation by members. The statutory filing requirement has since been made voluntary. See 49 U.S.C. 41309. Unfiled and/or unapproved agreements have no antitrust immunity.

serious transportation need or to achieve important public benefits that cannot be met or achieved through reasonably available alternatives that are materially less anti-competitive. To grant antitrust immunity under section 41308, the Department must find that immunity is required by the public interest. Airlines do not have a statutory right to obtain section 41309 approval for their agreements. National Small Shipments Traffic Conference v. CAB, 618 F.2d 819, 835 (D.C. Cir. 1980).

Section 40109(c) authorizes the Department to exempt a carrier from any provision of our statute (subject to some exceptions not relevant here), our regulations, or a requirement imposed by a Department order, if we find that the exemption is consistent with the public interest.

Decision

For the reasons stated below, we have determined that exempting the subject Flex Fares agreements, the fares produced by the agreements, and any changes to the agreements, from our filing and approval requirements is consistent with the public interest.

Our final order disapproving IATA's Provisions addressed IATA's longstanding tariff conference procedures, which provide for airline discussions and agreements on interlineable fares at meetings, by mail votes, and in conference calls. The Flex Fares system, by contrast, is a mechanistic, computer-driven process that involves no direct contact between carriers. It will produce IATA interline fares based on adjusted averages of market fares, rather than negotiations among competitors. The annual and exceptional updates to the fares, as well as amendments to the methodology or the interline premium, likewise involve no direct contacts between carriers, and the process is open to participation by non-IATA carriers. We believe that under the system proposed, there is much less risk that the Flex Fares process, or the resulting IATA interline fares, will have a significant spillover effect on individual airline prices. In addition, there is no reason to believe that non-IATA interline fares will cease to be widely available.

Exempting these agreements is also consistent with our actions exempting similar Flex Fares agreements in non-U.S. markets, where they operate subject to the competition laws of the EU and Australia. Finally, granting IATA an exemption for these agreements is consistent with actions we have taken on other IATA agreements that do not appear to present significant issues under U.S. antitrust laws, such as many agreements of the IATA Services and Agency Conferences.

However, we are not prepared to approve and immunize the Flex Fares agreements. IATA argues at great length that the Flex Fares system is competitively benign, and we are not convinced by its contradictory assertion that approval and immunity are warranted in order to remove the specter of private antitrust suits that would allegedly frighten carriers away from participating in Flex Fares. The proposed Flex Fares system does not appear to present the type of conduct we prohibited in our final order, and if the new system is indeed competitively benign there is no reason it should not be able to operate fully subject to U.S. antitrust laws. Public policy favors reliance on the normal application of antitrust laws to discipline behavior by natural

competitors in most market situations, rather than detailed prior regulatory oversight over proposed actions.¹³

The agreements we are exempting would implement Flex Fares in all U.S.-Europe and U.S.-Southwest Pacific markets. Our final order in the IATA Tariff Conference Proceeding disapproved the IATA Provisions insofar as they applied to pricing in the U.S.-ECAA and U.S.-Australia markets, but left them in place in other U.S.-Europe and U.S.-Southwest Pacific markets. Thus, while traditional tariff coordination is prohibited on U.S.-ECAA and U.S.-Australia routes, the terms of our order do not bar it on the other routes, and absent further Department action it would be theoretically possible for IATA to conduct both traditional and Flex Fares coordination on them. While we do not believe it is IATA's intention to operate a dual system, to remove any ambiguity we will condition our exemption on non-application of the Provisions to the remaining U.S.-Europe and U.S.-Southwest Pacific markets.

Application of existing conditions

Although we are exempting these Flex Fare agreements, resulting fares and subsequent amendments from our filing and approval requirements, we wish to make it clear that previous conditions we have placed on IATA resolutions continue to apply whether IATA fares are established through the new Flex Fares process, as in the U.S.-Europe and U.S.-Southwest Pacific markets, or through the separate and distinct, traditional tariff coordination procedures that continue to operate in other markets. For example, we have conditioned IATA's Permanent Effectiveness Resolution 001, to temper the effects on competition and consumers of resolutions that we otherwise approved. Many of these conditions involve fare construction or advertising and sales restrictions. For example, Order 99-7-8, July 14, 1999, conditioned Resolution 001 by stating that "Any carrier or travel agent may depart from the provisions of any IATA fare construction rule, including those in the Resolution 017 series, where a different methodology would produce a lower constructed fare;" Order 85-3-79, March 28, 1985, conditioned Resolution 001 by providing that "...no fare in foreign air transportation shall be subject to restrictions on advertising and sales;" and Order 82-2-130, February 26, 1982, conditioned Resolution 001 by providing that "...all fares in foreign air transportation...may be combined with any other fares provided that the passenger meets all other travel requirements affixed to use of the fares." Unless we rule otherwise, these conditions will continue to apply to all IATA fares, including Flex Fares.

ACCORDINGLY,

1. We exempt the Passenger Tariff Coordinating Conference resolutions identified in Appendix A to this order, amendments to them, and fares generated under the resolutions, from condition #2 imposed on IATA's Procedures for the Conduct of the IATA Traffic Conferences, Agreement 1175, as amended by Order 68-7-55, to the extent that IATA need

¹³ We note that IATA has also filed separate agreements in Dockets OST-2007-28558 and OST-2007-28570 that exclude U.S.-Europe and U.S.-Southwest Pacific routes from several resolutions that establish provisions for inclusive tours, ships' crews and student fares, and free and reduced transportation for inaugural flight. We here exempt the agreements from filing, will refund the filing fees, and dismiss the applications.

not file the resolutions for review and approval by the Department prior to a declaration of effectiveness by IATA and implementation by IATA members, provided that the resolutions and amendments thereto are limited to the establishment of fares for travel between the United States, on the one hand, and the IATA "Europe" and "Southwest Pacific" sub-areas, on the other;

2. We exempt the Passenger Tariff Coordinating Conference resolutions identified in Appendix B to this order from condition #2 imposed on IATA's Procedures for the Conduct of the IATA Traffic Conferences, Agreement 1175, as amended by Order 68-7-55, to the extent that IATA need not file the resolutions for review and approval by the Department prior to a declaration of effectiveness by IATA and implementation by IATA members;

3. We condition the exemption in paragraph 1 above upon non-application of the Provisions for the Conduct of the IATA Traffic Conferences to passenger and cargo air services (i) between the United States and the IATA "Europe" sub-area; (ii) between the United States and the overseas territories of the member states of the European Union subject to an air services agreement between the United States and a member state; and (iii) between the United States and the IATA "Southwest Pacific" sub-area, insofar as that agreement authorizes U.S. and foreign carriers to discuss and agree upon fares, rates, conditions of service, and price and rate applicability conditions, either directly or indirectly or through tariff conferences or other related means of information sharing;

4. We condition the exemption in paragraph 1 above upon the application to fares for travel between the United States, on the one hand, and the IATA "Europe" and "Southwest Pacific" sub-areas, on the other, of conditions that the Department has previously imposed on IATA resolutions;

5. This exemption may be revoked in whole or in part, at any time;

6. We dismiss IATA's applications in Dockets OST-2007-28556, OST-2007-28558, OST-2007-28569 and OST-2007-28570; and

7. This Order will be served on the International Air Transport Association.

By:

Michael W. Reynolds
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at:

http://dns.dot.gov/reports/reports_aviation.asp

Agreement OST-2007-28556

<u>IATA</u>	
<u>Resolution</u>	<u>Title</u>
002	Amending Resolution between Canada, USA and Europe
111aa	North Atlantic Flex Fares Canada, USA-Europe
044aa	Intermediate/Business Class Flex Fares Canada, USA-Europe
064aa	Economy Class Flex Fares Canada, USA-Europe
054aa	First Class Flex Fares Canada, USA-Europe

Agreement OST-2007-28569

111dd	South Pacific Flex Fares South West Pacific-Canada, USA (except between French Polynesia, New Caledonia, New Zealand and USA) via PA
046dd	Intermediate/Business Class Flex Fares South West Pacific-Canada, USA (except between French Polynesia, New Caledonia, New Zealand and USA) via PA
056dd	First Class Flex Fares South West Pacific-Canada, USA (except between French Polynesia, New Caledonia, New Zealand and USA) via PA
066dd	Economy Class Flex Fares South West Pacific-Canada, USA (except between French Polynesia, New Caledonia, New Zealand and USA) via PA

Agreement OST-2007-28569

<u>IATA</u>	<u>Resolution</u>	<u>Title</u>
	111dd	South Pacific Flex Fares between French Polynesia, New Caledonia, New Zealand and USA via PA
	046dd	Intermediate/Business Class Flex Fares between French Polynesia, New Caledonia, New Zealand and USA via PA
	056dd	First Class Flex Fares between French Polynesia, New Caledonia, New Zealand and USA via PA
	066dd	Economy Class Flex Fares between French Polynesia, New Caledonia, New Zealand and USA via PA

Agreement OST-2007-28569

<u>IATA Resolution</u>	<u>Title</u>
002	Special Amending Resolution between South West Pacific and North America, Caribbean
001mm	South Pacific Special Enabling Facility
046d	Intermediate/Business Class Fares between South West Pacific and TC1 <u>except Canada</u> , USA via PA
056d	First Class Fares between South West Pacific and TC1 <u>except Canada</u> , USA via PA
066d	Economy Class Fares between South West Pacific and TC1 <u>except Canada</u> , USA via PA
070nn	Excursion Fares from Mexico, Caribbean to New Caledonia via PA
071e	Excursion Fares from Cook Islands, New Zealand to <u>Mexico</u> , Caribbean via PA
071w	Excursion Fares from <u>Mexico</u> , Caribbean to South West Pacific via PA
071xx	Excursion Fares from Australia, Fiji to <u>Mexico</u> , Caribbean via PA
073k	APEX Fares from <u>Mexico</u> , Caribbean to South West Pacific via PA
073mm	One Way APEX Fares from Australia, Fiji to <u>Mexico</u> , Caribbean via PA
073oo	APEX Fares from <u>Mexico</u> , Caribbean to South West Pacific via PA
073ww	One Way APEX Fares from <u>Mexico</u> , Caribbean to South West Pacific via PA
073xx	Super APEX Fares from <u>Mexico</u> , Caribbean to South West Pacific via PA
077ff	Intermediate/Business class APEX fares from USA to Cook Islands, Fiji via PA
075c	APEX Fares from Australia to <u>Mexico</u> , Caribbean via PA
075f	APEX Fares from Cook Islands, New Zealand to <u>Mexico</u> , Caribbean via PA

Agreement OST-2007-28569

<u>IATA Resolution</u>	<u>Title</u>
075qq	Super APEX Fares from Cook Islands, New Zealand to Canada , <u>Mexico</u> , Caribbean via PA
075yy	Super APEX Fares from Australia to North America , <u>Mexico</u> , Caribbean via PA
311s	Excess Baggage Charges
002	Amending Resolution between South West Pacific and North America, Caribbean

Agreement OST-2007-28558

<u>IATA Resolution</u>	<u>Title</u>
047a	Provisions for Inclusive Tours except between points in the ECAA, <u>between Canada, USA and Europe</u>
090	Individual Fares for Ship Crews except between points in the ECAA, <u>between Canada, USA and Europe</u>
092	Student Fares except between points in the ECAA, <u>between Canada, USA and Europe</u>
200h	Free and Reduced Fare Transportation for Inaugural Flights except between points in the ECAA, <u>between Canada, USA and Europe</u>

Agreement OST-2007-28570

<u>IATA Resolution</u>	<u>Title</u>
047a	Provisions for Inclusive Tours
090	Individual Fares for Ship Crews
200h	Free and Reduced Fare Transportation for Inaugural Flights

FLEX FARES ALGORITHM

New York-Amsterdam roundtrip business class fares
U.S. dollars

Carrier	Carrier Fare	Within Upper Bound	Within lower Bound	Carrier Fare
AA	7081	OK	OK	7081
AC	5922	OK	OK	5922
AF	9120	Not OK	OK	--
AZ	6967	OK	OK	6967
BA	6764	OK	OK	6764
DL	6968	OK	OK	6968
EI	3512	OK	Not OK	--
FI	6022	OK	OK	6022
HP	6527	OK	OK	6527
IB	6604	OK	OK	6604
KL	7075	OK	OK	7075
LH	7075	OK	OK	7075
LO	5160	OK	OK	5160
LX	7176	OK	OK	7176
NW	7075	OK	OK	7075
SK	7075	OK	OK	7075
SQ	9182	Not OK	OK	--
TP	2900	OK	Not OK	--
UA	7075	OK	OK	7075
Average	6594			6704

Steps

1. Compile qualifying carrier fares from independent data sources such as ATPCO.
2. Average of carrier fares = 6594.
3. Standard deviation = 1471.
4. Upper bound = average fare + standard deviation = $6594 + 1471 = 8432$.
Lower bound = average fare - standard deviation = $6594 - 1471 = 4756$.
5. Exclude carrier fares outside maximum spread:
AF, SQ too high
EI, TP too low
6. Flex Fare Base = Average without excluded fares = 6704
7. Add 10 % flex fare premium $\frac{+670}{}$
8. **Flex Fare** $\frac{7374}{}$
9. Safeguard check: Are any carrier fares used in computing the Flex Fare Base (step 6) higher than the \$7354 computed Flex Fare? No.