

**DEPARTMENT OF TRANSPORTATION
BUREAU OF TRANSPORTATION STATISTICS
OFFICE OF AIRLINE INFORMATION**

ACCOUNTING AND REPORTING DIRECTIVE

No. 312 Issue Date: 8/6/2014 Effective Date: Immediately

**Part: 241
Section: 19, 19-4**

**REPORTING the SERVICE CLASS, REVENUE and EXPENSE
CLASSIFICATION for WET-LEASE OPERATIONS**

Background:

On August 27, 2002, the Department of Transportation (DOT), Bureau of Transportation Statistics (BTS) issued Accounting and Reporting Directive No. 261 to supplement a final rule published in the Federal Register (67 FR 49217) which changed the procedures for Wet Lease reporting to the DOT.

On November 29, 2002, BTS issued Accounting and Reporting Directive No. 265 to clarify the reporting of revenues and expenses associated with wet-lease operations (code share).

On January 24, 2003, BTS issued Accounting and Reporting Directive No. 266 to further explain the reporting of revenues associated with wet-lease operations (code share).

Clarification:

This Directive seeks to further define and clarify lease operations and how to report the revenue and expenses on Schedule P-1.2 or P-1.1, Statement of Operations (P012 or P011 in the DB10 file).

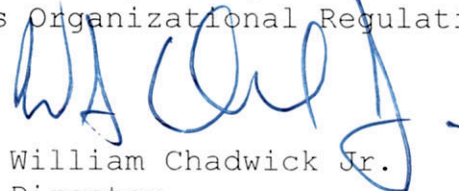
For Department of Transportation reporting purposes, *wet-lease, code share, block space agreements, joint service operations, service provided and compensated for, based on departures performed, block hours operated* or any other metric utilized, are reported the same way.

A dry-lease is where Carrier B is contracted to provide lift and uses its own aircraft to fly for Carrier A, but Carrier A provides its own flight crew. This is not to be confused with operating/capital leases, where a carrier leases aircraft to conduct business.

A wet-lease is where Carrier B is contracted by Carrier A to provide lift and Carrier B uses its own aircraft and crew. The terms *wet-lease*, *code share*, *block space agreement*, *joint service operations* are all interchangeable for purposes of the reporting requirements in this directive. In a wet-lease or code share agreement, Carrier A sells scheduled service tickets for flights marketed under Carrier A's identity but operated by Carrier B. Carrier A pays Carrier B to conduct those flights. The revenue Carrier A collects for the wet-lease are reported as Transport Related Revenue, *subclassification 4800* or line 48980 on P012, or Transport Related Revenue Other line 00050 on P011 in the DB10 file by Carrier A. The revenue Carrier A pays to Carrier B are reported as Transport Related Expense, *subclassification 7100* or line 71000 on P012, or line 00120 on P011 in the DB10 file by Carrier A. Any and all revenue Carrier B receives from Carrier A for the wet-lease or lift is recorded as Passenger Revenue, *subclassification 3100* or line 39010 on P012, or line 00010 on P011 in the DB10 file by Carrier B. Any revenue Carrier B receives for services provided to other carriers, such as ground handling, overhead, etc. that is outside of any wet-lease or capacity purchase arrangement, should be reported by Carrier B as Transport Related Revenue. This same scenario applies to cargo carriers with block space agreements. The respective subclassification and respective P012 or P011 line reporting is dependent on whether Carrier A collects money for scheduled service, non-scheduled service (charter), passengers transported, or cargo transported.

If you have any questions regarding this directive, please contact Jeff Gorham at (202) 366-4406 or by e-mail at jeff.gorham@dot.gov

This action is taken under authority delegated in 14 CFR Part 385.19(b) of the Department's Organizational Regulations.



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