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Order 2000-11-5

Served: November 9, 2000



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

Issued by the Department of Transportation
on the 7th day of November, 2000

TRANSATLANTIC, TRANSPACIFIC,
AND LATIN AMERICAN SERVICE
SERVICE MAIL RATES
INVESTIGATION

Docket OST-96-1629-255

(Docket 37392)

ORDER TO SHOW CAUSE ESTABLISHING
INTERNATIONAL SERVICE MAIL RATES

Summary

By this order the Department proposes to establish new International mail rates for the period from January 1, 2001, through December 31, 2001. The rates that are currently in effect were established by Orders 99-10-23 and 99-12-16, for the year ending December 31, 2000. Those rates will remain in effect as final rates through December 31, 2000, or until a final order is issued with respect to the rates proposed here, whichever is later.

For comparison purposes, a summary of proposed and current rates are shown below. Rates are for space-available and daylight-container mail only.

	2000	2001	
	<u>Linehaul</u>	<u>Linehaul</u>	<u>Change</u>
Atlantic	\$.1734	\$.2034	17.30%
Latin	\$.2353	\$.3115	32.38%
Pacific	\$.2521	\$.2917	15.71%
T-Border	\$.15870	\$.18510	16.64%
	<u>Terminal</u>	<u>Terminal</u>	
Atlantic	\$.3271	\$.2490	-23.88%
Latin	\$.2732	\$.2634	-3.59%
Pacific	\$.2965	\$.3377	13.90%
T-Border	\$.12381	\$.11643	-5.96%

Discussion

The proposed rates, which are contained in Appendix A, reflect the application of cost adjustment factors developed in the Appendices to the basic mail rate structures established by the Civil Aeronautics Board in Orders 78-11-80 and 80-1-25. The data used to adjust those rates are the carriers' reported costs of operations and associated traffic statistics for the YE 6/30/99 and 6/30/00 as set forth in their DOT Form 41 Reports. In determining the proposed rates, we are continuing our practice of adjusting data reported by individual carriers that appear to be erroneous.¹

Changes in Average Rates

The application of these rates to the average mail length-of-haul² for the relevant areas produces proposed rates for calendar year 2000 that are lower by 2.41% in the Atlantic and higher by 15.86% in the Latin area, 13.03% in the Pacific, and 3.79% in the Transborder area. However, these calculations are for the average length of haul and are based on rates for Daylight Container Mail for the Transborder region and Space Available Mail for the other three regions. Depending on the proportions of Sack, Standard Container, Daylight Container, Priority and Space-Available Mail, the changes in average rates would be different.

Changes in Costs (See Appendix D)

For the linehaul cost category, there were generally moderate increases in costs per ATM. This was the result of very significant increases in unit fuel costs from the prior year combined with generally minor increases or decreases in non-fuel linehaul unit costs, as can be seen in Appendix B.

For terminal unit costs, there were significant decreases in the Atlantic of 5.50%, virtually no change in the Transborder, down 0.55%, and significant increases in the Latin and Pacific regions of 5.58% and 7.66% respectively.

For linehaul unit costs, a 3.41% increase in the Atlantic is highlighted by a small increase in fuel cost per ATM for American of 15.69% along with an 11.75% decrease in American's nonfuel capacity costs and a 10.98% increase for TWA. Terminal costs for the Atlantic were highlighted by a 22.68% decrease for Continental and an 11.91% increase for TWA.

For the Latin entity, capacity cost increases for Delta were the highlighted by a 61.98% increase for its fuel costs per ATM in addition to a 38.67% increase in Delta's nonfuel costs per ATM. Terminal Costs for all Latin operators were in line with each other with no carrier's cost increase exceeding 6.78%.

¹ We have adjusted traffic servicing expenses assigned to baggage and cargo for Northwest, shown in Appendix C, corresponding to similar adjustments we have previously made to Northwest's data. See Order 97-5-23, at pages 3 and 4 for a full discussion of this issue. Also, we estimated USAirway's Mail Tons Enplaned for the QE March 1999 because of an obvious reporting error at Charlotte for that period. The impact is not significant.

² Based on average lengths of haul in miles for the Atlantic, Latin, Pacific, and Transborder areas of 4,108, 2,733, 4,270, and 1,185 miles respectively.

For the Pacific region, Continental Micronesia's increase of 70.81% in unit costs of fuel were significantly more than the overall average increase of 34.52%, while changes in nonfuel linehaul costs among the carriers differed significantly with costs changes ranging from a 10.58% decrease for Northwest to a 10.19% increase for Continental Micronesia. Percentage changes in unit terminal costs also varied significantly with Federal Express increasing by 13.26% and Northwest decreasing by 8.60%.

Finally, for the Transborder region, Delta showed a small decrease in unit fuel cost per ATM of 2.06% contrasted with an overall fuel cost increase of 24.17%. The carrier indicated that this result was because of fuel hedging. Changes in nonfuel capacity unit costs in the pool had a much closer fit with the overall average increase of 1.57%--the outliers being Northwest with a decrease of 4.33% and USAirways an increase of 7.14%. For terminal costs per ton enplaned, USAirways showed a 10.34% decrease while Continental showed a 3.83% increase, with the overall level showing a 0.55% decrease from the prior year.

As was expected, the change in costs from the prior year was in fuel cost per ATM as a result of increased fuel prices over the earlier annual period. As can be seen from Appendix E, unit costs in general do not appear to have any clear trend. For instance, compared to the most recent annual results, there were higher unit costs in prior periods for three of the four entities on the terminal side, the exception being the Latin region, where unit costs have increased steadily but gradually for the last seven years. For non-fuel linehaul costs there is no clear cost trend in any entity: unit costs for the most recent period were less than in preceding periods for all but the Transborder region, yet those costs for the Transborder are only 8% higher than they were five years ago.

The Department tentatively finds and concludes that:

1. The fair and reasonable rates of compensation to be paid in their entirety by the Postmaster General pursuant to the provisions of 49 U.S.C. 41901, for the transportation of mail by aircraft, the facilities used and useful therefor, and the services connected therewith, by each holder of a certificate authorizing the transportation of mail by aircraft in the Atlantic, Latin America, Pacific, and Transborder rate areas,³ for the period January 1 through December 31, 2001, are those specified in the attached Appendix A;

³ The rate areas are delineated in Attachments 1, 2, and 3 to Civil Aeronautics Board Order 79-7-17, as modified by Order 84-12-113.

2. Ordering paragraph 3(g) of Order 79-7-16, incorporated by reference, is amended by adding the following:

	<u>Standard Container</u>	<u>Daylight Container</u>
January 1 through December 31, 1999	5.378 cents	5.334 cents

3. The fair and reasonable final rates of compensation for the transportation of mail by aircraft in international services for the period beginning January 1, 2002, until further order of the Department, shall be the final rates established for the period January 1 through December 31, 2001; and

4. The terms and conditions applicable to the transportation of each class of mail at the rates established here are those set forth in Civil Aeronautics Board Orders 79-7-17 and 79-7-16.

ACCORDINGLY,

1. We direct all interested persons to show cause why the Department should not adopt the foregoing tentative findings and conclusions and fix, determine and publish the proposed final rates specified in Appendix A to be effective from January 1 through December 31, 2001, or until further order of the Department, whichever occurs later;

2. We direct all interested persons having objections to the tentative findings and conclusions, or the rates proposed here to file an Answer along with all supporting documents not later than forty five (45) days after the date of service of this order. Vague or unsupported Answers that do not include all proposed adjustments and backup data will not be accepted;

3. If no objection is filed within the designated time, or if a timely filed objection raises no material issues of fact, we will deem all further procedural steps waived. We then will enter an order incorporating the tentative findings and conclusions set forth here and establishing the final rates specified in the attached Appendix A;

4. This docket shall remain open until further order of the Department; and

5. We shall serve this order upon all parties to this proceeding.

By:

Francisco J. Sanchez
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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<http://dms.dot.gov>

INTERNATIONAL SERVICE MAIL RATES

Effective: 1/1/2001 through 12/31/2001 or until further Department Action, whichever comes later.

	CY 1975 Rates	Adj. Factors	Proposed Rates
<u>Linehaul Charge per Billing Ton-Mile, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.2022	56.95%	\$0.3174
Space-Available Mail	\$0.1296	56.95%	\$0.2034
<u>Terminal Charge per Pound Originated, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.1139	142.48%	\$0.2762
Space-Available Mail	\$0.1027	142.48%	\$0.2490
<u>Linehaul Charge per Billing Ton-Mile, Latin</u>			
Priority and Military Ordinary Mail	\$0.2135	89.47%	\$0.4045
Space-Available Mail	\$0.1644	89.47%	\$0.3115
<u>Terminal Charge per Pound Originated, Latin</u>			
Priority and Military Ordinary Mail	\$0.0983	189.48%	\$0.2846
Space-Available Mail	\$0.0910	189.48%	\$0.2634
<u>Linehaul Charge per Billing Ton-Mile, Pacific</u>			
Priority and Military Ordinary Mail	\$0.2188	116.22%	\$0.4731
Space-Available Mail	\$0.1349	116.22%	\$0.2917
<u>Terminal Charge per Pound Originated, Pacific</u>			
Priority and Military Ordinary Mail	\$0.1339	191.38%	\$0.3902
Space-Available Mail	\$0.1159	191.38%	\$0.3377
CY 1974			
Rates			
<u>Linehaul Charge per Billing Ton-Mile, Transborder</u>			
Sack	\$0.11490	162.55%	\$0.30167
Standard Container	\$0.08790	162.55%	\$0.23078
Daylight Container	\$0.07050	162.55%	\$0.18510
<u>Terminal Charge per Pound Originated, Transborder</u>			
Capacity			
Taxi			
Sack	\$0.00991	162.55%	\$0.02602
Standard Container	\$0.00979	162.55%	\$0.02570
Daylight Container	\$0.00973	162.55%	\$0.02555
Departure			
Sack	\$0.01186	137.69%	\$0.02819
Standard Container	\$0.01176	137.69%	\$0.02795
Daylight Container	\$0.01164	137.69%	\$0.02767
Terminal			
Sack	\$0.06064	261.84%	\$0.21942
Standard Container	\$0.01746	261.84%	\$0.06318
Daylight Container	\$0.01747	261.84%	\$0.06321
Total Terminal Charge per Pound Originated, Transborder			
Sack	\$0.08241		\$0.27363
Standard Container	\$0.03901		\$0.11683
Daylight Container	\$0.03884		\$0.11643

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

ATLANTIC RATE AREA

	Year Ended June 30		Year to Year % Change 3/	Estimated Unit Cost at June 30, 2001 4/	Percent Change CY 1975 to June 30, 2001
	1999 2/	2000 2/			
Linehaul Expense					
Fuel	\$776,904	\$1,157,239			
Other	\$3,325,617	\$3,595,546			
Total	\$4,102,521	\$4,752,785			
Available Ton-miles (000)	16,841,083	18,865,711			
Fuel Cost/ATM	\$0.0461	\$0.0613	32.97%	\$0.0949	
Other Cost/ATM	\$0.1975	\$0.1906	-3.49%	\$0.1807	
Total	\$0.1756			\$0.2756	56.95%
Terminal Expense					
Tons of Baggage and Cargo Enplaned	\$87,362	\$474,035		\$506,429	
Cost per Ton Enplaned	\$173.33	\$483.96	-5.50%	\$420.29	142.48%

1/ Per Order 79-7-17, Appendix C
 2/ Appendix C-1-A for non-fuel data and DOT Form 41, and #5145.2 for fuel.
 3/ 2000 unit costs divided by 1999 unit costs less the value of 1.
 4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 32.97% annual increase for fuel produces a 54.89% increase (1.3297 x 1.16485 = 1.5489) for an 18 month period.

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

LATIN AMERICAN RATE AREA

	CY 1975 1/	Year Ended June 30,		% Change 3/	Estimated Unit Cost at June 30, 2001 4/	Percent Change CY 1975 to June 30, 2001
		1999 2/	2000 2/			
Linehaul Expense						
Fuel		\$324,983	\$401,413			
Other		\$1,567,063	\$1,649,879			
Total	\$305,304	\$1,892,046	\$2,051,292			
Available Ton-miles (000)	1,560,336	6,244,613	6,267,949			
Fuel Cost/ATM		\$0.0520	\$0.0640	23.08%	\$0.0879	
Other Cost/ATM		\$0.2509	\$0.2632	4.90%	\$0.2829	
Total	\$0.1957				\$0.3708	89.47%
Terminal Expense						
Tons of Baggs & Cargo Enplaned	\$29,521	\$197,142	\$208,126			
	185,834	491,208	491,164			
Cost per Ton Enplaned	\$158.86	\$401.34	\$423.74	5.58%	\$459.87	189.48%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-2-L for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2000 unit costs divided by 1999 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 23.08% annual increase for fuel produces a 37.28% increase ($1.2308 \times 1.1154 = 1.3728$), in fuel cost for an 18 month period.

INTERNATIONAL SERVICE MAIL RATES
COST ADJUSTMENT FACTORS
(Expenses in Thousands)

PACIFIC RATE AREA

	Year Ended June 30,		Year to Year % Change 3/	Estimated Unit Cost at June 30, 2001 4/	Percent Change CY 1975 to June 30, 2001
	1999 2/	2000 2/			
Linehaul Expense					
Fuel	\$740,817	\$1,021,714			
Other	\$3,213,606	\$3,132,253			
Total	\$3,954,423	\$4,153,967			
Available Ton-miles (000)	3,670,476	14,983,823			
Fuel Cost/ATM	\$0.0507	\$0.0682	34.52%	\$0.1076	
Other Cost/ATM	\$0.2200	\$0.2090	-5.00%	\$0.1936	
Total	\$0.1393			\$0.3012	116.22%
Terminal Expense					
Tons of Baggage and Cargo Enpl	289,713	1,328,296			
Cost per Ton Enplaned	\$148.19	\$358.79	7.66%	\$431.79	191.38%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-3-P for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 2000 unit costs divided by 1999 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 34.52% annual increase for fuel produces a 57.74% increase (1.3452 x 1.17265 = 1.5774) in fuel costs for an 18 month period.

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

TRANSBORDER RATE AREA

	CY 1974 2/	Year Ended June 30,		Year to Year % Change 4/	Estimated Unit Cost at June 30, 2001 5/	Percent Change CY 1974 to June 30, 2001
		1999 3/	2000 3/			
Linehaul Expense 1/						
Fuel		\$4,415,781	\$5,851,719			
Other		\$18,442,532	\$19,991,672			
Total	\$4,887,268	\$22,858,313	\$25,843,391			
Available Ton-miles (000)	31,929,297	66,702,589	71,184,864			
Fuel Cos/VATM		\$0.06620	\$0.08220	24.17%	\$0.11440	
Other Cos/VATM		\$0.27649	\$0.28084	1.57%	\$0.28749	
Total		\$0.15307			\$0.40189	162.55%
Terminal Expense						
Terminal Departure Related Exp.	\$965,920	\$4,433,029	\$4,882,579			
Available Ton-Miles (000)	31,929,297	66,702,589	71,184,864			
Cost per Available Ton-Mile	\$0.03025	\$0.06646	\$0.06859	3.20%	\$0.0719	137.69%
Terminal Expense	\$613,632	\$3,653,402	\$3,736,545			
Tons of Baggs. & Cargo Enplaned	5,228,239	8,484,946	8,725,737			
Cost per Ton Enplaned	\$117.37	\$430.57	\$428.22	-0.55%	\$424.69	261.84%

1/ Includes linehaul and terminal taxi expense.

2/ Per Order 78-11-80, Appendix F.

3/ Appendix C-4-T for non-fuel data and DOT Form 41, and #5145.2 for fuel.

4/ 2000 unit costs divided by 1999 unit costs less the value of 1.

5/ Annual change adjusted for an 18-month lag, mid-point to mid-point. The midpoint of the historical costs for YE 6/30/00 is 1/1/00, and the mid-point of the new rate is 6/30/2001. For example, a 24.17% annual increase for fuel produces a 39.18% increase ($1.2417 \times 1.12085 = 1.3918$) in fuel cost for an 18 month period.

INTERNATIONAL SERVICE MAIL RATES
SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

ATLANTIC RATE AREA

	American	Continental	Delta	Northwest	TWA	United	Total
Year Ended June 30, 1999							
Fuel Expense	\$155,795	\$108,990	\$213,133	\$97,169	\$38,498	\$163,319	\$776,904
Linehaul Expense 1/	\$977,921	\$561,334	\$955,233	\$480,555	\$256,893	\$870,585	\$4,102,521
Terminal Expense 2/	\$136,835	\$32,113	\$99,439	\$47,098 4/	\$35,157	\$123,393	\$474,035
Available Ton-miles (000)	3,818,495	2,076,569	4,460,581	1,737,717	884,528	3,863,193	16,841,083
Tons of Baggage & Cargo Enplaned 3/	229,607	139,181	258,799	83,763	39,800	228,332	979,482
Year Ended June 30, 2000							
Fuel Expense	\$202,024	\$208,810	\$293,174	\$167,198	\$54,485	\$231,548	\$1,157,239
Linehaul Expense 1/	\$1,014,993	\$769,811	\$1,109,029	\$587,663	\$286,167	\$985,122	\$4,752,785
Terminal Expense 2/	\$149,512	\$32,940	\$104,089	\$53,190 4/	\$34,091	\$132,607	\$506,429
Available Ton-miles (000)	4,278,374	2,797,648	4,805,130	2,006,799	845,475	4,132,285	18,865,711
Tons of Baggage & Cargo Enplaned 3/	264,303	184,629	278,738	100,704	34,487	244,490	1,107,351

Sources: DOT Form 41 Reports

1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.

2/ Traffic servicing expense-cargo and baggage (Cost Pool 112, Version 6 Costing Methodology, Updated, and related G&A expense.

3/ Baggage weighted at .0175 per passenger.

4/ Adjusted to reflect American's ratio of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense, 63.34 and 65.96 percent for 1999 and 2000, respectively.

INTERNATIONAL SERVICE MAIL RATES
SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

LATIN AMERICAN RATE AREA

	American	Delta	United	Total
Year Ended June 30, 1999				
Fuel Expense	\$221,318	\$28,775	\$74,890	\$324,983
Linehaul Expense 1/	\$1,315,874	\$160,378	\$415,794	\$1,892,046
Terminal Expense 2/	\$148,890	\$14,765	\$33,487	\$197,142
Available Ton-miles (000)	4,047,187	595,092	1,602,334	6,244,613
Tons of Baggage & Cargo Enplaned 3/	352,800	45,697	92,711	491,208
Year Ended June 30, 2000				
Fuel Expense	\$264,515	\$51,444	\$85,454	\$401,413
Linehaul Expense 1/	\$1,394,514	\$252,616	\$404,162	\$2,051,292
Terminal Expense 2/	\$156,984	\$17,229	\$33,913	\$208,126
Available Ton-miles (000)	4,169,873	656,113	1,441,963	6,267,949
Tons of Baggage & Cargo Enplaned 3/	348,366	50,786	92,012	491,164

Sources: DOT Form 41 Reports

1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.

2/ Traffic servicing expense-cargo and baggage (Cost Pool 112), per Version 6 Costing Methodology, Updated, and related G&A expense.

3/ Baggage weighted at .0175 per passenger.

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

PACIFIC RATE AREA

	Continental		Federal		Northwest	United		Total
	Micronesia	Express	Express	Express				
Year Ended June 30, 1999								
Fuel Expense	\$48,410	\$76,882	\$703,090	\$287,029	\$1,407,568	\$328,496	\$740,817	
Linehaul Expense 1/	\$299,737	\$703,090	\$202,718	\$1,407,568	\$1,544,028	\$84,931	\$3,954,423	
Terminal Expense 2/	\$13,774	\$202,718	\$175,158	4/	\$84,931	6,009,411	\$476,581	
Available Ton-miles (000)	871,576	2,682,006	5,043,698	431,702	316,448	14,606,691	1,328,296	
Tons of Baggage & Cargo Enplaned 3/	106,099	474,047						
Year Ended June 30, 2000								
Fuel Expense	\$57,938	\$128,727	\$447,980	\$387,069	\$1,021,714			
Linehaul Expense 1/	\$252,076	\$871,195	\$1,549,713	\$1,480,983	\$4,153,967			
Terminal Expense 2/	\$7,828	\$264,698	\$195,530	4/	\$87,176	\$555,232		
Available Ton-miles (000)	610,862	2,929,550	5,545,790	5,897,621	14,983,823			
Tons of Baggage & Cargo Enplaned 3/	58,348	546,521	527,237	305,304	1,437,410			

Sources: DOT Form 41 Reports

- 1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.
 2/ Traffic servicing expense-cargo and baggage (Cost Pool 112), Version 6 Costing Methodology, Updated, and related G&A expense.
 3/ Baggage weighted at .0175 per passenger.
 4/ Adjust to reflect the fixed ratio of 79.72% of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense extant in YE 9/30/88.

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL
(Expenses in Thousands of Dollars)

TRANSBORDER RATE AREA

Year Ended	TRANSBORDER RATE AREA										Total	
	American	Continental	Delta	Northwest	United	USAirways	LAD	Continental				
1999												
Fuel Expense	\$911,849	\$391,138	\$1,068,329	\$533,770	\$987,872	\$431,943	\$90,880	\$4,415,781				
Linehaul & Terminal Taxi 1/	\$4,499,247	\$2,470,704	\$4,624,751	\$2,590,839	\$5,284,855	\$2,957,847	\$430,070	\$22,858,313				
Terminal Departure Exp. 2/	\$890,608	\$278,998	\$930,368	\$592,546	\$928,980	\$771,608	\$39,921	\$4,433,029				
Terminal Expense 3/	\$928,058	\$205,673	\$645,262	\$577,893 5/	\$826,934	\$454,988	\$14,594	\$3,653,402				
Available Ton-Miles (000)	14,811,825	6,103,686	14,580,988	7,778,248	15,454,154	6,816,572	1,157,116	66,702,589				
Tons of Bag. and Cargo Emp. 4/	1,436,784	784,600	2,240,607	976,086	1,894,870	1,064,056	87,943	8,484,946				
						Est. 6/						
2000												
Fuel Expense	\$1,176,247	\$647,248	\$1,111,709	\$835,062	\$1,189,874	\$758,560	\$133,019	\$5,851,719				
Linehaul & Terminal Taxi 1/	\$5,153,374	\$2,860,357	\$4,989,440	\$3,042,036	\$5,703,692	\$3,626,460	\$468,032	\$25,843,391				
Terminal Departure Exp. 2/	\$946,652	\$308,735	\$957,549	\$626,375	\$1,003,008	\$997,532	\$42,728	\$4,882,579				
Terminal Expense 3/	\$981,198	\$219,838	\$657,268	\$621,993 5/	\$846,472	\$395,050	\$14,726	\$3,736,545				
Available Ton-Miles (000)	16,175,700	6,382,378	15,492,841	8,722,537	15,986,619	7,224,048	1,200,741	71,184,864				
Tons of Bag. and Cargo Emp. 4/	1,526,285	807,726	2,238,466	1,117,826	1,909,973	1,030,472	94,989	8,725,737				

Sources: DOT Form 41 Reports

1/ Includes the following cost pools per the Version 6 Costing Methodology, Updated: flying operations expense (less rentals) (11), flight equipment maintenance expenses (12), flight equipment depreciation, obsolescence and amortization (13), flight equipment rentals (14), aircraft servicing-control expense (19), and related general and administrative expenses (121).

2/ Includes the following cost pools as defined in the Version 6 Costing Methodology, Updated: Aircraft servicing-line servicing expense (18), landing fees (110), maintenance-ground property and equipment (118), depreciation-general ground property and eqpt. and amortization (less directly assignable portion) (119), depreciation-maintenance equipment (120), and related general and administrative expenses (121).

3/ Traffic servicing cargo and baggage cost pool (112) per the Version 6 Costing Methodology, Updated, and related G&A Expense (121).

4/ Baggage weighted at .015895 per passenger.

5/ Adjusted to reflect American's ratio of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense of 70.24 and 69.39 percent for 1999 and 2000, respectively.

6/ Charlotte mail tons explained for QE 3/31/99 were mis-reported which carried over to the total. Number shown reflects DOT's estimate using the average of QE 12/31/98 and QE 6/30/99 Mail TE at Charlotte.

COMPARISON OF UNIT COSTS BY CARRIER

ATLANTIC RATE AREA

	American	Continental	Delta	Northwest	TWA	United	Total
<u>Unit Cost of Fuel</u>							
Year Ended June 30, 1999	\$0.0408	\$0.0525	\$0.0478	\$0.0559	\$0.0435	\$0.0423	\$0.0461
Year Ended June 30, 2000	\$0.0472	\$0.0746	\$0.0610	\$0.0833	\$0.0644	\$0.0560	\$0.0613
Percentage Change	15.69%	42.10%	27.62%	49.02%	48.05%	32.39%	32.97%
<u>Unit Cost of Nonfuel</u>							
Year Ended June 30, 1999	\$0.2153	\$0.2178	\$0.1664	\$0.2206	\$0.2469	\$0.1831	\$0.1975
Year Ended June 30, 2000	\$0.1900	\$0.2005	\$0.1698	\$0.2095	\$0.2740	\$0.1824	\$0.1906
Percentage Change	-11.75%	-7.94%	2.04%	-5.03%	10.98%	-0.38%	-3.49%
<u>Unit Cost of Fuel + Nonfuel</u>							
Year Ended June 30, 1999	\$0.2561	\$0.2703	\$0.2141	\$0.2765	\$0.2904	\$0.2254	\$0.2436
Year Ended June 30, 2000	\$0.2372	\$0.2752	\$0.2308	\$0.2928	\$0.3385	\$0.2384	\$0.2519
Percentage Change	-7.38%	1.81%	7.80%	5.90%	16.56%	5.77%	3.41%
<u>Unit Cost Terminal</u>							
Year Ended June 30, 1999	\$595.95	\$230.73	\$384.23	\$562.28	\$883.34	\$540.41	\$483.96
Year Ended June 30, 2000	\$565.68	\$178.41	\$373.43	\$528.18	\$988.52	\$542.38	\$457.33
Percentage Change	-5.08%	-22.68%	-2.81%	-6.06%	11.91%	0.36%	-5.50%
<u>Available Ton-Miles</u>							
Year Ended June 30, 1999	3,818,495	2,076,569	4,460,581	1,737,717	884,528	3,863,193	16,841,083
Year Ended June 30, 2000	4,278,374	2,797,648	4,805,130	2,006,799	845,475	4,132,285	18,865,711
Percentage Change	12.04%	34.72%	7.72%	15.48%	-4.42%	6.97%	12.02%
<u>Tons of Bag. & Cargo Emp.</u>							
Year Ended June 30, 1999	229,607	139,181	258,799	83,763	39,800	228,332	979,482
Year Ended June 30, 2000	264,303	184,629	278,738	100,704	34,487	244,490	1,107,351
Percentage Change	15.11%	32.65%	7.70%	20.22%	-13.35%	7.08%	13.05%

COMPARISON OF UNIT COSTS BY CARRIER

LATIN AMERICAN RATE AREA

	American	Delta	United	Total
<u>Unit Cost of Fuel</u>				
Year Ended June 30, 1999	\$0.0547	\$0.0484	\$0.0467	\$0.0520
Year Ended June 30, 2000	\$0.0634	\$0.0784	\$0.0593	\$0.0640
Percentage Change	15.90%	61.98%	26.98%	23.08%
<u>Unit Cost of Nonfuel</u>				
Year Ended June 30, 1999	\$0.2704	\$0.2211	\$0.2128	\$0.2509
Year Ended June 30, 2000	\$0.2710	\$0.3066	\$0.2210	\$0.2632
Percentage Change	0.22%	38.67%	3.85%	4.90%
<u>Unit Cost of Fuel + Nonfuel</u>				
Year Ended June 30, 1999	\$0.3251	\$0.2695	\$0.2595	\$0.3030
Year Ended June 30, 2000	\$0.3344	\$0.3850	\$0.2803	\$0.3273
Percentage Change	2.86%	42.86%	8.02%	8.02%
<u>Unit Cost Terminal</u>				
Year Ended June 30, 1999	\$422.02	\$323.11	\$361.20	\$401.34
Year Ended June 30, 2000	\$450.63	\$339.25	\$368.57	\$423.74
Percentage Change	6.78%	5.00%	2.04%	5.58%
<u>Available TonMiles</u>				
Year Ended June 30, 1999	4,047,187	595,092	1,602,334	6,244,613
Year Ended June 30, 2000	4,169,873	656,113	1,441,963	6,267,949
Percentage Change	3.03%	10.25%	-10.01%	0.37%
<u>Tons of Bag. & Cargo Emp.</u>				
Year Ended June 30, 1999	352,800	45,697	92,711	491,208
Year Ended June 30, 2000	348,366	50,786	92,012	491,164
Percentage Change	-1.26%	11.14%	-0.75%	-0.01%

COMPARISON OF UNIT COSTS BY CARRIER

PACIFIC RATE AREA

	Continental Micronesia	Federal Express	Northwest	United	Total
Unit Cost of Fuel					
Year Ended June 30, 1999	\$0.0555	\$0.0287	\$0.0569	\$0.0547	\$0.0507
Year Ended June 30, 2000	\$0.0948	\$0.0439	\$0.0808	\$0.0656	\$0.0682
Percentage Change	70.81%	52.96%	42.00%	19.93%	34.52%
Unit Cost of Nonfuel					
Year Ended June 30, 1999	\$0.2884	\$0.2335	\$0.2222	\$0.2023	\$0.2200
Year Ended June 30, 2000	\$0.3178	\$0.2534	\$0.1987	\$0.1855	\$0.2090
Percentage Change	10.19%	8.52%	-10.58%	-8.30%	-5.00%
Unit Cost of Fuel + Nonfuel					
Year Ended June 30, 1999	\$0.3439	\$0.2622	\$0.2791	\$0.2569	\$0.2707
Year Ended June 30, 2000	\$0.4127	\$0.2974	\$0.2794	\$0.2511	\$0.2772
Percentage Change	20.01%	13.42%	0.11%	-2.26%	2.40%
Unit Cost Terminal					
Year Ended June 30, 1999	\$129.82	\$427.63	\$405.74	\$268.39	\$358.79
Year Ended June 30, 2000	\$134.16	\$484.33	\$370.86	\$285.54	\$386.27
Percentage Change	3.34%	13.26%	-8.60%	6.39%	7.66%
Available Ton-Miles					
Year Ended June 30, 1999	871,576	2,682,006	5,043,698	6,009,411	14,606,691
Year Ended June 30, 2000	610,862	2,929,550	5,545,790	5,897,621	14,983,823
Percentage Change	-29.91%	9.23%	9.95%	-1.86%	2.58%
Tons of Bag. & Cargo Emp.					
Year Ended June 30, 1999	106,099	474,047	431,702	316,448	1,328,296
Year Ended June 30, 2000	58,348	546,521	527,237	305,304	1,437,410
Percentage Change	-45.01%	15.29%	22.13%	-3.52%	8.21%

COMPARISON OF COSTS, TRANSBORDER RATE AREA

	Continental									
	American	Continental	Delta	Northwest	United	USAirways	LAD	Total		
Unit Cost of Fuel										
Year Ended June 30, 1999	\$0.06156	\$0.06408	\$0.07327	\$0.06862	\$0.06392	\$0.06337	\$0.07854	\$0.06620		
Year Ended June 30, 2000	\$0.07272	\$0.10141	\$0.07176	\$0.09574	\$0.07443	\$0.10500	\$0.11078	\$0.08220		
Percentage Change	18.13%	58.26%	-2.06%	39.52%	16.44%	65.69%	41.05%	24.17%		
Unit Cost of Nonfuel										
Year Ended June 30, 1999	\$0.24220	\$0.34071	\$0.24391	\$0.26446	\$0.27805	\$0.37055	\$0.29313	\$0.27649		
Year Ended June 30, 2000	\$0.24587	\$0.34675	\$0.25029	\$0.25302	\$0.28235	\$0.39699	\$0.27901	\$0.28084		
Percentage Change	1.52%	1.77%	2.62%	-4.33%	1.55%	7.14%	-4.82%	1.57%		
Unit Cost of Fuel ± Nonfuel										
Year Ended June 30, 1999	\$0.30376	\$0.40479	\$0.31718	\$0.33309	\$0.34197	\$0.43392	\$0.37167	\$0.34269		
Year Ended June 30, 2000	\$0.31859	\$0.44816	\$0.32205	\$0.34876	\$0.35678	\$0.50200	\$0.38979	\$0.36305		
Percentage Change	4.88%	10.71%	1.54%	4.70%	4.33%	15.69%	4.88%	5.94%		
Unit Cost A/C Svc. & Grd.										
Year Ended June 30, 1999	\$0.06013	\$0.04571	\$0.06381	\$0.07618	\$0.06011	\$0.11320	\$0.03450	\$0.06646		
Year Ended June 30, 2000	\$0.05852	\$0.04837	\$0.06181	\$0.07181	\$0.06274	\$0.13808	\$0.03558	\$0.06859		
Percentage Change	-2.68%	5.82%	-3.13%	-5.74%	4.38%	21.98%	3.13%	3.20%		
Unit Cost Terminal										
Year Ended June 30, 1999	\$645.93	\$262.14	\$287.99	\$592.05	\$436.41	\$427.60	\$165.95	\$430.57		
Year Ended June 30, 2000	\$642.87	\$272.17	\$293.62	\$556.43	\$443.19	\$383.37	\$155.03	\$428.22		
Percentage Change	-0.47%	3.83%	1.95%	-6.02%	1.55%	-10.34%	-6.58%	-0.55%		
Available Ton-Miles										
Year Ended June 30, 1999	14,811,825	6,103,686	14,580,980	7,778,248	15,454,154	6,816,572	1,157,116	66,702,581		
Year Ended June 30, 2000	16,175,700	6,382,378	15,492,841	8,722,537	15,986,619	7,224,048	1,200,741	71,184,864		
Percentage Change	9.21%	4.57%	6.25%	12.14%	3.45%	5.98%	3.77%	6.72%		
Tons of Bag. & Cargo Emp.										
Year Ended June 30, 1999	1,436,784	784,600	2,240,607	976,086	1,894,870	1,064,056	87,943	8,484,946		
Year Ended June 30, 2000	1,526,285	807,726	2,238,466	1,117,826	1,909,973	1,030,472	94,989	8,725,737		
Percentage Change	6.23%	2.95%	-0.10%	14.52%	0.80%	-3.16%	8.01%	2.84%		

Historical Trends in Costs Underlying International Mail Rates

ATLANTIC DATA BASE							LATIN DATA BASE							
Order Number	Year Ended	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/Ton	Order Number	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/Ton	Order Number	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/ATM	Terminal \$/TON	
1.	90-1-59	9/30/88	\$0.0747	\$0.1852	\$396.32	90-1-59	\$0.0955	\$0.2238	\$270.79	90-1-59	\$0.0879	\$0.19361	\$0.05836	\$299.56
2.	91-8-5	9/30/89	\$0.0731	\$0.1967	\$475.33	91-8-5	\$0.0614	\$0.2692	\$261.26	91-8-5	\$0.0877	\$0.20371	\$0.06102	\$318.19
3.	91-8-5	9/30/90	\$0.0882	\$0.2060	\$508.24	91-8-5	\$0.1025	\$0.2713	\$295.57	91-8-5	\$0.1029	\$0.22114	\$0.06388	\$343.75
4.	92-4-30	9/30/91	\$0.1039	\$0.2444	\$657.51	92-4-30	\$0.1196	\$0.2640	\$352.64	92-4-30	\$0.1127	\$0.23374	\$0.06822	\$353.37
5.	94-8-27	9/30/92	\$0.0775	\$0.2161	\$617.80	94-8-27	\$0.0882	\$0.2764	\$367.71	94-8-27	\$0.0905	\$0.23443	\$0.06726	\$337.85
6.	95-6-32	9/30/93	\$0.0743	\$0.2141	\$563.42	95-6-32	\$0.0809	\$0.2625	\$295.28	95-6-32	\$0.0851	\$0.24185	\$0.06708	\$360.13
7.	95-6-32	9/30/94	\$0.0653	\$0.2077	\$470.30	95-6-32	\$0.0674	\$0.2521	\$277.17	95-6-32	\$0.0768	\$0.24608	\$0.06673	\$345.30
8.	97-5-23	9/30/95	\$0.0600	\$0.1976	\$465.09	97-5-23	\$0.0636	\$0.2471	\$308.47	97-5-23	\$0.0743	\$0.24389	\$0.06248	\$355.85
9.	97-5-23	9/30/96	\$0.0661	\$0.2071	\$469.76	97-5-23	\$0.0679	\$0.2568	\$338.34	97-5-23	\$0.0830	\$0.26021	\$0.06220	\$370.78
10.	99-4-1	6/30/97	\$0.0719	\$0.1967	\$457.22	99-4-1	\$0.0758	\$0.2518	\$324.00	99-4-1	\$0.0914	\$0.25464	\$0.06377	\$391.56
11.	99-4-1	6/30/98	\$0.0573	\$0.1949	\$443.61	99-4-1	\$0.0640	\$0.2572	\$358.10	99-4-1	\$0.0779	\$0.26798	\$0.06365	\$389.35
12.	99-10-23	6/30/99	\$0.0461	\$0.1975	\$483.96	99-10-23	\$0.0520	\$0.2509	\$401.34	99-10-23	\$0.0662	\$0.27649	\$0.06646	\$430.57
13.	New	6/30/00	\$0.0613	\$0.1906	\$457.33	New	\$0.0640	\$0.2632	\$419.95	New	\$0.0822	\$0.28084	\$0.06859	\$428.22

PACIFIC DATA BASE

TRANSBORDER DATA BASE

Order Number	Year Ended	Fuel \$/ATM	Non-Fuel \$/ATM	Terminal \$/Ton	Order Number	Fuel \$/ATM	Other \$/ATM	Terminal \$/ATM	Terminal \$/TON	
1.	90-1-59	9/30/88	\$0.0730	\$0.1490	\$211.67	90-1-59	\$0.0879	\$0.19361	\$0.05836	\$299.56
2.	91-8-5	9/30/89	\$0.0807	\$0.1724	\$259.58	91-8-5	\$0.0877	\$0.20371	\$0.06102	\$318.19
3.	91-8-5	9/30/90	\$0.0881	\$0.1809	\$269.40	91-8-5	\$0.1029	\$0.22114	\$0.06388	\$343.75
4.	92-4-30	9/30/91	\$0.1066	\$0.1870	\$328.19	92-4-30	\$0.1127	\$0.23374	\$0.06822	\$353.37
5.	94-8-27	9/30/92	\$0.0771	\$0.1925	\$331.93	94-8-27	\$0.0905	\$0.23443	\$0.06726	\$337.85
6.	95-6-32	9/30/93	\$0.0741	\$0.1871	\$322.75	95-6-32	\$0.0851	\$0.24185	\$0.06708	\$360.13
7.	95-6-32	9/30/94	\$0.0671	\$0.1931	\$345.47	95-6-32	\$0.0768	\$0.24608	\$0.06673	\$345.30
8.	97-5-23	9/30/95	\$0.0665	\$0.2038	\$391.95	97-5-23	\$0.0743	\$0.24389	\$0.06248	\$355.85
9.	97-5-23	9/30/96	\$0.0736	\$0.2125	\$378.83	97-5-23	\$0.0830	\$0.26021	\$0.06220	\$370.78
10.	99-4-1	6/30/97	\$0.0795	\$0.2115	\$372.36	99-4-1	\$0.0914	\$0.25464	\$0.06377	\$391.56
11.	99-4-1	6/30/98	\$0.0628	\$0.2178	\$345.92	99-4-1	\$0.0779	\$0.26798	\$0.06365	\$389.35
12.	99-10-23	6/30/99	\$0.0507	\$0.2200	\$358.79	99-10-23	\$0.0662	\$0.27649	\$0.06646	\$430.57
13.	New	6/30/00	\$0.0682	\$0.2090	\$386.27	New	\$0.0822	\$0.28084	\$0.06859	\$428.22