

119834



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

Issued by the Department of Transportation  
on the 2nd day of January, 2001

INTERNATIONAL

SERVICE MAIL RATES

Docket OST-96-1629 - 259

(Docket 37392)

ORDER ESTABLISHING FINAL INTERNATIONAL SERVICE MAIL RATES UNTIL  
FURTHER DEPARTMENT ACTION

**Summary**

By this order the Department is setting final International service mail rates for the period beginning January 5, 2001, until further Department action.

**Background**

By Order to Show Cause 2000-11-5, served November 9, 2000, the Department proposed final International service mail rates to be effective from January 1 through December 31, 2001.

Objections to Order 2000-11-5 were due December 26. On December 18, American filed an objection to the order. American objects that Continental's reported terminal costs appear to be understated because its "ratio of tons enplaned growth (32.7%) to non-capacity cost growth (2.6%) is 12.58 to 1, which lies significantly outside the ratios for the other carriers operating in the Atlantic [ranging from] .95 to 1 (United) to 4.43 to 1 (TWA)." On December 22 United filed an objection that mirrored American's and asked for the same relief, namely that Continental's unit costs be adjusted to the weighted average of the other carriers' costs.

By letter dated December 19, 2000, the Postal Service requested that the Department make the rates tentatively set by Order 2000-11-5 final from January 1, 2001, until further Department action, instead of the entire 2001 calendar year, our usual procedure. The Postal Service contends that Order 2000-11-5 and prior orders

"do not appropriately reflect the reduced costs associated with the growth in containerization. Because our goal is to increase the utilization of containers to improve operational and service performance, the USPS would like the DOT to resume the publication of container rates for all regions. The USPS is willing to

work with the air carriers and your Department to determine such rates....[Making the new rates effective until further Department action would] allow the parties to informally discuss and hopefully resolve the issues during the ensuing months.”

### **Discussion**

We agree with American that Continental’s reported terminal costs in the Atlantic appear suspect, but not for American’s stated reason. Examining Appendix D-1-A it is clear that Continental’s unit terminal costs of \$178.41 are less than half of \$457.33, the weighted average of all Atlantic carriers including Continental. Similarly, TWA’s reported unit terminal costs of \$988.52 appear equally suspect because they are more than double \$457.33, the weighted average of all Atlantic carriers including TWA. It would not be fair to excise Continental’s while at the same time leave in TWA’s costs because each appear equally suspect. Furthermore, the cost disparities of Continental and TWA are not new, because each carrier was, respectively, by far the lowest and highest cost carrier in the preceding rate period. The recent update has only accentuated their respective deviations, with Continental’s unit costs decreasing by 22.68% and TWA’s increasing by 11.91%, while the average has decreased by 5.50%. Under these circumstances, to disregard only the low cost carrier would be as unfair to the USPS as would be disregarding only the high-cost carrier to the other carriers. As a result, we will continue to include both Continental’s and TWA’s data at this time, but we will adjust the rate prospectively, as discussed below, should the two carriers submit any revised data.

The stated purpose of the Postal Service letter was to open informal discussion among the parties to determine revised rates. We support the goal of working with parties to see if a consensus is possible. In this instance, the resolution of American’s objection to Order 2000-11-5 and the Postal Service’s desire to resolve nebulous but perhaps larger issues is not immediately possible. In addition, if we take no action, the rates established in Orders 99-10-23 and 99-12-16 remain final until further Department action. The current rates are generally lower than those we tentatively set in Order 2000-11-5. It is our policy, in general, to no longer issue rates subject to retroactive adjustment. In other words, unless we finalize the rates tentatively determined by Order 2000-11-5, the carriers would forego significant mail revenues.

We will therefore grant the Postal Service’s request, in so far as making the rate proposed by Order 2000-11-5 final until further Department action. We will work to see if the issues raised by the Postal Service can be resolved on a consensus basis. We will also direct both Continental and TWA to closely re-examine their reported Atlantic terminal costs, and based on their examination, we will amend the rates as appropriate. Regardless of the conclusions of that re-examination, the rates we are finalizing here will not be adjusted retroactively.

Therefore, we will make final the tentative findings and conclusions set forth in Order 2000-11-5, Appendix A,<sup>2</sup> as the final rates for the period beginning January 5, until further Department action.

This order is issued under authority assigned in 14 CFR 385.12(j)(2)(i).

---

<sup>2</sup> For convenience we have reproduced that Appendix here.

**ACCORDINGLY,**

1. We make final the tentative findings and conclusions specified in Order 2000-11-5, effective January 5, 2001, until further Department action;<sup>3</sup>
2. The fair and reasonable final 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 having a payload exceeding 7,500 pounds, the facilities used and useful therefore, and the service connected therewith, by each holder of a certificate authorizing the transportation of mail by aircraft in the Atlantic, Pacific, Latin America, and Transborder rate areas, for the period beginning January 5, 2001, until further Department action, are those specified in the attached Appendix A;
3. Ordering paragraph 3(g) of Order 79-7-16, incorporated by reference, is amended by adding the following:

	<u>Standard</u> <u>Container</u>	<u>Daylight</u> <u>Container</u>
January 5, 2001, until further Department action	4.960 cents	4.918 cents
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 79-7-16 and 79-7-17;
5. This docket will remain open until further order of the Department; and

---

<sup>3</sup> If this rate is not revised in the coming year, we would intend to carry out our customary annual update on January 1, 2002.

6. We shall serve this order upon parties on the Service List for this Docket.

By:

**Francisco J. Sanchez**  
Assistant Secretary for Aviation  
And International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at  
<http://dms.dot.gov>

## INTERNATIONAL SERVICE MAIL RATES

Effective: 1/5/2001, until further Department Action.

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