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

Issued by the Department of Transportation
on the 19th day of November, 2001

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

Served: November 23, 2001
Docket OST-96-1629 - 269

(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, 2002, through December 31, 2002. The rates that are currently in effect were established most recently by Orders 2001-7-9, 2001-5-19, and 2001-2-4 for the year ending December 31, 2001.¹ Those rates will remain in effect as final through December 31, 2001, or until a final order is issued with respect to the rates proposed here, whichever is later.

For comparison purposes, the table below shows a summary of proposed and current rates, and reflect space-available and daylight-container mail only.

	2001	2002	
	<u>Linehaul</u>	<u>Linehaul</u>	<u>Change</u>
Atlantic	\$.2034	\$.2333	14.70%
Latin	\$.3115	\$.4607	47.90%
Pacific	\$.2917	\$.3415	17.07%
T-Border	\$.18510	\$.23416	26.50%
	<u>Terminal</u>	<u>Terminal</u>	
Atlantic	\$.2639	\$.3442	30.43%
Latin	\$.2337	\$.2842	21.61%
Pacific	\$.3238	\$.3413	5.40%
T-Border	\$.11699	\$.14289	22.14%

¹ Order 2001-1-2 established final international mail rates until further Department action, rather than for the normal one-year period, and required certain carriers to reexamine their data. Order 2001-2-4 corrected an error in the calculation of the rate. Order 2001-5-19 incorporated revised data submitted by Continental, and likewise, Order 2001-7-9 incorporated revised data by Northwest and Continental Micronesia.

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 6/30/00 and 6/30/01 as set forth in their DOT Form 41 Reports.

Changes in the Makeup of the Pool

We have made some adjustments to the makeup of the cost pools to reflect the changes in size of carriers transporting mail in the different regions. We have added American to the Pacific, deleted Continental's Latin American Division from the Transborder region and added it to the Latin. We have made these changes on the basis of total mail revenue reported by the carriers on the Form 41 for YE June 30, 2001. We would also have added USAir to the Atlantic region on the same basis, but their data appear unreliable. We will therefore not include them at this time, but will direct them to examine their data in the Atlantic entity so that we may include them in the next annual update.

Changes in Average Rates, (See Table on Page 1)

The application of these rates to the average mail length-of-haul² for the relevant areas produces proposed rates for calendar year 2002 that are higher by 20.73% in the Atlantic, 38.54% in the Latin area, 13.14% in the Pacific, and 24.27% in the Transborder area. However, these calculations are only 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, and the length of haul of each route, the change in rates would be different.

Changes in Costs (See Appendix D)

For all regions there were significant increases in unit costs for the linehaul cost category, as can be seen in detail in Appendix D. As expected, there were very significant increases in unit fuel costs from the prior year (24.14%, 29.05%, 28.81%, and 32.66% in the Atlantic, Latin, Pacific, and Transborder regions, respectively) and generally moderate increases in non-fuel linehaul unit costs (3.99%, 0.85%, 7.01%, and 8.05%, in the Atlantic, Latin, Pacific, and Transborder regions, respectively). For terminal unit costs, there was likewise moderate to significant changes in terminal unit costs (7.54%, 11.54%, 6.02%, and 9.42%).

For unit costs for individual carriers, all of the carriers showed double-digit increases in fuel costs, except for Delta, whose fuel costs for the Atlantic region increased only 6.07%, and whose Latin fuel costs decreased by 4.59%. For non-fuel linehaul unit costs, the changes were in the single digit range, except for United, which showed double-digit

² Based on average lengths of haul in miles for the Atlantic, Latin, Pacific, and Transborder areas of 4,188, 2,717, 4,365, and 1,204 miles respectively.

increases in all regions, and Delta, which showed a 28.93% decrease in non-fuel unit costs for the Latin region and 11.58% increase for the Transborder, and finally for Continental Micronesia, which showed a 10.79% increase. Double-digit changes in unit terminal costs were shown by American for the Atlantic and Latin Regions, (15.09% and 10.94%), United for the Pacific and Transborder (10.00% and 13.44%), and Continental in the Latin region (20.04%). However, the biggest changes were shown by Delta, with increases in the Atlantic, Latin, and Transborder of 23.18%, 52.32%, and 12.66%. When informally questioned, Delta indicated that it had changed its accounting system in the most recent annual period to more accurately allocate expenses.

Making comparisons for unit costs among carriers in the same region, it appears that in the Atlantic region TWA is the only carrier whose costs differ from the regional average by an extreme amount; TWA's non-fuel cost per ATM and its terminal cost per ton enplaned exceed the average of the Atlantic region by more than two standard deviations. However, TWA indicated during the last review that its high costs were attributable to requirements by foreign governments that it not shrink labor commensurately with its long term shrinking in size. For the Transborder region, American's unit terminal costs differ from the regional average by more than two standard deviations. It is not clear why American's domestic unit terminal costs are outside the norm, though we note that its unit terminal costs are generally among the highest of the carriers for each regional entity.

Notwithstanding the significant year-over-year increases in unit costs in this update, as can be seen from Appendix E, unit costs in general do not appear to have any consistent, obvious trend for the 14 years shown, except for the Transborder region, despite rather stable, moderate inflation in the economy. Also, while in other regions prior year costs exceed current year costs, the Transborder's current year costs exceed that of any prior year shown for both non-fuel linehaul and terminal costs.

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 therefore, 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, 2002, are those specified in the attached Appendix A;
2. 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.

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.

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, 2002, 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 thirty (30) days ⁴ 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:

Read C. Van de Water
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>

⁴ Because of revised data submitted late by Delta and American, we will shorten the comment period by 15 days to help ensure that we can finalize the rate before January 1.

INTERNATIONAL SERVICE MAIL RATES

Effective: 1/1/2002

	CY 1975 Rates	Adj. Factors	Proposed Rates
<u>Linehaul Charge per Billing Ton-Mile, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.2022	80.01%	\$0.3640
Space-Available Mail	\$0.1296	80.01%	\$0.2333
<u>Terminal Charge per Pound Originated, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.1139	235.16%	\$0.3817
Space-Available Mail	\$0.1027	235.16%	\$0.3442
<u>Linehaul Charge per Billing Ton-Mile, Latin</u>			
Priority and Military Ordinary Mail	\$0.2135	180.22%	\$0.5983
Space-Available Mail	\$0.1644	180.22%	\$0.4607
<u>Terminal Charge per Pound Originated, Latin</u>			
Priority and Military Ordinary Mail	\$0.0983	212.26%	\$0.3070
Space-Available Mail	\$0.0910	212.26%	\$0.2842
<u>Linehaul Charge per Billing Ton-Mile, Pacific</u>			
Priority and Military Ordinary Mail	\$0.2188	153.12%	\$0.5538
Space-Available Mail	\$0.1349	153.12%	\$0.3415
<u>Terminal Charge per Pound Originated, Pacific</u>			
Priority and Military Ordinary Mail	\$0.1339	194.50%	\$0.3943
Space-Available Mail	\$0.1159	194.50%	\$0.3413
CY 1974 Rates			
<u>Linehaul Charge per Billing Ton-Mile, Transborder</u>			
Sack	\$0.11490	232.14%	\$0.38163
Standard Container	\$0.08790	232.14%	\$0.29195
Daylight Container	\$0.07050	232.14%	\$0.23416
<u>Terminal Charge per Pound Originated, Transborder</u>			
<u>Capacity</u>			
<u>Taxi</u>			
Sack	\$0.00991	232.14%	\$0.03292
Standard Container	\$0.00979	232.14%	\$0.03252
Daylight Container	\$0.00973	232.14%	\$0.03232
<u>Departure</u>			
Sack	\$0.01186	163.47%	\$0.03125
Standard Container	\$0.01176	163.47%	\$0.03098
Daylight Container	\$0.01164	163.47%	\$0.03067
<u>Terminal</u>			
Sack	\$0.06064	357.35%	\$0.27734
Standard Container	\$0.01746	357.35%	\$0.07985
Daylight Container	\$0.01747	357.35%	\$0.07990
<u>Total Terminal Charge per Pound Originated, Transborder</u>			
Sack	\$0.08241		\$0.34151
Standard Container	\$0.03901		\$0.14335
Daylight Container	\$0.03884		\$0.14289

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

ATLANTIC RATE AREA

	Year Ended June 30		Year to Year % Change 3/	Estimated Unit Cost at June 30, 2002 4/	Percent Change CY 1975 to June 30, 2002
	2000 2/	2001 2/			
Linehaul Expense					
Fuel	\$1,157,239	\$1,519,482			
Other	\$3,595,546	\$3,955,836			
Total	\$4,752,785	\$5,475,318			
Available Ton-miles (000)	18,865,711	19,955,206			
Fuel Cost/ATM	\$0.0613	\$0.0761	24.14%	\$0.1059	
Other Cost/ATM	\$0.1906	\$0.1982	3.99%	\$0.2102	
Total	\$0.1756			\$0.3161	80.01%
Terminal Expense					
Tons of Baggage and Cargo Enplaned	\$550,896	\$600,273			
Cost per Ton Enplaned	\$138.039	\$320.57	7.54%	\$580.93	235.16%

- 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/ 2001 unit costs divided by 2000 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 6/30/01 is 1/1/01, and the mid-point of the new rate is 6/30/2002. For example, a 24.14% annual increase for fuel produces a 39.12% increase (1.2414 x 1.1207 = 1.3912) for an 18 month period.

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

LATIN AMERICAN RATE AREA

	CY 1975 1/	Year Ended June 30,		Year to Year % Change 3/	Estimated Unit Cost at June 30, 2002 4/	Percent Change CY 1975 to June 30, 2002
		2000 2/	2001 2/			
Linehaul Expense						
Fuel		\$534,432	\$725,145			
Other		\$1,567,063	\$2,149,152			
Total	\$305,304	\$2,562,014	\$2,874,297			
Available Ton-miles (000)	1,560,336	7,468,690	7,849,428			
Fuel Cost/ATM		\$0.0716	\$0.0924	29.05%	\$0.1366	
Other Cost/ATM		\$0.2098	\$0.2738	30.51%	\$0.4118	
Total	\$0.1957				\$0.5484	180.22%
Terminal Expense	\$29,521	\$232,589	\$266,453			
Tons of Baggs & Cargo Enplaned	185,834	617,014	633,697			
Cost per Ton Enplaned	\$158.86	\$376.96	\$420.47	11.54%	\$496.05	212.26%

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/ 2001 unit costs divided by 2000 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 6/30/01 is 1/1/01, and the mid-point of the new rate is 6/30/2002. For example, a 29.05% annual increase for fuel produces a 46.80% increase (1.2905 x 1.1453 = 1.4780), 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, 2002 4/	Percent Change CY 1975 to June 30, 2002
	2000 2/	2001 2/			
Linehaul Expense	CY 1975 1/				
Fuel		\$1,077,825	\$1,378,051		
Other		\$3,307,356	\$3,731,940		
Total	\$511,324	\$4,385,181	\$5,109,991		
Available Ton-miles (000)	3,670,476	16,105,099	16,980,113		
Fuel Cost/ATM		\$0.0669	\$0.0812	21.38%	\$0.1091
Other Cost/ATM		\$0.2054	\$0.2198	7.01%	\$0.2435
Total	\$0.1393				\$0.3526
Terminal Expense	\$42,934	\$569,555	\$610,326		
Tons of Baggage and Cargo Enpl	289,713	1,511,103	1,527,304		
Cost per Ton Enplaned	\$148.19	\$376.91	\$399.61	6.02%	\$436.42
					194.50%

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/ 2001 unit costs divided by 2000 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 6/30/01 is 1/1/01, and the mid-point of the new rate is 6/30/2002. For example, a 21.38% annual increase for fuel produces a 34.36% increase (1.2138 x 1.1069 = 1.3436) in fuel costs for an 18 month period.

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

TRANSBORDER RATE AREA

	Year Ended June 30,		Year to Year % Change 4/	Estimated Unit Cost at June 30, 2002 5/	Percent Change CY 1974 to June 30, 2002
	2000 3/	2001 3/			
Linehaul Expense 1/	CY 1974 2/				
Fuel		\$5,718,700		\$7,692,470	
Other		\$19,656,659		\$21,536,374	
Total	\$4,887,268	\$25,375,359		\$29,228,844	
Available Ton-miles (000)	31,929,297	69,984,123		70,965,196	
Fuel Cost/ATM		\$0.08171	32.66%	\$0.16729	
Other Cost/ATM		\$0.28087	8.05%	\$0.34111	
Total	\$0.15307	\$0.30348		\$0.50840	232.14%
Terminal Expense					
Terminal Departure Related Exp.	\$965,920	\$4,839,851		\$5,192,946	
Available Ton-Miles (000)	31,929,297	69,984,123		70,965,196	
Cost per Available Ton-Mile	\$0.03025	\$0.06916	5.81%	\$0.07318	
Terminal Expense	\$613,632	\$3,695,516		\$3,898,532	
Tons of Baggs & Cargo Enplaned	5,228,239	8,630,748		8,321,210	
Cost per Ton Enplaned	\$117.37	\$428.18	9.42%	\$536.79	357.35%

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/ 2001 unit costs divided by 2000 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 6/30/01 is 1/1/01, and the mid-point of the new rate is 6/30/2002. For example, a 32.66% annual increase for fuel produces a 53.00% increase (1.3266 x 1.1633 = 1.5432) 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

Year Ended June 30, 2000	American	Continental	Delta	Northwest	TWA	United	Total
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	\$70,429	\$104,089	\$60,168	\$34,091	\$132,607	\$550,896
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/	270,616	189,632	286,037	104,817	35,808	251,129	1,138,039
Year Ended June 30, 2001							
Fuel Expense	\$312,966	\$239,735	\$316,513	\$239,785	\$53,138	\$357,345	\$1,519,482
Linehaul Expense 1/	\$1,243,253	\$746,385	\$1,136,253	\$758,391	\$259,465	\$1,331,571	\$5,475,318
Terminal Expense 2/	\$169,203	\$71,565	\$127,779	\$76,701	\$26,825	\$128,200	\$600,273
Available Ton-miles (000)	4,554,681	2,743,065	4,892,944	2,361,366	714,276	4,688,874	19,955,206
Tons of Baggage & Cargo Enplaned 3/	276,885	183,166	285,048	121,657	26,428	259,913	1,153,097

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.

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

LATIN AMERICAN RATE AREA

Year Ended June 30, 2000	LATIN AMERICAN RATE AREA					Total
	American	Continental	Delta	United		
Fuel Expense	\$264,515	\$133,019	\$51,444	\$85,454	\$534,432	
Linehaul Expense 1/	\$1,394,514	\$510,722	\$252,616	\$404,162	\$2,562,014	
Terminal Expense 2/	\$156,984	\$24,463	\$17,229	\$33,913	\$232,589	
Available Ton-miles (000)	4,169,873	1,200,741	656,113	1,441,963	7,468,690	
Tons of Baggage & Cargo Enplaned 3/	366,507	101,836	53,752	94,919	617,014	
Year Ended June 30, 2001						
Fuel Expense	\$374,881	\$169,034	\$72,596	\$108,634	\$725,145	
Linehaul Expense 1/	\$1,573,132	\$537,972	\$284,134	\$479,059	\$2,874,297	
Terminal Expense 2/	\$171,707	\$30,767	\$33,620	\$30,359	\$266,453	
Available Ton-miles (000)	4,240,390	1,238,612	970,703	1,399,723	7,849,428	
Tons of Baggage & Cargo Enplaned 3/	369,093	106,694	68,861	89,049	633,697	

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

	Air		Federal				Total
	Micronesia	American	Express	Northwest	United		
Year Ended June 30, 2000							
Fuel Expense	\$57,938	\$56,111	\$128,727	\$447,980	\$387,069	\$1,077,825	
Linehaul Expense 1/	\$252,076	\$231,214	\$871,195	\$1,549,713	\$1,480,983	\$4,385,181	
Terminal Expense 2/	\$13,205	\$23,540	\$264,698	\$180,936	\$87,176	\$569,555	
Available Ton-miles (000)	610,862	1,121,276	2,929,550	5,545,790	5,897,621	16,105,099	
Tons of Baggage & Cargo Enplaned 3/	60,812	55,186	546,521	536,025	312,559	1,511,103	
Year Ended June 30, 2001							
Fuel Expense	\$59,704	\$77,890	\$164,031	\$535,208	\$541,218	\$1,378,051	
Linehaul Expense 1/	\$251,743	\$263,509	\$935,669	\$1,735,797	\$1,923,273	\$5,109,991	
Terminal Expense 2/	\$13,641	\$27,136	\$297,690	\$183,760	\$88,099	\$610,326	
Available Ton-miles (000)	545,389	1,168,658	3,214,788	5,645,590	6,405,688	16,980,113	
Tons of Baggage & Cargo Enplaned 3/	61,221	53,231	589,151	536,559	287,142	1,527,304	

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.

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

TRANSBORDER RATE AREA

Year Ended June 30, 2000	American	Continental	Delta	Northwest	United	USAirways	Total
Fuel Expense	\$1,176,247	\$647,248	\$1,111,709	\$835,062	\$1,189,874	\$758,560	\$5,718,700
Linehaul & Terminal Taxi 1/	\$5,153,374	\$2,860,357	\$4,989,440	\$3,042,036	\$5,703,692	\$3,626,460	\$25,375,359
Terminal Departure Exp. 2/	\$946,652	\$308,735	\$957,549	\$626,375	\$1,003,008	\$997,532	\$4,839,851
Terminal Expense 3/	\$981,198	\$258,542	\$657,268	\$556,986	\$846,472	\$395,050	\$3,695,516
Available Ton-Miles (000)	16,175,700	6,382,378	15,492,841	8,722,537	15,986,619	7,224,048	69,984,123
Tons of Bag. and Cargo Emp. 4/	1,526,285	807,726	2,238,466	1,117,826	1,909,973	1,030,472	8,630,748
Year Ended June 30, 2001							
Fuel Expense	\$1,696,364	\$847,397	\$1,499,640	\$1,061,508	\$1,552,772	\$1,034,789	\$7,692,470
Linehaul & Terminal Taxi 1/	\$6,191,403	\$3,195,751	\$5,898,481	\$3,418,673	\$6,484,700	\$4,039,836	\$29,228,844
Terminal Departure Exp. 2/	\$1,107,091	\$337,851	\$840,805	\$721,627	\$1,136,098	\$1,049,474	\$5,192,946
Terminal Expense 3/	\$1,041,797	\$280,694	\$695,023	\$603,694	\$846,762	\$430,562	\$3,898,532
Available Ton-Miles (000)	16,630,557	6,658,429	15,750,594	8,761,304	15,037,741	8,126,571	70,965,196
Tons of Bag. and Cargo Emp. 4/	1,515,339	805,739	2,101,061	1,109,660	1,684,261	1,105,150	8,321,210

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.

COMPARISON OF UNIT COSTS BY CARRIER

ATLANTIC RATE AREA

	ATLANTIC RATE AREA						Standard Deviation	Two Standard Deviation Range
	American	Continental	Delta	Northwest	TWA	United		
Unit Cost of Fuel								
Year Ended June 30, 2000	\$0.0472	\$0.0746	\$0.0610	\$0.0833	\$0.0644	\$0.0560	\$0.0613	
Year Ended June 30, 2001	\$0.0687	\$0.0874	\$0.0647	\$0.1015	\$0.0744	\$0.0762	\$0.0761	\$0.0135
Percentage Change	45.55%	17.16%	6.07%	21.85%	15.53%	36.07%	24.14%	\$0.1031
								\$0.0491
Unit Cost of Nonfuel								
Year Ended June 30, 2000	\$0.1900	\$0.2005	\$0.1698	\$0.2095	\$0.2740	\$0.1824	\$0.1906	
Year Ended June 30, 2001	\$0.2042	\$0.1847	\$0.1675	\$0.2196	\$0.2889	\$0.2078	\$0.1982	\$0.0419
Percentage Change	7.47%	-7.88%	-1.35%	4.82%	5.44%	13.93%	3.99%	\$0.2820
								\$0.1144
Unit Cost of Fuel + Nonfuel								
Year Ended June 30, 2000	\$0.2372	\$0.2752	\$0.2308	\$0.2928	\$0.3385	\$0.2384	\$0.2519	
Year Ended June 30, 2001	\$0.2730	\$0.2721	\$0.2322	\$0.3212	\$0.3633	\$0.2840	\$0.2744	\$0.2744
Percentage Change	15.09%	-1.13%	0.61%	9.70%	7.33%	19.13%	8.93%	
								\$72.03
Unit Cost Terminal								
Year Ended June 30, 2000	\$552.49	\$371.40	\$363.90	\$574.03	\$952.05	\$528.04	\$484.07	
Year Ended June 30, 2001	\$611.09	\$390.71	\$448.27	\$630.47	\$1,015.02	\$493.24	\$520.57	\$224.27
Percentage Change	10.61%	5.20%	23.18%	9.83%	6.61%	-6.59%	7.54%	
								\$969.11
Available Ton-Miles								
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	
Year Ended June 30, 2001	4,554,681	2,743,065	4,892,944	2,361,366	714,276	4,688,874	19,955,206	
Percentage Change	6.46%	-1.95%	1.83%	17.67%	-15.52%	13.47%	5.78%	
Tons of Bag. & Cargo Emp.								
Year Ended June 30, 2000	270,616	189,632	286,037	104,817	35,808	251,129	1,138,039	
Year Ended June 30, 2001	276,885	183,166	285,048	121,657	26,428	259,913	1,153,097	
Percentage Change	2.32%	-3.41%	-0.35%	16.07%	-26.20%	3.50%	1.32%	

COMPARISON OF UNIT COSTS BY CARRIER

LATIN AMERICAN RATE AREA

	American	Continental	Delta	United	Total	Standard Deviation	Two Standard Deviation Range
Unit Cost of Fuel							
Year Ended June 30, 2000	\$0.0634	\$0.1108	\$0.0784	\$0.0593	\$0.0716	\$0.0287	\$0.1498
Year Ended June 30, 2001	\$0.0884	\$0.1365	\$0.0748	\$0.0776	\$0.0924		\$0.0350
Percentage Change	39.43%	23.19%	-4.59%	30.86%	29.05%		
Unit Cost of Nonfuel							
Year Ended June 30, 2000	\$0.2710	\$0.3146	\$0.3066	\$0.2210	\$0.2715	\$0.0347	\$0.3432
Year Ended June 30, 2001	\$0.2826	\$0.2979	\$0.2179	\$0.2646	\$0.2738		\$0.2044
Percentage Change	4.28%	-5.31%	-28.93%	19.73%	0.85%		
Unit Cost of Fuel + Nonfuel							
Year Ended June 30, 2000	\$0.3344	\$0.4253	\$0.3850	\$0.2803	\$0.3430		
Year Ended June 30, 2001	\$0.3710	\$0.4343	\$0.2927	\$0.3423	\$0.3662		
Percentage Change	10.94%	2.12%	-23.97%	22.12%	6.76%		
Unit Cost Terminal							
Year Ended June 30, 2000	\$428.32	\$240.22	\$320.53	\$357.28	\$376.96	\$96.46	\$613.39
Year Ended June 30, 2001	\$465.21	\$288.37	\$488.23	\$340.92	\$420.47		\$227.55
Percentage Change	8.61%	20.04%	52.32%	-4.58%	11.54%		
Available TonMiles							
Year Ended June 30, 2000	4,169,873	1,200,741	656,113	1,441,963	7,468,690		
Year Ended June 30, 2001	4,240,390	1,238,612	970,703	1,399,723	7,849,428		
Percentage Change	1.69%	3.15%	47.95%	-2.93%	5.10%		
Tons of Bag & Cargo Emp.							
Year Ended June 30, 2000	366,507	101,836	53,752	94,919	617,014		
Year Ended June 30, 2001	369,093	106,694	68,861	89,049	633,697		
Percentage Change	0.71%	4.77%	28.11%	-6.18%	2.70%		

COMPARISON OF UNIT COSTS BY CARRIER

PACIFIC RATE AREA

	Continental		Federal			United	Total	Standard Deviation	Two Standard Deviation Range
	Micronesia	American	Express	Northwest					
Unit Cost of Fuel									
Year Ended June 30, 2000	\$0.0948	\$0.0500	\$0.0439	\$0.0808	\$0.0656	\$0.0669			
Year Ended June 30, 2001	\$0.1095	\$0.0666	\$0.0510	\$0.0948	\$0.0845	\$0.0856	\$0.0230	\$0.0396	\$0.1316
Percentage Change	15.51%	33.20%	16.17%	17.33%	28.81%	27.95%			
Unit Cost of Nonfuel									
Year Ended June 30, 2000	\$0.3178	\$0.1562	\$0.2534	\$0.1987	\$0.1855	\$0.2054			
Year Ended June 30, 2001	\$0.3521	\$0.1588	\$0.2400	\$0.2127	\$0.2158	\$0.2198	\$0.0714	\$0.0770	\$0.3626
Percentage Change	10.79%	1.66%	-5.29%	7.05%	16.33%	7.01%			
Unit Cost of Fuel + Nonfuel									
Year Ended June 30, 2000	\$0.4127	\$0.2062	\$0.2974	\$0.2794	\$0.2511	\$0.2723			
Year Ended June 30, 2001	\$0.4616	\$0.2255	\$0.2911	\$0.3075	\$0.3002	\$0.3009			
Percentage Change	11.85%	9.36%	-2.12%	10.06%	19.55%	10.50%			
Unit Cost Terminal									
Year Ended June 30, 2000	\$217.14	\$426.56	\$484.33	\$337.55	\$278.91	\$376.91			
Year Ended June 30, 2001	\$222.82	\$509.78	\$505.29	\$342.48	\$306.81	\$399.61	\$126.47	\$146.67	\$652.55
Percentage Change	2.62%	19.51%	4.33%	1.46%	10.00%	6.02%			
Available Ton-Miles									
Year Ended June 30, 2000	610,862	1,121,276	2,929,550	5,545,790	5,897,621	16,105,099			
Year Ended June 30, 2001	545,389	1,168,658	3,214,788	5,645,590	6,405,688	16,980,113			
Percentage Change	-10.72%	4.23%	9.74%	1.80%	8.61%	5.43%			
Tons of Bag. & Cargo Exp.									
Year Ended June 30, 2000	60,812	55,186	546,521	536,025	312,559	1,511,103			
Year Ended June 30, 2001	61,221	53,231	589,151	536,559	287,142	1,527,304			
Percentage Change	0.67%	-3.54%	7.80%	0.10%	-8.13%	1.07%			

COMPARISON OF COSTS, TRANSBORDER RATE AREA

	American	Continental	Delta	Northwest	United	USAirways	Total	Standard Deviation	Two Standard Deviation Range
Unit Cost of Fuel									
Year Ended June 30, 2000	\$0.07272	\$0.10141	\$0.07176	\$0.09574	\$0.07443	\$0.10500	\$0.08171	\$0.0147	\$0.0790
Year Ended June 30, 2001	\$0.10200	\$0.12727	\$0.09521	\$0.12116	\$0.10326	\$0.12733	\$0.10840	\$0.0147	\$0.0790
Percentage Change	40.26%	25.50%	32.68%	26.55%	38.73%	21.27%	32.66%		\$0.1378
Unit Cost of Nonfuel									
Year Ended June 30, 2000	\$0.24587	\$0.34675	\$0.25029	\$0.25302	\$0.28235	\$0.39699	\$0.28087	\$0.0443	\$0.2149
Year Ended June 30, 2001	\$0.27029	\$0.35269	\$0.27928	\$0.26904	\$0.32797	\$0.36978	\$0.30348	\$0.0443	\$0.2149
Percentage Change	9.93%	1.71%	11.58%	6.33%	16.16%	-6.85%	8.05%		\$0.3921
Unit Cost of Fuel + Nonfuel									
Year Ended June 30, 2000	\$0.31859	\$0.44816	\$0.32205	\$0.34876	\$0.35678	\$0.50200	\$0.36259	\$0.0316	\$0.0100
Year Ended June 30, 2001	\$0.37229	\$0.47996	\$0.37449	\$0.39020	\$0.43123	\$0.49711	\$0.41188	\$0.0316	\$0.0100
Percentage Change	16.86%	7.10%	16.28%	11.88%	20.87%	-0.97%	13.59%		\$0.1364
Unit Cost A/C, Svc. & Gnd.									
Year Ended June 30, 2000	\$0.05852	\$0.04837	\$0.06181	\$0.07181	\$0.06274	\$0.13808	\$0.06916	\$0.0316	\$0.0100
Year Ended June 30, 2001	\$0.06657	\$0.05074	\$0.05338	\$0.08237	\$0.07555	\$0.12914	\$0.07318	\$0.0316	\$0.0100
Percentage Change	13.76%	4.90%	-13.64%	14.71%	20.42%	-6.47%	5.81%		\$0.1364
Unit Cost Terminal									
Year Ended June 30, 2000	\$642.87	\$320.09	\$293.62	\$498.28	\$443.19	\$383.37	\$428.18	\$95.13	\$278.25
Year Ended June 30, 2001	\$687.50	\$348.37	\$330.80	\$544.04	\$502.75	\$389.60	\$468.51	\$95.13	\$278.25
Percentage Change	6.94%	8.84%	12.66%	9.18%	13.44%	1.63%	9.42%		\$658.77
Available Ton-Miles									
Year Ended June 30, 2000	16,175,700	6,382,378	15,492,841	8,722,537	15,986,619	7,224,048	69,984,123		
Year Ended June 30, 2001	16,630,557	6,658,429	15,750,594	8,761,304	15,037,741	8,126,571	70,965,196		
Percentage Change	2.81%	4.33%	1.66%	0.44%	-5.94%	12.49%	1.40%		
Tons of Bag. & Cargo Emp.									
Year Ended June 30, 2000	1,526,285	807,726	2,238,466	1,117,826	1,909,973	1,030,472	8,630,748		
Year Ended June 30, 2001	1,515,339	805,739	2,101,061	1,109,660	1,684,261	1,105,150	8,321,210		
Percentage Change	-0.72%	-0.25%	-6.14%	-0.73%	-11.82%	7.25%	-3.59%		

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					
1.	90-1-59	\$0.0747	\$0.1852	\$396.32	90-1-59	\$0.0955	\$0.2238	\$270.79					
2.	91-8-5	\$0.0731	\$0.1967	\$475.33	91-8-5	\$0.0614	\$0.2692	\$261.26					
3.	91-8-5	\$0.0882	\$0.2060	\$508.24	91-8-5	\$0.1025	\$0.2713	\$295.57					
4.	92-4-30	\$0.1039	\$0.2444	\$657.51	92-4-30	\$0.1196	\$0.2640	\$352.64					
5.	94-8-27	\$0.0775	\$0.2161	\$617.80	94-8-27	\$0.0882	\$0.2764	\$367.71					
6.	95-6-32	\$0.0743	\$0.2141	\$563.42	95-6-32	\$0.0809	\$0.2625	\$295.28					
7.	95-6-32	\$0.0653	\$0.2077	\$470.30	95-6-32	\$0.0674	\$0.2521	\$277.17					
8.	97-5-23	\$0.0600	\$0.1976	\$465.09	97-5-23	\$0.0636	\$0.2471	\$308.47					
9.	97-5-23	\$0.0661	\$0.2071	\$469.76	97-5-23	\$0.0679	\$0.2568	\$338.34					
10.	99-4-1	\$0.0719	\$0.1967	\$457.22	99-4-1	\$0.0758	\$0.2518	\$324.00					
11.	99-4-1	\$0.0573	\$0.1949	\$443.61	99-4-1	\$0.0640	\$0.2572	\$358.10					
12.	01-7-9	\$0.0461	\$0.1975	\$511.79	01-2-4	\$0.0520	\$0.2509	\$401.34					
13.	New	\$0.0613	\$0.1906	\$484.07	New	\$0.0716	\$0.2098	\$376.96					
14.	New	\$0.0761	\$0.1982	\$520.57	New	\$0.0924	\$0.2738	\$420.47					

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	\$0.0730	\$0.1490	\$211.67	90-1-59	\$0.0879	\$0.19361	\$0.05836	\$299.56				
2.	91-8-5	\$0.0807	\$0.1724	\$259.58	91-8-5	\$0.0877	\$0.20371	\$0.06102	\$318.19				
3.	91-8-5	\$0.0881	\$0.1809	\$269.40	91-8-5	\$0.1029	\$0.22114	\$0.06388	\$343.75				
4.	92-4-30	\$0.1066	\$0.1870	\$328.19	92-4-30	\$0.1127	\$0.23374	\$0.06822	\$353.37				
5.	94-8-27	\$0.0771	\$0.1925	\$331.93	94-8-27	\$0.0905	\$0.23443	\$0.06726	\$337.85				
6.	95-6-32	\$0.0741	\$0.1871	\$322.75	95-6-32	\$0.0851	\$0.24185	\$0.06708	\$360.13				
7.	95-6-32	\$0.0671	\$0.1931	\$345.47	95-6-32	\$0.0768	\$0.24608	\$0.06673	\$345.30				
8.	97-5-23	\$0.0665	\$0.2038	\$391.95	97-5-23	\$0.0743	\$0.24389	\$0.06248	\$355.85				
9.	97-5-23	\$0.0736	\$0.2125	\$378.83	97-5-23	\$0.0830	\$0.26021	\$0.06220	\$370.78				
10.	99-4-1	\$0.0795	\$0.2115	\$372.36	99-4-1	\$0.0914	\$0.25464	\$0.06377	\$391.56				
11.	99-4-1	\$0.0628	\$0.2178	\$345.92	99-4-1	\$0.0779	\$0.26798	\$0.06365	\$389.35				
12.	01-7-9	\$0.0507	\$0.2200	\$351.24	01-7-9	\$0.0662	\$0.27649	\$0.06646	\$424.90				
13.	New	\$0.0669	\$0.2054	\$376.91	New	\$0.0817	\$0.28087	\$0.06916	\$428.18				
14.	New	\$0.0812	\$0.2198	\$399.61	New	\$0.1084	\$0.30348	\$0.07318	\$468.51				