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Order 2001-12-23  
Served: December 27, 2001



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

Issued by the Department of Transportation  
on the 27th day of December, 2001

INTERNATIONAL  
SERVICE MAIL RATES

Docket OST-96-1629 - 277  
(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 1, 2002, until further Department action.

**Background**

By Order to Show Cause 2001-11-8, served November 23, 2001, the Department proposed final International service mail rates to be effective from January 1 through December 31, 2002.

Objections to Order 2001-11-8 were due December 26.<sup>1</sup> On December 17, the Postal Service filed an objection to the order. The Postal Service raised various substantive issues, and also requested that the proposed final rates be made effective January 1, 2002, "until further Department action," instead of for the customary one-year period, to afford a more flexible period for the parties to deal with the issues dividing them regarding the international mail rate methodology.

In the near term, the Postal Service would like to propose a container rate and commensurate update methodology. Over the longer term, the Postal Service would like to open discussions regarding the base rate, the update methodology, and the carrier pool.

On December 21, American Airlines and Northwest Airlines filed motions to reply and replies to the Postal Service. On December 26, Continental and United also filed motions and replies to the Postal Service.<sup>2</sup> American noted that the issue of a container rate had

<sup>1</sup> Because of federal holidays on the 24<sup>th</sup> and 25<sup>th</sup>, the 30-day comment period was automatically extended to December 26.

<sup>2</sup> We grant these carrier motions to file replies.

been raised before by the Postal Service, but retains its position that a container rate is unnecessary. American noted that it had previously recognized that the projection of cost increases using a longer trend than the current two-years might be appropriate. Regarding the addition of other carriers to the cost base, American noted "the effect of foreign-flag carriers on this proceeding is limited." Northwest, Continental and United similarly take issue with most or all of the substantive proposals of the Postal Service.

Northwest, United, and American accede to the Postal Service's proposal that instead of making the new rates final through December 31, 2002, they be made final until further Department action. However, "With no specific errors in the projected costs or rates identified, Continental urges the department to establish the proposed rates for the period January 1, through December 31, 2002, in accordance with its admonition that vague or unsupported Answers that do not include all proposed adjustments and backup data will not be accepted." (Page 3) The carriers all emphasize that it is not acceptable to defer the January 1 effective date of the proposed new rates in order to discuss any pending issues.

### **Discussion**

The issues raised by the Postal Service will require considerable time to discuss and fully analyze. With respect to the Postal Service request for a meeting to discuss these issues with the carriers, we will direct the staff to meet informally with the carriers and the Postal Service in the near future to discuss those issues raised. Continental considers those long-term issues that should be pursued before the next annual rate update is due on January 1, 2003.

Therefore, the only issue requiring immediate decision is whether or not to finalize the rate for an entire year or until further Department action. The Postal Service raised the "long term" issue of container rates in the preceding annual update. While the parties met in a preliminary meeting, they were not able to resolve the issues consensually, at least in part because of health problems last year of key Postal Service personnel. Continental in its objection does not discuss any harm it may suffer as a result of not making the new final rates effective for an annual period. On that basis, we see little reason to not make the new final rate temporary. Continental and the other carriers will have the certainty of being compensated at a final rate, and resolution of the long-term issues will not interfere with setting final rates.

In keeping with our longstanding practice to set rates only prospectively whenever possible, we will set the rates proposed in Order 2001-11-8 as final rates, effective January 1 until further Department action.<sup>3</sup>

Based on the above, we will make final the tentative findings and conclusions set forth in Order 2000-11-8, Appendix A,<sup>4</sup> as the final rates for the period beginning January 1, until further Department action.

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<sup>3</sup> The new rate is to become effective on January 1, 2002. The calculation of the rate was delayed in part by the submission of revised data by American and Delta.

<sup>4</sup> For convenience we have reproduced that Appendix here.

**ACCORDINGLY,**

1. We fix, determine, and publish the proposed final rates specified in Appendix A to be effective for the period beginning January 1, 2002, until further Department action;
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. This docket shall remain open until further order of the Department; and
4. 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)

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<http://dms.dot.gov>*

## 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