

March 19, 2003

Randall Bennett  
Director  
Office of Domestic Aviation  
U.S. Department of Transportation  
400 Seventh Street, S.W.  
Washington D.C., 20590

**Re: Transatlantic, Transpacific, Transborder and Latin American  
Service Mail Rates Investigation; Docket OST-96-1629**

Dear Mr. Bennett:

By Order 2002-12-23 (the "Show Cause Order"), the Department proposed interim international mail rates for the period January 1 through December 31, 2003. Objections to the Show Cause Order were filed by American Airlines and United Air Lines asserting that cost data submitted by Delta appear to be inconsistent with data submitted by other carriers.

Delta has reexamined its accounting and Form 41 cost data as they relate to international mail rates.<sup>1</sup> Delta hereby submits this revised cost data, together with an estimate of the adjusted rate. Delta requests that the Department revise the interim rates established by the Show Cause Order and issue a Final Order as soon as possible establishing the rates for 2003 consistent with the corrected data.

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<sup>1</sup> As a result of the issues identified in this proceeding, Delta is in the final stages of completing a comprehensive review of its recent Form 41 data, which Delta expects to complete by April 24, 2003. However, given the importance of setting new, corrected rates for the industry, Delta has broken out and accelerated its review of the key mail rates elements. Delta expects that further accounting corrections, if any, identified in the course of the more comprehensive Form 41 review would have only a *de minimus* effect on mail rates.

Randall Bennett  
March 19, 2003  
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Sincerely yours,



Robert E. Cohn  
Alexander Van der Bellen

cc: Kevin Adams  
Carl B. Nelson, Jr.  
Jeffrey A. Manley  
R. Bruce Keiner  
Megan Rosia  
Donald T. Bliss  
William Jones, Law Dept. USPS

Appendix C-1-A

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

= Denotes Change

\*\*REVISED\*\*

ATLANTIC RATE AREA

|  | Year Ended June 30, 2001 |             |             |           |             | Year Ended June 30, 2002 |             | Original<br>Delta | Original<br>Total |
|--|--------------------------|-------------|-------------|-----------|-------------|--------------------------|-------------|-------------------|-------------------|
|  | American                 | Continental | Delta       | Northwest | United      | Total                    |             |                   |                   |
| Fuel Expense                             | \$312,966                | \$239,735   | \$316,513   | \$239,785 | \$357,345   | \$1,466,344              | \$316,513   | \$1,466,344       |                   |
| Linehaul Expense                         | \$1,243,253              | \$746,385   | \$1,136,253 | \$758,391 | \$1,331,571 | \$5,215,853              | \$1,136,253 | \$5,215,853       |                   |
| Terminal Expense                         | \$169,203                | \$71,565    | \$127,779   | \$76,701  | \$128,200   | \$573,448                | \$127,779   | \$573,448         |                   |
| Available Ton-miles (000)                | 4,554,681                | 2,743,065   | 4,892,944   | 2,361,366 | 4,688,874   | 19,240,930               | 4,892,944   | 19,240,930        |                   |
| Tons of Baggage & Cargo Enplaned         | 276,885                  | 183,166     | 285,048     | 121,657   | 259,913     | 1,126,669                | 285,048     | 1,126,669         |                   |
| <b>Restated Year Ended June 30, 2002</b> |                          |             |             |           |             |                          |             |                   |                   |
| Fuel Expense                             | \$245,481                | \$148,255   | \$246,866   | \$174,680 | \$261,060   | \$1,076,342              | \$244,005   | \$1,073,481       |                   |
| Linehaul Expense                         | \$1,140,794              | \$553,948   | \$1,238,909 | \$636,820 | \$1,417,616 | \$4,988,087              | \$1,237,959 | \$4,987,137       |                   |
| Terminal Expense                         | \$160,463                | \$59,301    | \$128,626   | \$70,745  | \$113,444   | \$532,579                | \$74,835    | \$478,788         |                   |
| Available Ton-miles (000)                | 4,202,181                | 2,278,670   | 4,380,195   | 2,148,936 | 4,190,086   | 17,200,068               | 4,380,195   | 17,200,068        |                   |
| Tons of Baggage & Cargo Enplaned         | 244,210                  | 142,244     | 239,168     | 111,603   | 215,688     | 952,913                  | 239,168     | 952,913           |                   |
| Fuel Expense                             | -21.6%                   | -38.2%      | -22.0%      | -27.2%    | -26.9%      | -26.6%                   | -22.9%      | -26.8%            |                   |
| Linehaul Expense                         | -8.2%                    | -25.8%      | 9.0%        | -16.0%    | 6.5%        | -4.4%                    | 9.0%        | -4.4%             |                   |
| Terminal Expense                         | -5.2%                    | -17.1%      | 0.7%        | -7.8%     | -11.5%      | -7.1%                    | -4.1%       | -16.5%            |                   |
| Available Ton-miles (000)                | -7.7%                    | -16.9%      | -10.5%      | -9.0%     | -10.6%      | -10.6%                   | -10.5%      | -10.6%            |                   |
| Tons of Baggage & Cargo Enplaned         | -11.8%                   | -22.3%      | -16.1%      | -8.3%     | -17.0%      | -15.4%                   | -16.1%      | -15.4%            |                   |

Appendix C-2-L

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

= Denotes Change

\*\*REVISED\*\*

LATIN AMERICAN RATE AREA

|  | American    | Continental | Delta     | United    | Total       | Original<br>Delta | Original<br>Total |
|--|-------------|-------------|-----------|-----------|-------------|-------------------|-------------------|
| <u>Year Ended June 30, 2001</u>          |             |             |           |           |             |                   |                   |
| Fuel Expense                             | \$374,881   | \$169,034   | \$72,596  | \$108,634 | \$725,145   | \$72,596          | \$725,145         |
| Linehaul Expense                         | \$1,573,132 | \$537,972   | \$284,134 | \$479,059 | \$2,874,297 | \$284,134         | \$2,874,297       |
| Terminal Expense                         | \$171,707   | \$30,767    | \$33,620  | \$30,359  | \$266,453   | \$33,620          | \$266,453         |
| Available Ton-miles (000)                | 4,240,390   | 1,238,612   | 970,703   | 1,399,723 | 7,849,428   | 970,703           | 7,849,428         |
| Tons of Baggage & Cargo Enplaned         | 369,093     | 106,694     | 68,861    | 89,049    | 633,697     | 68,861            | 633,697           |
| <u>Restated Year Ended June 30, 2002</u> |             |             |           |           |             |                   |                   |
| Fuel Expense                             | \$290,711   | \$117,515   | \$65,701  | \$77,820  | \$551,747   | \$65,033          | \$551,079         |
| Linehaul Expense                         | \$1,506,624 | \$475,385   | \$368,347 | \$460,122 | \$2,810,478 | \$368,296         | \$2,810,427       |
| Terminal Expense                         | \$172,909   | \$31,910    | \$38,491  | \$25,693  | \$269,003   | \$21,299          | \$251,811         |
| Available Ton-miles (000)                | 3,957,906   | 1,151,414   | 1,122,528 | 1,193,719 | 7,425,567   | 1,122,528         | 7,425,567         |
| Tons of Baggage & Cargo Enplaned         | 328,867     | 103,030     | 75,023    | 76,391    | 583,311     | 75,023            | 583,311           |
| Fuel Expense                             | -22.5%      | -30.5%      | -9.5%     | -28.4%    | -23.9%      | -10.4%            | -24.0%            |
| Linehaul Expense                         | -4.2%       | -11.6%      | 29.6%     | -4.0%     | -2.2%       | 29.6%             | -2.2%             |
| Terminal Expense                         | 0.7%        | 3.7%        | 14.5%     | -15.4%    | 1.0%        | -36.6%            | -5.5%             |
| Available Ton-miles (000)                | -6.7%       | -7.0%       | 15.6%     | -14.7%    | -5.4%       | 15.6%             | -5.4%             |
| Tons of Baggage & Cargo Enplaned         | -10.9%      | -3.4%       | 8.9%      | -14.2%    | -8.0%       | 8.9%              | -8.0%             |

Appendix C-4-T

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

= Denotes Change

\*\*REVISED\*\*

TRANSBORDER RATE AREA

|  | Year Ended June 30, 2001 |             |             |             |             |             |              | Year Ended June 30, 2002 |              |
|--|--------------------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------------------|--------------|
|  | American                 | Continental | Delta       | Northwest   | United      | USAirways   | Total        | Original                 | Original     |
| Fuel Expense                             | \$1,696,364              | \$847,397   | \$1,499,640 | \$1,061,508 | \$1,552,772 | \$1,034,789 | \$7,692,470  | \$1,499,640              | \$7,692,470  |
| Linehaul & Terminal Taxi                 | \$6,191,403              | \$3,195,751 | \$5,898,481 | \$3,418,673 | \$6,484,700 | \$4,039,836 | \$29,228,844 | \$5,898,481              | \$29,228,844 |
| Terminal Departure Exp.                  | \$1,107,091              | \$337,851   | \$840,805   | \$721,627   | \$1,136,098 | \$1,049,474 | \$5,192,946  | \$840,805                | \$5,192,946  |
| Terminal Expense                         | \$1,041,797              | \$280,694   | \$695,023   | \$603,694   | \$846,762   | \$430,562   | \$3,898,532  | \$695,023                | \$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   | 15,750,594               | 70,965,196   |
| Tons of Bag. and Cargo Enplaned          | 1,515,339                | 805,739     | 2,101,061   | 1,109,660   | 1,684,261   | 1,105,150   | 8,321,210    | 2,101,061                | 8,321,210    |
| <b>Restated Year Ended June 30, 2002</b> |                          |             |             |             |             |             |              |                          |              |
| Fuel Expense                             | \$1,435,283              | \$551,269   | \$1,067,493 | \$759,320   | \$1,134,912 | \$619,539   | \$5,567,816  | \$1,070,675              | \$5,570,998  |
| Linehaul & Terminal Taxi                 | \$6,765,100              | \$2,967,758 | \$5,271,102 | \$3,143,997 | \$5,571,716 | \$3,654,885 | \$27,374,558 | \$5,284,138              | \$27,387,594 |
| Terminal Departure Exp.                  | \$1,286,221              | \$398,217   | \$674,135   | \$730,745   | \$1,561,959 | \$879,873   | \$5,531,150  | \$674,910                | \$5,531,925  |
| Terminal Expense                         | \$1,187,918              | \$274,854   | \$661,826   | \$572,752   | \$837,099   | \$399,102   | \$3,933,551  | \$372,181                | \$3,643,906  |
| Available Ton-Miles (000)                | 16,983,301               | 6,020,152   | 14,479,988  | 7,994,382   | 13,155,995  | 6,875,820   | 65,509,638   | 14,479,988               | 65,509,638   |
| Tons of Bag. and Cargo Enplaned          | 1,407,412                | 672,989     | 1,726,146   | 930,941     | 1,288,117   | 852,875     | 6,878,480    | 1,726,146                | 6,878,480    |
| Fuel Expense                             | -15.4%                   | -34.9%      | -28.8%      | -28.5%      | -26.9%      | -40.1%      | -27.6%       | -28.6%                   | -27.6%       |
| Linehaul & Terminal Taxi                 | 9.3%                     | -7.1%       | -10.6%      | -8.0%       | -14.1%      | -9.5%       | -6.3%        | -10.4%                   | -6.3%        |
| Terminal Departure Exp.                  | 16.2%                    | 17.9%       | -19.8%      | 1.3%        | 37.5%       | -16.2%      | 6.5%         | -19.7%                   | 6.5%         |
| Terminal Expense                         | 14.0%                    | -2.1%       | -4.8%       | -5.1%       | -1.1%       | -7.3%       | 0.9%         | -46.5%                   | -6.5%        |
| Available Ton-Miles (000)                | 2.1%                     | -9.6%       | -8.1%       | -8.8%       | -12.5%      | -15.4%      | -7.7%        | -8.1%                    | -7.7%        |
| Tons of Bag. and Cargo Enplaned          | -7.1%                    | -16.5%      | -17.8%      | -16.1%      | -23.5%      | -22.8%      | -17.3%       | -17.8%                   | -17.3%       |

Original Pacific

Appendix C-3-P

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

\*\* ORIGINAL \*\* NO CHANGE

PACIFIC RATE AREA

|                                  | Air        |           |                 |             |             | Total       |
|----------------------------------|------------|-----------|-----------------|-------------|-------------|-------------|
|                                  | Micronesia | American  | Federal Express | Northwest   | United      |             |
| <u>Year Ended June 30, 2001</u>  |            |           |                 |             |             |             |
| Fuel Expense                     | \$59,704   | \$77,890  | \$164,031       | \$535,208   | \$541,218   | \$1,378,051 |
| Linehaul Expense                 | \$251,743  | \$263,509 | \$935,669       | \$1,735,797 | \$1,923,273 | \$5,109,991 |
| Terminal Expense                 | \$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 Emplaned | 61,221     | 53,231    | 589,151         | 536,559     | 287,142     | 1,527,304   |
| <u>Year Ended June 30, 2002</u>  |            |           |                 |             |             |             |
| Fuel Expense                     | \$38,554   | \$58,917  | \$119,876       | \$375,198   | \$378,908   | \$971,453   |
| Linehaul Expense                 | \$197,403  | \$225,564 | \$891,367       | \$1,477,104 | \$1,921,882 | \$4,713,320 |
| Terminal Expense                 | \$10,085   | \$22,751  | \$314,466       | \$164,527   | \$73,667    | \$585,496   |
| Available Ton-miles (000)        | 469,349    | 987,708   | 3,039,538       | 4,991,878   | 5,312,112   | 14,800,585  |
| Tons of Baggage & Cargo Emplaned | 50,719     | 43,722    | 567,432         | 478,806     | 213,503     | 1,354,182   |

NOTE: ORIGINAL FILE - NO CHANGE SINCE DELTA HAS NO PACIFIC MAIL ROUTES

Recalculated Rate Structure

Appendix A

INTERNATIONAL SERVICE MAIL RATES

Effective: 1/1/2003

\*\*Current\*\*

| CY 1975   | Rates    | Adj. Factors | Original                      | Recalculated                               | Recalculated               | Recalculated              | CY 2002 Actual Rates |
|---|----------|--------------|-------------------------------|--|----------------------------|---------------------------|----------------------|
|   |          |              | CY 2003 Proposed/Actual Rates | CY 2003 Proposed Rates                     | CY 2003 Proposed \$ Change | CY 2003 Proposed % Change |                      |
| <b>Linehaul Charge per Billing Ton-Mile, Atlantic</b> |          |              |                               |  |                            |                           |                      |
| Priority and Military Ordinary Mail                   | \$0.2022 | 90.38%       | \$0.3765                      | \$0.3849                                   | \$0.0084                   | 2.23%                     | 0.3640               |
| Space-Available Mail                                  | \$0.1296 | 90.38%       | \$0.2413                      | \$0.2467                                   | \$0.0054                   | 2.24%                     | 0.2333               |
| <b>Terminal Charge per Pound Originated, Atlantic</b> |          |              |                               |  |                            |                           |                      |
| Priority and Military Ordinary Mail                   | \$0.1139 | 271.45%      | \$0.3131                      | \$0.4231                                   | \$0.1100                   | 35.13%                    | 0.3817               |
| Space-Available Mail                                  | \$0.1027 | 271.45%      | \$0.2824                      | \$0.3815                                   | \$0.0991                   | 35.09%                    | \$0.3442             |
| <b>Linehaul Charge per Billing Ton-Mile, Latin</b>    |          |              |                               |  |                            |                           |                      |
| Priority and Military Ordinary Mail                   | \$0.2135 | 109.81%      | \$0.4481                      | \$0.4479                                   | -\$0.0002                  | -0.04%                    | 0.5983               |
| Space-Available Mail                                  | \$0.1644 | 109.81%      | \$0.3450                      | \$0.3449                                   | -\$0.0001                  | -0.03%                    | 0.4607               |
| <b>Terminal Charge per Pound Originated, Latin</b>    |          |              |                               |  |                            |                           |                      |
| Priority and Military Ordinary Mail                   | \$0.0983 | 233.81%      | \$0.2779                      | \$0.3281                                   | \$0.0502                   | 18.06%                    | 0.3070               |
| Space-Available Mail                                  | \$0.0910 | 233.81%      | \$0.2573                      | \$0.3038                                   | \$0.0465                   | 18.07%                    | 0.2842               |
| <b>Linehaul Charge per Billing Ton-Mile, Pacific</b>  |          |              |                               |  |                            |                           |                      |
| Priority and Military Ordinary Mail                   | \$0.2188 | 158.79%      | \$0.5662                      | No Change - Delta Not Included in Analysis |                            |                           | 0.5539               |
| Space-Available Mail                                  | \$0.1349 | 158.79%      | \$0.3491                      | No Change - Delta Not Included in Analysis |                            |                           | 0.3415               |
| <b>Terminal Charge per Pound Originated, Pacific</b>  |          |              |                               |  |                            |                           |                      |
| Priority and Military Ordinary Mail                   | \$0.1339 | 228.63%      | \$0.4400                      | No Change - Delta Not Included in Analysis |                            |                           | 0.3943               |
| Space-Available Mail                                  | \$0.1159 | 228.63%      | \$0.3809                      | No Change - Delta Not Included in Analysis |                            |                           | 0.3413               |