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WELL, IT'S NOW OFFICIAL... PARCEL RATES ARE ON THE RISE!

UPS announced this week that higher rates for shippers will become effective on January 3, 2011. While this is no surprise to anyone, some of the changes UPS will make in how they calculate rates and charges could have the impact of double digit increases for shippers. As usual, we expect that FedEx will "mirror" these increases for their parcel shipping customers.

The "average" increase UPS is planning is 4.9% for Ground shipments as well as a 4.9% increase for Air Express and US origin international shipments. To get to these "net" levels, UPS will increase the base Ground rates by 5.9%, but reduce the Fuel Surcharge percentage by 1%. For the Air Express and International service products, UPS will increase the base rates by 6.9%, but reduce the Fuel Surcharge by 2%. Bear in mind that the Fuel Surcharge is an Index Based Surcharge which fluctuates based on average fuel costs. Therefore, UPS could increase the Fuel Surcharge percentages if and when the cost of fuel increases.

In the General Rate Increase announcement, UPS indicated they will be changing the factor methodology they use to calculate charges for Dimensional Weight packages. For US domestic Air Services, the divisor UPS will use to calculate dimensional weight charges will change from 194 to 166. For US Ground services, the divisor will also change from 194 to 166.

For export services from the US for all services the divisor will change from 166 to 139 and for UPS Standard Canada as well as imports to the US from Canada and the Virgin Islands, the divisor will also change from 166 to 139.

One thing is crystal clear, these changes in Dimensional Weight calculations will result in double digit increase for many shippers. This is not something companies can just accept without fully understanding the impact it will have on the corporate bottom line. We urge all shippers to analyze the impact of these changes with their UPS sales representative, or more importantly seek professional advice from Parcel Shipping Consultants who can clearly establish the impact these changes will have on its business.

In UPS' letter to their customers announcing the General Rate Increase, UPS indicates that while the rates will be increasing, the value UPS provides to their shipper customers through "innovative products and logistics know how" will help their customers be "more competitive". It's hard to imagine being "more competitive" however when your rates are increasing.

As we do every year, we have asked Jack Mitchell, President of Parcel Appraisal and Negotiations Consulting Group to provide a comprehensive analysis of both the UPS and the soon to be released FedEx General Rate Increases, so shippers will have a thorough understanding of the REAL impact of these increases. We will issue Jack's analysis as a "Special Report" and send it out to all of our subscribers just as soon as it is available. You won't want to be without this very vital information.

Please take a moment to check out ICC's Blog @ http://www.logisticsstrategies.com to check out previous articles.

TRUCKING INDUSTRY CONCERNS -- IT'S THE ECONOMY STUPID!

Well really it's the economy AND ever-changing Federal regulations that the trucking industry sees as its biggest challenge as we close out 2010 and look forward to 2011.

The American Transportation Research Institute (ATRI) polled some 4000 trucking executives and asked them to list their top concerns as we move to the end of the year and into next year. Not surprisingly, the economy topped the list of the respondents. What else was on their list?

- Where is the economy heading in 2011?
- The Comprehensive Safety Analysis 2010 Initiative, (CSA 2010) which will make it more difficult for trucking companies to find and hire qualified drivers
- The changes to the Hours of Service Rules expected before this year ends
- The overall driver shortage
- Fuel issues- where are fuel prices headed?
- Transportation funding and infrastructure issues
- Onboard truck technology, such as onboard recorders
- Environmental issues and truck size and weight issues

Overall the trucking industry experienced an up-tick in freight demand in 2010, but it was nothing to write home about. Will 2011 be better or worse? It's anyone's guess.

RFID TECHNOLOGY COMING TO A RETAILER NEAR YOU:

No one can argue the value technology brings into the world of business and no group is more dedicated to this cause than the Voluntary Interindustry Commerce Solutions (VICS) Group.

Recently, this group along with leading retailers, suppliers, industry associations, technology providers and academia introduced a wide ranging initiative to guide the adoption of Radio Frequency Identification (RFID) Technology for the retail industry.

The initiative is expected to change the way the retail industry does business and could lead to one of the biggest changes in Supply Chain operations since the introduction of the Bar Code. The initial focus of this initiative is expected to impact the apparel sector of retail businesses. So what benefits can the retailers and their suppliers expect?

- More speed in processing goods to the selling floor
- Improved business efficiencies and an enhanced consumer shopping experience
- Real time and accurate inventory views
- Improved inventory accuracy rates
- Ability to count 5000 items per hour compared with the current average of 200- a time savings of 96%
- Reducing out-of-stock inventories by up to 50%
- Improved security and coordination throughout the supply chain
- Right product, right store, right time

Look for this technology to take a foot hold in other business sectors beyond the retail industry. Shippers, their suppliers as well as the transportation service providers will all need to be on the same page and dedicated to moving this technology forward.

SAVED BY THE VOTE:

I think we can all agree on one thing …Thank goodness the elections are over! Well there is one company that is very grateful for the outcome of a different vote and that is YRC Worldwide.

The company asked its Teamster employees to modify the current labor agreement in an effort to ensure the company's long term viability. The vote we are pleased to report was in favor of the modification of the current agreement. The positive vote extends the current agreement, slated to expire in 2013, until March 31, 2015. The new labor agreement addresses the company's competitiveness, re-entry into multi-employer pension funds and progress towards long term growth.

We believe it is fair to say that had the vote gone in the other direction, it would have signaled the death of YRC Worldwide. Recently YRC threatened to close its New Penn Motor Express subsidiary and fold it into YRC, had the approval been rejected by the Teamsters.

This is great news for shippers as it will help to keep competition with the LTL industry strong. It has been a long road for YRC but the actions they have taken over the past few years have all pretty much fallen into place. Now we need the economy to improve so that all LTL carriers can benefit from the increased demand.

In YRC's official press release, Mike Smid President of YRC Inc and Chief Operations Officer of YRC Worldwide, stated "this new labor contract positions our company for improved performance by providing a long-term market competitive cost structure as well as enhanced efficiency to meet the demands of today's transportation and supply chain customers. Given the progress we have made over the last two quarters, this new labor agreement provides a strong foundation for long-term growth".

It's refreshing to see labor and management on the same page for the good of everyone, especially the shipper customer.