



## LOGISTICS STRATEGIES

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UPS AND FEDEX RATE  
INCREASES WILL TAKE  
A HUGE BITE OUT OF  
2009  
TRANSPORTATION  
BUDGETS

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5, 2009

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HOLIDAY GREETINGS!

### ***UPS AND FEDEX RATE INCREASES WILL TAKE A HUGE BITE OUT OF 2009 TRANSPORTATION BUDGETS***

Well, it's that time of year again. Are you prepared for the Annual Price Increase from UPS, FedEx and DHL? If you're like most folks, this is just another price increase you have become accustomed to. Parcel carrier shipping costs to transport goods as well as fees for many of their accessorial services will increase substantially on a Regional, National and Global basis. Year after year price increases are optimized by the major parcel carriers through complicated analytics to insure their profits are maximized. Everyone realizes there is no way to avoid the entire rate increase; however, there are many methods to minimize the impact on your transportation expenditures. This year the increases are higher than the norm based on various freight rate escalations as well as increases in current accessorial fees as well as a host of new fees shippers never had to contend with before.

Our staff from our Parcel Appraisal and Negotiation Consulting Group has thoroughly analyzed the new pricing provisions from both UPS and FedEx. They have created the following comprehensive analysis of each of the carriers and the pricing changes they will be implementing by service type. We have left no stones unturned in our analysis. We believe it is critical for our readers to have these details so they can have all of the facts they need to manage their parcel transportation expenses in 2009.

Please remember that the flat percentage increases announced by both UPS and FedEx are not across the board increases. A company's actual net increase will vary based on its shipping characteristics and services utilized. Here are examples of the range of increases and the areas where the impact is much greater than shippers may have anticipated.

# ***FEDERAL EXPRESS RATE INCREASE EFFECTIVE JANUARY 5, 2009***

1. Priority Overnight increases actually range from 6% to 8% depending on weight and zones shipped to.
2. Standard Overnight increases actually range from 5% to 9% depending on weight and zones.
3. Second Day Express increases range from 5% to 9% based on weight and zones.
4. Express Saver increases range from 3% to 6% based on weight and zones.
5. Ground rate increases range from 5.9% to 7.7% based on weight and zones.
6. Ground Zone 2 one-pound "minimum charge" shipments will increase a whopping 8.8% from the current \$4.20 to \$4.75.
7. The vast majority of ground shipments weigh between 1 and 5 pounds. These shipments will be increased on average about 7.7%.
8. International Express increases significantly by lanes from 6% to 9.5%.
9. Accessorial fees will be increased substantially and new fees have been added again this year. "Other fees", fees charged beyond the actual shipping costs, account for an additional 25% of the revenues for most parcel carriers.
10. Fuel surcharges range from 8.5% for ground to 28% for Express shipments and these fees are added to the total cost of the invoice, INCLUDING ALL ACCESSORIAL FEES!

## **FedEx Express 2009 Accessorial Fees & General Surcharge Increases:**

- Delivery Area Surcharges: US Express Commercial shipments to certain zip codes will increase by \$0.10, about a 6% per package increase from the current \$1.50 a package to \$1.60 a package. These fees can impact shipping costs substantially. Most shippers do not realize that 18 to 20% of their deliveries are shipped to these zip codes daily.
- Residential shipments: Will increase \$0.10, about a 5% per package increase from the current \$2.30 per package to \$2.40 per package.
- Multi-weight: The maximum Delivery Area Surcharge will increase about 6.5% from \$7.50 per shipment to \$8.00 for both residential and commercial shipments.

- Saturday Delivery Service: U.S. Express Service shipments will increase \$2.50 or about 20% per package from the current \$12.50 per package to \$15.00 per package for U.S. and international package services.

- Saturday Pickup: U.S. Express Service shipments will increase \$2.50 or about 20% per package from the current \$12.50 per package to \$15.00 per package for U.S. and international package services.

- Declared Value - U.S. Express Service shipments: FedEx Express declared-value charges will increase from \$0.60 to \$0.65 per \$100.00 of value. For U.S. package services, the charge applies to shipments valued in excess of \$100.00, and the minimum charge will increase from \$1.80 to \$1.95. For FedEx Express U.S. freight services, the charge applies to the value in excess of \$100.00 or \$1 per lb., whichever is greater. For international services, the charge applies to the value in excess of \$100.00 or \$9.07 per lb., whichever is greater.

- Dangerous Goods: Additional handling surcharge will apply for any package that contains dry ice; this applies to US and International shipments.

- International Extended Service Area Surcharge: This is like the U.S. DAS or delivery area surcharge, but will be applied for any remote pickup or delivery, the surcharge will be the greater of \$22.00 per shipment or \$0.22 per lb.

As you can see the actual rate increase can be higher or lower based on a company's services type and shipment profile. Again, we remind our readers not only do the accessorial fees or other charges increase substantially, but the fuel surcharge is added to the total cost of the shipment including those fees.

## ***UPS RATE INCREASE EFFECTIVE JANUARY 5, 2009***

Air and International rates will increase on average 6.9% through a combination of increases in rates and a reduction in the Fuel Surcharge. Fuel surcharges are adjusted each month when the index changes. Accessorial fees which continue to increase substantially will also increase on a per package basis.

UPS Ground rates will increase on average 5.9%, which means a shipper's overall rate increase could be higher or lower based on its individual shipment characteristics. The minimum ground fee per package of \$4.20 increases to \$4.75, an 8.8% increase.


### **UPS 2009 Surcharges and Accessorial Fees:**

- Delivery Area Surcharges: Commercial and residential deliveries will increase \$0.10. There are 19,251 zip codes where this fee applies.

- Residential Out Of Area: This brand new fee will add an additional \$0.25 per shipment when applicable.

- UPS CWT or Hundredweight: Shipments will increase \$0.50 per shipment.
- Residential Surcharge: Will increase \$0.10 to \$2.40, a 4.3% increase.
- CWT or Hundredweight Residential Surcharge: will increase by a full \$1.00 per shipment.
- Additional Handling Charge: Fees for shipments not in a carton will increase \$1.00 and will apply to US Export Services as well. This charge will now be \$7.50, a 15.4% increase.
- Address Correction Fees: On a per package basis for ground shipments will increase by \$2.00 each to \$6.00, an incredible 33% increase.
- Proof of Delivery Fees: Will increase an additional \$0.25. Includes, "adult signature" now \$3.75, "signature required", and "delivery confirmation".
- Automatic Daily Pick Up Fee: Will increase by \$1.00 per week for every shipper account number.
- Saturday Pick Up Fee: Will increase by \$2.50 to \$15.00 a 20% increase.
- Saturday Delivery Fee: Will increase by \$2.50 to \$15.00 a 20% increase.
- HAZMAT/Hazardous Materials Fees: For both air & ground shipments will increase by \$2.50.
- Surcharge for Next Day Early AM: Fees will increase by \$2.50.
- UPS Hundredweight Services: Many fees are being changed. We encourage our readers to refer to the Hundredweight published materials for more information.
- Import Disbursement Fee- Minimum and Entry Preparation: Charge will increase \$0.50.
- Declared Value: Will increase \$0.05 per \$100 with minimum charge \$1.95 an 8.3% increase.
- New Fees and Surcharges (For Residential Rural Deliveries).

It's bad enough the delivery area surcharge increased \$0.10 to \$1.60 for commercial and to \$2.40 for residential deliveries. Now, there is a new fee for certain residential zip code deliveries where an additional \$0.25 will be added for all Delivery Area locations designated by specific zip codes. The total surcharge to these zip codes will increase to \$2.65.



The bottom line here is that when a parcel carrier, or any freight carrier for that matter announces they are taking a General Rate Increase at a certain percentage you can be sure that that percentage increase does not apply across the board for all services. The carriers will contend that the increase will be on average X percent. Every shipper needs to become an "Educated Consumer" and analyze their shipping characteristics against the rates proposed to determine what the "True" increase will be. We encourage all companies affected by these impending rate increases to do the same.

We welcome any and all questions/comments our readers have about these impending increases. Please email us at [Tony@icclogistics.com](mailto:Tony@icclogistics.com).

## ***HOLIDAY GREETINGS!***

It's that time of year when we take a few moments to wish ALL our readers the very best this Holiday Season has to offer. May 2009 bring each and everyone Happiness and most importantly Good Health for all.