

Attention UPS Shippers

This month United Parcel Service (UPS), the world's largest package delivery company, announced a net increase of 4.9% for 2011 for each of its ground packages and on all air express and U.S. origin international shipments. The change in rates also includes a 1% to 2% reduction to the fuel surcharge. This General Rate Increase (GRI) will go into effect on January 3, 2011.

As has been the case in the past, the increase for ground shipment rates are based on a 5.9% rise in the base rate, less a 1% reduction to the fuel surcharge; the hike in air express and international shipment rates originating in the U.S. is based on a 6.9% increase in the base rate, less a 2% reduction to the air and international services fuel surcharge.

This should not come as a surprise after UPS's marketplace rival, FedEx Corp. announced in September that they will increase shipping rates for FedEx Express by a net average of 3.9% for U.S. domestic and U.S. export services effective January 3, 2011. The full average rate increase of 5.9% will be partially offset by reducing the fuel surcharge by two percentage points.

The headlines do not tell the entire story. UPS is also increasing the fees for accessorial charges that comprise 20% of the total shipment cost, on average.

- The Address Correction charge for UPS Ground Services will increase \$1.00.
- Delivery Area Surcharges will increase \$0.15 for commercial addresses, and \$0.25 for residential addresses.
- The charges for Delivery Confirmation Signature Required and Delivery Confirmation Adult Signature Required will increase \$0.25.
- The Residential Surcharge for UPS Ground and UPS Air Services will increase \$0.25
- Declared Value will increase \$0.05 per \$100 of the value declared, with a minimum charge of \$2.25.

In addition, UPS is increasing the costs charged based on their dimensions, length, width and height divided by a DIM Factor. The divisor (the DIM Factor) on the dimensional weight calculation will be changed on January 3, 2011 is as follows:

- U.S. Domestic UPS Air Services will change from 194 to 166;
- U.S. Domestic UPS Ground Services will change from 194 to 166 (for packages 3 cubic feet or larger)
- export services from the U.S. for all services will change from 166 to 139;
- UPS Standard to Canada will change from 166 to 139 (for packages 3 cubic feet or larger in size); and import to the U.S. from Canada and Virgin Islands will change from 166 to 139

Again, UPS is following in the footsteps of FedEx Corp. who made a similar announcement. This is a pure margin improvement play for both carriers. There is no incremental cost to the carriers – no incremental work - no incremental investment needed.

It is important to note that UPS comments regarding their announced increases: “Next year, the published rates for our services will be increasing, however, the value we offer through our innovative products and logistics know-how can help you be more competitive, serve your customers better, and grow your business.” FedEx Corp. had made a similar statement. They are making clear that they no longer want to compete on price. Since it is unlikely that your management will be happy to hear this we suggest you take the following action.

Contact Data2Logistics and let our expert Business Intelligence team help you to control the rate increases that you can not afford to take in today’s economic environment. We have your data and we can show you how to better manage shipping cost. We can help by preparing more effective proposals, analysis and support of your negotiations. You have nothing to lose. If we do not identify costs savings you owe us nothing. Call Joyce Rose at 239 425 8081 and tell her you want to speak with our Business Intelligence Team.