
FedEx To Increase Rates

FedEx announced that their Express shipment costs will increase by an average of 5.9 percent for U.S. domestic and U.S. export services. These General Rate Increases will be effective on January 4, 2010. This is one percentage point lower than the 6.9 percent for 2009 announced by FedEx last year. The actual rate increase will be offset by 2 percent as a result of FedEx's decision to adjust the fuel price at which the fuel surcharge begins by two percentage points.

This comes on the heels of their announcement that income for the quarter at \$181 million was down 53 percent from \$384 million last year. In addition, FedEx indicated its revenue for the quarter of \$8.01 billion was down 20 percent from \$9.97 billion a year ago, coupled with an operating income of \$315 million, which was off 50 percent compared to \$630 million last year.

FedEx said the average daily package volumes at FedEx Ground were down 1 percent. Total U.S. domestic daily package volumes were flat year-over year at roughly 2,560 pounds per day, but revenue was off by 22 percent due to a 23 percent decline in revenue per package due to lower fuel surcharges, rate per pound, and weight per package. On the bright side they reported better-than-expected International Priority volume. They have also vigilantly managed costs for the past 12 months. The company expects to emerge from the recession a stronger, more profitable company as the global economic recovery takes hold.

Too often we see clients sign a new agreement with a carrier thinking they have rates locked in (excluding fuel), only to find out four months later that their transportation costs are going up.

This is what our clients need to obtain from these announcements: Carriers will continue to look for ways to increase revenue in both good times and bad. Shippers can avoid the impact of the General Rate Increase announced above. When negotiating with carriers you should stipulate in any new agreement that there will be a moratorium on General Rate Increases for the length of the contract (this does not include fuel surcharges).

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