

Hold On To Your Wallets

The predatory pricing that we saw as carriers moved to grab market share through the recent economic decline is officially over. As we anticipated, the cost of transportation is going to be higher next year. If the announcement by FedEx for increased pricing in 2011 is indicative of the market place, you may want to think twice about how you forecast your transportation costs for next year.

FedEx Corp. announced that it 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 adjusting the fuel price threshold at which the fuel surcharge begins, reducing the fuel surcharge by two percentage points.

In addition, FedEx Express and FedEx Ground will implement a change to the dimensional weight volumetric divisor from 194 to 166 for U.S. domestic services. Details of dimensional weight charges and additional changes that will be made to other FedEx Express surcharges can be found at www.fedex.com/us/2011rates.

FedEx Freight and FedEx National LTL also will implement 6.9% general rate increases effective November 1, 2010. These rate increases apply to interstate and intrastate LTL shipments, as well as shipments between the U.S. and Canada covered by the FXF 1000 and FXNL 501 Base Rates.

FedEx Freight's and FedEx National's fuel surcharge will remain unchanged and is still one of the lowest in the LTL industry. On average, the FedEx LTL companies' fuel surcharge is 4.5 to 6.5 percentage points below the next five largest LTL carriers. The new base rates, rules tariff and fuel surcharge information for the LTL companies will be available at fedex.com/us/freight/main on November 1, 2010. FedEx Ground and FedEx SmartPost pricing changes for calendar 2011 will be announced later this year.

FedEx has indicated that they will now focus efforts to compete on service not price. The real question is: how much of the announced increase will actually be pushed down to and accepted by large shippers?

Only you know the answer to that question.

We strongly recommend that clients be prepared to engage in fact based negotiations with FedEx. Use the actionable information in the database we provide to know the impact of these changes before you are surprised in 2011. If you have questions about this announcement please contact Karin Speaker at 239 707 7204 or via e-mail at Karin.Speaker@Data2Logistics.com