

New UPS Rates Announced

UPS announced new rate changes. Small package Daily and Retail rates will increase as follows:

- UPS Ground service will increase 4.9%.
- UPS Air and International Services will increase a net 4.9% through a combination of a 6.9% increase in the base rate and a 2% reduction in the Air and International Services fuel surcharge.

Shippers should recognize that the impact of these changes on your shipping costs will vary according to your shipping characteristics and the terms of your agreement with UPS. A complete detail guide to rates will be released by UPS on December 18th. The UPS rate changes will go into effect January 4, 2010.

Last year UPS had announced a ground rate increase of 5.9% and air rates increased by 4.9%. Federal Express had previously announced a 3.9% increase for 2010. Like UPS, the FedEx net increase of 3.9 % is based on a 2% reduction in their fuel surcharge and applies to US domestic and Express as well as Export shipments.

Both UPS and Federal Express continue to raise prices despite the fact that they are seeing lower revenue. For the period ending September 30, the average UPS revenue per package was down 9.1% from a year ago. This period was marked by a significant decrease in express shipments by 23% and a 4.3% in ground shipments when compared to the same period last year. FedEx reported a 23% decline in per package revenue ending August 31st.

The exit of DHL from the US market has not helped either carrier maintain their volumes during these difficult economic times. However, when the economy bounces back with just two large players left, we would expect that shippers will face continued price pressures in this segment of the marketplace. Shippers have to continue to be vigilant as they have in have past year about opportunities to zone skip, consolidation, and service shifts to control costs.

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