

Will It Be A Happy Holiday Season???

The answer to that question depends on your perspective. If you are a truckload or less than truckload carrier, you have seen third quarter prices that are increasing or at worst, holding firm. LTL carriers like ABF doubled its profits to \$18.3 million while FedEx Freight reported profits of over \$42 million on increased year over year revenue of 6%. Old Dominion saw its revenue increase by 42% with a third quarter increase to the top line of \$95 million. Much of these increases were stimulated by the general rate increases earlier this year that average approximately 6.9%. YRC continued to build capacity but slipped back into the red.

Many truckload carriers such as Swift saw revenues increase by 13% to \$64 million. With truckload capacity tight many shippers were forced to turn to freight brokers to move their loads. There is an issue of capacity not meeting demand. But these conditions are more of a reflection of truckload carriers turning away loads because they can now be selective. They are maintaining strong discipline when it comes to pricing as well. There has been less than a 1% increase in equipment purchased this year. An analysis of carrier capacity reveals that it is 6% lower than it was in 2008. Truckload carriers are not buying more equipment and there is still a shortage of drivers. They are saving these assets for the customers and movements that produce the highest yield. The result has generated an up tick in business for the brokers. Some brokers are seeing as much as a 30% year over year increase. Other shippers are shifting to Intermodal carriers to move their freight. Domestic Intermodal traffic increase by 6.3 % in the third quarter. Intermodal carriers also benefited from the fact that fuel prices were 70 cents per gallon higher than a year ago.

On the parcel side of the business, UPS just announced their price increases that will become effective January 2, 2012. UPS ground shipment net increase is based on a 5.9% boost in the base rate, minus 1% for fuel surcharges. The air rate is based on a 6.9% increase in the base rate, minus a 2% reduction in the fuel surcharge. The increases are virtually identical to those that the carrier had previously announced in

each of the last five years. While announcing these increases, UPS said that three day delivery services which compete with LTL business will remain unchanged.

The increases are only averages across the range of delivery services, and UPS did not disclose details on any changes in distance-based prices or on the accessorial charges that often make up a large part of delivery charges. UPS said they will be published in the UPS 2012 Rate and Service Guide, which UPS said would be available for download on January 2, 2012, the same day the new rates take effect.

If you are a carrier it would seem that the holidays will be a time of cheer. As a shipper with tight cost constraints there may be much to fear. That is why Data2Logistics is here. We help you to better manage and control your transportation costs. Our logistics professionals know the marketplace. We support many of our clients with RFP preparation, analysis and negotiation that results in reduced costs and the best transportation values. To learn more contact Joyce Rose at Data2Logistics at 239 425 8081 or email her at Joyce.Rose@Data2Logistics.com and tell her you want to learn more about how Data2Logistics can help you improve your margins rather than see your carriers' margins grow.