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## LTL Rate Hikes Here to Stay (and Grow!)

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*Consumers are statistics. Customers are people.*

- Stanley Marcus

Businesses that rely on LTL carriers are facing higher costs, and there's no relief on the horizon. In fact, things are expected to get more expensive - 5% or more according to some experts at the SMC3 Conference -- *long* before they become cheaper (if ever).

Joining a trend that has already driven up costs in the truckload sector, shippers are finding themselves footing the bill for increases in LTL costs of doing business, including:

- rising fuel prices
- rising insurance costs
- investments in low-emission engines
- investments in JIT capacity/technology
- higher driver wages due to shortages in qualified labor



And to enhance *all* of these factors is the most dominating reason: LTL demand is rising, and shippers are facing a strong sellers market.

However, this is not an unending and unsolvable problem for shippers: because while freight rate increases are not new, a shipper's *approach* to them should be!

### 📌 ICC NEWS UPDATE

As projected in the January 2006 issue of *Logistics Strategies*, as of February 5<sup>th</sup> DHL has joined FedEx and UPS in increasing its ground and air rates. The DHL increases are:

- Ground Service: +3.9%
- Air (Domestic): +3.5%
- Air (International Express): +3.5%

DHL is also echoing moves by FedEx and UPS by capping its fuel surcharge at 14.5%, and lowering its fuel surcharge index.

Sure, carriers should earn a "reasonable profit". However, are they *automatically entitled* to proposed increases? Shippers need to ASK their carriers about this, and ensure that any increases are justified. At the same time, shippers should work *with* their carriers to drive out cost structure waste; and any gains here should offset some (or sometimes *all*) of the proposed increase.

At ICC, we've helped numerous clients build stronger carrier relationships: relationships that reduce costs, and sometimes eliminate increases entirely. Contact us today for information on how we can help you deal effectively with the LTL rate hikes: because they're here to stay (and grow!).

## Think Local, Ship Global

The world is getting smaller. We see it in the media, on the web, in the fabric of our increasingly more multicultural "global community". And, of course, we see it in the shrinking world of business.

Whereas a generation ago, having a "tri-state" or even a *national* shipping reach was seen as sufficient, the 21<sup>st</sup> century is setting the outreach bar as high as it can go: *worldwide*.

Why is this the case? Because the growing global marketplace - particularly in China and India, where a middle class consumer base is developing with dizzying speed and intensity - is inviting North American shippers to reach millions or even *billions* of potential new customers.

However, while the globe is shrinking, the cost to transport products globally is steadily *increasing*. Most shippers rely on their forwarders and brokers to advise them on the most economical way to ship. While most of these forwarders and brokers are competent, many simply don't strive to *fully* understand their client's business.

For example, we recently audited a client's export freight invoices, and discovered that they were being charged for dimensional weight -- even though the products *didn't* fit the dimensional weight characteristics! This meant that the client was being overcharged thousands of dollars by their forwarder!

Thanks to ICC, this client is now *saving those costs* (and, needless to say, they're being served by a *new* forwarder!).



*As the Globe Becomes Smaller, Costs to Transport Products Globally is on the Rise*

## Save Costs + Achieve Compliance = One Solution

For shippers everywhere, two business priorities tend to dominate all others: saving costs and achieving self-auditing (*Sarbanes-Oxley*) compliance.

And as remarkable as it may seem at first glance, a single solution to both of these key business priorities - saving money and achieving compliance -- does indeed exist; and for most shippers, it's right in front of them. It's contained in the words: *parcel audit*.

As logistics and transportation industry veteran Harold Friedman (*Parcel Shipping & Distribution, Feb/06*) notes, there are eight key areas that a comprehensive parcel audit should target:

1. **Base Charge Audit:** ensure that you're on the right price plan -- multiple zone rates or flat rates?
2. **Accessorial Charge Audit:** ensure that you're paying for the accessorial services that you've requested, and NOT paying for the ones that you haven't
3. **Fuel Surcharge Audit:** ensure that you aren't overpaying for fuel surcharges; remember, these surcharges will typically be your highest accessorial charge - make sure it's accurate!
4. **On-Time Delivery Audit:** ensure that you're being fully compensated for failures on guaranteed service delivery - be careful here, some carriers will persuade shippers to waive this guarantee despite having a track record of service failures
5. **Non-Shipped Parcel Audit:** ensure that you're not paying for manifested shipments that never make it out of your building!
6. **Customer Account Audit:** ensure that all of your account numbers are current, and that you're being appropriately billed by your parcel service carriers; large volume shippers may in fact be carrying the financial burden for someone else's shipment!
7. **Collect Shipment Audit:** ensure that your collect shipments are being paid for by your customers; parcel carriers WILL charge YOU if the receiver lacks an inbound program or has credit issues
8. **Duplicate Billing Audit:** ensure that you aren't paying the same invoice twice...or more

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Of course, remember that this audit needs to be completed at the *package level*; not at the invoice level. Why?

Because invoice-auditing alone, while an important part of the overall comprehensive auditing program, *cannot* capture the errors that are taking place at the package level. Only a detailed package level audit can spot - and enable you to fix - actual "on the ground" errors; errors that can cost you *thousands* annually, and weaken your ability to comply with self-auditing legislation.



Shipper's who utilize the major parcel carriers for ground, air, domestic and international shipments cannot *assume* that invoices are always correct. Furthermore, if shippers are receiving paper invoices, there's just *no way* to audit them for 100% accuracy - no matter what! The only true way to audit those invoices is electronically at the package level detail.

Fortunately, ICC provides its clients with a **comprehensive parcel auditing service**. Our skilled people and proven strategies have saved our clients *thousands of dollars* in monthly recoveries. Just as importantly, our work provides clients with the confidence of knowing that they're saving money *and* achieving self-auditing compliance in a single, efficient, and truly convenient solution!