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HUGE BITE OUT OF  
YOUR 2008  
TRANSPORTATION  
BUDGET

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## ***UPS AND FEDEX RATE INCREASES TAKE A HUGE BITE OUT OF YOUR 2008 TRANSPORTATION BUDGET***

It should come as no surprise to any company that ships parcels via the major parcel carriers UPS and FedEx, that these carriers have proposed their General Rate Increases for 2008. Actually, UPS is jumping the gun as their effective date for their increase is 12/31/2007. Like death and taxes, the one thing shippers can rely on is a general rate increase every year, especially from these major transportation service providers. What may come as a surprise to parcel shippers this year however is the level of these 2008 increases and what it will do to a shippers' bottom line performance.

It is important to point out that the proposed increases not only include significant increases in the base rates, but also significantly affects many of the accessorial fees and charges assessed by these carriers. Accessorial fees and charges assessed by these carriers often exceed 30% of the net freight charges, so these accessorial fees and charges should not be ignored.

To help our readers better understand the increases and their impact on their individual businesses, we have thoroughly analyzed each carriers proposed increase and listed the specific increase by service type and/or accessorial fee. This comprehensive analysis will go a long way towards helping parcel shippers with budgeting and notification to management of the impact these increases will have.

Now that you know the "bad" news, do shippers have any options to offset these increases? Both UPS and FedEx use a wide brush to include all of their customers with these increases each year. This does not mean however that a shipper could not "re- negotiate" their current base rates and incentive structures to offset at least some of these increases. We can tell you, however that this privilege is usually afforded only to those shippers that spend big dollars with these carriers. On the other hand, if you do not ask for any rate relief, you surely will not receive any relief from these carriers.

This is also an excellent time for all parcel shippers to analyze the

business they tender to not only UPS and FedEx, but to all parcel carriers to see if they can institute changes in shipping patterns that can more than offset these increases. Look at bundling packages to gain the benefit of lower freight charges. As an example, changing packing to ship 1 two pound box in ground service to zone 5 instead of 2 one pound boxes to the same customer will save an additional 36%. As you can see this would go a long way towards not only offsetting any of these general rate increases, but would also help to significantly reduce a company's overall freight expense significantly. In addition, does every package a company ships in overnight service have to be delivered by 10:30 AM the next day? There are significant savings available by using other next day products that will greatly reduce a company's expedited freight expenses. While the "guaranteed" delivery time may be 3:30 in the afternoon, many of these packages are actually delivered by noon. Is an hour and a half later delivery a very big deal in your business? And finally, is it time to think about single sourcing your parcel business with one of these major players instead of using both companies? We know it strikes fear in many, but our experience tells us this is the BEST way to keep your parcel costs under control.

As always, "Caveat Emptor"! Let the Buyer Beware.

## ***UPS - 2008 GENERAL RATE INCREASE***

Increases will become effective on December 31, 2007. UPS Ground shipments will increase 4.9%.

Air and International Express Services will increase a net 4.9% through a combination of a 6.9% increase in rates and a 2% reduction in the air and international fuel surcharge.

The following changes will be made to small package rate surcharges and accessorial fees:

1. Delivery Area Surcharges for commercial shipments will increase \$0.10 for air to \$1.50

2. Delivery Area Surcharges for residential shipments will increase \$0.10 for ground to \$1.50.

3. A Remote Area Surcharge will apply to UPS Ground, Air and UPS Hundredweight services destined to certain ZIP Codes in Alaska and Hawaii. The Remote Area Surcharge will be \$15 for certain destination ZIP Codes in Alaska and \$6 for certain destination ZIP Codes in Hawaii.

4. Extended Area Surcharges for packages to certain destinations outside the U.S. will increase \$2.00 per shipment and \$0.02 per pound.

5. Residential Surcharges will increase \$0.10 to \$2.30 for UPS Air Services.

6. Residential Surcharges will increase \$0.10 to \$1.95 for UPS Ground shipments.

7. A Residential Surcharge of 1.95 will apply to UPS Standard to Canada packages and shipments sent to residential addresses.

8. The Daily rate charge for Declared Value will increase \$0.05 per \$100 of Declared Value. \$100 remains free, with a minimum charge of \$1.80. The Retail rate charge for Declared Value will increase \$0.10 per \$100 of Declared Value with a minimum charge of \$1.80.

9. The Additional Handling charge will increase \$0.50 to \$6.50.

10. The Address Correction Charge for UPS Ground packages will increase \$1.00.

11. The charges for Delivery Confirmation, Signature Required, and Adult Signature Required will increase \$0.25.

12. The Large Package Surcharge will increase \$5.00 to \$45.00.

## ***FEDEX - 2008 GENERAL RATE INCREASE***

Increases will become effective on January 7, 2008. The 2008 Express rate increase will be an average of 6.9%, the highest increase FedEx has published to date. The net increase in rates will be 4.9% due to a 2% reduction in the air fuel surcharge. The 6.9% is an average increase, however a number of weights and zones are actually up as much as 10%!

Notable areas with increases and impact overall:

1. Air and international rate increases average 6.9%.

2. The increase as in the past few years will roll a 2% increase into the base rates, making the increase look more like 4.9%.

3. Residential Deliveries: for Express shipments will increase by \$0.10 to \$2.30.

4. COD, Collect on Delivery: will increase by \$0.50 to \$9.00.

5. Additional Handling Surcharge: FedEx applies a surcharge to packages that require special handling as outlined in the FedEx Service Guide. For applicable FedEx Express U.S. package services, the surcharge for additional handling will increase from \$6 per package to \$6.50 per package.

6. Handling up \$0.50 to \$6.50. Last year, additional handling was up \$1.00, so this charge will see a 30% increase over the two years.

7. Address Corrections: If a recipient's address on an air bill, air waybill or shipping label is incomplete or incorrect, FedEx may attempt to find the correct address and complete the delivery. For U. S. package shipments, the fee will be \$10 per package.

8. Address Correction Multiweight: There will be a maximum Address Correction charge of \$70 per shipment if the shipment receives FedEx Express Multiweight pricing.

9. Declared Value: FedEx declared-value charges will increase from \$0.55 to \$0.60 per \$100 of value. For U. S. package services, the charge applies to shipments valued in excess of \$100, and the minimum charge will decrease from \$2.75 to \$1.80. For FedEx Express U.S. freight services, the charge applies to the value in excess of \$100 or \$1 per pound, whichever is greater. For international services, the charge applies to the value in excess of \$100 or \$9.07 per pound, whichever is greater.

10. Delivery Area Surcharge: For applicable FedEx Express U. S. package service, a delivery area surcharge applies to shipments destined to select U. S. ZIP codes. The surcharge for commercial shipments will increase from \$1.40 per package to \$1.50 per package. The surcharge for residential shipments will increase from \$2.20 per package to \$2.30 per package. If the shipment receives FedEx Express Multiweight pricing, the fee will be assessed per package, and there will be a maximum Delivery Area Surcharge of \$7.50 per shipment for both commercial and residential shipments (except to remote areas of Alaska).


11. FedEx Collect on Delivery (C.O.D.): For applicable FedEx Express U. S. package services, the charge for FedEx Collect on Delivery (C.O.D.) will increase from \$8.50 per package to \$9 per package. If the shipment receives FedEx Express Multiweight pricing, the fee will be assessed per package, and there will be a maximum FedEx Collect on Delivery (C.O.D.) charge of \$63 per shipment.

12. FedEx Delivery Signature Options: For FedEx Express U. S. package services where the shipment receives FedEx Express Multiweight pricing, the fee will be assessed per package, and there will be a maximum charge per shipment for FedEx Delivery Signature Options: ß For Indirect Signature Required, the maximum fee will be \$10.50 per shipment. ß For Direct Signature Required, the maximum fee will be \$17.50 per shipment. ß For Adult Signature Required, the maximum fee will be \$24.50 per shipment.

13. Oversize Charge: For FedEx Express U. S. package services, the charge for oversize packages will increase from \$40 per package to \$45 per package.

14. Residential Delivery Charge -- Multiweight Program: A residential delivery charge applies to shipments to a home or private residence. For U.S. package services, the charge will increase from \$2.20 per package to \$2.30 per package. There will be a maximum Residential Delivery Charge of \$20 per shipment if the shipment receives FedEx Express Multiweight pricing. For FedEx Express U. S. freight services and FedEx International Premium service, the charge will increase from \$50 per shipment to \$75 per shipment.

15. Residential Delivery Charge: A residential delivery charge applies



to shipments to a home or private residence. For U. S. package services, the charge will increase from \$2.20 per package to \$2.30 per package.

16. Residential Pickup Charge - Multiweight Program: For FedEx Express U. S. freight services and FedEx International Premium service, a residential pickup charge applies to shipments picked up from a home or private residence. The charge for residential pickup will increase from \$50 per shipment to \$75 per shipment.

17. Saturday Delivery: For applicable FedEx Express U. S. package services, the charge for Saturday delivery will not apply for shipments receiving FedEx Express Multiweight pricing beginning January 19, 2008. The per-package fee remains at \$12.50.

18. Saturday Pickup - Multiweight Program: For FedEx Express U. S. package services, a Saturday Pickup charge will be assessed per package, and there will be a maximum Saturday Pickup charge of \$87.50 per shipment.