



December 28, 2011

RE: 2012 General Price Increase Specific to UPS & FedEx

Dear Parcel Shipper,

As you are well aware, with the New Year comes another General Price Increase (GPI) courtesy of UPS & FedEx. This year's increase, which takes effect on **January 2, 2012**, may sound familiar as it's essentially identical to 2011's rate hike. Both carriers are advertising a 4.9% net Ground increase. FedEx is advertising a 3.9% net Express increase and UPS is advertising a 4.9% net Air increase. A closer look reveals several factors that will impact every UPS and FedEx shipper differently. Consider the following:

**Averages:** The announced increases are only averages and those averages can be deceptive. Most shippers' freight characteristics do not match the average. The actual rate increase specific to your organization will vary according to service level usage, zone and package characteristics (such as weight).

**Surcharges and Other Fees:** Many of the more common surcharges are increasing at a much greater percentage than the averages referenced above. Consequently, depending upon your company's package characteristics (cube density, residential percentage, rural percentage, etc.) the true effect of this rate increase could be significantly higher. For example, the Air Residential surcharge for both carriers is jumping 9.1% to \$3.00. The commercial Delivery Area Surcharge (DAS) is up 8.1% to \$2.00, the air residential DAS is up 9.1% to \$3.00 and the extended residential DAS (applicable to both air and ground) is up 8.3% to \$3.25.

**Ground Minimum Charge:** The progression at which the minimum charge has increased over the past several years is stunning. This minimum constrains most shippers regardless of the discounted rate offered by the carriers. The impact to lightweight, short zone shippers can be substantially higher than the announced average. In 2012 the minimum charge (defined as the zone 2, 1 lb ground rate) is increasing 6.2% to \$5.49. This is a 37.3% increase since 2007!

**Dimensional Weight:** Perhaps the most significant change in 2011 was how UPS and FedEx changed the dimensional weight (DIM) calculation. Dimensional weight is a volumetric standard that is calculated by multiplying the length by width by height of a package (in inches) and then dividing the total by a factor/divisor. Both carriers reduced the domestic DIM factor from 194 to 166 and the international DIM factor from 166 to 139. The reduced DIM factor gave UPS and FedEx the ability to rate lower density shipments at a higher weight; thus, increasing your billable rate (and their incremental revenue) for the same shipments. This was a huge shock for most shippers last year and luckily, no additional changes to the dimensional weight factor were announced for 2012.



So, what does all of this mean to you? The solution and strategy to minimize the effects of this price increase will vary based on your organization's shipping characteristics and distribution model. If you would like to discuss the impact of these changes, specific to your organization, please contact Source Consulting.

Happy New Year and best wishes in 2012.

Cheers,

A handwritten signature in black ink, appearing to read 'Jared Fisher', is displayed on a light blue rectangular background.

Jared Fisher  
Senior Vice President  
SOURCE Consulting

Effective January 2, 2012, UPS & FedEx will implement another costly increase to small parcel shippers. It is important to understand that the announced rate increases are only averages and the impact to your company could vary greatly. Please contact Source Consulting for a rate impact analysis to determine the significance of this rate increase specific to your business.

**UPS - Effective January 2, 2012****UPS Ground:**

Ground rate increase was announced at 5.9% and is offset by a 1% decrease in the fuel surcharge index (4.9% net increase). Other important changes include:

- Ground Minimum Net Charge: Increase of \$0.32 (6.2%) to \$5.49
- Ground Residential Minimum Net Charge: Increase of \$0.42 (5.5%) to \$8.04

**UPS Air & International:**

Air & International rate increase was announced at 6.9% (same as last 4 years) and is partially offset by a 2% reduction in the air fuel surcharge index (4.9% net increase).

**Surcharge & Accessorial Changes:**

- Air Residential Surcharge: Increased \$0.25 (9.1%) to \$3.00
- Ground Residential Surcharge: Increased \$0.10 (4.1%) to \$2.55
- C.O.D up \$0.50 (5.0%) to \$11.00
- Declared Value up \$0.05 (6.7%) to \$0.80 per \$100 in value with minimum charge increase of \$0.15 (6.7%) to \$2.40
- Delivery Area Surcharge Commercial (Air & Ground) increased \$0.15 (8.1%) to \$2.00
- Delivery Area Surcharge Ground Residential remains at \$2.75
- Delivery Area Surcharge Air Residential up \$0.25 (9%) to \$3.00
- Delivery Area Surcharge Extended Residential (Air & Ground) up \$0.25 (8.3%) to 3.25
- Additional Handling charge increased \$0.50 (6.25%) to \$8.50
- Address Correction for ground and air remains at \$11.00
- DIM weight factor remains the same for Express & Ground services at 166; International at 139

**FedEx - Effective January 2, 2012****FEDEX Ground, Air & International:**

FedEx Ground and Home Delivery increases match UPS's average increase at 5.9%. This increase is partially offset by a 1% decrease in the fuel surcharge index, resulting in a 4.9% net increase. The Express Air & International increase was announced at 5.9% and is partially offset by a 2% decrease in the fuel surcharge index (3.9% net increase). Other important changes include:

- Ground Minimum Net Charge: Increase of \$0.32 (6.2%) to \$5.49
- Ground Home Delivery Minimum Net Charge: Increase of \$0.42 (5.5%) to \$8.04

**Surcharge & Accessorial Changes:**

- Residential Surcharge (Air & Ground): Increased \$0.25 (9.1%) to \$3.00
- Home Delivery Residential Surcharge: Increased \$0.10 (4.1%) to \$2.55
- C.O.D up \$1.00 (10%) to \$11.00
- Declared value up \$0.05 (6.7%) to \$0.80 per \$100 in value with the minimum charge up \$0.15 (6.7%) to \$2.40
- Delivery Area Surcharge Commercial (Air & Ground) up \$0.15 (8.1%) to \$2.00
- Delivery Area Surcharge Residential (Air & Ground) up \$0.25 (9.1%) to \$3.00
- Delivery Area Surcharge Residential Home Delivery remains at \$2.75
- Delivery Area Surcharge Extended Residential (Air & Ground) up \$0.25 (8.3%) to 3.25
- Additional Handling up \$0.50 (6.25%) to \$8.50
- Address Correction for ground and air remains at \$11.00
- DIM weight factor remains the same for Express & Ground services at 166; International at 139

Let Source Consulting manage your company's parcel and freight audit.  
For a detailed carrier cost analysis specific to your business, please call us today at (866) 584-2672.

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