



Below you will find a brief summary of the impact of the carrier rate increases and continued policy for 2012. As always this is expected; however, it comes once again at a time when the economy continues to slump and full recovery seems even further away than last year at this time; thus continuing to magnify its effect on shippers and your customers. The carriers clearly must protect their businesses and profitability in this environment; the last quarterly earnings reports had the carriers at 8% revenue growth with a 14% improvement in EPS; the carriers once again proving that they can still perform in a low growth environment. These rate increases as well as improved carrier efficiencies have fueled these results. The customer must also seek to protect their business. Being aware of the impact of rate increases; having the visibility of your shipping personality, while understanding the direct impact to you, and shipping smarter are the necessities of navigating through these difficult times.

As the carriers continue to raise prices, as much as double digit percentages (depending on your shipping personality) in January 2012 (see below for the most significant carrier rate increase areas), we recommend that, when it comes time for carrier negotiations, you seek our assistance. Over the last several years, we have demonstrated savings through contract/rate analysis and RFP insights; without compromising carrier service standards.

Our job, as your freight reconciliatory, is to keep you informed of any and all "happenings" with regards to your freight circumstances. We will continue to update you so that you stay informed on the carrier changes and we will make certain that you have the information necessary to work constructively and closely with your carriers.

Best wishes for a happy and healthy holiday season.

Best regards,
Parcel Management Auditing and Consulting, Inc.

PMAC Rate Analysis Notes:

1. Carriers are continuing to discount heavier packages more because essentially the costs are the same; only incrementally different at best.
2. Longer air zones are raised higher than shorter zones.
3. If you have been diligent in converting air to GDS you will see higher increases in air services due to this. For more accurate budgeting PMAC can analyze the specific effects on your specific freight spends.
4. Residential deliveries are increasing due to less packages going to stores and directly to consumers. Average package weights are decreasing also for this reason.
5. Continual overlap in GDS and air services allow the carriers to keep the air services within GDS zones higher.
6. DIM factors have decreased significantly, resulting in higher billed weights
Domestic DIM factor moving from 194 to 166, International DIM factor moving from 166 to 139

2011 DIMENSIONAL FACTORS WILL continue to have a tremendous impact on your shipment weight valuations.

Example: 2010 weighting for 35x13x25 package @194(current factor) = 58.63 lbs

2011 weighting for 35x13x25 package @166 (new factor) = 68.52 lbs

NET weight increase of 16.7%!

Give us a call and have PMAC evaluate the complete cost impact; specific to your freight personality.

The Real Impact Analysis

www.rates.ups.com/

www.fedex.com/us/2012rates/

Ground Rate Increases

- Overall GDS Rates increased 6.19-8.81 percent for packages less than 10 lbs for Zones 2-8.
- As expected the percent increase declined with higher weight packages.
- The largest increases were for packages 3 lbs to zone 3
- For GDS zones 2-8 shippers will not actually see a rate increase consistent with the carrier claimed "4.9%" until 48 lbs zone 4. All net increases are substantially higher for weights less than 48 lbs.

Next Day Air Increases

- Premium Air Rates increased 4.92-8.89 percent from LX to 10 lbs.
- The highest increase was for zone 7
- For NDA services the lowest increases were for Zones 2 and 3

2nd Day Air Increases

- The largest increases interestingly are in the zone 2 area as shippers continue to use 2 day air services in ground zones.
- The average rate increases in are highest at 8.15% in zone 2

3 Day Select Increases

- The highest average rate increases at 9.19% are in zone 306
- As can be expected the lowest average rate increase were in zone 302 at 6.91%

Hundredweight Increases

- Hundredweight (CWT) rates increased up to 8.9% on longer air zones and tier-rate break combinations. Ground CWT increases show an average of approximately 6.4% across all zones and tier-rate break combinations.
- Shippers should be aware that UPS Hundredweight (CWT) and FedEx Ground Multi-weight (MWT) programs were developed to convert LTL minimum rated shipments into Parcel deliveries. Now that both UPS and FedEx have LTL Operations (UPS Freight and FedEx Freight) expect the carriers to trend towards premium pricing to handle multiple piece shipments in their Parcel networks. Recent increases in CWT/MWT rates, average package weight minimums and accessorial charge increases related to traditional LTL shipments (e.g. Large Package Surcharges, Haz Mat fees, etc.) makes it essential to have alternative cost and service effective options at your disposal. With LTL carriers expanding their service areas and service options; it is essential to consider these and hybrid alternatives. PMAC can help! www.parcelmanagement.com/ltl_auditing.php

Address Correction Increases

- Address correction fees can be crippling when it comes to freight management and cost control. Please ask how PMAC can assist in cleaning up bad addresses from your manifest system thereby making them USPS compliant and exempted from UPS/FedEx address correction fees. We have been instrumental in handling many data specific projects for our customers. www.parcelmanagement.com/case_studies.php

❖ The Real Impact Analysis

Please see below report for cell by cell increases on ground services
(the variance from the "average" is remarkable)

Zones	102		
	2012	2011	% Change
1 Lbs.	\$5.49	\$5.17	6.19%
2	\$5.84	\$5.37	8.75%
3	\$5.93	\$5.45	8.81%
4	\$6.07	\$5.58	8.78%
5	\$6.25	\$5.79	7.94%
6	\$6.42	\$5.96	7.72%
7	\$6.73	\$6.26	7.51%
8	\$7.00	\$6.51	7.53%
9	\$7.14	\$6.65	7.37%
10	\$7.37	\$6.86	7.43%
11	\$7.62	\$7.10	7.32%
12	\$7.83	\$7.30	7.26%
13	\$8.04	\$7.50	7.20%
14	\$8.20	\$7.65	7.19%
15	\$8.36	\$7.80	7.18%

Ground						
4.34%	3.97%	3.63%	4.32%	4.07%	4.15%	3.86%
2	3	4	5	6	7	8

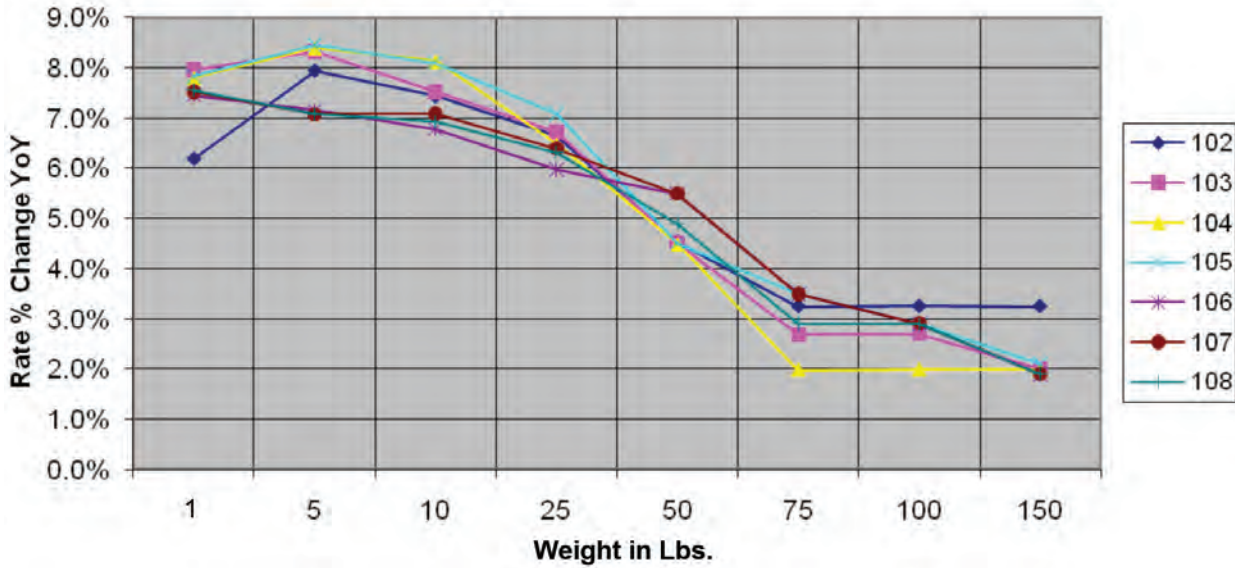
Next Day Air						
7.43%	7.57%	7.61%	8.10%	6.93%	7.30%	7.93%
102	103	104	105	106	107	108

Next Day Air Saver						
6.92%	6.95%	7.79%	7.98%	7.79%	7.96%	7.89%
132	133	134	135	136	137	138

Second Day Air						
8.15%	7.73%	7.52%	7.15%	7.34%	7.21%	7.36%
202	203	204	205	206	207	208

3 Dat Select						
6.91%	6.99%	7.15%	7.45%	9.19%	8.89%	9.05%
302	303	304	305	306	307	308

❖ Average Ground Rate Increases Year Over Year by Weights



❖ Accessorial and Surcharge Increases for 2012

www.rates.ups.com/surcharges.html

www.fedex.com/us/2012rates/surcharges-and-fees.html

The following changes have been made to package surcharges and accessorials, effective January 2, 2012. Items marked with an "*" indicate the change applies also to Retail Rates:

- The charge for Additional Handling will increase \$0.50.* to \$8.50
- The charge for C.O.D (Collect on Delivery) will increase \$0.50. * to \$11.00
- Delivery Area Surcharges to commercial addresses will increase \$0.15.* to \$2.00. The Delivery Area Surcharge for UPS Ground Services to residential addresses will not change.* The Delivery Area Surcharge for UPS Air Services to residential addresses will increase \$0.25 to \$3.00.* The Delivery Area Surcharge - Extended for UPS Ground and Air Services to residential addresses will increase \$0.25 to \$3.25.* For a complete listing of eligible U.S. postal codes and to determine which charge may be applied, click here.
- The On-Call Pickup Area Surcharge for extended residential addresses will increase \$0.25.*
- The Delivery Area Surcharge for UPS Hundredweight Service® will increase \$0.75.
- The Delivery Change Request fee will increase \$1.00 to \$12.00 (web requests ONLY) for requests made at www.ups.com.*
- The charge for Declared Value will increase \$0.05 per \$100 of the value declared, with a minimum charge of \$2.40.
- The charges for Delivery Confirmation Signature Required and Delivery Confirmation Adult Signature Required will increase \$0.25 to \$3.25 and \$4.25 respectively.

❖ Accessorial and Surcharge Increases for 2012 Continued

- The Delivery Intercept charge for requests made by telephone will increase \$1.00.* The Delivery Intercept charge for requests made via the web will remain at \$11.00.*
- The Residential Surcharge for UPS Ground Services will increase \$0.10 to \$2.55.* The Residential Surcharge for UPS Air Services will increase \$0.25 to \$3.00.* The Hundredweight Residential Surcharge will increase \$2.00. A Residential Surcharge of \$3.00 will apply to UPS International Air Services imported to the U.S. and billed to a U.S. payer.* A Residential Surcharge of \$3.00 will also apply to UPS International Air services to Canada. The Residential Surcharge for UPS Standard shipments will increase \$0.10 and will now be applied to Standard from Mexico shipments delivered to the U.S.*
- The On-Call Pickup Residential Surcharge will increase \$0.10.*
- The UPS Next Day Early A.M. premium used for customers receiving Standard List Rates will increase \$1.00. There is no change to the premium for customers receiving Daily Rates or Retail Rates.
- The fee for Hazardous Materials shipments for UPS Ground and Air Services will increase \$2.50. The International Dangerous Goods fee will be the greater of \$58.50 per shipment fee or \$7.00 per package. The International Dangerous Goods fee for UPS Standard Services will be the greater of \$35.00 per shipment fee or \$4.00 per package.
- The Large Package Surcharge will increase \$5.00 to \$55.00.*

U.S. Import shipments delivered to certain U.S. postal codes and billed to U.S. payers may be eligible for one of the following surcharges:

- The Delivery Area Surcharge for U.S. Import shipments will be \$2.00.*
- The Delivery Area Surcharge – Extended rate for U.S. Import shipments will be \$2.00.*
- The Remote Area Surcharge rate for import shipments delivered to certain Hawaii postal codes will be \$6.00.*
- The Remote Area Surcharge – Extended rate for import shipments delivered to certain Alaska postal codes will be \$15.00.*

For a listing of the designated postal codes visit

http://www.ups.com/media/en/preview_area_surcharge_zips_us.xls

The Extended Area Surcharge, which applies for some international origins and destinations, will increase \$2.00 per shipment or \$0.02 per lb, whichever is greater.* A Remote Area Surcharge of \$26.00 per shipment or \$0.26 per lb, whichever is greater, will apply to certain non-U.S. origins and non-U.S. destinations.*

*Also applies to Retail Rates.



Have **PMAC** evaluate how the 2012 cost changes
will impact your specific business.

Call us at **631-847-0596** or email info@pmacinc.com