



Below you will find a brief summary of the impact of the carrier rate increases and continued policy for 2013. 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 has the carriers projected at over \$94 million in revenue growth year over year and a 7% 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 2013 (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 wonderful 2013.

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.
4. For more accurate budgeting PMAC can analyze the specific effects on your specific freight spends.
5. Residential deliveries are increasing due to less packages going to stores and directly to consumers. Average package weights are decreasing also for this reason.
6. Continual overlap in GDS and air services allow the carriers to keep the air services within GDS zones higher.
7. 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
8. DIM factors need to be offset by standardizing box sizes. PMAC can help

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

- http://www.rates.ups.com/?srch_pos=1&srch_phr=ups+rates
- <http://www.fedex.com/us/2013rates/>

Ground Rate Increases

- Overall GDS Rates increased 6.86-8.92 percent for packages 10 lbs. and less for Zones 2-8.
- As expected the percent increase declined with higher weight packages.
- The largest increases were for packages 4 and 6 lbs. to zone 6
- For GDS zones 2-8 shippers will not actually see a rate increase consistent with the carrier claimed "4.9%" until 48 lbs. zone 3.
- All net increases are substantially higher for weights less than 48 lbs.

Next Day Air Increases

- Premium Air Rates increased 5.08-19.49 percent from LX to 10 lbs.
- The highest increase was for zones 105 and 107.
- For NDA services the lowest increases were for Zones 102 and 103.

2nd Day Air Increases

- The largest increases interestingly are in the zone 204 area as shippers continue to use 2 day air services in ground zones.

3 Day Select Increases

- The highest average rate increases at 9.62% are in zone 305

Hundredweight Increases

- With dramatic Hundredweight (CWT) rate increases shippers need to be cognizant of the costs/lb. and possible LTL alternatives.
- 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, HazMat 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!

http://www.parcelmanagement.com/rate_contract_negotiation.php

FedEx Rate Increase Statistics by Service Type and Zone 2013:

Service	Statistic	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8	TOTAL
First Overnight	Max \$ Increase	\$16.50	\$21.00	\$42.00	\$45.00	\$48.00	\$49.50	\$52.50	\$52.50
	Max % Increase	5.70%	5.80%	6.30%	6.30%	6.40%	6.40%	6.40%	6.40%
	Min \$ Increase	\$2.05	\$2.25	\$2.45	\$2.55	\$2.60	\$2.75	\$2.75	\$2.05
	Min % Increase	4.40%	4.50%	4.00%	4.00%	4.00%	4.00%	4.70%	4.00%
	Average \$ Increase	\$8.62	\$11.37	\$21.58	\$23.28	\$24.74	\$25.51	\$27.10	\$20.32
	Average % Increase	5.10%	5.10%	6.10%	6.10%	6.10%	6.00%	6.20%	5.80%
Priority Overnight	Max \$ Increase	\$15.00	\$19.50	\$40.50	\$43.50	\$46.50	\$48.00	\$51.00	\$51.00
	Max % Increase	6.00%	6.00%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
	Min \$ Increase	\$1.05	\$1.25	\$1.45	\$1.55	\$1.60	\$1.75	\$1.75	\$1.05
	Min % Increase	5.00%	5.00%	4.00%	4.00%	4.00%	4.00%	4.80%	4.00%
	Average \$ Increase	\$7.54	\$10.28	\$20.50	\$22.20	\$23.66	\$24.42	\$26.02	\$19.23
	Average % Increase	5.40%	5.30%	6.40%	6.40%	6.40%	6.20%	6.40%	6.10%
Standard Overnight	Max \$ Increase	\$13.50	\$19.50	\$42.00	\$45.00	\$48.00	\$48.00	\$52.50	\$52.50
	Max % Increase	6.70%	6.60%	7.50%	7.50%	7.40%	7.50%	7.30%	7.50%
	Min \$ Increase	\$1.10	\$1.30	\$1.85	\$1.95	\$1.95	\$2.10	\$2.15	\$1.10
	Min % Increase	4.50%	4.50%	4.10%	6.50%	6.40%	4.10%	6.50%	4.10%
	Average \$ Increase	\$6.86	\$9.91	\$21.09	\$22.86	\$24.35	\$24.79	\$26.66	\$19.50
	Average % Increase	5.90%	5.90%	6.80%	6.90%	6.90%	6.70%	6.90%	6.60%
2Day	Max \$ Increase	\$9.00	\$10.50	\$15.00	\$21.00	\$34.50	\$36.00	\$37.50	\$37.50
	Max % Increase	7.50%	7.50%	7.50%	7.00%	7.00%	7.00%	7.00%	7.50%
	Min \$ Increase	\$0.85	\$0.90	\$0.95	\$1.00	\$1.25	\$1.30	\$1.35	\$0.85
	Min % Increase	6.30%	5.20%	4.40%	3.00%	6.80%	6.70%	3.60%	3.00%
	Average \$ Increase	\$5.01	\$5.86	\$7.84	\$10.58	\$17.74	\$18.75	\$19.39	\$12.17
	Average % Increase	7.10%	7.20%	7.40%	6.80%	7.00%	6.90%	6.90%	7.00%
Express Saver	Max \$ Increase	\$12.00	\$10.50	\$18.00	\$16.50	\$19.50	\$22.50	\$27.00	\$27.00
	Max % Increase	10.50%	10.40%	9.50%	7.80%	6.50%	6.50%	6.50%	10.50%
	Min \$ Increase	\$0.90	\$0.85	\$0.85	\$0.85	\$0.85	\$0.90	\$1.00	\$0.85
	Min % Increase	7.90%	6.70%	6.80%	6.70%	6.00%	6.30%	6.30%	6.00%
	Average \$ Increase	\$6.31	\$6.54	\$9.38	\$8.57	\$10.21	\$11.70	\$13.83	\$9.51
	Average % Increase	9.80%	8.60%	9.20%	7.40%	6.30%	6.40%	6.50%	7.70%
Ground	Max \$ Increase	\$2.18	\$2.17	\$3.00	\$2.45	\$3.26	\$3.52	\$5.00	\$5.00
	Max % Increase	8.80%	8.90%	8.90%	8.90%	8.90%	8.30%	8.20%	8.90%
	Min \$ Increase	\$0.35	\$0.40	\$0.47	\$0.49	\$0.51	\$0.51	\$0.52	\$0.35
	Min % Increase	3.20%	1.70%	4.10%	3.00%	4.10%	4.10%	5.30%	1.70%
	Average \$ Increase	\$1.09	\$1.15	\$1.51	\$1.48	\$1.90	\$2.25	\$2.81	\$1.74
	Average % Increase	4.60%	4.50%	5.10%	4.90%	5.00%	5.20%	5.60%	5.00%

UPS/FedEx Ground Chart- Highlighted Areas note cells where the rate increase is higher than the “advertised average”.

*Percent Increase from 2012-2013
1-5 Days depending on Origin/Destination Zip Code Pair
(2013 value - 2012 value)/(2012 value)*

Weight	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
FedEx Envelope up to 8 oz.	***	***	***	***	***	***	***
FedEx Pak	**	**	**	**	**	**	**
1 lb.	6.4%	6.9%	7.9%	7.9%	7.9%	7.8%	7.8%
2 lbs.	8.7%	8.8%	8.8%	8.9%	8.5%	7.7%	8.0%
3	8.8%	8.9%	8.9%	8.9%	8.7%	8.2%	7.9%
4	8.7%	8.5%	8.9%	8.9%	8.9%	8.3%	8.2%
5	8.5%	8.3%	8.6%	8.9%	8.6%	8.2%	8.2%
6	8.3%	8.3%	8.6%	8.8%	8.9%	8.2%	8.1%
7	8.0%	8.1%	8.5%	8.6%	8.8%	8.3%	7.7%
8	7.7%	7.9%	8.5%	8.6%	8.7%	7.1%	6.9%
9	7.7%	7.7%	8.4%	8.2%	8.9%	7.1%	6.9%
10	7.7%	7.7%	8.1%	8.1%	8.7%	7.1%	6.9%
11	7.7%	7.6%	7.7%	7.0%	7.5%	7.1%	6.7%
12	7.7%	7.8%	7.2%	7.9%	7.0%	7.1%	6.7%
13	7.5%	7.6%	7.2%	7.5%	6.8%	7.1%	6.7%
14	7.3%	7.5%	6.7%	7.0%	6.4%	7.1%	6.7%
15	7.1%	7.5%	6.5%	7.9%	6.1%	7.1%	6.5%
16	6.9%	7.5%	6.2%	7.7%	5.8%	6.9%	5.9%
17	6.8%	7.5%	5.8%	7.7%	5.8%	6.8%	5.9%
18	6.7%	6.9%	5.8%	7.7%	5.8%	6.8%	5.9%
19	6.7%	6.9%	5.8%	7.0%	5.8%	6.7%	5.9%
20	6.7%	6.9%	5.8%	6.5%	5.8%	6.5%	5.9%
21	6.7%	6.7%	5.8%	6.2%	5.8%	6.5%	5.9%
22	6.8%	6.1%	5.8%	5.9%	5.8%	6.4%	5.9%
23	6.7%	6.1%	5.8%	5.9%	5.8%	6.4%	5.9%
24	6.7%	6.1%	5.8%	5.9%	5.8%	6.4%	5.9%
25	6.7%	6.1%	5.8%	5.9%	5.8%	6.4%	5.9%
26	6.7%	6.1%	5.8%	5.9%	5.8%	6.2%	5.9%
27	6.7%	6.1%	5.8%	5.9%	5.8%	6.2%	5.9%
28	6.7%	6.1%	5.8%	5.9%	5.8%	6.1%	5.9%
29	6.7%	6.1%	5.8%	5.9%	5.8%	6.0%	5.9%
30	6.7%	6.1%	5.8%	5.9%	5.8%	5.9%	5.9%

Most Common Accessorial Charge Increases

Surcharge	2012	2013	% Increase Over 2012
DAS Commercial Ground	\$ 2.00	\$ 2.00	0.00%
DAS Commercial Air	\$ 2.00	\$ 2.15	7.50%
DAS Residential Ground	\$ 2.75	\$ 2.75	0.00%
DAS Residential Air	\$ 3.00	\$ 3.25	8.33%
DAS Commercial Ground Extended	\$ 2.00	\$ 2.00	0.00%
DAS Commercial Air Extended	\$ 2.00	\$ 2.15	7.50%
DAS Residential Ground Extended	\$ 3.25	\$ 3.50	7.69%
DAS Residential Air Extended	\$ 3.25	\$ 3.50	7.69%
Residential Delivery Charge Air	\$ 3.00	\$ 3.20	6.67%
Residential Delivery Charge Ground	\$ 2.55	\$ 2.80	9.80%
Address Correction Fee	\$ 11.00	\$ 12.00	9.09%
Weekly Pickup Fee (Charges over \$75.00)	\$ 10.00	\$ 11.00	10.00%

Carrier Rate Increase and 2013 Rate Links:

UPS:

http://www.rates.ups.com/?srch_pos=1&srch_phr=2013+rates

FedEx:

<http://www.fedex.com/us/service-guide/our-services/index.html>

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

(http://www.parcelmanagement.com/case_studies.php)

These rate and charge increases can have a tremendous impact on your bottom line. Please contact PMAC and have us evaluate how these cost changes will impact your business.

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