



Below you will find a brief summary of the impact of the carrier rate increases and continued policy for 2011. 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 record revenue growth and earnings up 90% in Q2 2010; 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 2011 (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 regards,
Parcel Management Auditing and Consulting, Inc.
Industry pioneers engaged in every facet of your audit process

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 to decrease significantly. Domestic DIM factor moving from 194 to 166. International DIM factor moving from 166 to 139

This WILL have a tremendous impact on your shipment weight valuations.

Example: 2010 weighting for 12x13x15 package @194 (current factor) = 12.1 lbs
2011 weighting for 12x13x15 package @166 (new factor) = 14.1 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/2011rates/index.html

Ground Rate Increases

- Overall GDS Rates increased 5.9-8.8 percent for packages less than 10 lbs for Zones 2-8.
- As expected the percent increase declined with higher weight packages.
- The lowest increases were for packages over 83 lbs.

Next Day Air Increases

- Premium Air Rates increased 5.4-9 percent
- The highest increases were for zones 7 and 8
- For NDA services the lowest increases were for Zones 2 and 3

Next Day Air Saver Increases (Deferred air rates)

- Overall Rates increased 5.1-9.6 percent
- The highest increases were for Zones 4-8; as expected falling outside GDS and 2-day zones

2nd Day Air Increases

- Rates increased 4.6-8.2 percent
- The lowest increases for low Zones
- Highest increases for Zones 6, 7 and 8, across all weights

3 Day Select Increases

- Rates increased 6.5- 9.8 percent; highest rate increases amongst all non-cwt services
- Substantial increases in Zones 2-4 below 16 lbs

Hundredweight Increases

- Hundredweight (CWT) rates increased up to 8.7% for certain 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

❖ Accessorial and surcharge increases:

www.rates.ups.com/surcharges.html

www.fedex.com/us/2011rates/surcharges.html

- The **Address Correction** charge for UPS Ground Services will increase \$1.00; from \$10 to \$11 (**10% increase**).
- The **Residential Surcharge for UPS Ground and UPS Air Services** will increase \$0.25 from \$2.20 to \$2.45 on Ground (**11.3% increase**) and from \$2.50 to \$2.75 on Air (**10% increase**).
- The **Hundredweight Residential Surcharge** will increase \$2.00 from \$22 to \$24 (**9% increase**).
- **Delivery Area Surcharges** will increase \$0.15 for commercial addresses from \$1.70 to \$1.85 (**8.8% increase**) and \$0.25 for residential addresses; from \$2.50 to \$2.75 (**10% increase**).
- The **Delivery Area Surcharge** for UPS Hundredweight Service® will increase \$0.75 from \$8.50 to \$9.25 (**8.8% increase**).
- The charge for **Declared Value** will increase \$0.05 per \$100 of the value declared from \$.70 to \$.75, with a minimum charge of \$2.25 (**7% increase**).
- The charge for **C.O.D (Collect on Delivery)** will increase \$0.50; from \$10 to \$10.50 (**5% increase**).
- The charges for **Delivery Confirmation Signature Required and Delivery Confirmation Adult Signature Required** will increase \$0.25.
- The fees for **Chargeback for Consignee Billing, Missing/Invalid Account Number or Refusal Fee, and Freight Collect Refusal Fee** each will increase \$1.00 from \$10 to \$11 (**10% increase**).
- The **Delivery Intercept charge** for requests made by **telephone** will increase to \$14.00. The Delivery Intercept charge for requests made via the web will remain at \$11.00.
- The **On-Call Pickup Residential Surcharge** will increase \$0.25.
- The **Entry Preparation Charges for UPS Standard from Canada** shipments valued from \$200.01 through \$2,000.00 will increase \$0.50. For shipments greater than \$2,000 in value, the charge per \$1,000 of value will increase \$0.05.
- The **Brokerage Disbursement Fee Minimum** will increase \$0.50.

❖ Loss/Damage Claims Management

The process of managing your loss and damage claims is often cumbersome and time consuming. Our proprietary Claims Management System maintains data on all packages that have not reached their destination, are reported as lost, or denoted as damaged in transit.

PMAC automatically requests that traces be placed on these parcels with the carrier, and recovers the insurance value in the event they become damaged or lost entirely. Unfortunately most shippers are not aware of these kinds of exceptions until a customer reports them. With PMAC in your corner, your company can be more proactive in your approach to customer service, claims submissions and inventory controls.



Have **PMAC** evaluate how the 2011 cost changes
will impact your specific business.

Call us at **631-847-0596** or go to www.parcelmanagement.com