



A PENNY HERE - A DIME THERE - TURNS INTO REAL COST INCREASES

FedEx announced their new fiscal 2016 outlook is modestly lower than their initial forecast due primarily to weaker LTL industry demand and higher than expected self-insurance reserves and operating costs at FedEx Ground, Alan Graf, Jr., FedEx executive vice president and CFO, said. “We still expect strong earnings growth this year, as we remain focused on executing our profit improvement program, leveraging e-commerce growth and enhancing our revenue quality.” Shippers should very easily recognize this ‘financial speak’ as – ‘here comes the price increase’.

Frederick W. Smith, FedEx Corp. chairman and president stated that, “FedEx Corp. is performing solidly given somewhat weaker-than-expected global economic conditions, especially in manufacturing and global trade. Our profit improvement plan is on track and delivering impressive results, a well done to the Express team. FedEx Ground and FedEx Freight had several anomalies in the first quarter. We are confident we can continue to increase margins, earnings per share, cash flow and returns on invested capital in the years to come.”

Here are some of the reasons Mr. Smith is so confident. Effective Jan. 4th, the company said shipping rates for FedEx Express, FedEx Ground, FedEx Home Delivery, and FedEx Freight will rise an average 4.9%. FedEx also said it was increasing the surcharge on packages that exceed maximum dimensions effective Nov. 2nd. The devil is in the details. See examples of other surcharge increases below.



Examples of their newly increased charges are shown below:

For Express and Ground, the Additional Handling Surcharge will increase from \$9.00 per package (shipment) to \$10.50. Address Corrections will increase from \$12.50 to \$13.00. Dangerous Goods (HAZMAT) will increase from \$40.00 per package to \$42.50. Delivery Area Surcharges will increase from \$3.55 per package to \$3.70.

For FedEx Freight, Delivery by 10:30 A.M. on the standard due date is going from \$75.00 to \$80.00. Notification Prior to Delivery is increasing from \$50.00 to \$52.00. Liftgate Service is going from \$7.57 per hundredweight, \$112.00 minimum charge and \$369.00 maximum charge to \$7.94 per hundredweight, \$117.00 minimum charge and \$387.00 maximum charge.

While these increased fees may not appear to be significant, just think about the number of times you incur these charges and you will see how quickly they can mount up. Remember the devil is in the details. We encourage you to review the complete comparison of 2015 to 2016 increases at <http://www.fedex.com/us/2016rates/surcharges-and-fees.html>

For more information on how Data2Logistics can help you to reduce your transportation costs please contact Bob Newcom, Executive Director of Professional Services at bob.newcom@data2logistics.com or +1 239 425 8065.