



**data 2 logistics**

SHIP SMARTER AND SAVE

## BECAUSE THEY CAN

We all know UPS, the global leader in logistics that offers a broad range of solutions including transporting packages. Well it's that time of the year again when they tell us what they will be charging in their new 2016 tariff. Except as noted, the rates shown below are average increases and become effective December 28<sup>th</sup>.

- UPS Ground rates and accessorial charges will increase by an average net 4.9 percent.
- UPS Air and International services and accessorial charges, including UPS Air Freight rates within and between the U.S., Canada and Puerto Rico, will increase an average net 5.2 percent.
- UPS Freight® rates will increase an average net of 4.9 percent, effective (October 26, 2016)

Effective November 2<sup>nd</sup> UPS will also be increasing their fuel surcharges as follows:

- Ground services will increase to 5.25 percent
- Air and international shipments will rise to 4.5 percent

To put thing in perspective, last year UPS had surcharges of 4.75 percent and 3 percent respectively. The UPS fuel surcharges exceeded those of FedEx for 2015. With FedEx's 2016 price increase announcement, FedEx pulled even with the levels UPS had been charging in 2015. When the new fuel surcharges become effective on November 2<sup>nd</sup> UPS will once again represent the highest fuel surcharges in the duopoly that the two firms represent.



With oil, diesel, and jet fuel costs considered to be relatively low, why is there a need for further fuel increases at this time? This is a good question to ask your UPS sales representative. You may be surprised at the answer.

UPS claims that the answer can be found in the growth of their e-commerce business. The carrier claims that this business requires them to make more residential deliveries, which increases the number of delivery stops and the distance between those stops. But isn't that what the residential surcharge and out of area surcharges are supposed to cover? They also claim that this business lacks destination density – fewer packages being delivered per stop.

Frederick Smith, FedEx's chairman, president and CEO, has a different reason for the higher fuel surcharge. Recently speaking to a group in Memphis he indicated the company is experiencing an increase in the size and weight of online shipments, which also raises its delivery costs. I thought increased size would be covered by DIMS and additional weight by higher rates.

I think the real answer is *BECAUSE THEY CAN*. The culprit is the lack of true competition in the duopoly the parcel shippers must live with every day. What do you think?

*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](mailto:bob.newcom@data2logistics.com) or +1 239 425 8065.*