



## BAH HUMBUG

As shippers get into the holiday season they will find an unpleasant surprise under their tree on Christmas Eve. UPS, the world's largest package delivery company, said its 4.9 percent increase would go into effect on December 24th and apply to UPS Ground, UPS Air and International services, plus UPS Air Freight rates in the United States, Canada and Puerto Rico. Bah Humbug!

In September we reported that FedEx Corp had announced that rates at its FedEx Express unit will increase by an average of 4.9 percent for U.S. domestic, export and import services as of January 1st 2018.

As we have seen in the past these announcements are 'on average' and that the likely price scenario for many shippers will be higher. Over the past decade rate increases for ground shipments have risen between 4.9% and 5.9% 'on average'. On the other hand, the range for air shipments have been between 3.9% and a high of 6.9%.



Some of the most significant increases are shown below.

- Dimensional weight divisor for packages less than one cubic foot drop from 166 to 139. This will result in significant cost increases to shippers who have packages that will be charged based on their dimensions vs. actual weight. It also puts UPS' weight divisor on par with the calculation used by FedEx.
- For shippers that move Large Packages this surcharge category will see two price increases. On December 24<sup>th</sup> the cost will go to \$80.00 and on July 8<sup>th</sup> 2018 it will increase to \$90.00. This represents nearly a 30% increase.

- Additional handling charges will also take place in two steps. On Christmas Eve they will increase to \$12.00 and on July 8<sup>th</sup> 2018 they will increase to \$19.00.
- Those who move packages that are Over The Maximum Limits (OTML) will see a huge increase in this surcharge, from \$150.00 to \$500.00, an increase of over 200%.

There are many other areas where increases will be significant on a percentage basis. This includes over an 18% increase in Address Correction charges to \$15.90. Delivery Area Surcharge for residential shipments will go up by 7.69% for ground and 6.58% for air, with each increasing by \$0.25. Delivery Area Surcharge for commercial shipments will increase by \$0.30 per package for both ground and air shipments. This represents a percentage increase of 13.4% and 12.24% respectively.

With inflation being relatively low why do these increases continue to plague shippers? There are two reasons. First is the fact that both FedEx and UPS have invested in expansion of their networks in response to the demands of increased e-commerce business. E-commerce does not provide traditional margins. Second is the fact that they can. While regional carriers are making inroads to the small package marketplace, relatively speaking they have yet to prove a real threat to the duopoly pricing power that both UPS and FedEx have.

*To learn how you can deal with these holiday surprises called General Rate Increases contact: Harold B. Friedman at 609 577 3756 or [harold.friedman@data2Logistics.com](mailto:harold.friedman@data2Logistics.com).*