



Assessment of 2012 FedEx Express Rate Increase

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FedEx announced their Express service rate increases, which will become effective Monday, January 2nd 2012. The announced rate increase is 5.9%, offset somewhat with the now standard two percentage point decrease in the fuel surcharge index. This is the same announced increase as the past two years. The base rates may average the announced increases; however, the actual cell by cell increases for domestic shipments range from 2.0% to 10.0%. The following synopsis will highlight some particularly hard hit areas. Higher zone express shippers could experience increases in the 7.0% range before the fuel adjustment. Surcharges for residential delivery are up 9.1%, while the delivery area surcharge is up 8.1% for commercial and 9.1% for residential, and the extended area DAS is up a substantial 8.3%. The biggest impact to your cost may very well be in the increases to many of the common accessorial charges that were announced for 2012.

On the international side, the average outbound increase is approximately 6.0%. However, there are some isolated but substantial decreases (US to Guam shipments are down 25.1%), while US to Macau is up a whopping 46.7%. As in previous years, the devil is in the details. We'll go over this in the sections below.

FedEx Express

FedEx Air & International

FedEx Express package and freight rates will increase an average of 5.9% for U.S. and U.S. export services. The fuel price at which surcharges begin will be adjusted resulting in a 2.0% overall fuel surcharge reduction and a net average rate increase of 3.9%. Although FedEx adjusted the fuel index down by 2.0%, it should be noted that if fuel prices go down, this rate change's impact will increase as it is not protected with a backend adjustment. They have made a similar announcement of a fuel adjustment in conjunction with every rate announcement since 2006, which has substantially reduced the impacts of fuel over that time. Without those adjustments, current fuel surcharges would be approaching 30.0%, compared to the current express surcharge of 14.0% for November 2011.

Key 2012 Air & International Changes:

- **Air Residential Surcharge:** The Residential Surcharge will increase \$0.25 (9.1%) to \$3.00.
- **Delivery Area Surcharge:** Commercial DAS will increase from \$1.85 to \$2.00, an 8.1% increase. Residential DAS moves from \$2.75 to \$3.00, a 9.1% increase. The Extended DAS surcharge will increase from \$3.00 (8.3%) to \$3.25. As we have highlighted in previous analyses, 25% of the US population lives in a "DAS" area, and of those, approximately 80% live in the higher cost "Extended DAS" Zips.
- **International Zonal Changes:** The zone assignment for many countries has been changed, impacting the rate increase for many of those countries.

The following tables outline the overall rate increases by service and zone (strictly rate to rate, not accounting for the fuel adjustment). This will give you an idea of where certain services and areas match up to the 5.9% announcement. Overall, the Express Saver service once again is seeing the largest increase at 7.23%, down slightly from 7.97% instituted a year ago. Standard Overnight is next in line taking an increase of 6.41%, down from an average of 7.27% last year. Taking a closer look at the 1-50lb segment, Standard Overnight is taking an increase of nearly 7% from zones 4-8, while zones 2-3 are only increasing 5.93%. Priority overnight increased 5.44%, with slightly larger increases in the longer zones, but down a bit from last year's 6.47% increase.

Overall	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	5.2%	5.3%	5.8%	6.0%	4.9%	5.2%	5.9%	5.5%
Standard Overnight	5.8%	5.8%	6.7%	6.9%	6.7%	6.8%	6.8%	6.5%
Two Day	6.9%	6.5%	6.3%	5.9%	6.1%	6.0%	6.1%	6.3%
Express Saver	8.2%	8.0%	9.0%	7.1%	5.8%	6.3%	6.3%	7.2%

The following tables outline the rate increases by service, zone, and weight breaks of letter, 1 – 70 lbs., and 70 – 150 lbs.

Letters	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	5.0%	5.2%	6.5%	6.6%	6.6%	6.7%	6.6%	6.2%
Standard Overnight	6.5%	6.4%	7.4%	7.4%	7.3%	7.5%	7.3%	7.1%
Two Day	--	--	--	--	--	--	--	--
Express Saver	--	--	--	--	--	--	--	--

AK/HI Metro	AK/HI Rural	AK/HI Origin
6.5%	5.6%	5.7%
7.3%	--	4.1%
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1 - 70 lbs.	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	5.3%	5.5%	5.8%	6.0%	5.5%	5.8%	5.9%	5.7%
Standard Overnight	5.9%	6.0%	6.8%	6.9%	7.0%	7.0%	7.0%	6.7%
Two Day	6.9%	6.9%	6.9%	6.4%	6.5%	6.5%	6.5%	6.7%
Express Saver	9.0%	9.0%	9.4%	7.5%	6.4%	6.4%	6.5%	7.7%

AK/HI Metro	AK/HI Rural	AK/HI Origin
6.2%	6.0%	4.2%
7.0%	--	6.7%
6.2%	6.1%	4.4%
--	--	--

71 - 150 lbs.	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	5.1%	5.2%	5.8%	5.9%	4.3%	4.7%	5.8%	5.3%
Standard Overnight	5.7%	5.7%	6.5%	6.8%	6.4%	6.7%	6.6%	6.4%
Two Day	6.9%	6.2%	5.7%	5.5%	5.8%	5.5%	5.8%	5.9%
Express Saver	7.5%	7.1%	8.7%	6.8%	5.3%	6.1%	6.2%	6.8%

AK/HI Metro	AK/HI Rural	AK/HI Origin
6.0%	5.8%	4.1%
6.7%	--	4.2%
5.7%	5.6%	4.2%
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The following is a 2011 vs. 2012 rate change look for some high profile FedEx International Priority export lanes. One of the largest increases can be seen to Canada. Last year the average increase to Canada was 5.9%, but in 2012 it will increase by nearly 7%. Japan and South Korea are seeing larger than average increases as they did last year.

Export	CN	UK, FR, NL	HK, TW, SG	JP	CA	MX
Ltr	4.8%	5.9%	5.6%	4.5%	5.3%	4.9%
1 - 5 lbs.	5.0%	5.8%	5.7%	6.5%	7.0%	4.9%
1 - 100 lbs.	4.8%	5.5%	5.6%	6.7%	7.0%	5.7%

It is also important to note that FedEx changed its zone assignments by country. They are now including countries like Germany and Italy in Zone D, with England and France. Previously Germany and Italy were zone E. Furthermore, all Central American countries have been assigned zone L for 2012. In 2011, they were zone K. Other zone reassignments include many Eastern European countries as well as many Middle Eastern nations. Here is a look at how they stack up.

Export	DE, IT	Central America	Eastern Europe	Middle East
Ltr	5.9%	4.0%	2.7%	5.7%
1 - 5 lbs.	5.7%	9.0%	4.5%	6.8%
1 - 100 lbs.	5.3%	8.9%	3.7%	6.5%

Central America took the largest increase at nearly 9% overall, however that region actually will take a decrease on the import rates. The Export Economy rates vary by zone as well, but overall go up slightly more than the Priority rates as you will see below.

Export	CN	UK, FR, NL	HK, TW, SG	JP	CA	MX
1 - 5 lbs.	5.8%	6.5%	3.5%	7.5%	5.5%	7.0%
1 - 100 lbs.	6.7%	9.3%	8.2%	8.3%	6.2%	9.0%

Changes in Miscellaneous Charges from the FedEx Express 2012 Express Daily Rates Announcement:

- FedEx will be adjusting its FSC index to reflect a 2% decrease starting January 2nd.
- Dangerous Goods: Accessible will increase \$5.00 (7.1%) to \$75.00.
 Inaccessible will increase \$2.50 (7.1%) to \$37.50.
- Declared Value charges will increase \$0.05 (6.7%) to \$0.80, the minimum will also increase 6.7% to \$2.40.
- Additional Handling will increase \$0.50 (6.25%) to \$8.50.
- Delivery Area Surcharge: Commercial will increase \$0.15 (8.1%) to \$2.00
 Residential will increase \$0.25 (9.1%) to \$3.00
 Residential Extended will increase \$0.25 (8.3%) to \$3.25
- Collect on Delivery will increase \$1.00 (10%) to \$11.00.
- Direct and Adult Signature Required options will both increase \$0.25 to \$3.50 (7.7%) and \$4.50 (5.9%), respectively.
- Oversize Charge will increase \$5.00 (10%) to \$55.00.
- Residential Delivery Charge will increase \$0.25 (9.1%) to \$3.00.

More details will come to light in the weeks and months ahead. The FedEx Ground and UPS rate analyses will be completed once the rates are published.

It is important to realize that these announced rate increases are only averages and the impact to your company could vary greatly. To determine the real impact of this rate increase to your specific business and shipments, contact AFMS at (800) 246-3521 or www.afms.com for a detailed rate impact analysis.