



## UPS 2012 Rate Change Perspective

Travis Burt, Partner – Transportation Impact

As expected, UPS announced on its website Friday that, effective January 2, 2012, the published rates for its services will be increasing.

UPS Ground services will increase a net 4.9% through a combination of a 5.9% increase in rates and a 1 percentage point reduction in the UPS Ground fuel surcharge, according to the site.

UPS Air and International services will also increase a net 4.9%, through a combination of a 6.9% increase in rates and a 2 percentage point reduction in the UPS Air and International services fuel charge.

UPS Next Day Air Freight and UPS 2<sup>nd</sup> Day Air Freight rates for shipments within and between U.S., Canada and Puerto Rico will increase 5.9%. UPS 3 Day Freight rates will remain unchanged.

On August 1, 2011, UPS Freight announced a general rate increase covering non-contractual LTL shipments in the U.S., Canada and Mexico.

As a shipper, it is important to understand the DNA of the carrier rate change. The rate advertised, as pointed out by UPS, is a net increase, so depending on your characteristics, its impact could have a much greater effect on your bottom line.

A closer examination of the UPS rate structure provides a more realistic view of how the shipper will ultimately be affected. The following breakdown of the rate increases shows a stark contrast to the advertised 4.9%:

The increase on 1-5 pounds, zones 2-8 is 7.9% (compared to a 7.7% hike in 2011); 6-10 pounds is up 7.5% (7.2%); 11-15 pounds is up 7.3% (6.7%); 16-20 pounds is up 6.9% (6.1%); 21-35 pounds is up 6.3% (5.8%).

Further analysis, using the logic outlined in the graphic, provides that 70 percent of the possible 245 individual combinations in the zone 2-8, 1-35 pound range, which account for many shippers' characteristics, will see an increase of between 6.5% and 8.8%. None of the remaining combinations within this range increase by less than 5.7%, including the all-important zone 2, one-pound minimum,

which is up \$0.32, to \$5.49. This marks a 6.2% increase from 2011, pushing the rate up 13.5% since 2010.

<b>WEIGHT</b>	<b>ZONE 2</b>	<b>ZONE 3</b>	<b>ZONE 4</b>	<b>ZONE 5</b>	<b>ZONE 6</b>	<b>ZONE 7</b>	<b>ZONE 8</b>
1	6.2%	8.0%	7.8%	7.8%	7.5%	7.5%	7.6%
2	8.8%	8.7%	8.4%	8.5%	7.6%	7.5%	7.4%
3	8.8%	8.7%	8.4%	8.5%	7.6%	7.3%	7.4%
4	8.8%	8.4%	8.5%	8.5%	7.2%	7.3%	7.3%
5	7.9%	8.3%	8.4%	8.4%	7.2%	7.1%	7.1%
6	7.7%	8.2%	8.3%	8.2%	6.9%	7.1%	7.3%
7	7.5%	8.1%	8.2%	8.2%	7.0%	7.0%	7.1%
28	6.4%	6.5%	6.2%	6.9%	5.9%	6.1%	6.1%
29	6.4%	6.5%	6.1%	6.9%	5.8%	6.0%	6.1%
30	6.4%	6.5%	6.1%	6.9%	5.7%	5.9%	6.1%
31	5.9%	6.0%	5.9%	6.9%	5.7%	5.9%	5.9%
32	5.9%	6.0%	5.9%	6.9%	5.7%	5.8%	5.9%
33	5.9%	6.0%	5.9%	6.8%	5.7%	5.8%	5.9%
34	5.9%	6.0%	5.9%	6.8%	5.7%	5.8%	5.9%
35	5.9%	6.0%	5.9%	6.7%	5.7%	5.8%	5.9%

The bottom line is that UPS has effectively changed its net rate for most ground shipments by 13-17% during the last two years – a staggering number given the current economic climate.

The bleeding doesn't stop there.

Surcharges account for large portion of the carrier's profit, and can have a profound effect on the true meaning of the advertised rate increases. Below are a few important changes for 2012:

- The charge for additional handling will increase \$0.50, to \$8.50, up 6.25%.
- Commercial delivery area surcharges (DAS) will increase \$0.15, to \$2.00, up 8.1%.
- Extended residential DAS for UPS Ground and Air Services will increase \$0.25, to \$3.25, up 8.3%.
- The charge for Declared Value will increase \$0.05, to \$0.80, per \$100 of the value declared and the minimum will increase \$0.15, to \$2.40, both up 6.7%.
- The charges for Delivery Confirmation Signature Required and Adult Signature Required will each increase \$0.25, to \$3.50 and \$4.50, respectively, up 7.7% and 5.9%.
- Residential Surcharge for UPS Air Services will increase \$0.25, to \$3.00, up 9.1%, rates for Ground services jumped \$0.10, to \$2.55, a 4.1% hike.
- Hundredweight Residential surcharge will increase \$2.00, to \$26.00, up 8.3%.
- Large Package Surcharge will increase \$5.00, to \$55.00, up 10%.

Evidenced by the research provided, optimization and visibility will remain vital in terms of understanding how your own business will be affected as general rate pricing continues its upward trend.

For a free analysis of the financial impact that the 2012 UPS rate increases will have on your small parcel spend, contact Travis Burt at [tburt@transportationimpact.com](mailto:tburt@transportationimpact.com), or by calling 1-866-7REDUCE.