



Assessment of 2012 UPS Rate & Accessorial Increases

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- **Nearly 8% increase in 1-5 lb. ground rates**
- **Some accessorial increases hit 10%**
- **Several international rates approach 15%**
- **New international surcharges announced for 2012**

UPS has announced their service rate increases effective Monday, January 2nd, 2012. UPS has announced that their ground rates will take a general rate increase of 4.9% through a combination of a 5.9% increase in rates and a 1% reduction in the UPS Ground services fuel surcharge index. This is the same average increase as last year; however, there are some details that will prove otherwise. As always, the average increase for base rates does not apply to every cell. For example, the ground zone 2, 1 lb. minimum has increased 6.2% and many lightweight ground cells are taking increases approaching 9% before the fuel adjustments. Additionally, not one package over 50 lbs. is increasing above 5%, which is driving the overall average increase down. The Ground Residential Surcharge is increasing 4.1% as well.

UPS has also announced that their rate increase for air and international services is 6.9%, 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. As in past years, the accessorial rate increases are somewhat higher than the base rate increases, with some accessories seeing 10% jumps. The base rates may average the announced increases; however, the following synopsis will highlight some particularly hard hit areas. Higher zone express shippers could experience increases in the 9.0% range before the fuel adjustment, while certain heavier weight international lanes have increases approaching 15%. Surcharges for residential delivery are up 9%, while the delivery area surcharge is up 8.1% for commercial and 9.1% for residential, and in extended areas 8.3%. The following analysis compares the UPS Daily rates from 2011 vs. 2012, not the new UPS Standard rates that UPS uses for conversion accounts that match the FedEx Express rates.

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 for a detailed rate impact analysis at 800-246-3521 or visit us at www.afms.com.**

Key 2012 Ground Changes

- **Ground Residential Surcharge:** The Residential Surcharge will increase \$0.10 (4.1%) to \$2.55. Last year, this surcharge increased \$0.25 (11.4%). This increase is more in line with prior years.
- **Delivery Area Surcharge:** Commercial DAS will increase by 8.1% to \$2.00. Ground residential DAS will remain at \$2.75; however, the residential extended DAS is increasing \$0.25 to \$3.25. The Air residential DAS will increase 9.1% to \$3.00.

The zone 2, 1 lb. rate is used to establish the minimum charge in contracts. This year, that moves from \$5.17 to \$5.49, a 6.2% increase. The table below shows the trend in the minimum charge since 2005. **The minimum charge has increased nearly 52% since 2005:**

Ground Commercial zone 2, 1 lb change	2005	2006	2007	2008	2009	2010	2011	2012
Base rate zone 2, 1 lb.	\$3.62	\$3.80	\$4.00	\$4.20	\$4.57	\$4.84	\$5.17	\$5.49
\$ change from prior year	\$0.17	\$0.18	\$0.20	\$0.20	\$0.37	\$0.27	\$0.33	\$0.32
% change from prior year	4.9%	5.0%	5.3%	5.0%	8.8%	5.9%	6.8%	6.2%
Announced average rate increase	2.9%	3.9%	4.9%	4.9%	5.9%	4.9%	5.9%*	5.9%*

In assessing the **ground** rate increases across zones 2 – 8, the average increase for weights 1 – 70 lbs. is 5.6%, compared to 5.9% from last year’s increase. But averages don’t tell the whole story.

	2	3	4	5	6	7	8	Overall Zone 2-8
1 - 150 lbs.	4.3%	4.0%	3.6%	4.3%	4.1%	4.1%	3.9%	4.1%
1 - 70 lbs.	5.6%	5.6%	5.5%	6.1%	5.6%	5.7%	5.3%	5.6%
71 - 150 lbs.	3.3%	2.5%	2.0%	2.8%	2.8%	2.8%	2.6%	2.7%

Taking a closer look at the increase in the 48 contiguous, the 1 – 5 lbs. package rates increased an average of 7.9%, compared to 7.7% in 2011. The 6-15 lbs. packages increased 7.4%, compared to 6.9% the prior year. As in recent years, the largest ground increases can be found in the lower weight, short zone cells. UPS is able to get the average down to 5.9% due to the fact that the 71-150 lb cells are only taking a 2.7% increase.

As shippers seek to save money they are downgrading their lighter weight packages to ground to avoid the cost of fuel. As a result, the average ground weight is decreasing and the carriers must increase these areas to offset their losses. Conversely, the seldom used 71-150 weights are seeing an average increase of only 2.7%. You can see in the chart below how the increases get lower as the packages get heavier. Now think about your distribution and see if the average comes out to the announced 5.9%. See the attached addendum for the detailed cell by cell increases.

Zones 2-8	
1-5 lbs.	7.9%
6-15 lbs.	7.4%
16-20 lbs.	6.9%
21-30 lbs.	6.4%
31-70 lbs.	4.6%
71-150 lbs.	2.7%

Ground to Alaska, Puerto Rico, and Hawaii came in below the announced average rate increase, although the 1-5 lb. cells averaged an increase of 7.3%.

Across all tiers, the **ground CWT** service is showing an increase of 6.4%, compared to 6.3% last year. The most common tier, tier 6, shows an average increase of 6.8% for zones 2-8, compared to a slightly lower increase of 6.5% last year. The largest zonal increase can be seen in zone 2, which is taking a much higher than average increase of 8.6%. Many cells are over 9.0%. Last year zone 2 was also the highest at 8.7%. The minimum charges for this service did not change.

Tier	Weight	2	3	4	5	6	7	8	44	45	46
01	200 to 499lbs.	8.9%	8.4%	5.0%	5.7%	5.7%	6.4%	7.2%	5.9%	5.9%	5.9%
	500 to 999lbs.	9.0%	8.4%	5.1%	5.8%	5.8%	6.4%	7.3%	5.9%	5.9%	5.9%
	1000lbs. or more	8.9%	8.6%	5.1%	5.9%	5.8%	6.5%	7.3%	6.0%	6.0%	6.0%
02	200 to 499lbs.	9.0%	8.4%	4.9%	5.8%	5.7%	6.4%	7.2%	5.9%	5.9%	5.9%
	500 to 999lbs.	9.0%	8.3%	4.9%	5.9%	5.8%	6.5%	7.2%	5.9%	5.9%	5.9%
	1000lbs. or more	8.9%	8.1%	4.9%	5.9%	5.9%	6.6%	7.2%	6.0%	6.0%	5.9%
03	200 to 499lbs.	8.9%	8.4%	4.9%	5.8%	5.6%	6.4%	7.2%	5.9%	5.9%	5.9%
	500 to 999lbs.	9.0%	8.2%	5.1%	5.9%	5.7%	6.5%	7.2%	5.9%	5.9%	5.9%
	1000lbs. or more	9.1%	8.1%	5.1%	6.0%	5.8%	6.5%	7.3%	5.9%	5.9%	6.0%
04	200 to 499lbs.	9.0%	8.2%	4.7%	5.7%	5.7%	6.4%	7.2%	5.9%	5.9%	5.9%
	500 to 999lbs.	8.8%	8.4%	4.8%	5.8%	5.7%	6.4%	7.2%	6.0%	6.0%	6.0%
	1000lbs. or more	8.6%	8.3%	4.9%	5.9%	5.8%	6.5%	7.3%	6.0%	6.0%	6.0%
05	200 to 499lbs.	9.0%	8.3%	4.9%	5.8%	5.6%	6.4%	7.2%	6.0%	6.0%	5.9%
	500 to 999lbs.	9.1%	8.2%	5.0%	5.9%	5.7%	6.5%	7.3%	6.0%	6.0%	6.0%
	1000lbs. or more	8.9%	8.1%	5.0%	6.0%	5.8%	6.5%	7.3%	6.0%	6.0%	6.0%
06	200 to 499lbs.	9.0%	8.4%	4.8%	5.7%	5.6%	6.4%	7.2%	5.9%	5.9%	5.9%
	500 to 999lbs.	9.1%	8.5%	4.9%	5.8%	5.7%	6.5%	7.2%	5.9%	5.9%	6.0%
	1000lbs. or more	9.2%	8.5%	4.9%	5.9%	5.7%	6.5%	7.2%	5.9%	5.9%	6.0%
07	200 to 499lbs.	6.4%	6.0%	5.3%	7.0%	5.4%	5.2%	5.4%	5.9%	5.9%	5.9%
	500 to 999lbs.	6.4%	6.0%	5.4%	7.0%	5.4%	5.3%	5.4%	5.9%	5.9%	6.0%
	1000lbs. or more	6.4%	6.1%	5.5%	7.1%	5.5%	5.3%	5.4%	6.0%	6.0%	6.0%

UPS Air & International

UPS has announced that Air and International rates will increase by 4.9%, the same increase as the last three years. They arrived at the 4.9% through a 6.9% increase in rates, along with a 2% reduction in the air fuel surcharge index.

- **Air Residential Surcharge:** The Residential Surcharge will increase \$0.25 (9.1%) to \$3.00. Over the last two years, this surcharge has increased 20%.
- **Delivery Area Surcharge:** Commercial DAS will increase by 8.1% to \$2.00. Residential DAS will increase by 9.1% to \$3.00. The residential extended DAS is once again increasing \$0.25 to \$3.25. Keep in mind that more than 25% of the US population now lives in a DAS or Extended DAS Zip Code.
- **New for 2012 “Rural” Surcharges for US Export International Shipments:**

UPS is making a major global restructuring of its international surcharges to rural and remote locations. Previously, UPS applied a \$0.24 per lb/ \$24 minimum “Extended Area Surcharge” for US origin shipments destined to non-metro areas in more than 80 countries.

For 2012, UPS has now divided those non-metro areas into two categories: “International Extended Areas” and “International Remote Areas”. For 2012, both the “Extended” and “Remote” destinations will receive a surcharge of \$0.26 per lb/ \$26 minimum, for US origin shipments. So why bother with two designations, when both surcharges are the same for 2012? UPS is likely laying the groundwork for a substantially higher “Remote” surcharge sometime in the not too distant future. We know this because buried in the new 2012 UPS European rates is a \$6 dollar plus additional charge for the “Remote” destinations. Can the US be far behind?

- **New “Rural” Surcharges for US Import International Shipments:**

As part of the above mentioned revamp of global surcharges, UPS will now apply four new surcharges for import shipments to the US based on US Zip Code:

- Delivery Area Surcharge for U.S. Import shipments will be \$2.00
- Delivery Area Surcharge – Extended rate for U.S. Import shipments will be \$2.00
- Remote Area Surcharge rate for import shipments delivered to certain Hawaii postal codes will be \$6.00
- Remote Area Surcharge – Extended rate for import shipments delivered to certain Alaska postal codes will be \$15.00

It’s getting a lot more expensive to ship internationally!

The overall increase for Next Day Air is 7.6%, slightly lower than last year’s increase of 8.1%. Next Day Air Saver shows an overall increase of 7.6%, compared to 8.4% last year. Second Day Air is up 7.3% overall, compared to 6.4% from a year ago. Letters are up nearly 8%, however. Three Day Select is increasing 7.9% on average, similar to last year’s increase of 8.1%. The longer zones average an increase that is just over 9.0%. The following tables outline the rate increases by service, zone, and weight breaks of Letter, 1 – 70 lbs., and 70 – 150 lbs.

Overall	2	3	4	5	6	7	8	Overall Zone 2-8
Next Day Air	7.4%	7.6%	7.6%	8.1%	6.9%	7.3%	7.9%	7.5%
Next Day Air Saver	6.9%	6.9%	7.8%	8.0%	7.8%	8.0%	7.9%	7.6%
2nd Day Air	8.2%	7.7%	7.5%	7.2%	7.3%	7.2%	7.4%	7.5%
Three Day Select	6.9%	7.0%	7.2%	7.4%	9.2%	8.9%	9.0%	7.9%

Metro AK, HI	Puerto Rico	Remote AK, HI
8.3%	8.3%	6.1%
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7.2%	7.2%	6.1%
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Letters	2	3	4	5	6	7	8	Overall Zone 2-8
Next Day Air	7.1%	7.5%	8.9%	8.9%	8.8%	8.9%	8.8%	8.4%
Next Day Air Saver	7.7%	7.6%	8.6%	8.5%	8.5%	8.6%	8.4%	8.3%
2nd Day Air	8.1%	7.9%	8.0%	7.9%	8.0%	8.0%	7.9%	8.0%
Three Day Select	--	--	--	--	--	--	--	--

Metro AK, HI	Puerto Rico	Remote AK, HI
8.7%	8.7%	6.7%
--	--	--
8.4%	8.4%	8.3%
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1 - 70 lbs.	2	3	4	5	6	7	8	Overall Zone 2-8
Next Day Air	7.5%	7.7%	8.1%	8.2%	7.7%	8.0%	8.2%	7.9%
Next Day Air Saver	7.0%	7.1%	7.9%	8.0%	8.1%	8.1%	8.1%	7.8%
2nd Day Air	8.2%	8.2%	8.2%	7.7%	7.7%	7.7%	7.7%	7.9%
Three Day Select	7.2%	7.2%	7.3%	7.0%	9.2%	9.3%	9.4%	8.1%

Metro AK, HI	Puerto Rico	Remote AK, HI
8.4%	8.4%	6.3%
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7.5%	7.5%	6.7%
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71 - 150 lbs.	2	3	4	5	6	7	8	Overall Zone 2-8
Next Day Air	7.4%	7.5%	7.2%	8.0%	6.2%	6.5%	7.7%	7.2%
Next Day Air Saver	6.8%	6.8%	7.6%	7.9%	7.5%	7.9%	7.7%	7.5%
2nd Day Air	8.2%	7.4%	6.9%	6.7%	7.0%	6.8%	7.1%	7.1%
Three Day Select	6.7%	6.8%	7.0%	7.8%	9.2%	8.5%	8.8%	7.8%

Metro AK, HI	Puerto Rico	Remote AK, HI
8.2%	8.2%	5.9%
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6.9%	6.9%	5.7%
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Contact AFMS for a detailed cell by cell rate impact analysis

UPS Next Day CWT received an average increase of 8.1%.

Tier	Weight	102	103	104	105	106	107	108	124	125	126
01	100 lbs. +	8.7%	8.1%	8.6%	8.3%	8.6%	8.4%	8.3%	8.4%	8.9%	8.5%
02	100 lbs. +	8.1%	8.3%	8.3%	8.5%	8.3%	8.3%	8.4%	8.5%	8.8%	8.3%
03	100 lbs. +	7.7%	8.0%	7.9%	8.2%	7.8%	8.0%	8.2%	8.5%	8.8%	8.0%
04	100 lbs. +	7.4%	7.7%	8.1%	8.3%	7.6%	7.6%	8.3%	8.5%	8.8%	7.7%
05	100 lbs. +	7.6%	7.3%	8.3%	8.3%	7.5%	7.6%	8.2%	8.6%	8.9%	7.6%
06	100 lbs. +	7.3%	7.1%	8.2%	8.1%	7.4%	7.3%	8.3%	8.6%	8.9%	7.2%
07	100 lbs. +	7.1%	7.1%	8.1%	8.3%	6.0%	6.2%	8.2%	8.6%	8.9%	7.0%

UPS Next Day Air Saver CWT also saw an average increase of 8.1%.

Tier	Weight	132	133	134	135	136	137	138
01	100 lbs. +	7.9%	7.9%	7.9%	8.0%	8.0%	8.1%	8.1%
02	100 lbs. +	8.2%	8.1%	8.5%	8.2%	8.5%	8.3%	8.2%
03	100 lbs. +	8.7%	8.3%	8.2%	8.3%	8.3%	8.4%	8.3%
04	100 lbs. +	8.0%	8.5%	8.3%	8.4%	8.4%	8.2%	8.2%
05	100 lbs. +	8.4%	8.1%	8.2%	8.0%	8.2%	8.1%	8.0%
06	100 lbs. +	8.1%	8.0%	8.0%	8.0%	7.9%	8.0%	8.1%
07	100 lbs. +	6.4%	6.8%	7.7%	7.8%	8.0%	8.0%	7.8%

UPS Second Day Air CWT is increasing by an average rate of 6.8%. Last year the short zones took an increase of only 4.1% compared to this year's 7.3%.

Tier	Weight	202	203	204	205	206	207	208	224	225	226
01	100 lbs. +	8.6%	8.7%	8.5%	6.7%	5.8%	5.5%	5.7%	7.3%	7.6%	8.1%
02	100 lbs. +	8.5%	8.6%	8.6%	6.6%	5.7%	6.0%	6.0%	7.3%	7.8%	7.8%
03	100 lbs. +	6.9%	6.9%	6.8%	6.0%	6.4%	5.7%	6.2%	7.3%	7.6%	8.0%
04	100 lbs. +	7.6%	7.7%	7.7%	6.7%	5.7%	5.3%	5.9%	7.4%	7.8%	7.8%
05	100 lbs. +	7.0%	7.1%	6.9%	6.1%	5.5%	5.6%	5.5%	7.5%	7.8%	7.9%
06	100 lbs. +	6.6%	6.6%	6.4%	5.8%	5.2%	4.7%	5.0%	7.4%	7.6%	7.9%
07	100 lbs. +	6.4%	4.6%	6.1%	6.7%	5.0%	4.0%	5.0%	7.6%	7.7%	7.8%

The following is a 2011 vs. 2012 look at some high profile UPS World Wide Express export lanes. The increases are a bit higher than last year's increase, especially in the Letter and 1-5 lb cells. China increased 6.1% overall this year, compared to only 3.9% last year. Express to Canada is increasing only 6.9% in 2012 compared to 7.1% in 2011. However, the 1-5 lb cells are increasing 6.7% compared to 5.7% last year. Korea has increased nearly 7% compared to a much smaller increase of 4.5% a year ago.

	CN	UK, NL, FR, DE	HK, TW, SG, JP	KR, TH	CA	MX
Ltr	4.9%	5.2%	4.9%	6.7%	5.1%	4.9%
1 - 5 lbs.	5.4%	6.4%	5.6%	6.4%	6.7%	5.4%
1 - 150 lbs.	6.1%	5.8%	5.9%	6.8%	6.9%	6.9%

Contact AFMS for a detailed cell by cell rate impact analysis

FedEx 2012 Air List Rates vs. UPS 2012 Air List Rates

Historically, published FedEx Air rates are more expensive than published UPS Air rates. It is important to monitor this difference each year as a discount rate from one carrier does not translate into the same net rate for the other. Also, keep in mind that UPS has created a base rate chart called UPS Standard Rates. These rates match the FedEx Express rates and will be used on new accounts that UPS is trying to win. The following tables show the difference when comparing the FedEx 2012 list rates to the UPS 2012 daily list rates for both letters and packages. For example, a FedEx 10 lb. zone 8 Priority Overnight Air package has a list rate of \$96.90, while a UPS Next Day Air 10 lb. zone 8 package has a list rate of \$93.05. The FedEx package is 4.1% more expensive than the UPS package. This is very important during negotiations because if UPS offered a 50% discount, FedEx would have to offer a 52.0% discount just to match. For this same example last year, FedEx would have to offer a 53% discount, but UPS's rates increased at a higher rate than FedEx's. Even with the creation of UPS Standard rates, the daily rates are slowly approaching the FedEx List rates.

List Rate Premium of FedEx over UPS:

Letters	2	3	4	5	6	7	8	Overall Zone 2-8
Next Day Air	4.2%	4.0%	4.0%	4.1%	4.0%	4.2%	4.1%	4.1%
Next Day Air Saver	2.8%	2.9%	2.9%	3.0%	2.9%	2.9%	3.0%	2.9%
*2nd Day Air	6.1%	6.4%	6.2%	6.6%	8.6%	9.1%	9.6%	7.5%
Three Day Select	--	--	--	--	--	--	--	--

Packages	2	3	4	5	6	7	8	Overall Zone 2-8
Next Day Air	4.7%	4.7%	4.7%	4.8%	4.7%	4.7%	4.7%	4.7%
Next Day Air Saver	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
2nd Day Air	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.2%	4.1%
Three Day Select	29.7%	26.2%	28.1%	15.9%	14.1%	12.0%	17.2%	20.4%

*Two Day compares the UPS Letter to the FedEx 1 lb. rate

Contact AFMS for a detailed cell by cell rate impact analysis

Accessorial Changes

Changes in Miscellaneous Charges from the UPS 2012 Daily Rates Announcement:

- Delivery Area Surcharge Commercial: +\$0.15 to \$2.00
- Air Delivery Area Surcharge Residential: +\$0.25 to \$3.00
- GRD Delivery Area Surcharge Residential: No change; remains at \$2.75
- DAS Residential Extended: +\$0.25 to \$3.25
- Ground Residential Delivery Charge: +\$0.10 to \$2.55
- Air Residential Delivery Charge: +\$0.25 to \$3.00
- Saturday P/U & Delivery: No change; remains at \$15.00
- Additional Handling: +\$0.50 to \$8.50
- Address Correction: No change; remains at \$11.00
- NDA Early AM: No change; remains at \$31
- Hazardous Materials Air/Ground: +\$2.50 to \$37.50/\$27.50
- Large Package Surcharge: +\$5.00 to \$55.00
- C.O.D.: +\$0.50 to \$11.00
- Declared Value: +\$0.05 to \$0.80/\$100. Min +\$0.15 to \$2.40.
- Delivery Confirmation: +0.25 to \$3.50 for Sig. Req.; and \$4.50 for Adult Sig. Req.

We expect FedEx to closely match this UPS ground increase and to officially make their announcement shortly. **It is important to realize that these announced rate increases are only averages and the impact to your company could vary greatly.** If you have any questions on this market report, on the 2012 rate increase, including a complete cell by cell analysis by service, or if you are looking for details that were not covered here, **please contact AFMS at (800) 246-3521 or visit us online at www.afms.com.**