



Below you will find a brief summary of the impact of the carrier rate increases and continued policy for 2015. As always this is expected; however, it comes once again at a time when the economy has not completely recovered; thus continuing to magnify its effect on shippers and your customers. The carriers clearly must protect their businesses and profitability in this environment; the last quarterly earnings reports has the carriers projected at over 7% in revenue growth year over year and a 13.8% improvement in diluted EPS, this is in comparison to 7% in 2012; the carriers once again proving that they can still perform in a lower growth environment. These rate increases as well as improved carrier efficiencies have fueled these results. The customer must also seek to protect their business. Being aware of the impact of rate increases; having the visibility of your shipping personality, while understanding the direct impact to you, and shipping smarter are the necessities of navigating through these difficult times.

As the carriers continue to raise prices, as much as double digit percentages (depending on your shipping personality) in January 2015 (see below for the most significant carrier rate increase areas), we recommend that, when it comes time for carrier negotiations, you seek our assistance. Over the last several years, we have demonstrated savings through contract/rate analysis and RFP insights; without compromising carrier service standards.

The largest impact for many shippers will be seen as the new dimensional weight rules on ground services commence in January 2015.

Our job, as your freight reconciliatory, is to keep you informed of any and all "happenings" with regards to your freight circumstances. We will continue to update you so that you stay informed on the carrier changes and we will make certain that you have the information necessary to work constructively and closely with your carriers.

Best wishes for wonderful 2015.

Best regards,

Parcel Management Auditing and Consulting, Inc.

PMAC Rate Analysis Notes:

1. Carriers are continuing to discount heavier packages more because essentially the costs are the same; only incrementally different at best.
2. Longer air zones are raised higher than shorter zones.
3. If you have been diligent in converting air to GDS you will see higher increases in air services due to this. For more accurate budgeting PMAC can analyze the specific effects on your specific freight spends.
4. Residential deliveries are increasing due to less packages going to stores and directly to consumers. Average package weights are decreasing also for this reason. We are seeing UPS experimenting with services such as Access Point and My Choice in an attempt to reduce the amount of possible residential attempts on deliveries
5. Continual overlap in GDS and air services allow the carriers to keep the air services within GDS zones higher.
6. DIM factors have decreased significantly, resulting in higher billed weights
Domestic DIM factor moving from 194 to 166
International DIM factor moving from 166 to 139
7. DIM factors need to be offset by standardizing box sizes. PMAC can help
8. 2015 DIM Rules can effect rates for some shippers well into the double digits (see example below)

2011 DIMENSIONAL FACTORS continue to have a tremendous impact on your shipment weight valuations.

Example: 2010 weighting for 35x13x25 package @194(current factor) = 58.63 lbs.

2011 weighting for 35x13x25 package @166 (new factor) = 68.52 lbs.

NET weight increase of 16.7%!

Give us a call and have PMAC evaluate the complete cost impact; specific to your freight personality.

New 2015 DIM Weight Rules- “The Weight of Air”

UPS and FedEx in January of 2015 and thereafter will be re-defining the laws of physics and declaring that “air has weight”. It is surely a justifiable assertion when you are in the business of shipping toilet paper and paper towels; these items are large and bulky and take up more room in the line haul; this extra room could have been used for smaller and larger revenue generating parcels. However, if you are not in the business of shipping these items the slap on the wrist may not be justified on your wrist. Here’s how it will work.

See below:

Let’s say this box is:

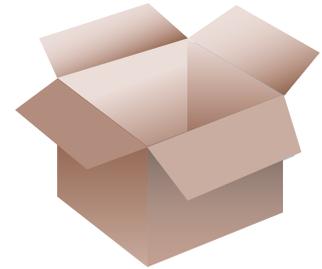
12 x 10 x 8, this would = 960 cubic inches; we calculate the cubic inches by multiplying the length (12), the width (10) and the height (8). $12 \times 10 \times 8 = 960$ cubic inches.

Today for any ground packages shipped with UPS and FedEx that are under 5184 cubic inches will not be subject to any dimensional weight pricing; what is dimensional weight pricing?

Dimensional weight pricing is being billed for the higher of the dimensional weight of the package or the actual weight of the package. Dimensional weight is determined by calculating the cubic inches and dividing by a “dimensional factor” or denominator. The current UPS and FedEx standard published DIM divisor (factor) is 166 on domestic packages.

So, back to our sample box; our sample box is 960 cubic inches; we divide this by 166 and we get 5.78 DIM weight.

$960/166 = 5.78$ pounds; this will round up to 6 pounds as dimensional weight. Previous to 2015 DIM Rules this package would have simply gone out at the actual weight of the package; in 2015 it will be billed at the greater weight of the DIM weight or the actual weight.



The Real Impact Analysis

Ground Rate Increases

- Overall GDS Rates increased 5.46-7.04 percent for packages 1- 10 lbs. for Zones 2-8.
- As expected the percent increase declined with higher weight packages.
- The largest increases were for packages 1 lb. to zones 3 and 4
- All net increases are substantially higher for weights less than 48 lbs.

Next Day Air Increases

- Premium Air Rates increased 2.88-7.71 percent from LX to 10 lbs.
- The highest increase was for zones 107 and 108.
- For NDA services the lowest increases were for Zones 102 and 103

Next Day Air Saver Increases

- Saw the largest rate increases from 1-10 lbs. and in zones 132 and 133; from 7.63-7.92 percent

2nd Day Air Increases

- The largest increases interestingly are in the zone 204 area as shippers continue to use 2 day air services in ground zones. The increases here were as high as 8.8% for a 2 day air letter; increases ranged from 4.62-8.8 percent from 1-10 lbs. and zones 202-208.

3 Day Select Increases

- The highest average rate increases at 9.62% are in zone 305

Hundredweight Increases

- With dramatic Hundredweight (CWT) rate increases shippers need to be cognizant of the costs/lb. and possible LTL alternatives.

Shippers should be aware that UPS Hundredweight (CWT) and FedEx Ground Multi-weight (MWT) programs were developed to convert LTL minimum rated shipments into Parcel deliveries. Now that both UPS and FedEx have LTL Operations (UPS Freight and FedEx Freight) expect the carriers to trend towards premium pricing to handle multiple piece shipments in their Parcel networks. Recent increases in CWT/MWT rates, average package weight minimums and accessorial charge increases related to traditional LTL shipments (e.g. Large Package Surcharges, HazMat fees, etc.) makes it essential to have alternative cost and service effective options at your disposal. With LTL carriers expanding their service areas and service options; it is essential to consider these and hybrid alternatives.

PMAC can help! http://www.parcelmanagement.com/rate_contract_negotiation.php

UPS/FedEx Ground Rate Increases 2015

| Zones | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | | 8 | |
|--------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|-------|----------|
| | 2015 | % Change |
| 1 Lbs. | 6.61 | 7.15 | 7.15 | 7.04% | 7.35 | 6.99% | 7.67 | 6.97% | 7.94 | 6.01% | 8.05 | 6.06% | 8.17 | 5.97% |
| 2 | 7.24 | 7.8 | 7.8 | 6.85% | 8.42 | 6.85% | 8.6 | 6.83% | 8.97 | 5.90% | 9.16 | 6.76% | 9.41 | 5.85% |
| 3 | 7.35 | 8.13 | 8.13 | 6.83% | 8.88 | 6.86% | 9.15 | 6.77% | 9.53 | 5.77% | 9.85 | 6.83% | 10.41 | 5.79% |
| 4 | 7.59 | 8.33 | 8.33 | 6.79% | 9.31 | 6.77% | 9.73 | 6.81% | 10.01 | 5.81% | 10.48 | 6.83% | 11.15 | 5.79% |
| 5 | 7.7 | 8.39 | 8.39 | 6.47% | 9.65 | 6.51% | 10.09 | 6.55% | 10.33 | 5.52% | 10.87 | 6.46% | 11.7 | 5.50% |
| 6 | 7.97 | 8.63 | 8.63 | 6.54% | 9.77 | 6.54% | 10.29 | 6.52% | 10.58 | 6.55% | 11.14 | 6.50% | 11.91 | 5.49% |
| 7 | 8.33 | 8.85 | 8.85 | 6.50% | 9.94 | 6.54% | 10.52 | 6.48% | 10.77 | 5.48% | 11.44 | 6.52% | 12.25 | 5.51% |
| 8 | 8.56 | 9.06 | 9.06 | 6.46% | 10.1 | 5.54% | 10.72 | 6.45% | 11.1 | 5.51% | 11.79 | 6.50% | 12.79 | 5.53% |
| 9 | 8.72 | 9.28 | 9.28 | 6.54% | 10.24 | 5.46% | 10.8 | 5.47% | 11.33 | 5.49% | 12.28 | 5.50% | 13.59 | 5.51% |
| 10 | 9.01 | 9.32 | 9.32 | 6.51% | 10.4 | 5.48% | 11.11 | 5.51% | 11.79 | 5.46% | 13.12 | 5.47% | 14.49 | 5.54% |
| 11 | 9.4 | 6.46% | 9.69 | 6.48% | 10.5 | 5.53% | 11.29 | 6.51% | 12.19 | 6.46% | 14.09 | 6.50% | 15.45 | 6.48% |
| 12 | 9.55 | 5.52% | 9.99 | 6.50% | 10.59 | 5.48% | 11.45 | 5.53% | 12.51 | 5.48% | 14.79 | 5.49% | 16.33 | 5.49% |
| 13 | 9.78 | 5.50% | 10.23 | 6.45% | 10.73 | 5.51% | 11.66 | 5.52% | 13.02 | 5.51% | 15.7 | 5.51% | 17.39 | 5.52% |
| 14 | 10.03 | 6.48% | 10.51 | 6.48% | 10.83 | 5.45% | 11.83 | 5.53% | 13.64 | 5.49% | 16.67 | 6.52% | 18.39 | 5.51% |
| 15 | 10.09 | 5.54% | 10.84 | 6.48% | 11.05 | 6.45% | 12.38 | 6.54% | 14.26 | 5.47% | 17.35 | 5.47% | 19.32 | 5.52% |

UPS 2015 Rate Change Information

The following changes will be made to package surcharges and accessories, effective December 29, 2014. See the applicable 2015 UPS Rate and Service Guide for further details.

Additional Handling Surcharge

- The Additional Handling charge will increase \$0.25

Address Corrections

- The Address Correction, Missing / Invalid Account Number or Refusal Fee, and Chargeback for Consignee Billing Shipments, will increase \$0.15. The maximum Address Correction charge applied to domestic U.S. UPS Hundredweight Service shipments will increase \$1.05.

Area Surcharges

- The Delivery Area Surcharge applied to commercial and commercial extended addresses for U.S. UPS Air Services will increase \$0.10. The Delivery Area Surcharge applied to residential and residential extended addresses for U.S. UPS Air Services will increase \$0.15.
- The Delivery Area Surcharge applied to commercial and commercial extended addresses for U.S. UPS Ground Services will increase \$0.13. The Delivery Area Surcharge applied to residential addresses for U.S. UPS Ground Services will increase \$0.15. The Delivery Area Surcharge applied to residential extended addresses for U.S. UPS Ground Services will increase \$0.18.
- The Delivery Area Surcharge for UPS Hundredweight Service® will increase \$0.55.
- The Extended Area Surcharge for international shipments will increase \$2.00 or \$0.02 per pound.
- The Alaska Remote Area Surcharge will increase \$2.50, and the Hawaii Remote Area Surcharge will increase \$0.50.
- For a complete listing of eligible U.S. postal codes and to determine which charge may be applied, [click here](#).

Collect on Delivery (COD)

- The UPS Collect on Delivery charge will increase \$0.50.

Delivery Confirmation

- The charges for Delivery Confirmation Signature Required will increase \$0.13.* The charges for Delivery Confirmation Adult Signature Required will increase \$0.10.*

Customs Brokerage

- The charge for Pre-Release Notification will increase \$2.50.

UPS Delivery Intercept®

- The charge for UPS Delivery Intercept request will increase \$0.15 for requests made via ups.com® and \$0.50 for requests made by telephone.

Large Package Surcharge

- The Large Package Surcharge will increase \$0.90.

UPS On-Call Pickup®

- The Area Surcharge for a UPS On-Call Pickup request for residential addresses will increase \$0.15
- The Area Surcharge for a UPS On-Call Pickup request for extended residential addresses will increase \$0.18.
- The Residential Surcharge for a UPS On-Call Pickup request will increase \$0.20.
- The Alaska Remote Area Surcharge for a UPS On-Call Pickup request will increase \$2.50, and the Hawaii Remote Area Surcharge for a UPS On-Call Pickup request will increase \$0.50.

Over Maximum Limits

- The Over Maximum Limits charge will increase \$5.85.

Residential Surcharges

- The Residential Surcharge for U.S. Ground Services and UPS® Standard shipments will increase \$0.20. The Residential Surcharge for U.S. UPS Air Services and UPS International Air Services imported to the U.S. or destined to Canada and billed to a U.S. payer will increase \$0.15.
- The Residential Surcharge for a UPS Hundredweight Service shipments will increase \$1.30, and the Residential Surcharge for UPS Worldwide Express Freight® shipments will increase \$10.00.

* Applies only to Daily and Standard List Rates.

FedEx Express and FedEx Ground

The following surcharge changes will take effect Jan. 5, 2015, unless otherwise noted, for FedEx Express® and FedEx Ground® services.

| Surcharge Name | Applicable Services | 2014 | | 2015 | |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------------------------------------------------|---------|
| Additional Handling Surcharge | U.S. express package services and U.S. and international ground services 7.15 | \$8.50 per package | | \$9 per package | |
| | International express package services 7.8 | \$8.50 per shipment | | \$9 per shipment | |
| | U.S. express freight services 8.13 | \$110 per piece, skid or pallet | | \$115 per piece, skid or pallet | |
| | International express freight services | \$110 per shipment | | \$115 per shipment | |
| Address Correction | U.S. express package services; international express package and freight services; and U.S. and international ground services | \$12 per correction | | \$12.50 per correction | |
| | U.S. express freight services | \$65 per correction | | \$68 per correction | |
| | Maximum charge with FedEx Express Multiweight® pricing | \$84 per shipment | | \$87.50 per shipment | |
| | Maximum charge with FedEx Ground Multiweight® pricing | \$38.15 per shipment | | \$39.80 per shipment | |
| Advancement Fee | Express U.S. import services | Greater of \$6.50 or 2% of duty, tax and merchandise processing fee charges | | Greater of \$7 or 2% of duty, tax and merchandise processing fee charges | |
| Clearance Entry Fee | International ground U.S.-to-Canada shipments | Value for Duty (CAD\$) | Fee | Value for Duty (CAD\$) | Fee |
| | | \$0-\$20 | \$0 | \$0-\$20 | \$0 |
| | | \$20.01-\$40 | \$7 | \$20.01-\$40 | \$7 |
| | | \$40.01-\$100 | \$19.45 | \$40.01-\$60 | \$15.45 |
| | | | | \$60.01-\$100 | \$19.30 |
| | | \$100.01-\$200 | \$29 | \$100.01-\$150 | \$25.50 |
| | | | | \$150.01-\$200 | \$29 |
| | | \$200.01-\$1,000 | \$40.30 | \$200.01-\$500 | \$45.35 |
| | | | | \$500.01-\$1,000 | \$50.75 |
| | | \$1,000.01-\$1,600 | \$46.70 | \$1,000.01-\$1,600 | \$60.10 |
| \$1,600.01-\$2,000 | \$52.74 | \$1,600.01-\$2,500 | \$70 | | |
| \$2,000.01+ | \$52.74 + \$6.03 for each additional \$1,000 | \$2,500.01+ | \$70 + \$6.03 for each additional \$1,000 | | |
| Declared Value | U.S. express package services and U.S. and international ground services | \$0.90 per \$100 for shipments valued in excess of \$100 (\$2.70 minimum) | | \$0.95 per \$100 for shipments valued in excess of \$100 (\$2.90 minimum) | |
| | U.S. express freight services | \$0.90 per \$100 of value in excess of \$100 or \$1 per lb., whichever is greater | | \$0.95 per \$100 of value in excess of \$100 or \$1 per lb., whichever is greater | |
| | International express package and freight services | \$0.90 per \$100 of value in excess of the greater of \$100 or \$9.07 per lb. | | \$0.95 per \$100 of value in excess of the greater of \$100 or \$9.07 per lb. | |

| Surcharge Name | Applicable Services | 2014 | 2015 |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Delivery Area Surcharge | U.S. express package services and U.S. ground services (residential) | \$3.40 per package | \$3.55 per package |
| | U.S. express package services and U.S. ground services (extended residential) | \$3.65 per package | \$3.80 per package |
| | U.S. express package services (commercial, extended commercial) | \$2.25 per package | \$2.35 per package |
| | U.S. ground services (commercial, extended commercial) | \$2.07 per package | \$2.20 per package |
| | Express Alaska package services (residential, commercial) | \$17.50 per package | \$20 per package |
| | Express Hawaii package services (residential, commercial) | \$6 per package | \$6.50 per package |
| | Ground Hawaii services (residential, commercial) | \$11 per package | \$12 per package |
| | FedEx Home Delivery (residential) | \$2.85 per package | \$3 per package |
| | FedEx Home Delivery (extended residential) | \$3.62 per package | \$3.80 per package |
| | FedEx Home Delivery (Hawaii residential) | \$11 per package | \$12 per package |
| | Maximum charge with FedEx Express Multiweight (residential, commercial, extended residential, extended commercial) or FedEx Ground Multiweight (residential, extended residential) pricing | \$11.25 per shipment | \$11.80 per shipment |
| | Maximum charge with FedEx Ground Multiweight pricing (commercial, extended commercial and FedEx Home Delivery residential) | \$10.35 per shipment | \$11 per shipment |
| Delivery Reattempt Charge | U.S. express freight services | Greater of \$48 per shipment or \$0.0513 per lb. | Greater of \$52 per shipment or \$0.057 per lb. |
| Disbursement Fee | International ground Canada-to-U.S. shipments | Greater of \$6.50 or 2% of duty, tax and merchandise processing fee charges | Greater of \$7 or 2% of duty, tax and merchandise processing fee charges |
| FedEx® Collect on Delivery (C.O.D.) | U.S. express package services | \$12 per package | \$12.50 per package |
| | Maximum charge with FedEx Express Multiweight pricing | \$84 per shipment | \$87.50 per shipment |
| | U.S. express freight services | \$65 per shipment | \$68 per shipment |
| FedEx® Delivery Signature Options | U.S. express package services and U.S. and international ground services | Direct Signature Required: \$3.75 per package | Direct Signature Required: \$4 per package |
| | Maximum charge with FedEx Express Multiweight or FedEx Ground Multiweight pricing | Direct Signature Required: \$26.25 per shipment | Direct Signature Required: \$28 per shipment |
| | U.S. express package services and U.S. ground services | Indirect Signature Required: \$3 per package | Indirect Signature Required: \$3.50 per package |
| | | Adult Signature Required: \$4.75 per package | Adult Signature Required: \$5 per package |
| | Maximum charge with FedEx Express Multiweight or FedEx Ground Multiweight pricing | Indirect Signature Required: \$21 per shipment | Indirect Signature Required: \$24.50 per shipment |
| | | Adult Signature Required: \$33.25 per shipment | Adult Signature Required: \$35 per shipment |

| Surcharge Name | Applicable Services | 2014 | 2015 |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| FedEx Ground® C.O.D. | U.S. and international ground services | \$12 per package | \$12.50 per package |
| | Maximum charge with FedEx Ground Multiweight pricing for regular or guaranteed funds C.O.D. | \$84 per shipment | \$87.50 per shipment |
| FedEx Ground® Electronic C.O.D. (E.C.O.D.) | U.S. ground services | \$12 per package, plus a weekly charge of \$10 (deposit in 48 hrs.) or \$35 (deposit in 24 hrs.) | \$12.50 per package, plus a weekly charge of \$10 (deposit in 48 hrs.) or \$35 (deposit in 24 hrs.) |
| | Maximum charge with FedEx Ground Multiweight pricing for regular or guaranteed funds C.O.D. | \$84 per shipment | \$87.50 per shipment |
| Inside Delivery Charge | U.S. express freight services | Greater of \$80 per shipment or \$0.053 per lb. | Greater of \$85 per shipment or \$0.056 per lb. |
| Inside Pickup Charge | U.S. express freight services and FedEx International Premium® | Greater of \$80 per shipment or \$0.053 per lb. | Greater of \$85 per shipment or \$0.056 per lb. |
| International Out-of-Delivery-Area Surcharge | International express services | Greater of \$28 per shipment or \$0.28 per lb. | Greater of \$30 per shipment or \$0.30 per lb. |
| International Out-of-Pickup-Area Surcharge | International express services | Greater of \$28 per shipment or \$0.28 per lb. | Greater of \$30 per shipment or \$0.30 per lb. |
| Missing or Invalid Account Number (including account number correction) | U.S. and international express package and freight services, U.S. and international ground services (payor accounts) | \$12 per shipment | \$12.50 per shipment |
| | U.S. and international ground services (shipper accounts) | \$11 per shipment | \$12.50 per shipment |
| Oversize Charge | U.S. express package services and U.S. and international ground services | \$55 per package | \$57.50 per package |
| Payer Rebilling | U.S. and international express package services and U.S. express freight services | \$12 per shipment | \$12.50 per shipment |
| Reroute of Shipment | U.S. express package services | \$12 per package | \$12.50 per package |
| | U.S. express freight services | \$65 per shipment | \$68 per shipment |
| | Maximum charge with FedEx Express Multiweight pricing | \$84 per shipment | \$87.50 per shipment |
| Residential Delivery Charge | U.S. express package services and U.S. and international ground services | \$3.35 per package | \$3.50 per package |
| | International express package services | \$3.35 per shipment | \$3.50 per shipment |
| | Maximum charge with FedEx Express Multiweight or FedEx Ground Multiweight pricing | \$29 per shipment | \$30.30 per shipment |
| | FedEx Home Delivery | \$2.90 per package | \$3.10 per package |
| | U.S. and international express freight services | \$115 per shipment | \$120 per shipment |
| Residential Pickup Charge | U.S. express freight services and FedEx International Premium | \$115 per shipment | \$120 per shipment |
| Unauthorized Oversize Charge | U.S. ground services | \$55 per package | \$57.50 per package |

Carrier Rate Increase and 2015 Rate Links:

UPS:

<http://rates.ups.com/>

FedEx:

<http://www.fedex.com/us/2015rates/rate-changes.html>

Address Correction Increases

Address correction fees can be crippling when it comes to freight management and cost control. Please ask how PMAC can assist in cleaning up bad addresses from your manifest system thereby making them USPS compliant and exempted from UPS/FedEx address correction fees. We have been instrumental in handling many data specific projects for our customers http://www.parcelmanagement.com/case_studies.php

These rate and charge increases can have a tremendous impact on your bottom line. Please contact PMAC and have us evaluate how these cost changes will impact your business.

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