

ANALYSIS OF:
**GLOBAL
PARCEL RATE
INCREASES**
2009

Presented by:

TRUE NORTH LOGISTICS

Global Logistics, Simplified.

Introduction

Carriers Raise International Shipping Rates, Fees for '09

A Comprehensive Analysis-Substantial Increases to Base Rates, Add On Charges, Plus More Increases Likely

A number of international carriers have announced international rate increases, including the majority of the global integrators and postal operators. Others are likely to do so in the weeks and months ahead. In some cases the increases are well over 10%, and there are some very significant-and potentially costly- increases to add on charges as well. Below is a summary of those increases, based on carrier and country.

FedEx

FedEx Worldwide-FedEx raises international rates, but leaves Express dimensional charges alone, at least for now

FedEx international rate increases were effective 5 January, for shipments between virtually all countries. FedEx, which has a 2% share of the express market in Europe, will retain the 6000/166 dimensional factor, at least for now-see below for details. Outside the US, FedEx is the single remaining global integrator that has not adopted the more costly 5000/139 dimensional factor.

FedEx Canada-international shipments increase an average of 5%-new dimensional charges on Ground packages

- Ground, Express and International rates increases became effective as of 5 January
- Express domestic and international rates increased by an average of 5%, offset by a 2% decrease in the fuel surcharge
- FedEx Ground intra Canada and international Canada-to-US base rates increased by an average of 3.8%
- Canada to US Express shipments are now based on origin and destination zones
- New Express zone charts for rest of world destinations
- Dimensional weight factor for domestic and international Express shipments remains at 6000/166
- Ground Zone 2, 1 lb rate up 31 cents to \$6.67 (a 4.8% increase)
- 5 LB International Ground shipment-Toronto to Los Angeles-up 79 cents to \$18.29 (a 4.5% increase)
- Ground Additional Handling up \$1.00 to \$7 (a 16.7% increase)
- Ground Address Correction up \$2.50 to \$10 (a 33.3% increase)
- Ground Declared Value up \$0.10 to \$1.20 (a 9.1% increase)
- Ground Residential Surcharge up 25 cents to \$2.50 (a 11.1% increase) *note: FedEx Express Canada does not charge extra for residential delivery*
- Effective 19 January, Ground packages are subject to a new 166/6000 dimension charge, if over 3 cubic feet. Shipping rates for large, lightweight packages could increase by 20% or more, depending on dimensions and weight

FedEx US-rates increase by an average of 6.9%, but some rates to Europe up nearly 10%

FedEx international rate and surcharge increases were effective 5 January, impacting FedEx shipments between virtually all countries. FedEx announced that US outbound international rates increased by an average of 6.9%, offset by a 2% reduction in the fuel surcharge. We found that actual increases to be 7.81% for International Priority, and 6.52% for International Economy. Some of the highest increases were on shipments to Western Europe, approaching nearly 10% in many cases. Here are the average increases for FedEx International Priority outbound shipments from the US:

- China 5.7%
- Japan 6.2%
- Hong Kong/Singapore/Taiwan 6.9%
- Canada and Mexico-7%
- Western Europe-9.2%-9.5%

When it comes to FedEx, avoid unlucky 13!

A curious rate anomaly can be found in the 2009 FedEx rate charts-the big, and unexplained, jump in rates between 12 lbs and 13 lbs. For instance, the 2009 rate for an 11 lb shipment to the UK is \$143.78, while the 12 lb rate is \$143.63-a jump of just 25 cents. But look what happens between 12 and 13 lbs-a jump of \$15.69. A shipment to South America jumps 25 cents between 11 and 12 lbs, but \$35.11 between 12 and 13. An extreme example is Zone M, which includes Poland, Russian and Eastern Europe. The 11 to 12 lb rate jumps 25 cents, while the 12 to 13 lb rate jumps a whopping \$49.72. Moral: keep your weights down whenever possible-adding just a single pound can drive up costs.

Rates for FedEx Express multiple piece shipments-not always a bargain

Rates for FedEx International Multiweight shipments increased an average of 8% for International Priority and 7.9% for International Economy. But a close look at the Zone E Economy Western Europe rate chart reveals some startling details. The rates increase a flat 3% for every lb between 77 and 99 lbs-seemingly a relatively minor increase. However, take a look at what happens at the 100 lb weight break-the increase more than triples, from 3% to 9.3%. Why the big jump, and just for the 100 lb weight? Because the all-important lb rate applied to multiple piece shipments over 100 lbs is based on the 100 lb rate cell, which for 2009 is up 9.3% to \$4.00 per lb. Here's an example. You have 3 boxes for the same address in Germany, and you want to ship by the least expensive method-Economy Express. The boxes weigh 33 lbs each, and you pay the 99 lb rate of \$3.76 per lb, which works out to \$124.08 per box, not including fuel. Now let's say you have 10 boxes, instead of three. The Multiweight lb rate is \$4.00, and the cost per box jumps to \$132.00. Clever! In this case, it's better off to decline the Multiweight rate, in favor of shipment pricing. There are a couple of ways to accomplish this-contact us for details.

No changes to FedEx Express dimensional penalties, at least for now

For 2009, FedEx has elected to keep the global dimensional charge for outbound and inbound shipments at 166/6000, which is a bit of good news for shippers. This potentially gives FedEx a price advantage on intra-Europe and Asian shipments, among others. FedEx has posted the following note on their European websites:

“Adding Value to Our Customers-During the current global economic situation, to help its customers by facilitating their international shipments, FedEx will continue to apply the same calculation for the

dimensional weight. The calculation is therefore still determined by multiplying a package's length x height x width (all in centimeters) and dividing the total by 6000.”

UPS

United Parcel Service Worldwide-major changes to dimensional weights

UPS raised international rates and fees for virtually all countries, effective 5 January. UPS has also changed the dimensional rate for import shipments from 166/6000 to 139/5000-see below for additional info. Shipments between Canada, Mexico and the US remain at 6000/166. This change became effective as of 5 January.

Buried in the new UPS tariffs are some major-and potentially costly-changes in the dimensional charge calculations. Beginning in 2009, for virtually all locations outside of North America, a new 5000/139 factor will be in place, replacing the previous 6000/166 factor. Here is a comparison of a UPS Express Saver shipment from London to New York City, measuring 56cm X 56cm x 56cm:

- 2008 Express Saver-scale weight 25 kg, dimensional weight 30 kg, base shipping charge £153.10
- UPS Express Saver 2009-scale weight 25 kg, dimensional weight 40 kg, base shipping charge £193.40-a 26.3% increase over the 2008 rate

The reduction in the dimensional factor will also impact other charges, because shipping charges are themselves typically subject to VAT, Duty and fuel surcharges. This could push the increase for some shipments to over 30%. FedEx, for their part, has not changed the dimensional calculation, at least for now-see above. TNT Express and DHL have also recently changed 5000/139 factor.

United Parcel Service US-international increases average 6% with some cells up 9%, and adopts 5000/139 dimensional factor on most inbound shipments

UPS international rate and add-on charge increases were effective January 5th, for shipments between virtually all countries. Here are the average increases for UPS Export Saver:

- China 4.6%
- Korea 5.8%
- Mexico 3.9%
- Russia 7.1%
- Singapore/Japan/Hong Kong 5.6%
- Western Europe 7.2%

DHL Express

DHL Worldwide-DHL may forgo rate increases for 2009, at least for North America

DHL has not announced new rates for the US for 2009. In past years, DHL has raised international rates in January. So at least for now, 2008 rates and surcharge remain in effect. Also in January, DHL made an unannounced change to the US fuel surcharge calculation, which effectively lowered the surcharge on international shipments by 4%. So in effect, DHL international shippers are enjoying slightly lower rates for 2009, vs. 2008.

DHL lowers dimensional factors for most areas outside of North America

Beginning on 1 November 2008, DHL started lowering the dimensional factor to 5000/139 for most areas of the world, with very few exceptions. As of this writing, only a handful of DHL locations continue to use the less restrictive 6000/166 factor, including the Czech Republic, Saudi Arabia and the United States.

TNT Express

TNT Express International-no rate change announcements yet-but new 5% import service charge for some locations

TNT Express has not yet announced rate changes for 2009. TNT has an industry leading 18% share of the Express B2B market in Europe, followed closely by DHL (16%), UPS (9%), and France's La Poste (7%) Royal Mail/ParcelForce (5%) and FedEx (2%). TNT and Royal mail are currently in talks about a potential merger.

On 1 February, TNT implemented a percentage-based "Import Handling Surcharge" of 5%, for at least some destinations. Here are the details from TNT's Vietnam web site: "TNT has offered a single service rate equal to Imports and Exports over recent years. However, the handling cost of imports is significantly higher and no longer absorbable into our current rate structure. This high cost has resulted in the implementation of the surcharge that will only apply on import shipments."

TNT Post Parcels-rates increased January 1st, but can still be a great deal

TNT Post raised parcel rates for shipments tendered in the Netherlands on 1 January. Even with those increases, TNT Post can be a terrific bargain for parcels. For instance, A TNT Post Express Europe .5kg Envelope, shipped from Amsterdam to London, is € 9.46. That same item, shipped in a UPS Express Saver Envelope (UPS' least costly express option) is € 46.25 plus 10% fuel, for a total of € 50.88. The UPS shipment would arrive in one day (guaranteed), while the TNT shipment would arrive in 1-2 days, and includes full tracking and tracing. As an added bonus, parcels tendered to TNT Post are VAT exempt, while parcels tendered to commercial carriers, including DHL Express, TNT Express, and UPS, are subject to VAT.

Regional Carrier Highlights

US Postal Service international shipments-increases up to 11.9%, but some rates are down

The Postal Service is changing their international rates on some services on January 18th, while others will change on May 11th. In fact, Swiss Post and the Postal Service are the only parcel carriers who are actually lowering some shipping rates for 2009. The Postal Service is also adding new international zones.

Global Express Guaranteed, which is actually transported and delivered by FedEx, is up 11.2%. Express International is up 8.5%, Priority International is up 8.5%, and International Direct Sacks (M Bags) are up 8%. Interestingly, international shipments tendered directly to FedEx are subject to a number of add on charges, while shipments tendered to USPS, for transport and ultimate delivery by FedEx, are not subject to many of those charges, which can easily add \$20 or more to the cost of a shipment. USPS will raise the rates for the remaining international shipping services on May 11th,

with some rates actually going down. Here are the percentage changes by country, for ISAL (International Surface Air Lift and IPA (International Priority Airmail), for high volume shippers dropping at a USPS International Service Center:

- Overall: IPA up 4.2%, ISAL up 3.1%
- Canada: IPA up 6.9%, ISAL up 6.4%
- Mexico: IPA *down* 6.1%, ISAL *down* 10.1%
- Great Britain: IPA up 4.2%, ISAL no change
- Netherlands: IPA up 1.9%, ISAL *down* .5%
- Germany: IPA 11.9%, ISAL up 1.1%
- Japan: IPA up .1%, ISAL up 4.1%

Canada Post-rates increases effective 12 January

In addition to the rate increases, the current Priority Courier Intra Canada Service has been renamed Priority Next A.M. In September of 2008, Canada Post replaced the Purolator International Service with Priority Worldwide, which is now delivered to international destinations by FedEx. Although the list rates for Priority Worldwide are somewhat higher than the equivalent FedEx service, many add on charges do not apply, so the Canada Post offering may offer lower overall rates in some cases.

Purolator Canada-rate increases effective 5 January

Effective 5 January, Purolator list rates will increase by an average of 7.9 percent, and Purolator's Dynamic Fuel Surcharge Table decreased by 5 percent.

ParcelForce UK-rate increases effective 7 April

ParcelForce, a division of UK's Royal Mail, will increase shipping rates on April 7th. ParcelForce currently delivers over 1 million packages per day throughout Europe. Actual rate increases have not yet been posted.

Swiss Post Parcels-first rate change in six years-some rates going down-effective 1 April

For the first time in more than six years, Swiss Post intends to adjust its prices for shipping domestic parcels. From 1 April 2009, the price for sending heavy parcels will probably be reduced by one Swiss franc, while the cost of parcels weighing up to 5 kg will be increased by one Swiss franc. Swiss Post will apply a discount to customers who frank their parcels using WebStamp. A price increase of around 7% is planned for parcels and courier items abroad and would take effect on 1 April 2009. Swiss Post is awaiting final action on the changes from regulators.

FYI

Big changes to Extended Area Charges

Important change: FedEx has introduced a new, \$22 Extended Area Pickup charge for international shipments, which is in addition to the existing, \$22 Extended Area Delivery surcharge. So depending on the pickup and delivery address, shippers could get hit with an additional \$44 charge, which itself is subject to the fuel surcharge. Here is a comparison of extended area charges by carrier:

FedEx-Extended Area Charge- \$22 for first 100 lbs-87 countries total; applies to both pick up address and delivery address.

UPS-Extended Area Charge- \$22 for first 100 lbs-Extended charges apply to delivery address only in 52 countries, and to both pick address and delivery address in 19 countries-total 71 countries

DHL-Remote Area Charge- \$22 for first 100 lbs-applies to a total of 114 countries

Keep in mind that for a specific country and address, one carrier may charge the fee, while another does not-you could end up paying an extra \$44 with one carrier, while incurring no additional charge with another. For the top 10 countries by population, here are comparisons:

1. China: UPS, FedEx and DHL apply the charge
2. India: UPS, FedEx and DHL apply the charge
3. United States: Only DHL charges (inbound to US only)
4. Indonesia: UPS, FedEx and DHL apply the charge
5. Brazil: UPS, FedEx and DHL apply the charge
6. Pakistan: DHL & UPS apply the charge (FedEx does not charge)
7. Russia: UPS, FedEx and DHL apply the charge
8. Japan: UPS, FedEx and DHL apply the charge
9. Nigeria: Only DHL charges (FedEx and UPS do not charge)
10. Bangladesh: UPS, FedEx and DHL apply the charge

Further Information

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