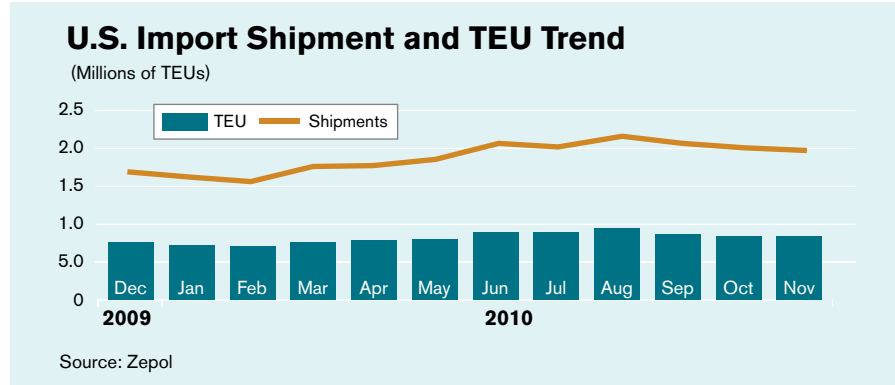


by Rep. James Oberstar (D-Minn.), would abolish carrier antitrust immunity and prevent carrier executives from convening so-called “discussion groups” used to formalize rate strategy. Unfortunately, for shippers, Oberstar failed to win re-election in last November’s election and there’s considerable doubt that the Act will be resurrected in 2011.

“Carriers can raise rates in lockstep now, without any concern that such behavior represents a violation of antitrust laws,” says Berzon.

TSA lines have further recommended full recovery of costs for other equipment sizes, and as well as Panama Canal, Alameda Corridor, and other fixed accessorial charges. This comes at a time when the cartel admits that it has had “healthy revenues” over the past two quarters. Still, they say, an early end to the transpacific peak season has left that trade lane lagging relative to other Asia container markets,



would be a bad strategic move,” says Jon Monroe, president of Monroe Consulting in Shanghai. “Shipping through LA/Long Beach is always going to be the fastest route to interior markets in the U.S.”

And with volumes still moving strongly out of China on head-haul routes, other analysts maintain that the rate hike will stick. “This would indicate that global trade has made a

the rates they demand collectively,” he said. Indeed, both carriers have already announced hikes of 4.9 percent for 2011.

Furthermore, Hempstead says, both carriers closely monitor the pricing practices of the other: “So if UPS Ground announces a rate increase, it’s closely followed by our friends in Memphis, and vice versa.”

Of greatest consequence to shippers in this year, says Hempstead, is the way both carriers are calculating dimensional charges. Beginning this month, the dimensional weight will ramp up to 47 pounds and the rate will rise to \$109.91.

While the increase seems reasonable when factoring in the fuel surcharge, says Hempstead, it represents a whopping double-digit hike. “The increase you’re paying over your current charge is actually 18.7 percent,” he says.

Hempstead is also alarmed by the duopoly’s new position on third parties, which is quite simply to ignore them. “Today, if the shipper has employed a third party parcel negotiating company to work on their behalf, both FedEx and UPS will walk away from the deal,” says Hempstead. “They can afford to do this now if it makes a statement.”

Which means, he adds, that this in turn signals at least one positive perception: The nation’s economy may indeed be on the mend. □

Patrick Burnson is Executive Editor of Logistics Management

“Projections for real GDP growth remain sub-par through the first quarter of 2011, but accelerate gradually through the forecast period.”

—Richard Wobbekind,
president of the NABE

while operating costs continue to rise.

Late last year, carriers called for adjustments to store-door delivery rates as warranted to levels that adequately compensate carriers for rising costs in providing those services.

Finally, TSA is recommending a peak season surcharge of \$400 per FEU, effective from June 15, 2011, through November 30, 2011, with those dates subject to adjustment based on changing market conditions.

Can shippers mitigate this cost escalation by relying on “all-water” deployment to U.S. East Coast ports? Most analysts don’t believe that’s a long-term fix. “It might pay off tactically, but it

surprisingly speedy recovery,” says Neil Dekker, an analyst with London-based Drewry Shipping Consultants Limited. “And this has allowed ocean carriers to re-deploy laid-up tonnage and work new-builds into their core east-west services with relatively few problems.”

PARCEL

Arguably, no other supply chain sector reflects the nation’s economy better than the small package industry. And according to Jerry Hempstead, president of Hempstead Consulting, there are only two players in town. “FedEx and UPS control the domestic market completely; and as a consequence, expect