



Assessment of 2015 FedEx Rate & Accessorial Increases

For the First Time FedEx Sets The Ground Rates - Will UPS Follow?

Lightweight, International and Residential Packages Hardest Hit

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- **6.4% increase in 1-5 lb. ground rates**
- **Some international rates increase nearly 9%**
- **4.9% increase is on top of dimensional factor changes**

For the first time in recent history, FedEx has announced their service rate increase; both express AND ground, before UPS. The FedEx rate change will be effective **Monday, January 5TH, 2015**. FedEx has announced that their ground and express rates will take a general rate increase of 4.9%.

This is certainly the earliest that FedEx has announced its annual rate increase, but the announcement really began back on May 2, 2014 when they announced the change to the ground dimensional weight pricing rule as it will apply to all ground packages (please refer to our earlier Parcel posting for details). Although FedEx announced an overall increase of 4.9% on the ground packages, the average increase for base rates does not tell the whole story. For example, the ground zone 2, 1 lb. minimum has increased 5.93%, higher than the announced increase, though not nearly as high as the 6.8% increase from last year. However, many lightweight ground cells are taking increases approaching and in some cases over 7%. The 1-5 lb ground packages are averaging an increase of 6.4%, well beyond the announcement as well. Additionally, the seldom used 71-150 lb. cells are only increasing 1.9%, which is driving the overall average increase down. The Ground Residential Surcharge is increasing 6.9% (\$0.20), up from the 3.5% increase that it took last year; The Ground Delivery Area Surcharges are up 5.0%-6.3% depending on category, nearly double last year's increase. ***In fact, all of the ground rates from 1 through 18 lbs are above the 4.9% average.***

FedEx has also announced that their rate increase for air and international services is also 4.9%, once again with no offset to the fuel surcharge index. The base rates may average the announced increases; however, the following synopsis will highlight some particularly hard hit services and areas. Although very light weight higher zone Priority Overnight shippers will see increases in the 4.4% range, as soon as the weight gets over 9 lbs they will experience increases in the 7%-9% range. Surcharges for residential air deliveries are up 4.5%, up from 3.1% last year, while the delivery area surcharge is up 4.4% for commercial and residential, and in extended areas 4.1%. The following analysis compares the FedEx Standard rates from 2014 vs. 2015. Once UPS announces their increase we will provide further analysis and guidance.

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 2014 Ground/Home Delivery Changes - HD Surcharge Now Over \$3

- **Home Delivery Surcharge:** The HD Surcharge will increase \$0.20 (6.9%) to \$3.10. *Over the last three years, this residential surcharge has surged by 17%.*
- **Delivery Area Surcharge:** Home Delivery DAS Extended will increase 5.0% to \$3.80, while HD (Non Extended) DAS will increase 5.3% to \$3.00. Ground Commercial will increase 6.3% to \$2.20.

Ground Minimum Charges up 5.9% to \$6.61

The zone 2, 1 lb. rate is used to establish the minimum charge in contracts, and this year the increase is \$0.37, down slightly from last year's \$0.40. The table below shows the trend in the minimum charge since 2005. **The minimum charge has increased over 82% since 2005. During that same period, the US Consumer Price Index increased less than 24%.**

Ground Commercial zone 2, 1 lb change	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Base rate zone 2, 1 lb.	\$3.62	\$3.80	\$4.00	\$4.20	\$4.57	\$4.84	\$5.17	\$5.49	\$5.84	\$6.24	\$6.61
\$ change from prior year	\$0.17	\$0.18	\$0.20	\$0.20	\$0.37	\$0.27	\$0.33	\$0.32	\$0.35	\$0.40	\$0.37
% change from prior year	4.9%	5.0%	5.3%	5.0%	8.8%	5.9%	6.8%	6.2%	6.4%	6.8%	5.9%
Announced average rate increase	2.9%	3.9%	4.9%	4.9%	5.9%	4.9%	5.9%*	5.9%*	5.9%*	4.9%	4.9%

In assessing the **ground** rate increases across zones 2 – 8, the average increase for weights 1 – 70 lbs. is 4.3%, compared to 5.3% 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.	3.0%	3.2%	3.2%	3.1%	2.9%	2.9%	2.8%	3.0%
1 - 5 lbs.	6.0%	6.8%	6.8%	6.8%	5.8%	6.6%	5.8%	6.4%
1 - 70 lbs.	4.4%	4.7%	4.6%	4.4%	4.1%	4.2%	4.0%	4.3%
71 - 150 lbs.	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%

Taking a closer look at the increase in the 48 contiguous states, the 1 – 5 lbs. package rates increased an average of 6.4%, a good bit higher than the announced 4.9% and perhaps a much larger distribution of a company's shipments. As in recent years, the largest ground increases can be found in the lower weight, short zone cells. FedEx is able to get the average down due to the fact that the 71-150 lb cells are only taking a 1.9% increase.

As shippers seek to save money they are downgrading their lighter weight express 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 lower revenue for these packages. Conversely, the seldom used 71-150 weights are seeing an average increase of only 1.9%. 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 4.9%. See the attached addendum for the detailed cell by cell increases.



Zones 2-8	
1-5 lbs.	6.4%
6-15 lbs.	5.9%
16-20 lbs.	5.5%
21-30 lbs.	5.3%
31-70 lbs.	3.3%
71-150 lbs.	1.9%

Across all tiers, the **Ground Hundredweight** service is showing an increase of 5.2%, nearly identical to the 5.3% of last year. The minimum charges for the short zones have been bumped up to match the other zonal minimums.

Tier	Weight	2	3	4	5	6	7	8
01	200 to 499lbs.	5.3%	5.3%	5.3%	5.2%	5.2%	5.2%	5.2%
	500 to 999lbs.	5.3%	5.3%	5.3%	5.3%	5.2%	5.2%	5.2%
02	200 to 499lbs.	5.1%	5.1%	5.1%	5.2%	5.2%	5.2%	5.2%
	500 to 999lbs.	5.1%	5.1%	5.1%	5.3%	5.3%	5.2%	5.3%
03	200 to 499lbs.	5.4%	5.3%	5.3%	5.3%	5.3%	5.4%	5.4%
	500 to 999lbs.	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
04	200 to 499lbs.	5.3%	5.2%	5.2%	5.3%	5.2%	5.2%	5.3%
	500 to 999lbs.	5.3%	5.2%	5.1%	5.0%	4.0%	4.9%	5.0%
05	200 to 499lbs.	5.4%	5.3%	5.4%	5.3%	5.3%	5.3%	5.3%
	500 to 999lbs.	5.1%	5.0%	5.1%	5.1%	5.0%	5.1%	4.9%
06	200 to 499lbs.	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
	500 to 999lbs.	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%

FedEx Air & International

FedEx has announced that Air and International rates will increase by 4.9%, the same announcement as last year.

- **Air Residential Surcharge:** The Residential Surcharge will increase \$0.15 (4.5%) to \$3.50.
- **Delivery Area Surcharge:** Air Commercial DAS will increase by \$0.10 (4.4%) to \$2.35. Air Residential DAS will increase by \$0.15 (4.4%) to \$3.55, while Air Residential DAS – Extended will cost \$3.80, up 4.1% from 2014. Keep in mind that more than 25% of the US population now lives in a DAS or Extended DAS Zip Code.

The overall increase for Priority Overnight is 5.8%, over the average, and similar to last year's 5.7%. Standard Overnight shows an overall increase of 5.9%, also similar to last year's 5.8% increase. Letters are up 6.4%, however. Two Day Air is up 6.7% overall, compared to 7.2% from a year ago. Express Saver is increasing 7.7% on average, up from last year's increase of 6.4%. 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
Priority Overnight	3.4%	4.1%	6.3%	6.8%	6.1%	6.7%	7.1%	5.8%
Standard Overnight	7.8%	7.8%	6.7%	5.3%	5.0%	5.2%	5.2%	6.2%
Two Day	7.8%	8.0%	8.5%	7.9%	5.2%	5.6%	6.8%	7.1%
Express Saver	7.7%	7.9%	7.9%	7.8%	7.7%	7.8%	6.8%	7.7%

AK/Hi Metro	AK/Hi Rural	AK/Hi Origin
6.5%	6.9%	3.9%
5.4%	--	4.6%
6.8%	7.3%	2.6%
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Letters	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	3.2%	3.1%	6.3%	6.0%	5.3%	7.5%	7.8%	5.6%
Standard Overnight	7.9%	7.7%	5.8%	5.7%	5.9%	5.8%	5.9%	6.4%
Two Day	--	--	--	--	--	--	--	--
Express Saver	--	--	--	--	--	--	--	--

AK/Hi Metro	AK/Hi Rural	AK/Hi Origin
8.5%	8.5%	2.1%
4.9%	--	2.9%
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1 - 70 lbs.	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	3.9%	5.1%	6.9%	7.1%	6.8%	7.0%	8.0%	6.4%
Standard Overnight	7.9%	7.9%	7.7%	4.9%	4.9%	4.9%	6.8%	6.4%
Two Day	7.8%	8.2%	8.5%	7.9%	4.9%	5.9%	6.4%	7.1%
Express Saver	8.0%	8.0%	7.8%	7.8%	7.9%	7.9%	7.9%	7.9%

AK/Hi Metro	AK/Hi Rural	AK/Hi Origin
7.9%	8.9%	5.6%
5.9%	--	5.9%
7.6%	8.5%	3.2%
--	--	--

71 - 150 lbs.	2	3	4	5	6	7	8	Overall Zone 2-8
Priority Overnight	3.1%	3.3%	5.9%	6.6%	5.5%	6.4%	6.4%	5.3%
Standard Overnight	7.8%	7.8%	5.9%	5.7%	5.0%	5.4%	3.9%	5.9%
Two Day	7.8%	7.9%	8.5%	8.0%	5.4%	5.4%	7.1%	7.1%
Express Saver	7.4%	7.8%	7.9%	7.7%	7.6%	7.7%	5.9%	7.4%

AK/Hi Metro	AK/Hi Rural	AK/Hi Origin
5.3%	5.1%	2.4%
4.9%	--	3.6%
6.2%	6.2%	2.1%
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Contact AFMS for a detailed cell by cell rate impact analysis

The following is a 2014 vs. 2015 look at some high profile FedEx International Priority export lanes. Although the letters are taking a fairly low increase, the impact can really be felt as packages get over 5 lbs. China increased 7.3% overall this year, as did the majority of the high volume shipping lanes. Express to Canada is increasing only 7.4% compared to 3.9% in 2014.

Export	CN	UK, FR, NL	HK, TW, SG	JP	CA	MX
Ltr	2.6%	2.9%	2.5%	2.6%	2.6%	2.5%
1 - 5 lbs.	5.4%	5.6%	5.6%	5.6%	5.6%	5.6%
1 - 100 lbs.	7.3%	7.3%	7.4%	7.3%	7.4%	7.2%

Contact Doug Caldwell at AFMS for a detailed cell by cell rate impact analysis
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Accessorial Changes

Changes in Miscellaneous Charges from the UPS 2015 Daily Rates Announcement:

- Air Delivery Area Surcharge Commercial: +\$0.10 to \$2.35
GRD Delivery Area Surcharge Commercial: +\$0.13 to \$2.20
- Air Delivery Area Surcharge Residential: +\$0.15 to \$3.55
GRD Delivery Area Surcharge Residential: +\$0.15 to \$3.00
Air DAS Residential Extended: +\$0.15 to \$3.80
GRD DAS Residential Extended: +\$0.18 to \$3.80
- Ground Residential Delivery Charge: +\$0.20 to \$3.10
- Air Residential Delivery Charge: +\$0.15 to \$3.50
- Saturday P/U & Delivery: No Change
- Additional Handling: +\$0.50 to \$9.00
- Address Correction: +\$0.50 to \$12.50
- NDA Early AM: No Change
- Weekly Service Charge: No Change
- Large Package Surcharge: +\$2.50 to \$57.50
- C.O.D.: +\$0.50 to \$12.50
- Declared Value: +\$0.05 to \$0.95/\$100. Min +\$0.20 to \$2.90
- Delivery Confirmation: +0.50 to \$3.50 for Indirect Signature Required
+0.25 to \$4.00 for Direct Signature Required
+\$.25 to \$5.00 for Adult Signature Required

We expect UPS to closely match this increase by FedEx 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 2015 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 Doug Caldwell at (800) 246-3521 or doug.caldwell@afms.com.**