



Oops...They Did It Again!

FedEx Increases Fuel Surcharges on All Products Effective Nov 2, 2015

September 23, 2015, By Rob Martinez, President & CEO, Shipware, LLC

On the heels of a fuel surcharge adjustment just this February 2015, FedEx is once again adjusting its fuel surcharge index nine months later. Effective November 2, 2015, fuel surcharges for FedEx Express and FedEx Ground will change resulting in Express/International increases of 1.5-1.75%, and Ground increases of .5-1.0% (see Table 1 and 2 below).

Table 1 - FedEx Express & International Fuel Surcharge Comparison (Source: Shipware, LLC)

FedEx Express & International

If Fuel Is:	Today	11/2/2015	Increase
\$1.31	0.50%	2.00%	1.50%
\$1.39	1.00%	2.50%	1.50%
\$1.47	1.50%	3.25%	1.75%
\$1.55	2.00%	3.50%	1.50%
\$1.63	2.50%	4.25%	1.75%
\$1.71	3.00%	4.75%	1.75%

Table 2 - FedEx Ground Fuel Surcharge Comparison (Source: Shipware, LLC)

FedEx Ground, FHD and SmartPost

If Fuel Is:	Today	11/2/2015	Increase
\$2.02	2.00%	2.50%	0.50%
\$2.20	2.50%	3.50%	1.00%
\$2.38	3.00%	4.00%	1.00%
\$2.56	3.50%	4.50%	1.00%
\$2.74	4.00%	4.75%	0.75%

\$2.92	4.50%	5.50%	1.00%
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These rate increases should impact all FedEx shippers unless a specific fuel surcharge table is part of their contract. The new FedEx fuel surcharge tables is available for viewing at <http://www.fedex.com/us/services/fuelsurcharge-2015.html>.

The changes reflect yet another increase in the same calendar year. On February 2, 2015, FedEx Express and International services increased as much as 4% (see Table 3 below).

Table 3 - FedEx Express and International Fuel Surcharges 2014 vs Feb 2015 (Source: Shipware, LLC)

FedEx Express and International

If fuel is:	2014	Feb 2015	Difference
\$1.50	0.00%	1.50%	1.50%
\$1.60	0.00%	2.50%	2.50%
\$1.70	0.00%	3.00%	3.00%
\$1.80	0.00%	3.50%	3.50%
\$1.90	0.00%	4.00%	4.00%
\$2.00	1.00%	5.00%	4.00%
\$2.10	2.00%	5.50%	3.50%
\$2.20	3.50%	6.00%	2.50%
\$2.30	4.50%	6.50%	2.00%
\$2.40	5.50%	7.50%	2.00%
\$2.50	6.50%	8.00%	1.50%
\$2.60	7.00%	8.50%	1.50%
\$2.70	8.00%	9.00%	1.00%
\$2.80	9.00%	10.00%	1.00%

Had FedEx not made the change, shippers would be paying NO fuel surcharge on Express and International packages since February 2015!

The February 2015 rate change took Ground products up as much as 3.5% from the current fuel surcharge table (see Table 4 below).

Table 4 - FedEx Ground Fuel Surcharge 2014 vs Feb 2015 (Source: Shipware, LLC)

FedEx Ground, FedEx Home Delivery and FedEx SmartPost

If fuel is:	2014	Feb 2015	Difference
\$2.47	0.00%	3.50%	3.50%
\$2.59	1.50%	3.50%	2.00%
\$2.71	2.00%	4.00%	2.00%
\$2.83	2.50%	4.50%	2.00%
\$2.95	3.00%	4.50%	1.50%
\$3.07	3.50%	5.00%	1.50%
\$3.19	4.00%	5.50%	1.50%
\$3.31	4.50%	5.50%	1.00%
\$3.43	5.00%	6.00%	1.00%
\$3.55	5.50%	6.50%	1.00%
\$3.67	6.00%	6.50%	0.50%
\$3.79	6.50%	7.00%	0.50%
\$3.91	7.00%	7.50%	0.50%
\$4.03	7.50%	7.50%	0.00%
\$4.15	8.00%	8.00%	0.00%

Of course, UPS followed FedEx's lead and also changed its fuel surcharge tables in February 2015 (see Tables 5 and 6 below).

Table 5 - UPS Air and International Fuel Surcharge 2014 vs Feb 2015 (Source: Shipware, LLC)

UPS Air & International Fuel Surcharges

If fuel is	2014	2015	Difference
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\$1.95	5.50%	5.75%	0.25%
\$2.03	5.50%	6.25%	0.75%
\$2.10	6.00%	6.50%	0.50%
\$2.18	6.50%	7.00%	0.50%
\$2.25	7.00%	7.25%	0.25%
\$2.33	7.50%	7.50%	0.00%

Table 6 - UPS Ground Fuel Surcharge 2014 vs Feb 2015 (Source: Shipware, LLC)

UPS Ground Fuel Surcharges			
If fuel is	2014	2015	Difference
\$2.91	5.00%	5.50%	0.50%
\$3.06	5.50%	5.75%	0.25%
\$3.21	5.50%	6.00%	0.50%
\$3.36	6.00%	6.25%	0.25%
\$3.51	6.50%	6.75%	0.25%
\$3.66	6.50%	7.00%	0.50%
\$3.81	7.00%	7.25%	0.25%
\$3.96	7.50%	7.50%	0.00%
\$4.11	7.50%	8.00%	0.50%
\$4.26	8.00%	8.25%	0.25%

To be fair to FedEx, its chief rival UPS has long enjoyed higher fuel surcharges. The fuel surcharge adjustments FedEx made in February 2015 were designed to bring its fuel surcharge closer to those imposed by UPS. However, like FedEx, UPS also adjusted its fuel surcharge tables simultaneously in February 2015, and Big Brown has collected significantly higher fuel fees from its customers all year (see Tables 7 and 8 below).

Table 7 - FedEx vs UPS Express and International Fuel Surcharge Comparison, Jan-Sep 2015 (Source: Shipware, LLC)

EXPRESS & INTERNATIONAL				
MONTH	FDX	UPS	FDX vs UPS	ADVANTAGE
JAN	6.50%	7.00%	-0.50%	FDX
FEB	3.50%	5.00%	-1.50%	FDX
MAR	1.50%	3.50%	-2.00%	FDX
APR	3.50%	4.75%	-1.25%	FDX
MAY	2.50%	4.25%	-1.75%	FDX
JUN	3.00%	4.50%	-1.50%	FDX
JUL	4.00%	5.25%	-1.25%	FDX
AUG	3.00%	4.75%	-1.75%	FDX
SEP	2.00%	3.75%	-1.75%	FDX

Table 8 - FedEx vs UPS Ground Fuel Surcharge Comparison, Jan-Sep 2015 (Source: Shipware, LLC)

GROUND				
MONTH	FDX	UPS	FDX vs UPS	ADVANTAGE
JAN	5.50%	6.50%	-1.00%	FDX
FEB	6.00%	6.50%	-0.50%	FDX
MAR	4.50%	5.50%	-1.00%	FDX
APR	4.50%	5.25%	-0.75%	FDX
MAY	4.50%	5.50%	-1.00%	FDX
JUN	4.00%	5.25%	-1.25%	FDX
JUL	4.50%	5.25%	-0.75%	FDX
AUG	4.50%	5.25%	-0.75%	FDX
SEP	4.00%	5.25%	-1.25%	FDX

Once FedEx adjusts its fuel index on November 2, 2015, whose fuel surcharge table will be a better choice for shippers, FedEx or UPS?

Assuming UPS does not again adjust its fuel surcharge index, when fuel prices are lower FedEx will continue to maintain a slight advantage over UPS. However, when jet fuel is \$1.50 or higher and diesel \$2.84 or more, FedEx and UPS fuel surcharges will essentially match (see Tables 9 and 10 below).

Table 9 - FedEx/UPS Express and International Fuel Surcharge Comparison Effective Nov 2, 2015 (Source: Shipware, LLC)

FedEx/UPS Fuel Surcharge Comparison on Air/Express and International Products (Effective Nov 2, 2015)				
If fuel is	FedEx	UPS	FedEx vs U	Advantag
\$1.21	1.50%	2.00%	-0.50%	FedEx
\$1.26	1.75%	2.25%	-0.50%	FedEx
\$1.31	2.00%	2.50%	-0.50%	FedEx
\$1.36	2.50%	2.75%	-0.25%	FedEx
\$1.41	2.75%	3.00%	-0.25%	FedEx
\$1.46	3.00%	3.25%	-0.25%	FedEx
\$1.51	3.50%	3.50%	0.00%	N/A
\$1.56	3.75%	3.75%	0.00%	N/A
\$1.61	4.00%	4.00%	0.00%	N/A
\$1.66	4.25%	4.25%	0.00%	N/A
\$1.71	4.75%	4.50%	0.25%	UPS

Table 10 - FedEx/UPS Ground Fuel Surcharge Comparison Effective Nov 2, 2015 (Source: Shipware, LLC)

FedEx/UPS Fuel Surcharge Comparison on Ground Products (Effective Nov 2, 2015)				
If fuel is	FedEx	UPS	Difference	Advantag
\$2.24	3.50%	4.00%	-0.50%	FedEx
\$2.36	3.75%	4.25%	-0.50%	FedEx
\$2.48	4.25%	4.50%	-0.25%	FedEx
\$2.60	4.50%	4.75%	-0.25%	FedEx
\$2.72	4.75%	5.00%	-0.25%	FedEx
\$2.84	5.25%	5.25%	0.00%	N/A
\$2.96	5.50%	5.50%	0.00%	N/A
\$3.08	5.75%	5.75%	0.00%	N/A

Of course, FedEx understands fuel prices won't forever be as low as they are today. However, introducing the increase to its customers at the current cost of fuel, FedEx can tell its customers they are still lower than UPS, perhaps softening the blow of yet another increase.

It's also interesting to observe a reversal in pricing strategies at FedEx. From 2007-2013, FedEx general rate increases (GRI's) were always announced in conjunction with a *reduction* in fuel surcharges to partially offset the increase.

As an example, 2007-2009 FedEx GRI's for Express and International products were 6.9%, but offset by a 2% reduction fuel for a net increase of 4.9%. 2010-2013, FedEx GRI's for the same products were 5.9%, with a 1% fuel surcharge reduction for a net increase of 4.9%.

However, in 2015 there was no offset for fuel. GRI was the same 4.9% net, but in Feb 2015, shippers took as much as a 4% increase on fuel. The net impact, of course, is a lot higher than 4.9%. And in 2016, the GRI is 4.9% with no offset, but fuel surcharges increasing as much as 1.75%. A higher net result is achieved again.

One final zinger to FedEx customers was just posted to the FedEx website. FedEx SmartPost DAS surcharges are *more than doubling* in 2016 and non-machinable surcharges are going up 16.8% (see Table 11 below).

Table 11 - 2016 FedEx SmartPost Surcharge Changes (Source: Shipware, LLC)

FedEx SmartPost Price Changes			
Item	2015	2016	Increase
DAS	\$0.50	\$1.00	100.0%
DAS Extended	\$0.70	\$1.50	114.3%
DAS AK/HI	\$0.70	\$1.50	114.3%
Non-Machinable	\$2.14	\$2.50	16.8%

While last year’s dimension-based pricing and other FedEx and UPS revenue management actions led many pundits to call it the “mother of all rate increases”, the aggregate impact of the announced 2016 GRI, fuel surcharges and special handling rate hikes is proving to be no less potent. Forewarned is forearmed. As always, good luck!



Rob Martinez is President and CEO of Shipware LLC, an innovative parcel audit and consulting firm that helps volume parcel shippers reduce shipping costs 10%-30%. Rob has more than 25 years’ experience negotiating parcel contracts for some of the most recognizable brands in the world, and is a sought after speaker and industry thought leader. Rob welcomes questions and comments, and can be reached at 858-879-2014 or rob@shipware.com.