

UPS Announces 2016 Rate Increase

- UPS announced 2016 rates.
- UPS is merging the Daily and Standard rate sheets and, with the exception of 3-day and Next Day AM services, the 2016 UPS Daily rates are identical to FedEx Standard rates.
- The UPS Fuel Surcharge index will increase in November, following a similar announcement by FedEx.
- UPS will start charging a third party billing fee of 2.5% in 2016.

On October 15, 2015 UPS announced its 2016 general rate increase (GRI). On average, the Ground rates will increase 4.9%, and the Air Service rates will increase 5.2% beginning December 28th, 2015. Not included in these GRI numbers are an increase to the fuel surcharges. In November 2015, UPS will increase Ground Fuel Surcharge index by 0.75% and Air Fuel Surcharge index by 1.5%. These increases in fuel surcharges follow a change by FedEx, who announced an adjustment to their fuel indices in September.

The comparison of 2015 and 2016 Daily rate tables (below) shows a picture that is considerably higher than the announced GRI numbers. As can be seen in Table 1, for most of the Air services, the zone 2, 1 lb rate is going up at a rate greater than 7%. The 1-5 lbs. average increases are in 6-8% range as well. As it was the case in the past years, the low weight breaks face greater increases, while higher weight breaks see a smaller impact. For many shippers, the lower weights are where the bulk of the shipments are, which means the cost increase will be higher than the announced GRI.

Weight Break	Ground	Next Day	Next Saver	2 Day	2 Day AM	3 Day
1-5 lbs.	5.8%	6.0%	6.6%	8.5%	8.5%	7.6%
6-10 lbs.	5.5%	5.8%	6.6%	8.6%	8.7%	7.5%
11-20 lbs.	5.2%	5.7%	6.6%	8.6%	8.7%	7.1%
Zone2, 1lb.	5.0%	3.7%	7.1%	7.1%	7.1%	7.6%
1-150 lbs.	3.9%	5.5%	6.4%	8.4%	8.4%	6.8%

Table 1 – Rate increase from 2015 Daily rates to 2016 Daily rates

With the 2016 GRI, UPS Daily rates align perfectly with FedEx rates for most services. Other than the 3 Day Select and Next Day Air Early (Early AM), all other services will have identical rates. The UPS Standard rates will be discontinued in 2016, which enVista predicted, as the Daily and Standard rates have been converging in recent years. Shippers who are currently using Standard rates will be switched to the Daily rates in 2016. UPS Standard rates were introduced in 2011 as a rate table that was more expensive than the UPS Daily rates, but cheaper than FedEx Standard rates, and it was directed to the shippers who recently started shipping with UPS or switched from FedEx.

Many accessorials and surcharges increased as well, including but not limited to Delivery Area Surcharges, Residential Surcharge, Additional Handling, Large Package and Address Correction. Parallel to FedEx Unauthorized fee, UPS will increase the Over Maximum Limits fee to \$110, which is applied to very large or heavy packages. This increase will be effective November 2nd, before the holiday peak.

Large Package Surcharge and Additional Handling Surcharge will increase 17%, which shows that carriers are trying to encourage the shippers to reduce the dimensions of boxes. Residential and Delivery Area surcharges for Air and Ground services, which are possibly the most frequently applied surcharges, will increase between 4 to 5%. DAS and Extended DAS charges for Surepost will increase 100%, to \$1 and \$1.50. Table 2 shows a comparison of some of the accessorials that will increase in 2016.

Accessorial	2015 UPS	Increase	Increase2
Address Corrections	\$12.50	\$0.50	4.0%
AHS	\$9.00	\$1.50	16.7%
HAZMAT	\$28.50	\$1.50	5.3%
Direct Sig	\$4.00	\$0.25	6.3%
Adult Sig	\$5.00	\$0.25	5.0%
LPS	\$57.50	\$10.00	17.4%
Air Residential Surcharge	\$3.50	\$0.15	4.3%
Ground Residential Surcharge	\$3.10	\$0.15	4.8%
DAS Air Residential	\$3.55	\$0.15	4.2%
DAS Air Commercial	\$2.35	\$0.10	4.3%
Extended DAS Air Residential	\$3.80	\$0.20	5.3%
Extended DAS Air Commercial	\$2.35	\$0.10	4.3%
DAS Ground Residential	\$3.00	\$0.15	5.0%
DAS Ground Commercial	\$2.20	\$0.10	4.5%
Extended DAS Ground Residential	\$3.80	\$0.20	5.3%
Extended DAS Ground Commercial	\$2.20	\$0.10	4.5%
Surepost DAS	\$0.50	\$0.50	100.0%
Surepost Extended DAS	\$0.75	\$0.75	100.0%

Table 2 – 2016 increases to some accessorials

One new surcharge in 2016 is the Third Party Billing fee, which will be 2.5% of the total shipment charge that is billed to a third party. This is more than a year over year increase, as it's a whole new pricing element, and it will create a significant cost impact for shippers who are using vendors to ship for them.

One particular point about the GRI this year is the increasing fuel surcharges, and how they are excluded from the announced GRIs. Normally, carriers would increase their rates, possibly reduce their fuel surcharges and announce the GRI as a combination of the two. For example in 2013, the Ground GRI was announced as 4.9%, which was a combination of 5.9% increase to the Ground rates, and a 1% reduction to the Fuel index. In 2015, fuel prices kept decreasing, and carriers adjusted their fuel indices to prevent the fuel surcharge from dropping to 0%. However these adjustments did not result in an increase to the GRI. Instead both FedEx and UPS changed their index in November, in advance of the GRI, making this cost increase less noticeable to most shippers. In September FedEx announced an adjustment to its fuel indices, and brought them very close to UPS. With the increase from UPS, it means UPS Fuel Surcharge will be higher than FedEx again.

As with all GRIs, the total cost increase will vary from shipper to shipper, depending on the agreement, shipping patterns, and package attributes. With the fuel index changes, third party fees, transportation and accessorial charge increases, a thorough analysis is required to assess the impact of the 2016 GRI.

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