

United Parcel Service  
Rate Increase:  
**SOLVING** *the*  
**PUZZLE!**



By: Joe Loughran

On December 26, 2016, United Parcel Service’s (UPS) new rates went into effect for 2016. There were significant increases in all service areas. No service sector went untouched. Ground service had a healthy increase while Air rates continue to skyrocket. International rates had big increases, too. Surcharges and other accessorial saw their share of increases, as well.

Hopefully, over the years you’ve learned not to rely on UPS’ press release for any insight into the annual rate increase because you will be sadly disappointed. The press release for this year’s increase offered the following pearl of wisdom: “UPS Ground rates and accessorial charges will increase by an average net 4.9 percent”. Well, there you go! This sentence is living proof the brown suits in Atlanta have a sense of humor. Oh, by the way, the press release has read the same way for three consecutive years!

If UPS delivered packages with the same reliability as their press releases, on-time delivery would be a distant dream. The last thing The Tightest Ship In The Shipping Business wants you to figure out is that you’re about to experience The Highest Increase In Parcel Shipping History! Yes, UPS ♥ Logistics; clarity in press releases – not so much!

This article provides a detailed analysis of this year’s UPS rate changes. Why UPS? Because

they dominate the industry and, for the most part, establish pricing direction, while their competition follows. Our findings show solid increases in all service sectors – ground and air, domestic and international. The prominent accessorial charges were increased. Collectively, your total shipping costs will rise considerably. Let’s take a look!

**Ground Service**

Ground service represents UPS’ largest volume and revenue source. The base rate increase for packages weighing from one to 15 pounds averages \$0.60 (5.3%), while 16 – 50 pound packages increased \$1.31 (5.4%). Rates were increased, on average, by \$2.30 (4.0%) for 51 – 150 pound packages. There continues to be a wide disparity in rates between low and high zones. Table 1 summarizes the impact of the increase.

lbs./zone	2	3	4	5	6	7	8	Total
1 - 15	\$0.41	\$0.44	\$0.48	\$0.62	\$0.68	\$0.75	\$0.82	\$0.60
16 - 50	\$0.65	\$0.78	\$0.86	\$1.22	\$1.60	\$1.89	\$2.17	\$1.31
51 -150	\$1.67	\$1.77	\$1.91	\$2.17	\$2.55	\$2.84	\$3.17	\$2.30
Total	\$1.30	\$1.40	\$1.52	\$1.80	\$2.14	\$2.41	\$2.71	\$1.90

  

lbs./zone	2	3	4	5	6	7	8	Total
1 - 15	4.6%	4.6%	4.6%	5.6%	5.7%	5.7%	5.8%	5.3%
16 - 50	4.6%	4.7%	4.7%	5.5%	5.8%	5.8%	5.8%	5.4%
51 -150	3.8%	3.8%	3.8%	4.1%	4.2%	4.1%	4.2%	4.0%
Total	3.9%	3.9%	4.0%	4.3%	4.4%	4.4%	4.4%	4.2%

The ‘per package’ rate for **Commercial Delivery Area Surcharge** and **Commercial Extended Delivery Area Surcharge** increased \$0.10 (\$2.20 to \$2.30).

The number of impacted ZIP Codes remains constant at 23,438. There are 4,181 and 19,257 ZIP Codes in non-extended delivery and extended, respectively. Fifty-five percent of all

U.S. ZIP codes will face one surcharge or another! That means that you are a rare shipper if none of your packages are destined to the aforementioned ZIP codes.

The **Residential Surcharge** increased \$0.15 (\$3.10 to \$3.25). Simply add \$3.00 to the Commercial Ground base rate to determine the cost for a residential delivery.

The **Residential Delivery Area Surcharge** increased \$0.15 (\$3.25 to \$3.40), while **Residential Extended Delivery Area Surcharge** increased \$0.20 (\$3.80 to \$4.00).

**Ground Hundredweight** rates increased 5.1% for 200 – 499.9 pounds and 500 pounds or more (Table 2).

Tier/zone	2	3	4	5	6	7	8	Total	
Tier 1	100 - 500 lbs.	\$1.88	\$1.97	\$1.51	\$2.37	\$2.86	\$4.00	\$4.42	\$2.72
	501 - 1000 lbs.	\$1.63	\$1.72	\$1.32	\$2.07	\$2.49	\$3.46	\$3.82	\$2.36
	1000 + lbs.	\$1.64	\$1.77	\$1.36	\$2.13	\$2.54	\$3.55	\$3.92	\$2.42
Tier 2	100 - 500 lbs.	\$2.03	\$2.11	\$1.62	\$2.53	\$3.05	\$3.92	\$5.13	\$2.91
	501 - 1000 lbs.	\$1.78	\$1.83	\$1.42	\$2.23	\$2.69	\$3.44	\$4.50	\$2.56
	1000 + lbs.	\$1.80	\$1.86	\$1.45	\$2.27	\$2.76	\$3.51	\$4.61	\$2.61
Tier 3	100 - 500 lbs.	\$2.30	\$2.46	\$1.95	\$2.97	\$3.58	\$4.57	\$5.08	\$3.27
	501 - 1000 lbs.	\$2.04	\$2.17	\$1.73	\$2.63	\$3.17	\$4.04	\$4.49	\$2.90
	1000 + lbs.	\$2.13	\$2.20	\$1.78	\$2.71	\$3.26	\$4.15	\$4.62	\$2.98
Tier 4	100 - 500 lbs.	\$2.26	\$2.37	\$1.83	\$2.59	\$3.45	\$4.46	\$4.93	\$3.13
	501 - 1000 lbs.	\$2.01	\$2.13	\$1.65	\$2.31	\$3.07	\$4.00	\$4.41	\$2.80
	1000 + lbs.	\$2.03	\$2.17	\$1.68	\$2.37	\$3.14	\$4.10	\$4.51	\$2.86
Tier 5	100 - 500 lbs.	\$2.39	\$2.51	\$1.94	\$3.04	\$4.04	\$4.74	\$5.23	\$3.41
	501 - 1000 lbs.	\$2.19	\$2.27	\$1.76	\$2.76	\$3.65	\$4.29	\$4.72	\$3.09
	1000 + lbs.	\$2.21	\$2.30	\$1.80	\$2.83	\$3.73	\$4.39	\$4.83	\$3.16
Tier 6	100 - 500 lbs.	\$2.54	\$2.68	\$2.08	\$2.94	\$3.93	\$5.08	\$5.60	\$3.55
	501 - 1000 lbs.	\$2.36	\$2.50	\$1.93	\$2.72	\$3.64	\$4.71	\$5.17	\$3.29
	1000 + lbs.	\$2.43	\$2.55	\$1.98	\$2.79	\$3.74	\$4.82	\$5.30	\$3.37
Tier 7	100 - 500 lbs.	\$2.00	\$2.25	\$2.22	\$3.02	\$3.79	\$4.45	\$5.20	\$3.29
	501 - 1000 lbs.	\$1.88	\$2.21	\$2.09	\$2.84	\$3.56	\$4.16	\$4.87	\$3.09
	1000 + lbs.	\$1.92	\$2.26	\$2.14	\$2.91	\$3.63	\$4.25	\$4.98	\$3.16

  

Tier/zone	2	3	4	5	6	7	8	Total	
Tier 1	100 - 500 lbs.	6.3%	5.3%	3.8%	5.0%	4.8%	5.8%	5.5%	5.3%
	501 - 1000 lbs.	6.3%	5.3%	3.8%	5.1%	4.8%	5.8%	5.5%	5.3%
	1000 + lbs.	6.3%	5.3%	3.8%	5.0%	4.8%	5.8%	5.5%	5.3%
Tier 2	100 - 500 lbs.	6.3%	5.3%	3.8%	5.0%	4.8%	5.3%	6.0%	5.3%
	501 - 1000 lbs.	6.4%	5.3%	3.8%	5.0%	4.8%	5.3%	6.0%	5.3%
	1000 + lbs.	6.3%	5.3%	3.8%	5.0%	4.8%	5.3%	6.0%	5.3%
Tier 3	100 - 500 lbs.	6.8%	5.8%	4.3%	5.5%	5.3%	5.8%	5.5%	5.6%
	501 - 1000 lbs.	6.8%	5.8%	4.3%	5.5%	5.3%	5.8%	5.5%	5.6%
	1000 + lbs.	6.9%	5.9%	4.3%	5.5%	5.3%	5.8%	5.5%	5.6%
Tier 4	100 - 500 lbs.	6.3%	5.3%	3.8%	4.5%	4.8%	5.3%	5.0%	5.0%
	501 - 1000 lbs.	6.3%	5.3%	3.9%	4.5%	4.8%	5.3%	5.0%	5.0%
	1000 + lbs.	6.3%	5.3%	3.8%	4.5%	4.8%	5.3%	5.0%	5.0%
Tier 5	100 - 500 lbs.	6.3%	5.3%	3.8%	5.0%	5.3%	5.3%	5.0%	5.1%
	501 - 1000 lbs.	6.3%	5.3%	3.8%	5.0%	5.3%	5.3%	5.0%	5.1%
	1000 + lbs.	6.3%	5.3%	3.8%	5.0%	5.3%	5.3%	5.0%	5.1%
Tier 6	100 - 500 lbs.	6.3%	5.3%	3.8%	4.5%	4.8%	5.3%	5.0%	5.0%
	501 - 1000 lbs.	6.4%	5.3%	3.8%	4.5%	4.8%	5.3%	5.0%	5.0%
	1000 + lbs.	6.4%	5.4%	3.8%	4.5%	4.8%	5.3%	5.0%	5.0%
Tier 7	100 - 500 lbs.	4.3%	4.3%	3.8%	4.3%	4.3%	4.3%	4.3%	4.3%
	501 - 1000 lbs.	4.4%	4.3%	3.8%	4.3%	4.3%	4.3%	4.3%	4.3%
	1000 + lbs.	4.3%	4.3%	3.8%	4.3%	4.3%	4.3%	4.3%	4.3%

## Time Definite/Express Services

Time Definite/Express Service rates increased significantly this year. Also, they are subject to all surcharges. UPS has many service options to address your time definite service requirements. In the process of doing so, it has become somewhat confusing to select the appropriate offering as it relates to cost versus service tradeoffs. Here is a summary of the service offerings and the respective rate increases.

**Next Day Air:** 10:30 a.m., 12:00 noon or end of day delivery of letters, documents and packages. Delivery time is determined by the destination.

Letters increased an average of \$1.66 (5.2%). Rates increased a whopping average of \$7.37 (4.8%) for 1 – 50 pound packages. As is customary, there were lesser increases in the shorter, less used zones, and greater increases in the more often used longer zones.

Table 3 summarizes the impact of the increase.

lbs./zone	102	103	104	105	106	107	108	Total
Letter	\$1.33	\$1.45	\$1.67	\$1.77	\$1.78	\$1.76	\$1.84	\$1.66
1 - 15	\$1.79	\$2.68	\$3.93	\$4.46	\$4.78	\$5.03	\$5.21	\$3.98
16 - 50	\$3.11	\$5.19	\$9.21	\$10.02	\$11.57	\$11.13	\$11.52	\$8.82
51 - 150	<u>\$8.12</u>	<u>\$14.33</u>	<u>\$24.02</u>	<u>\$26.15</u>	<u>\$27.76</u>	<u>\$29.22</u>	<u>\$30.56</u>	<u>\$22.88</u>
Total	\$6.32	\$11.03	\$18.56	\$20.22	\$21.68	\$22.58	\$23.58	\$17.71

  

lbs./zone	102	103	104	105	106	107	108	Total
Letter	6.1%	5.6%	5.2%	5.2%	5.2%	4.7%	4.7%	5.3%
1 - 15	4.8%	5.1%	4.7%	4.7%	4.7%	4.7%	4.7%	4.8%
16 - 50	4.2%	4.9%	4.7%	4.7%	5.2%	4.8%	4.7%	4.8%
51 - 150	<u>3.9%</u>	<u>4.7%</u>	<u>4.7%</u>	<u>4.7%</u>	<u>4.8%</u>	<u>4.7%</u>	<u>4.7%</u>	<u>4.7%</u>
Total	3.9%	4.7%	4.7%	4.7%	4.9%	4.7%	4.7%	4.7%

**Next Day Air Hundredweight** rates increased an average of 4.8% for all tiers (Table 4). There were lesser increases in the shorter, less used zones, and greater increases in the more often used longer zones.

Table 4  
Next Day Air Hundredweight

Tier/zone	Dollar Increase							Total
	102	103	104	105	106	107	108	
1	\$0.06	\$0.11	\$0.15	\$0.17	\$0.18	\$0.20	\$0.20	\$0.15
2	\$0.07	\$0.11	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.16
3	\$0.07	\$0.15	\$0.18	\$0.19	\$0.27	\$0.22	\$0.23	\$0.19
4	\$0.08	\$0.16	\$0.19	\$0.21	\$0.30	\$0.32	\$0.25	\$0.22
5	\$0.08	\$0.16	\$0.21	\$0.23	\$0.32	\$0.34	\$0.27	\$0.23
6	\$0.08	\$0.18	\$0.22	\$0.24	\$0.26	\$0.27	\$0.29	\$0.22
7	\$0.08	\$0.11	\$0.21	\$0.26	\$0.26	\$0.29	\$0.30	\$0.22

  

Tier/zone	Percent Increase							Total
	102	103	104	105	106	107	108	
1	4.0%	4.8%	4.5%	4.7%	4.6%	4.7%	4.5%	4.6%
2	4.4%	4.6%	4.7%	4.7%	4.6%	4.5%	4.5%	4.6%
3	4.2%	6.1%	4.6%	4.5%	6.0%	4.6%	4.6%	4.9%
4	4.6%	6.3%	4.5%	4.5%	6.1%	6.1%	4.6%	5.3%
5	4.3%	6.0%	4.7%	4.7%	6.1%	6.2%	4.7%	5.3%
6	4.2%	6.3%	4.6%	4.6%	4.7%	4.6%	4.7%	4.8%
7	3.8%	3.6%	4.1%	4.7%	4.5%	4.7%	4.6%	4.4%

**Next Day Early A.M.:** 8:00 a.m. delivery of U.S. domestic letters, documents and packages from most metropolitan areas. In addition, 8:30 a.m. delivery is available from virtually all overnight shipping locations coast to coast.

Add \$30.00 to the appropriate Next Day Air rate.

**Next Day Air Saver:** 3 p.m. or 4:30 p.m. delivery to commercial destinations where UPS Next Day Air is committed by 10:30 a.m. or noon, respectively. Residential deliveries to UPS Next Day Air Saver destinations receive delivery by end of day.

Letters increased an average of \$1.49 (4.9%). Package rates increased an average of 4.8% for 1 – 50 pounds. The rates average a mere 3.2% off of the Next Day Air rate.

Have you noticed that the price difference between Next Day Air and Next Day Air Saver has tightened over the years? UPS is discouraging the use of Next Day Air Saver through its pricing strategy.

Table 5 summarizes the impact of the increase.

Table 5  
Next Day Air Saver  
Dollar Increase

Tier/zone	Dollar Increase							Total
	132	133	134	135	136	137	138	
1	\$1.15	\$1.29	\$1.46	\$1.54	\$1.55	\$1.67	\$1.74	\$1.76
2	\$1.59	\$2.35	\$3.77	\$4.08	\$4.40	\$4.56	\$4.78	\$4.72
3	\$2.93	\$4.82	\$8.92	\$9.51	\$10.84	\$10.43	\$10.97	\$10.48
4	\$8.03	\$13.18	\$23.59	\$25.63	\$27.09	\$28.67	\$29.43	\$27.49
5	\$6.19	\$10.15	\$18.19	\$19.72	\$21.03	\$22.00	\$22.66	\$21.25

  

Tier/zone	Percent Increase							Total
	132	133	134	135	136	137	138	
1	5.4%	5.1%	4.7%	4.7%	4.7%	4.7%	4.7%	4.9%
2	4.7%	5.0%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
3	4.3%	5.1%	4.7%	4.7%	5.1%	4.7%	4.7%	4.8%
4	4.2%	4.7%	4.7%	4.7%	4.8%	4.7%	4.7%	4.7%
5	4.2%	4.7%	4.7%	4.7%	4.8%	4.7%	4.7%	4.7%

**Next Day Air Saver Hundredweight** rates increased an average of 4.7% for all tiers (Table 6).

Table 6  
Next Day Air Saver Hundredweight  
Dollar Increase

Tier/zone	Dollar Increase							Total
	102	103	104	105	106	107	108	
1	\$0.04	\$0.09	\$0.15	\$0.16	\$0.16	\$0.18	\$0.21	\$0.14
2	\$0.05	\$0.09	\$0.16	\$0.17	\$0.18	\$0.19	\$0.20	\$0.15
3	\$0.06	\$0.13	\$0.17	\$0.19	\$0.26	\$0.28	\$0.22	\$0.19
4	\$0.06	\$0.14	\$0.18	\$0.21	\$0.28	\$0.23	\$0.23	\$0.19
5	\$0.06	\$0.11	\$0.20	\$0.22	\$0.23	\$0.24	\$0.25	\$0.19
6	\$0.07	\$0.12	\$0.21	\$0.23	\$0.33	\$0.26	\$0.27	\$0.21
7	\$0.07	\$0.13	\$0.23	\$0.25	\$0.29	\$0.28	\$0.28	\$0.22

  

Tier/zone	Percent Increase							Total
	102	103	104	105	106	107	108	
1	3.2%	4.6%	4.6%	4.5%	4.4%	4.4%	5.1%	4.5%
2	3.6%	4.4%	4.6%	4.5%	4.6%	4.4%	4.5%	4.5%
3	4.1%	6.0%	4.6%	4.6%	6.1%	6.0%	4.5%	5.2%
4	3.9%	6.1%	4.4%	4.6%	6.0%	4.6%	4.5%	4.9%
5	3.6%	4.5%	4.6%	4.6%	4.6%	4.5%	4.5%	4.5%
6	4.1%	4.5%	4.5%	4.5%	6.1%	4.5%	4.6%	4.8%
7	3.7%	4.6%	4.6%	4.6%	5.1%	4.6%	4.5%	4.6%

**2nd Day Air:** A second business day delivery of both letters and packages.

Letters increased an average of \$1.22 (6.3%) for all zones. Rates increased an average of \$5.27 (5.9%) for 1 – 50 pound packages with little disparity among the various weights and zones.

The rates for this service average 47% off of the Next Day Air rate for 1 – 30 pound packages, and 39% off 31 – 150 pound packages. Table 7 summarizes the impact of the increase.

Table 7  
Second Day Air  
Dollar Increase

lbs./zone	202	203	204	205	206	207	208	Total
Letter	\$0.99	\$1.03	\$1.08	\$1.14	\$1.38	\$1.46	\$1.48	\$1.22
1 - 15	\$1.22	\$1.38	\$1.66	\$2.31	\$3.18	\$3.40	\$3.57	\$2.39
16 - 50	\$2.68	\$3.21	\$4.20	\$6.05	\$9.19	\$9.90	\$10.29	\$6.50
51 -150	\$6.90	\$8.04	\$10.48	\$15.65	\$25.00	\$26.84	\$28.16	\$17.30
Total	\$5.35	\$6.25	\$8.14	\$12.08	\$19.13	\$20.54	\$21.53	\$13.29

Percent Increase

lbs./zone	202	203	204	205	206	207	208	Total
Letter	6.4%	6.4%	6.4%	6.1%	6.1%	6.2%	6.2%	6.3%
1 - 15	6.0%	6.0%	6.0%	6.2%	6.0%	6.0%	6.0%	6.0%
16 - 50	5.7%	5.8%	5.9%	6.0%	5.9%	5.9%	5.9%	5.9%
51 -150	5.7%	5.7%	5.8%	6.0%	5.9%	5.9%	6.0%	5.9%
Total	5.7%	5.7%	5.8%	6.0%	5.9%	5.9%	6.0%	5.9%

**2nd Day Air Hundredweight** rates increased an average of 6.0% for all tiers (Table 8). There are significant differences in the percentage increases among zones within each tier.

Table 8  
Second Day Air Hundredweight  
Dollar Increase

Tier/zone	102	103	104	105	106	107	108	Total
1	\$0.05	\$0.06	\$0.08	\$0.11	\$0.18	\$0.21	\$0.21	\$0.13
2	\$0.05	\$0.06	\$0.08	\$0.12	\$0.19	\$0.22	\$0.23	\$0.14
3	\$0.06	\$0.07	\$0.09	\$0.16	\$0.21	\$0.23	\$0.24	\$0.15
4	\$0.06	\$0.07	\$0.12	\$0.21	\$0.22	\$0.24	\$0.25	\$0.17
5	\$0.06	\$0.07	\$0.10	\$0.18	\$0.23	\$0.25	\$0.25	\$0.16
6	\$0.07	\$0.08	\$0.10	\$0.18	\$0.24	\$0.25	\$0.27	\$0.17
7	\$0.06	\$0.08	\$0.10	\$0.19	\$0.24	\$0.26	\$0.27	\$0.17

Percent Increase

Tier/zone	102	103	104	105	106	107	108	Total
1	5.7%	5.6%	5.8%	5.6%	5.7%	5.9%	5.7%	5.7%
2	5.4%	5.5%	5.5%	5.9%	5.7%	5.9%	5.9%	5.7%
3	6.2%	6.1%	5.9%	7.2%	5.8%	5.7%	5.8%	6.0%
4	5.6%	5.7%	7.5%	9.1%	5.8%	5.8%	5.9%	6.3%
5	5.5%	5.6%	6.1%	7.5%	5.9%	5.9%	5.7%	6.0%
6	6.0%	6.0%	5.7%	7.2%	5.8%	5.7%	5.9%	6.0%
7	5.0%	5.8%	5.6%	7.3%	5.7%	5.8%	5.8%	5.9%

**2nd Day Air A.M.:** 10:30 A.M. or 12:00 Noon second business day delivery of both letters and packages to metropolitan commercial addresses where UPS Next Day Air delivery is committed by 10:30 a.m. or Noon. This service is not available to destinations where UPS Next Day Air delivery is committed by end of day.

There was a substantial increase in all zones for letters and packages. Letters increased an average of \$1.25 (5.7%) for all zones. Rates increased an average of \$5.42 (5.3%) for 1 – 50 pound packages. The rates for this service average 15% more than 2nd Day Air.

**2nd Day Air A.M. Hundredweight** rates increased an average of 5.1% for all tiers (Table 9).

Table 9  
Second Day Air A.M. Hundredweight  
Dollar Increase

Tier/zone	102	103	104	105	106	107	108	Total
1	\$0.05	\$0.06	\$0.08	\$0.11	\$0.18	\$0.20	\$0.21	\$0.13
2	\$0.05	\$0.06	\$0.08	\$0.12	\$0.17	\$0.19	\$0.20	\$0.12
3	\$0.06	\$0.07	\$0.11	\$0.19	\$0.21	\$0.23	\$0.24	\$0.16
4	\$0.06	\$0.07	\$0.12	\$0.20	\$0.21	\$0.23	\$0.24	\$0.16
5	\$0.06	\$0.07	\$0.10	\$0.18	\$0.22	\$0.24	\$0.25	\$0.16
6	\$0.06	\$0.08	\$0.10	\$0.19	\$0.23	\$0.25	\$0.26	\$0.17
7	\$0.06	\$0.07	\$0.10	\$0.15	\$0.22	\$0.23	\$0.27	\$0.16

Percent Increase

Tier/zone	102	103	104	105	106	107	108	Total
1	5.0%	5.2%	5.2%	5.0%	5.1%	5.0%	5.1%	5.1%
2	4.8%	5.1%	4.9%	5.2%	4.6%	4.5%	4.5%	4.7%
3	5.3%	5.4%	6.5%	7.9%	5.2%	5.1%	5.1%	5.6%
4	4.9%	5.0%	6.7%	7.9%	5.0%	5.0%	5.0%	5.5%
5	4.6%	4.8%	5.2%	6.6%	5.1%	5.0%	5.1%	5.2%
6	4.4%	5.2%	5.1%	6.6%	5.1%	5.0%	5.0%	5.2%
7	4.3%	4.4%	4.8%	5.0%	4.5%	4.5%	5.0%	4.7%

**3 Day Select:** A third business day delivery of packages.

There is not a letter rate with this service. There were increases in all zones. One – 50 pound packages increased an average of \$3.36 (5.8%).

The rates for this service average 33% less than 2nd Day Air but three and a third times the price of Ground service. Since the majority of UPS' ground packages are delivered within three days, careful study of this service should be conducted prior to its use. If you are using this service for zones 302 – 305, you are spending extra money for this service when Ground service will satisfy your service day requirement. Table 10 summarizes the impact of the increase.

Table 10  
3 Day Select  
Dollar Increase

lbs./zone	302	303	304	305	306	307	308	Total
1 - 15	\$0.90	\$1.09	\$1.22	\$1.48	\$1.99	\$2.24	\$2.53	\$1.63
16 - 50	\$1.86	\$2.33	\$2.90	\$3.63	\$5.21	\$5.92	\$6.82	\$4.10
51 -150	\$4.71	\$6.04	\$7.64	\$9.85	\$14.41	\$16.78	\$18.83	\$11.18
Total	\$3.67	\$4.68	\$5.89	\$7.56	\$11.02	\$12.79	\$14.40	\$8.57

Percent Increase

lbs./zone	302	303	304	305	306	307	308	Total
1 - 15	6.3%	6.2%	6.1%	6.0%	5.9%	6.0%	6.1%	6.1%
16 - 50	5.8%	5.7%	5.7%	5.7%	5.7%	5.7%	6.0%	5.8%
51 -150	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.8%	5.7%
Total	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.8%	5.7%

**3 Day Select Hundredweight** rates increased 5.9%, on average (Table 11).

Table 11  
3 Day Select Hundredweight  
Dollar Increase

Tier/zone	2	3	4	5	6	7	8	Total
Tier 1								
100 - 500 lbs.	\$2.10	\$2.45	\$2.70	\$3.00	\$4.75	\$7.15	\$8.10	\$4.32
501 - 1000 lbs.	\$2.05	\$2.40	\$2.65	\$3.15	\$5.00	\$7.45	\$8.40	\$4.44
1000 + lbs.	\$2.70	\$2.50	\$2.75	\$3.30	\$5.20	\$7.75	\$8.75	\$4.71
Tier 2								
100 - 500 lbs.	\$2.75	\$3.20	\$3.65	\$3.95	\$6.65	\$9.45	\$10.60	\$5.75
501 - 1000 lbs.	\$2.35	\$2.75	\$3.20	\$3.50	\$5.90	\$8.35	\$9.40	\$5.06
1000 + lbs.	\$2.45	\$2.85	\$3.35	\$3.65	\$6.15	\$8.70	\$9.75	\$5.27
Tier 3								
100 - 500 lbs.	\$2.85	\$3.35	\$3.85	\$4.40	\$7.50	\$10.35	\$11.70	\$6.29
501 - 1000 lbs.	\$2.50	\$2.95	\$3.35	\$4.10	\$6.95	\$9.55	\$10.80	\$5.74
1000 + lbs.	\$2.65	\$3.05	\$3.55	\$4.25	\$7.25	\$9.95	\$11.25	\$5.99
Tier 4								
100 - 500 lbs.	\$4.15	\$3.80	\$5.40	\$6.15	\$8.15	\$11.20	\$12.50	\$7.34
501 - 1000 lbs.	\$3.80	\$3.45	\$4.95	\$5.70	\$7.55	\$10.35	\$11.50	\$6.76
1000 + lbs.	\$4.00	\$3.60	\$6.20	\$5.95	\$7.85	\$10.80	\$12.00	\$7.20
Tier 5								
100 - 500 lbs.	\$3.45	\$3.95	\$5.80	\$5.35	\$9.10	\$12.45	\$13.80	\$7.70
501 - 1000 lbs.	\$3.30	\$3.75	\$5.45	\$5.15	\$8.75	\$11.90	\$13.20	\$7.36
1000 + lbs.	\$3.45	\$3.90	\$4.55	\$5.40	\$9.15	\$12.40	\$13.75	\$7.51
Tier 6								
100 - 500 lbs.	\$3.60	\$4.25	\$5.00	\$5.80	\$10.35	\$13.45	\$14.95	\$8.20
501 - 1000 lbs.	\$3.50	\$4.10	\$6.05	\$5.75	\$10.05	\$13.10	\$14.55	\$8.16
1000 + lbs.	\$3.65	\$4.30	\$6.30	\$7.50	\$10.50	\$13.65	\$15.15	\$8.72
Tier 7								
100 - 500 lbs.	\$5.45	\$8.70	\$8.40	\$10.35	\$15.10	\$17.35	\$18.70	\$12.01
501 - 1000 lbs.	\$5.30	\$6.75	\$10.25	\$12.65	\$14.65	\$16.85	\$18.20	\$12.09
1000 + lbs.	\$5.50	\$7.05	\$10.65	\$13.15	\$15.25	\$17.55	\$18.95	\$12.59

Tier/zone	2	3	4	5	6	7	8	Total
Tier 1								
100 - 500 lbs.	5.0%	5.0%	5.0%	4.9%	4.9%	4.9%	4.9%	5.0%
501 - 1000 lbs.	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	6.0%
1000 + lbs.	7.5%	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	6.1%
Tier 2								
100 - 500 lbs.	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	5.9%	6.0%
501 - 1000 lbs.	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	6.0%	6.0%
1000 + lbs.	5.9%	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	6.0%
Tier 3								
100 - 500 lbs.	5.9%	6.0%	5.9%	5.9%	6.0%	5.9%	5.9%	5.9%
501 - 1000 lbs.	6.0%	6.0%	5.9%	6.0%	6.0%	5.9%	5.9%	6.0%
1000 + lbs.	6.0%	5.9%	6.0%	5.9%	6.0%	5.9%	5.9%	6.0%
Tier 4								
100 - 500 lbs.	7.5%	6.0%	7.5%	7.5%	5.9%	5.9%	6.0%	6.3%
501 - 1000 lbs.	7.5%	6.0%	7.5%	7.5%	6.0%	5.9%	5.9%	6.3%
1000 + lbs.	7.5%	6.0%	9.0%	7.5%	5.9%	6.0%	6.0%	6.5%
Tier 5								
100 - 500 lbs.	6.0%	5.9%	7.5%	6.0%	5.9%	6.0%	6.0%	6.1%
501 - 1000 lbs.	5.9%	6.0%	7.4%	5.9%	5.9%	5.9%	5.9%	6.1%
1000 + lbs.	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tier 6								
100 - 500 lbs.	6.0%	6.0%	6.0%	6.0%	6.0%	5.9%	5.9%	6.0%
501 - 1000 lbs.	6.0%	5.9%	7.5%	5.9%	5.9%	5.9%	5.9%	6.1%
1000 + lbs.	6.0%	6.0%	7.5%	7.4%	6.0%	6.0%	5.9%	6.2%
Tier 7								
100 - 500 lbs.	6.0%	7.5%	5.9%	6.0%	6.0%	6.0%	5.9%	6.1%
501 - 1000 lbs.	6.0%	6.0%	7.5%	7.5%	5.9%	5.9%	5.9%	6.3%
1000 + lbs.	5.9%	6.0%	7.4%	7.5%	5.9%	5.9%	5.9%	6.3%

**Ground Fuel Surcharge** applies to all domestic and international transportation charges for the following services:

Ground Commercial, Ground Residential, Hundredweight Ground Service, and Standard To Canada. The surcharge also applies to the following accessorial charges (where applicable):

- Pick-up
- Return Services
- International Extended Area
- Delivery
- Residential Surcharge
- Large Package

**Air and International Fuel Surcharge** applies to all domestic and international transportation charges for the following services:

Next Day Air Early A.M., Next Day Air, Next Day Air Saver, 2<sup>nd</sup> Day Air A.M., 2<sup>nd</sup> Day Air, 3 Day Select, Next Day Air Freight, 2<sup>nd</sup> Day Air Freight, Worldwide Express Plus, Worldwide Express, Worldwide Saver, and Worldwide Expedited. The surcharge also applies to the following accessorial charges (where applicable):

- Pick-up
- Return Services
- Next Day Early A.M./Express Plus
- International Extended Area
- Delivery
- Residential Delivery
- Saturday Delivery and Pick-up
- Large Package

UPS uses an index-based surcharge that is adjusted monthly. Changes to the surcharge will be effective the first Monday of each month. The surcharge will be based on the National U.S. Average On Highway Diesel Fuel Price as reported by the U.S. Energy Information Administration (EIA) for the month that is two months prior to the adjustment, rounded to the nearest cent. For example, the surcharge for February is based on the December National U.S. Average On Highway Diesel Fuel Price. You can find current fuel surcharges on [ups.com](http://ups.com).

Since UPS has parsed every other pricing component, it is unfair shippers must pay the high Air fuel surcharge for those Air packages that are transported over-the-road. As you may be aware, a high percentage of so-called “Air” packages never see the belly of an airplane. They simply travel in trailers along with the Ground packages, yet shippers must still pay the higher Air fuel surcharge.

## International

While early morning, morning and end-of-day delivery times have become the standard within the United States, importers and exporters have long had only one or two time-of-day delivery options for international air shipments. UPS continues to expand its services in lanes between the United States and Asia, Europe and the Americas, giving businesses three time-of-day delivery options in the world's busiest cities. These services are:

- UPS Worldwide Express Plus (guaranteed delivery by 8:30 a.m. to Canada and 9 a.m. to all other destinations)
  - Next business day to Canada
  - Two business days to Europe
  - Two or three business days to Asia

Add \$40.00 to the appropriate Worldwide Express export rate.

- UPS Worldwide Express (guaranteed delivery by 10:30 a.m. or noon, depending on destination)
  - Next business day to Canada and for documents to Mexico
  - Two business days to Europe and Latin America
  - Two or three business days to Asia

Package export rates increased an average of 5.1%.

- UPS Worldwide Saver (guaranteed delivery end-of-day)
  - Next business day to Canada and for documents to Mexico
  - Two business days to Europe and Latin America
  - Typically within two or three business days to Asia

The package export rates for this service increased an average of 4.6%. The export rates for this service average 3.0% off of Worldwide Express service.

- Worldwide Expedited (guaranteed delivery end-of-day)
  - Two business day to Canada
  - Three business days to Mexico
  - Three or four business days to Europe
  - Four or five business days to Asia and Latin America

The package export rates for this service increased an average of 5.1%.

- Standard To Canada (guaranteed delivery end-of-day)
  - Within two to six business days to Canada

The package export rates for this service increased an average of 3.7% (\$3.09). But as we have seen with so many other services, the lowest weights (1 – 15 pounds) increased an average of 4.0% (\$1.30).

## Dimensional Weighing

Shipping rates are based on package weight and size and origin-to-destination distance. Billable weight is the greater of the actual weight or dimensional weight. Actual weight is the package weight rounded up to the next whole pound. Dimensional weight is a method of calculating an artificial weigh of a package based on its physical size.

UPS' formula for calculating a Dimensional weight is as follows: Using inches, measure a

package at the longest point, rounding each measurement to the nearest whole number (e.g., 1.00 to 1.49 rounds down to 1, and 1.50 to 1.99 rounds up to 2). Multiply the package length (longest side of the package) by the width by the height. The result is the cubic size in inches. Then divide the cubic size in inches by 166 to determine dimensional weight in pounds if a package is less than or equal to 1,728 cubic inches. Increase any fraction to the next whole pound. Use a divisor of 139 if a package is greater than 1,728 cubic inches.

To determine billable weight, just compare the package's actual weight to its dimensional weight. The greater of the two is the billable weight and will be used to calculate the rate.

Effective in 2017, an Additional Handling charge is assessed for any package with the longest side exceeding 48 inches, instead of 60 inches.

Per UPS' Service Guide, 'shippers are responsible for providing accurate and complete shipment information on the shipping document or in the automated processing system used, including service selected, number, weight and dimensions of packages. UPS reserves the right to audit any package and/or invoice to verify package dimensions or weight and applicability of any charges. As part of that audit, UPS may weigh and measure any package tendered to UPS using any method UPS deems appropriate including, but not limited to, multidimensional measuring devices. If any aspect of the shipment information provided by the shipper is incomplete or incorrect as determined by UPS in its sole and unlimited discretion, UPS may in its sole and unlimited discretion adjust charges at any time.'

## Accessorial

Charges for many Accessorial increased. These include Additional Handling, Address Correction, Delivery Area Surcharge, Delivery Confirmation Signature Required, Delivery Confirmation Adult Signature Required, Delivery Intercept, Large Packages, On-Call Pick-up Area Surcharge, Residential Surcharge, and Weekly Pick-up Charge.

The following summarizes the changes:

<u>Accessorial</u>	<u>2017</u>	<u>2016</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
Additional Handling	\$10.85	\$10.50	\$0.35	3.33%
C.O.D.	\$12.90	\$12.50	\$0.40	3.20%
Delivery Area Surcharge				
- Ground				
- Residential	\$3.25	\$3.15	\$0.10	3.17%
- Commercial Extended	\$2.40	\$2.30	\$0.10	4.35%
- Residential Extended	\$4.20	\$4.00	\$0.20	5.00%
- Air				
- Residential	\$3.80	\$3.70	\$0.10	2.70%
- Commercial Extended	\$2.55	\$2.45	\$0.10	4.08%
- Residential Extended	\$4.20	\$4.00	\$0.20	5.00%
Delivery Confirmation				
- Signature Required	\$4.50	\$4.25	\$0.25	5.88%
- Adult Signature	\$5.50	\$5.25	\$0.25	4.76%
Delivery Intercept				
- Phone Request	\$19.40	\$18.70	\$0.70	3.74%
- Web Request	\$13.40	\$12.90	\$0.50	3.88%
Large Package Surcharge	\$70.00	\$67.50	\$2.50	3.70%
Residential Surcharge				
- Ground	\$3.40	\$3.25	\$0.15	4.62%
- Air	\$4.00	\$3.65	\$0.35	9.59%
Weekly Pick-up Charge				
\$75+	\$12.90	\$12.50	\$0.40	3.20%
< \$75	\$25.80	\$25.00	\$0.80	3.20%

## FedEx

Like UPS, FedEx Express and FedEx Ground implemented various rate hikes for 2017. FedEx Ground follows the lead of United Parcel Service when it comes to base Ground rates, they are virtually the same. Why not? It's easy money. As you know, since its inception FedEx Ground has been a price follower. FedEx Express maintains its long-term position of offering higher base Air rates than Big Brown. This reflects FedEx leadership position in express deliveries while UPS attempts to undercut their competitor with hopes of greater market share. I suggest you visit the FDX web

site to get a copy of all rate tables. Bottom line: regardless of where each carrier's base rates fall, all of the carriers choose to differentiate themselves price-wise in the marketplace through contract negotiations - on an account-by-account basis.

### **Conclusion**

There you have it! What does the rate increase mean to your company? You can find that out by analyzing your monthly package expenditure by calculating the incremental cost using the old and new rates plus the surcharges and accessorial charges. (To help you accomplish that task, don't forget that you can download 2017 UPS rates directly from their Web site: [www.ups.com](http://www.ups.com).) A detailed cost analysis will provide the necessary information to help you decide which service offerings best serve your company's needs. No matter what carrier or services you choose to use, understanding how the rate increase impacts your company's cost and profits is a top priority! Have a prosperous 2017!

### **About The Author**

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