

## United Parcel Service Rate Increase:

# **SOLVING** *the* **PUZZLE!**



**By: Joe Loughran**

On December 26, 2023, United Parcel Service's (UPS) new rates go into effect for 2024. There will be significant increases in all service areas. None went untouched. Ground service had a healthy increase while Air rates rose at even a greater rate. International rates had significant increases, too. As expected, surcharges and other accessorials saw their share of increases, too.

You will be sadly disappointed if you rely on UPS' press release for insight into the annual rate increase. They claim rates will increase by an average 5.9%. How the number was derived is anyone's guess, but what is known for sure is few shippers will actually realize a 5.9% increase. The increase your company will experience will be a function of each package's characteristics, such as weight, size, and zone.

This article provides a detailed analysis of this year's UPS rate increase. Why UPS? Because they are the industry leader and, for the most part, establish pricing direction, while competitors follow in lock step. Our findings show solid increases in all service sectors – ground and air, domestic and international. Most accessorial charges have 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 \$0.95 (5.8%), while 16 – 50 pound packages increased \$2.13 (6.1%). Rates were increased, on average, by \$5.17 (6.4%) for 51 – 150 pound packages.

Table 1 summarizes the impact of the increase.

**Table 1**  
**Ground**  
**Dollar Increase**

<u>lbs./zone</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>Total</u>
1 - 15	\$0.75	\$0.82	\$0.89	\$0.97	\$0.96	\$1.08	\$1.19	\$0.95
16 - 50	\$1.27	\$1.54	\$1.72	\$2.05	\$2.36	\$2.79	\$3.19	\$2.13
51 - 150	<u>\$3.31</u>	<u>\$3.53</u>	<u>\$4.43</u>	<u>\$4.65</u>	<u>\$5.92</u>	<u>\$6.67</u>	<u>\$7.64</u>	<u>\$5.17</u>
Total	\$2.57	\$2.80	\$3.45	\$3.68	\$4.59	\$5.21	\$5.96	\$4.04

**Percent Increase**

<u>lbs./zone</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>Total</u>
1 - 15	5.8%	5.9%	5.9%	5.9%	5.5%	5.6%	5.7%	5.7%
16 - 50	6.2%	6.4%	6.4%	6.3%	5.8%	5.8%	5.8%	6.0%
51 - 150	<u>5.4%</u>	<u>5.5%</u>	<u>6.4%</u>	<u>6.2%</u>	<u>6.8%</u>	<u>6.8%</u>	<u>7.0%</u>	<u>6.4%</u>
Total	5.5%	5.6%	6.4%	6.2%	6.6%	6.6%	6.8%	6.3%

The *Ground Residential Surcharge* increased \$0.40 to \$5.65 (7.6%) while the *Air Residential Surcharge* increased \$0.35 to \$6.20 (6.0%). Simply add the surcharge to the base rate to determine the cost of a residential delivery. (And don't forget to determine whether or not there is a Delivery Area Surcharge.)

### 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. 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 \$2.98 (6.4%). Rates increased an average of \$8.13 (6.6%) for 1 – 15 pound packages. Uncustomary, there were greater increases in the shorter, less used zones, and lesser increases in the longer, more often used, zones.

Table 2 summarizes the impact of the increase.

**Table 2**  
**Next Day Air**  
**Dollar Increase**

<u>lbs./zone</u>	<u>102</u>	<u>103</u>	<u>104</u>	<u>105</u>	<u>106</u>	<u>107</u>	<u>108</u>	<u>Total</u>
Letter	\$2.41	\$2.67	\$2.79	\$2.99	\$3.05	\$3.39	\$3.54	\$2.98
1 - 15	\$4.20	\$5.58	\$7.96	\$8.95	\$9.31	\$10.27	\$10.61	\$8.13
16 – 50	\$8.26	\$10.99	\$18.58	\$20.11	\$20.92	\$22.52	\$23.51	\$17.84
51 -150	<u>\$13.41</u>	<u>\$18.52</u>	<u>\$32.26</u>	<u>\$47.73</u>	<u>\$48.83</u>	<u>\$58.25</u>	<u>\$64.53</u>	<u>\$40.50</u>
Total	\$11.28	\$15.47	\$26.64	\$37.41	\$38.36	\$45.12	\$49.57	\$31.98

<u>lbs./zone</u>	<u>102</u>	<u>103</u>	<u>104</u>	<u>105</u>	<u>106</u>	<u>107</u>	<u>108</u>	<u>Total</u>
Letter	7.9%	7.2%	5.9%	5.9%	5.9%	5.9%	5.9%	6.4%
1 - 15	7.9%	7.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.6%
16 – 50	7.9%	7.4%	6.4%	6.4%	6.4%	6.4%	6.4%	6.6%
51 -150	<u>4.8%</u>	<u>4.7%</u>	<u>4.6%</u>	<u>6.0%</u>	<u>6.0%</u>	<u>6.1%</u>	<u>6.4%</u>	<u>5.7%</u>
Total	5.3%	5.1%	4.9%	6.1%	6.1%	6.1%	6.4%	5.8%

**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.

Letters increased an average of \$2.98 (3.8%). Package rates increased an average of \$8.13 (5.3%) for 1 – 15 pounds. The rates average 5.2% more than the Next Day Air rate.

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 \$2.78 (6.2%). Package rates increased an average of \$7.50 (6.6%) for 1 – 15 pounds. The rates average a mere 2.9% less than 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 3 summarizes the impact of the increase.

**Table 3**  
**Next Day Air Saver**  
**Dollar Increase**

<u>lbs./zone</u>	<u>132</u>	<u>133</u>	<u>134</u>	<u>135</u>	<u>136</u>	<u>137</u>	<u>138</u>	<u>Total</u>
Letter	\$2.06	\$2.50	\$2.65	\$2.84	\$2.90	\$3.18	\$3.33	\$2.78
1 - 15	\$3.69	\$5.18	\$7.40	\$8.13	\$8.74	\$9.47	\$9.89	\$7.50
16 – 50	\$7.30	\$10.32	\$17.65	\$19.04	\$19.90	\$21.45	\$22.47	\$16.88
51 -150	<u>\$12.97</u>	<u>\$18.08</u>	<u>\$31.97</u>	<u>\$46.71</u>	<u>\$47.84</u>	<u>\$60.09</u>	<u>\$62.01</u>	<u>\$39.95</u>
Total	\$10.72	\$14.98	\$26.17	\$36.40	\$37.41	\$46.01	\$47.57	\$37.87

**Percent Increase**

<u>lbs./zone</u>	<u>132</u>	<u>133</u>	<u>134</u>	<u>135</u>	<u>136</u>	<u>137</u>	<u>138</u>	<u>Total</u>
Letter	6.9%	6.9%	5.9%	5.9%	5.9%	5.9%	5.9%	6.2%
1 - 15	7.5%	7.5%	6.4%	6.4%	6.4%	6.4%	6.4%	6.6%
16 – 50	7.5%	7.5%	6.4%	6.4%	6.4%	6.4%	6.4%	6.5%
51 -150	<u>4.9%</u>	<u>4.8%</u>	<u>4.7%</u>	<u>6.0%</u>	<u>6.0%</u>	<u>6.4%</u>	<u>6.3%</u>	<u>5.8%</u>
Total	5.2%	5.2%	4.9%	6.1%	6.1%	6.4%	6.4%	5.9%

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

Letters increased an average of \$2.11 (6.9%) for all zones. Rates increased an average of \$4.39 (7.3%) for 1 – 15 pound packages, with a similar disparity among the various weights and zones as seen in Next Day Air service. The rates for this service average 45% off of the Next Day Air rate for 1 – 30 pound packages, and 36% off 31 – 150 pound packages. Table 4 summaries the impact of the increase.

**Table 4**  
**Second Day Air**  
**Dollar Increase**

<u>lbs./zone</u>	<u>202</u>	<u>203</u>	<u>204</u>	<u>205</u>	<u>206</u>	<u>207</u>	<u>208</u>	<u>Total</u>
Letter	\$1.24	\$1.30	\$1.36	\$2.26	\$2.72	\$2.90	\$2.96	\$2.11
1 - 15	\$1.64	\$1.88	\$2.26	\$4.56	\$6.32	\$6.88	\$7.16	\$4.39
16 – 50	\$3.75	\$4.52	\$5.77	\$12.17	\$18.54	\$20.17	\$20.82	\$12.25
51 -150	<u>\$9.36</u>	<u>\$11.35</u>	<u>\$14.86</u>	<u>\$31.06</u>	<u>\$50.04</u>	<u>\$55.17</u>	<u>\$56.88</u>	<u>\$32.68</u>
Total	\$7.28	\$8.81	\$11.48	\$24.00	\$38.32	\$42.18	\$43.49	\$25.08

**Percent Increase**

<u>lbs./zone</u>	<u>202</u>	<u>203</u>	<u>204</u>	<u>205</u>	<u>206</u>	<u>207</u>	<u>208</u>	<u>Total</u>
Letter	5.5%	5.5%	5.5%	7.9%	7.9%	7.9%	7.9%	6.9%
1 - 15	5.5%	5.5%	5.5%	7.9%	7.9%	7.9%	7.9%	7.3%
16 – 50	5.5%	5.5%	5.5%	7.9%	7.9%	7.9%	7.9%	7.4%
51 -150	<u>5.3%</u>	<u>5.3%</u>	<u>5.5%</u>	<u>7.9%</u>	<u>7.9%</u>	<u>7.9%</u>	<u>7.9%</u>	<u>7.3%</u>
Total	5.4%	5.3%	5.5%	7.9%	7.9%	7.9%	7.9%	7.3%

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

There is not a letter rate with this service. One – 15 pound packages increased an average of \$3.12 (7.0%). The rates for this service average 29% less than 2nd Day Air but 282% greater than the price of Ground service. Since most UPS’ ground packages are delivered within three days, careful study should be conducted prior to its use. If you are using this service for zones 302 – 305, you are needlessly spending money for this service when Ground service will satisfy your service day requirement. Table 5 summarizes the impact of the increase.

**Table 5**  
**3 Day Select**  
**Dollar Increase**

<u>lbs./zone</u>	<u>302</u>	<u>303</u>	<u>304</u>	<u>305</u>	<u>306</u>	<u>307</u>	<u>308</u>	<u>Total</u>
1 - 15	\$1.01	\$1.23	\$1.39	\$3.24	\$4.36	\$4.98	\$5.59	\$3.12
16 – 50	\$2.20	\$2.74	\$3.43	\$8.03	\$11.46	\$13.40	\$15.23	\$8.07
51 -150	\$5.48	\$7.01	\$8.96	\$22.22	\$32.22	\$38.17	\$42.81	\$22.41
Total	\$4.27	\$5.43	\$6.92	\$17.01	\$24.59	\$29.07	\$32.65	\$17.13

**Percent Increase**

<u>lbs./zone</u>	<u>302</u>	<u>303</u>	<u>304</u>	<u>305</u>	<u>306</u>	<u>307</u>	<u>308</u>	<u>Total</u>
1 - 15	4.5%	4.5%	4.5%	7.9%	7.9%	7.9%	7.9%	7.0%
16 – 50	4.5%	4.5%	4.5%	7.9%	7.9%	7.9%	7.9%	7.1%
51 -150	4.4%	4.4%	4.5%	7.8%	7.8%	7.9%	7.9%	7.1%
Total	4.4%	4.4%	4.5%	7.8%	7.8%	7.9%	7.9%	7.1%

*Fuel Surcharge* applies to all domestic and international transportation charges, and to the following accessorial charges (where applicable):

- Delivery Charges
- Pickup Charges
- Remote/Extended Delivery and Pickup Charges
- Residential Surcharge
- Return Services w/ Pickup
- Saturday Delivery and Pickup
- Signature Required Services
- Additional Handling, Large Package, and Over Maximum Limits
- Oversize Pallet Handling Surcharge
- Peak Surcharges

UPS uses an index-based surcharge that is adjusted weekly. Changes to the surcharge will be effective on Monday of each week. The Ground fuel surcharge is based on the National U.S. Average of Highway Diesel Fuel Price as reported by the U.S. Energy Information Administration (EIA) for the week that is two weeks prior to the adjustment, rounded to the nearest cent. For example, the surcharge for the week of February 5, 2024 is based on the National U.S. Average of Highway Diesel Fuel Price for the week of January 22, 2024. Air and International fuel surcharges

are based on the U.S. Gulf Coast (USGC) price for kerosene-type jet fuel. Current fuel surcharges are found on ups.com.

## **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:

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

The package rates for this service increased an average of 5.0% (\$5.35). But as we have seen with so many other services, the lowest weights (1 – 15 pounds) increased an average of 5.4%.

- 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 10.2% for letters and 12.5% for packages.

- 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 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 4.8% for letters and 6.2% for packages. The export rates for this service average 6.3% off 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 6.2%.

## **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 139 to determine dimensional weight in pounds. Increase any fraction to the next whole pound. 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.

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**

Many accessorial charges increased, including Additional Handling, Address Correction, C.O.D., Dangerous Goods (HazMat), Delivery Area Surcharge, Large Packages, Residential Surcharge, and Weekly Pick-up Charge.

The following exhibits summarize the changes:

<u>Accessorial</u>	<u>2024</u>	<u>2023</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
<b>Additional Handling</b>				
-Dimensions				
Zone 2	\$22.00	\$18.50	\$3.50	18.92%
Zone 3,4	\$24.50	\$20.50	\$4.00	19.51%
Zone 5+	\$28.25	\$23.50	\$4.75	20.21%
- Packaging				
Zone 2	\$19.50	\$16.50	\$3.00	18.18%
Zone 3,4	\$23.00	\$19.00	\$4.00	21.05%
Zone 5+	\$24.50	\$20.50	\$4.00	19.51%
- Weight				
Zone 2	\$34.50	\$29.00	\$5.50	18.97%
Zone 3,4	\$37.50	\$31.50	\$6.00	19.05%
Zone 5+	\$41.50	\$34.50	\$7.00	20.29%
<b>Address Correction</b>				
Air	\$21.00	\$19.50	\$1.50	7.69%
Ground	\$21.00	\$19.50	\$1.50	7.69%
<b>Chargeback (Consignee Billing)</b>	\$21.00	\$19.50	\$1.50	7.69%
<b>Collect on Delivery (C.O.D.)</b>	\$19.00	\$18.00	\$1.00	5.56%
<b>Dangerous Goods (HazMat)</b>				
- Air Accessible	\$160.00	\$145.00	\$15.00	10.34%
- Air Inaccessible	\$73.00	\$68.50	\$4.50	6.57%
- Ground	\$51.00	\$48.00	\$3.00	6.25%
<b>Delivery Area Surcharge</b>				
- Ground				
- Commercial	\$3.95	\$3.70	\$0.25	6.76%
- Commercial Extended	\$4.90	\$4.50	\$0.40	8.89%
- Residential	\$5.70	\$5.30	\$0.40	7.55%
- Residential Extended	\$7.70	\$7.15	\$0.55	7.69%
- Air				
- Commercial	\$3.95	\$3.70	\$0.15	6.76%
- Commercial Extended	\$4.90	\$4.50	\$0.25	8.89%
- Residential	\$5.85	\$5.55	\$0.30	5.41%
- Residential Extended	\$7.70	\$7.15	\$0.50	7.69%



<u>Accessorial</u>	<u>2024</u>	<u>2023</u>	<u>\$ Diff.</u>	<u>% Diff.</u>
<b>Delivery Confirmation</b>				
- Signature Required	\$6.75	\$6.35	\$0.40	6.30%
- Adult Signature required	\$8.15	\$7.65	\$0.50	6.54%
<b>Dry Ice</b>	\$7.50	\$7.05	\$0.45	6.38%
<b>Large Package Surcharge</b>				
- Commercial				
Zone 2	\$160.00	\$135.00	\$25.00	18.52%
Zone 3,4	\$175.00	\$145.00	\$30.00	20.69%
Zone 5+	\$197.50	\$165.00	\$32.50	19.70%
- Residential				
Zone 2	\$190.00	\$160.00	\$30.00	18.75%
Zone 3,4	\$205.00	\$170.00	\$35.00	20.59%
Zone 5+	\$235.00	\$195.00	\$40.00	20.51%
<b>Missing PLD Fee</b>	\$3.85	\$3.00	\$0.85	28.33%
<b>Missing/Invalid Account Number</b>	\$21.00	\$19.50	\$1.50	7.69%
<b>On-Call Pickup Area Surcharge</b>				
- Residential	\$5.70	\$5.25	\$0.45	8.57%
- Extended Residential	\$7.70	\$7.15	\$0.55	7.69%
<b>Over Maximum Limits</b>	\$1,250.00	\$1,150.00	\$100.00	8.70%
<b>Rebill Fee</b>	\$21.00	\$19.50	\$1.50	7.69%
<b>Remote Area Surcharge - US48</b>	\$14.15	\$13.05	\$1.10	8.43%
<b>Residential Surcharge</b>				
- Ground	\$5.65	\$5.25	\$0.40	7.62%
- Air	\$6.20	\$5.85	\$0.35	5.98%
<b>Weekly Pick-up Charge</b>				
<b>Daily Pickup</b>	\$32.90	\$30.00	\$0.35	9.67%
<b>Daily On-Route Pickup</b>	\$9.90	\$10.00	\$0.35	-1.00%
<b>Day-Specific Pickup</b>				
- 4 Days	\$24.90	\$24.00	\$0.35	3.75%
- 3 Days	\$18.90	\$18.00	\$0.35	5.00%
- 2 Day	\$12.90	\$12.00	\$1.35	7.50%
- 1 Day	\$6.90	\$6.00	\$0.35	15.00%
- UPS Smart Pickup	\$16.90	\$16.00	\$0.35	5.62%

### Peak Surcharges

Peak Surcharges apply to packages shipped during selected days in November and December, according to the service level and package characteristics. Peak Surcharges are in addition to all other applicable charges. The company claims the surcharge is needed to offset some of the additional expenses incurred during significant volume surges.

Packages addressed to or delivered to a location that is a home, including a business operating out of a home, during a Peak Period will be subject to one or more Peak Surcharges. Furthermore:

A Peak Surcharge will apply to Additional Handling packages including, but not limited to:

- Any article that is encased in an outside shipping container made of metal or wood.
- Any cylindrical-like item, such as a barrel, drum, pail or tire, that is not fully encased in a corrugated cardboard shipping container.
- Any package with the longest side exceeding 48 inches or its second-longest side exceeding 30 inches.
- Any package with an actual weight of more than 70 pounds.
- Each package in a shipment where the average weight per package is greater than 70 pounds and the weight for each package is not specified on the source document or the UPS automated shipping system used.

A Peak Surcharge applies to Large Packages with length plus girth  $[(2 \times \text{width}) + (2 \times \text{height})]$  combined over 130 inches, or that exceeds 96 inches in length.

A Peak Surcharge applies to Over Maximum Limits packages with an actual weight of more than 150 pounds, or that exceeds 108 inches in length, or that exceeds a total of 165 inches in length plus girth  $[(2 \times \text{width}) + (2 \times \text{height})]$  combined, as measured to determine their billable weight.

Consult [ups.com/peaksurcharges](https://www.ups.com/peaksurcharges) for the current rates.

## **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. Calculate the incremental cost using the old and new rates plus the surcharges and accessorial charges. (You can download UPS' 2024 rates directly from their Web site: [www.ups.com](https://www.ups.com).) A detailed cost analysis will provide you with the information needed to determine which service offerings best suits your company's needs. No matter what carrier or services you choose to use, understanding how the rate increase impacts expense and profit is a top priority. Have a prosperous 2024.

## **About The Author**

Joe Loughran is an expert in small package industry and President of Parcel Rate Solutions. Parcel Rate Solutions is a small package consulting company offering services in carrier rate analysis and negotiation. Mr. Loughran is the author of two industry-related books, *The Shipper's Guide of the Small Package Industry* and *The Shipper's Guide of the Small Package Industry – Price and Negotiation*. They are available on Amazon.com. Mr. Loughran can be reached via email: [loughran@parcelratesolutions.com](mailto:loughran@parcelratesolutions.com).