

Below you will find a brief summary of the impact of the carrier rate increases and continued policy for 2016. As always this is expected; however, it comes once again at a time when the economy has not completely recovered; thus continuing to magnify its effect on shippers and your customers. The carriers clearly must protect their businesses and profitability in this environment; the last quarterly earnings reports has UPS profits projected to soar at a double digit pace, this is in comparison to 7% in 2012; the carriers once again proving that they can still perform in any environment. These rate increases as well as improved carrier efficiencies have fueled these results. The customer must also seek to protect their business. Being aware of the impact of rate increases; having the visibility of your shipping personality, while understanding the direct impact to you, and shipping smarter are the necessities of navigating through these difficult times.

As the carriers continue to raise prices, as much as double digit percentages (depending on your shipping personality) in January 2016 (see below for the most significant carrier rate increase areas), we recommend that, when it comes time for carrier negotiations, you seek our assistance. Over the last several years, we have demonstrated savings through contract/rate analysis and RFP insights; without compromising carrier service standards.

The largest impact again for many shippers will be seen from the new dimensional weight rules on ground services commenced in January 2015.

Our job, as your freight reconciliatory, is to keep you informed of any and all "happenings" with regards to your freight circumstances. We will continue to update you so that you stay informed on the carrier changes and we will make certain that you have the information necessary to work constructively and closely with your carriers.

Best wishes for wonderful 2016.

Best regards,

Parcel Management Auditing and Consulting, Inc.

Interesting Service Notes:

Plan Ahead for Holiday Season Shipping with UPS

Service Update

Revised December 1, 2015, 3:00 p.m. ET

To help you plan ahead and serve your customers better this holiday season, UPS is offering these valuable resources.

- Download our holiday schedule PDF so you have important shipping dates at your fingertips.

Additional Time in Transit

From Nov. 23 to Dec. 30, a limited number of UPS® Ground and UPS® Standard shipments with transit times of three or more days, and with specific origins and destinations, will require an additional day in transit. Visit ups.com/ctc for the most up-to-date time in transit details at the time of shipping.

In addition, all UPS 2nd Day Air® and UPS 3 Day Select® packages shipped on December 21 will also require an additional day in transit. UPS 2nd Day Air packages shipped December 21 will be delivered December 24; UPS 3 Day Select packages picked up that day will be delivered after Christmas Day.



PMAC Rate Analysis Notes:

1. Carriers are continuing to discount heavier packages more because essentially the costs are the same; only incrementally different at best.
2. Longer air zones are raised higher than shorter zones. Less regional and ground competition.
3. If you have been diligent in converting air to GDS you will see higher increases in air services due to this. For more accurate budgeting PMAC can analyze the specific effects on your specific freight spends.
4. Residential deliveries are increasing due to less packages going to stores and directly to consumers. Average package weights are decreasing also for this reason. We are seeing UPS experimenting with services such as Access Point and My Choice in an attempt to reduce the amount of possible residential attempts on deliveries
5. Continual overlap in GDS and air services allow the carriers to keep the air services within GDS zones higher.
6. DIM factors have decreased significantly, resulting in higher billed weights
 - Domestic DIM factor moving from 194 to 166
 - International DIM factor moving from 166 to 139
7. DIM factors need to be offset by standardizing box sizes. PMAC can help
8. 2015 DIM Rules can effect rates for some shippers well into the double digits (see example below)

2011 DIMENSIONAL FACTORS continue to have a tremendous impact on your shipment weight valuations.

Example: 2010 weighting for 35x13x25 package @194(current factor) = 58.63 lbs.

2011 weighting for 35x13x25 package @166 (new factor) = 68.52 lbs.

NET weight increase of 16.7%!

Give us a call and have PMAC evaluate the complete cost impact; specific to your freight personality.

New 2015 DIM Weight Rules- “The Weight of Air”

UPS and FedEx in January of 2015 and thereafter have been re-defining the laws of physics and declaring that “air has weight”. It is surely a justifiable assertion when you are in the business of shipping toilet paper and paper towels; these items are large and bulky and take up more room in the line haul; this extra room could have been used for smaller and larger revenue generating parcels. However, if you are not in the business of shipping these items the slap on the wrist may not be justified on your wrist. Here’s how it will work.

See below:

Let's say this box is:

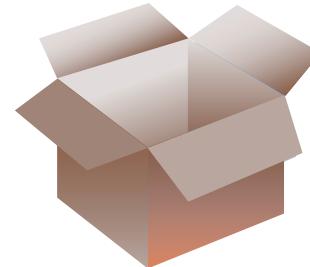
12 x 10 x 8, this would = 960 cubic inches; we calculate the cubic inches by multiplying the length (12), the width (10) and the height (8). $12 \times 10 \times 8 = 960$ cubic inches.

Today for any ground packages shipped with UPS and FedEx that are under 5184 cubic inches will not be subject to any dimensional weight pricing; what is dimensional weight pricing?

Dimensional weight pricing is being billed for the higher of the dimensional weight of the package or the actual weight of the package. Dimensional weight is determined by calculating the cubic inches and dividing by a “dimensional factor” or denominator. The current UPS and FedEx standard published DIM divisor (factor) is 166 on domestic packages.

So, back to our sample box; our sample box is 960 cubic inches; we divide this by 166 and we get 5.78 DIM weight.

$960/166 = 5.78$ pounds; this will round up to 6 pounds as dimensional weight. Previous to 2015 DIM Rules this package would have simply gone out at the actual weight of the package; in 2015 it will be billed at the greater weight of the DIM weight or the actual weight.





The Real Impact Analysis

<http://rates.ups.com/>

<http://www.fedex.com/us/2016rates/>

Ground Rate Increases

- Overall GDS Rates increased 4.77 to 6.05 percent for packages 1- 10 lbs. for Zones 2-8.
- As expected the percent increase declined with higher weight packages.
- The largest increases were for packages 1 lb. to zone 6 at 6.05%
- All net increases are substantially higher for weights less than 53 lbs.

Next Day Air Increases

- Premium Air Rates increased 3.63 to 6.75 percent from LX to 10 lbs.
- The highest increase was for zones 106 and 108.
- For NDA services the lowest increases were for Zones 102 and 103

Next Day Air Saver Increases

- Saw the largest rate increases from 1-10 lbs. and in zones 132 and 133; from 6.71 to 7.23 percent

2nd Day Air Increases

- The largest increases interestingly are in the zone 208 area as shippers continue to use ground zones to their advantage which resulted in this carrier pricing shift. The increases here were as high as 8.69% for a 2 day air 5 lb. zone 4 package; increases ranged from 7.10 to 8.69 percent from 1-10 lbs. and zones 202-208.

These 2 day air increases represent the highest percent increases between LX and 10 pounds and zones 2 thru 8 in the last several years.

3 Day Select Increases

- The highest average rate increases at 7.38% are in zone 307 and 308

The highest percentage rate increases overall are on 2-day air services

Hundredweight Increases

With dramatic Hundredweight (CWT) rate increases shippers need to be cognizant of the costs/lb. and possible LTL alternatives.

Shippers should be aware that UPS Hundredweight (CWT) and FedEx Ground Multi-weight (MWT) programs were developed to convert LTL minimum rated shipments into Parcel deliveries. Now that both UPS and FedEx have LTL Operations (UPS Freight and FedEx Freight) expect the carriers to trend towards premium pricing to handle multiple piece shipments in their Parcel networks. Recent increases in CWT/MWT rates, average package weight minimums and accessorial charge increases related to traditional LTL shipments (e.g. Large Package Surcharges, HazMat fees, etc.) makes it essential to have alternative cost and service effective options at your disposal. With LTL carriers expanding their service areas and service options; it is essential to consider these and hybrid alternatives. PMAC can help!

http://www.parcelmanagement.com/rate_contract_negotiation.php



UPS/FedEx Ground Rate Increases 2016

Zones	2		3		4		5		6		7		8	
	2016	% Change												
1 Lbs.	\$6.94	4.99%	\$7.58	6.01%	\$7.79	5.99%	\$8.13	6.00%	\$8.42	6.05%	\$8.53	5.96%	\$8.66	6.00%
2	\$7.66	5.80%	\$8.25	5.77%	\$8.91	5.82%	\$9.10	5.81%	\$9.49	5.80%	\$9.69	5.79%	\$9.96	5.84%
3	\$7.78	5.85%	\$8.60	5.78%	\$9.40	5.86%	\$9.68	5.79%	\$10.08	5.77%	\$10.42	5.79%	\$11.01	5.76%
4	\$8.03	5.80%	\$8.81	5.76%	\$9.85	5.80%	\$10.29	5.76%	\$10.59	5.79%	\$11.09	5.82%	\$11.80	5.83%
5	\$8.07	4.81%	\$8.88	5.84%	\$10.21	5.80%	\$10.68	5.85%	\$10.93	5.81%	\$11.50	5.80%	\$12.38	5.81%
6	\$8.35	4.77%	\$9.13	5.79%	\$10.34	5.83%	\$10.89	5.83%	\$11.19	5.77%	\$11.79	5.83%	\$12.48	4.79%
7	\$8.81	5.76%	\$9.36	5.76%	\$10.52	5.84%	\$11.13	5.80%	\$11.39	5.76%	\$12.10	5.77%	\$12.96	5.80%
8	\$8.97	4.79%	\$9.59	5.85%	\$10.69	5.84%	\$11.34	5.78%	\$11.74	5.77%	\$12.47	5.77%	\$13.40	4.77%
9	\$9.23	5.85%	\$9.82	5.82%	\$10.83	5.76%	\$11.43	5.83%	\$11.99	5.83%	\$12.99	5.78%	\$14.24	4.78%
10	\$9.44	4.77%	\$9.86	5.79%	\$11.00	5.77%	\$11.75	5.76%	\$12.36	4.83%	\$13.75	4.80%	\$15.19	4.83%
11	\$9.85	4.79%	\$10.25	5.78%	\$11.11	5.81%	\$11.94	5.76%	\$12.90	5.82%	\$14.91	5.82%	\$16.19	4.79%
12	\$10.01	4.82%	\$10.57	5.81%	\$11.20	5.76%	\$12.11	5.76%	\$13.11	4.80%	\$15.50	4.80%	\$17.11	4.78%
13	\$10.25	4.81%	\$10.82	5.77%	\$11.35	5.78%	\$12.34	5.83%	\$13.78	5.84%	\$16.61	5.80%	\$18.22	4.77%
14	\$10.51	4.79%	\$11.12	5.80%	\$11.46	5.82%	\$12.52	5.83%	\$14.43	5.79%	\$17.64	5.82%	\$19.27	4.79%
15	\$10.57	4.76%	\$11.36	4.80%	\$11.62	5.16%	\$13.10	5.82%	\$15.09	5.82%	\$18.18	4.78%	\$20.25	4.81%

Most Common Accessorial Charge Increases

ACC Charge	ADC	AHC	DAS RES Air	DAS RES Ground	DAS COM Ground	RES Air	RES Ground
Rate	\$13.00	\$9.00	\$3.70	\$3.15	\$2.30	\$3.65	\$3.25

UPS 2016 Rate Change Information

The following changes will be made to package surcharges and accessoriels, effective December 28, 2015. See the applicable 2016 UPS Rate and Service Guide, available December 28, 2015, for further details.

Additional Handling Surcharge

- The Additional Handling charge will increase \$1.50

Address Corrections

- The Address Correction surcharge will increase \$0.50. The maximum Address Correction charge applied to domestic UPS Hundredweight Service® shipments will increase \$3.50.
- Missing / Invalid Account Number or Refusal Fee, and Chargeback for Consignee Billing Shipments, will increase \$0.50.



Area Surcharges

For packages delivered to certain Zip Codes™ within the 48 contiguous states

- The Delivery Area Surcharge applied to commercial and commercial extended addresses for UPS Air Services will increase \$0.10. For UPS Air Services, the Delivery Area Surcharge applied to residential addresses will increase \$0.15, and increase \$0.20 for residential extended addresses.
- The Delivery Area Surcharge applied to commercial and commercial extended addresses for U.S. UPS® Ground Services will increase \$0.10. For U.S. UPS Ground Services, the Delivery Area Surcharge applied to residential addresses will increase \$0.15, and increase \$0.20 for residential extended addresses.
- The Delivery Area Surcharge for UPS Hundredweight Service will increase \$0.50.

For packages delivered to certain Zip Codes within Alaska and Hawaii

- The Remote Area Surcharge applied to Alaska will increase \$2.50, and for Hawaii will increase \$0.25.

For a complete listing of eligible U.S. postal codes, and to determine which charge may be applied, [click here](#).

Customs Brokerage

- The Disbursement fee minimum will increase \$2.00.
- Other Government Agency Clearance and Complex Entry fees will increase \$0.75.
- Entry Preparation charges will increase \$2.25 for values of \$200.01 to \$1,250.00, \$2.50 for values of \$1,250.01 to \$2,500.00, and \$0.10 for each additional \$1,000 of value over \$2,500.00.

Delivery Confirmation

- The charges for Delivery Confirmation Signature Required and Delivery Confirmation Adult Signature Required will increase \$0.25.*

UPS Delivery Intercept®

- The charge for UPS Delivery Intercept request will increase \$0.40 for requests made electronically and \$0.70 for requests made by telephone.

UPS Next Day Air® Early** Surcharge

- For customers receiving Standard List rates prior to December 28, 2015, the UPS Next Day Air Early premium will increase \$2.00.

Hazardous Materials and International Dangerous Goods

- The Hazardous Materials charges for U.S. Ground Services will increase \$1.50, and will increase \$2.50 for U.S. UPS Air Services.
- The International Dangerous Goods charges for UPS® Standard to/from Canada will increase \$2.00 per shipment or \$0.25 per package.
- The International Dangerous Goods charges for UPS International Air Services will increase \$3.75 per shipment or \$0.45 per package.
- The International Dangerous Goods charges for UPS Worldwide Express Freight® shipments will increase \$3.75 per shipment or \$0.02 per pound.

Large Package Surcharge

- The Large Package Surcharge will increase \$10.00.

UPS On-Call Pickup® - Area Surcharges

- The Area Surcharge for a UPS On-Call Pickup request from certain Zip Codes within the 48 contiguous states will increase \$0.15 for residential addresses, and \$0.20 for extended residential addresses.
- The Alaska Remote Area Surcharge for a UPS On-Call Pickup request will increase \$2.50, and the Hawaii Remote Area Surcharge for a UPS On-Call Pickup request will increase \$0.25.



Printer Fee

- The weekly Printer Lease fee will increase \$1.00.

Residential Surcharges

- The Residential Surcharge for UPS Ground Services, UPS Air Services and On-Call Pickups will increase \$0.15. The Residential Surcharge for a UPS Hundredweight Service shipments will increase \$1.30, and the Residential Surcharge for UPS Worldwide Express Freight® shipments will increase \$5.00.

Scheduled Pickup

- The weekly charge assessed for Daily, Daily On-Route, and Day-Specific 4 Day Pickup service will increase \$1.20 for customers with billing totals of \$75.00 or more per week and \$2.40 for customers with billing totals less than \$75.00 per week.
- The weekly charge assessed for Day-Specific 3 Day, Day-Specific 2 Day, and Day-Specific Pickup services will increase \$1.20. The weekly charge assessed for UPS Smart Pickup® will increase \$1.20.
- UPS offers several flexible pickup options that offer customers the convenience of an automatically scheduled pickup when they need it, including UPS Smart Pickup for only \$11.50 per week.
- Customers can determine which pickup service best meets their needs and make their selection at ups.com/pickupoptions.

Third-Party Billing

- Beginning January 4, 2016, UPS will institute a Third-Party Billing Service of 2.5% applicable to the total charges on all packages that are billed to third parties.

* Applies to Daily and Standard List Rates only.

** On November 23, 2015, UPS Next Day Air® Early AM® is becoming UPS Next Day Air® Early with extended delivery locations guaranteed up to 2:00 p.m. Visit ups.com/ctc for the most up-to-date time in transit details at the time of shipping

FedEx Express and FedEx Ground

The following surcharge changes will take effect Jan. 4, 2016, unless otherwise noted, for FedEx Express® and FedEx Ground® services.¹

Surcharge Name	Applicable Services	2015	2016
Additional Handling Surcharge	U.S. express package services and U.S. and international ground services	\$9 per package	\$10.50 per package
	International express package services	\$9 per shipment	\$10.50 per shipment
	U.S. express freight services	\$115 per piece, skid or pallet	\$120 per piece, skid or pallet
	International express freight services	\$115 per shipment	\$120 per shipment
Additional Handling Surcharge – Non-stackable	U.S. express freight services	\$175 per piece, skid or pallet	\$185 per piece, skid or pallet
	International express freight services	\$175 per shipment	\$185 per shipment

¹Please check your FedEx shipping agreement to determine the net impact of these changes on your shipping costs.



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Surcharge Name	Applicable Services	2015	2016
Address Correction	U.S. express package services; international express package and freight services; and U.S. and international ground services	\$12.50 per correction	\$13 per correction
	U.S. express freight services	\$68 per correction	\$70.70 per correction
	Maximum charge with FedEx Express Multiweight® pricing	\$87.50 per shipment	\$91 per shipment
	Maximum charge with FedEx Ground Multiweight® pricing	\$39.80 per shipment	\$41.40 per shipment
Dangerous Goods (accessible)	U.S. express package services	\$80 per package	\$85 per package
	U.S. express freight services	Greater of \$86 per shipment or \$0.68 per lb.	Greater of \$91 per shipment or \$0.72 per lb.
	International express package and freight services	Greater of \$127 per shipment or \$0.69 per lb.	Greater of \$134.50 per shipment or \$0.73 per lb.
Dangerous Goods (inaccessible)	U.S. express package services	\$40 per package	\$42.50 per package
	U.S. express freight services	Greater of \$40.50 per shipment or \$0.27 per lb.	Greater of \$42 per shipment or \$0.28 per lb.
	International express package and freight services	Greater of \$62.50 per shipment or \$0.34 per lb.	Greater of \$66.25 per shipment or \$0.36 per lb.
Declared Value	U.S. express package services and U.S. and international ground services	\$0.95 per \$100 of value for shipments valued in excess of \$100 (\$2.90 minimum)	\$1 per \$100 of value for shipments valued in excess of \$100 (\$3 minimum)
	U.S. express freight services	\$0.95 per \$100 of value in excess of \$100 or \$1 per lb., whichever is greater	\$1 per \$100 of value in excess of \$100 or \$1 per lb., whichever is greater
	International express package and freight services	\$0.95 per \$100 of value in excess of \$100 or \$9.07 per lb., whichever is greater	\$1 per \$100 of value in excess of \$100 or \$9.07 per lb., whichever is greater

Surcharge Name	Applicable Services	2015	2016
Delivery Area Surcharge	U.S. express package services and U.S. ground services (residential)	\$3.55 per package	\$3.70 per package
	U.S. express package services and U.S. ground services (extended residential)	\$3.80 per package	\$4 per package
	U.S. express package services (commercial, extended commercial)	\$2.35 per package	\$2.45 per package
	U.S. ground services (commercial, extended commercial)	\$2.20 per package	\$2.30 per package
	Express Alaska package services (residential, commercial)	\$20 per package	\$22.50 per package
	Express Hawaii package services (residential, commercial)	\$6.50 per package	\$6.75 per package
	FedEx Home Delivery®(residential)	\$3 per package	\$3.15 per package
	FedEx Home Delivery (extended residential)	\$3.80 per package	\$4 per package
	Maximum charge with FedEx Express Multiweight (residential, commercial, extended residential, extended commercial) or FedEx Ground Multiweight (residential, extended residential, FedEx Home Delivery extended residential) pricing	\$11.80 per shipment	\$12.30 per shipment
Delivery Area Surcharge ZIP Code	Maximum charge with FedEx Ground Multiweight pricing (commercial, extended commercial, FedEx Home Delivery residential)	\$11 per shipment	\$11.50 per shipment
	FedEx Express and FedEx Ground U.S. services	View 2015 ZIP code lists	Preview 2016 ZIP code lists
Delivery Reattempt Charge	U.S. express freight services	Greater of \$52 per shipment or \$0.057 per lb.	Greater of \$55 per shipment or \$0.06 per lb.
Extended Service Area Delivery	U.S. express freight services	\$115 per shipment	\$120 per shipment
Extended Service Area Pickup	U.S. express freight services and FedEx International Premium®	\$115 per shipment	\$120 per shipment
Extra Services Charge	U.S. express freight services and FedEx International Premium	\$75 per handler hour (\$75 minimum)	\$80 per handler hour (\$80 minimum)

Surcharge Name	Applicable Services	2015	2016
FedEx® Delivery Signature Options	U.S. express package services and U.S. and international ground services	Adult Signature Required: \$5 per package	Adult Signature Required: \$5.25 per package
		Indirect Signature Required: \$3.50 per package	Indirect Signature Required: \$4.25 per package
	Maximum charge with FedEx Express Multiweight or FedEx Ground Multi-weight pricing	Adult Signature Required: \$35 per shipment	Adult Signature Required: \$36.75 per shipment
		Indirect Signature Required: \$24.50 per shipment	Indirect Signature Required: \$29.75 per shipment
	U.S. express package services and U.S. and international ground services	Direct Signature Required: \$4 per package	Direct Signature Required: \$4.25 per package
	Maximum charge with FedEx Express Multiweight or FedEx Ground Multi-weight pricing	Direct Signature Required: \$28 per shipment	Direct Signature Required: \$29.75 per shipment
FedEx ExpressTag®	U.S. express package services	\$4 per package	\$4.50 per package
Ground Weekly Pickup Fee	Ground services	\$11.30 per week (invoiced weekly shipping charges of \$75 or more)	\$12.50 per week (invoiced weekly shipping charges of \$75 or more)
		\$22.60 per week (invoiced weekly shipping charges of less than \$75)	\$25 per week (invoiced weekly shipping charges of less than \$75)
Hazardous Materials	U.S. ground services	\$28.50 per package	\$30 per package
Inside Delivery Charge	U.S. express freight services	Greater of \$85 per shipment or \$0.056 per lb.	Greater of \$90 per shipment or \$0.059 per lb.
Inside Pickup Charge	U.S. express freight services and FedEx International Premium	Greater of \$85 per shipment or \$0.056 per lb.	Greater of \$90 per shipment or \$0.059 per lb.
Metro Service Area Delivery	U.S. express freight services	\$115 per shipment	\$120 per shipment
Metro Service Area Pickup	U.S. express freight services and FedEx International Premium	\$115 per shipment	\$120 per shipment
Missing or Invalid Account Number (including account number correction)	U.S. and international express package and freight services, U.S. and international ground services	\$12.50 per shipment	\$13 per shipment
Oversize Charge	U.S. express package services and U.S. and international ground services	\$57.50 per package	\$67.50 per package
Payer Rebilling	U.S. and international express package services and U.S. express freight services	\$12.50 per shipment	\$13 per shipment
Reroute of Shipment	U.S. express package services	\$12.50 per package	\$13 per package
	U.S. express freight services	\$68 per shipment	\$70.70 per shipment
	Maximum charge with FedEx Express Multiweight pricing	\$87.50 per shipment	\$91 per shipment

Surcharge Name	Applicable Services	2015	2016
Residential Delivery Charge	U.S. express package services and U.S. and international ground services	\$3.50 per package	\$3.65 per package
	International express package services	\$3.50 per shipment	\$3.65 per shipment
	Maximum charge with FedEx Express Multiweight or FedEx Ground Multi-weight pricing	\$30.30 per shipment	\$31.60 per shipment
	FedEx Home Delivery	\$3.10 per package	\$3.25 per package
	U.S. and international express freight services	\$120 per shipment	\$125 per shipment
Residential Pickup Charge	U.S. express freight services and FedEx International Premium	\$120 per shipment	\$125 per shipment
Unauthorized Charge (effective Nov. 2, 2015) ²	Ground services	\$57.50 per package	\$110 per package

²This charge appears as "Unauthorized OS" on FedEx invoices. Learn more about when this charge applies.

Carrier Rate Increase and 2016 Rate Links:

UPS:

<http://rates.ups.com/>

FedEx:

<http://www.fedex.com/us/2016rates/>

USPS:

<http://pe.usps.com/>

Address Correction Increases

Address correction fees can be crippling when it comes to freight management and cost control. Please ask how PMAC can assist in cleaning up bad addresses from your manifest system thereby making them USPS compliant and exempted from UPS/FedEx address correction fees. We have been instrumental in handling many data specific projects for our customers http://www.parcelmanagement.com/case_studies.php

PMAC's web reporting tools will at the click of a button allow you to see addresses that continue to be troublesome for you; you can then update your manifest system and eliminate these costs for good. Please reach out and ask us how.

These rate and charge increases can have a tremendous impact on your bottom line. Please contact PMAC and have us evaluate how these cost changes will impact your business.

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