



Hi there,

On September 17, FedEx announced a 4.9% average increase for its Ground and Express rates, and 5.9% increase for the Freight rates. The new rates will go into effect on January 6, 2020. Aside from the transportation rate changes, there are increases to accessorials, surcharges, additions to surcharges that receive fuel surcharge, and changes to the list of DAS/EAS (Delivery Area / Extended Area) zip codes. It's going to be an interesting year.

The announced average increase for the transportation charges rarely match what shippers realize; since every service level, weight and zone can receive varying amounts of increase. The following table shows the average increases for zones 2-8 by weight break. While the average increase is close to the announced number for most services, 3 Day Saver will increase at 7.1% which is exceptionally high. With that said, the higher zones receive a higher increase for the Express services (Priority Overnight, Standard Overnight, 2 Day, 3 Day).

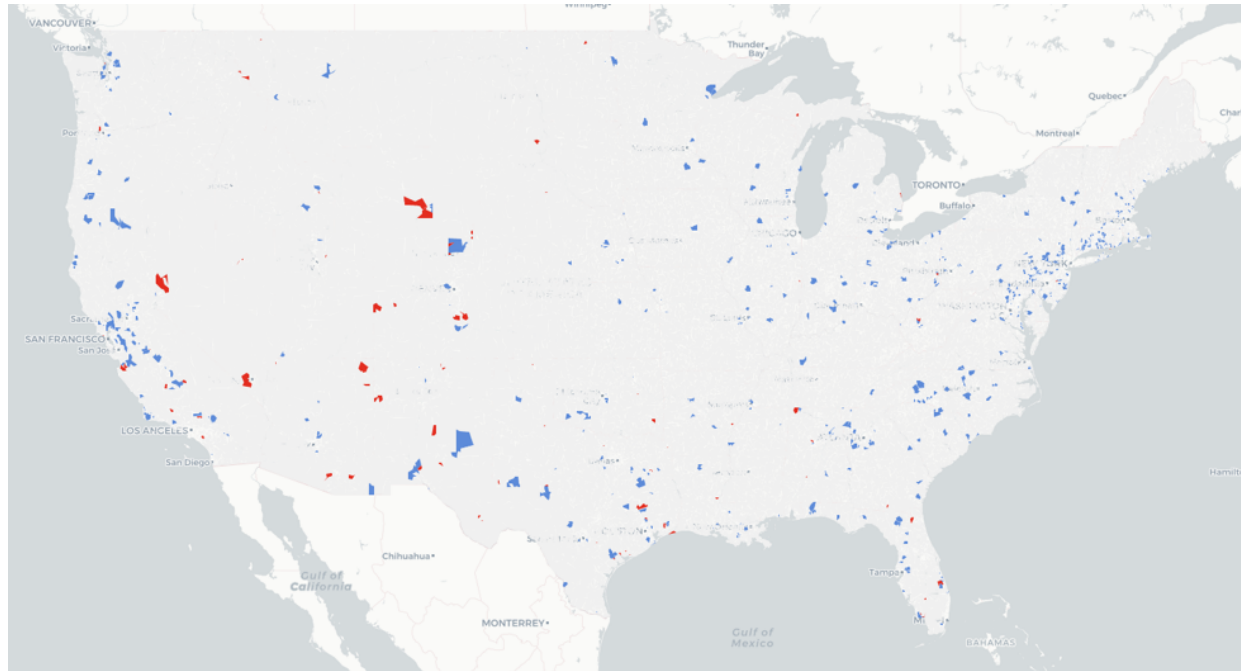
Weight Break	Ground	PO	SO	2 Day	2 Day AM	3 Day	SmartPost
1-5 lbs	4.5%	5.2%	5.2%	5.7%	4.7%	7.0%	4.4%
6-10 lbs	5.3%	5.2%	5.2%	5.7%	4.7%	7.2%	5.0%
11-20 lbs	5.1%	5.0%	5.2%	5.7%	4.7%	7.2%	5.1%
1-150 lbs	4.9%	4.9%	4.8%	5.6%	4.6%	7.1%	5.2%
Zone2 1lb increase	4.8%	3.9%	3.9%	4.9%	3.9%	4.9%	4.8%
Zone2 1lb rate	\$8.23	\$30.31	\$28.24	\$19.11	\$20.47	\$16.85	\$8.23

Most accessorials will increase on January 6 as well. Some of the frequently used and notable accessorials are listed below.

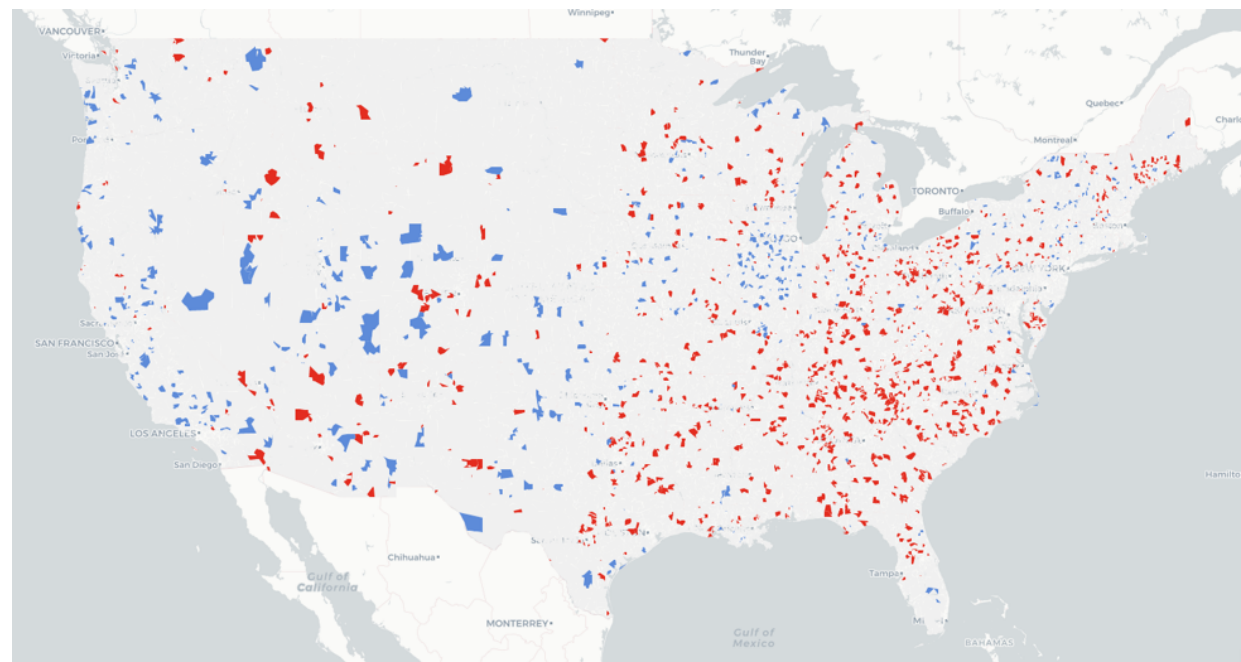
Accessorial	2019	2020	Increase %
Residential (Ground / Express)	\$4.40	\$4.65	5.7%
Residential (Home Delivery)	\$3.80	\$4.00	5.3%
DAS Residential	\$4.20	\$4.40	4.8%
EAS Residential	\$4.65	\$5.40	16.1%
DAS Express Commercial	\$2.85	\$3.10	8.8%
EAS Express Commercial	\$2.85	\$3.60	26.3%
DAS Ground Commercial	\$2.70	\$2.95	9.3%
EAS Ground Commercial	\$2.70	\$3.45	27.8%
Address Correction	\$16.00	\$17.00	6.3%
Oversize (Ground / Express)	\$90.00	\$100.00	11.1%
Oversize (Home Delivery)	\$90.00	\$120.00	33.3%
Unauthorized Ground Charge	\$675.00	\$875.00	29.6%
Adult Signature Req.	\$6.05	\$6.35	5.0%
Additional Handling Dim	\$13.50	\$15.00	11.1%
Additional Handling Weight	\$20.00	\$24.00	20.0%
Additional Handling Packaging	\$12.00	\$13.00	8.3%

Size and dimension related surcharges have been seeing significant increases over the past 3 years. 2020 will be no different, as Additional Handling, Oversize and Unauthorized Ground charges see increases around 20-33%. Delivery Area Surcharge – Extended is getting a huge increase, ranging from 16% to 28%. However, the price is not the only thing that will change about Delivery Area and Extended Delivery Area surcharges.

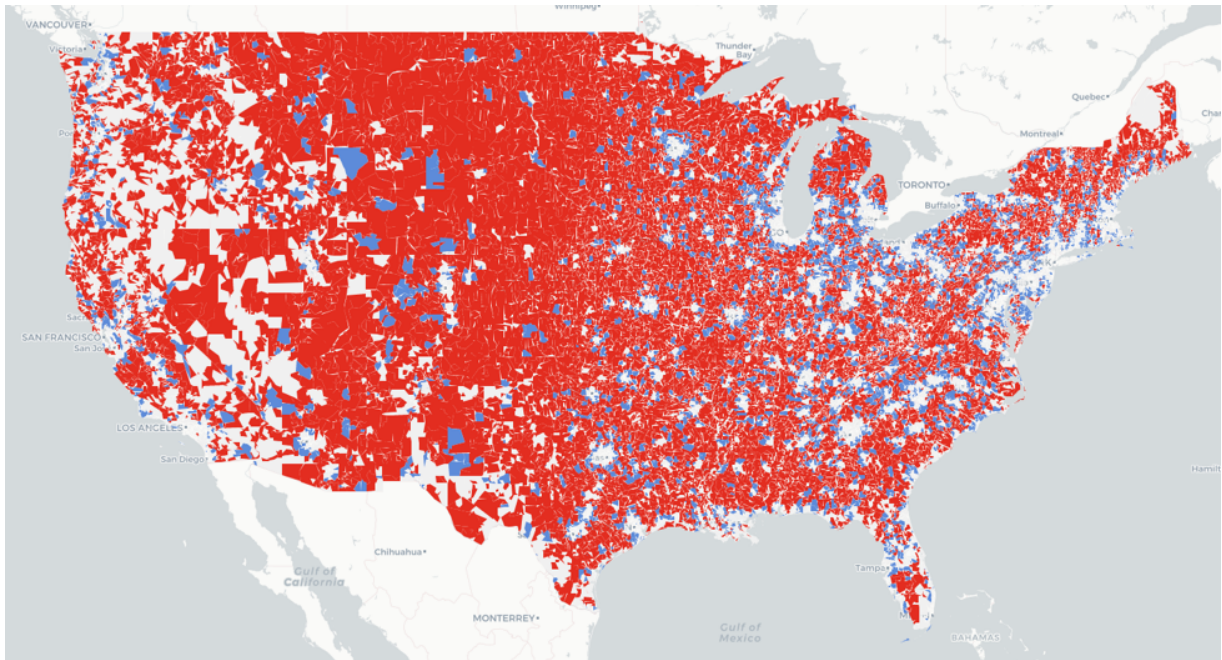
For over 10 years, the zip codes that received DAS / EAS surcharges have been virtually identical between the national parcel carriers. In 2020, FedEx will be diverging from that zip code list significantly. There are 1,978 new zip codes that will be added to the DAS/EAS list. 1,625 zip codes move from EAS to DAS, and 898 move from DAS to EAS. The following map shows the recent additions, where blue zip codes are DAS and red zip codes are EAS. Northeast US and California have seen a significant increase in the number of zips getting EAS.



The next map shows the zip codes changing from DAS to EAS in red, and the zip codes that change from EAS to DAS are in blue. At a high level, it looks like FedEx is moving some EAS zip codes to DAS around the West Coast and Illinois. The cost impact of these changes can be significant, especially with the high increase to the EAS charges.



Finally, the new DAS / EAS map for 2020 follows. Blue zip codes get DAS, red zip codes get EAS. It's amazing to look at this map, and realize that other than the metro areas pretty much all of the country is a DAS or EAS zip.



Shortly after the general rate increase kicks in, FedEx will start applying fuel surcharge to Additional Handling Surcharge and Signature charges. These changes will go into effect on January 20, 2020.

FedEx has been in the spotlight for the past few months, mostly due to the breakup with Amazon, and Amazon evolving into a competitor in the parcel environment. FedEx also announced plans to move to 7-day delivery in 2020, and that they will be doing more of the final mile delivery for SmartPost packages, which are normally handed off to the USPS for final mile delivery. It is obvious that there are major changes in terms of capacity and resource utilization in the company, and FedEx is trying to position itself in a way to mitigate these changes.

Given the complexity of the changes that will take place, an in-depth analysis is required to calculate the total impact of the 2020 rates and the changes. Stay tuned for more analysis and commentary as the 2020 GRI season gets into full swing.

Our team is here to help you navigate these upcoming changes. Please don't hesitate to reach out to a member of our [transportation team](#) if you have any questions on how this affects your company.



Best Regards,
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