

FedEx Freight Segment

FedEx Freight service offerings include priority LTL services when speed is critical and economy services when time can be traded for savings. The following table compares revenues, operating expenses, operating expenses as a percent of revenue, operating income (dollars in millions), operating margin and selected statistics for the years ended May 31:

	2017	2016	2015	Percent Change			Percent of Revenue		
				2017/ 2016	2016/ 2015		2017	2016	2015
Revenues	\$ 6,443	\$ 6,200	\$ 6,191	4	—	Operating expenses:			
Operating expenses:						Salaries and employee benefits	47.5%	47.2%	43.6%
Salaries and employee benefits	3,058	2,925	2,698	5	8	Purchased transportation	15.3	15.5	16.9
Purchased transportation	988	962	1,045	3	(8)	Rentals	2.1	2.3	2.1
Rentals	136	142	129	(4)	10	Depreciation and amortization	4.2	4.0	3.7
Depreciation and amortization	269	248	230	8	8	Fuel	6.0	5.8	8.2
Fuel	384	363	508	6	(29)	Maintenance and repairs	3.3	3.3	3.2
Maintenance and repairs	215	206	201	4	2	Intercompany charges	7.7	7.4	7.2
Intercompany charges	497	456	444	9	3	Other	7.7	7.6	7.3
Other	499	472	452	6	4	Total operating expenses	93.8	93.1	92.2
Total operating expenses	6,046	5,774	5,707	5	1	Operating margin	6.2%	6.9%	7.8%
Operating income	\$ 397	\$ 426	\$ 484	(7)	(12)				
Operating margin	6.2%	6.9%	7.8%	(70)bp	(90)bp				
Average daily LTL shipments (in thousands):									
Priority	70.6	67.7	66.9	4	1				
Economy	31.0	31.1	28.6	—	9				
Total average daily LTL shipments	101.6	98.8	95.5	3	3				
Weight per LTL shipment:									
Priority	1,176	1,191	1,272	(1)	(6)				
Economy	1,129	1,145	1,003	(1)	14				
Composite weight per LTL shipment	1,161	1,177	1,191	(1)	(1)				
LTL revenue per shipment:									
Priority	\$ 221.67	\$ 218.50	\$ 229.57	1	(5)				
Economy	265.77	261.27	264.34	2	(1)				
Composite LTL revenue per shipment	\$ 235.20	\$ 232.11	\$ 240.09	1	(3)				
LTL revenue per hundredweight:									
Priority	\$ 18.85	\$ 18.35	\$ 18.05	3	2				
Economy	23.55	22.81	26.34	3	(13)				
Composite LTL revenue per hundredweight	\$ 20.25	\$ 19.73	\$ 20.15	3	(2)				

FedEx Freight Segment Revenues

FedEx Freight segment revenues increased 4% in 2017 primarily due to higher average daily LTL shipments and higher LTL revenue per shipment. Average daily LTL shipments increased 3% in 2017 due to higher demand for our LTL service offerings. LTL revenue per shipment increased 1% due to higher base rates and fuel surcharges, partially offset by lower weight per shipment. Base rate increases were the result of our ongoing yield management initiatives.

FedEx Freight segment revenues were flat in 2016 as higher average daily shipments were offset by lower revenue per shipment. Average daily LTL shipments increased 3% in 2016 due to increased volume primarily related to small and mid-sized customers. LTL revenue per shipment decreased 3% in 2016 due to lower fuel surcharges and lower weight per shipment.

The weekly indexed LTL fuel surcharge is based on the average of the U.S. on-highway prices for a gallon of diesel fuel, as published by the Department of Energy. The indexed LTL fuel surcharge ranged as follows for the years ended May 31:

	2017	2016	2015
Low	20.20%	18.50%	20.90%
High	21.60	23.10	26.20
Weighted-average	21.00	20.60	24.30

On January 2, 2017, FedEx Freight implemented a 4.9% average increase in certain U.S. and other shipping rates. On January 4, 2016, FedEx Freight implemented zone-based pricing on U.S. and other LTL shipping rates. Also, on January 4, 2016 and January 5, 2015, FedEx Freight implemented a 4.9% average increase in certain U.S. and other shipping rates. On February 2, 2015, FedEx Freight updated the tables used to determine fuel surcharges.