

Amazon plans for life without Postal Service

At the end of last year, the Postal Service walked away from negotiations with Amazon to deliver packages for the company, despite the company being the Postal Service's largest customer. While a deal was completed in April between the two, in the interim, Amazon drew up a plan for how it could continue delivering to its customers without its longtime partner.

Amazon needs USPS to deliver its packages in rural and remote parts of the country where its own network is thinner and it's more cost effective to pay USPS to do it. But for how much longer? In October, *Business Insider* reported on the internal contingency plan, called Project Aurelian after the Roman emperor who reunited the fractured Roman Empire and earned the title "Restorer of the World."

During the negotiations, Amazon identified what it called the "structural fragility of external carrier dependency." In other words, there are locations in the country that its own network doesn't reach and it was beholden to USPS and other carriers such that if those carriers were to change the contract terms, Amazon doesn't necessarily have good alternatives.

The plan is simple: Amazon wants every addressable ZIP Code to be able to be served by both its own delivery network and at least one third-party carrier, such as USPS, UPS or FedEx. To do so, it needs to expand its own footprint to about 39,400 ZIP Codes, which Project Aurelian calls for by 2029.

If enacted, the plan doesn't necessarily mean that it won't use third-party carriers, but it won't have to, giving Amazon flexibility and leverage in future negotiations.

"No one should be surprised that Amazon works to build redundancy into its logistics network to ensure



continuity of service for customers," a spokesperson told *Business Insider*.

So how does Amazon get its footprint up from its current 26,500 ZIP Codes to the 39,400 ZIP Codes? It has a three-prong plan:

- Increase its delivery stations, where Amazon can deliver from using van delivery.
- Pay more local businesses, such as private contractors, to deliver packages where delivery stations don't make sense.
- Expand the delivery radius from current delivery stations to reach farther into areas where it doesn't currently deliver to.

Amazon forecasts that it will deliver 88.7 percent of its packages in the country through its employees and contractors by 2029.

Amazon's contract with USPS ends in 2029, though even with its planned growth, the company expects the partnership to continue, citing "mutual dependency." But its growth plans will allow it to be less dependent on how those negotiations turn out. **PR**