

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING)
(PROPOSAL FOUR)) Docket No. RM2017-8

**COMMENTS OF
AMAZON FULFILLMENT SERVICES, INC.**

(August 9, 2017)

Amazon Fulfillment Services, Inc. (“AFSI”) respectfully submits these comments pursuant to Order No. 3993 on USPS Proposal Four. The proposal would update the city carrier letter route delivery cost pool proportions used in the established method for attributing city carrier street costs to products to reflect the increase in parcel delivery activity that has taken place since 2014, when the Package and Accountables Field Study was performed.¹ For FY 2016, the update would increase parcel delivery cost pool proportions and reduce the regular delivery proportion.

Proposal Four also calls for the parcel delivery cost pool proportions to be updated annually in FY 2017 and future years based on changes in the deviation parcels and accountables (“DPA”) time proportion in the Postal Service’s Form 3999 data set² after FY 2014. Because data on in-receptacle parcel (“IRP”) time are not

¹ The established method for attributing city carrier letter route street costs to products uses this study to estimate the cost pool proportions.

² USPS-RM2015-7/1 (filed 12/11/2014) includes a description of the Form 3999 data set.

available in the Form 3999 data set, Proposal Four would apply the growth in the DPA proportion to both the IRP and DPA cost proportions.

The proposal would increase the combined IRP and DPA proportion of letter route street time in FY 2016 by 33 percent, from 9.8 percent to 13.1 percent, and reduce the regular delivery proportion from 78.3 percent to 75.0 percent. These changes would shift \$390 million in costs from regular delivery to IRP and DPA delivery and, after applying piggyback factors, increase FY 2016 domestic competitive product attributable costs by \$200 million. RM2017-8 Petition, Proposal Four, Tables 1, 3, and 4.

AFSI believes that cost data relevant to the regulation of the Postal Service should be as reliable and accurate as practicality and materiality warrant. AFSI supports Proposal Four because it will increase the accuracy of Postal Service cost estimates and provide an improved basis for Postal Service pricing decisions. The changing composition of the Postal Service mailstream warrants updating the letter route delivery cost pool proportions.

Furthermore, the 33 percent adjustment to the parcel delivery proportion of letter routes is consistent with recent USPS mail volume trends. From FY 2014 to FY 2016, the Shipping and Packages share of total USPS volume increased by 31 percent, a percentage similar to the Proposal Four adjustment.³

³ Shipping and Packages volume increased from 2.55 percent from 3.34 percent of USPS volume from FY 2014 to FY 2016. FY 2016 USPS 10-K at 16.

Respectfully submitted,

/s/

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