



November 13, 2006

Dawn Tisdale - Vice Chairman
Postal Rate Commission
Suite 200
901 New York Avenue, NW
Washington, DC 20268-0001

Dear Mr. Tisdale,

I am writing to you in response to the proposed rules (RM2006-1) to accompany the new 2007 rates, as posted to the Federal Register on September 21, 2006.

We are looking to propose a market test and enhancements for the various standard mail drop ship products to better serve the people of the United States of America for their prescription medications. Through enhancements of existing infrastructure, we are proposing the following:

1) Medical Tags

The scientific community has laid out the possibility of a near-term threat of an Avian Flu Pandemic. In the event of a pandemic of this nature, it has been documented that there would be a reduction of the US workforce, and a requirement to reduce amount of face-to-face human contact. Both of these issues create a large opportunity for the USPS to utilize a new tag for use on mail sacks and other containers. This new tag, labeled "Medical Shipments", or similar, would be used by companies that ship medications to patients, doctors, etc.

The tags would be easily identifiable by a new color and bold lettering, similar to the election tags. This tag, attached to the container, would indicate to the USPS employees that the contents were of medical importance, and should be expedited throughout the open and distribute process. These tags would closely resemble the tags used for elections, and would similarly increase the importance of timely processing. The proposed methodology would be the following:

- a) Mailers of medication would have the opportunity to affix these new "Medical Shipments" Tags their shipment containers. This would apply to shippers of medicines using the Plant Verified Drop Ship (PVDS), Priority Mail Drop Ship (PMDS), and Express Mail Drop Ship (EMDS) processes.
- b) The USPS would receive these easily identifiable "Medical Shipment" containers in the destination facilities.
- c) The containers would then be immediately forwarded and / or processed, as a result of the tag, depending upon the destination facility.

2) Priority Mail Drop Ship Enhancements

This service presently has the infrastructure required to be an industry-leading, competitive product, but needs some additional enhancements to demonstrate the importance placed on the product by the USPS. To complete the PMDS product, a few additional enhancements would be beneficial:

- a. **Improved Drop Ship Service.** As the PMDS bags are being delivered to a BMC, SCF, or DDU the service levels of these bags should be one to two days maximum. The elimination of the current three and three plus days of service would create the service foundation that reliability is based upon, thus increasing the volume from the current pool.
- b. **Improved Open & Distribute Service.** The packages contained in the bag should benefit from the “Medical Shipments” above to improve the standard mail service from the SCF to the customer. As these packages are arriving in USPS Priority Mail sacks, and have the new tags, the sacks would be able to be open and distributed in a priority manner.
- c. **Elimination of Internal Sacks.** All PMDS packages that have been sorted according to the USPS rules, regardless of BMC, SCF, or DDU, should be allowed to be placed directly into the USPS Priority Mail Sacks. This would not only eliminate the additional material handling of the internal #1 sack, it would eliminate the quantity of sacks required in the network overall. This allowance would be predicated upon the use of the labeling lists, including the updated 3 and 5-digit schemes.
- d. **Rules on PMDS Classification:** The PMDS bags are being transported to the final USPS facility, whether BMC, SCF, or DDU. As this is a smaller distance than all other Priority Mail shipments that are delivered to individual customers, we are supporting a separate classification of these shipments. Specifically, PMDS shipments would be classified within a separate PO to PO shipment rule, resulting in decreased rates and increased service. As this would support the remainder of the new rates that are based upon activity based costing, they could be a percentage of the normal Priority Mail rates.
- e. **Tracking Rules.** Currently, the tracking of the standard mail is planned to be a separate charge, however this tracking is at the point of final delivery. As part of the overall PMDS product rules, we are proposing that the package level delivery confirmations be included for all items inside a PMDS container. These scans, in addition to the increased service levels, will demonstrate the overall commitment to the product. This will ensure that the delivery of these important packages are tracked and have visibility through delivery to the customer. The scans will be a component of eVS, and would be included on every internal PMDS package.
- f. **Security and Control.** One of the great benefits to using PMDS is that it places the physical control of the shipments squarely within the USPS arena end-to-end. This increased control ensures the USPS has the ability to utilize a dynamic delivery process in the event of any domestic issues affecting the United States. As such, shipments could be recalled or re-routed. We are proposing additional functionality that would enable PMDS bags to be recalled, based upon the individual scans of the bags.

3) **eVS for Nonmachineable Parcels**

The integration of eVS for the nonmachineable parcels is an important enabler of future functionality. The following points are requested to be reviewed upon eVS integration:

- a. **Nonmachineable Parcels Rules.** Currently, no rules exist for this segment of the business, but are an important next step for the USPS in terms of streamlined entry. We are requesting these rules in order to use eVS.
- b. **Adjustment of package minimum quantities.** As a user of eVS for standard mail, shippers would be allowed to enjoy the same minimum quantities of mail per sack, regardless of transportation mode. Specifically, PVDS, PMDS, and EMDS would all enjoy the same minimum quantities to the SCF, and not bound by the 10 pound minimum.

4) **DDU Entry for Nonmachineable Parcels**

This service is an important next-step for the USPS, as it will enable the best opportunity possible for service improvements and cost reduction. A few additional items are requested to ensure a successful transition:

- a) **DDU Entry Labels.** We are seeking the rules on labeling sacks for delivery to the DDU.
- b) **PVDS for DDU Entry.** We are seeking the correct entry rules for PVDS drop shipments into the DDU.
- c) **Tracking Rules.** Currently, the tracking of the standard mail is planned to be a separate charge, however this tracking is only at the point of final delivery. As part of the DDU Entry rules, we are proposing that the package level delivery confirmations should be included for all items delivered to a DDU within any drop shipment container. These scans, in addition to the increased service levels, will demonstrate the overall commitment to the product, and assist with the overall rollout of eVS.

We have made significant investments to support future USPS changes, and it appears that the time is right to create enhancements that will benefit a crucial element of your constituency. Please let me know what additional information or comments are needed. I can be contacted through the information provided on the submission website.

We look forward to your response to these items, as we are confident that it will not only benefit the USPS, but the citizens of the United States as well.

Sincerely,

Thomas Underkoffler
Director of Logistics
Medco Health Solutions, Inc.