

4. Current Status of Postal Services

4.1. Services Provided by the MPC

4.1.1 Services Provided as Postal Services

Table 4-2 shows the services currently provided by post offices operated by the Mongolia Post Company(MPC).

4.1.2. Letters

The current low volume of letters seem to reflect the economic condition of Mongolia at the moment. Because of this low volume, Aimag-level services for letters at the moment must be considered as an auxiliary service to the delivery of periodicals. The big issue is how to maintain unprofitable networks in the rural areas. It is vital to provide low-cost, safe, and reliable postal service for letters, which can carry a high load of information.

Table. 4-1 Volume of Letters and Registered Mail

Letters				Registered Mail			
		Incoming				Incoming	
		UB	Aimags			UB	Aimags
Outgoing	UB	17,413	83,497	Outgoing	UB	42,151	113,779
	Aimags	74,559	44,643		Aimags	87,720	7,820
		Incoming				Incoming	
		UB	Aimags			UB	Aimags
Outgoing	UB	7.9%	37.9%	Outgoing	UB	16.8%	45.2%
	Aimags	33.9%	20.3%		Aimags	34.9%	3.1%

Source : JICA Study Team

4.1.3. Periodicals

The Postal system in Mongolia is currently supported virtually by delivery of periodicals. It should also be noted, however, that there are some chances of private firms coming into this field.

Table. 4-2 Services Provided at Post Offices

	Service	Outline	Work	Major problems	Service availability	
Postal services	Newspapers and magazines	Contracting and delivery	Subscription contracting (once only), sorting, final delivery (i.e., carrier sequence) sorting, and delivery	Newspapers and magazines cannot properly be regarded as mail unless the publishing company affixes the individual address; a different network should handle them. Express delivery charges should not be collected because there is no difference between the ordinary and express networks.		
	<u>Letters/domestic/ordinary</u>	Collection and delivery of letters for domestic delivery	Dispatch post office: acceptance and sorting; delivery post office: sorting, final delivery sorting, and delivery; in the case of registered mail, the dispatch post office also must issue the acceptance slip and fill out the prescribed form, and the delivery post office must fill out the prescribed form and receive the issued slip.	Express charges should not be collected for delivery in Mongolia because there is no difference between the ordinary and express networks.		
	<u>Letters/domestic/registered</u>					
	<u>Letters/domestic/express</u>					
	<u>Letters/international/ordinary</u>	Collection of letters to be sent to other countries and delivery of letters sent from other countries to Mongolia	Dispatch post office: acceptance and sorting; delivery post office: sorting, final delivery sorting, and delivery; in the case of EMS, the dispatch post office must also issue the acceptance slip and fill out the prescribed form, and the delivery post office must fill out the prescribed form and receive the issued slip	There is competition with private carriers in the category of international parcels, and some private firms have obtained licenses for business in the category of domestic parcels as well.		
	<u>Letters/international/registered</u>					
	<u>Letters/international/express</u>					
	Parcels/domestic Parcels/international	Collection of parcels sent to domestic or foreign addresses and delivery of parcels arriving from domestic or foreign addresses	Collection of EMS items sent to domestic or foreign addresses and delivery of EMS items arriving from domestic or foreign addresses	Sales of stamps, postcards, etc.	The MPC is not equipped to offer EMS tracing service, which is offered in other countries. The MPC is not in exclusive possession of rights to sell stamps.	-
	EMS/domestic EMS/international					
	Sales of postal goods					
LETAX	Mail using facsimile machines installed in post offices	Acceptance and transmission of forms at the dispatch post office, and reception and delivery at the delivery post office				
Financial/exchange (money orders, etc.)	Settlement of credits and debts by means of notes, checks, and deeds	Acceptance of cash and issuance of notes and deeds		The MPC should not assume the risks, and there would be no particular problem if it merely performed agency work for a handling fee; risks could be assumed by the MPC, depending on the details of contracts.	16	
Incidental services	Financial/savings	Acceptance of cash deposits, and certain loans	Acceptance of cash and management of passbooks; processing of deposits	The operation assumes risks, and there is a need for consideration of contracting with the MPB.	16	
	Financial/pensions	Payment of pensions	Payment of pensions to pensioners	The MPC should not assume the risks, and there would be no particular problem if it merely performed agency work for a handling fee; risks could be assumed by the MPC, depending on the details of contracts.	12	
	Financial/taxes	Collection of tax payments	Acceptance and sending of cash		10	
	Financial/remittance	Remittance of cash			1	
	Financial/insurance	Insurance agency business	Preparation of policies and acceptance of premium payments		1	
	Leasing	Leasing of idle space in post offices	Leasing contracting		5	
	Mail-order sales	Receipt of orders for merchandise, and delivery of the goods	Receipt of orders, delivery, receipt of payment	Merchandise should be ordered from suppliers only in response to orders received from customers; post offices should not order merchandise in advance and keep it in stock. There are risks associated with the stocking and sales.	49	
	Sales of miscellaneous goods	Sales of stationery items, medicine, etc.	Stocking and sales of merchandise		4	
	Passenger transport	Transport of passengers between soums and the aimag center using collection and delivery vehicles	Transport service available at the times of collection from and delivery to soums, when there is space in postal vehicles	Passenger transport must not impede postal transport.		
	Copying and fax	Use of fax machines	Performance or supervision of copying and fax transmission			

Note: In the "service availability" column, circles indicate availability at all of the post offices in the 22 Aimag centers. Dashes indicate that the number is uncertain.
Source: Prepared by the JICA Study Team.

4.1.4. Parcels

With the entry of DHL, the market for international parcels has become extremely competitive. Other new players, such as UPS followed, and MPC no longer holds a monopoly in this field. The parcel volume will probably increase in the process of Mongolia's development, and the construction of a parcel network to support this increase should be part of the MPC's mission.

4.1.5. The Postal Network (transportation and delivery between post offices)

In Mongolia, there are two major components of the postal network; transportation from the dispatch post office to the delivery post office, and delivery from the delivery post office. Another task is collection for transportation to the dispatch post office. It is effective to handle letters and parcels together with newspapers and magazines.

As for delivery from delivery post offices, there is a limited volume of door-to-door delivery, but almost all delivery takes the form of insertion into PO boxes. It is vital to extend this to the door.

4.1.6. Other Services (financing, mail-order sales, etc.)

Post offices in Mongolia are currently providing many different kinds of incidental services. The primary purpose of incidental services must be to support postal services as the main line. The MPC must avoid deficit and the risks of other enterprises or organizations, and efforts must be made to see that incidental services. the MPC must not shoulder.

4.2. Postage for Mail Items

4.2.1. High Postage as Compared to the Cost of Living

Postage rates are apt to appear high. For the general public, this area is heavily bound up with the rise in the cost of living. Over the years 1990 - 1999, prices for food staples such as bread and meat increased by a multiplication factor of about 200, as opposed to from 40 to 50 for annual income. In addition to these factors, the demand was further reduced by the loss of confidence in the postal service due to incidence of mail item loss or damage.

Table. 4-3 Comparison of the Cost of Goods (1tg = 100mg)

(Unit:Tg)

	Before the collapse of the socialistic system 1990	At present 1999	Multiplication factor
Wages for teachers	750.00	30,000.00 ~ 40,000.00	40 53.33
Domestic letter postage	0.60	450.00	750.00
International letter postage	1.60	550.00	343.75
Bread	1.20	240.00	200.00
Meat	7.50	1,500.00	200.00

Source: Prepared by the JICA Study Team

4.2.2. Complex Postal Rate Schedule

Postal rates are not only high but are also complicated, because they vary with the transportation distance. As a result, post office employees may not be able to give a clear reply to inquiries about rates.

4.2.3. Newspapers and Magazines - Private Demand

It could be said that the existing postal network rests on delivery of newspapers and magazines. These items have by far the largest share of the handling volume and also generate high income. While it would be very beneficial as far as efficiency is concerned, such service would have to be positioned not as postal service but as a new service in newspaper and magazine delivery. In the same way, the delivery network would have to be separate from that for mail.

4.3. The Situation at Post Offices**4.3.1. Post Offices**

A total of 108 vehicles are owned by post offices for transportation between Aimag centers and Souns Of this total, 102 are in operation.

4.3.2. Counter Facilities and Equipment

As things now stand, the main delivery destinations for mail in Mongolia are PO boxes. The Aimags have a total of 7,745 PO boxes, of which total 5,868 are under contract (although some responses on this point have not yet been received). Customers waiting for PO box contracts number 1,752 and were found in 17 Aimags. In other Aimags, on the other hand, there are PO boxes that are waiting to be contracted. The overall balance between PO box supply and demand is consequently not good.

4.3.3. Organization and Staffing - increasing delegation of authority

In the MPC organization, the MPC head office has the main power of decision, but much authority is basically delegated to the heads of the post offices. The personnel working in the Aimag center post offices generally have a high level of skill and education. Many have graduated from universities. Besides the training furnished by the MPC head office, there is training carried out by the Aimag center post offices themselves.

4.4. Institutional Issues on Postal Services and the MPC

MPC is a unique entity in the sense that it is a 100% state owned company. Therefore, it is important to understand the legal constraint and the scope of activity within the current system that MPC faces. Also important are non-legal regulations and its position among other entities is also important.

4.4.1. Positioning of Postal Services and the MPC

The MPC provides postal services in accordance with an agreement with the Ministry of the Infrastructure (MOI). It is governed by the State Property Law, the Mongolian Corporate Law, and the Telecommunications Law. As an organization, it is a company that is fully owned by the State Property Committee (SPC). The SPC organizes a "five-person committee" together with the Ministry of Finance (MOF) and other agencies, which controls almost all facets of the MPC operation.

4.4.2. Competition and the MPC

The enterprises that offers postal services must obtain a license from the MOI, as stipulated by the Telecommunications Law.

The MOI has already granted licenses for postal services to certain enterprises other than

the MPC; the Selenge Group, Mongolian Air Trans, DHL. These enterprises are basically engaged in "cream-skimming," i.e., doing business in only the profitable portions of postal services. For the MPC, which must provide service in areas with poor profitability, this is a big problem.

Table. 4-4 Licensed Service Scope and Postal Business of DHL, the Selenge Group, and Mongolian Air Trans

Company	Licensed service scope	Outline
The Selenge Group	International express mail service within Ulaanbaatar	<p>The licensee may provide the following services using the postal network (Section 1, Paragraph 1, Article 4)</p> <ul style="list-style-type: none"> -- Acceptance of subscriptions/reservations for and delivery of foreign and domestic newspapers, magazines, and books -- Provision of international express mail service within Ulaanbaatar -- In commencing such service, the licensee shall conclude a written agreement (contract) with the MPC and users, and submit a report on the service implementation (Section 4, Paragraph 1, Article 4). <p>- License term: from 18 November 1999 to 18 November 2000</p>
Mongolian Air Trans	Express mail service throughout Mongolia	<ul style="list-style-type: none"> - Provision of express mail service throughout Mongolia using the postal network (Section 1, Paragraph 1, Article 4) - License term: from 10 April 1999 to 10 April 2000
DHL	International express mail service within Mongolia	<ul style="list-style-type: none"> - The type of service is the same as for the other companies; the company has obtained a confirmation certificate for delivery within Ulaanbaatar, but not in the Aimags (according to the company). - License term: from 15 October 1997 to 15 October 2002

Note: Prepared by the JICA Study Team based on the company contracts.

4.4.3. Outline of the MPC's Business

The MPC has concluded an agreement for postal business and services in the form of a special license issued by the MOI. The rights and obligations of the party obtaining the license can be summarized as follows: "as a licensee specified in Section 1, Paragraph 1, Article 4 of the special license, the MPC is authorized to expand the basic postal network in Mongolia and the conventional postal services, as well as to promote technical advancement and develop new services." (See Table 4-2).

4.5. MPC Related Legislation

The main pieces of legislation related to the MPC are the Telecommunications Law and the Property Law. There is no "Postal Services Law" or other such ad-hoc legislation dealing only with postal services. Originally, the same institution was in charge of both posts and telecommunications, and it made sense for both to be regulated under a single Telecommunications Law. Subsequently, however, the telecommunications corporation (Mongolia Telecom) was detached from the MPC and set up as a separate joint-stock company. Therefore, the legislative arrangement could not be regarded as matching the current situation, and some unclear areas have surfaced.

4.5.1. The Telecommunications Law

As noted above, postal services are defined in the context of the Telecommunications Law, and licenses for them are issued in accordance with the stipulations of this law. Nevertheless, the concept of postal services has become extremely difficult to understand because of this handling in the context of telecommunications.

4.5.2. The Property Law

(1) Authority of the MPC

The MPC is a self-financing state-owned enterprise of the type stipulated in Paragraph 2, Article 15 of the Property Law. As an enterprise of this type, it is endowed with the authority to carry out the prescribed operations by making use of state-owned property put at its disposal, as provided for in Article 16 of the same law.

The administration of the MPC is executed by a director who is appointed by the State Property Committee (SPC) based on an agreement with the competent ministry (the MOI in the case of the MPC). In accordance with Article 19 of the Property Law, the director concludes a contract with the SPC for this administration.

(2) Authority of the SPC

The SPC is an organization within the main government structure whose duties are to own and use items of state property. It has a wide range of powers set forth in Article 11. The Property Law contains detailed regulations regarding the SPC's authority to supervise the activities of state enterprises in aspects such as staffing and finances, and also sets forth standards for accounting and auditing.

(3) Authority of Ministries

Ministries have the authority to guide and supervise the operation of state enterprises in accordance with Article 12.

4.6. The MPC and Related Institutions

In accordance with the stipulations of the Property Law, the MPC is under the supervision of the SPC and MOI.

4.6.1. The State Property Committee (SPC)

A five-person committee has been organized for the MPC for deliberation and decision on major management issues as follows.

- Determination of the master plans for MPC business
- Determination and supervision of the organization, system, and yearly budget
- Determination of appointments to the post of MPC president and other high-ranking executives
- Approval of financial statements and budgets
- Inspection of the propriety of prices in the purchase and sale of assets
- Determination of dividends
- Approval of the establishment and relocation of post offices and local offices

4.6.2. Ministry of Infrastructure (MOI)

The national administrative authority for postal services is the Ministry of Infrastructure (MOI). The aforementioned five-person committee now includes two representatives of the MOI.

As a division of the MOI, the PTA holds budget for investment mainly in communications

services and but also for postal services. In addition, a fairly large portion of the buildings and other postal facilities used by the MPC are owned by the PTA; officially, the MPC is leasing them. The MPC must also consult with the PTA in purchase of facilities and assets.

Because of these complications, the MPC currently has almost no management autonomy. Its highest decision-making organ is the five-person committee in the SPC, which makes all major determinations in the areas of management, staffing, funding, and inspection. And in the aspect of postal service administration, matters are decided by the MOI. As such, even if proposals were prepared in the MPC, it would take considerable time and trouble to have them approved and executed, due to the complex procedural requirements.

4.7. Finance

4.7.1. Budget and Expenses

The MPC is state-owned but not state-run. Consequently, it does not receive budget appropriations from the national treasury; it is basically supposed to be self-financing. However, it asks the MOI to purchase various types of large-scale assets, which it then leases. This can be practically considered as a form of subsidization. Also, the rents that are charged by the MOI and Mongolia Telecom for various properties occupied by post offices are much lower than the going rates in the market, which shall be a positive advantage for MPC.

4.7.2. Taxes

The MPC receives absolutely no preferential treatment in taxation. It pays a 40-percent corporation tax as well as various fixed assets taxes and other taxes. In Mongolia, it is becoming difficult to collect taxes from ordinary companies and the public, and the country must rely on tax revenues from state-run and -owned companies for a large share of the national finances.

4.7.3. Dividends

The MPC pays dividends to the SPC as its shareholder. Also, at present, the government is considering a policy to extract substantial portion of the MPC's operating profit.

4.8. Other Topics

4.8.1. Corporatization and Privatization

At present, the MPC is a completely state-owned corporation. A 1999 amendment of the Corporation Law paved the way for its conversion into a joint-stock company. If it became a joint-stock company, the MPC would be able to sell stock to buyers in general (including foreign parties) and also to be privatized. However, there are no particular plans for privatization of the MPC at present.

4.8.2. Proposal for Partial Amendment of the Telecommunications Law

Ministry of Justice (MOJ) and MOF does recognize the benefits of providing banking services at MPC, but also are concerned about the regulatory issues. It is likely that this line of discussion will continue.