

## 6. Basic Guidelines for the Improvement Plan

### 6.1. Overview

#### 6.1.1. Future Outlook for Mongolia

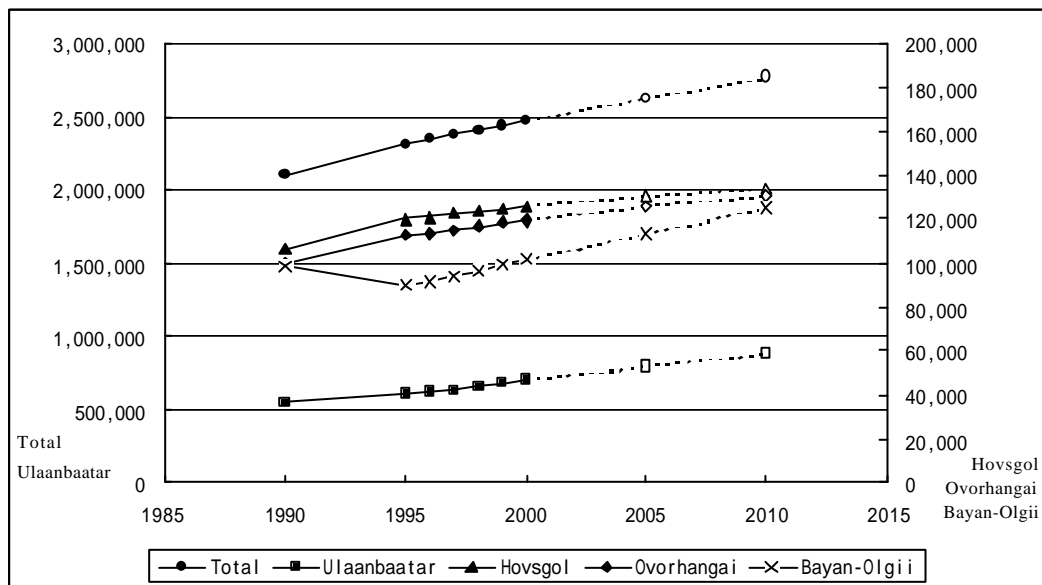
##### (1) Population

In Mongolia, nine sets of future population forecasts (i.e., estimates) were made in 1994, extending to the years 1999, 2004, 2009, 2014, and 2019. The forecasts for 1999 ranged from 2.5249 to 2.5852 million people. At 2.4167 million people, the actual 1999 population was considerably below this range. This survey adopted the set closest to the actual 1999 figure, and revised the estimates for 2004 and 2009 based on the 1999 data.

##### Forecast Result

The population of Mongolia is expected to increase steadily, growing at an annual average rate of 1.2 percent from 1999 to 2005 and 1.0 percent from 2005 to 2010. The gravitation into the Ulaanbaatar area is anticipated to continue; the area's share of the national population is forecast to increase from 28.2 percent in 1999 to 30.2 percent in 2005 and 31.8 percent in 2010.

**Figure. 6-1 Future Population Framework**



Source: Prepared by the JICA Study Team based on population estimates from the Statistical Bureau

##### (2) Economic Outlook

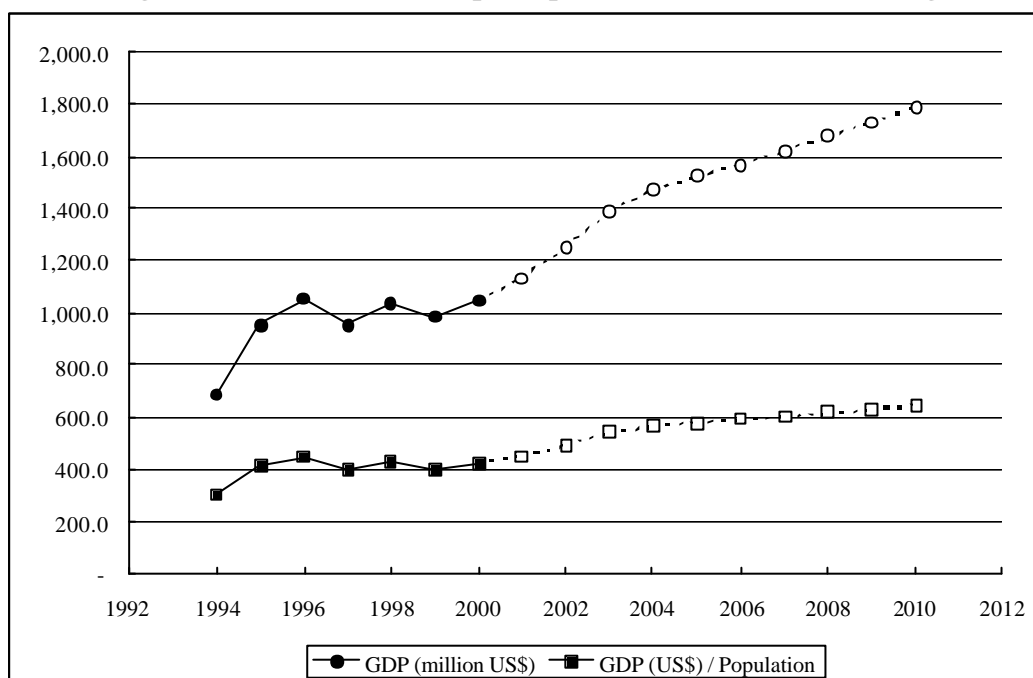
Forecasts of economic indicators for Mongolia are represented by the future projections extending to 2004 made by the MOF (See Table 3-4). These projections were adopted as the economic framework to the same year, and provided the basis for a forecast of gross domestic

product (GDP) and other factors over the years 2005 - 2010.

### Forecast Result

The GDP is expected to exhibit firm growth at annual rates averaging 7.5 percent over the years 1999-2005 and 3.3 percent over the years 2005-2010. The corresponding forecast figures for GDP per capita are 6.2 and 2.2 percent, respectively.

**Figure. 6-2 GDP and GDP per capita Growth Forecast for Mongolia**



(Reference)

#### **GDP (US\$) per capita**

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
US\$	-	305.9	412.6	448.0	401.8	430.2	401.8	423.3	452.2	493.8	540.1	565.4

Year	2005	2006	2007	2008	2009	2010
US\$	577.7	590.2	603.0	616.1	629.5	644.5

Source: prepared by the JICA Study Team based on MOF estimates

### (3) Socioeconomic Outlook

In Mongolia, the transition to a market economy is anticipated to continue proceeding at a rapid pace. Economic activities will be centered in Ulaanbaatar. Outside Ulaanbaatar, there should be a certain degree of growth in Aimag centers which have some growth industries.

#### **6.1.2. Outlook for the Postal Service Market**

Figures for the mail volume per capita in each type of service are on a par with those for

GDP per capita in various other countries but much lower in Mongolia. This implies that the inherent mail demand is not being fully actualized.

- Ulaanbaatar

The current socioeconomic status and future outlook indicate that Ulaanbaatar is and will remain the top market. The forecast for Ulaanbaatar includes steady population growth, strong economic growth, and a rise in resident incomes. This should be linked to a corresponding rise in the demand for postal services.

- Aimags

The Aimags of Orkhon, Darhan-Uul, Govisumber, and Bayan-Olgii, where population is projected to grow, are also expected to experience economic growth and therefore present good possibilities for a rise in the demand for postal services.

### (1) Issues in Postal Services in Mongolia

#### Definition of Mission

Postal services are an integral part of the social capital supporting socioeconomic activities in Mongolia. It is vital to make a clear definition of the basic mission of these services and to use this mission as a standard for action in implementing them.

### (2) Evolution of the Mongolian Postal System and Issues for the Future

A correct perception and a proper evaluation of this change are crucial for viewing the outlook for the future.

**Table. 6-1 Evolution of the Mongolian Postal System**

Period	Before 1990	1991 - 1995	1995 - 2000
Socioeconomic order	Socialistic	Economic collapse	Start of transition to a market economy
Postal system	Directly managed by the national government	Collapse of the former system and extensive restructuring	Establishment of the MPC Establishment of the financial foundation through diversification into new fields of services while maintaining the level of postal services based on existing assets

Source: Prepared by the JICA Study Team

#### <Short-term issues>

- 1) Improvement of reliability and speed
- 2) Improvement of services
  - a. Reorganization of postage rates

According to the customer survey, the rates are considered to be complicated or too high. The MPC must study the setting of rates.

#### b. Classification of services

There is a wide range of services whose provision is desired at post offices, including postal services, financial services (remittance, payment, etc.), telecom services, sales of goods, and governmental services. The MPC must define the service assortment and decide which services are to be available at all post offices and which are to be offered as the demand permits.

There is also a need for consideration of options such as flexible working hours at post offices and expansion of locations in correspondence with the demand.

#### c. Repair of Facilities and Equipment

Customers voiced requests for repair of the post office, improvement of cleanliness, improvement of the work space environment, and improvement of transportation equipment. Here as well, detailed studies must be made in connection with the efforts to improve reliability, speed, and service quality.

#### <Long-term issues>

Viewed from a long-term perspective, one of the biggest problems in the current business model is that it offers no prospects for development of needs for core services (in letters and parcels). In the future, economic activities are expected to quicken along with the country's socioeconomic recovery and advancement. In the process, various types of communications activities should grow at least as fast as the economy. Nevertheless, the existing system could not handle such growth.

The major issue (task) for postal services in Mongolia can be summarized in the question of how to construct a postal system with the extensibility needed to keep abreast of the ongoing transition to a market economy and function as a key socioeconomic infrastructure supporting the country's economic and cultural life.

#### Issues about MPC

##### <Short-term issues>

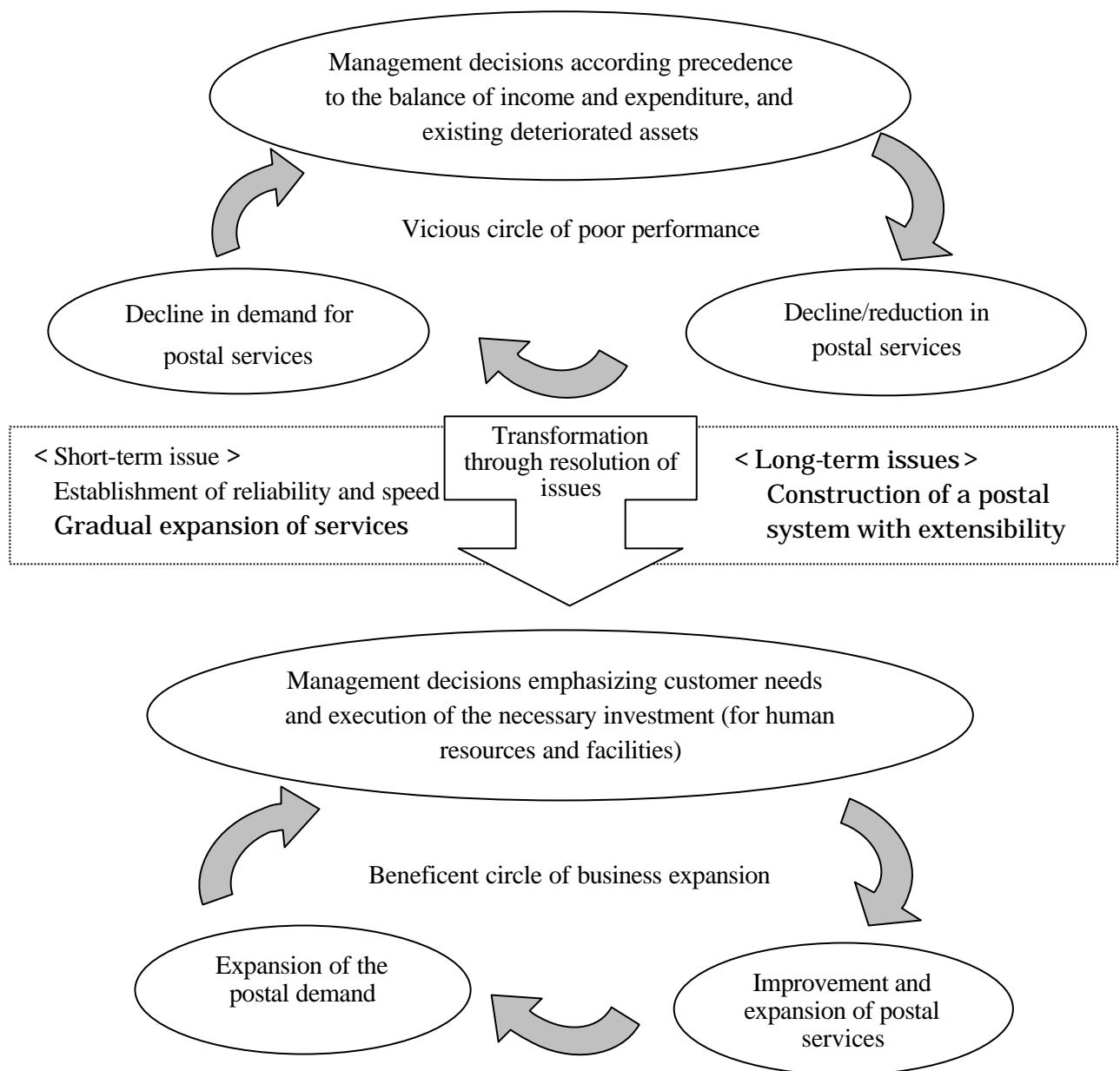
- 1) Assurance of reliability and speed
- 2) Gradual expansion of services

##### <Long-term issues>

How to construct a postal system with the extensibility needed to keep abreast of the ongoing transition.

The figure on the next page summarizes these issues that Mongolian Postal System currently holds. MPC must play the major role to overcome the difficulties and transform the “vicious circle” to the “beneficent circle”.

**Figure. 6-3 Transformation Through Resolution of Issues**



Source: JICA Study Team

### **6.1.3. Basic Guidelines for the Improvement Plan**

The plan for improvement of the MPC for resolution of the issues described in chapter 5 must be formulated in accordance with the following three guidelines.

#### **(1) Provision of services that match customer needs**

If the MPC is to provide postal services discharging the function of infrastructure required for development of the market economy, it is essential for it to offer services that match customer needs. It goes without saying that the existing services must be altered for close conformance with these needs. In light of the goals of establishment of reliability and speed by restructuring business process over the short term and construction of an extensible system over the long term, the Study Team proposes a new service to go beyond the existing one, namely, "Pigeon" mail (featuring door-to-door delivery, low uniform rates, and other attributes of modern postal services, with the ability for extension).

#### **(2) Establishment of a self-funding capability**

In spite of its pronounced public-service dimension, postal services must not be permitted to operate at a deficit and without regard to feasibility as a business. While efforts have been made to this end thus far, the MPC must make appropriate investments (planning and execution) and clear management decisions to enable provision of services meeting new customer needs.

#### **(3) Establishment of accountability**

Seeing that a surplus is already being posted, it could be asserted that the aim of building a self-funding capability is already being met. The important thing is to reconcile the currently conflicting ends of providing services that match customer needs and achieving self-sufficient funding. This must be followed by a shift from the present structure of contracted equilibrium to one oriented toward expansion by restructuring business process. To this end, the MPC must establish an internal accountability and take appropriate action. For this purpose, it must build a solid organization (which, however, must be flexible enough to adjust to customer needs and the service requirements), strengthen programs for personnel development, and prepare all sorts of manuals.

#### 6.1.4. Perspectives on Regional Differences and Phased Development

In Mongolia, there is now (and will be in the future) a difference between Ulaanbaatar and the Aimags in respect of concentration of population and economic development. The plan therefore should deal with Ulaanbaatar and the Aimags (and lower units) separately.

#### 6.1.5. Ulaanbaatar

Focal points in revision of post office services:

- Shift from points to planes (base-centered provision to provision on the site of demand)
- Shift from administrative initiative to market initiative
- Shift from supply-side logic to demand-side logic
- Shift from passivism to activism
- Shift from the public sector to the private sector as the demand center

Competition from courier operation is another consideration. MPC should convert into a new business model equipped with the following four capabilities.

Major capabilities of the new postal service model:

- Instatement of door-to-door delivery
- Provision of high-quality services
- Operation with flexibility for adaptation to the demand
- Active use of private-sector energies

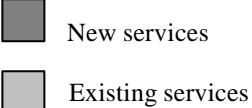
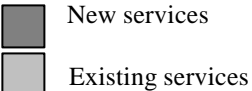
#### 6.1.6. Aimag

It would be effective to allow the Aimag center post offices, which have a good understanding of their customers' needs, to lead the programs of improvement in their own service areas. The new business model should be established first in Ulaanbaatar. If and when the improvement in accordance with the aforementioned focal points in service revision makes progress, the new services could be introduced in correspondence with customer needs.

#### 6.1.7. Perspectives on Plans for Phased Improvement

The plans for improvement over the years 2001 - 2010 are summarized in the following table, although actual progress needs to be measured against the achievements.

**Table. 6-2 Outline of the Plans for Phased Improvement**

Term	2001 - 2005 (short term)	2006 - 2010 (long term)
Ulaanbaatar	Unipolar concentration in Ulaanbaatar	Greater unipolar concentration in Ulaanbaatar Rise in the level of customer needs
Existing services	<ul style="list-style-type: none"> <li>• Refinement and improvement (improvement of customer services, etc.)</li> <li>• Increase in (expansion of) business result through sales activities</li> </ul>	<ul style="list-style-type: none"> <li>• Shift toward new services</li> <li>• Maintenance of the status quo for other services</li> </ul>
New services	<ul style="list-style-type: none"> <li>• Construction of a new business model</li> <li>• Design and construction of facilities adapted to the new services</li> <li>• Start of sales activities once preparations have been made for regular service</li> <li>• Increase in vehicles and carrying equipment, etc., to support the new services</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid growth through steady provision of "Pigeon" services</li> </ul>
Image of services provided		
		
Aimags, etc.	Socioeconomic conditions on the same level or slightly lower, with the exception of certain Aimag centers	Continued concentration in certain Aimag centers Increased possibility of rise in customer needs in certain Aimag centers
Existing services	<ul style="list-style-type: none"> <li>• Refinement and improvement (improvement of customer services and outsourcing in correspondence with transportation plans and the market)</li> <li>• Increase in (expansion of) business result through sales activities</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in postal services and shift to new services in certain areas</li> <li>• Maintenance of the status quo for other services</li> </ul>
New services	<ul style="list-style-type: none"> <li>• Active determination of needs and the market</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction while monitoring the market and taking Ulaanbaatar as a precedent case</li> </ul>
Image of services provided		
		
Internal organization	<ul style="list-style-type: none"> <li>• Organization of a team to be in charge of new services and reinforcement of the sales section</li> <li>• Establishment of the setup for supervision, definition of responsibilities at each stage, and incorporation of arrangements for mutual checking</li> <li>• Rigorous control of documents and data (preparation of a manual)</li> <li>• Incorporation of an incentive system into performance evaluation</li> <li>• Instatement of a systematic program for human resource development adapted to personnel careers</li> <li>• Presentation of perspectives on outsourcing (preparation of a manual)</li> </ul>	

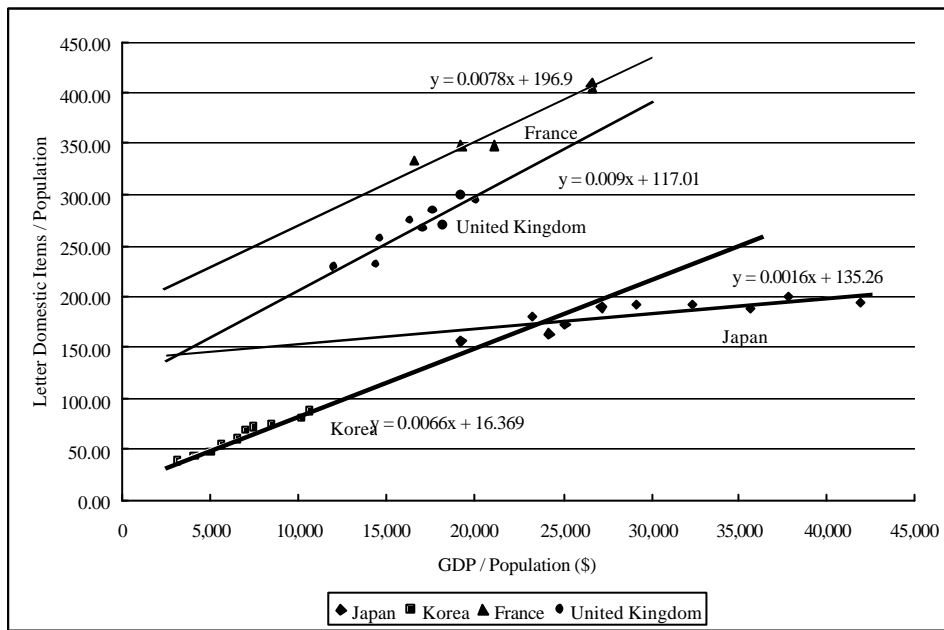
Source: JICA Study Team



## 6.2. Outlook for Existing Services

The figure below shows GDP per capita of population on the horizontal axis and the number of domestic-mail letters per capita of population on the vertical axis. The number of letters per capita of population generally rises along with the GDP per capita of population. The relationship consequently can be expressed by linear equation.

Figure. 6-4 GDP per capita and the number of letters per capita in Various Countries



Source: JICA Study Team

However, the number of letters per capita in Mongolia is very low if compared with foreign situations.

As MPC will reinforce quality management and customer relationship in the short term, and aim at establishing modern postal service, it is expected that the number of letters per capita shall increase at about the level of increase of GDP per capita as shown in table 6-3.

Table. 6-3 Target Growth for Existing Services

Service level	Perspectives on demand
Maintenance of the current service level	Growth on the order of the GDP growth per capita of population 1999 - 2005 AAGR: 6.2% 2005 - 2010 AAGR: 2.2%

\* GDP per capita imported here can be referred in the Figure 6-2.

Source: JICA Study Team

### **6.3. Plans for New Services**

#### **6.3.1. Plans for New Services**

The development of new services must be grounded in a viable vision for the business model. It demands definition of the kind of value to be delivered to the customer and the kind of action to be taken by the MPC side. Over the longer term, the MPC must improve services with an awareness of competing ones as the market expands. .

#### **6.3.2. Mail Services**

##### **(1) Development of Pigeons Express Services**

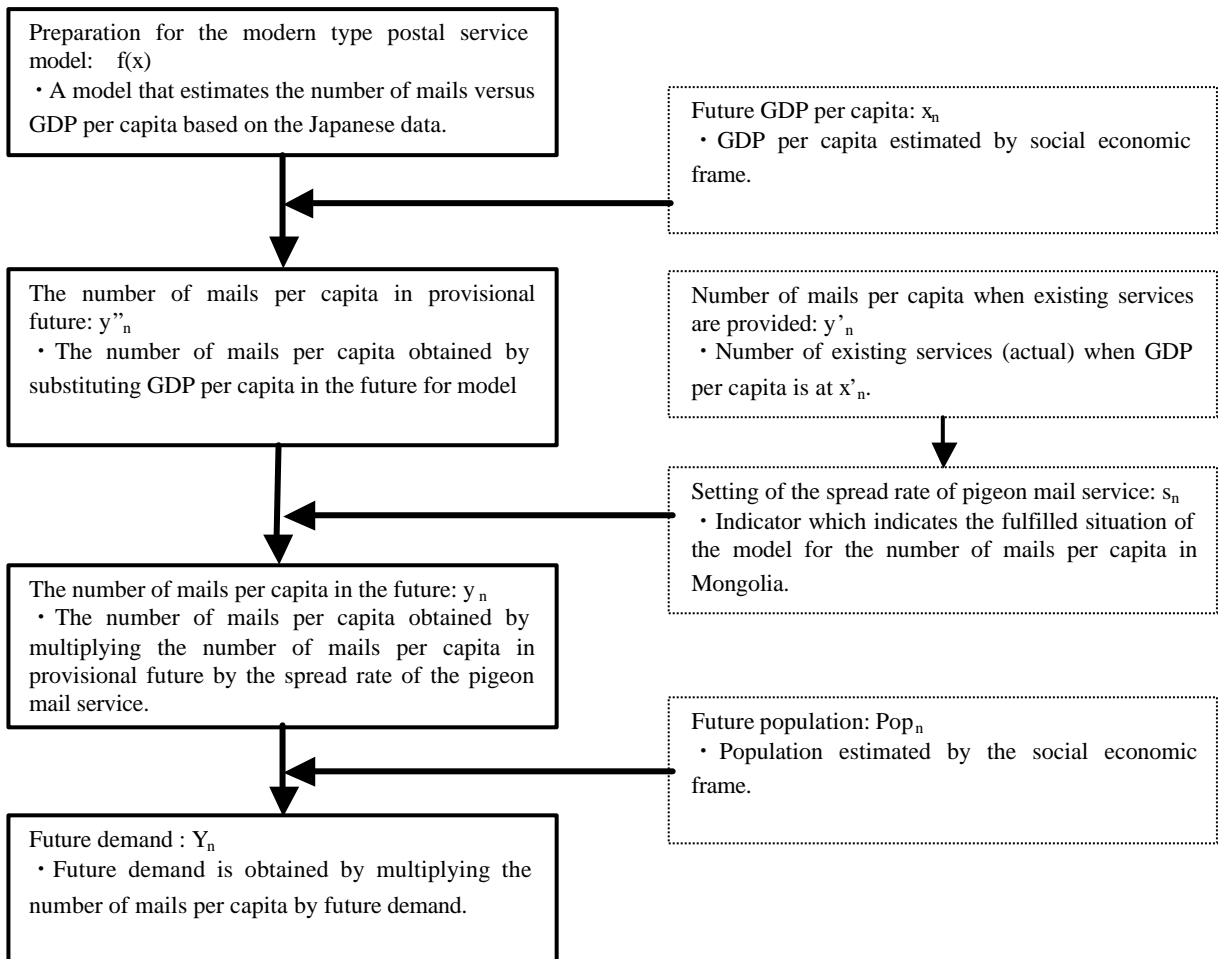
As agenda items for the time being, the MPC should initiate door-to-door delivery in Ulaanbaatar, establish new mail handling facilities in Ulaanbaatar designed to prevent damage and loss, and develop postal services equipped with a reliability and convenience (ease of use) that can bear comparison with those of competitors.

The Pigeons Express Services will occupy a position of importance also for the rippling effects on and expansion into the future services. The MPC must aim for early implementation of door-to-door delivery in Ulaanbaatar around the Pigeons Express Services if it is to encourage use, especially by companies, government, and international organizations, for large-volume purposes such as financial mail, direct mail, and official documents as well as for high-value-added express services such as EMS.

##### **(2) Perspectives on future targets**

The following figures are the estimates for domestic mails, domestic parcels, international mails and international parcels, which are developed as a new service called "Pigeon Mail". This pigeon mail is modeled after a current postal service in Japan and is totally new for MPC.

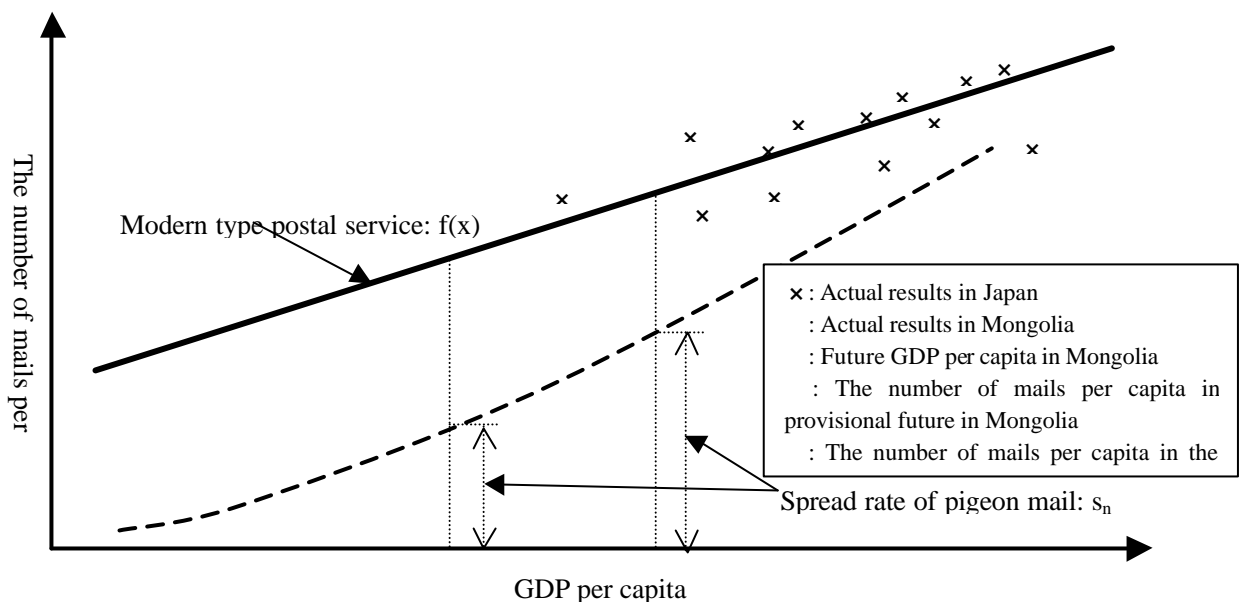
**Figure. 6-5 Flow Chart of Estimating Demands for Pigeon Mail Service**



1) Outline of demand estimation

The demand estimation for the four types of the pigeon mails, which are not provided at the present situation, has been executed from the concept shown on figure 6-5. First of all, clarifying the relations between GDP per capita regarded as a common indicator and the number of mails per capita, the modern type postal service model has been prepared. Next, the number of mails per capita in the future in Mongolia is calculated by this model and GDP in the provisional future in Mongolia. Although this can be considered as the future demand of Mongolia, the number of mails per capita and GDP per capita under the existing services are isolated from the modern type postal service model, therefore, even if the new pigeon mail service is developed, the modern type postal service won't be able to take a steady position. Therefore, the spread rate of the pigeon service was set against the number of mails per capita and the number of mails per capita in the future set by this model was made by multiplying the spread rate. The future demand is obtained by multiplying the number of mails per capita derived from the above process by the future population.

**Figure. 6-6 Image of Demand Estimation**



2) Preparation of modern type postal service model

Since the data according to each service type for the modern type postal service can be obtained for a long period of time, it was prepared from the Japanese actual results. Because the actual results in Japan take a range from the times when its GDP per capita was low, the actual results for the past 20 years were utilized. For the function type, it returns for linear, exponential, logarithm and exponent, the most fitted function types were employed.

**Table. 6-4 Modern Type Postal Service Models According to Types**

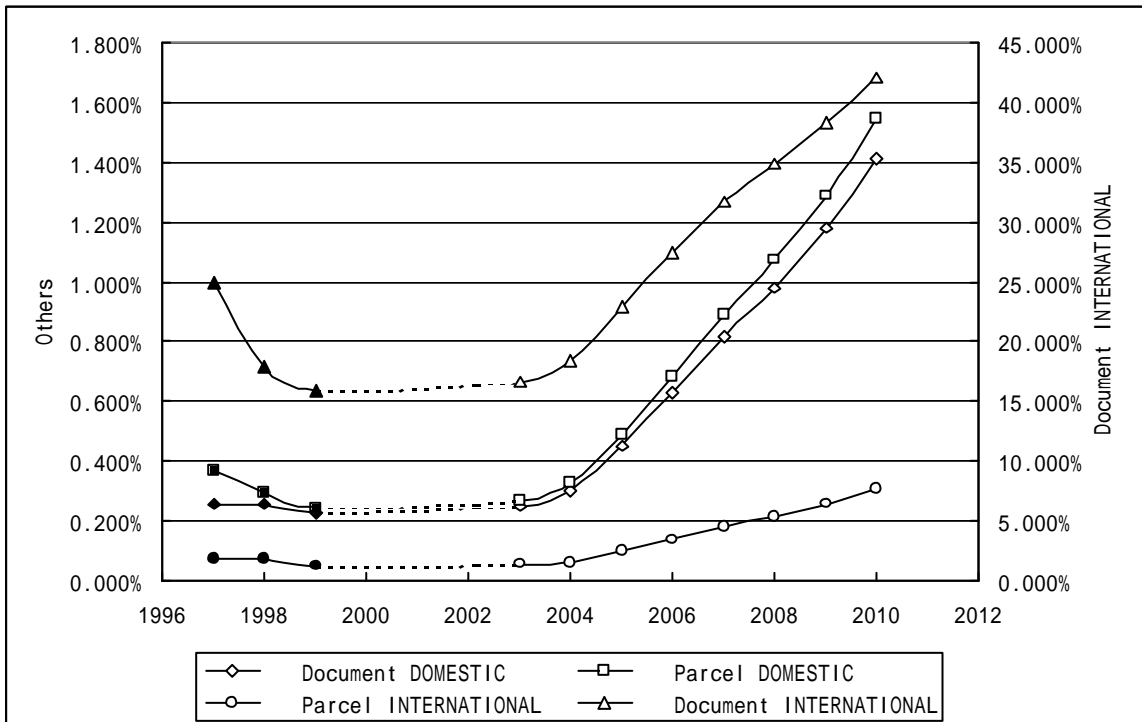
Type	Function type	Model formula	Correlation coefficient
Domestic mails	Logarithm	$Y=-47.3043+21.0686\ln(X)$	0.9404
Domestic parcels	Linear	$Y=1.1666+0.0001X$	0.8359
International mails	Logarithm	$Y=0.0633+0.0954\ln(X)$	0.8529
International parcels	Logarithm	$Y=0.0020+0.0020\ln(X)$	0.8111

3) Setting of spread rate for pigeon mail service

It was assumed that the current level of the number of letter per capita could be maintained by improving existing services during 2001 and 2002, and in the following years the number of letter per capita would be gradually increasing.

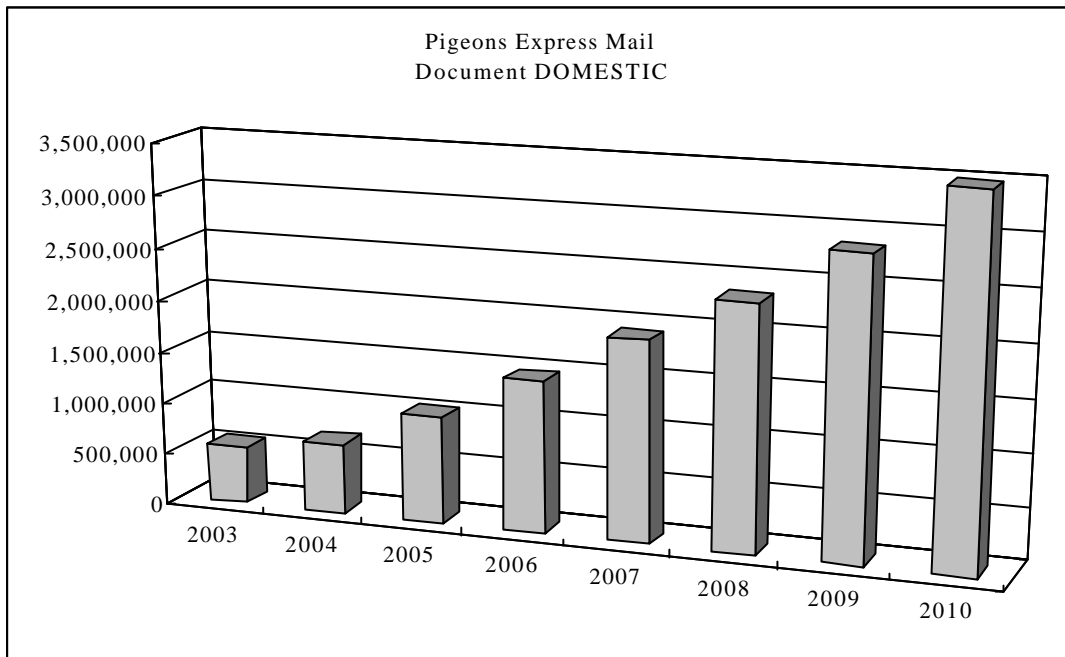
As seen in the following figure, increase in demands for the modern “Pigeon Mail” services could be assured at the level of increase of GDP per capita, and after 2003, the spread rate of ‘Pigeon Mail’ was set by multiplying around 2%.

**Figure. 6-7 Spread Rate of Pigeon Mail Services**



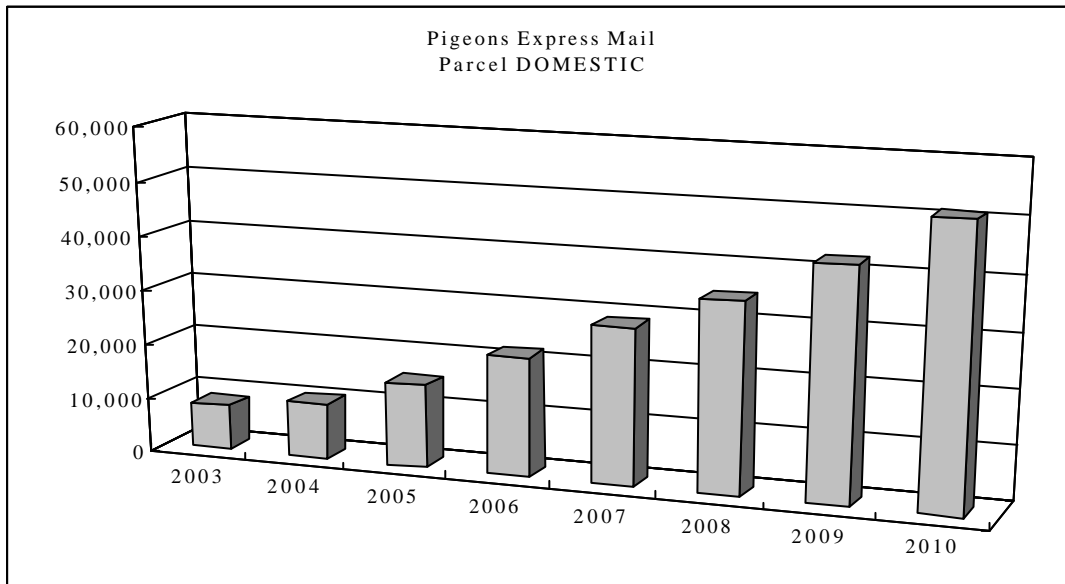
Source) JICA Study Team

**Figure. 6-8 Targets for Pigeons Express Mail (Domestic Document)**



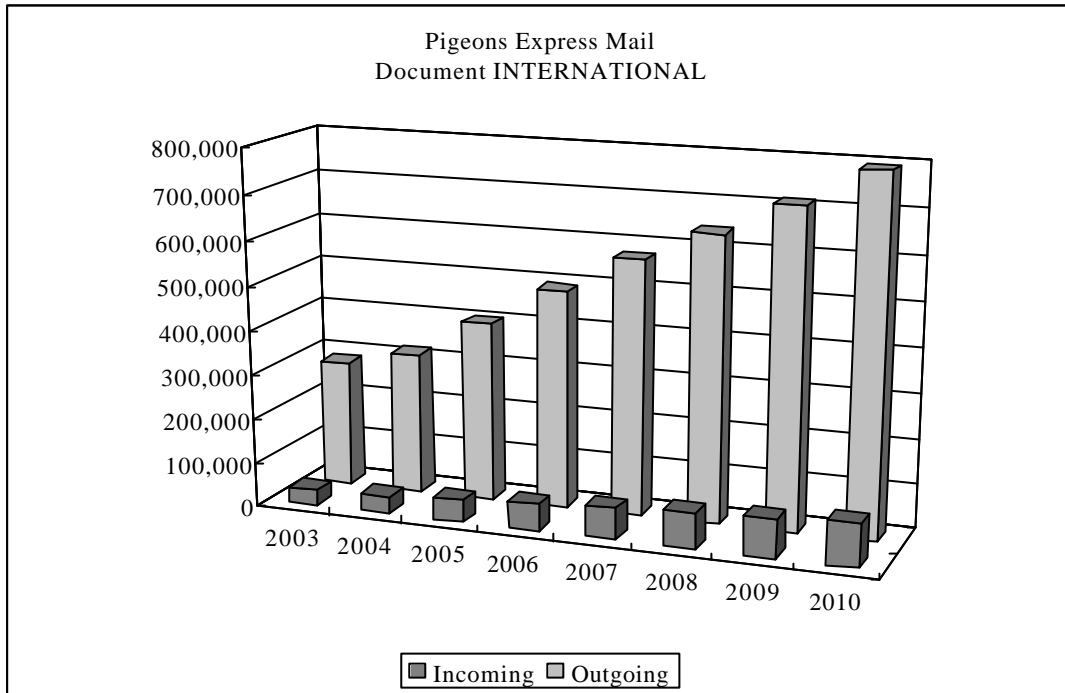
Source: JICA Study Team

**Figure. 6-9 Targets for Pigeons Express Mail (Domestic Parcel)**



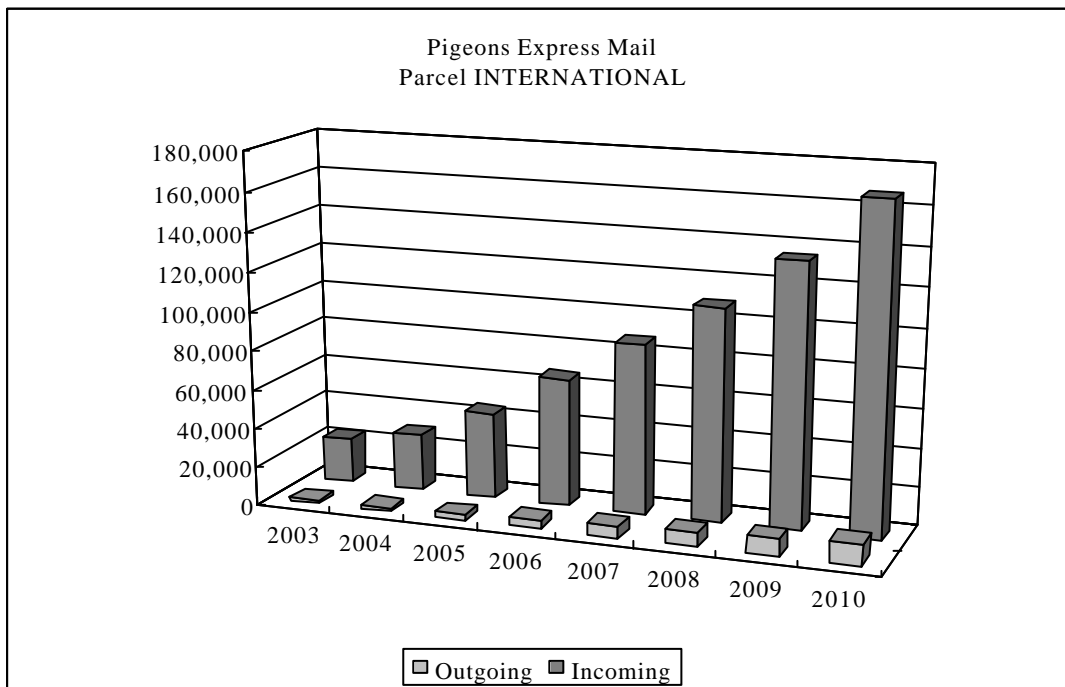
Source: JICA Study Team

**Figure. 6-10 Targets for Pigeons Express Mail (International Document)**



Source: JICA Study Team

**Figure. 6-11 Targets for Pigeons Express Mail (International Parcel)**



Source: JICA Study Team

### 6.3.3. Remittance and Payment Services

Based on the expected growth of money supply and MPB's share, the business for remittance and payment services can be summarized in the following table:

**Table. 65 Forecast of Remittance and Payment Services (MPC/MPB Commission Income)**

Forecast of remittance and payment services (MPC/MPB commission income)

Unit: hundreds of millions of tugrik

	Total amount of currency	Currency in circulation in the market	Deposits	Pension commissions	Remittance/payment commissions	Rate	Total	MPC/MPB income
1991.12	89	16	73	0		(see note)		
1992.12	94	18	76	0				
1993.12	272	87	185	0				
1994.12	515	187	328	0				
1995.12	681	255	426	0				
1996.12	1,060	417	643	0				
1997.12	1,258	497	761	0				
1998.12	1,389	564	825	0				
1999.12	2,020	872	1,148	0	3.80	3.0	3.80	0.95
*2000.12	2,495	1,139	1,356	1.32	4.67	3.0	5.99	1.50
2001	3,069			1.45	5.75	3.0	7.20	1.80
2002	3,775			1.59	7.07	3.0	8.66	2.17
2003	4,643			1.75	8.70	3.0	10.45	2.61
2004	5,711			1.93	10.70	3.0	12.63	3.16
2005	7,024			2.12	11.84	2.7	13.96	3.19
2006	8,640			2.33	14.57	2.7	16.90	4.22
2007	10,627			2.57	17.92	2.7	20.49	5.12
2008	13,071			2.82	19.83	2.4	22.65	5.66
2009	16,077			3.11	24.40	2.4	27.51	6.88
2010	19,775			3.42	26.26	2.1	29.68	7.42

Method of calculation

- Estimates were based on the annual average growth rate of 23.9 percent for the total amount of currency over the last four years.
- The figures for December 2000 are for the year ending in April 2000.
- For the years 2000 - 2004, the income forecast is based on the increase rate of 23 percent in the total amount of currency.
- For the years 2005, 2008, and 2010, the commission rate was lowered by 0.3 percent.

Note: A commission rate (percentage) was applied only for general remittances; the fee for pension payments was assumed to be constant.

- The MPC/MPB share of this market was put at 25 percent.

Source: JICA Study Team

\* Source of data from 1991 to 1999 is Bank of Mongolia



(1) Measures for the future

The first step is to improve the contracts between MPB and MPC, so that MPC does not shoulder unnecessary risks and burdens.

New services also can be introduced, such as:

- Remittance system based on deeds
- Telegraphic money orders

(2) Short- and long-term plans for remittance and payment services

Measures for remittance and payment services should be developed in accordance with short- and medium-to-long-term plans based on the procedure outlined below.

**Table. 6-6 Plans for Remittance and Payment Services**

Short term (2000 - 2001)	Medium-to-long term (2002 - 2010)
<p>Business plans</p> <ul style="list-style-type: none"><li>* Provision of remittance and payment services in all Aimag centers, but limitation on the Soum level to those Soums where they are payable</li><li>* Establishment of three-person setups for these services only in those districts where they are payable, even in the six Aimags where the MPC/MPB will be licensed for financial services in the future; aim for balanced accounts through reduction of staff in those Aimags posting big deficits</li><li>* Positioning of remittances as supplemental to postal services, to be performed during idle times; emphasis on payability</li><li>* Achievement of an overall profit in the remittance and payment division in 2001 by bringing the deficit Aimags to equilibrium; aim for an overall equilibrium in 2001 at the least</li><li>* Establishment and promotion of business models based on the experience and methods at Aimags and Soums achieving profits</li></ul>	<p><b>I. 2002 - 2005</b></p> <ul style="list-style-type: none"><li>* Emphasis on payability and expansion</li><li>* Improvement of the payability in Aimags<ul style="list-style-type: none"><li>- Consolidation of the business in Soums at deficit into that in neighboring Soums; creation of a structure that constantly produces an overall profit</li><li>- Posting of one person to each Aimag center exclusively in charge of sales, to develop business among companies and improve the level of service use</li></ul></li></ul> <p><b>II. 2006 - 2010</b></p> <ul style="list-style-type: none"><li>* Rationalization measures in correspondence with the commission rate (percentage) reduction</li><li>* Introduction of new services<ul style="list-style-type: none"><li>- Corresponding diversification of means of remittance (e.g., payment into a postal account, cash payment, check by check, and postal payment)</li><li>* Investment for installation of PCs, fax machines, safes, and other such equipment, beginning with the most payable Soums</li></ul></li></ul>

Source: JICA Study Team

#### **6.3.4. Post Office Services**

In addition to the mail services and payment/remittance services there will be wide variety of possibilities in the post office services including telecom, retail, government services, etc.

##### (1) Mail order and retail services

The current mail order services in the MPC are essentially confined to electrical products. The circle of goods which people in the communities served by post offices want also includes postal goods, books and magazines, stationery items, etc. The MPC must consider forming partnerships with companies handling these goods and examine the prospects for mail order services based on a model that does not require an inventory and for retail sales that would also be aimed at drawing customers to post.

##### (2) Business center and e-mail services

Fax-mail (the so-called Letax service) is a new service that has been introduced at several post offices during the past two years. In a similar vein, the so-called "e-letter" combining e-mail service with a print-out and delivery service is a likely candidate for a new service, which require very little additional cost and make the service extremely convenient and affordable.

##### (3) Other entrusted services

###### \* Contents of service

Government related services such as payment/ delivery of pension and salary for government staffs, sales of lottery tickets and payment, applications for government administrations, payment of taxes, motor vehicle registration, acceptance of donations, etc.

#### **6.3.5. Information System Infrastructure for Promotion of the New Services**

The current information system in the MPC could not be said to be in perfect order and effectively used. MPC must make more effective use of its existing ones. There is no need for development of any complicated software; efficiency could be improved substantially in the entire process from input and data totalization to data application merely by preparing and distributing templates for tabular calculation for use in account book entries throughout the company.

One possibility for more sophisticated use of information technology (IT) is the installation of various facilities for mail tracking.

## **6.4. Collection, Delivery, and Sorting Work Plans**

### **6.4.1. Establishment of Dedicated Facilities**

The most effective step for improvement would be assurance of ample work space. Fortunately, an there is a vacant lot measuring about 800 square meters is to the side of the current Central Post Office building. The construction of a building especially for postal services on this lot would not only improve the handling of postal items but also enable use for implementation of door-to-door delivery on a trial basis.

### **6.4.2. Improvement of Delivery Work**

The most necessary step in this direction is the installation of boxes for delivery of mail at each door (at locations that are convenient for delivery in the case of medium- and high-rise residential buildings). However, it would be impossible to enforce this to all households and addresses in Ulaanbaatar. As a transitional measure in this area, it appears necessary to retain the current system of delivering mail items and newspapers upon the conclusion of special contracts at the post offices in charge, gradually expanding into the whole of Ulaanbaatar.

If coordinated with the promotion of improvement in indoor work in the Central Post Office, the delivery time could be reduced by more than one day as compared to the present, and this would presumably do much to expand use.

### **6.4.3. Reconstruction of the Postal Code Number System**

- (a) Following the flow of the existing railway and airline traffic centered around Ulaanbaatar
- (b) From east to west (or vice-versa), or from north to south (or vice-versa)
- (c) In a clockwise movement centered around Ulaanbaatar

For the second two digits in Ulaanbaatar:

\* Use of the existing numbers for Horos as current administrative units (this would presumably also gain the understanding of the residents)

### **6.4.4. Measures for Restoration of Confidence**

While reports about irregularities such as non-arrival can sometimes be resolved in accordance with the particulars in question, they are thought to indicate the presence of fundamental failings or criminal behavior in the current work. They must be addressed by making a detailed record of the particulars in each case as well as by in-depth analyses and investigations on an ongoing basis.

For general reports (on matters such as education and training, treatment of customers, and services), measures must be taken not by the person receiving the report (directly from the

customer) but by the person in charge at the post office. The necessary procedures include a record of the particulars, investigation into the cause, and measures to prevent recurrence. To the same end, systematic steps must be taken to find solutions that can be uniformly applied throughout the MPC and will improve the level of the whole enterprise.

For response to expectations for sure and speedy delivery, it is absolutely necessary to ensure that mail bags stay properly closed and to improve the method of transferring parcels. Partly as a demonstration of such efforts to the public, it is important to see that the clocks on post office walls always show the correct time.

#### **6.4.5. Improvement of Treatment of Delivery Personnel**

In this area, the MPC must issue uniforms and standard satchels to carriers. This is also important for building trust in the services and carrier pride in their work.

#### **6.4.6. Handling of Newspapers**

When newspapers arriving in post offices in Ulaanbaatar in the morning are taken out in preparation for delivery, the person in charge first removes the necessary editions (from the many types) and quantities for each subscriber individually, then notes the address on the top, and finally hands the stack to the delivery personnel. This procedure is time-consuming and delays the delivery dispatch.

Ordinarily, three-month contracts are concluded for newspapers. If handed a list of subscribers within the current term, the person in charge could take out the entire number of copies of each newspaper needed all at once. The same kind of time-consuming procedure is performed for distribution of newspapers to post office boxes. The recommendation for PO boxes is to note the proper editions and number of copies on the PO box door, for example. This would facilitate distribution and also pose little risk of disruption or mistaken distribution.

## **6.5. Transportation Plans**

### **6.5.1. Transportation on Trunk Routes (Between Ulaanbaatar and Aimags)**

Mail in Mongolia is currently transported from Ulaanbaatar to individual Aimags by air, rail and bus. In none of these cases does transport capacity present a particular problem at the current mail volume. As the volume of mail that can be transported by air and bus is limited by the capacity of the vehicles concerned, a future increase in the volume of mail (due either to an increase in the size of parcels or to an increase in the number of individual items of mail transported) could cause difficulties. It is therefore necessary to limit the maximum permitted weight and volume of parcels and to ensure that these limits are observed.

A further potential problem with air transport is the difficulty of increasing the frequency of transportation of mail using scheduled flights in the absence of an increase in the number of flights offered by carriers. On the ground, however, there is scope for increasing the frequency of transportation as not yet all rail and bus services are being used.

Regarding road transport other than by bus, one possibility would be to make use of truck services on regular routes. This is not an option at the present point in time as no such regular truck services are available. As operators will likely launch such services if the volume of transport in the country increases in the future, though, such potential means of transportation need to be taken into consideration.

Other options include the use of privately-owned vehicles and chartered truck services, transportation of mail by other agencies, and the use by the MPC of its own vehicles. If vehicles operated by other parties are used, full consideration should be given to their reliability and detailed contracts signed.

### **6.5.2. Transportation in Ulaanbaatar**

To reduce the time required for transportation between post offices in the city, it is necessary to increase the number of courses and to reduce the number of post offices on one course. At present, the six courses other than the course to the rail station post office and the bus terminal post office cover six to eight post offices. Reducing the number of post offices per course should reduce the time required for transporting mail from the central post office to each post office.

Doing so will necessitate the subdivision of existing courses and the creation of separate routes for post offices near the Central Post Office in the center of the city, and those on the outskirts. Increasing the number of services will naturally increase operating costs even if there is no increase in the total distance traveled by vehicles overall. However, the distance traveled per vehicle will be reduced, dramatically improving the time required for transportation of mail to post offices.

In conjunction with such moves, an increase should be made in the number of vehicles used exclusively for mail delivery so as to further expand provision of international EMS services. These

vehicles may also be used to provide domestic delivery services and new postal services (such as mail with delivery and mail with collection) in Mongolia in the future.

One function of vehicles used within the city is to improve the image of the MPC. For this to be achieved, use should be made of standard vehicle livery and markings so as to make vehicles immediately recognizable as MPC vehicles. Care should also be taken regarding vehicle maintenance and management.

To reduce the time required for transportation of mail arriving at Ulaanbaatar from each region to the Central Post Office, it is necessary to swiftly transfer mail that has arrived to individual post offices in Ulaanbaatar by air, plane and bus. In order to do so, it is necessary to increase the number of runs between each base post office and the Central Post Office, to operate services to coincide with the flight schedules and timetables for other means of transport, and to transport mail from the airport to the Central Post Office at least once every two hours so that it can go on to the next stage.

### **6.5.3. Transportation in Aimags**

With the exception of the railway in some Aimags, there are at present hardly any other means of public transport from Aimag centers to Soums other than by MPC vehicles, which are operated by the post offices in each Aimag center. This method of transportation will have to continue to be used unless other means of transport become available.

### **6.5.4. International Transportation of Mail**

The majority of mail transported to Mongolia from overseas by means other than air is currently routed via China, and a considerable amount currently enters Mongolia in this way.

However, there exist a variety of problems concerning the handling of this mail. The biggest problem is that of equipment and facilities, such as the shortage of suitable vehicles for crossing the border, warehousing facilities at railway stations on the border, and station yard transportation equipment.

Some of these problems can be dealt with internally by the MPC, while others require action on the part of the MTZ and the tax authorities. Where the cooperation of other agencies is required, the head office should play a part.

### **6.5.5. Reduction of Transportation Costs**

The biggest problem concerning the use of air, rail, bus and truck transportation and MPC vehicles is the problem of cost. If services are to be operated directly by the MPC, it is important that the cost of purchase and operation of vehicles should be weighed against the volume of mail to be transported.

### **6.5.6. Transfer of Mail**

To win the confidence of mail users, it is necessary to deliver mail safely and reliably. Doing so will require the introduction of level work facilities, transportation equipment such as railway trucks, and equipment such as small containers for transferring mail.

### **6.5.7. Delivery to Bags**

The difficulty in Bag delivery would be to strike a balance between discouraging its use and on the other hand promoting use. This needs to be adjusted, and the strategy may differ from Aimag to Aimag, or even between Soums. In the long run, it would be possible to cross-subsidize the Bag delivery from the revenue generated from Ulaanbaatar. Till then, Bag delivery, if it is going to be implemented in the near future, needs to be implemented in a rather toned down fashion, in order to contain costs. Otherwise, it would either destroy the foundation of MPC through excessive costs, or would require a complete change of the role and position of MPC as an independent self supporting entity.

## **6.6. Plans for the Organizational Setup and Human Resource Development**

### **6.6.1. Organizational Setup**

#### (1) Issues

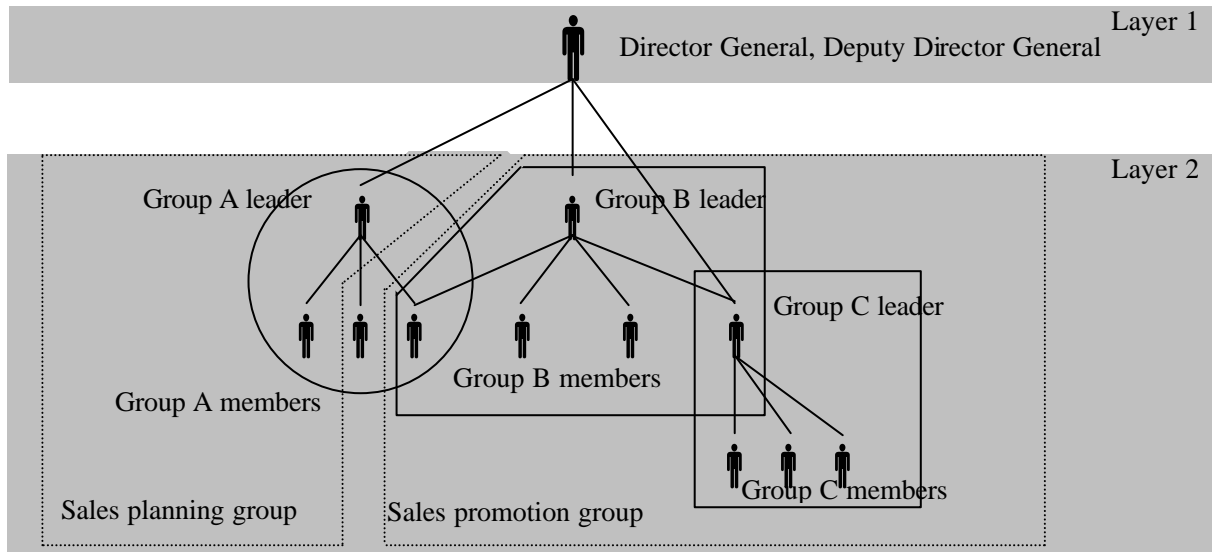
This analysis revealed the following problem areas.

- 1) The clarity of the division of authority and roles is still wanting
- 2) Incentive and Evaluation is not clear enough.

#### (2) Measures I - Perspectives on resolution

The current situation in which executives at the top are each in direct charge of numerous subordinates holds the risk that management of much work will lag in areas other than those of most immediate concern. It may also lead to a lack of self-responsibility in each work areas.

**Figure. 6-12 Advisable Management Setup**



Source: JICA Study Team

1) Delegation of authority

The right of approval for administrative matters (excepting those directly connected to management) must be delegated to the group leaders, as far as possible. For example, group leaders could be allowed to decide matters such as the following entirely at their own discretion.

- \* Expenditures in amounts below a prescribed ceiling
- \* Division of duties in the group and coordination of member schedules (vacations, etc.)

2) Review and reallocation of service issues

In a review, it is necessary to understand how the managerial duty items, which are determined by managerial authority regulations, and the work items, which are determined in employment contracts, are actually fulfilled. In addition, managerial authority regulations and employment contracts should be reviewed based on actual situations, which distribute the duties equally (a system of payment, which reflects the amount of duties borne..



### 3) Review of performance evaluation

With respect to the points in 6-1-2 (2), the existing performance evaluation system in MPC should be improved as follows:

*In evaluations, it is important to establish clear standards and disclose them to the employees, and also to allow employees to rate their own performance and have the opportunity to discuss this rating (along with the superior's rating) with the superior.*

The key factor in incentives is not the size of the reward but the sense of satisfaction felt by employees when they realize that their performance is being properly evaluated.

### (3) Measures II – Organizational capacity improvement

#### 1) Central organization

##### A) Group management

There is an unavoidable impression that the pre-reorganization sections have merely been replaced by groups, and the section heads, by group leaders. If it is to provide services that meet the needs of customers, the MPC should add several capabilities (in the form of groups) to the current organization, as follows.

##### a. Personnel training group

- Administration (training program planning and evaluation)
- Guidance (lectures and practical training)
- Development (preparation and revision of programs and guidance)

##### b. Sales planning group

To provide new customer-centered services, the MPC must ascertain customer needs, review the existing services, develop the right new services, and promote them. It might be advisable to have it assigned to an ad-hoc team at the Central Post Office, for example.

##### c. Inspection group

Recovery of customer confidence will also require restoration of the system of inspectors in charge of examining irregularities (which posts were abolished by the March reorganization) and preparation of mechanisms for swift response to customer requests.

##### d. Document management group

Efforts should be made for the conversion of in-house information and capabilities into documents. MPC should clearly establish policy on compilation of information in document form, institute a group to monitor this compilation under the first or second deputy director-general, and set about the related activities.

B) Group activity

- a. Developing national culture of hand-written correspondence
- b. Improvement of the work environment
- c. Breeding of an organizational culture that respects communication
- d. Breeding of an organizational culture that respects documentation
- e. Breeding of an organizational culture that respects customers

2) Local organizations

One of the key measures for improving the balance of payments at Aimag post offices is employment of the best available personnel through application of annually adjusted contracts and incentives. The MPC might also consider replacement of full-time employees with employees hired on a commission contract basis or as vehicle drivers, particularly in Souns with little demand for postal services.

(4) Plans for the organizational setup

The plans in the aspect of the organizational setup should basically be set in motion no later than 2005, when "Pigeon" services are anticipated to commence. The new organizational culture described above must have taken root by the time of provision of the new services.

(5) Proposals on Organization

Delegation of Authorities

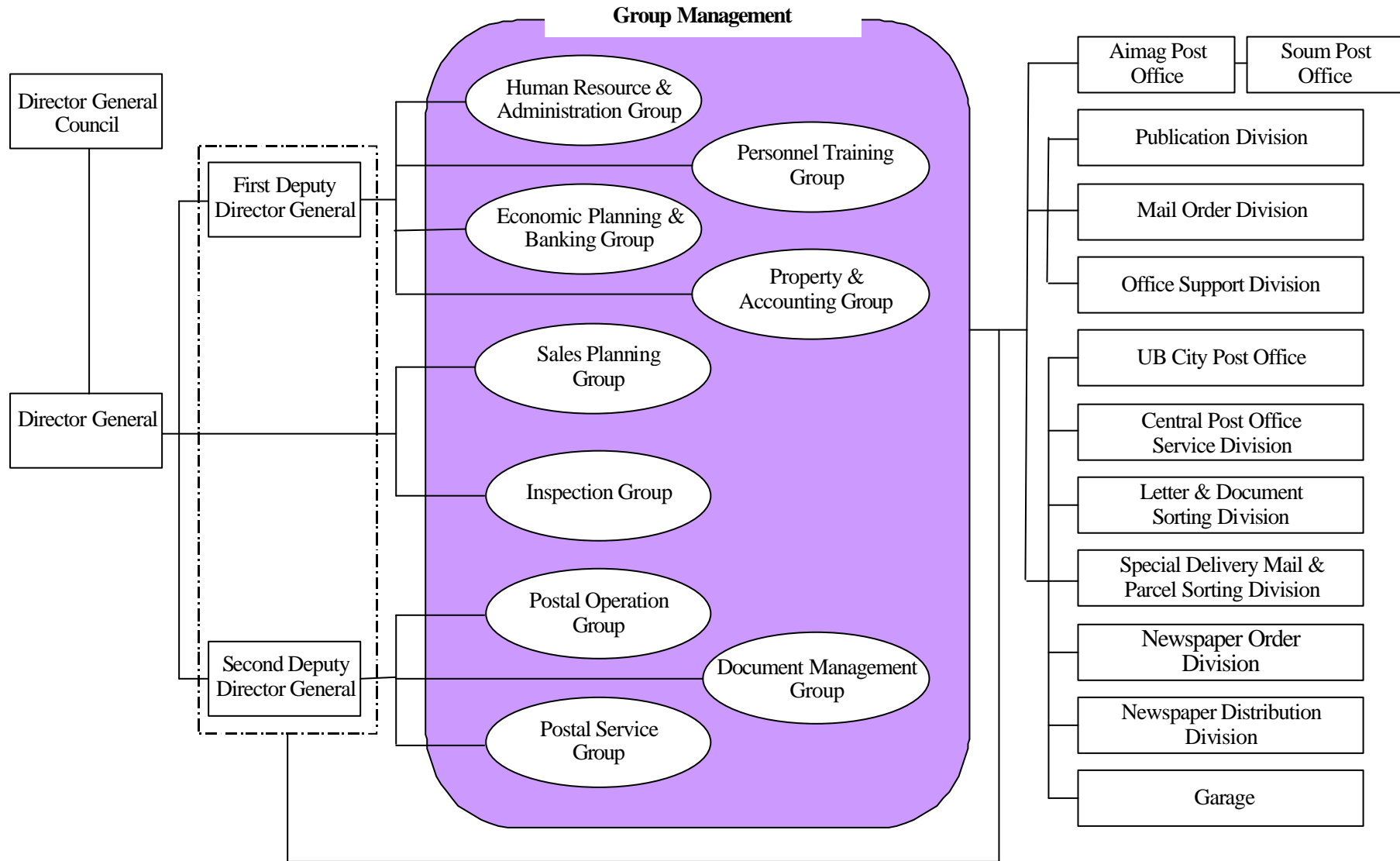
In the central organization, it is recommended to reform as below.

The reform planning of organization should be implemented at least two or three years before the year 2005 when pigeon mail services are scheduled to start. It is particularly necessary to render the proposed new services under the organization where a new organizational culture has been settled. For example, Sales Planning Services should be reorganized. It is necessary for the Sales Planning Services to grasp the customer needs, address the review of the existing services and the development of new services, and promote the results obtained therefrom. If independence and delegation of powers are provided to them in reviewing the existing services and developing new services, it would produce good planning and make them active, which will raise the success rate of a business.

The above can be applicable to Personnel and Education Group. The group leader in charge should be responsible, and delegated the authority, for performing the works comprising 1)

management work covering the planning and assessment of training, 2) guidance work covering lectures and on-the-spot training, and 3) developmental work covering the preparation and revision of training and guidance materials.

**Figure. 6-13 Proposed Organization Chart of MPC**



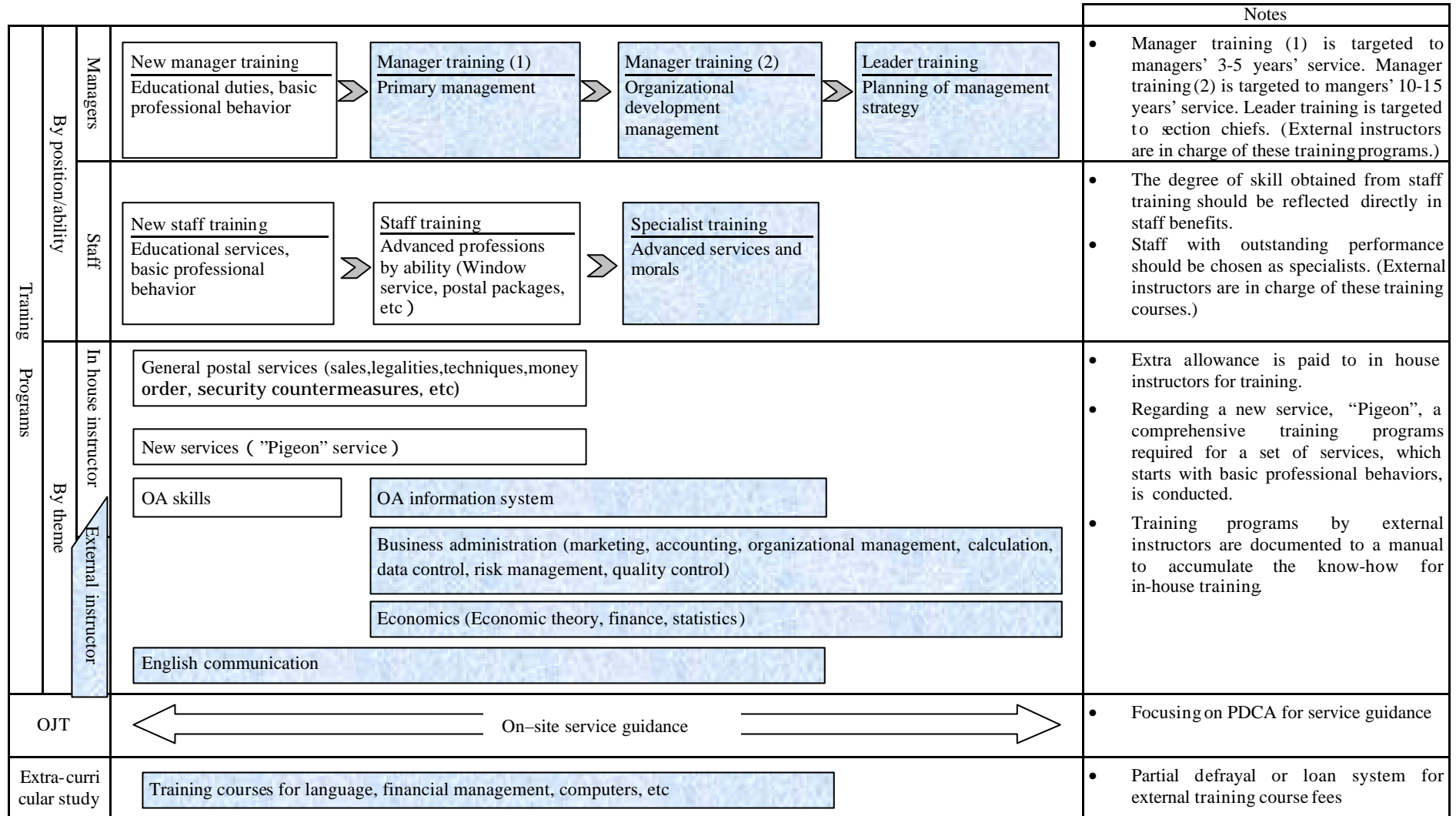
### **6.6.2. Human Resource Development**

The following is the concrete measures for building a new training system in MPC.

- Manager training (1) is targeted to managers' 3-5 years' service. Manager training (2) is targeted to managers' 10-15 years' service. Leader training is targeted to section chiefs. (External instructors are in charge of these training programs.)
- Staff with outstanding performance should be chosen as specialists. (External instructors are in charge of these training courses.)
- Regarding a new service, "Pigeon", a comprehensive training programs required for a set of services, which starts with basic professional behaviors, is conducted.
- Training programs by external instructors are documented to a manual to accumulate the know-how for in-house training.
- Focusing on PDCA (Plan-Do-Check-Action) for service guidance.

Please see the figure in the next page for details.

**Figure. 6-14 MPC Human Resource Training System**



## **6.7. Financial Conditions**

### **6.7.1. Current Conditions**

MPC is reporting an increasing level of profit since 1998, which attests to its operational efforts to date. Profitability is increasing and costs have been contained, and cash at hand is increasing, which all indicate improving financial health. Considering the general hardship of the quickly transitioning Mongolian Economy, this is a great achievement.

### **6.7.2. Issues**

It should be noted, however, that several issues remain under this achievement of apparent financial health, including some problems concerning the financial records itself.

- Limited Investment

Many of the investments have been given by SPC, and the major item of them is “vehicles”. The buildings of post offices, etc. are also leased at the lower rate than market price.

- Lack of internal auditing

Furthermore, it is recommended that MPC should undergo the examination by a certified public accountant (CPA) and carry out the revision of accounting standard. In particular, the appraisal of trace accounts payable and inventory will be improved through the auditing by CPA, enabling the MPC management to make more appropriate decisions.

- Others (Questionable financial ratios and low use of IT)

The revenue and expenses of Aimag centers are reported to the headquarters monthly. As for the unprofitable Aimag centers, and rapid submission of more detailed accounting information is required so that the measures to improve their financial position can be worked out by the headquarters.

### **6.7.3. Future Prospects**

In order to improve this condition, MPC needs to expand its business and grow into a more profitable position. This would only be achieved through the various improvements and services that are proposed in this plan.

The salient points to keep in mind concerning the finances, to achieve financial independence and health, are as follows;

- **Maintain Profitability**

The business in Ulaanbaatar is now profitable. It is, therefore, most important to improve the profitability of local Aimag centers that has great effect on the whole financial position of MPC.

- **Business Growth to Lead Mongolian Economy**

- **Better Investment**

The investments for the introduction of pigeon mail service, remittance service and other new services are essential.

- **Focus on Ulaanbaatar**

#### **6.7.4. Forecast**

##### Major Assumptions

- **Sales of Mail Services**

It is assumed that the volume of mail should increase significantly through stronger sales effort, public relations and improved services

2000	2% increase in volume, same postage
2001	3% increase in volume, same postage. Prepare for introduction of new services.
2002	3.5% increase in volume, same postage.
2003	10% increase in volume. Introduction of new services and focus on sales.
2004	23% growth in volume. With the current low level of mail usage, this level of growth should be possible through sheer sales effort.
2005	50% growth, achieved through 50% decrease of postage and the new facility coming into operation
2006	42% growth in volume.
2007	32% growth in volume.
2008 and after	22% growth in volume.

Inflation is fixed at 5% based on the estimates of IMF and MOF of Mongolia. Postage is not expected to change during this period except in 2005, which should gradually make the mail services relatively cheaper.



### **6.7.5. Forecast and Analysis**

If the current condition continues, the revenue from mail items is assumed to grow slightly higher than the GDP (6% annual growth). The investment for vehicles will immediately start to eat into the cash at hand. This situation will not improve. Expenses rise with inflation, and after 2004, MPC will slide back into an ever increasing loss. After 2005, MPC will run out of cash. Since no profit can be expected in the future, no borrowing would be possible. MPC will have to rely on subsidy and capital injection from the government.

On the other hand, the assumed scenario of new services and growth will change the picture significantly. Under this outlook, the only years of loss would be 2005 and 2006 where MPC will try to boost sales through postage cuts. After that, it shall move back to increasing profits.

This will, however, require some level of investment. Under the current model, MPC shall also aim to improve its financial health, such as lower rate of payables. Therefore, cash outflow will increase between 2001 and 2007. Especially in 2005, the cash outflow will peak at about 4300 million Tg.

After that, the cash requirement will diminish. From 2008, cash inflow will continue to increase.

In this model, no outside financing is assumed. All investment will be managed from internal cash. Therefore, MPC will face a cash shortage after 2004 for several years. Even in 2003, the cash at hand will be less than the cash outflow, which is a risky level.

Therefore, a total of 1 billion Tg in cash would be needed, which needs to be acquired through borrowing, aid or increase in equity. Since MPC is expected to turn a profit in the near future, borrowing would be an option here.

**Table. 6-7 Balance Sheet (With New Services)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Assets</b>													
<b>Total Cash assets</b>	<b>312,188.5</b>	<b>532,013.1</b>	<b>563,943.3</b>	<b>493,091.5</b>	<b>398,273.5</b>	<b>201,520.2</b>	<b>(63,172.1)</b>	<b>(468,426.6)</b>	<b>(701,333.0)</b>	<b>(840,811.7)</b>	<b>(808,072.1)</b>	<b>(578,646.6)</b>	<b>(232,919.8)</b>
<b>Total receivables</b>	383,043.7	337,691.0	306,759.3	314,103.0	324,609.4	347,509.8	384,555.4	356,081.1	412,870.9	476,073.5	535,453.3	601,133.2	678,535.5
<b>Total inventory</b>	727,814.4	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6	710,245.6
Prepaid expenses	-	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5	20,612.5
Total working capital	1,423,046.7	1,600,562.3	1,601,560.8	1,538,052.6	1,453,741.1	1,279,888.1	1,052,241.4	618,512.6	442,396.0	366,119.9	458,239.3	753,344.8	1,176,473.9
Fixed assets													
Total fixed assets	1,327,526.7	1,476,564.7	1,642,024.4	1,867,024.4	2,092,024.4	2,317,024.4	2,542,024.4	3,227,024.4	3,552,024.4	3,877,024.4	4,202,024.4	4,427,024.4	4,652,024.4
Accumulated depreciation	(239,520.2)	(346,604.6)	(454,654.0)	(567,703.5)	(685,753.0)	(808,802.5)	(936,851.9)	(1,069,901.4)	(1,207,950.9)	(1,351,000.3)	(1,499,049.8)	(1,652,099.3)	(1,810,148.7)
Net balance of fixed assets	1,088,006.4	1,129,960.2	1,187,370.3	1,299,320.9	1,406,271.4	1,508,221.9	1,605,172.4	2,157,123.0	2,344,073.5	2,526,024.0	2,702,974.6	2,774,925.1	2,841,875.6
<b>Investment</b>													
Total investment	19,955.3	15,459.6	-	-	-	100,000.0	300,000.0	-	-	-	-	-	-
Total assets	2,531,008.5	2,745,982.1	2,788,931.1	2,837,373.4	2,860,012.4	2,888,110.0	2,957,413.9	2,775,635.6	2,786,469.5	2,892,144.0	3,161,213.9	3,528,269.9	4,018,349.5
(Unit: 1,000Tg)													
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Equity and liability</b>													
	Total						At end						
<b>Short-term liability</b>													
<b>Total short-term payables</b>	801,798.7	1,009,519.5	976,753.2	979,050.2	981,542.3	983,978.7	983,349.7	959,502.0	956,238.7	948,209.3	1,022,330.4	1,104,296.7	1,196,325.2
Long-term payables													
Long-term liability													
<b>Share holders' capital</b>													
Paid in capital	883,477.8	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5	892,727.5
Accumulated profit	181,553.4	119,992.1	203,970.3	279,686.3	325,831.6	345,978.5	371,639.7	441,572.5	283,641.9	297,739.2	411,443.0	606,391.8	891,481.5
Profits during the period under review	24,423.5	83,978.3	75,716.0	46,145.3	20,147.0	25,661.2	69,932.8	(157,930.6)	14,097.3	113,703.8	194,948.8	285,089.7	398,051.1
Changes after revaluation	66,142.0	66,142.0	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3	66,151.3
Stamp adjustment	573,613.0	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9	573,612.9
Share-holders' total capital	1,729,209.8	1,736,452.7	1,812,177.9	1,858,323.2	1,878,470.2	1,904,131.3	1,974,064.2	1,816,133.6	1,830,230.8	1,943,934.6	2,138,883.4	2,423,973.1	2,822,024.3
Total assets and liability	2,531,008.5	2,745,972.1	2,788,931.1	2,837,373.4	2,860,012.4	2,888,110.0	2,957,413.9	2,775,635.6	2,786,469.5	2,892,143.9	3,161,213.9	3,528,269.9	4,018,349.5

**Table. 6-8 Income Statement (With New Services)**

(Unit: 1,000Tg)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Sales:</b>													
Telecommunication services	21,320.5	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7	14,845.7
<b>Mail Items</b>	<b>533,482.7</b>	<b>676,697.8</b>	<b>690,231.8</b>	<b>712,319.2</b>	<b>737,250.4</b>	<b>840,465.4</b>	<b>1,033,772.5</b>	<b>785,667.1</b>	<b>1,099,933.9</b>	<b>1,451,912.8</b>	<b>1,771,333.6</b>	<b>2,125,600.3</b>	<b>2,550,720.3</b>
Stamps	324,005.0	302,167.0	302,167.0	317,275.35	349,002.89	383,903.17	422,293.49	464,522.84	510,975.12	562,072.64	618,279.90	680,107.89	748,118.68
Passenger Transportation	146,387.0	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5	163,789.5
Periodicals	265,485.8	101,986.0	109,669.1	117,931.1	126,815.4	136,369.1	146,642.4	157,689.7	169,569.3	182,343.8	196,080.7	210,852.5	226,737.1
Banking Services	3,252.9	47,500.0	64,500.0	68,000.0	72,500.0	77,500.0	82,500.0	87,500.0	93,500.0	99,000.0	105,500.0	112,500.0	119,500.0
International Mail Settlement and others	265,388.4	670,127.2	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23	670,127.23
<b>Non-operating revenue</b>	<b>29,018.7</b>	<b>29,731.8</b>	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8	29,731.8
Amounts to be deducted from VAT	(27,341.5)												
<b>Total sale</b>	<b>1,539,678.9</b>	<b>1,991,999.3</b>	2,045,062.1	2,094,019.8	2,164,062.9	2,316,731.9	2,563,702.6	2,373,873.9	2,752,472.6	3,173,823.4	3,569,688.4	4,007,554.9	4,523,570.3
<b>Operating expenses</b>													
<b>Labor Costs (Wages and Bensefits)</b>	<b>519,997.9</b>	<b>694,561.4</b>	725,816.65	758,478.39	792,609.92	828,277.37	865,549.85	904,499.59	945,202.08	987,736.17	1,032,184.30	1,078,632.59	1,127,171.06
<b>Direct Sales Expenses</b>	<b>217,528.0</b>	<b>217,685.9</b>	217,685.9	228,570.2	251,427.2	276,570.0	304,227.0	334,649.6	368,114.6	404,926.1	445,418.7	489,960.5	538,956.6
Expenses for security guards and fire-prevention services	384.7	6,328.7	8,593.74	9,060.06	9,659.63	10,325.81	10,991.99	11,658.17	12,457.59	13,190.38	14,056.42	14,989.07	15,921.73
Rental expenses	42,041.2	103,421.5	108,592.57	114,022.20	119,723.31	125,709.48	131,994.95	138,594.70	145,524.43	152,800.66	160,440.69	168,462.72	176,885.86
<b>Gross Transportation cost</b>	<b>276,095.3</b>	<b>329,746.6</b>	346,233.93	363,545.63	381,722.91	400,809.05	420,849.50	441,891.98	463,986.58	487,185.91	511,545.20	537,122.46	563,978.59
Expenses for postal service delivery	43,299.7	44,269.9	46,483.40	69,725.10	97,615.14	126,899.69	152,279.63	182,735.55	219,282.66	263,139.19	315,767.03	378,920.44	454,704.53
Services sub-contracted by other entities	5,235.5	4,580.6	4,901.22	5,244.31	5,611.41	6,004.21	6,424.51	6,874.22	7,355.42	7,870.30	8,421.22	9,010.70	9,641.45
Publicity and advertising expenses	3,141.8	5,114.3	5,370.03	11,277.06	11,840.91	12,432.96	13,054.61	13,707.34	14,392.70	15,112.34	15,867.96	16,661.35	17,494.42
Foreign consultant and training expenses	10,541.5	6,282.0	6,596.12	13,851.85	14,544.44	15,271.67	16,035.25	16,837.01	17,678.86	18,562.81	19,490.95	20,465.49	21,488.77
Insurance premium	4,528.2	3,617.8	3,617.8										
Transport and tax expenses	85,461.2	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1	57,478.1
<b>Other Expenses</b>	<b>23,487.4</b>	<b>23,056.3</b>	24,670.28	26,397.19	28,245.00	30,222.15	32,337.70	34,601.34	37,023.43	39,615.07	42,388.13	45,355.29	48,530.17
Depreciation of fixed assets	104,498.0	108,049.5	108,049.5	113,049.5	118,049.5	123,049.5	128,049.5	133,049.5	138,049.5	143,049.5	148,049.5	153,049.5	158,049.5
<b>Total operating expenses</b>	<b>1,489,962.1</b>	<b>1,818,362.7</b>	1,883,964.33	1,995,838.41	2,121,196.99	2,262,133.64	2,414,909.32	2,531,804.48	2,722,478.38	2,931,900.50	3,154,903.64	3,400,981.01	3,676,652.96
<b>Operating income</b>	<b>49,716.8</b>	<b>173,636.6</b>	161,097.8	98,181.4	42,865.9	54,598.2	148,793.3	(157,930.6)	29,994.2	241,922.9	414,784.8	606,573.8	846,917.3
Fluctuation of exchange rate & profits/losses	3,907.8	2,687.4											
<b>Total non-operating revenue</b>	<b>3,907.8</b>	<b>2,687.4</b>											
Before tax revenue	53,624.6	176,324.0	161,097.8	98,181.4	42,865.9	54,598.2	148,793.3	(157,930.6)	29,994.2	241,922.9	414,784.8	606,573.8	846,917.3
Income tax expenses	29,201.1	92,345.7	85,381.83	52,036.15	22,718.92	28,937.06	78,860.43	-	15,896.92	128,219.16	219,835.92	321,484.14	448,866.19
<b>Net income</b>	<b>24,423.5</b>	<b>83,978.3</b>	75,716.0	46,145.3	20,147.0	25,661.2	69,932.8	(157,930.6)	14,097.3	113,703.8	194,948.8	285,089.7	398,051.1

Source: JICA Study Team

**Table. 6-9 Statement on Cash Transaction (With New Services)**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Basic operating cash transactions</b>													
Net revenue	26,828.0	83,978.3	75,716.0	46,145.3	20,147.0	25,661.2	69,932.8	(157,930.6)	14,097.3	113,703.8	194,948.8	285,089.7	398,051.1
Changes in accumulated profit (increase)	313.7												
<b>Net profit</b>	<b>27,141.7</b>	<b>83,978.3</b>	<b>75,716.0</b>	<b>46,145.3</b>	<b>20,147.0</b>	<b>25,661.2</b>	<b>69,932.8</b>	<b>(157,930.6)</b>	<b>14,097.3</b>	<b>113,703.8</b>	<b>194,948.8</b>	<b>285,089.7</b>	<b>398,051.1</b>
Non-cash income /losses & profits/													
<b>Growth:</b>													
Decrease in advance and receivable	181,157.6	24,740.2	30,931.7	(7,343.7)	(10,506.5)	(22,900.3)	(37,045.6)	28,474.3	(56,789.8)	(63,202.6)	(59,379.7)	(65,680.0)	(77,402.3)
		17,568.7											
Depreciation expenses	10,168.7	107,071.7	108,049.5	113,049.5	118,049.5	123,049.5	128,049.5	133,049.5	138,049.5	143,049.5	148,049.5	153,049.5	158,049.5
Increase in accounts payable	42,029.4	207,730.8	(32,766.3)	2,297.1	2,492.0	2,436.4	(629.0)	(23,847.7)	(3,263.3)	(8,029.3)	74,121.1	81,966.3	92,028.5
<b>Total</b>	<b>233,355.6</b>	<b>357,111.4</b>	<b>106,214.9</b>	<b>108,002.9</b>	<b>110,035.0</b>	<b>102,585.6</b>	<b>90,374.9</b>	<b>137,676.0</b>	<b>77,996.4</b>	<b>71,817.5</b>	<b>162,790.8</b>	<b>169,335.8</b>	<b>172,675.6</b>
<b>Decline:</b>													
Increase in goods and materials	38,270.4												
<b>Total</b>	<b>(38,270.4)</b>												
<b>Basic operating cash transactions</b>	<b>222,226.9</b>	<b>441,089.6</b>	<b>181,930.9</b>	<b>154,148.2</b>	<b>130,182.0</b>	<b>128,246.7</b>	<b>160,307.7</b>	<b>(20,254.6)</b>	<b>92,093.6</b>	<b>185,521.3</b>	<b>357,739.6</b>	<b>454,425.5</b>	<b>570,726.8</b>
<b>Investment cash transactions</b>													
Net investment cash transactions	581.6	(144,529.7)	(150,000.0)	(225,000.0)	(225,000.0)	(325,000.0)	(425,000.0)	(385,000.0)	(325,000.0)	(325,000.0)	(325,000.0)	(225,000.0)	(225,000.0)
<b>Financing cash transactions</b>													
Increase in paid in capital	49,399.2	9,249.6											
Reduction in paid in capital	130,764.1												
Net financing cash transactions	(81,364.8)	(76,735.4)											
<b>Total changes in Cash</b>	<b>141,443.7</b>	<b>219,824.6</b>	<b>31,930.9</b>	<b>(70,851.8)</b>	<b>(94,818.0)</b>	<b>(196,753.3)</b>	<b>(264,692.3)</b>	<b>(405,254.6)</b>	<b>(232,906.4)</b>	<b>(139,478.7)</b>	<b>32,739.6</b>	<b>229,425.5</b>	<b>345,726.8</b>
Initial balance of Cash	170,744.2	312,187.9	532,012.5	563,943.3	493,091.5	398,273.5	201,520.2	(63,172.1)	(468,426.6)	(701,333.0)	(840,811.7)	(808,072.1)	(578,646.6)
Final balance of Cash	312,187.9	532,012.5	563,943.3	493,091.5	398,273.5	201,520.2	(63,172.1)	(468,426.6)	(701,333.0)	(840,811.7)	(808,072.1)	(578,646.6)	(232,919.8)

Source: JICA Study Team

**Table. 6-10 Investment Plan (With New Services)**

Investment Plan											
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Delivery Vehicle	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0	75,000.0
Facility Improvements and others	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0	150,000.0
IT (bank) related Investment					100,000.0	100,000.0	100,000.0	100,000.0			
New Workspace			100,000.0	200,000.0	60,000.0						
<b>Total Investment</b>	<b>225,000.0</b>	<b>225,000.0</b>	<b>325,000.0</b>	<b>425,000.0</b>	<b>385,000.0</b>	<b>325,000.0</b>	<b>325,000.0</b>	<b>325,000.0</b>	<b>225,000.0</b>	<b>225,000.0</b>	

## 6.8. Estimated Operation Expense

As the estimated operation expense, the following 6 investments for MPC are required.

### (1) Improvement of Collection, Delivery, and Sorting Work

This program aims at improving the mail handling operations within MPC. The investments in this program will reduce the loss and damages of mails, contributing to improving the reputation of MPC. The investment is not so high in amount, but it will produce great effects that will result from the recovery of reliability.

Fixtures, small conveyor equipment.

By employing push cart, roller conveyor, etc. in central post office and Aimags post office, this investment is for the improvement of trust aspect.

The amount of investment is as follows. Total 30 sets are estimated for central post office, Ulaanbaatar city and 20 Aimags

- 1) Roll box pallet (equipped with casters for transfer of parcel of 1 cubic meter)  
\$1,000 x 30sets=\$30,000
- 2) Push cart  
\$500 x 30sets=\$15,000
- 3) Roller conveyor (equipment for hoisting parcels from cart or steps)  
\$800 x 30sets=\$24,000
- 4) Post bag (durable post bags \$10)  
\$10 x 500 bags=\$5,000

Total \$74,000 (above sum (1)-(4)).

### (2) Investment for improvement of post delivery

For the post vehicles for collection and delivery, the following investments were planned, in which the vehicles are assumed to be jeeps of Russian make considering the road condition, topography and weather of Mongolia. It is thought that Russian vehicles are most suitable for post vehicles in terms of prices and ease of repairing.

Actual post vehicles in running are 102 sets. The life of vehicles is 7 years, although it varies depending on road condition. Therefore 15 sets will have to be replaced yearly. The annual investment amounts to 15sets x \$5,000=\$75,000(75 million Tg).

### (3) Investment plans for management support system

Introduction of accounting software costs ca.\$30,000 for the size of 1000 employees and 20 branches (cost varies with the sizes). So MPC will invest for this size. For the security of remittance service and increase of deal in Soum, it is planned to purchase ca.200 sets of PC in the year 2005. By introduction of the PCs, remittance service can be well organized and increase productivity and security. The implementation of this investment will strengthen the foundation of remittance and payment services. In particular, MPC will be in a position to undertake the role of remittance and payment in local areas associated with the withdrawal of banks from local areas. The improvement of the whole financial position of MPC including those of branches will be accelerated, and the decision of the management will be improved, which would exert the great effects on the cost consciousness of the employees. IT investment is estimated as total 400 million Tg (\$400,000).

It is to be noted, however, that this master plan does not cover the discussion of construction of the Internet, an intranet and other information network.

### (4) Training project

There are three types of training programs necessary.

Training for the staff of administration division of Ulaanbaatar city and Aimag center:

#### 1) Ulaanbaatar and Aimag centers

Trainee: MPC executives and city post office chiefs (50 persons), Aimag center chief , accounting staffs(50 persons). Total of 100 persons.

Place: Ulaabaatar city

Frequency: Semiannual (3 days each)

Cycle: 3 years as 1 cycle

Expenses: A total of 2.52 million Tg (\$2,520) per year (estimation of expenses for meeting places, hotel charges, traveling expenses and expenses for foods/beverages at parties)

#### 2) Training at the work site in local areas

Trainee: City post chiefs and Aimag center chief staff (20 persons)

Place: Each Aimag center

Frequency: Semiannual (3 days each)

Cycle: 3 years as 1 cycle

Expenses: A total of 4.77 million Tg (\$4,770) per year (estimation of expenses for meeting places, hotel charges, traveling expenses and expenses for foods/beverages at parties)

The higher training cost in local areas is due to the training of ca.500 local employees. Training total cost amounts to \$7,300 in 3 years.

3) Domestic and international seminars

The budget for information gathering for domestic and international seminars and their promotions (i.e. translation of the publications) within MPC would be one million Tg per year (\$1,000 per year).

(5) Delivery facility

The current post office is already proving to be inadequate for handling mail. To meet with increasing mails, new mail handling facility will be required. Estimated facility size is as follows.

Facility:	ca. 360,000,000Tg (\$360,000)
Site area:	800 m <sup>2</sup>
Building area:	600 m <sup>2</sup>
Floor area:	1,200 m <sup>2</sup> , 1F 600 m <sup>2</sup> , 2F 600 m <sup>2</sup>
Floor :	2 F (ceiling height of 1F is 3.5 m)
Volume:	4,200 cubic meters
Other facility:	elevator 1 set truck berth 2 places

(6) New services

To improve the “pigeon express” service, it is advisable to add 3-4 vehicles to the present 1 vehicle for EMS. Post vehicle for EMS runs in Ulaanbaatar city, therefore Japanese light car can be used and investment amount is ca.30 million Tg (\$30,000.)

Above 6 investment amounts to total 980 million Tg (\$0.98 million). In short terms, main investments remain as training, fixtures, small conveyor equipment and the burden is small. But from the year 2005, when “Pigeon Mail” service starts, investment as vehicles and PC will be added and expand.

## **6.9 Evaluation**

Here, six programs proposed in the “Estimated Operation Expenses” were evaluated from technical, economic and social points of view.

### **6.9.1. Technical Evaluation**

Among the six programs, into which the survey results were put together, there are three programs presented as the short-term measures, i.e. Mail Handling Improvement Program, Collection and Delivery Improvement Program, and Education and Training Program. As mentioned before, Mongolia has many problems for handling mails at the present time. It is an urgent issue to improve such problems, and this report presents the proposal to meet such requirement. There is currently not so much volume of mail in Mongolia, but the contents suggested in those proposals can be said to match the actual status of Mongolia in the light of improvement of quality and creation of sense of service. The proposals for improvement practicable and easy to implement and for fostering the personnel to support it can be evaluated as reasonable.

For the long term programs, the Management Supporting System Implementation Program, the New Mail Handling Facilities Set-up Program and the Pigeon Mail Vehicles Investment Program draw a clear line from the existing services and intended to aim at the development of advanced country type modern mail services, in which were incorporated the measures for door-to-door delivery and cost reduction. Since the programs were prepared from the standpoint of improving the existing services and implementing it with the preparatory period provided in order to realize it in Mongolia, although there are some necessary investment, it has high probability of realization from technical point of view. Furthermore, recommendation is made to the improvement of MPC’s structure such as the reorganization of management and the improvement of speed of management decisions, which can be evaluated to be reasonable. The addition of the fostering of personnel to the new services including Pigeon Mail and the reorganization of management would mean the provision high-quality services.

And the procedures for introduction of the measures of starting it from the area where demand for mail is most promising like the Ulaanbaatar city can also be evaluated to be reasonable in order to effectively utilize limited resources. As for Pigeon Mail, the volume is forecast to increase rapidly and exceed the level of 3 million in 2010, which is never an unrealistic forecast. According to interviews conducted by the study team, MobiCom, a cellular phone company, said that they had a membership of 35,000 and its contemporary, SKYTEL has 20,000 membership. If 60% of them are the type which the monthly invoices are sent to customers, the mail will reach about 400,000 in a year. If there will be around 10 companies of such type (for example, financial institutions, distribution enterprises, utilities companies and so on) in the country, the forecast can be reasonable.



### **6.9.2.Economic Evaluation**

Initially, it was decided to assess economic effect based on analysis of benefit versus cost (B/C). For the reasons noted below, however, it was decided to make the assessment mainly from the financial perspective.

As already described, postal services in Mongolia are saddled with many difficulties, and the establishment of services that will restore the confidence and trust of customers is an urgent priority. The JICA Study Team proposed six programs for resolution of problems such as mail loss, delay, and non-delivery. The total investment required for these programs is estimated at 980 million tugrik, as described in the section on project cost. Nevertheless, the profit deriving from these services would be difficult to estimate, owing to the numerous factors of uncertainty surrounding the MPC's position, i.e., exposure to competition in UB, where private firms have a big share of the market, and obligation to maintain services in rural districts. In addition, it is thought that, at the present stage, emphasis should be placed more on the MPC's ability to maintain financial self-sufficiency and ensure a sustained profitability and prospects for investment with its own funds in establishing the quality services resulting from these programs than on assessment of the direct benefit to users. For this reason, the Study Team decided to conduct a financial assessment, i.e., one based on an estimate of the prospective return on the investment required for the programs, rather than an economic assessment.

On this basis, the total facility investment of 980 million Tg may be expected to have a great effect for improving earnings and services. For example, the sales of 2,040 million Tg in 2000 (estimated) are expected to increase by 2.2 times to 4,520 million Tg in 2010, while the profits is expected to increase from 76 million Tg to 400 million, a remarkable improvement. This is based on the positive implementation of investment that is expected to be greatly effective for the operation of MPC as mentioned in the section of "Estimated Operation Expenses".

First, IT investment and the investment for accounting software will contribute to the improvement of management and the cost reduction of remittance-related service particularly. The improvement of the whole financial position of MPC including those of branches will be accelerated, and the decision of the management will be improved, which would exert the great effects on the cost consciousness of the employees.

IT investment will also be utilized for improvement of information system, in particular, the sales management and the business process audit. IT may be useful to the exploitation of new customers and the customers management, which will contribute to the sales increase and accordingly to the profit improvement.

The investment for the improvement of mail handling will reduce the loss and damages of mails contributing to improving the reputation of MPC. Specifically, it includes the investment for introduction of carts, roller conveyors, etc. at the Central Post Office and the Aimag Post Offices.

The investment is not so high in amount, but it will produce great effects that will result in the recovery of reliability.

The mailing business is a labor-intensive, typical service industry. It is therefore very important to invest for the training/education of employees that motivates them to work for MPC. Training/education is intended for practical improvement of operations and the compliance with technological innovation. The proposed training/education program aims at improving the productivity based on such a concept. Since the proposed operation plan is to seek the improvement of productivity while preventing the number of employees from increasing, importance is attached to training/education programs. As mentioned in the section of Organization Plan, this plan covers the delegation of authorities to a lower class and the feedback to the assessment of employees' performance, and can be evaluated to be a highly practicable project.

It is planned to provide the new mail handling facilities in 2005. The implementation of the investment for such a project and the introduction of Pigeon Mail as a new mailing service are the prerequisite for the intended improvement of profitability. If the quality of service is improved, this can be evaluated to be a highly realizable project. It is true, however, that the finance is expected to become tight due to the investment for an installation of new mail handling facilities, IT investment, etc. in 2005. To cope with this problem, it is needed to carry out the government's tentative supports such as (1) partial exempt of taxes, (2) reduction of rental rate, etc. and the procurement of funds from domestic and overseas (it is not allowable under the present legal system, and the revision of legal system is required.), since it is expected to facilitate the improvement of financial position in the long run by the increase of profits.

### **6.9.3.Social Evaluation**

The mailing service is a basic infrastructure for promoting the market economy. It is essential for pushing forward the market economy that the mailing services work efficiently. In the six programs that are the concentrates of the survey results, the proposals such as the mail handling improvement program, the mail collection and delivery improvement program and the training program are presented as the short-term measures to cope with the current status. Those proposals come from the current situation where the existing services are not relied upon by the existing customers who are complaining of the loss and damages occurred on their postal items. It is most important as one of the infrastructures for promoting the market economy to solve those problems as early as possible. To improve them can be primarily evaluated to be important, and can also be evaluated to be reasonable from the political and social points of view of providing a universal service to the public. Since this proposal is based on the prerequisite that the delivery to Souns should be maintained at the level of at least once a week.

In the long term, the management supporting system implementation program, mail handling facilities set-up program and pigeon mail vehicles investment program are presented for the development of advanced country-type postal service. The pigeon mail that is anticipated to realize the advanced country-type door-to-door delivery can be said to be essential for Mongolia to achieve the market economy and make further development in Ulaanbaatar, and so is the management organization to realize it. In this proposal, it is shown that MPC should, after recovering the reliability in the short term, develop its real mailing services such as the realization of house-to-house delivery in the market economy. In this sense, this proposal can be evaluated to be a proposal of construction of an infrastructure essential for the development of Mongolia.

**Table. 6-11 Evaluation of Six Proposed Programs**

	Technical Evaluation	Economic Evaluation	Social Evaluation
1. Mail handling improvement program	Proposal which meets the situation in Mongolia from the viewpoint of improving the quality.  Proposal for the improvement which is able to be executed immediately based on the existing services.	Investment for improving MPC's evaluation and eliminate loss and damage of mail.	It is the most important task to solve this problem rapidly as one of the national important infrastructure for promoting the market economy.  As an assumption, the delivery to Soum at least once a week should be maintained. We also evaluate as
2. Collection and delivery improvement program		Although the amount of investment is not much high, economic effect is large by improving the reliability and expanding the demand and so on.	

3. Education and training program	<p>Proposal which meets with the situation in Mongolia from the viewpoint of cost reduction and increasing sense of service.</p> <p>Proposal for promoting human resources training which is able to be executed soon based on the existing services.</p>	<p>Training is based on the improvement of actual services and technological reformation. Therefore, the investment for MPC's training enables the improvement of productivity.</p> <p>For the long term, that distributes to earnings improvement directly by adding new services trainings.</p>	We also evaluate as important from political and social viewpoints as MPC offer universal service.
4. Management supporting system implementation program	Proposal which refers to MPC's improvement, such as the modification of management organization and the improvement of management judgment speed.	<p>It enables to utilize in the area of information management, particularly in sales side and audit side.</p> <p>Especially, since sales side is useful for acquisition of new customers and management of customer database, it contributes to improvement of profit.</p>	The pigeon mail service, which realizes door-to-door delivery of advanced-country type within UB city, is an essential service for pulling Mongolia a market economy and its development. Also, management organization, which is required in order to realize these goals is essential, too.
5. Mail handling facility set-up program	<p>Strategic proposal for constructing advanced-country typed mail services with door-to-door delivery and decrease of cost and so on.</p> <p>Based on moderate assumption for demand.</p>	<p>Although the cost will be gotten stringent by new construction plan for mailing facilities and the investment for pigeon-mailing vehicles, at middle term these actions will contribute to the profit improvement</p>	It will contribute to pulling Mongolia a market economy by expanding major cities after succeed in Ulaanbaatar .
6. Pigeon mail vehicles investment program			

(Source) JICA Study Team

## **6.10. Phased Implementation Plan**

The whole implementation process can be divided into 2 phases; the first phase from 2001-2005 and the second phase from 2006-2010. The first phase will focus on the improvement of the current system to prepare for the introduction of the new services, and based on that achievement, the second phase will come into effect.

The phasing itself is not absolute. There is no problem in moving some of the items a year ahead or behind. However, the general scope should be maintained.

### **(1) New Services**

The essentials of the phased implementation plan of Pigeons Express Mail Service are firstly, planning of how to deliver and pick-up, responsible area of each post office, how to transport mails between post offices and how to sales and marketing, and secondary, preparation of sales and marketing materials. Through use of such materials, the contents will have to be improved with gradual experience. In middle terms, by setup of new facilities for mail handling next to the central post office, productivity of mail delivery and pick-up will have to be raised. The new facility will help to improve reliability and speed, and work environment of MPC employees. This will also lead to the decrease of mail damages and raise reliability in Pigeons Express Mail Service.

### **(2) Remittance and Payment Service**

In the short term, remittance service is planned in Aimags center and some profitable Soums. As to profitability, evaluation of the post offices, which are already in this service, is to be made and withdrawal of non-profitable post offices must be taken into consideration. By the year 2005, PC will have to be purchased for the improvement of productivity in payment services. This is especially required in local areas for the strengthening of the base in payment service. In order to meet with clients' need, diversification of remittance and payment means is required. Tie-up with large banks will have to be studied. Especially the base in payment service in local area must be strengthened.

### **(3) Post Office Services**

In post office services, it is required to study and exchange information of the successful case studies in some post office, and to build up cooperation strategy with other companies. In order to provide better services, MPC reviews the contracts periodically.

### **(4) Information System Infrastructure**

Contents of communication between Aimags and Ulaanbaatar are limited currently. For better communication, PCs will have to be used more and effectively.

#### (5) Mail Handling and Postal Delivery Improvement

As mail handling and postal delivery improvement, followings can be pointed out.

\*Continue home delivery to subscribers

\*Create delivery directories and maps

\*Improvement based on the post boxes for each house and delivery

Together with investment for new facility, new services are promoted.

#### (6) Transportation System Improvement

Concerning improvements of transportation in Ulaanbaatar, this is to be based on demand. While transportation from central post office to destined post office must be decreased, setup of separate routes in affiliate offices is required. Private transport companies can be partly introduced for the improvement of main routes. In case delivery to Bags is profitable, consignment to private operators is introduced.

#### (7) Organizational Setup

The scope of duties must be revised in early stage. In order that the top layer can concentrate on management matters, the right of approval for administrative matters must be delegated to the group leaders. At the same time, establishment and disclosure of job evaluation standards of the employees shall be introduced and put in practice. Project groups as personnel training group, sales planning group and inspection group should be introduced. In the year 2005, campaigns for “Pigeon” services should involve all employees to nurture the mind of “customer-first” to all of them.

#### (8) Human Resources Development

In the year 2001, personal training group is established and for the planning and provision of training courses, the professional group consisted of members from the human resources & administration / postal operation & inspection divisions should be set up. Thereafter training in accordance with the career development of the employees is performed. More concretely theories and practice of business administration courses shall be instructed for skilled employees as well as administrative staff. These courses should be taught by outside experts in the initial stage and in-house instructors are to be trained. It is important to have this training in long term. In the year 2002 to 2003, training of “Pigeon” services should be introduced and training for the employees of post office in Ulaanbaatar should be performed.

#### (9) Finances

In the early stage of planning, improvement of internal auditing system should be undertaken. Utilize the existing IT resources at each Aimags and Ulaanbaatar offices in order to ensure quick and effective data handling. Start from the creation of a template for financial data entry to facilitate standardization and effectiveness. Aiming effective introduction of new service, this starts as planned from year 2005. Since new tasks and financial positions are affected, it is required to make forecast model and to be prepared to take any strategy corresponding to the start-up speed of the new service.

The To-Do items for each phase are summarized in the table 6-12.

**Table. 6-12 Summary of the Actions for MPC**

**New Services**

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
<b>1. Pigeons Express Mail Services</b>					
Planning of the Pigeons Express Mail Services	Planning of how to deliver and pickup, responsible area of each post office, how to transport mails between post offices, how to sales and marketing, etc.	■			
Introduction of door to door delivery/pick-up services in UB	Door to door delivery and pickup services will be introduced gradually.	■	■	■	
Sales and marketing of existing mail services by visiting customers actively (with expansion of delivery service)	Retrieval and expansion of customers and input in the customer database.	■	■	■	
Preparation of marketing materials	For sales/marketing persons, tools will be prepared and updated with gradual experience.	■	■	■	
Preparation of work manuals for employees	For sales/marketing persons and other staffs (mail carriers, etc.), organizational business flow, etc. will be prepared and updated with gradual experience.	■	■	■	
Setup of new facilities for mail handling near the central post office	For reliable and speedy services as well as good work environment, new facilities will be introduced. This facility is one of the key factors for Pigeons Express Services.			■	
Replace of existing mail services with new Pigeon Express Services	Gradually switch existing services to Pigeons Express Services and establish universal service in Mongolia				■
<b>2. Remittance and Payment Services</b>					
Planning and evaluation of Remittance and Payment Services	Planning of Remittance/Payment Services in all Aimags and some profitable Soums as well as evaluation of achievement by post office and setup of profitable business model.	■			
Investment and expansion to other post offices	Expansion of services in other post offices with careful examination of market needs and profitability.		■	■	
Modification and /or diversification of payment means and business model	With experience up to 2005, new business model and additional means of payment will be planned and executed in cooperation with MOF, BOM, etc.				■
<b>3. Post Office Services</b>					



Planning Items		Key explanations	Stage			
			2001	2003	2005	2010
	Planning of other new services	New services such as mail order, retail, business center, e-mail, government entrusted services, etc. will be planned. Clear definition of business model and flow should be defined.	■			
	Study and exchange of information for the successful case studies in some post offices	To promote how to introduce new services in each post office especially in Aimag level, it is a good source.	■	■	■	
	Preparation of marketing materials	For sales/marketing persons in many post offices, tools will be prepared and updated with gradual experience.	■	■	■	
	Preparation of work manuals for employees	For sales/marketing persons and other staffs (mail carriers, etc.), organizational business flow including among UB, Aimags and Soums, etc. will be prepared and updated with gradual experience.	■	■	■	
	Expansion/Abolishment of cooperation with private companies, etc. to provide profitable and/or attractive products/services	In order to expand products and services in post offices, MPC will arrange necessary partnerships with various possible companies. In order to provide better services existing partnership should be re-examined periodically.	■	■	■	
	Proposal to government and arrangement of agreement to provide entrusted services	For the universal service, post office should play the important role to be the outlet of national government to provide their services on their behalf. Arrangement of subsidies or other benefits will be negotiated by and between MPC and Mongolian governments	■	■	■	
	Modification and /or diversification of payment means and business model	With experience up to 2005, new business model will be established and such services will be expanded in the standardized manner.			■	■
<b>4. Information System Infrastructure</b>						
	Promotion of using existing PCs	Contents of communication between Aimags and UB are limited currently, and need to train and promote for better communication.	■	■	■	
	Preparation of standardized format to report and communicate within MPC	For daily business process, many reports and statistics are processed by hand, and need to create simple and standardized format by such as spread sheet.	■	■	■	
	Introduction of advanced systems such as track and tracing systems of mails, etc.	With careful examination of mail volume, investment vs effect, etc. new information systems will be planned and introduced.			■	■

Source: JICA Study Team

**Table. 6-12 Summary of the Actions for MPC (Cont'd)**

**Collection, Delivery and Sorting Work Improvement**

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
Improvement of the Internal Operation	<ul style="list-style-type: none"> <li>- Abandon unnecessary procedures (the postmarking of via dates, recording of unnecessary mail, etc.)</li> <li>- Establishment of better work Procedures in the Central Post Office</li> <li>- Establish operational hours for P.O.Boxes</li> </ul>	[Shaded bar from 2001 to 2010]			
Improve Delivery	<ul style="list-style-type: none"> <li>- Continue home delivery to subscribers</li> <li>- Create delivery directories and maps</li> <li>- Improvement based on the post boxes for each houses</li> </ul>	[Shaded bar from 2001 to 2010]			
Recover trust to the service	<ul style="list-style-type: none"> <li>- Introduce internal auditing process</li> <li>- Introduce clear responsibility</li> </ul>	[Shaded bar from 2003 to 2005]			
Improve The Working Condition of Delivery Staff	<ul style="list-style-type: none"> <li>- Create manuals and documents</li> </ul>	[Shaded bar from 2003 to 2005]			
Reconsider Publication Handling	<ul style="list-style-type: none"> <li>- Continue home delivery to subscribers</li> <li>- Create delivery directories and maps</li> </ul>	[Shaded bar from 2005 to 2010]			
Planning of New Facility	<ul style="list-style-type: none"> <li>- Planning for new facility for mail handling</li> <li>- Completion of new work flow</li> </ul>	[Shaded bar from 2001 to 2003]			
New Facility Operation	<ul style="list-style-type: none"> <li>- Starting new facility operation above mentioned</li> </ul>	[Shaded bar from 2005 to 2010]			
Improvement of the Postal Code	<ul style="list-style-type: none"> <li>- based on the new jurisdiction</li> </ul>	[Shaded bar from 2005 to 2010]			
Efforts for New Service	<ul style="list-style-type: none"> <li>- Create manuals and documents</li> <li>- Promote new service</li> </ul>	[Shaded bar from 2005 to 2010]			

**Transportation System Improvement**

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
Restructure Transportation within UB	<ul style="list-style-type: none"> <li>- Reorganize based on demand</li> <li>- Improve and possibly increase delivery</li> </ul>	[Shaded bar from 2001 to 2010]			
Restructure Transportation between Aimag	<ul style="list-style-type: none"> <li>- Reorganize based on demand</li> <li>- Reassign vehicles</li> </ul>	[Shaded bar from 2001 to 2010]			
Improve International Transport	<ul style="list-style-type: none"> <li>- Improve transferring of items (UB &amp; Zamyn Uud)</li> </ul>	[Shaded bar from 2003 to 2010]			
Restructure trunk routes	<ul style="list-style-type: none"> <li>- Improvement based on demand</li> <li>- Possibly utilize private operators</li> </ul>	[Shaded bar from 2005 to 2010]			

Source: JICA Study Team

**Table. 6-12 Summary of the Actions for MPC (Cont'd)**

**Organizational Setup**

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
1.Revision of the scope of duties	The right of approval for administrative matters must be delegated to the group leaders so that the top layer can concentrate on management matters. Revision of the executive post rules (defining the scope of duties for group leaders) is needed.				
2.Revision of work burdens	Proper revision of the executive post rules and the terms of reference for each employee (defining the scope of duties for each employee) is needed so that work is apportioned in a manner that prevents unbalanced burdens in administrative posts.				
3.Establishment and disclosure of evaluation standards	Establishment and disclosure of job evaluation standards are needed according to each job criterion. A job evaluation process that allows employees to rate their own performance and has the opportunity to discuss it with their superior should also be established.				
4.Establishment of project groups	The following project groups should be added to the current organization so as to undertake given tasks efficiently: (1) Personnel training group (2) Sales planning group (3) Inspection group (reallocation of present staff) (4) Document management group				
5.Establishment of standards for document management	The sharing of information is effectively pursued by establishing the following standards for document management: (1)Document storage / storage procedure (2)Document abolishment (3)Document preparation in fixed forms corresponding to the usage				

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
6.Improvement of the work environment	Proper arrangement and conditioning of the work place, as well as employees wearing uniforms and name tags, are important to improve productivity and consumer satisfaction.		■		
7.Preparation of work manuals	Work manuals should be prepared on a company-wide scale to assist in the posting of employees freely and flexibly under the project group management system.		■		
8.Improvement of the information-sharing activities	Proper practice of reporting, notifying, and consulting should be introduced as the means of information-sharing and pooling of knowledge to reach solutions for given problems.		■		
9.Issue of regular in-house newsletters	The newsletters are a good measure for sharing information and goals among all employees (including those in Soums).		■		
10.Promotion of letter writing activities	Campaigns for letter-writing activities by various means including the formation of letter-writing groups in the community and local schools should commence to assist the promotion of postal services.		■		
11.Change in Soum personnel	Staff at Soum post offices can be replaced by the best available personnel through application of annually adjusted contracts so as to improve the financial status of each office. The achievements of outstanding offices should be publicized nationwide through in-house newsletters.		■		
12.Change in the status of Soum personnel	Full-time staff at Soum post offices and drivers in Aimag offices can be replaced by employees hired on a commission contract basis.			■	
13.Promotion of campaigns for “Pigeon” services	Campaigns for “Pigeon” services should involve all employees to nurture the mind of “customer-first” to all of them, which enables MPC to improve its services in quantitative terms.			■	

Source: JICA Study Team

**Table. 6-12 Summary of the Actions for MPC (Cont'd)**

**Human Resources Development**

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
1.Establishment of personnel training group	For the planning and provision of training courses, the professional group consisted of members from the human resources & administration / postal operation & inspection divisions should be set up.	■			
2.Establishment of training plan	Drafting the general architecture of training system, which is deduced from the long-term objective of MPC, is the first step to take necessary measures.	■			
3.Establishment of training courses learned in the program overseas	The knowledge and techniques learned in the program overseas should be taught by the participants of the program in order to share their experiences with other employees.	■			
4.Documentation of the training contents learned in the program overseas	The materials participants of the program overseas should be translated into Mongolian and stored in a document room for public use	■			
5.Provision of training courses in accordance with career develop-ment path of each employee	Theories and practices of business administration courses are important for skilled employees as well as administrative staff. These courses should be taught by outside experts in the initial stage and in-house instructors are to be trained.	■			
6.Diversification in training methods	Staff of the personnel training group should learn the training skills, such as case studies, role playing and business games, as well as know-how to develop training materials with the assistance of outside experts.	■			
7.Better pay / position in accordance with the achievement in the courses	The achievement in the staff training courses can be reflected to participants' salaries or promotion as a motivation to make their efforts.	■			
8.Better pay for in-house instructors	Better pay is necessary for the contribution of in-house instructors in the current staff training courses, since no extra allowance is paid.	■			

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
9.Improvement of OJT activities	The way in which OJT activities are performed should be improved by introducing following steps. (1)Setting each employee’s achievement goals (2)Preparing a check list to attain each step goal (3)Consulting with a superior to follow PDCA cycle				
10.Establishment of comprehensive training courses for “Pigeon” services	Provision of the special comprehensive training course for employees in Ulaanbaatar post offices is needed to support the sales campaign for “Pigeon” services.				

Source: JICA Study Team

**Table. 6-12 Summary of the Actions for MPC (Cont'd)**

**Finances**

Planning Items	Key explanations	Stage			
		2001	2003	2005	2010
1. Improve Internal Systems	Utilize the existing IT resources at each Aimags and UB offices in order to ensure quick and effective data handling. Start from the creation of a template for financial data entry to facilitate standardization and effectiveness. Along with it, create an internal auditing system to ensure proper match between various data.				
2. Plan for New Investment	Investment level of MPC needs to increase, which should become a financial burden. Make clear plans to deal with the financial situation. Plan for the source of funds, and weigh various options carefully in order to avoid unnecessary risk.				
3. Maintain Financial Health	Create a warning system for your finances, based on various financial ratios, such as profit ratio, level of cash at hand and others. Try to create a target for various ratios, and make efforts to maintain them.				
4. Maintain Profitability	The new operation will temporary create a tough situation for the MPC finances. Using the ratios and financial checks that were developed earlier, maintain profitability and financial health, although do not sacrifice long run benefits for short term profits.				
5. Effective Handling of New Service Introduction	The new services will introduce new challenges and financial conditions to MPC, especially if it should grow as fast as planned. Make forecast models to think through the various implications that the fast growing new service will create, and create a strategy to deal with the situation.				

Source: JICA Study Team

## **6.11. Recommendation**

It is most important for MPC to show its firm leadership by strong will in promoting the improvement of services. However, in connection with the leadership, there is a necessity of clear understandable planning that is possible to implement. And furthermore, such planning should be penetrated in the whole MPC.

We can raise five points important for MPC to promote the short-term planning as follows:

### **(1) Improvement of the existing mailing services: clear targets and its implementation**

It is important to promote the use of mail prior to the introduction of pigeon mail. The present status is unacceptable that the mail volume has been decreasing contrary to the economical growth. MPC should concentrate its energy on sales promotion by utilizing its existing resources (both personnel and physical). According to the analysis, there will be no need to increase fund for expenses and the human resources for its implementation will suffice in the short term.

MPC is required to take the measures to make the possible best use of the human resources by clear targets and incentives. It is important to carry out sales promotion on all of the services rendered by MPC.

In parallel to the efforts mentioned above, it is also needed to make the internal work process smoother than ever. The statistics and audit will play an important role in assessment of the implementation of the plan.

### **1) House-to-house delivery: an important means for customer development**

MPC should expand the area of house-to-house delivery as much as possible before introduction of new services (pigeon mail). It would increase the opportunity to contact the customers and lead to the effective survey of customer needs, which will also serve to the improvement of services and marketing activities.

### **2) Important roles of the post offices in the Ulaanbaatar city**

When the above two points are considered, the roles of the post offices in the Ulaanbaatar city are very important. It is because they can be the better contact points with customers. As for the post office boxes, there will be no need to address it in the short term, and the ZIP codes is regarded as the long-term issue as well.

In the proposed introduction of pigeon mail as a new service, the role of the post offices in the Ulaanbaatar city will become far more important.



## (2) Compliance with the market economy

It is important for the management and the employees to be fully aware of how to comply with the market economy, take out the market needs and create the market. It is not a matter of difficulty, but needs the reform of senses. For example, there is a need for mail in settlement of cellular phones (once a month), that is, a method of mailing the invoices for settlement to customers. It will be possible to take the potential customers into MPC. Specifically, a project team should be organized in MPC to draw up a plan to put it into practice. As pointed out in this report of the study team, the mailing business in relation to such settlement will be an important source of customers.

## (3) Establishment of self-paying system

Even if the mailing business is of public nature, it is not allowed to run an unprofitable operation neglectful of the profitability of services. Therefore, MPC must pursue the profitability and the operation in which MPC can achieve an appropriate investment and business planning. For this purpose, the management with a clear managerial policy and meeting the market needs should be established. In order to restructure an enterprise toward the growth accompanied by profits, there are necessary 1) flexibility matching the customer needs and the services 2) training of human resources, 3) transparency of organization, and 4) accountability of the enterprise. In order to promote market development positively, it is necessary to motivate the employees by delegation of authorities, openness of the enterprise and fair assessment to enhance the activity of the enterprise.

In the long term, there are three important points involving the services as follows:

## (4) Development of pigeon mail

MPC should realize the house-to-house delivery in the Ulaanbaatar city for the time being, and provide the facilities for handling the mail in the city equipped with the devices not to damage or destroy the mail, whereby a mail service is provided with such level of reliability and serviceability as those provided by other competitors. It can be said to be a new service from the point of view of business models.

Pigeon mail will occupy an important position in the light of influence and development on future service development. In the Ulaanbaatar city, since you can promote high value-added dispatch service and EMS services for money-related mails, direct mails, official documents to big customers such as enterprises and government agencies and international institutions, MPC should aim at early realization of house-to-house delivery with the pigeon mail as a core business. At the same time, as the mails will increase from those corporations, the house-to-house delivery for individuals should also be realized.

#### (5) Remittance Services

Based on the forecast of remittance and money supply and the MPC's market share, Table 6-5 shows that of remittance and settlement business. At the first stage, the contract between MPB and MPC should be reviewed and the necessary burden for MPC should be reduced.

Remittance and settlement services should be promoted step by step separating the planning by the short term and the long term. Profitability and extension should be prioritized in the short term, while the rationalization measures associated with the reduction of fees should be taken in the long term. In the long run in and after 2005, services should be diversified focusing on new services such as the transmission into bank accounts, cash payment, easy payment, etc. classified by remittance methods.

#### (6) New services

As the new services, it is suggested that services should be extended to those areas which are possible to commercialize from among 1) retail service (foods, daily necessities, 2) other good for institutional use, 3) government-related services, and 4) services relating to the national development projects. The introduction of new services will facilitate 1) the operating ratio of mailing routes by adding up the new services and 2) the higher profitability of mail-related ancillary business.

## **7. Recommendation and Conclusion**

### **7.1. Recommendation**

This master plan is built consistently with plans such as improvement of services, new services, organizational setup and human resources training and financial conditions, while following the initial plan and communicating with Mongolian side.

The study team understand that the contents of this master plan has already been well understood and transferred among Mongolian side thorough series of discussions with MPC, MOI, etc. as well as technology transfer seminar, and some of the measurements has already been initiated.

As seen in the improvement of financial conditions of MPC in the recent years, even before this master plan is provided, MPC's effort and the consequent results should be highly admired. From now, while attaching weight to financial independency, MPC especially have to improve reliability and speed of mail handling, transportation and mail collection and delivery while expanding postal market and introducing new services such as home delivery in Ulaanbaatar.

This master plan contains various measures which do not require much investment and are practicable in the short tem within 5 years, and it is expected that MPC utilize this plan and execute such measures with its leadership. Within six programs provided in the estimated operation expense, it is necessary to startup such as improvement of mail handling, improvement of collection and delivery and education and training.

In the longer term after five years, it is necessary to invest to new cars and PCs according to the increased volume of mail and upgrading corporate management in especially Ulaanbaatar and Aimag centers. Furthermore, it is expected that MPC make advance by leaps and bounds by setting up new mail handling facilities and introducing new services such as pigeon mail.

In addition to the above mentioned measures mostly described as issues for Ulaanbaatar, it is suggested that new services should be introduced in Aimags and Sums while securing good understanding of the market and risks by type of products and services.

Currently, MPC deliver subscriptions and mails to Sum post offices at least once a week, and take up important mission of universal postal service in Mongolia. It is suggested that delivery to bags is within the long term issues, and never force MPC to start delivering to many bags at once, and it is necessary for the government of Mongolia and MPC to set priorities which bags to start while well examining necessary supports from the government of Mongolia. Thus, it is proposed to initiate delivery to bags gradually in good consideration of the feasibility of costs and resources, etc. of MPC. Such support, for instance, include subsidies for delivering costs, tax exemption for MPC, provision of necessary facilities for free of charge, assignment of local government personnel for delivery, etc.

Postal services and post offices has important roles and functions for the infrastructure of Mongolia and contribute to regional development. It is important that the government of Mongolia regards MPC or postal services/post offices not only as the company organization but also as the important terminal positions for the government, and use MPC more actively in order to increase social welfare and health of Mongolian citizens. Such services include payment of pensions in the post office or delivery to recipients, issuance of drivers license, payment of taxes, registration of citizens, sales of the lottery tickets and payment, and other application/notification to the government, etc. and it is necessary for the government to entrust such services to MPC's post offices by paying fees according to the volume of handling.

## **7.2. Conclusion**

MPS will be preparing its own business plan in response to request from Mongolian government. This master plan is provided in the timely manner for such use. MPC has already initiated various actions from customer development and delivery services, to service improvement, and to information sharing among MPC staffs about good practices within MPC, while understanding necessity of service improvement by its strong leadership and role to provide traction power towards market economy in Mongolia.

MPC provides universal postal services in Mongolia while expected to be financially independent from Mongolian government, and the study team wish that the government of Mongolia through understand MPC's business and its new plan and provide all necessary support.