

Postal Equipment Procurement Project (II)

Report Date: October 2002
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1. Project Profile and Japan's ODA Loan



Location Map of the Project (all over the country)



The procured vehicles (Small Mail Van)

1.1. Background

At the time of the project planning stage, postal services were the main means of communication in the Philippines. The volume of mail in the Philippines increased approximately 9% each year from 1978 to 1982. Nevertheless, in 1979, it took 3 to 5 days to deliver mail, even in the Metropolitan Manila area, due to a lack of postal equipment and to outdated modes of transportation. To cope with this situation, the "Mercury Project" was implemented in 1982 in an effort to achieve next-day delivery within Metropolitan Manila.

The Mercury Project succeeded in significantly improving the speed of deliveries in the Metropolitan Manila area. Vehicles and postal equipment for the Mercury Project were procured as part of the Postal Equipment Procurement Project (1), funded by a Japan's ODA loan agreed to in 1980. The Bureau of Posts (BOP) evaluated that the Postal Equipment Procurement Project (1) has contributed significantly to the success of the Mercury Project, and as a result of this success, BOP decided to expand the project to other major cities.

At that time, the quality and quantity of the vehicles and postal equipment used at regional Mail Distribution Centers were not sufficient to respond to the increase in mail volume, and it was necessary to improve the mail transportation maintenance system nationwide for sustainable use. This project, Postal Equipment Procurement Project (2), was designed to improve postal services nationwide by reducing mail delays through more efficient mail processing, transporting and delivery.

1.2. Objectives

To improve postal services nationwide and respond to an increase in mail volume in the Philippines by 1) procuring postal vehicles and equipment, and 2) conducting a study for maintenance system of postal vehicles and modernization of the Airmail Distribution Center (ADC).

1.3. Project Scope

The project includes the following components:

1. Procurement of vehicles (Jeep Mail Van:195 / Light Mail Van:155 / Station Wagon:25 / Vehicle Towing Truck:1 / Mortorcycle:440),
2. Procurement of postal equipment (Stamp Canceling Machine:15 / Postal Weighing Scale(20kg):70 / Postal Weighing Scale(2kg):850),
3. Consulting services (For mail transportation maintenance and management improvement / For modernization of Airmail Distribution center (ADC)).

Japan's ODA loan was to cover the total amount of foreign costs.

1.4. Borrower/ Executing Agency

Borrower : The Government of the Republic of the Philippines

Executing Agency : Bureau of Posts (BOP) (currently the Philippine Postal Corporation)

1.5. Outline of Loan Agreement

Loan Amount	1,381 million yen
Loan Disbursed Amount	561 million yen
Exchange of Notes	April 1984
Loan Agreement	May 1984
Terms and Conditions	
Interest Rate	3.5 % p.a.
Repayment Period (Grace Period)	30 years (10 years)
Procurement	General Untied (Partially Untied for Consulting Services)
Final Disbursement Date	November 1990

2. Results and Evaluation

2.1. Relevance

At the time of project appraisal in 1983, though the Mercury Project had been successful in the Metropolitan Manila area, it still took 2 to 4 days by land or by air to deliver mail outside the capital and from outlying areas to Metro Manila. Moreover, significant increases in mail volume were anticipated between 1983 and 1987. During this period, an increase of 8.6% per year was projected, and the actual increases in mail volume during the 1980s generally corroborated those projections.

On the other hand, in regional Mail Distribution Centers, the quantity and quality of vehicles and postal equipment were not sufficient to respond to the increase in mail volume. Under such conditions, improving postal services nationwide by reducing mail delays through more efficient mail processing, transporting and

delivery was impossible. Improvement of the mail transportation maintenance system and modernization of the Airmail Distribution Center (ADC) was an essential part of improving international postal service in the Philippines.

Therefore, it can be concluded that this project was urgently required at the time of appraisal and was considered to be relevant. It remains significant today, as the objectives and scope of this project are relevant to the current policy goal of improving postal services within the Philippines.

2.2. Efficiency

2.2.1. Project Scope

A comparison of the original and actual scope is illustrated in Table 1 below.

No Jeep Mail Vans or Station Wagons were procured, and the number of Light Mail Vans procured was reduced. Instead, Small Mail Vans and Heavy Mail Vans were procured (Table 1). These modifications were made to the original specifications for the required vehicles because it was considered more practical to have more small vans transporting mail in urban areas such as Metro Manila, so that they could adapt to traffic jams and other traffic conditions. Today, Motorcycles, Small Mail Vans and Light Mail Vans have become essential components in the delivery system, used in combination with a variety of other elements. A few old Jeep Mail Vans are also still in use. It can be said that the modification effectively improved the combination of vehicles used to provide postal services throughout the Philippines.

The number of Stamp Canceling Machines and Postal Weighing Scales (20kg, 2kg) actually procured was the same as the original scope.

Table 1: Comparison of Original Scope and Actual

Items/Activities		Original Scope (At the time of Appraisal)	Actual	Gap/Difference
Procurement of vehicles	Jeep Mail Vans	195	0	- 195
	Light Mail Vans	155	109	- 46
	Station Wagons	25	0	- 25
	Vehicle Towing Truck (wrecker)	1	1	0
	Motor Cycles	440	440	0
	Small Mail Vans	0	328	328
	Heavy Mail Vans	0	3	3
Procurement of postal equipment	Stamps Canceling Machines	15	15	0
	Postal weighing Scales (20kg capacity)	70	70	0
	Postal Weighing Scales (2kg capacity)	850	850	0
Consulting services		20MM	20MM	0

Source: the Philippine Postal Corporation and JBIC



Motorcycle



Heavy Mail Van

Light Mail Van



Vehicle Towing Truck (wrecker)

2.2.2. Implementation Schedule

At the time of appraisal, the project was scheduled for implementation in 1984 and 1985. However, procurement of vehicles and postal equipment actually started in 1988 and ended in 1989. Deployment and utilization began in 1989. Consulting services actually started in 1985 and were finished in 1990; most of the work was accomplished in 1989 and 1990.

These delays were brought about by the unexpected change of government in 1986. One of the effects was a change in the officials responsible for the implementation of various government projects. Implementation was also delayed on account of difficulties releasing vehicles and equipment from customs-bonded warehouses and retirement of some officials involved in the project as a result of reorganization.

2.2.3. Project Cost

Estimated project cost was 1,544 million Yen. Of this amount, 1,381 million yen was to be financed by Japan's ODA loan; however 561 million yen was actually financed. There was a cost under run of 64% (983 million yen) in the foreign currency component. The data of actual local cost was not available.

The executing agency reported that the cost under run of foreign currency component was attributed to 1) modification of the project scope (Changes in the specifications / Changes in procured quantities or units) and 2) a systematic and effective bidding process. An effective bidding process brought about the substantial decline in prices.

2.3. Effectiveness

2.3.1. Volume of mail in Philippines

The volume of mail delivered in the Philippines increased from 1978 to 1997. Although there are no data from 1983 to 1995 because of a fire in the Main Post Office Building in 1996, the increased volume of mail in this period was confirmed through interviews to the relevant officers of executing agency. Volume of mail in the Philippines as a whole, however, decreased after 1998 due to the spread of facsimile machines, E-mail and other means of rapid and convenient communication.

The number of days required for delivery was steady from 1987 to 1990 (Table 3) despite an increase in mail volume over the period. Considering that the postal vehicles and equipment procured in this project were used from 1989, it can be presumed that this project have contributed to prevent possible delays in mail distribution.

Table 2: Volume of mail in Philippines (unit: million pieces)

Year	1978	1979	1980	1981	1982
Volume of mail	868M	950M	1,030M	1,120M	1,219M

Year	1996	1997	1998	1999
Volume of mail	2,338M	2,543M	2,289M	2,039M

Source: the Philippine Postal Corporation

Note: Records of mail volume from 1983 to 1995 were burned in an accidental fire in the fifth floor of the Main Posts Office Building in 1996.

2.3.2. Days required for Delivery

During the 1980s, the time required to deliver mail dropped significantly. It is thought that the improvement was a direct result of the Mercury Project. As mentioned above, the number of days required for delivery was steady from 1987 to 1990 in spite of an increase in mail volume, and it can be presumed that the procured vehicles and equipment by this project have prevented possible delays in mail distribution.

Table 3: Days required for delivery (Unit : days)

	1980* ¹	1987* ²	1990* ²	1995	2000* ¹
To Metro Manila from abroad	6 - 10	1 - 2	1 - 2	N.A	2
From Metro Manila for abroad	6 - 8	1 - 2	1 - 2	N.A	2 - 3
Within Metro Manila	1 - 2	1	1	N.A	1 - 2
Throughout the country from Metro Manila except Metro Manila	By land	By land	By land	N.A	By land
	2 - 3	2 - 3	2 - 3		5
	By air	By air	By air		By air
	2 - 3	1 - 2	1 - 2		1 - 3
To Metro Manila from throughout the country except Metro Manila	By land	By land	By land	N.A	By land
	2 - 4	2 - 3	2 - 3		5
	By air	By air	By air		By air
	2 - 4	1 - 2	1 - 2		2 - 3

Source: the Philippine Postal Corporation

*1:By the interview survey *2: Quoted from Project Completion Report

However, despite a decrease in mail volume, delivery times extended in 2000. Changes in the time required for delivery between 1990 and 2000 can be attributed to, by and large, an increase in delivery personnel absences; calamities, such as typhoons that inundate low lying areas of the country; and the worsening traffic situation. All these factors greatly affected established timetables.

2.3.3. Effectiveness of Postal Weighing Scales

Weighing scales were used to the utmost advantage. Previously, where weighing scales were not available, mail or parcels were weighed by hand. The procurement of postal weighing scales enabled postal workers to calculate charges more accurately. Although the quantitative data was not available, the executing agency evaluated that the postal administration has increased its revenue by minimizing the amount of under-paid mail getting through the system.

2.3.4. Effectiveness of the Consulting Services

The consulting services for the modernization of the Airmail Distributions Center (ADC) brought about expansion and improvement of the repair bay and modernization of the Motor Pool for postal transportation. According to the Philippine Postal Corporation, the consulting services contributed to improvements in mail transportation maintenance and management, thereby extending the use of vehicles and equipment.

2.4. Impact

2.4.1. Development of the Central Mail Exchange Center

The Airmail Distribution Center (ADC) has, since 1990, been modernized according to consultants' recommendations on this project. The ADC was integrated with the Central Mail Exchange Center (CMEC) in 2000. Currently, the CMEC is strategically important for domestic and international mail service in the Philippines. The total volume of mail processed at the CMEC was 704.8 million pieces in 2001.

There are a lot of modern machines in the CMEC, including computers, mail sorting machines, parcel sorting machines, parcel scanning machines, mail banding machines, mail bag opening machines and a motor repair workshop. Mail operations were almost totally mechanized by the introduction of these machines into the CMEC's receiving, sorting and delivery system. Mail and parcel sorting machines improved mail delivery speed and the parcel scanning machine improved the safety of parcel delivery. The number of staff for mail operations has been reduced with the introduction of these machines, thereby reducing the running costs for mail operations in ADC/CMEC.



Mail sorting machine



Parcel sorting machine



Parcel scanning machine

Motor repair workshop

2.5. Sustainability

2.5.1. Present situation of procured vehicles and equipment

The present condition of procured vehicles and equipment is shown in Table 4. The sustainability of the procured vehicles and equipment has been maintained for this 12-year period.

The number of vehicles currently used is as follows: Light Mail Vans, 72/106(68%); Vehicle Towing Trucks, 1/1(100%); Motorcycles, 130/440(30%); Small Mail Vans, 162/319(51%); Heavy Mail Vans, 3/3(100%). These vehicles have been used for 12 years so the durability of the vehicles is sufficient compared with the depreciation period of a truck (5 years) in Japan.

The equipment currently used is as follows: Stamp Canceling Machines, 3/15(20%); Postal Weighing Scales (20kg capacity), 5/70(7%); Postal Weighing Scales (2kg capacity), 120/850(14%).

Table 4: Present situation of the procured vehicles and equipment in 2002

Items/Activities	Actual Scope	Present situation
Procurement of vehicles	Light Mail Vans : 109	Serviceable : 72 (68%) Unserviceable : 18 (17%) Condemned : 6 (6%) Disposed : 13 (12%)
	Vehicle Towing Truck (wrecker) : 1	Operational : 1 (100%)
	Motor Cycles : 440	Serviceable : 130 (30%) Unserviceable : 230 (52%) Condemned : 8 (2%) Disposed : 62 (14%)
	Small Mail Vans : 328	Serviceable : 162 (51%) Unserviceable : 72 (23%) Condemned : 32 (10%) Disposed : 62 (19%)
	Heavy Mail Vans : 3	Operational : 3 (100%)
Procurement of postal equipment	Stamps Canceling Machines : 15	Operational : 3 (20%)
	Postal Weighing Scales, 20kg capacity : 70	Operational : 5 (7%)
	Postal Weighing Scales, 2kg capacity : 850	Operational : 120 (14%)

Source: the Philippine Postal Corporation

2.5.2. Maintenance of the vehicles

All vehicles procured under this project were foreign products. Spare parts were neither sufficiently stocked in the workshops nor available in the local market, so it is necessary for each Mail Distribution Center to order spare parts from overseas in order to repair the vehicles. This situation increased maintenance costs. To cope with this situation, spare parts for some models have been taken from scrapped vehicles of the same model, facilitating parts-utilization by the in-house workshop at CMEC and the Regional Mail Distribution Center. The sustainability of procured vehicles has been enhanced by this effort.



Repairing of a engine in CMEC



Repairing of a Small Mail Van
in the Mail Distribution Center (Region)

2.5.3. Manpower and technical skill for operation and maintenance (O&M) of vehicles

At present, 50 people at the Philippine Postal Corporation provide for the operation and maintenance of vehicles. The breakdown is as follows.

- Gas and Spare Parts: 14 personnel
- Repair and Maintenance: 29 personnel (Mechanics, Welders, Electrician, Lube men)
- Fleet Management: 7 personnel (Clerical/ Administrative support)

The Philippine Postal Corporation has considered that it does not have sufficient manpower and technical skill available for O&M of their vehicles although the vehicles meet durability requirements. Considering the number of vehicles requiring repairs, the Philippine Postal Corporation has been increasing the number of technical personnel, including mechanics, welders and electricians. Still, there are barely enough employees to respond repair needs quickly.

In addition, the present set-up is still wanting for more technical skill support. Some O&M personnel cannot acquire the additional technical know-how required to fully support a strong O&M body. Of the 29 personnel assigned to repair and maintenance at the motor pool, only about 10 are qualified to identify and repair mechanical problems in engines. In serious situations, such as the repair of engines, staff is forced to contract out repair work.

The Philippine Postal Corporation expects to further lengthen the usage-period of vehicles and strengthen the sustainability of this project by means of increasing manpower and improving the technical skills of its O&M staff.

Comparison of Original and Actual Scope

Item	Plan	Actual
(1) Project Scope		
Procurement of vehicles		
Jeep Mail Vans	195	0
Light Mail Vans	155	109
Station Wagons	25	0
Vehicle Towing Truck (wrecker)	1	1
Motor Cycle	440	440
Small Mail Vans	0	328
Heavy Mail Vans	0	3
Procurement of postal equipment		
Stamps Canceling Machines	15	15
Postal Weighing Scales (20kg)	70	70
Postal Weighing Scales (2kg)	850	850
Consulting services	20MM	20MM
(2) Implementation Schedule		
Procurement of vehicles	Apr. 1984 --- Aug. 1985	May 1988 --- Dec. 1989
Procurement of postal equipment	Apr. 1984 --- Aug. 1985	May 1988 --- Dec. 1989
Consulting service	Apr. 1984 --- Apr. 1985	Sep. 1985 --- Jul. 1990
(3) Project Cost		
Foreign currency	1,381 million yen	561 million yen
Local currency	163 million yen	n.a.
Total	1,544 million yen	n.a.
ODA loan portion	1,381 million yen	561 million yen
Exchange Rate	US\$1 = P14.00 = 242yen (1P= 17.3 yen) (as of 1983)	

Source: the Philippine Postal Corporation and JBIC

Independent Evaluator's Opinion on Postal Equipment Procurement Project (II)

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The government is committed to reduce the cost of doing business in the country. Thus, a project to improve the postal services nationwide by reducing mail delays through more efficient mail processing, transporting, and delivery is consistent with the strategy of reducing the cost of doing business in the country.

Project implementation was delayed by the unexpected change of government in 1986, difficulties encountered in releasing vehicles and equipment from customs-bonded warehouses, and retirement of some officials involved in the project. The actual project disbursement was way below estimated project cost in the foreign currency component of the project due to modification of project scope and due to substantial decline in prices from the competitive bidding process. No information was given on the local currency component of the project.

The volume of mail increased from 868 million pieces in 1978 to 2.5 billion pieces in 1997. Mail volume declined to 2.3 billion in 1998 and 2.0 billion pieces in 1999 due to the spread of facsimile machines, e-mail, and other alternative means of rapid communications. The procured vehicles and equipment prevented delays in mail distribution. The time required to deliver mail dropped significantly. Efficiency in mail delivery declined between 1999 and 2000 due to increased personnel absences, occurrences of typhoons, and worsening traffic situation. The modernization of the Airmail Distribution Center contributed to improvements in mail transportation maintenance and management.

The post-evaluation report does not contain information on project impact. For instance, how much under-paid mail was prevented? How much revenue was generated due to the project? What are the economic and financial rates of return for this project? How much savings were made from the project?

The analysis of sustainability of the post-evaluation report is erroneous. It wrongly argues that sustainability will be much higher by increasing manpower and improving the technical skills of the O&M staff. If vehicles procured under this project were sourced locally where spare parts are in abundant supply, where there is sufficient availability of local manpower and technical skills, then sustainability will be highly assured. The problem with the design of the project was that it relied on procuring foreign vehicles whose spare parts are not locally available and where maintenance and technical skill support is much wanting.