PHILIPPINE POSTAL CORPORATION

CORPORATE OPERATING BUDGET

CY 2019

12 March 2018

22 May 2018, 9:40 AM

COB 2019

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Republic of the Philippines
PHILIPPINE POSTAL CORPORATION

PHLPOST
You Send. We Deliver.

OFFICE OF THE BOARD OF DIRECTORS

Board Resolution No. 2018 – 25

"APPROVING THE CORPORATE OPERATING BUDGET OF THE PHILIPPINE POSTAL CORPORATION (PHLPOST) FOR CALENDAR YEAR 2019 AMOUNTING TO FOUR BILLION NINE HUNDRED SEVENTY EIGHT MILLION THREE HUNDRED THOUSAND THREE HUNDRED TWELVE PESOS (P4,978,300,312.00)."

WHEREAS, an Operating Budget is necessary to enable the Corporation to plan and manage its financial resources to support the implementation of its various plans and programs within the constraints of its financial capability;

WHEREAS, Management submitted to the Board a proposed Corporate Operating Budget (COB) of the Philippine Postal Corporation (PHLPost) for Calendar Year 2019 embodying, among others, the following: (i) Projected Revenue and Expenditures; (ii) Cash Budget; and (iii) Projected Results of Operations;

WHEREAS, the Board of Directors agreed to approve the proposed COB for 2019 as presented by Management subject to periodic review as may be allowed by the Department of Budget and Management (DBM) to reflect recent developments in the projected performance of the Corporation and on its fiscal program for a given period;

WHEREFORE, foregoing premises considered, **BE IT RESOLVED,** as it is hereby resolved, to approve the Corporate Operating Budget of the Philippine Postal Corporation for Calendar Year 2019 amounting to Four Billion Nine Hundred Seventy Eight Million Three Hundred Thousand Three Hundred Twelve Pesos (P4,978,300,312.00).

Adopted during the 3rd Special Meeting of the Board of Directors of the Philippine Postal Corporation held on 22 March 2018 at the City of Manila, Philippines.

CERTIFIED TRUE COPY

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Corporate Secretary

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GUZMAN B. MELGAREJO, JR
ACTING ASSISTANT CORPORATE SECRETARY

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EXECUTIVE SUMMARY

PHLPOST

CORPORATE OPERATING BUDGET CY 2019

The Corporate Operating Budget (COB) for CY 2019 is put together to enable Philippine Postal Corporation (PHLPost) to carry out its mandate and mission as well as the attainment of its vision for the provision of quality Postal Service in the Philippines. The framework of COB is the external and internal environments of PHLPost – global, regional, national and local. The COB also includes the Programs, Activities and Projects(PAPs) to be undertaken by Operating Units in order to achieve the expected Corporate Outcomes for CY 2019.

I. STRATEGIC DIRECTIONS

a. Mandate, Mission and Vision

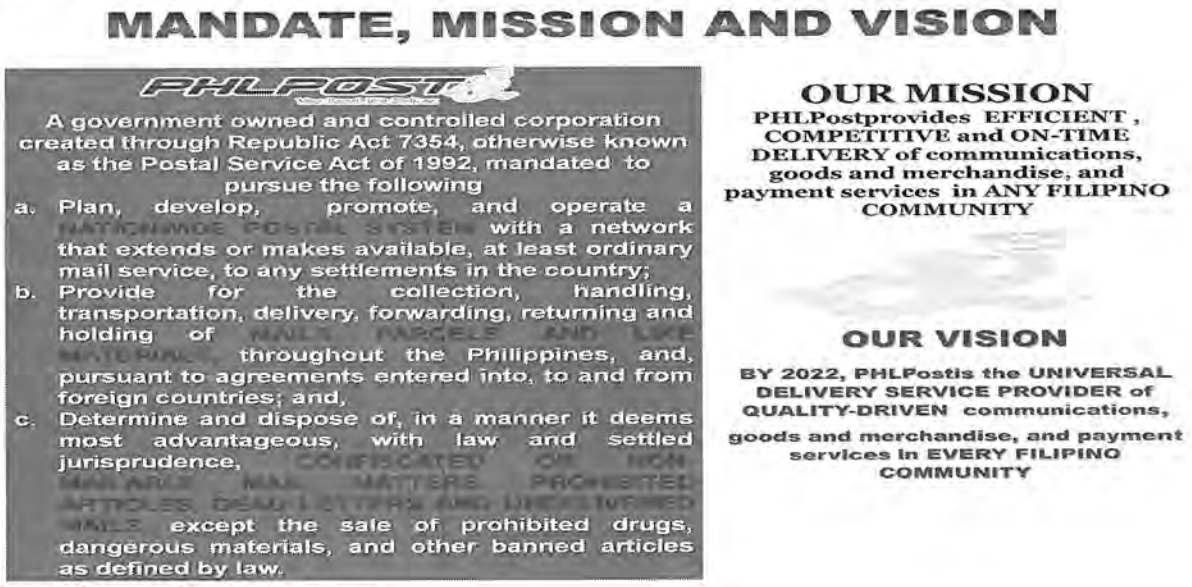
Pursuant to Republic Act (R.A.) No. 7354, otherwise known as the Postal Services Act of 1992, PHLPost is created as a government-owned and controlled corporation (GOCC) with the following mandates:

a. Plan, develop, promote and operate a nationwide Postal System with a network that extends or makes available at least Ordinary Mail Service to any settlements in the country;
b. Provide for the collection, handling, transportation, delivery, forwarding, returning and holding of Mails, Parcels and Like Materials throughout the Philippines and pursuant to agreements entered into, to and from foreign countries; and,
c. Determine and dispose of, in a manner it deems most advantageous, with law and settled jurisprudence, confiscated or non-mailable Mail Matters, prohibited articles, Dead Letter and undelivered Mails, except the sale of prohibited drug, dangerous materials and other banned articles as defined by law.

As mandated in R.A. No. 7354, the mission of PHLPost is the provision of efficient, competitive and on-time delivery of communications, goods and merchandise, and payment services in any Filipino community. Based on the mandate and mission statement, PHLPost envisages to be the Universal Delivery Service Provider of quality-driven communications, goods and merchandise, and payment services in every Filipino community by 2022.

Figure 1 shows the Mandate as well as Mission and Vision Statement of PHLPost.

Figure 1. Mandate, Mission and Vision, Philippine Postal Corporation



Source: Corporate Planning Department

The corporate goals and objectives of PHLPost are as follows:

a. Sustainability of the Organization – to foster sustainable partnership with postal partners;
b. Relevance of the Postal Service – to remain a relevant component of the value chain;
c. Adoption of Information Technology – towards an ICT-enabled postal services; and,
d. Market Push Products and Services –by expanding Express post service, providing government services at postal outlets, venturing to e-Commerce fulfillment services, and trade facilitation using the postal network.

b. Strategies and Thrusts

In realizing the vision as well as achievement of goals and objectives, the following strategies are adopted by PHLPost:

1. Develop and manage the competencies of effectual and competent human resources;
2. Improve efficiencies in the Postal Service through innovations and ICT;
3. Sustain efficiency and reliability in the delivery of communications and information, goods and merchandise, and payment services;
4. Uphold Postal Service integrity;
5. Ensure financial efficiency and growth;
6. Enhance positive Postal Service experience to customers and partners;
7. Continue Postal Service in the community; and,
8. Link people through access to communications and information, delivery of goods and merchandise, and provision of postal payments.

Please see Figure 2 below for the Strategy Map of PHLPost.

Figure 2. Strategy Map, Philippine Postal Corporation

Source: Corporate Planning Department

The policy imperatives of the foregoing PHLPost outcomes and strategies above are as follows:

a. Organizational competency;
b. Efficient and reliable services;
c. Financial sustainability;
d. Postal Service integrity; and,
e. Positive customer service experience.

The corporate thrust of PHLPost for CY 2019 is for a better market position for Express delivery, government delivery requirements, and Logistics and Payment services through the following:

a. Uphold of the core market by taking advantage of the exponential market expansion in e-Commerce and cross-border distribution;
b. Become the leading provider in the government delivery services;
c. Increase share in the Express delivery market; and,
d. Break through in the remittance, payment, logistics and warehousing services market.

II. PLANS, ACTIVITIES AND PROJECTS

a. Strategic Programs

There are eleven (11) developmental programs identified in the PHLPost Roadmap 2020. Of these, two (2) programs relates to the operations, three (3) are programs supporting the operations (STO) and the rest are programs of general administration and support (GAS) in nature. Each Postal Area prepares and implements an Area Enhancement Program.

The goals of the programs above are as follows:

a. Be the recognized brand in Express delivery and Payment services;
b. Be a provider of end-to-end solution for the movement of goods and merchandise;
c. Be a hub in Asia for cross-border mails;
d. Be among the financially-sustainable GOCCs;
e. Be the communication infrastructure backbone of the government; and,
f. Be a more relevant component of the global postal industry.

Please see Tables1 and 2for the list of development program and the details of the Area Enhancement Program.

Table 1. Strategic Programs, Roadmap 2020, Philippine Postal Corporation

Programs	*Goals*	*Accountable*	*Responsible*
a. Operations			
1. Operations Improvement Program	Enhance quality and efficiency of postal operations	Assistant Postmaster General for Operations	Manager of: • Airmail Exchange Department • Express Mail Exchange Department • Network & Transport Department • Service Regulations Department • Surface Mail Exchange Department
2. Area Enhancement Program	Profitability through quality of services	Area Directors	• Area Support Services Manager • Area Administrative & Finance Division Chief • Area Marketing Specialist • Area IT Officer • Postmasters
b. Support to Operations			
3. Integrated Marketing Communications Program	Increase market significance and improve brand awareness	Assistant Postmaster General for Marketing & Management Support Services	• Manager, Business Lines Department • Chief, Corporate Communications Division • Chief, New Business Office
4. ICT Development Program	Increased use of ICT in corporate processes	Manager, Management Information System Department	
5. Postal Safety and Security Program	Ensure safety and security of postal transactions	Manager, Inspectorate Department	Chief of: • Postal Inspection and Investigation Division • Postal Intelligence Division
c. General Administration and Support			
6. Human Resources Development Program	Empower human resource towards productivity and satisfaction	Manager, Human Resources Management Department	• Chief, Human Resource Management Division • Chief, Human Resource Development Division • Performance Monitoring Team

Programs	*Goals*	*Accountable*	*Responsible*
7. Administrative Efficiency & Transparency Program	Strengthen administrative support through efficient acquisition, management, utilization and development of resources	Assistant Postmaster General for Administration & Finance	• Manager, General Services Department • Manager, Logistics & Property Management Department • Chairman & Members, Bids and Awards Committee
8. Financial Management Program	Ensure effective and efficient management of financial resources	Assistant Postmaster General for Administration & Finance	Manager of: • Accounting Department • Fiscal Management Department
9. Legal Services Management Program	Ensure and guide compliance with relevant laws, regulations and procedures	Manager, Legal Department	Chief of: • Legal Services Division • Claims & Prosecution Division
10. Corporate Performance Monitoring Program	Enhance adaptability of the organization to change	Manager, Corporate Planning Department	• Chief, Planning, Research & Business Development Division • Chief, Systems & Methods Division • Head, Statistics & Support Group • Performance Monitoring Team
11. Audit Efficiency Program	Provide systematic disciplined evaluation and recommendation on the effectiveness of risk management, control and governance processes	Manager, Internal Audit Department	Chief of: • Management Audit Division • Operations Audit Division

Source: PHLPost Roadmap 2020, Corporate Planning Department

Table 2. Area Enhancement Program, Postal Areas, Philippine Postal Corporation

Programs	*Goals*	*Accountable*	*Responsible*
a. Operations			
1. Area Operations Improvement Program	Enhance quality and efficiency of Area operations	Area Support Services Manager	• Area Mail Distribution Center Chief • Postmasters
b. Support to Operations			
2. Area Integrated Marketing Communications Program	Increase revenue generation of and improve brand awareness within the Area	Area Director	• Area Marketing Specialist • Postmasters
3. Area ICT Development Program	Increased use of ICT in Area processes	Area Support Services Manager	• Area IT Officer • Area Mail Distribution Center Chief • Postmasters
4. Area Postal Safety and Security Program	Ensure safety and security of postal transactions in the Area	Area Support Services Manager	• Area Mail Distribution Center Chief • Postmasters
c. General Administration and Support			
5. Area Human Resources Development Program	Empower Area human resource towards productivity and satisfaction	Area Administrative & Finance Division Chief	• Area Human Resources Officer • Postmasters • Area Performance Monitoring Team
6. Area Administrative Efficiency & Transparency Program	Strengthen administrative support through efficient acquisition, management and utilization of Area resources	Area Administrative & Finance Division Chief	• Area Administrative Officer • Area Records Officer • Postmasters • Chairman & Members, Bids & Awards Committee
7. Area Financial Management Program	Ensure effective and efficient management of financial resources of the Area	Area Administrative & Finance Division Chief	• Area Accountant • Area Budget Officer • Area Cashier • Postmasters

Programs	*Goals*	*Accountable*	*Responsible*
8. Area Legal Services Management Program	Ensure and guide compliance with relevant laws, regulations and procedures of the Area	Area Director	
9. Area Corporate Performance Monitoring Program	Enhance adaptability of the Area to change	Area Director	• Area Performance Monitoring Team • Area Statistician
10. Area Audit Efficiency Program	Conduct systematic disciplined evaluation and recommendation on the effectiveness of risk management, control and governance processes in the Area	Area Director	

Source: PHLPost Roadmap 2020, Corporate Planning Department

b. Priority Plans, Activities and Projects

The priority programs for CY 2019 are the Operations Improvement Program, Integrated Marketing Communications Program and ICT Development Program.

1. Operations Improvement Program – the major PAPs under this program are the improvement of operational efficiency through computerization and mechanization and expansion of postal network as well as the enhancement of the quality of service through improvement of mail and network security;
2. Integrated Marketing Communications Program – the main PAPs of the program are market research and intelligence by engagement of research services and conduct of customer preference and satisfaction surveys; management, innovation and developmentof postal products and services; and, strengthening and intensification of sales and account management; and,
3. ICT Development Program – the principal PAPs in this program is the continuing development, maintenance and enhancement of the corporate ICT applications of PHLPost as well as the maintenance, replacement and/or deployment of ICT hardware for use of the ICT applications. This shall be supported by the rationalization, expansion and exploration of alternative connective access, particularly for frontline facilities and implementation and/or adoption of a cyber security plan.The continuous review and/or update of the Information Systems Strategic Plan (ISSP) is an essential activity under this program.

Please see Table 3 below for the details of the priority PAPs.

Table 3. Priority Plans, Activities and Projects, CY 2019, Philippine Postal Corporation

Programs	*Accountable*	*Responsible*	*Priority Plans, Activities and Projects*
a. Operations			
1. Operations Improvement Program	APMG Operations	Manager of: • Airmail Exchange Department • Express Mail Exchange Department • Network & Transport Department • Service Regulations Department • Surface Mail Exchange Department	• Improve operational efficiency • Quality of Service enhancement
b. Support to Operations			
2. Integrated Marketing Communications Program	APMG M&MSS	• Manager, Business Lines Department • Chief, Corporate Communications Division • Head, New Business Office	• Conduct of market research and intelligence • Management, innovation and development of postal products and services • Strengthen and intensify Sales and Accounts Management
3. ICT Development Program	Manager, MISD		• Corporate ICT applications/systems maintenance, enhancement and development • Maintenance, replacement and deployment of ICT hardware • Rationalization, expansion and alternative Connectivity of Frontline facilities • Cyber Security Plan • Continuous review and/or update of Information Systems Strategic Plan

Source: Presentation, Budget Proposal for CY 2019, Office of the Assistant Postmaster General for Operations/Office of the Assistant Postmaster General for Marketing & Management Support Services/Office of the Postmaster General

c. Program Cost

The total cost in the implementation of the developmental programs for CY 2019 amounted to PhP4,978,300,312. Of the amount, PhP2,658,876,092or 51.60% is Operating Expenses (OPEx); PHP1,732,083,245 or 34.79% is Administrative, Financial and Other Expenses (ADMINEx); and, PhP677,340,975 or 13.61% is Capital Expenditure (CAPEx).

Programs relating to Operations amounts to PhP3,982,640,250 or 80% while the STO programs is PhP547,613,034 or 11% and GAS programs is PhP448,047,028 or 9%.

The Area Enhancement Program amounts to PhP2,521,155,852 or 63.30% of the cost of Operations programs. Of the amount, PhP1,614,855,276 or 64.05% is OPEx, PhP826,340,815 or 32.78% is ADMINEx, and PhP79,959,760 or 3.17% is CAPEx.

Tables 4 and 5 below are the details of the programs' cost as well as that of the Area Enhancement Programs for CY 2019.

Table 4. Program Cost, Plans, Activities and Projects, Strategic Programs, CY 2019, Philippine Postal Corporation

Programs	Revenue Target	Program Cost (In Philippine Peso)				
		Total Program Cost	% to Total	Operating Expenses	Administrative, Financial & Other Expenses	Capital Expenditure
A. OPERATIONS						
1. Operations Improvement Program	666,751,665	1,461,484,398	36.70%	924,221,853	213,425,544	323,847,001
2. Area Enhancement Program	3,949,715,111	2,521,155,852	63.30%	1,614,855,276	826,340,815	79,959,760
Sub-Total > Operations	***4,616,466,776***	***3,982,640,250***	***80.00%***	***2,539,077,129***	***1,039,766,359***	***403,806,761***
B. SUPPORT TO OPERATIONS						
3. Integrated Marketing Communications Program	250,325,647	272,222,364	49.71%	29,798,963	242,423,401	
4. ICT Development Program		248,667,154	45.41%		14,865,503	233,801,651
5. Postal Safety & Security Program		26,723,516	4.88%		26,723,516	
Sub-Total > STO	***250,325,647***	***547,613,033***	***11.00%***	***29,798,963***	***284,723,516***	***233,801,651***
C. GENERAL ADMINISTRATION & SUPPORT						
6. Human Resources Development Program		101,167,147	22.58%		101,167,147	
7. Administrative Efficiency & Transparency Program	36,636,635	73,210,884	16.34%		36,709,271	36,501,613
8. Financial Management Program	3,.470,939	42,835,168	9.56%		39,604,218	3,230,950
9. Legal Services Management Program		56,185,097	12.54%		56,185,097	
10. Corporate Performance Management Program		40,234,623	8.98%		40,234,623	
11. Audit Efficiency Program		43,505,366	9.71%		43,505,366	
12. Corporate Governance & Management Activities		90,908,742	20.29%		90,908,742	
Sub-Total > GAS	***36,307,574***	***448,047,028***	***9.00%***		***408,314,465***	***39,732,563***
TOTAL	**4,903,099,997**	**4,978,300,312**	**100.00%**	**2,568,876,092**	**1,732,083,245**	**677,350,975**
% to Total		**100.00%**		**51.60%**	**34.79%**	**13.61%**

Source: Program Revenue and Expenditure Budget, Budget Proposal for CY 2019, Operating Units

Table 5. Program Cost, Plans, Activities and Projects, Area Enhancement Program, CY 2019, Philippine Postal Corporation

Postal Area	Expected Outcome (Revenue)	Program Cost (In Philippine Peso)				
		Total Program Cost	% to Total	Operating Expenses	Administrative, Financial & Other Expenses	Capital Expenditure
Northeast Luzon Area	159,610,430	144,021,634	5.71%	86,424,494	51,200,190	6,396,950
Northwest Luzon Area	434,723,973	332,297,611	13.18%	204,724,643	113,089,608	14,483,360
Mega Manila Area	1,966,444,844	852,922,561	33.83%	562,278,527	268,178,562	22,465,472
Southern Luzon Area	402,992,442	307,186,559	12.18%	210,017,916	91,418,643	5,750,000
Central & Eastern Visayas Area	333,918,812	246,166,266	9.76%	151,565,332	86,135,998	8,464,936
Western Visayas Area	219,849,672	184,524,839	7.32%	111,138,068	67,561,221	5,825,550
Eastern Mindanao Area	259,017,448	210,283,299	8.34%	134,265,442	70,816,277	5,201,580
Central Mindanao Area	99,395,354	137,974,650	5.47%	87,274,499	42,278,238	8,421,913
Western Mindanao Area	73,762,136	105,778,435	4.20%	67,166,356	35,662,079	2,950,000
TOTAL	**3,949,715,111**	**2,521,155,852**	**100.00%**	**1,614,855,276**	**826,340,815**	**79,959,761**
% of Total		**100.00%**		**64.05%**	**32.78%**	**3.17%**

Source: Program Revenue and Expenditure Budget, Budget Proposal for CY 2019, Postal Areas

III. CORPORATE TARGETS

The corporate targets for CY 2019 are to maintain the leadership of PHLPost in the mail delivery services with push for express services while the Logistics and Postal Payment poised to grow.

a. Performance Targets

The strategic corporate outcomes of PHLPost are as follows:

a. Efficient Services;
b. Financial Sustainability; and,
c. Positive Customer Experience.

The proposed corporate Performance Targets for CY 2019 are as follows:

a. Positive customer experience – 33%
b. Financial sustainability – 17%
c. Efficient services – 50%

Please see Table 6 below on the details of the proposed targets.

Table 6. Corporate Performance Targets, CY 2017 – 2019, Philippine Postal Corporation

Strategic Measures	*2017 Preliminary Rating*	*Proposed Weight*	
		2018	*2019*
A. Positive Customer Experience ***a. Social*** *i. Link people through access to communications and information, delivery of goods and merchandise, and provision of postal payments* 1. Annual Postal Items Volume ***b. Customers and Stakeholders*** *ii. Continue Postal Service in the community* 2. Number of maintained NGAs and/or NGOs partners for Payout Services *iii. Enhance positive Postal Service experience to customers and partners* 3. Customer Satisfaction	33%	33%	33%
B. Financial Sustainability ***c. Financial*** *iv. Ensure financial efficiency and growth* 4. Revenues 5. Earnings before Interest, Taxes, Depreciation and Amortization	17%	17%	17%
C. Efficient Services ***d. Internal Processes*** *v. Uphold the Postal Service integrity* 6. ISO Certification *vi. Sustain the efficiency and reliability in the delivery of communications and information, goods and merchandise, and payment services* 7. Letter Post Delivery Performance 8. Domestic Parcel Post Delivery Performance 9. Express Post Delivery Performance *vii. Improve efficiencies in the Postal Service through innovation and ICT* 10. Percentage of Revenue-Generating Postal Outlets with Internet Connectivity ***e. Learning & Growth*** *viii. Develop and manage competencies of an effectual and competent human resources* 11. Percentage of Personnel with Required Competencies Met	50%	50%	50%
Total	**100%**	**100%**	**100%**

Source: GCG-Approved and Proposed Performance Targets for CY 2017 and CY 2018, respectively

b. Revenue Targets

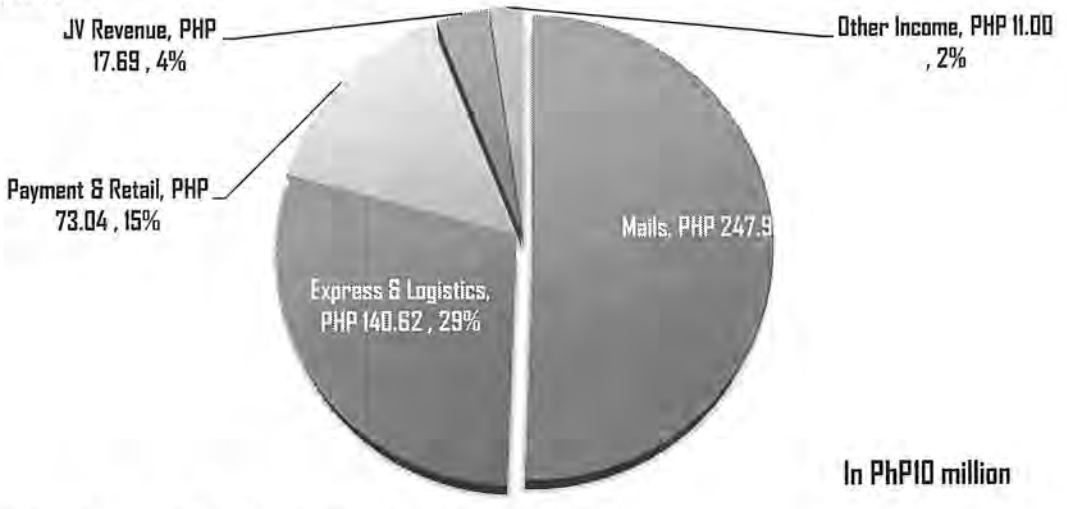
The proposed Corporate Revenue Targets for CY 2019 amounts to PhP4,903,099,997. Of the total revenue target, PhP2,479,558,063 or 50.57% will be generated from Mail Services; PhP1,406,165,818 or 28.68% from Express & Logistics Services; PhP730,443,269 or 14.90% from Payment & Retail Services; and, PhP110,020,574 or 2.24% will be generated from Other Income sources.Revenue from Joint Venture is provided as gross revenue for tax purposes. Please see Table 1 and Figure 1 for the revenue target by business lines.

Table 7. Corporate Revenue Target, CY 2017 – 2019, Philippine Postal Corporation

Business Lines	*In Philippine Peso*			
	2019 (Proposed)		*2018 (Estimate)*	*2017 (Unaudited)*
	Amount	*% to Total*		
Mail Services	2,479,558,063	50.57%	2,770,085,642	1,731,863,170
Express & Logistics Services	1,406,165,818	28.68%	1,239,006,224	1,151,262,647
Payment & Retail Services	730,443,269	14.90%	805,223,768	447,238,212
Other Income	110,020,574	2.24%	50,370,813	64,801,365
Revenue from Joint Venture	176,912,272	3.61%	138,338,499	161,577,006
GROSS REVENUE	**4,903,099,997**	**100.00%**	**5,003,024,946**	**3,556,742,400**
Less: Provision for Discount	20,810,055		28,023,552	20,553,731
Provision for VAT	420,223,927		462,813,057	
NET REVENUE	**4,462,066,014**		**4,512,188,337**	**3,536,188,669**

Source: Revenue Target, Budget Proposal for CY 2019, Operating Units

Figure 3. Corporate Revenue Target by Business Lines, CY 2019, Philippine Postal Corporation



Source: Revenue Targets, Budget Proposal for CY 2019, Operating Units

The proposed revenue target shall increase by PhP1,346,357,596 or 37.85% increase against actual revenue for CY 2017. Of the projected increase, revenue from Mail Services shall increase by PhP747,694,893 or 43.17%, Payment & Retail Services revenue shall increase by PhP283,205,057 or 63.32% while that from Express & Logistics Services shall increase by PhP254,903,172 or 22.14%.

The Net Revenue, net of Discount and VATshall increase by PhP925,877,345 or 26.18% against CY 2017 Net Revenue. Sales and marketing activities and programs shall be implemented in CY 2019 to maintain the CY 2017 revenue attainment as well as achieve the projected revenue increases.

By Operating Units, the revenue target of Mega Manila Area is PhP1,966,444,844 or 40.11% of the total revenue target, Central Office shall generate PhP953,384,886 or 19.44% and Northwest Luzaon Area revenue target is PhP434,723,973 or 8.87%. The rest of the operating units, seven (7) Areas, shall generate PhP1,548,546,294 or 31.58%.

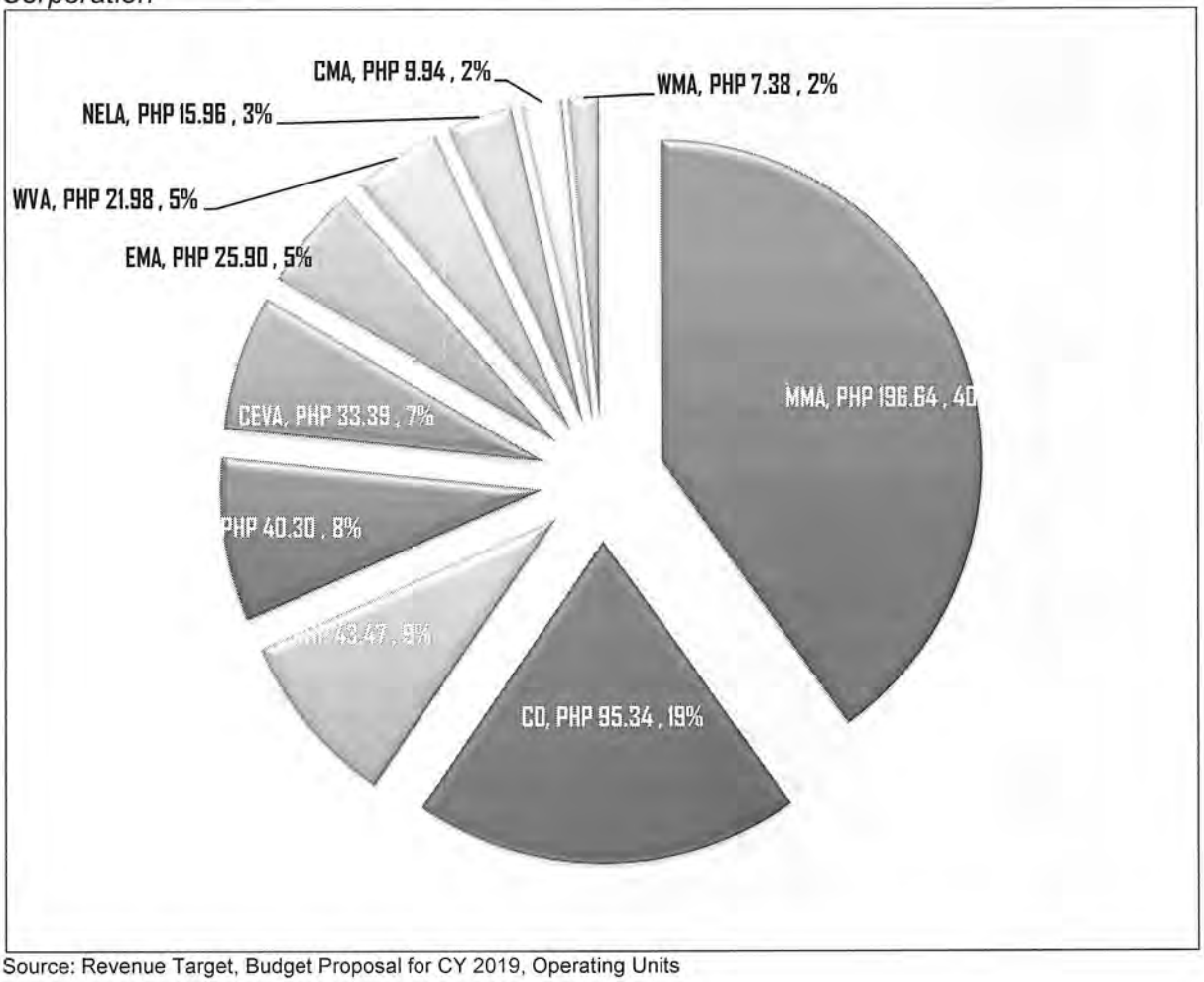
Please see Table8 and Figure 4 for the details of the revenue target by Operating Units.

Table 8. Proposed Revenue Targets by Operating Units, CY 2019, Philippine Postal Corporation

Operating Units	In Philippine Peso						
	Total	% to Total	Mail Services	Express & Logistics Services	Payment & Retail Services	Other Income	Revenue from Joint Venture
Northeast Luzon Area	159,610,430	3.26%	54,041,098	61,675,880	42,665,015	1,228,436	
Northwest Luzon Area	434,723,973	8.87%	178,283,748	164,422,095	79,580,939	12,437,190	
Mega Manila Area	1,966,444,844	40.11%	1,330,995,384	409,440,732	211,781,405	14,227,323	
Southern Luzon Area	402,992,442	8.22%	158,140,641	156,906,707	82,837,631	5,107,463	
Central & Eastern Visayas Area	333,918,812	6.81%	167,555,456	92,633,183	66,868,119	6,862,054	
Western Visayas Area	219,849,672	4.48%	97,527,452	54,821,139	65,269,066	2,232,015	
Eastern Mindanao Area	259,017,448	5.28%	67,439,919	128,412,911	57,416,939	5,747,678	
Central Mindanao Area	99,395,354	2.03%	42,383,417	25,290,639	27,860,254	3,861,043	
Western Mindanao Area	73,762,136	1.50%	24,317,043	25,967,349	22,750,525	727,219	
Central Office	953,384,886	19.44%	358,873,904	286,595,183	73,413,375	57,590,152	176,912,272
Total	**4,903,099,997**	**100.00%**	**2,479,558,063**	**1,406,165,818**	**730,443,269**	**110,020,574**	**176,912,272**
% to Total	**100.00%**		**50.57%**	**28.68%**	**14.90%**	**2.24%**	**3.61%**

Source: Revenue Target, Budget Proposal for CY 2019, Operating Units

Figure 4. Corporate Revenue Target by Operating Units, CY 2019, Philippine Postal Corporation



Source: Revenue Target, Budget Proposal for CY 2019, Operating Units

c. Revenue Assumptions

1. Mail Services Revenue Assumptions

The revenue target for Mail Services in CY 2019 is PhP2,479,558,063 or 50.57% of the corporate revenue target. With an improved delivery efficiency and provision of track and trace, it is projected that the revenue from existing corporate and retail customers shall amount to PhP1,738,969,914 or 70.13% of the revenue target for Mail Services. Of this amount, PhP860,179,162 or 49.46% shall be generated from Ordinary Mail and PhP537,621,826 or 30.92% from Registered Mail.

Additional revenue amounting to PhP740,588,149 or 29.87% shall be generated from new clients, additional volume from existing corporate and retail customers as well as innovation and development of products and services. Of the additional revenue, PhP248,667, 393 or 33.58% shall be from Registered Mail, PhP199,551,068 or 26.94% from Parcel, and PhP185,374,175 or 25.03% from Ordinary Mail.

Please see below Tables 9 and 10 for the revenue assumptions for Mail Services while Tables 11 and 12 are projection of the volume of Letter and Parcel post items posted and delivered for 2018 to 2022.

Table 9. Revenue Assumptions, Mail Services, CY 2019, Philippine Postal Corporation

MAIL SERVICES	Revenue Target (In Philippine Peso)			
	Total Revenue Target	% to Total	Maintain	Additional Revenue
Ordinary Mail	1,045,553,337	42.17%	860,179,162	185,374,175
Registered Mail	786,289,219	31.71%	537,621,826	248,667,393
Parcel	261,006,687	10.53%	61,455,619	199,551,068
Other Services and Fees	386,708,820	15.60%	279,713,307	106,995,513
Total	**2,479,558,064**	**100.00%**	**1,738,969,914**	**740,588,149**
% to Total	**100.00%**		**70.13%**	**29.87%**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

Table 10. Details of Revenue Assumptions, Mail Services, CY 2019, Philippine Postal Corporation

+		Amount (In Philippine Peso)
a. Maintain revenue from existing corporate and retail customers with improved delivery efficiency and provision of track and trace		**1,738,969,914**
Ordinary Mail		*860,179,162*
Registered Mail		*537,621,826*
Parcel		*61,455,619*
Other Services and fees		*279,713,307*
b. Generate additional revenue		**740,588,149**
Registered Mail Reliable and timely delivery, Registry Return Receipt/e-RRR completed upon delivery and returned immediately, Provision of track and trace, and Delivery information updated and available online		
• Acquire new clients and additional volume from existing clients – Pawnshops, Law offices/firms, Insurance companies and Government agencies/offices	PHP 99,874,327	*248,667,393*
• Upselling of Ordinary Mail to Registered Mail and Registered Mail to Registered Mail with Registry Return Receipt/e-RRR	75,718,604	
• Regain lost customers and gain lost sales opportunities	50,911,434	
• Postal ID Delivery Fee	22,163,028	
Parcel and e-Packet		
• Additional volume from existing and new retail clients	PHP 147,699,079	*199,551,068*
• Acquire market share in the e-Commerce/online sellers for the delivery of non-time sensitive items through the provision of Collect on Delivery payment service	51,851,988	
Ordinary Mail		
• New clients from credit cards and insurance companies, banks and government agencies/offices sending Statement of Accounts and Billing Statements	PHP 81,107,771	
• Regain lost customers and gain lost sales opportunities	52,298,084	*185,374,175*
• New/additional volume from existing customers and new retail clients	42,956,738	
• Intensify promotion of Salamat Po! Project and other revenue generating projects	9,011,581	

+		*Amount (In Philippine Peso)*
Other Services and Fees		
• International Inbound Mails and Parcels Delivery Income	PHP 29,492,412	
• Crossborder, Transhipment and Direct Entry Mails	25,679,938	
• Unaddressed Mail Service, Packaging Service fees, Postage for One-Town One-Postcards, and Other Mail Services Fees	23,000,790	*106,995,513*
• Letter Shopping service - Manual and Hybrid Mail	20,789,314	
• Sales from Postal Stations and Mail Post Office	8,033,059	
TOTAL – MAIL SERVICES		**2,479,558,064**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

Table 11. Projected Volume of Postal Items Posted for 2018 to 2022, Philippine Postal Corporation

Type of Postal Services	*In Pieces*					
	2017 (Actual)	*Projected*				
		2018	*2019*	*2020*	*2021*	*2022*
A. DOMESTIC EXPRESS	***360,231***	***360,231***	360,231	360,231	360,231	360,231
DEMS	336,789	336,789	336,789	336,789	336,789	336,789
EXPRESS POUCH	23,442	23,442	23,442	23,442	23,442	23,442
B. DOMESTIC LETTER POST	***57,827,550***	57,827,550	57,827,550	57,827,550	57,827,550	57,827,550
DOM. REG.LETTER	13,060,015	14,985,060	17,193,856	19,728,228	22,636,166	25,972,734
DOM. ORD.LETTER	42,724,405	42,724,405	42,724,405	42,724,405	42,724,405	42,724,405
PRIORITY MAIL	556,415	556,415	556,415	556,415	556,415	556,415
2nd CLASS MAIL	751,902	751,902	751,902	751,902	751,902	751,902
3rd CLASS MAIL	570,913	570,913	570,913	570,913	570,913	570,913
SMALL PACKET - DOM.	6,327	6,327	6,327	6,327	6,327	6,327
BUS.REPLY ENVELOPE	42,125	42,125	42,125	42,125	42,125	42,125
UNADDRESSED MAIL	42,189	42,189	42,189	42,189	42,189	42,189
FAX	73,259	73,259	73,259	73,259	73,259	73,259
C. DOMESTIC PARCEL POST	***6,369***	6,369	6,369	6,369	6,369	6,369
PARCEL - DOMESTIC	5,361	5,361	5,361	5,361	5,361	5,361
COD	1,008	1,008	1,008	1,008	1,008	1,008
D. INTERNATIONAL EXPRESS	***350,098***	350,098	350,098	350,098	350,098	350,098
IEMS - LETTER	91,808	91,808	91,808	91,808	91,808	91,808
IEMS - PARCEL	258,290	258,290	258,290	258,290	258,290	258,290
E. INTERNATIONAL LETTER POST	***1,524,941***	1,524,941	1,524,941	1,524,941	1,524,941	1,524,941
INT'L REG. LETTER	342,282	342,282	342,282	342,282	342,282	342,282
INT'L ORD. LETTER	1,086,266	1,086,266	1,086,266	1,086,266	1,086,266	1,086,266
SMALL PACKET - INT'L	56,938	56,938	56,938	56,938	56,938	56,938
PRINTED MATTER - INT'L	39,455	39,455	39,455	39,455	39,455	39,455
F. INTERNATIONAL PARCEL POST	**59,669**	59,669	59,669	59,669	59,669	59,669
G. FRANKED MAIL	**6,430,413**	6,724,855	7,032,778	7,354,802	7,691,570	8,043,758
TOTAL	**66,559,270**	**128,847,945**	**131,364,664**	**134,221,060**	**137,465,767**	**141,154,523**

Source: Monthly Accomplishment Reports for CY 2017, Postal Areas

Table 12. Projected Volume of Postal Items Posted for 2018 to 2022, Philippine Postal Corporation

Type of Postal Services	In Pieces					
	2017 (Actual)	Projection				
		2018	2019	2020	2021	2022
A. DOMESTIC EXPRESS	***438,093***	***438,093***	**438,093**	**438,093**	**438,093**	**438,093**
DEMS	345,918	*345,918*	345,918	345,918	345,918	345,918
EXPRESS POUCH	92,175	97,497	103,126	109,081	115,379	122,041
B. DOMESTIC LETTER POST	***144,184,074***	**149,201,640**	**154,393,816**	**159,766,679**	**165,326,516**	**171,079,833**
DOM. REG.LETTER	25,011,688	27,166,832	29,507,675	32,050,217	34,811,839	37,811,417
DOM. ORD.LETTER	113,233,851	118,060,700	123,093,305	128,340,436	133,811,238	139,515,245
PRIORITY MAIL	2,838,991	*2,838,991*	2,838,991	2,838,991	2,838,991	2,838,991
2nd CLASS MAIL	669,687	*669,687*	669,687	669,687	669,687	669,687
3rd CLASS MAIL	2,171,204	2,230,123	2,290,640	2,352,799	2,416,646	2,482,225
SMALL PACKET - DOM.	136,079	*136,079*	136,079	136,079	136,079	136,079
BUS.REPLY ENVELOPE	40,867	*40,867*	40,867	40,867	40,867	40,867
UNADDRESSED MAIL	28,225	*28,225*	28,225	28,225	28,225	28,225
FAX	53,483	*53,483*	53,483	53,483	53,483	53,483
C. DOMESTIC PARCEL POST	***68,729***	***68,729***	**68,729**	**68,729**	**68,729**	**68,729**
PARCEL - DOMESTIC	45,264	58,182	74,787	96,130	123,565	158,829
COD	23,464	*23,464*	23,464	23,464	23,464	23,464
D. INTERNATIONAL EXPRESS	***491,285***	**590,938**	**710,805**	**854,986**	**1,028,413**	**1,237,019**
IEMS - LETTER	264,386	291,330	321,020	353,735	389,785	429,509
IEMS - PARCEL	226,899	303,596	406,218	543,529	727,254	973,083
E. INTERNATIONAL LETTER POST	***8,125,836***	***8,125,836***	**8,125,836**	**8,125,836**	**8,125,836**	**8,125,836**
INT'L REG. LETTER	637,939	*637,939*	637,939	637,939	637,939	637,939
INT'L ORD. LETTER	5,821,329	*5,821,329*	5,821,329	5,821,329	5,821,329	5,821,329
SMALL PACKET - INT'L	622,609	762,571	933,997	1,143,960	1,401,123	1,716,096
PRINTED MATTER - INT'L	1,043,959	*1,043,959*	1,043,959	1,043,959	1,043,959	1,043,959
F. INTERNATIONAL PARCEL POST	**368,015**	**497,100**	**671,464**	**906,987**	**1,225,123**	**1,654,849**
G. FRANKED MAIL	**5,918,975**	**6,389,622**	**6,897,693**	**7,446,163**	**8,038,244**	**8,677,405**
TOTAL	159,595,006	325,922,730	339,677,144	354,237,302	369,687,723	386,130,148

Source: Monthly Accomplishment Reports for CY 2017, Postal Areas

2. Express & Logistics Services Revenue Assumptions

The revenue target for Express & Logistics Services in CY 2019 is PhP1,406,165,819 or 28.68% of the corporate revenue target. Of the target, PhP1,270,538,306 or 90.35% will be generated by Express Post Service while PhP135,627,512 or 9.65% from Logistics Service.

By services within the Express & Logistics Services, outbound International Express post items is projected to provide PhP879,720,905 or 62.56%, income generated from the delivery of Inbound Express post items to provide PhP265,806,810 or 18.90%, Logistics & Warehousing shall provide PhP135,627,512 or 9.62%, and revenue from Domestic Express post items shall amount to PhP124,599,835 or 8.86%.

It is projected that PhP1,082,654,109 or 76.99% shall be generated from maintaining the existing customer base of the Express & Logistics Services while additional revenue of PhP323,511,709 or 23.01% from upselling sales strategy, regaining the lost customers, additional volume from existing customers, and new customers from e-Commerce market and government agencies.

Tables 13 and 14 below provide the details of the revenue assumptions for Express & Logistics Services. Also, please Tables 11 and 12 for the projection of Express post items posted and delivered for 2018 to 2022.

Table 13. Revenue Assumptions, Express & Logistics Services, CY 2019, Philippine Postal Corporation

EXPRESS & LOGISTICS SERVICES	Revenue Target (In Philippine Peso)			
	Total Revenue Target	% to Total	Maintain	Additional Revenue
Express Post - International	932,208,673	66.29%	757,860,710	174,347,962
Inbound EMS	213,319,042	15.17%	213,319,042	
Logistics & Warehousing	135,627,512	9.65%	64,324,438	71,303,074
Express Post - Domestic	124,599,835	8.86%	46,739,162	77,860,673
Packaging Services Fee	410,757	0.03%	410,757	
Total	**1,406,165,819**	**100.00%**	**1,082,654,109**	**323,511,709**
% to Total	**100.00%**		**76.99%**	**23.01%**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

Table 14. Details of Revenue Assumptions, Express & Logistics Services, CY 2019, Philippine Postal Corporation

Particulars		Amount (In Philippine Peso)
a. Maintain revenue		**1,082,654,109**
Express Post - International		*757,860,710*
• Merchandise	PhP655,790,083	
• Documents	102,070,627	
Logistics & Warehousing		*64,324,438*
Express Post - Domestic		*46,739,162*
• Merchandise	PhP27,564,732	
• Documents	18,381,978	
• Pouch	792,452	
Inbound EMS Items		
• *EMS Delivery Income*	PhP154,176,806	
• *Postal Handling Fee*	59,142,236	
Packaging Services Fee		*410,757*
b. Generate additional revenue		**323,511,709**
Express Post - International		*121,860,194*
• New and regained customers from government and private sector	PhP102,629,971	
• New volume from e-Commerce Sector – buyers and sellers; micro, small and medium entrepreneurs; and, One Town One Project entreprenuers	10,345,318	
• New volume from retail and individual mailers	8,884,905	
Express Post – Domestic		*77,860,673*
• New and regained corporate customers as well as additional volume from existing customers	PhP59,072,988	
• Upselling of Registered Mails to Express services	14,121,180	
• Delivery of documents obtained from 'One Stop Shop Government Services' project	4,009,148	
• Expansion of 'Love Express' project using Express post	657,357	

Particulars		*Amount (In Philippine Peso)*
Logistics & Warehousing		
• Acquire New Clients/ Additional business from existing clients	PhP61,990,856	*71,303,074*
• Regain lost opportunities	9,312,218	
EMS Delivery Income – Inbound EMS items		*52,487,768*
TOTAL – EXPRESS & LOGISTICS SERVICES		**1,406,165,818**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

3. Payment & Retail Services Revenue Assumptions

The revenue target for CY 2019 of Payment and Retail Services is PhP730,443,269 or 14.90% of the corporate revenue target. Of the target, PhP562,845,918 or 77.09% is from Payment Services while PhP157,597,351 or 22.94% from Retail Services. Of the target, PhP562,283,625 or 76.98% is generated from existing revenue sources while PhP168,159,644 or 23.02% shall be additional revenue to be generated from new and/or expanded sales and marketing activities for the year.

Based on the products and services within the Payment & Retail Services, revenue from issuance of Postal Identification card (Postal ID) is projected to be PhP440,800,000 or 60.35%, Philately shall generate PhP135,947,281 or 18.61%, Payout Services projected to be PhP50,764,789 or 6.95%, and Collection & Bills Payment Services to generate PhP47,149,112 or 6.45%.

Tables 15 and 16 below provide the details of the revenue assumptions for Payment & Retail Services.

Table 15. Revenue Assumptions, Payment & Retail Services, CY 2019, Philippine Postal Corporation

PAYMENT & RETAIL SERVICES	*Revenue Target (In Philippine Peso)*			
	Total Revenue Target	*% to Total*	*Maintain*	*Additional Revenue*
Postal ID	440,800,000	60.35%	352,000,000	88,800,000
Philately	135,947,281	18.61%	135,947,281	
Payout Services	50,764,789	6.95%	11,700,000	39,064,789
Collection & Bills Payment Services	47,149,112	6.45%	30,700,000	16,449,112
Money Order Service	24,132,017	3.30%	13,100,000	11,032,017
Postal Products & Merchandise	21,532,942	2.95%	8,719,216	12,813,726
Postal Stations	10,117,128	1.39%	10,117,128	
Total	**730,443,269**	**100.00%**	**562,283,625**	**168,159,644**
% to Total	**100.00%**		**76.98%**	**23.02%**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

Table 16. Details of Revenue Assumptions, Payment & Retail Services, CY 2019, Philippine Postal Corporation

Particulars		*Amount (In Philippine Peso)*
a. Maintain revenue		**562,283,625**
• Postal Identification Card	PhP352,000,000	
• Philately	135,947,281	
• Collection & Bills Payment Services	30,700,000	
• Money Order Services	13,100,000	
• Payout Services	11,700,000	
• Postal Stations	10,117,128	
• Postal Products and Merchandise	8,719,216	
b. Generate additional revenue		**168,159,644**
Postal Identification Card Increase volume of card application and/or issuance • Internal marketing - Marketing challenge - Sales campaign for Postal ID renewal through text blast to card holders - Area visits and quarterly market research survey - Distribution of promotional materials such as flyers, posters, tarpaulins, t-shirts, bags, twisted fans, car sticker Postal ID logo, collapsible booth, and special tarpaulins for government institutions, barangays, partners organizations, bus stations and malls • External marketing - Conduct of Postal ID Awareness program to banks, financial and government institutions, barangay, public transport organizations - Partnership with groups and companies that may require identity verification such as Facebook, online sellers, UBer, Grab - Distribution of Merchant Privilege Program kit - Sticker dress up for PHLPost vans and delivery trucks • Conduct of mobile capturing to schools, barangays, malls and unserved areas • Assignment of roving Postal ID Capturing Stations to Acceptance Post Offices, at least 1-2 months per Acceptance Post Office • Accreditation of Postal ID agents • Additional Postal ID Capturing Stations and conversion of Acceptance Post Offices into Capturing Post Offices • Other activities: - Online activities like Facebook boost and online contest, Google advertisements, website maintenance, and infographic video-production - Events such as bloggers, sponsorships, campus tour, fiesta and mall caravan, corporate social responsibility activities, Postal ID anniversary celebration		*88,800,000*
Payout Service Bid out for the Social Pension payout for Indigent Senior Citizens of Department of Social Welfare & Development as well as other payout clients		*39,064,789*

Particulars		*Amount (In Philippine Peso)*
Collection & Bills Payment Services • Increase of commission from 1.5% to 3..0% by ensuring prompt remittance of collection and submission of documents to improve performance • Encourage Postmaster and/or postal employees to promote PhilHealth collection service to acquire new clients – individual and voluntary members, employed sectors, employers, sponsored programs, indigents, and Overseas Filipino Workers - Incentives and recognition for top performers - Inclusion of marketing activity in the performance targets • Strengthen marketing arms to acquire new clients particularly from employed sectors and employers • Offer pick-up of PhilHealth collection to employers in both government and private sectors • Require all Post Offices to accept PhilHealth premium payments • Development of electronic reporting system for online monitoring of payment/s by PhilHealth members • Expansion and/or opening of Bayad Center counters at Post Offices nationwide		*16,449,112*
Money Order Service • Domestic Money Order - Promote use of Money Order for manual payment in government institutions - Expansion of ePost Money Order Service as well as re-activation and/or retraining of inactive Post Offices - Enhancement and intensification of ePost Money Order Service - Utilize ePost Money Order as payment gateway • International Money Order - Conduct corridor marketing during conferences and/or meetings abroad - Coordination with Overseas Workers Welfare Authority and Philippine Overseas Employment Authority for the promotion of International Money Order	PhP8,468,687 2,563,330	*11,032,017*
Postal Products & Merchandise • PHLPost Products and Merchandise • PHLPost Merchandise • PHLPost Boxes – Strict compliance on the use of PHLPost boxes in all Post Offices • Postal Stations – - Opening of Postal Stations in municipalities without Post Office – Private operators, Retired postal personnel and LGU operated - Increase revenue from annual fees of existing Postal Stations	PhP8,719,216 12,813,726 10,117,128	
TOTAL – PAYMENT & RETAILS SERVICES		**730,443,269**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

4. Other Income Revenue Assumptions

The revenue projection for Other Income sources is PhP110,020,574 or 2.24% of the corporate revenue target for CY 2019. Of the amount, PhP65,200,000 or 59.26% shall be generated from maintaining the revenue sources while PhP44,820,574 or 40.74% from new and/or expanded sales and marketing activities for the year.

Tables 17 and 18 are details of revenue assumptions for Other Income.

Table 17. Details of Revenue Assumptions, Other Income, CY 2019, Philippine Postal Corporation

Particulars	*Amount (In Philippine Peso)*
a. Maintain revenue	**65,200,000**
b. Generate additional revenue	**44,820,574**
• Increase revenue from rental of new spaces/warehousing/business stalls, offices leased out and sustain revenue from existing clients • Increase revenue from aggressive campaign to residents in high rise condominiums, offices and farflung subdivisions the use of P.O. boxes • Increase collection of fees from certification and other documents • Conduct periodic disposal of non-serviceable assets and disposal of valueless records • Intensify visits to existing clients and prospective clients • Monitor strict implementation of PUSH STRATEGY by the counter teller • Conduct customer satisfaction survey (After Sales)	
TOTAL – OTHER INCOME	**176,912,272**

Source: Revenue Assumptions, Budget Proposal for CY 2019, Operating Units

5. Revenue From Joint Venture Assumptions

The estimated revenue from Joint Venture projects of PHLPost is PhP176,912,272 or 2.24% of the corporate revenue target for CY 2019. Of the estimate, PhP161,600,000 or 91.34% from current revenue sources while PhP15,312,272 or 8.66% from increase in the issuances of Postal IDs.

IV. CORPORATE OPERATING BUDGET

a. Expenditure Budget

The Expenditure Budget for CY 2019 contains the particulars of expenditures in the implementation of the PAPs to carry out the mandate and mission as well as attainment of the vision of PHLPost.

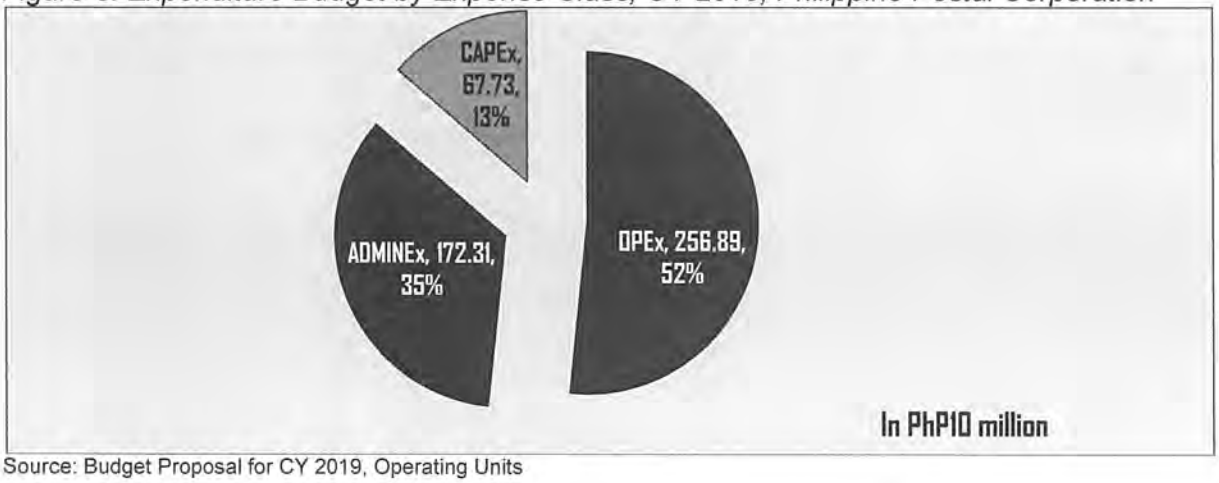
Total estimated expenditure for CY 2019 amounts to PhP4,978,300,312. Of the amount, OPEx is PhP2,568,876,092 or 51.69%, ADMINEx is PhP1,732,083,246 or 34.67% and CAPEx is PhP677,340,975 or 13.63%.

The total expenses in CY 2018 increased by PhP1,549,856,759 or 45.32% against the actual expenditure in CY 2017. Of the increase, CAPEx increase by PhP654,526,492 or 2,868.91%, ADMINEx increase by PhP566,570,819 or 48.99% and OPEx by PhP328,759,499 or 14.68%. Increase is due to the inclusion in the COB for CY 2019 of the provision for the implementation of Salary Standardization 4.

Of the Operating Units,the expenditure budget of Mega Manila Area (MMA) is the highest due to number of its personnel as well as volume of transactions handled followed. The expenditure budget of Central Office (CO) is also high as centrally procured supplies, materials and equipment (SMEs) are included in its budget and only charged to Postal Areas upon issuance as well as number of personnel.

Please see Figure 5 as well as Tables 18 and 19 for the details of the expenditure budget for CY 2019.

Figure 5. Expenditure Budget by Expense Class, CY 2019, Philippine Postal Corporation



Source: Budget Proposal for CY 2019, Operating Units

Table 18. Expenditure Budget, CY 2019, Philippine Postal Corporation

Expense Class	In Philippine Peso			
	2019 Proposed		2018 Estimate	2017 Actual
	Amount	% to Total		
Operating Expenses	2,568,876,092	51.69%	2,974,480,549	2,240,116,643
Administrative, Financial & Other Expenses	1,732,083,246	34.67%	1,381,072,135	1,156,512,427
CAPEX	677,340,975	13.63%	533,576,425	22,814,483
Total	**4,978,300,312**	**100.00%**	**4,889,129,109**	**3,419,443,553**

Source: Budget Proposal for CY 2019, Operating Units

Table 19. Expenditure Budgetby Operating Units, CY 2019, PhilippinePostal Corporation

Operating Units	In Philippine Peso			
	Total Expenditure	Expense Class		
		Operating Expenses	Administrative, Financial & Other Expenses	Capital Expenditure
Northeast Luzon Area	144,021,634	86,424,494	51,200,190	6,396,950
Northwest Luzon Area	332,297,610	204,724,643	113,089,608	14,483,360
Mega Manila Area	852,922,561	562,278,527	268,178,562	22,465,472
Southern Luzon Area	307,186,559	210,017,916	91,418,643	5,750,000
Central & Eastern Visayas Area	246,166,266	151,565,332	86,135,998	8,464,936
Western Visayas Area	184,524,839	111,138,068	67,561,221	5,825,550
Eastern Mindanao Area	210,283,299	134,265,442	70,816,277	5,201,580
Central Mindanao Area	137,974,650	87,274,499	42,278,238	8,421,913
Western Mindanao Area	105,778,435	67,166,356	35,662,079	2,950,000
Central Office	2,457,144,459	954,020,815	905,752,431	597,381,214
Total	**4,978,300,312**	**2,568,876,092**	**1,732,093,246**	**677,340,975**

Source: Budget Proposal for CY 2019, Operating Units

b. Expenditure Assumptions

Table 20 is the assumptions on the expenditure budget for CY 2019 while Table 21 is the personnel complement for CY 2019.

Table 20. Expenditure Assumptions, Corporate Operating Budget for CY 2019, Philippine PostalCorporation

Particular	Assumptions	Amount (In Philippine Peso)
A. EXPENDITURE BUDGET		**4,978,300,312**
a. Classification of Expenses	• Operating Expenses PhP2,568,876,091 • Administrative & Other Expenses 1,723,626,746 • Financial Expenses 8,456,500 • Capital Expenditures 677,340,975	
b. Expenditure Program	• Operations • Support to Operations (STO) • GASS (General Administrative Support)	
B. PESONNEL SERVICES		***2,114,322,721***
a. Salaries and wages	Computation is based on: • Monthly salary rates as of 31 Dec. 2017 AT SSL3,T4 • Warm bodies as of 31 Dec. 2017 • Technical and critical positions to be filled up	1,165,121,692
b. Bonuses	These are bonuses mandated by law: • Mid-year bonus equivalent to one (1) month salary • Year-end Bonus equivalent to one (1) month salary • Cash gift at Php5,000 per employee • Productivity Enhancement Incentive at Php5,000 per employee • Performance-based Bonus	340,072.464

Particular	*Assumptions*	*Amount (In Philippine Peso)*
c. Allowances	These are allowances mandated by law such as: • Personal Economic Relief Allow at Php2,000 per employee per mo. • Representation and Transportation Allow. • Clothing Allowance at Php5,000 per employee • Gasoline Allowance (for Letter Carriers and Acting LCs) at Php720 per LC per mo. • Honoraria	196,033,065
d. Personnel Benefit Contributions	Consist of the following: • GSIS at 12% of the basic salary rate • PhilHealth premium based on • Circular No. 2017- 0024 • PAGIBIG Premium at PhP100.00 per employee per month • ECC Premium at PhP100.00 per employee per month	168,071,487
e. Terminal Leave Benefits	Benefit of employees who shall be separated from the service due to retirement/resignation during the budget year. • 63 to 65 years old • Those below 63 y/o by 2019 but had signified their intention to retire	134,759,955
f. Provision for salary adjustment	Salary adjustment from SSL 3,T4 to SSL 4,T2 (50% from Jan. to June and 75% from July to Dec)	90,869,635
g. Provision fo salary adjustment	Salary adjustment of employees whose salaries had been downgraded at the time the rationalization was implemented	11,067,351
h. Per diems	• Due to the members of the Board of Directors • Computed based on E.O. 24 and GCG Memorandum dated 14 Jan. 2013	4,104,000
i. Night Differential Pay	Provided to employees rendering services from 6:00PM to 6:00AM	1,950,989
j. Loyalty pay	In accordance with CSC MC No. 06 ,2002: • Computation shall be at • Php500.00 for every year of Service • Payment shall be effected on the 10th year anniversary and every 5 years thereafter.	1,562,500
k. Honoraria		709,585
C. NON-PESONNEL SERVICES		***2,178,190,117***
a. Conveyance expenses	Refers to the transfer of mails by air, sea and land, both domestic and international	400,000,000
b. Accountable Forms	This includes: • Postage and Philatelic Stamps, philatelic items • Forms with money value • New Postal ID plastic cards • Official Receipts • PHLPost boxes	306,309,461
c. Supplies and Materials	Include cost of office, operational, janitorial, construction and electrical supplies with additional 7% inflation rate.	221,346,832
d. Manpower Services	Compensation of Laborers hired to perform operational functions including Manpower Agency rates	216,000,000
e. Foreign Postal Administration	Covers terminal dues, inward land rates, EMS delivery charges, internal and transit charges	198,000,000
f. Joint Venture Expenses	Expenses incurred in the implementation of Joint Venture Agreement	128,736,942
g. Gas, oil & Lubricants	• Include 7% inflation rate for the cost of gas, oil & lubricants • With consideration on the Increase in consumption of gas as most vehicles are already fully depreciated.	77,088,000
h. Traveling expenses	Expenses incurred by officials and employees including transportation fares and lodging at Php800 per day.	70,000,000

Particular	*Assumptions*	*Amount (In Philippine Peso)*
i. Rent	Payment of rental for post office quarters and motorcycles: • Existing contract • Includes rental of quarter recommended to be transferred in strategic place in the locality. • There is an increase in the number of employees who shall deliver mails.	61,650,069
j. Advertising & marketing expense	Intensification of marketing strategies such as campaign, meetings with prospective clients and the likes.	60,539,819
k. Professional Services	Includes the expenses of: • Personnel of the Commission on Audit assigned in the offices of the Corporation nationwide. • Consultants	59,200,000
l. General Services	Compensation of Laborers hired to perform administrative functions Including Manpower Agency rates	57,000,000
m. Utilities expenses	These are the cost for the usage of water and electricity.	54,962,800
n. Security Services	Pertains to the estimated cost for the security services rendered by security agency.	53,667,709
o. Repair and maintenance	Repair and Maintenance of the following with cost estimates of Php200T and below: • Buildings and/or post office quarters • Furniture and fixtures • Equipment • Motor vehicles • Leasehold improvement of facilities	49,565,160
p. Communication expenses	• Includes the following: - Postage - Telephone (telephone & mobile) - Internet subscription • Increase in the number of post offices which shall be installed internet services.	36,416,592
q. Taxes, Insurance and fidelity bond premiums and other fees	Includes the following: • Taxes, duties, licenses and other fees due to regulatory agencies • License for IT software • License for PMM • Fidelity bond premiums of accountable officers • Insurance premiums for buildings, motor vehicles • Insurance premiums for Directors and Officers liability	19,399,631
r. Training	• Attendance in trainings that shall enhance the skills and efficiency of employees. • For professionals, attendance in trainings for continuing education.	15,000,000
s. Janitorial Services	Expense for the hiring of janitorial services in the Central Office & Mega Manila Area	13,600,000
t. Membership Dues and Fees	Fees for membership in international organizations	7,837,694
u. Gender and Development		5,300,000
v. Extraordinary & Misc. Expenses		1,766,400
w. Subscription		220,501
x. Other MOOE	These are expenses not classified in the above listed expenses such as but not limited to: • Meetings/dialogues/conferences • Vehicles emission test, toll fees, parking fees, etc. • Storage fees • Contingent liability • Quick response fund • Purchase of bid documents	64,582,507

Particular	Assumptions	Amount (In Philippine Peso)
D. FINANCIAL EXPENSES		***8,456,500***
a. Interest Expense		8,156,500
b. Bank charges		300,000

Source: Expenditure Assumptions, Budget Proposal for CY 2019, Operating Units

Table 21. Personnel Complement for CY 2019, Philippine Postal Corporation

Operating Units	Approved Plantilla Positions	Proposed Personnel Complement			
		Plantilla Positions	Contract of Service	**Total**	% to Approved Plantilla Positions
Northeast Luzon Area	329	253	68	**321**	97.57%
Northwest Luzon Area	880	668	163	**831**	94.43%
Mega Manila Area	1,970	1,656	398	**2,054**	104.26%
Southern Luzon Area	760	576	159	**735**	96.71%
Central & Eastern Visayas Area	716	443	228	**671**	93,72%
Western Visayas Area	473	343	71	**414**	87.53%
Eastern Mindanao Area	430	385	118	**503**	116.98%
Central Mindanao Area	336	233	100	**333**	99.11%
Western Mindanao Area	307	218	43	**261**	85.02%
Central Office	843	815	222	**1,037**	123.01%
TOTAL	**7,044**	**5,590**	**1,570**	**7,160**	**101.65%**

Source: Personnel Complement, Budget Proposal for CY 2019, Operating Units

c. Budget Summary

Proposed Net Revenue, after Discount and VAT, for CY 2019 is higher by ₱925.88 million when compared to the actual Net Revenue in CY 2017, but when compared to the estimate in 2018, it is lesser by ₱50.12 million. Revenue target proposals from the Areas were accepted as proposed except for Areas 8 & 9 where their proposals were reduced.

Reimbursement for the Franking Privilege is lower than that of CY 2018 by ₱45.32 million due to decrease in volume.

Proposed Operating Expenses is higher by ₱328.7 million but lower by ₱405.6 million over estimate in 2018. Personnel Services' budget is lower because of re-classification of positions from Operating to Administrative Expenses. Non-PS operating includes budget for inventories of supplies/materials and accountable items while the 2017 accounts only to those items actually issued and utilized by various operating offices. Also the inflation rate was considered due to implementation of the TRAIN law.The provision for salary increase and income tax are included in the Administrative Expenses.

Budget for CAPEX is at ₱677 milion. Absorption rate should be increased and its implementation shall be proportionate to the actual revenue realized for the period.

Please Tables 22 for the details of the COB for CY 2019.

Table 22. Corporate Operating Budget for CY 2019, Philippine PostalCorporation

Particulars	*2019 (Proposed)*	*2018 (Estimate)*	*2017 (Unaudited)*
REVENUE	**4,903,099,997**	**5,003,024,946**	**3,556,742,400**
LESS: Provision for Discount	20,810,055	28,023,552	20,553,731
REVENUE NET OF DISCOUNT	**4,882,289,941**	**4,975,001,394**	**3,536,188,669**
LESS: Provision for VAT	420,223,927	462,813,057	-
REVENUE AFTER VAT	**4,462,066,014**	**4,512,188,337**	**3,536,188,669**
ADD: Reimbursement from the NG	541,323,000	586,642,000	536,537,000
Subsidy from Non-Shareholders			2,000
TOTAL	**5,003,389,014**	**5,098,830,337**	**4,072,727,669**
LESS: EXPENDITURES			
OPERATING EXPENSES			
Personnel Expenses	1,208,959,198	1,447,116,442	1,329,806,420
Non-Personnel Expenses	1,359,906,893	1,527,364,107	910,310,223
Total Operating Expenses	**2,568,866,092**	**2,974,480,549**	**2,240,116,643**
ADMINISTRATIVE, FINANCIAL & OTHER EXPENSES			
Personnel Expenses	905,353,522	509,557,842	503,515,416
Non-Personnel Expenses	818,283,223	857,463,486	592,980,209
Financial Expenses	8,456,500	14,050,807	20,181,679
Total Administrative Expenses	**1,732,093,246**	**1,381,072,135**	**1,116,477,304**
CAPITAL EXPENDITURES	**677,340,975**	**533,576,425**	**22,814,483**
TOTAL EXPENDITURES	**4,978,300,312**	**4,889,129,109**	**3,379,408,430**
SURPLUS/(DEFICIT)	**25,088,702**	**209,701,228**	**693,319,240**

Source: Budget Proposal for CY 2019, Operating Units

Projected Earnings before Income Tax, Depreciation and Amortization (EBITDA) is at ₱63.993 million partly due to provision of salary increase for the partial implementation of SSL 4 Tranche 2. Increase of prices of goods and services were proposed due to TRAIN law. Inclusion in the proposed expenditure budget is the inventory component of accountable items and supplies & materials.

Decrease in the projected bottom line increase is partly due to decreased projected EBT and decrease in the reimbursement of franked mails.

Table 23 below provides the details of the Results of Operations for CY 2019.

Table 23. Results of Operations, Corporate Operating Budget for CY 2019, Philippine Postal Corporation

Particulars	2019 (Proposed)	2018 (Estimate)	2017 (Unaudited)
REVENUE			
Mail Services	2,479,558,063	2,770,085,642	1,731,863,170
Express & Logistics	1,406,165,818	1,239,006,224	1,151,262,647
Payment & Retail Services	730,443,269	805,223,768	447,238,212
Revenue from Joint Venture	176,912,272	138,338,499	161,577,006
Total	**4,793,079,422**	**4,952,654,133**	**3,491,941,035**
LESS: Provision for Discount	20,810,055	28,023,552	20,553,731
REVENUE NET OF DISCOUNT	**4,772,269,367**	**4,924,630,581**	**3,471,387,304**
LESS: Provision for VAT	415,473,220	457,416,183	-
REVENUE AFTER VAT	**4,356,796,147**	**4,467,214,398**	**3,471,387,304**
Less: Operating Expenses	2,568,866,092	2,974,480,551	2,240,116,643
GROSS OPERATING INCOME	**1,787,930,055**	**1,492,733,847**	**1,231,270,661**
Less: Administrative & Financial Expenses	1,723,936,747	1,367,033,828	1,096,510,901
EBITDA	**63,993,309**	**125,700,019**	**134,759,759**
Add: Other Income	110,020,574	50,370,813	64,801,365
Less: Provision for VAT	4,750,707	5,396,874	-
Other Income (Net of VAT)	**105,269,867**	**44,973,939**	**64,801,365**
Less: Other Expenses			
Interest Expense	8,156,500	14,038,307	19,966,403
Depreciation	112,200,000	102,259,865	99,869,306
Provision for Bad Debts	14,656,769	13,648,853	1,934,250
Sub-Total > Other Expenses	**135,013,269**	**129,947,025**	**121,769,959**
EBT	**34,249,907**	**40,726,933**	**77,791,166**
Less: Provision for Income Tax (30%)	10,274,972	12,218,080	40,035,123
INCOME AFTER TAX	**23,974,935**	**28,508,853**	**37,756,043**
Add: Reimbursement from the NG	541,323,000	586,642,000	536,537,000
Subsidy Income from Non-Shareholders			2,000
NET INCOME	**565,297,935**	**615,150,853**	**574,295,043**

Source: Results of Operations, Budget Proposal for CY 2019, Operating Units

d. Project Procurement Management Plan Summary

1. Goods & Services

PARTICULARS	AMOUNT	% SHARE TO TOTAL
Operations	949,347,188	72%
General Administrative	376,999,547	28%
TOTAL		1,326,346,735

2. CAPEX Summary

PARTICULARS	AMOUNT	% SHARE TO TOTAL
Office Equipment & Machineries	219,546,000	32%
IT Equipment	139,298,000	21%
Softwares	115,100,000	17%
Furniture and Fixtures	26,680,074	4%
Vehicles	50,841,000	6%
Infrastructure	118,375,901	18%
Leasehold improvement	2,500,000	0.30%
Others (for unforeseen CAPEX)	5,000,000	0.70%
TOTAL		677,340,975

3. Summary of CAPEX per Plans/Programs/Activities

PROJECTS	ASSUMPTIONS	AMOUNT
OPERATIONS IMPROVEMENT	• Includes equipment, machineries, furniture and fixtures for issue to Post Offices, Mail Distribution and Sub-Mail Distribution Centers Corporate wide for use in a day-to-day operations. • It also includes warehouse construction for logistics.	188,428,300
FINANCIAL EFFICIENCY	• Includes equipment, machineries, furniture and fixtures to fast-track financial reporting and to enhance revenue generation and efficiency.	82,000,000
INTEGRATED MARKETING & COMMUNICATION	• Includes equipment for use to effectively address the marketing and communication aspects of the Corporation to address the need of postal clients.	21,800,000
MAIL SECURITY & SAFETY	• Includes equipment and machineries addressing the security and safety of mail matters and personnel.	8,160,000
IMAGE BUILDING ENHANCEMENT &GoP	• These are major repair/renovations/ constructions of buildings and other fixtures to enhance	118,375,901

	postal image & to cater the customers' need.	
ADMINISTRATIVE EFFICIENCY	• Includes equipment, furniture & fixtures for administrative efficiency.	51,095,474
HUMAN RESOURCE IMPROVEMENT& OTHER ICT DEVELOPMENT	• For development and improvement of Human Resource efficiency and system enhancement of PHLPost operations	45,981,300

4. **CAPEX per Area**

AREA/OFFICE	IT EQPT.	SOFTWARE	OTHER EQPT./ MACH.	FURN. & FIXT.	VEHICLE	INFRA	LEASE-HOLD & OTHERS
NELA	3,194,150		476,400	226,400		2,500,000	
NWLA	5,483,360					9,000,000	
MMA	3,535,472		4,510,000	2,820,000		11,600,000	
SLA	838,600		1,415,800	1,185,600		2,310,000	
CEVA	828,200		436,736			7,200,000	
WVA	2,980,550		1,385,000	460,000		1,000,000	
EMA	1,262,400		921,180	1,018,000		2,000,000	
CMA	1,723,618		1,781,095	697,200		4,220,000	
WMA	750,000		200,000			2,000,000	
CENTRAL OFFICE	118,701,650	115,100,000	208,419,789	20,272,874	50,841,000	76,545,901	7,500,000
TOTAL	**139,298,000**	**115,100,000**	**219,546,000**	**26,680,074**	**50,841,000**	**118,375,901**	**7,500,000**

e. Proposed Project Procurement Management Plan – Priorities and Assumptions

1. **Priorities**
   a. The requirement of the offices involved in operations is being prioritized in the preparation of the PPMP, CY2019 both in Operating & Administrative supplies/ materials and Capital Expenditures.
   b. Budgeting by business lines, projects and programs are considered in the planning and preparation of the Project Procurement Management Plan (PPMP).
   c. Procurement left-over by the Bids and Awards Committee (BAC) and Procurement Division, LPMD in 2018 on goods and services, and infrastructure projects are being absorbed/carried-over in the preparation of CY2019 PPMP.

d. Enterprise Resource Planning (IT System on Processes) projects on hardware and software requirements budgeted in 2018 are rolled over in the 2019 budget.
e. For the infrastructure project, repair/renovations for installation of GoP/one-stop shop projects in selected post offices nationwide are prioritized. Likewise, donated lots which are subject for recall by the donors are given priorities for the construction of a post office building.
f. Maintenance and other operating expenditures (MOOE) in the PPMP consists of operating and non-operating goods and services, and minor repair and maintenance projects.
g. Only equipment/furniture and fixtures with a unit price of ₱15,000 and above are considered as CAPEX. Below ₱15,000.00 are included in the MOOE as supplies and materials budget per COA PPSAS.

2. Assumptions

	PARTICULARS	ASSUMPTIONS	AMOUNT
1	**Centrally-Procured Operational & Administrative Supplies & materials**	•There shall be available stocks for supplies and materials in the warehouse for ready distribution to the requisitioning office /unit	
	1.1 Accountable Items	•There shall be timely procurement of the centrally-procured items, such as postage & philatelic stamps; Official & Acknowledgment receipts; IEMS & DEMS Consignment Notes; printed forms/books, inks, etc.	306,309,461
	1.2 Non-Accountable items	Ensures early procurement or release/issuance of centrally-procured items.	155,066,828
2	**Locally-Procured Supplies & Materials**	•Ensures enough stocks on locally-procured supplies & materials.	66,280,000
3	**Gasoline, Oil & Lubricants**	•Ensures enough stocks on gasoline, oil & lubricants to avoid delay in the collections, dispatches and delivery of mail and other mail matters.	77,088,000
4	**Repairs & Maintenance**	A standard color and logo for all vehicles, and no dilapidated vehicles running around. • A well-maintained equipment, furniture & fixture.	49,565,160
5	**Insurance & Registration**	• Ensures all equipment & machineries are covered with insurance. • Ensures the provision of a good governance shall be met. Thus, Members of the BOD are insured.	19,399,631
6	**Utilities**	• It covers water & electricity consumption nationwide.	
		• Ensures utilities are properly monitored and cost-reduction programs are implemented	54,962,800
7	**Communication**	• It covers land and mobile communication utilization nationwide.	9,047,200
8	**Internet-Connectivity**	• It covers internet connectivity and payment of GPS subscription.	27,369,393
9	**Security Services**	• Covers outsourcing of security personnel for the CO, Mega Manila, CMEC, SMED and postal areas selected post offices.	53,667,709

10	**Janitorial Services**	• Covers outsourcing of janitorial personnel for the CO, Mega Manila, CMEC and SMED who are responsible in the cleanliness of the surroundings.	13,600,000
11	**Mail Conveyance (intl. & domestic)**	• For the payment of mail conveyance, either land, air, sea & logistics projects.	400,000,000
12	**Consultancy/ Professional Services**	• These are budgetary requirement for the payment of consulting firm or person in the CO as well as audit services of COA personnel assigned at PHLPost.	59,200,000
13	**Other MOOE/Licenses Services**	• It covers expenses not included in regular MOOE and CAPEX.	34,790,550
14	**Capital Investment**	• It covers equipment (IT & operating), software, vehicles, furniture and fixture and infa projects.	677,341,000

PROJECTS	ASSUMPTIONS	AMOUNT
Operating Goods and Services	• These are supplies, materials and services for a fast, reliable and efficient operations of the Corporation. These also include mail conveyance and gasoline.	949,347,188
General Administrative Goods & Services	• These are supplies, materials and services for administrative purposes including minor repair and maintenance of buildings, vehicles, equipment, furniture and fixtures and professional services and licenses & registrations and semi-expendables.	376,999,547

f. Projected Collections &Deposits

Beginning balance, Jan.1	**₱204,420,621**
ADD: Collections	
Revenue cash collections	3,319,957,160
AR collections	782,841,278
TOTAL CASH HANDLED	**4,102,798,438**
LESS: Deposits	**3,897,658,516**
Ending Balance, Dec. 31	**205,139,922**

PARTICULAR	ASSUMPTIONS	AMOUNT
Beginning Balance	The ending balance for the CY 2018 collections and deposits was used	₱204,420,621
Revenue to be realized	80% of the net revenue after discount amounting to ₱4,882,289,941	3,905,831,952
Revenue cash collections	85% of the revenue to be realized	3,319,957,160
Collection of accounts receivables	1. Current receivables -90% 2. Past due accounts(less than 10 years) – 30% 3. Collectibles from foreign postal administration (Ave. annual collections – $2.5M)	527,287,313 130,553,965 125,000,000
Deposits of collections	95% of the total collections	3,897,658,516

g. Cash Budget (Operating Fund)

PARTICULAR		AMOUNT
Beginning balance, Jan. 1		**₱432,310,764**
ADD: Cash inflow		
Revenue cash collections	3,319,957,160	
AR collections	782,841,278	
Reimbursement of franked mails	584,236,000	
Interest earned from bank deposits	3,471,000	4,690,505,438
Total Cash Handled		**5,122,816,202**
LESS: Disbursements		
Current year's expenses and payables	4,501,807,000	
Purchase of property &equipment	200,000,000	
Dividend's Payable	105,140,000	4,806,947,000
Ending balance, Dec. 31		**₱315,869,202**

PARTICULARS	ASSUMPTION	AMOUNT
Beginning balance	Estimated ending balance as of Dec. 31, 2018	
	1. In the banks	₱227,890,143
	2. in the hands of the accountable officers	204,420,621
Cash inflow	1. Cash collections	3,319,957,160
	2. AR Collections	782,841,278
	3. Subsidy from the National Govt.	584,236,000
	4. Interest earned from bank deposits	3,471,000
Disbursements	Current expenses and payables to be paid within the budget year;	4,701,807,000
Payment of dividend	Due to the National Govt. prior years payable	105,140,000
Ending balance	Includes the following:	
	1. Bank balances as at the end of the year	110,729,280
	2. Balances in the hands of the accountable officers	205,139,922