

11 June 2010

Ms Macy Ng  
Clerk to the Public Accounts Committee  
Legislative Council Building  
6 Jackson Road  
Central  
Hong Kong

Dear Ms Ng,

**The Director of Audit's Report on the  
Results of Value for Money Audits (Report No. 54)**

**Provision of Postal Services (Chapter 8)**

I refer to your letter of 14 May 2010 on the above subject.

Being a trading fund, Hongkong Post is charged with the responsibility of delivering efficient, reliable and affordable services to the local community while generating reasonable return to Government. A retail network broadly covering the entire territory is essential to fulfilling this social commitment.

Furthermore, there has been a sharp decline of global mail traffic in the last few years due to rising popularity of social networking software and different forms of electronic communication. Mail volume dropped by 2.1% and 5.6% in 2008-09 and 2009-10 respectively, mainly driven by substitution of personal correspondences. This evolving business environment poses a direct and significant impact on the financial performance of post offices located in residential districts or remote areas.

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Out of the 97 post offices recording losses in 2008-09 (details at **Annex I**), 47 are located in sparsely populated areas. Despite being manned by only a bare minimum of two staff, their annual revenues (ranging from \$70,000 to \$2.1 million) could not fully offset salaries and rentals (between \$950,000 and \$2 million). Similarly, another 40 are located in moderately populated areas and manned by three to six staff with annual revenues (ranging from \$400,000 to \$3.7 million) falling short of salaries and rentals (between \$1.6 million and \$3.9 million). The remainder comprises eight larger outlets located in densely populated areas but whose annual revenues (ranging from \$4.4 million to \$24.8 million) were depleted by salaries, rentals and expenses incurred as a result of long opening hours necessary to cater for customer demands as well as two mobile post offices. In this context, salaries and rentals that make up over 80% of the operating expenditure for these post offices have risen by 10.8% and 26.3% respectively from 2004-05 to 2008-09.

Hongkong Post conducts regular reviews on the level of activities carried out by each post office and will take prompt action to adjust the staffing level and opening hours, relocate for lower rentals or downsize in situ whenever possible. Where alternative means of service provision is available and practicable, we will also close down post offices subject to local consultation. During the five-year period from 2004-05 to 2008-09, five post offices were closed down and eight were relocated or downsized in situ.

Apart from the above measures, we have spared no effort in pursuing cost reduction through re-engineering/automation and in opening up new revenue streams. On the former, a pilot eCentre was launched at an industrial building in Cheung Sha Wan whose opening hours running from 1 p.m. to 8 p.m. and self-service kiosks have shown some initial success in diverting the workload originated from internet traders and could eventually help to facilitate downsizing. On the latter, we are vigorously positioning Hongkong Post as the preferred partner of government departments in delivering one-stop agency services<sup>(note 1)</sup>. We are also exploring with several organizations the feasibility of taking over their bill payment functions.

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<sup>(note 1)</sup> The one-stop agency service involving distribution/collection of application forms, vetting/verification of supporting documents and distribution of licenses for the Road Cargo System rendered recently to the Customs and Excise Department is a good example

On underpaid postage, Hongkong Post has already tightened up its internal monitoring system, appraised the verification procedures adopted at retail counters and mail processing centres, and stepped up random checking. As a result, we managed to recover over \$132,000 on surcharges from February to April this year – a threefold increase over the same period in 2009 – and will keep up such efforts. Finally, new posters are displayed at all post offices and uploaded onto our website to remind the general public of their responsibility to pay sufficient postage.

The Chinese translation of our response is at **Annex II** and a soft copy will be ready shortly. Please feel free to contact Mrs Iris Wong on 2921 2238 for further information or assistance.

Yours sincerely



(Y F Chan)

for Postmaster General

cc Secretary for Commerce and Economic Development (fax no. 25376720)  
Secretary for Financial Services and the Treasury (fax no. 2147 5239)  
Director of Audit (fax no. 2583 9063)

**\*Note by Clerk, PAC: Annex II not attached.**

**Breakdown of Post Offices Recording Losses in 2008-09**

<b>Hong Kong</b>		<b>Main Reasons</b>
1	Ap Lei Chau Post Office	(1) & (3)
2	Cloud View Road Post Office	(1) & (3)
3	Cyber Port Post Office	(1) & (3)
4	Happy Valley Post Office	(1) & (3)
5	Heng Fa Chuen Post Office	(1)
6	Hennessy Road Post Office	(2) & (3)
7	Hing Fat Street Post Office	(2) & (3)
8	Hing Man Street Post Office	(1) & (3)
9	Kennedy Town Post Office	(1) & (3)
10	Lei Tung Post Office	(1) & (3)
11	Peak Post Office	(1) & (3)
12	Perkins Road Post Office	(1) & (3)
13	Pok Fu Lam Post Office	(1) & (3)
14	Repulse Bay Post Office	(1) & (3)
15	Sai Ying Pun Post Office	(1)
16	Siu Sai Wan Post Office	(1) & (3)
17	Stanley Post Office	(1)
18	Wah Fu Post Office	(1) &(3)
19	Wyndham Street Post Office	(2) & (3)

- (1) Located in residential districts or remote areas
- (2) High staff costs and/or long operating hours
- (3) High market rentals

	<b>Kowloon</b>	<b>Main Reasons</b>
1	Choi Hung Chuen Post Office	(1) & (3)
2	Chuk Yuen Post Office	(1) & (3)
3	Fu Shan Post Office	(1) & (3)
4	Granville Road Post Office	(2) & (3)
5	Ho Man Tin Post Office	(1) & (3)
6	Hung Hom Bay Post Office	(1)
7	Kowloon Central Post Office	(2)
8	Kwun Tong Post Office	(2)
9	Lai Kok Post Office	(1) & (3)
10	Lam Tin Post Office	(1) & (3)
11	Lei Cheng Uk Post Office	(1) & (3)
12	Lok Fu Post Office	(1) & (3)
13	Lok Wah Post Office	(1) & (3)
14	Mei Foo Sun Chuen Post Office	(1) & (3)
15	Mong Kok Post Office	(2) & (3)
16	Ngau Chi Wan Post Office	(1) & (3)
17	Ngau Tau Kok Post Office	(1) & (3)
18	Oi Man Post Office	(1) & (3)
19	San Po Kong Post Office	(2) & (3)
20	Sau Mau Ping Post Office	(1) & (3)
21	Sham Shui Po Post Office	(2)
22	Shek Kip Mei Post Office	(1) & (3)
23	Shun Lee Post Office	(1) & (3)
24	To Kwa Wan Post Office	(1) & (3)
25	Tsim Sha Tsui Post Office	(2) & (3)
26	Tsz Wan Shan Post Office	(1) & (3)
27	Wong Tai Sin Post Office	(1) & (3)
28	Yau Tong Post Office	(1) & (3)
29	Yau Yat Tsuen Post Office	(1) & (3)

- (1) Located in residential districts or remote areas
- (2) High staff costs and/or long operating hours
- (3) High market rentals

	<b>New Territories</b>	<b>Main Reasons</b>
1	Butterfly Post Office	(1) & (3)
2	Cheung Fat Post Office	(1) & (3)
3	Choi Ming Post Office	(1) & (3)
4	City One Shatin Post Office	(1) & (3)
5	Fairview Park Post Office	(1) & (3)
6	Fanling Post Office	(1)
7	Fu Shin Post Office	(1) & (3)
8	Fu Tai Post Office	(1) & (3)
9	Heng On Post Office	(1) & (3)
10	Hin Keng Post Office	(1) & (3)
11	Kam Tai Post Office	(1) & (3)
12	Kam Tin Post Office	(1)
13	Kwai Chung Post Office	(1) & (3)
14	Kwai Shing Post Office	(1) & (3)
15	Kwong Yuen Post Office	(1) & (3)
16	Lai King Post Office	(1) & (3)
17	Lee On Post Office	(1) & (3)
18	Lei Muk Shue Post Office	(1) & (3)
19	Leung King Post Office	(1) & (3)
20	Ma On Shan Post Office	(1) & (3)
21	Mei Lam Post Office	(1) & (3)
22	On Ting Post Office	(1) & (3)
23	Po Lam Post Office	(1) & (3)
24	Sai Kung Post Office	(1)
25	San Tin Post Office	(1)
26	Sha Kok Post Office	(1) & (3)
27	Shek Wai Kok Post Office	(1) & (3)
28	Sheung Tak Post Office	(1) & (3)
29	Sun Chui Post Office	(1) & (3)
30	Tai Hing Post Office	(1) & (3)
31	Tin Yiu Post Office	(1) & (3)
32	Tin Yuet Post Office	(1) & (3)

- (1) Located in residential districts or remote areas
- (2) High staff costs and/or long operating hours
- (3) High market rentals

<b>New Territories</b>		<b>Main Reasons</b>
33	Tseung Kwan O Post Office	(1) & (3)
34	Tsing Yi Post Office	(1) & (3)
35	Tsuen Wan West Post Office	(1)
36	Wah Ming Post Office	(1) & (3)
37	Wan Tau Tong Post Office	(1) & (3)
38	Wo Che Post Office	(1) & (3)
39	Yeung Uk Road Post Office	(1) & (3)
40	Yuen Long Post Office	(2) & (3)

- (1) Located in residential districts or remote areas
- (2) High staff costs and/or long operating hours
- (3) High market rentals

<b>Outlying Islands</b>		<b>Main Reasons</b>
1	Airport Post Office	(2)
2	Cheung Chau Post Office	(1) & (3)
3	Discovery Bay Post Office	(1) & (3)
4	Lamma Post Office	(1) & (3)
5	Mui Wo Post Office	(1)
6	Peng Chau Post Office	(1)
7	Tai O Post Office	(1)

<b>Others</b>		<b>Main Reasons</b>
1	Mobile post office	(1)
2	Mobile post office	(1)

- (1) Located in residential districts or remote areas
- (2) High staff costs and/or long operating hours
- (3) High market rentals