

For Information

**Legislative Council
Panel on Commerce and Industry**

Proposal to liberalise the express delivery service for letters within the Mainland which is outside the monopoly of the China Post Group

The Hong Kong courier industry has proposed to include under CEPA the express delivery service for letters within the Mainland which is outside the monopoly of the China Post Group. This paper reports on the latest developments.

Views of the Hong Kong Courier Industry

2. The Standing Committee of the National People's Congress passed the Postal Law of the People's Republic of China (the new Postal Law) on 24 April 2009, and announced that it would come into effect from 1 October 2009. The State Post Bureau subsequently published a notice on 30 September 2009, which stipulates that enterprises not meeting the statutory requirements for operating express delivery service would have to meet the relevant requirements for their business, and obtain a permit to operate such service before 30 September 2010.

3. Article 51 of the new Postal Law prohibits foreign companies from investing in and operating express delivery service for letters within the Mainland which is outside the monopoly of the China Post Group. The Hong Kong courier industry has expressed concern over the provision, and has proposed to include this kind of service under the CEPA liberalisation measures.

Discussions between the Government of the Hong Kong Special Administrative Region and the Mainland Authorities

4. Having regard to the views expressed by the trade, the Government of the Hong Kong Special Administrative Region (the Government) has been actively reflecting the trade's concern to the Mainland authorities since mid 2009. Moreover, we have conducted several rounds of discussions with the relevant Mainland authorities to explore various possible options for liberalisation under the CEPA framework.

5. Since the restriction imposed on the express delivery service for letters within the Mainland is stipulated in national law (i.e. the new Postal Law), the Mainland authorities consider that the proposal has to be handled very carefully. The two sides have not reached any consensus.

6. The Mainland authorities nonetheless point out that the restriction stipulated in Article 51 of the new Postal Law is only applicable to express delivery service within the Mainland which is outside the monopoly of China Post Group. Under Article 52 of the new Postal Law, Hong Kong enterprises can apply to invest in and operate other express delivery services, including international express delivery service (i.e. delivery of letters or parcels between customers within the Mainland territory and customers in other countries / regions) and express delivery service within the Mainland other than letters.

7. Since courier companies may have presence in various municipalities in the Mainland, the trade has expressed concern as to whether each of their branches would have to meet the entry requirements in Article 52 of the new Postal Law¹. According to the understanding we got from the Mainland

¹ According to Article 52 of the new Postal Law, entities applying for permit to operate express delivery service has to meet the following requirements:

- i. the enterprise shall be a legal person;
- ii. for operation within a province, autonomous region or municipality, the registered capital shall not be lower than RMB 500,000; for operation between provinces, autonomous regions and municipalities, the registered capital shall not be lower than RMB 1,000,000; for operation of international express delivery service, the registered capital shall not be lower than RMB 2,000,000;
- iii. the applicant shall possess the capability to provide service for the area where it applies to operate;
- iv. the applicant shall put in place stringent service quality control system and comprehensive operating regulations;
- v. the applicant shall put in place comprehensive safety system and measures; and
- vi. the applicant has to comply with other conditions stipulated in the law and administrative rules.

authorities, if enterprises set up branches without legal personality to operate express delivery service, the branches would not be required to meet the capital requirement under the provision. However, the branches will have to report to the postal regulating authority in their respective province, autonomous region or municipality in accordance with Article 15 of the “Administrative Regulations for Express Delivery Service Operation Permit”.

8. The Government has informed the representatives of the Hong Kong courier industry of the latest developments as mentioned above, including the positions stated in paragraph 6 and 7 above.

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