

立法會
Legislative Council

LC Paper No. CB(4)167/13-14
(These minutes have been seen
by the Administration)

Ref : CB4/SS/1/13

Subcommittee on Post Office (Amendment) Regulation 2013

Minutes of the first meeting
held on Friday, 25 October 2013, at 4:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon Andrew LEUNG Kwan-yuen, GBS, JP (Chairman)
Hon WONG Ting-kwong, SBS, JP
Hon Alan LEONG Kah-Kit, SC
Hon KWOK Wai-keung
Hon TANG Ka-piu

Member absent : Hon SIN Chung-kai, SBS, JP

Public officers attending : Agenda item II

Mrs Jessie TING YIP Yin-mei, JP
Postmaster General

Miss Amy NG Mei-har
Assistant Postmaster General
(Corporate Development)

Miss Kathy CHAN Nap-sze
Principal Assistant Secretary for Commerce &
Economic Development
(Commerce & Industry)

Miss Queenie WU Chung-yi
Government Counsel
Department of Justice

Clerk in attendance : Ms YUE Tin-po
Chief Council Secretary (4)3

Staff in attendance : Miss Evelyn LEE
Assistant Legal Adviser 10

Mr Joey LO
Senior Council Secretary (4)3

Action

I. Election of Chairman

Mr Andrew LEUNG Kwan-yuen was elected Chairman of the Subcommittee.

II. Meeting with the Administration
(L.N. 147 of 2013)

-- Post Office (Amendment) Regulation 2013 (L.N. 147 of 2013)

Ref: CITBCR 5/4-60/1C

-- Legislative Council Brief on revision of postage rates and miscellaneous postal fees and charges issued by the Commerce and Economic Development Bureau on 11 July 2013

LC Paper No. LS3/13-14

-- Legal Service Division Report

LC Paper No. CB(4)79/13-14(01)

-- Background brief prepared by the Legislative Council Secretariat)

2. The Subcommittee deliberated (Index of proceedings attached at **Appendix**).

- Admin 3. The Administration was requested to provide a written response on the estimated timeframe for bringing the uncompensated time-off in lieu ("TOIL") balance in Hongkong Post within the service-wide accumulation ceiling.

(Post-meeting note: The information provided by the Administration was circulated to members vide LC Paper No. CB(4)139/13-14(02) on 12 November 2013.)

Legislative timetable

4. The Subcommittee completed its scrutiny work. Members generally supported the subsidiary legislation. Members noted that the Chairman would move a motion to extend the scrutiny period of the subsidiary legislation to 27 November 2013 at the Council meeting of 30 October 2013. The Subcommittee would provide a written report to the House Committee at its meeting on 15 November 2013. Members also noted that the deadline for giving notice of motion to amend the subsidiary at the Council meeting on 27 November 2013 was 20 November 2013.

III. Any other business

5. There being no other business, the meeting ended at 5:24 pm.

Council Business Division 4
Legislative Council Secretariat
21 November 2013

**Proceedings of the first meeting of
Subcommittee on Post Office (Amendment) Regulation 2013
on Friday, 25 October 2013, at 4:30 pm
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker	Subject(s)	Action required
000101 – 000200	Mr Andrew LEUNG Kwan-yuen Mr WONG Ting-kwong Mr Alan LEONG Kah-Kit	Election of Chairman	
000201 – 000330	Chairman	Opening remarks by the Chairman	
000331 – 000501	Chairman Administration	Briefing by the Administration	
000502 – 001125	Chairman Mr TANG Ka-piu Administration	<p>Noting the rising trend of postages and postal charges, Mr TANG Ka-piu enquired if the Administration had plans to regularly adjust postal fees and postage rates in future in line with cumulative inflation.</p> <p>The Administration advised that the Hongkong Post ("HKP") was operated under the Post Office Trading Fund ("POTF") on a self-financing basis. Due to unabated escalation of operating costs, the financial performance of the POTF had been deteriorating since 2007-2008 and it had started to incur an operating loss of \$50 million in 2011-2012. The reserve of the POTF would not be able to cover its operating deficit in the long term. The reserve of the POTF, which currently stood at about \$1.8 billion would be completely depleted after 2015-2016 if the Administration did not make timely adjustments to the principal postage rates and some of the postal fees under the Post Office Regulations (Cap. 98A). Nevertheless, the Administration would continue its efforts in controlling costs, enhancing productivity and exploring new sources of revenue. The Administration would also review postage rates and postal fees from time to time, taking into account other relevant factors such as the POTF's financial position, the prevailing economic conditions, the business environment and public affordability. It had no concrete timetable on future revisions of postage rates and postal fees.</p>	

Time marker	Speaker	Subject(s)	Action required
001126 – 002600	Chairman Mr WONG Ting-kwong Administration	<p>Mr WONG Ting-kwong expressed understanding on the fees revision, noting that there had been no adjustment to the various fees for over a decade. He enquired about the Administration's strategy to reduce costs, enhance productivity and explore new sources of revenue for the POTF in the face of keen competition.</p> <p>The Administration advised that the POTF had been active in tapping new sources of revenue. Riding on the trend of online-shopping, the POTF launched in April 2013 a new local mail service called "Smart Post" which provided customers with an economical local mail delivery solution with basic track-and-trace functions for mail items, along with a choice of mail delivery or counter collection to suit their preferences. The service was popular with online merchants. Moreover, an e-Express Service was launched between Hong Kong and the United States in April 2011. The service offered user-friendly features such as online mail tracking and delivery confirmation. Given the popularity of the service, the POTF was liaising with other postal administrations with a view to extending the service to other postal destinations.</p> <p>Noting that direct mail was a very effective marketing tool that significantly complemented other communication media, the POTF had recently launched a new multi-media direct marketing online platform which allowed its customers to plan, create and launch direct marketing campaigns. This platform would facilitate businesses, especially small and medium enterprises ("SMEs"), in reaching out to their target customers with ease and at an affordable price. The POTF was also collaborating with China Post on the cross-boundary Direct Mail Service that would enable local SMEs to promote their brands and enhance brand recognition in the Mainland market.</p> <p>Apart from exploring new technologies in stamp printing and innovative stamp designs to promote philately, especially among the younger generation, the POTF also launched the personalised "Make My Card" service in March 2012, which converted electronic messages prepared by customers into personalised cards for delivery.</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>In controlling costs and enhancing operational efficiency, the POTF had implemented a number of productivity improvement measures, including the launching of the Mechanised Letter Sorting System in June 2009, and a number of capital investment projects, such as the amalgamation of the International Mail Centre and the General Post Office Sorting Office into the new Central Mail Centre, and the setting up of the Integrated Postal Services System for automating counter operations and streamlining back end support functions. The productivity of the POTF had increased by 14.6% over the past ten years.</p>	
002601 – 003300	<p>Chairman Mr KWOK Wai-keung Mr TANG Ka-piu Administration</p>	<p>Noting that total mail traffic volume had maintained at around 1.3 billion mail items in recent years whilst the manpower establishment of the POTF had reduced from around 7 400 in 2008-2009 to around 7 000 to date, Mr KWOK Wai-keung expressed concern that the POTF might have reduced its manpower unreasonably, resulting in the huge overtime balance held by the remaining staff. Sharing a similar view, Mr TANG Ka-piu hoped that the POTF's cost control would not be at the expense of the workload of its staff.</p> <p>The Administration advised that the reduction in manpower whilst maintaining service quality was made possible by the implementation of productivity improvement measures such as the above-mentioned Mechanised Letter Sorting System. The system, which could sort letters addressed in English, would be further enhanced to sort letters addressed in Chinese.</p> <p>Discussion on the estimated timeframe required for bringing the uncompensated TOIL balance in Hongkong Post within the service-wide accumulation ceiling.</p>	<p>The Administration to follow up as stated in paragraph 3 of the minutes.</p>
003301 – 003800	<p>Chairman Mr KWOK Wai-keung Administration</p>	<p>Mr KWOK Wai-keung enquired if the proposed fees revision in the Post Office (Amendment) Regulation 2013 ("Amendment Regulation") would mean an operating break-even for the POTF in 2013-2014, and whether the POTF staff would enjoy similar levels of pay rises compared to the proposed fees revision rates to recover the cumulative inflation.</p>	

Time marker	Speaker	Subject(s)	Action required
		<p>The Administration advised that even with the proposed increases in the principal postage rates and miscellaneous postal fees under Cap. 98A in 2013-2014, the POTF would only be able to broadly recover the cumulative inflation since the respective last adjustments, and would still suffer from an operating loss. Whilst operating as a trading fund, ("HKP") remained a Government department and the annual pay adjustments for civil servants in the Department was subject to the pay adjustment mechanism for the civil service and the civil service and the non-civil service contract staff.</p> <p>Discussion on the trading fund operation mode of the POTF.</p>	
003801 – 004830	Chairman Mr Alan LEONG Kah-Kit Administration	<p>In response to Mr Alan LEONG Kah-Kit's enquiry about the projected deteriorating financial performance of the POTF, the Administration advised that the major cost components pertinent to the operation of the POTF, namely, staff costs, air conveyance costs and terminal dues payments, had increased notably. With the expected continued increase in these costs in the coming five years, the POTF's financial performance would rapidly deteriorate if timely adjustments were not made to the principal postage rates and some of the postal fees under Cap. 98A, resulting in a complete depletion of the reserve after 2015-2016. Increasing principal postage rates with effect from 1 October 2013 and increasing miscellaneous postal fees under Cap. 98A with effect from 1 December 2013 would bring about additional recurrent operating revenue of around \$340 million in a full year. Nevertheless, the one-off increase in the principal postage rates and postal fees in 2013-2014 would not be sufficient to ensure the longer term financial sustainability of the POTF. It was expected that the POTF would continue to incur an operating loss, but the balance of the reserve would be maintained at a better level.</p>	
004831 – 005336	Chairman Administration	Scrutiny of the Amendment Regulation	
005337 – 005343	Chairman Administration	<p>Invitation of views</p> <p>Members agreed that it was unnecessary to invite public views on the Amendment Regulation.</p>	

Time marker	Speaker	Subject(s)	Action required
005344 – 005445	Chairman Administration	Legislative timetable and extension of the scrutiny period.	

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