

LEGISLATIVE COUNCIL BRIEF

Post Office Ordinance
(Chapter 98)

POST OFFICE (AMENDMENT) REGULATION 1999

INTRODUCTION

At the meeting of the Executive Council on 8 June 1999, the Council ADVISED and the Chief Executive ORDERED that the Post Office (Amendment) Regulation 1999, at the Annex, should be made under section 3 of the Post Office Ordinance.

BACKGROUND AND ARGUMENT

General Background

2. Section 3 of the Post Office Ordinance empowers the Chief Executive in Council to make regulations to provide, amongst others, for matters relating to money orders and the prescribing of fees in connection with the maintenance of a postal service.

Non-local Money Orders

3. Since August 1995, the HKPO has operated as a trading fund. It is more customer-oriented and operates more commercially to sustain the viability of its business and to secure resources for future investments. To this end, the HKPO is more forward-looking in exploring business opportunities in postal and related services, such as remittance services.

4. In the past, the HKPO used to operate remittance services on a bilateral basis with 13 overseas postal administrations ⁽¹⁾ which do not include the

Note ⁽¹⁾ Postal administrations of Bangladesh, Canada, India, Indonesia, Malaysia, Pakistan, Philippines, Singapore, South Africa, Sri Lanka, Taiwan, Thailand and the United Kingdom.

China Post (CP). Due to keen competition from banks, the remittance services ceased in 1994.

5. Since the handover in July 1997, the HKPO has fostered a closer relationship with the CP. In the past year, the two postal administrations consider that there are business opportunities in developing a reciprocal remittance service between Hong Kong Special Administrative Region (HKSAR) and the Mainland. At the same time, the HKPO has also explored the possibility of re-introducing the reciprocal remittance service with the Philippine Post (PP), given the large number of domestic helpers in Hong Kong. In this connections, the HKPO started bilateral negotiations with the CP and PP, with a view to introducing remittance services to meet the needs of the community. The negotiations with the CP are now completed and those with the PP are near completion. The plan is to commence the services in November 1999. Memoranda of Understanding on the provision of the services are ready for signature by the HKPO and its partner postal administrations.

6. The HKPO believes that the remittance services provided by it with the CP and PP will be competitive, as they will have a wide service network. There are over 50 000 and over 1 800 post offices throughout the Mainland and the Philippines respectively and their reach includes remote rural areas without a bank. Moreover, the remittance services will be provided by existing staff without incurring additional costs. The HKPO therefore considers it financially viable to provide the remittance services.

Maximum Amount of a Non-local Money Order

7. It is a common practice to specify the maximum amount of a non-local money order⁽²⁾ in the currency of the United States of America (US) for reciprocal remittance services. At the request of the CP, the HKPO agrees that the maximum amount of each money order should be set at US\$1,000. The ceiling for a non-local money order requested by the PP is US\$5,000. The settlement of accounts between the HKPO and the CP and PP will be conducted in US currency only.

Note ⁽²⁾ “Non-local money order” in this submission refers to a money order –
(a) issued in Hong Kong for payment in a place outside Hong Kong; or
(b) issued in a place outside Hong Kong for payment in Hong Kong; or
(c) both (a) and (b) above.

8. The Hong Kong Monetary Authority (HKMA) has no objection to the proposed remittance services, as there is free flow of capital into and out of Hong Kong.

9. Regulation 19(3) of the Post Office Regulations currently provides that the maximum amount for which a non-local money order may be issued or paid in Hong Kong is HK\$1,000. The ceiling was set in 1962. We propose to raise the ceiling for each non-local money order from HK\$1,000 to US\$5,000 or its equivalent, being the higher of the two ceilings set out in paragraph 7 above. It would then be left to the Postmaster General (PMG) to specify the maximum amount of non-local money orders applicable to a particular place outside Hong Kong and make such information available at all the post offices. The proposed ceiling would enable the HKPO to introduce remittance services with the postal administrations of the Mainland and the Philippines, but also with postal administrations in future within the ceiling set.

Power to Fix the Rates of Exchange for Payment of Non-local Money Orders

10. At present, the PMG is empowered under Regulation 19(2) of the Post Office Regulations to fix from time to time the rates of exchange for the issue of non-local money orders for payment in a place outside Hong Kong. The Regulation, however, does not provide him with the power to fix the rates of exchange for the payment of non-local money orders issued in places outside Hong Kong. To rectify this anomaly, we propose that the power for the PMG to fix the rates of exchange should be extended to cover the payment of non-local money orders issued in places outside Hong Kong. In practice, the PMG will adopt the published rates of exchange issued by the Hong Kong Association of Banks for both the issue and payment of non-local money orders. The rates will be published and made available at all the post offices.

11. The HKPO has consulted HKMA on the management of foreign exchange risk. The HKMA advises that it is unlikely that the HKPO will be exposed to significant risk given the very stable US dollar/HK dollar exchange rate under the Linked Exchange Rate System. Moreover, the HKPO will take measures in consultation with HKMA to guard against any significant fluctuations in the exchange rates between HK dollar and US dollar (or, wherever appropriate, any other currency) during the course of the provision of the money remittance service. Such measures include:-

- (a) The HKPO will buy US dollars to hedge against any fluctuations in exchange rates.
- (b) In abnormal circumstances, either side of the two postal administrations can terminate the service provisionally and inform the other side five days in advance.
- (c) The HKPO will stop accepting applications from customers for remittance service during such period when service is terminated.
- (d) Both administrations will settle the accounts immediately after the provisional termination of service. Moreover, the HKPO will reserve the right to pay either US dollar or HK dollar to payees during the five days or thereafter, depending on the prevailing market rates.

The measures set out in (b) to (d) above are provided for in the Memorandum of Understanding between the two parties.

Commission and Fees for Handling Non-local Money Orders

12. Currently, a commission or a fee of HK\$21 is charged under Regulation 19 of the Post Office Regulations for the non-local money order services set out in (a) to (f) below. The fee levels for the various services were set in 1993. We propose that they should be revised as follows -

Categories of non-local money order service	Proposed Commission or Fee level (per money order)
(a) Issue of a money order	HK\$40 + 0.5% of the amount remitted
(b) Issue of an advice of payment of a money order	HK\$11
(c) Provision of information on payment of a money order	free
(d) Stopping of the payment of a money order	HK\$40

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| (e) | Issue of a duplicate of a money order | HK\$40 |
| (f) | Refund of a void money order | HK\$40 |

13. Except for items (b) and (c) in paragraph 12 above, the above commission or fee levels are proposed having regard to the market rates charged by banks for similar services, the commission payable to the CP and PP (i.e. 0.5% of the amount remitted) and the costs relating to the provision of the services. For remittance to the Mainland, the proposed commission (being the sum of \$40 and 0.5% of the amount remitted) is comparable to those charged by banks for their account holders for the maximum remittance amount and would be lower if the remittance amount is below the ceiling. For the issue of a non-local money order to the Philippines, the proposed commission for remittance up to US\$3,000 would compare favourably with those charged by a number of banks.

14. As regards the issue of an advice of payment of a non-local money order under item (b) in paragraph 12 above, we propose to reduce the fee level from HK\$21 to HK\$11 to bring it in line with the fee level for “double registration” postal items. As regards the provision of information on payment of a non-local money order under item (c) in paragraph 12 above, we propose that the service should be free of charge. These proposals would be in line with the current arrangement for similar services, the latter including the provision of information in respect of Speedpost, parcels, insured and registered items.

Definition of Void Non-local Money Orders

15. As promulgated in the Postal Financial Services Manual of the Universal Postal Union, the validity of non-local money orders should extend to the end of the third month following the month of issue and that the validity period should be observed by the two postal administrations concerned.

16. Currently, under Regulation 19(4) of the Post Office Regulations, “a money order issued in Hong Kong for payment in a place outside Hong Kong that has been remaining unpaid for one year after the date of issue shall be treated as void”. However, the Regulation does not provide for a money order issued in a place outside Hong Kong for payment in Hong Kong to be treated as void even if it was not presented to the HKPO for payment after a considerable period of time after the date of issue and the concerned money order has been treated as void by the issuing postal administration. To rectify this anomaly, we propose to amend Regulation 19(4) to cover when non-local money orders requiring payment in Hong Kong shall be treated as void and to change the validity period of non-local money orders issued in Hong Kong and those

requiring payment in Hong Kong from one year to the end of the third month following the month of issue to bring it in line with the international practice mentioned in paragraph 15 above. The proposals would enable the HKPO to guard against belated claims from recipients of non-local money orders, which are treated as void by its partner postal administrations.

Local Money Orders

17. Regulation 19(1) of the Post Office Regulation provides, inter alia, that “local money order, not exceeding \$1,000 Hong Kong currency, will be issued payable in Hong Kong”. The HKPO introduced the local money order service in 1973 when it was difficult to open current accounts in banks and the use of personal cheques was less common. With the rapid development of personal banking services in Hong Kong, the demand for the local money order service no longer exists. The service therefore ceased in 1994. The PMG does not foresee any need to re-introduce such service in the future. We propose to repeal the provisions under Regulation 19 concerning local money orders so as to bring the Post Office Regulations in line with the HKPO’s intention of terminating the service permanently.

18. As at 3 May 1999, there are 487 outstanding local money orders issued by the HKPO in the past involving a sum of HK\$12,600. Legal advice has confirmed that the provisions under Regulation 19 concerning local money orders are not required to settle the outstanding local money orders if no fees are to be collected for their repayment. Therefore, rather than leaving the provisions concerning local money order on the statute book, thereby imposing an obligation on the HKPO to issue local money order if approached, we would rather give up the fee to be levied on repayment of the outstanding local money orders.

Handling Fee for Freepost Item

19. In 1997, as part of its strategies to meet the needs of the business community for a quick and cost-effective postal service to support their marketing activities, the HKPO introduced the Freepost service on a trial basis. Under this service, customers may apply for a Freepost number which they may publicise in business promotion. Respondents to such promotion can easily reply by just writing the names of the Freepost holders and the respective Freepost numbers on any envelopes or cards, without having to pay any postage. For each Freepost envelope or card, the current charge payable by a Freepost holder is the aggregate of a surcharge of HK\$0.6 and the postage. This is slightly higher than the current surcharge for Business Reply service at HK\$0.5 for each

article delivered since the Freepost service is more convenient. Currently, the surcharge is being collected by the HKPO on an administrative basis for service rendered.

20. The increased take up rate for the Freepost service reflects the demand for the service to be made permanent. We propose to prescribe the current surcharge in the Post Office Regulations.

THE AMENDMENT REGULATION

21. The main provisions of the Amendment Regulation are as follows –

- (a) **Section 2(a), (f) and (g)(iv)** deletes obsolete provisions under Regulation 19 concerning local money orders.
- (b) **Section 2(b)(ii)(A)** provides the PMG with the discretion to issue a money order in any currency as he thinks fits.
- (c) **Section 2(b)(iii)** empowers the PMG to fix the rates of exchange for the payment of non-local money orders to have the discretion to pay non-local money orders in HK dollars or other currencies.
- (d) **Section 2(c)** increases the maximum amount of a non-local money order from HK\$1,000 to US\$5,000 or its equivalent.
- (e) **Section 2(d)** provides that a money order issued or to be paid in Hong Kong remaining unpaid after the last day of the third month following the month of issue shall be void.
- (f) **Section 2(b)(ii)(B), (e) and (g)(i)** revises the commission and fees payable for the use of the non-local money order services.
- (g) **Section 2(f)** cancels the fee for the provision of information on payment of a money order.
- (h) **Section 3** prescribes the surcharge payable for the use of the Freepost service and provides for other matters relating thereto.

PUBLIC CONSULTATION

22. The Hong Kong Association of Banks has been consulted and has no objection to the proposal concerning the provision of reciprocal remittance service by HKPO.

HUMAN RIGHTS IMPLICATIONS

23. The Department of Justice advises that the Amendment Regulation has no human rights implications.

BINDING EFFECTS OF THE LEGISLATION

24. The Amendment Regulation does not affect the current binding effect of the Post Office Ordinance and Regulations.

FINANCIAL AND STAFFING IMPLICATIONS

25. The proposed remittance services for the Mainland and the Philippines are expected to be able to generate an additional revenue of HK\$2.3 million for a full year.

26. The prescription of the surcharge for the Freepost service has no financial implications as it is an existing service.

ECONOMIC IMPLICATIONS

27. The proposed introduction/re-introduction of non-local remittance service by the HKPO should not have any significant economic implications as there is free flow of capital into and out of Hong Kong and currently remittance is already carried out through other channels. Some re-distribution of remittance business, particularly at the lower end, is expected.

LEGISLATIVE TIMETABLE

28. The legislative timetable is as follows –

Publication in the Gazette	9 July 1999
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Tabling at the Legislative Council	14 July 1999
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COMMENCEMENT

29. We plan to bring the Amendment Regulation into operation in November 1999.

PUBLICITY

30. A press release will be issued on 9 July 1999. A spokesman will be available to handle media enquiries.

ENQUIRY

31. Any enquiry on this brief should be directed to Miss Dora FU, Principal Assistant Secretary for Economic Services on telephone no. 2810 2507 or by fax 2868 4679.

Economic Services Bureau
9 July 1999

POST OFFICE (AMENDMENT) REGULATION 1999

(Made by the Chief Executive in Council under section 3 of the Post Office Ordinance (Cap. 98))

1. Commencement

This Regulation shall come into operation on a day to be appointed by the Secretary for Economic Services by notice in the Gazette.

2. Regulation amended

Regulation 19 of the Post Office Regulations (Cap. 98 sub. leg.) is amended -

- (a) by repealing subregulation (1);
- (b) in subregulation (2) -
 - (i) by renumbering it as subregulation (2) (a);
 - (ii) in paragraph (a) -
 - (A) by repealing "will be issued at rates of exchange fixed from time to time by the Postmaster General" and substituting "may be issued by the Postmaster General and such money orders, if issued, will be issued at rates of exchange fixed by the Postmaster General from time to time and in any currency as he thinks fit";

- (B) by repealing "\$21" and substituting "\$40 plus one half per cent of the amount remitted";
- (iii) by adding -
 - "(b) Money orders issued in a place outside Hong Kong for payment in Hong Kong will be paid at rates of exchange fixed by the Postmaster General from time to time and in any currency as he thinks fit.";
- (c) by repealing subregulation (3) and substituting -
 - "(3) The maximum amount for which -
 - (a) a money order for payment in a place outside Hong Kong may be issued in Hong Kong; or
 - (b) a money order issued in a place outside Hong Kong may be paid in Hong Kong,shall be the amount determined by the Postmaster General which shall not exceed \$5,000, currency of the United States of America, or the equivalent of such sum.";
- (d) in subregulation (4), by repealing "for payment in a place outside Hong Kong that has been remaining unpaid for 1 year after the date" and substituting "issued in Hong Kong for payment in a place outside Hong Kong or issued in a place outside Hong Kong for payment in Hong Kong that has been remaining unpaid after the last day of the 3rd month following the month";

- (e) in subregulation (5), by repealing "\$21" and substituting "\$11";
- (f) by repealing subregulations (6) and (7);
- (g) in subregulation (8) -
 - (i) by repealing "\$21" and substituting "\$40";
 - (ii) in paragraph (a), by adding "issued in Hong Kong for payment in a place outside Hong Kong" after "money order";
 - (iii) in paragraph (b), by repealing the semi-colon and substituting "issued in Hong Kong for payment in a place outside Hong Kong; or";
 - (iv) by repealing paragraph (c).

3. Regulation added

The following is added -

"23A. (1) The Postmaster General may provide the Freepost service mentioned in this regulation. The Freepost service enables a person to obtain transmission through the local post, without prepayment of postage, of envelopes and cards sent to him.

- (2) A person desiring the facilities afforded by the Freepost service must -
 - (a) first obtain a written approval from the Postmaster General which specifies a Freepost number and a Freepost format; and
 - (b) observe the terms and conditions specified in such written approval.

(3) Freepost envelopes and cards must conform to the Freepost format and the terms and conditions specified in the

written approval referred to in subregulation (2).

(4) The postage due on such envelopes and cards transmitted to a person approved to use the Freepost service will be calculated at prepaid rates applicable to such envelopes and cards and will be collected from him on or after delivery, together with a surcharge of 60 cents for each envelope or card delivered.

(5) Freepost envelopes and cards cannot be sent by registered post or recorded delivery or be insured or marked for express delivery.

(6) Without prejudice to any other penalties prescribed in the Ordinance, a written approval referred to in subregulation (2) will be liable to cancellation in the event of default in payment of postage or surcharge due on Freepost envelopes and cards transmitted."

Clerk to the Executive Council

COUNCIL CHAMBER

5 July 1999

Explanatory Note

This Regulation amends the Post Office Regulations (Cap. 98 sub.

leg.) to -

- (a) repeal the provisions concerning local money orders (section 2(a), (f) and g(iv));
- (b) provide that the Postmaster General may issue money orders for payment in a place outside Hong Kong and empower him to issue and pay money orders at rates of exchange fixed by him from time to time and in any currency as he thinks fit (section 2(b) (ii) and (iii));
- (c) increase the maximum amount of a money order issued or to be paid in a place outside Hong Kong from HK\$1,000 to US\$5,000 or the equivalent of such sum (section 2(c));
- (d) provide that a money order issued or to be paid in a place outside Hong Kong remaining unpaid after the last day of the 3rd month following the month of issue shall be void (section 2(d));
- (e) revise fee levels for the following money order services from \$21 to the new levels as follows -

	<u>Money Order Service</u>	<u>New Fee Level</u>
(i)	issue of money orders for payment in a place outside Hong Kong (section 2(b) (ii))	\$40 plus one half per cent of the remitted amount
(ii)	advice of payment (section 2(e))	\$11
(iii)	stop payment of a money order for payment in a place outside Hong Kong (section 2(g) (i))	\$40

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| (iv) | issue of duplicate of a money order for payment in a place outside Hong Kong (section 2(g) (i)) | \$40 |
| (v) | refund of a void money order for payment in a place outside Hong Kong (section 2(g) (i)); | \$40 |
- (f) cancel the fee for request for information on the payment of a money order (section 2 (f)); and
- (g) add a new regulation 23A (section 3) relating to the Freepost service. The Freepost service enables a person to obtain transmission through the local post without prepayment of postage subject to a charge for such service.