

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 46 - GENERAL EXPENSES OF THE CIVIL SERVICE Subhead 082 Recoverable salaries and allowances (Post Office Trading Fund)

Members are invited to recommend to Finance Committee the creation of the following permanent post in the Hong Kong Post Office -

1 Chief Controller of Posts
(D1) (\$98,250 - \$104,250)

offset by the deletion of the following permanent post -

1 Senior Controller of Posts
(MPS 45 - 49) (\$76,485 - \$88,115)

PROBLEM

The supernumerary Chief Controller of Posts (CCP) (D1) post in the Hong Kong Post Office (HKPO) created to head the External Affairs Division will lapse on 31 July 2000. HKPO continues to require a dedicated directorate officer to handle its external affairs.

PROPOSAL

2. The Postmaster General (PMG) proposes to create one permanent post of CCP (D1) to oversee liaison with the Mainland and international postal authorities and be responsible for developing and promoting the international letter and parcel services. The proposed creation will be offset by the deletion of a Senior Controller of Posts (SCP) post.

/JUSTIFICATION

JUSTIFICATION***Need for a permanent CCP post***

3. A supernumerary CCP post designated as Chief Controller of Posts (External Affairs) (CCP(EA)) was created in February 1998 to undertake the planning and follow-up work for the Universal Postal Union (UPU) Congress held in Beijing in 1999. The CCP(EA) was also required -

- (a) to act as contact point with the Mainland postal authorities to devise strategies and policies for matters relating to service development between Hong Kong and the Mainland;
- (b) to represent Hong Kong Special Administrative Region in the UPU monitoring group to discuss strategies regarding International Express Mail, and in other international postal conferences and projects;
- (c) to co-ordinate all matters relating to the implementation of UPU Congress decisions and resolutions and review subjects for further improvement;
- (d) to review, recommend and oversee the implementation of necessary adjustments to all postal treaties and conventions; and
- (e) to conduct studies on terminal dues and devise policies on necessary charges.

4. The work on the UPU Congress in Beijing has mostly been accomplished following its conclusion last year. The necessary follow-up will be completed with the implementation of the Congress resolutions in January 2001. However, the other areas of the CCP(EA)'s responsibilities have assumed increasing importance and additional work has also been generated owing to rapid developments in the international postal scene. We have reviewed the situation and concluded that the CCP(EA) post is required on a permanent basis. The current duties of the post are explained below.

(a) To liaise with the Mainland Postal Authorities

5. Following Hong Kong's reunification with the Mainland in 1997, HKPO participates in international events either as a member of the delegation of the People's Republic of China, or on its own as a postal administration (in events not limited to state participation). HKPO has to liaise frequently with the

/Mainland

Mainland postal authorities prior to attending international conferences and meetings to discuss strategies and policies, and to ensure that Hong Kong's position can be advanced. Frequent discussions with the Mainland postal authorities at state, provincial and city levels are also necessary to agree on the operational arrangements for new or improved services. We see a continuing need to maintain the close contacts and liaison work.

(b) To promote and market international letter and parcel services

6. International letter and parcel business represents about 29% of HKPO's total revenue in 1998-99. In recent years, HKPO has been facing increasing competition in its international postal business from private operators, foreign postal administrations as well as developments in electronic communications and telecommunications. In particular, some major postal administrations are now actively competing outside their borders and setting up offices in other countries or areas including Hong Kong, to capture more postal traffic.

7. Currently, responsibilities for international postal services are split between the Senior Controller of Post in the Postal Services Branch [SCP(PS)] and the Chief Controller of Posts (Postal Marketing) [CCP(PM)] in the Business Development Branch. The former is responsible for the delivery arrangement of international mail, whereas the latter the marketing aspects.

8. Given the intense competition on the international mail front, the current staffing arrangement is inadequate for two reasons. On the delivery side, the SCP(PS) has the responsibility of ensuring the timely delivery of all international mail (notably the Express Mail) through the negotiation and monitoring of service standards agreements. He has to deal with senior mail administrators in other postal administrations, and the experience so far has indicated that the liaison work would be better handled at a more senior level i.e. a Chief Controller of Post. On the promotion side, the CCP(PM) is preoccupied with promoting the local postal services, including local courier post, retail marketing, and a number of new services introduced in recent years, such as e-Post, agency service and logistics service. The expanding scope of the local postal services has demanded most of the attention of the CCP(PM), and hence the needs on the international postal front could not be properly addressed.

9. It is considered necessary to provide a common interface for liaison with overseas postal administrations for both delivery and marketing of international mail. The CCP(EA), given his international network of contacts

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developed through the UPU, would be in the best position to liaise with the overseas postal administrations and to formulate strategies to develop, promote and market international letter and parcel services.

(c) To develop strategic alliances

10. Operating in an increasingly competitive environment, HKPO has recently adopted a proactive strategy to deal with postal partners that persistently fail to perform satisfactorily. HKPO not only needs to ensure service standards of other postal administrations through negotiating service standards agreements, it also needs to negotiate partnerships and explore alternative delivery arrangements with other postal administrations in order to seek improvements in the international delivery network and upgrade the quality of services. For example, HKPO negotiated strategic alliances with postal administrations of the United Kingdom and Japan in 1999 to accelerate delivery of the Express Mail Service (EMS) items to these destinations. The CCP(EA) with his interface with other postal administrations at international fora is in the best position to develop strategic alliances with overseas postal administrations and partners with a view to promoting growth in international mail business.

(d) To represent HKPO at international postal conferences and meetings

11. In view of Hong Kong's leading position in the international EMS market in terms of both volume and quality of service, during the 1999 UPU Congress, the existing CCP(EA) was elected as one of the seven ad personam members of the UPU EMS Co-operative Board which is responsible for co-ordinating the business activities and advocating service improvements for over 100 postal administrations operating the EMS. HKPO is also a member of the Asian Pacific Post Co-operative Interim Board, which is responsible for co-ordinating among postal enterprises in the Asia-Pacific region to promote competitive services to gain market share in the region. Joining these two Co-operative Boards not only enhanced the image and status of HKPO, it also provides opportunities for HKPO to encourage its counterparts to jointly improve standards of service which would eventually lead to growth in market share. HKPO also participates in a number of other UPU Postal Operations Council bodies in the areas of postal security, development and promotion of the parcel market, quality of postal services and development and promotion of direct mail, either as an independent member or as part of the delegation of the People's Republic of China.

12. Meetings of UPU bodies are normally attended by senior officials of postal administrations. Since the officer representing HKPO at these meetings

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must monitor and influence development on important issues in the interest of Hong Kong, it is imperative that he should be sufficiently senior to be able to command attention and respect from the representatives of other postal administrations. Hence it is considered that the minimum level of representation should be at the CCP rank.

(e) To oversee terminal dues issues

13. At the 1999 UPU Congress, a revised terminal dues system which might have a significant impact on HKPO's cost of delivering international mail was adopted. The details of the terminal dues system will be worked out by 2004 in the Terminal Dues Action Group of the UPU Postal Operations Council of which HKPO is a member. The CCP(EA), being the subject officer of terminal dues, will exert influence at the meetings to safeguard the interest of HKPO and the Hong Kong community as a whole.

Proposed creation of a permanent CCP post

Encl. 1 14. PMG has critically reviewed the organisation structure of HKPO and the total workload of the directorate of his department. He has concluded that due to increasing international competition in postal services and the need to safeguard the interest of HKPO amidst rapid international developments, there will be on-going requirement for a dedicated officer to take up the duties set out in paragraphs 5 to 13 above. (Job description at Enclosure 1.) The incumbent will formulate integrated delivery and marketing policies/strategies to enable HKPO to respond promptly to changing market and customer requirements. Otherwise, HKPO will lose its market share in international mail. These duties require a high level of knowledge, experience and insight in postal service as well as decision-making ability. PMG proposed that a permanent CCP post be created with effect from 1 August 2000 when the present supernumerary CCP post lapses.

15. Upon creation of a permanent post for the CCP(EA), there will be some re-arrangement of work -

- (a) the responsibility of monitoring delivery service performance of overseas postal administrations and contractors would be transferred from the SCP in Postal Services Branch to the CCP(EA). The SCP post would then be deleted.
- (b) the responsibilities in marketing international service would be transferred from a CCP in the Business Development Branch to the CCP(EA). This will enable the CCP in Business Development

/Branch

Branch to devote more time to the development of new postal products and services to meet the changing needs of the local market. He would also take charge of the Customer Service and Sales Division, currently under a Senior Manager employed on non-civil service contract terms. This would integrate the sales and marketing functions for more effective development of new postal business in the local market.

Encls. 2&3 The existing and proposed organisation charts of HKPO are at Enclosures 2 and 3 respectively.

Alternatives considered

16. We have examined the feasibility of extending the existing supernumerary CCP post for another period of time. We do not recommend this option as it would not be able to address the long-term requirements described above. We have also considered having the Deputy Postmaster General (DPMG) and/or Assistant Postmaster Generals (APMG) to absorb the work of the proposed CCP(EA). This is not feasible because the work of the proposed CCP(EA) involves frequent travelling overseas. In 1999, representative(s) from External Affairs Division attended 14 regional and international meetings, with duration ranging from two days to over two weeks. With only a very small top management team of five (one PMG, one DPMG and three APMGs), it would greatly weaken the team if the DPMG or an APMG has to be away from the department frequently. Moreover, the three APMGs are already fully preoccupied with their work. In the coming year, APMG (Postal Services) will focus on scrutinising the mode of operations with a view to enhancing efficiency and savings; APMG (Corporate Development) on developing IT strategies and postal mechanisation to support the expansion of the department; and APMG (Business Development) on developing new business such as the Certification Authority service. It is not possible for them to take on the work of the proposed CCP(EA) without seriously affecting their schedule of work.

FINANCIAL IMPLICATIONS

17. The additional notional annual salary cost of this proposal at mid-point is -

	\$	No. of post
New permanent post CCP (D1)	1,213,200	1
Less Permanent post to be deleted SCP (MPS 45-49)	985,260	1
Total	227,940	

/18.

18. The additional full annual average staff cost of the proposal, including salaries and staff on-costs, is \$436,056. Sufficient provision is available under the 2000-01 HKPO Trading Fund Business Plan to cover the additional costs of the proposal.

19. The financial requirement for implementing the above proposal represent 0.01% of the estimated total recurrent expenditure of HKPO. Therefore, the proposal will have minimal impact on fees.

BACKGROUND INFORMATION

20. A supernumerary post of CCP was created for the period from 27 February 1998 to 31 July 2000 to help organise the UPU Congress held in Beijing in August 1999, to liaise with the UPU, Mainland postal authorities and overseas postal administrations. The CCP reports directly to the Deputy Postmaster General.

21. Following the creation of the supernumerary CCP(EA) post and its post holder's active participation in the international postal arena, the reputation and popularity of HKPO has been enhanced considerably. During the UPU Postal Operations Council meeting in November 1999, HKPO was invited to join a number of UPU Project teams and action groups. Recognising the need to monitor and influence development in important issues in the international postal community in the interest of Hong Kong, HKPO joined the UPU bodies mentioned in paragraph 11. This has substantially increased the workload of the CCP(EA).

22. With globalisation and increasing competition for international postal traffic, there has been a tendency for major postal administrations to have a dedicated division to deal with both international postal delivery and marketing business. This one-stop interface provides a more effective mechanism for keeping abreast with the competition on the international front and in turn facilitates the postal administrations in promoting international mail in a proactive manner. Recognising the effectiveness and potential benefits of such an arrangement, PMG considered it essential to have a dedicated and permanent directorate post to oversee the external affairs of HKPO.

23. In view of the changes in the international postal arena, the active competition for international postal business and the increased workload of the CCP(EA), PMG has reviewed the need for this post and proposed to make the post permanent.

CIVIL SERVICE BUREAU COMMENTS

24. Civil Service Bureau supports the creation of a permanent post at CCP level as proposed by offsetting an established post at SCP rank. The grading and ranking of the proposed post are considered appropriate having regard to the nature and complexity of work.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

25. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the post would be appropriate if the post were to be created.

Economic Services Bureau
April 2000

Job Description for the Proposed Chief Controller of Posts (External Affairs)

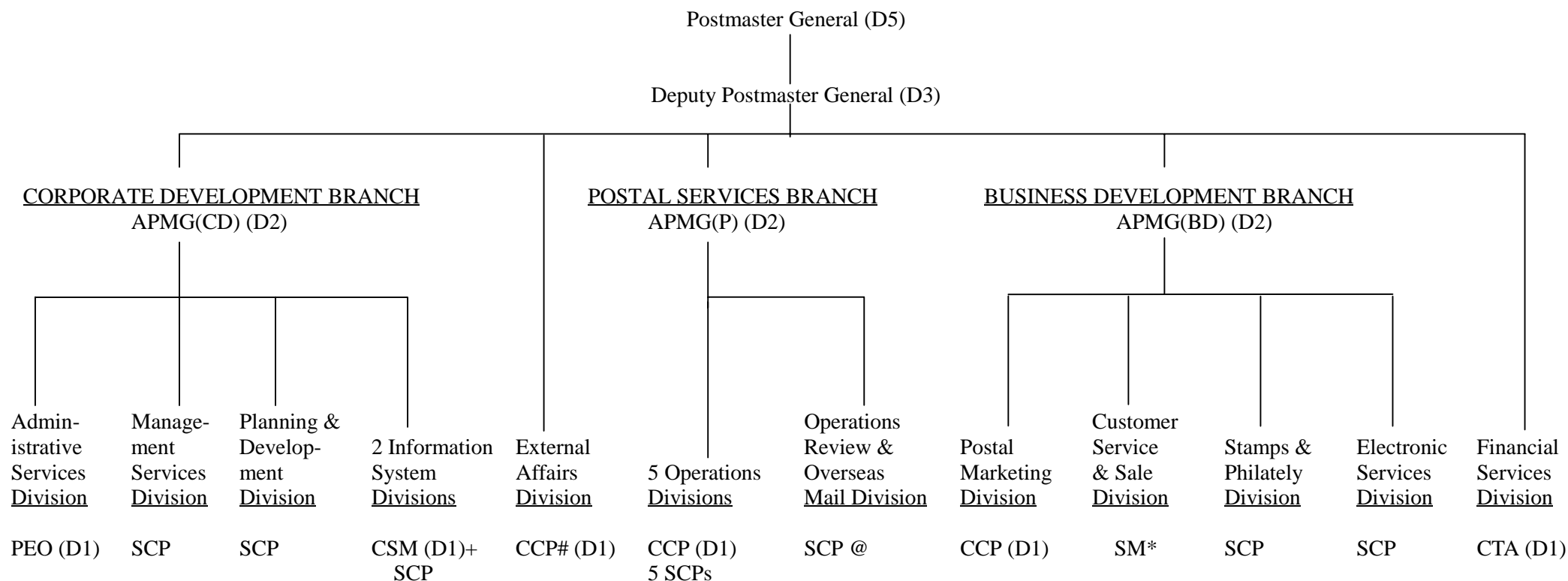
Rank: Chief Controller of Posts (D1)

Responsible to: Deputy Postmaster General (DPMG)

Duties and Responsibilities -

1. To act as contact point with the Mainland postal authorities to devise strategies and policies for matters relating to service development between Hong Kong and China and to formulate position on Universal Postal Union (UPU) subjects.
2. To assist in the formulation of business strategies and plans for the international letters and parcels with a view to maximising revenue and contribution in support of corporate objectives.
3. To represent Hong Kong Post Office (HKPO) at overseas postal conferences and meetings, to discuss strategies on all postal services and to promote and look after the interests of Hong Kong.
4. To build, maintain and develop strategic alliances with key postal administrations and international service providers and customers.
5. To co-ordinate all matters relating to the implementation of UPU and Asia Pacific Postal Union decisions and resolutions and review the subjects for further improvement.
6. To review, recommend, negotiate and oversee the implementation of necessary adjustments to all postal treaties and conventions.
7. To be responsible for terminal dues issues and to devise policies on necessary charges to safeguard the interests of HKPO and the Hong Kong community.
8. To deal with and monitor performance of postal administrations and delivery contractors and to identify areas for expanding and improving the effectiveness of the overseas delivery network.
9. To promote and push for service enhancement and improvement in Express Mail Service (EMS) in the UPU EMS Co-operative Board.
10. To undertake any other duties as directed by DPMG.

Existing Organisation Chart of Hong Kong Post Office

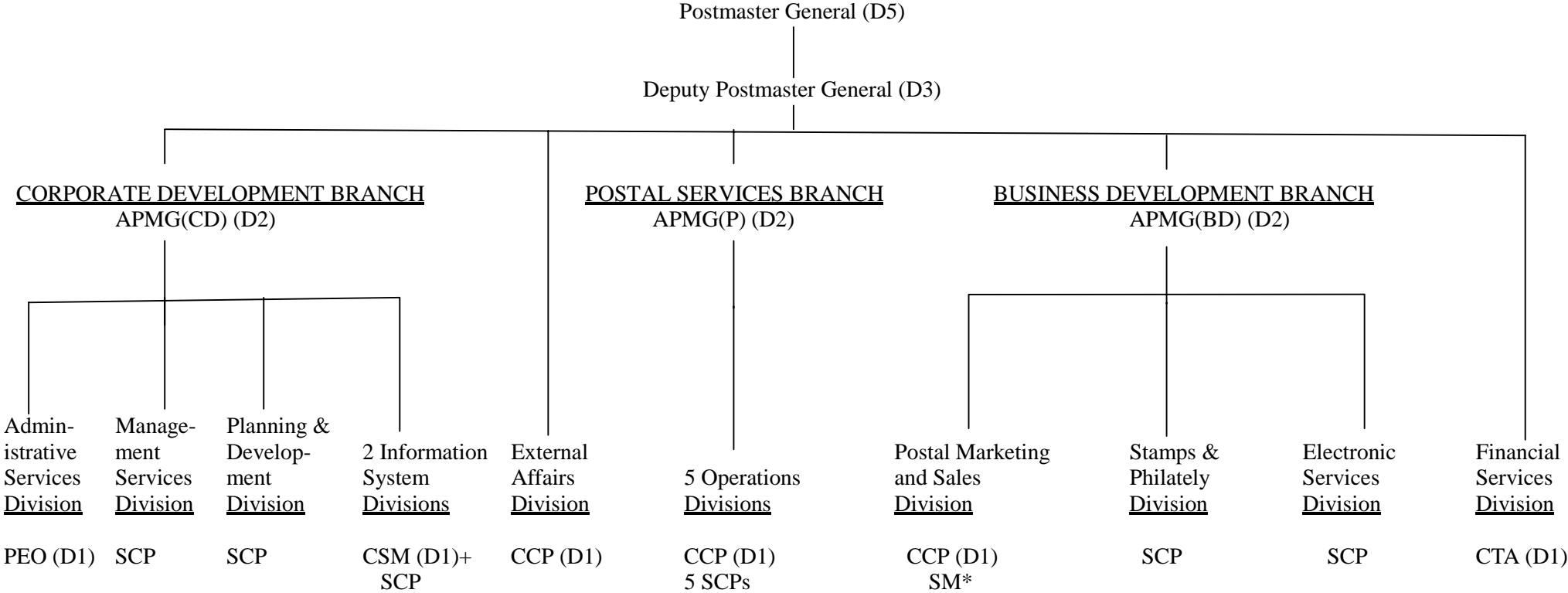


Legend :

APMG - Assistant Postmaster General
 CCP - Chief Controller of Posts
 CTA - Chief Treasury Accountant
 PEO - Principal Executive Officer
 CSM - Chief Systems Manager
 SCP - Senior Controller of Posts
 SM - Senior Manager

* - Non civil service contract post
 # - Supernumerary post (to lapse on 31 July 2000)
 @ - Permanent post proposed for deletion in this paper

Proposed Organisation Chart of Hong Kong Post Office



- Legend :**
 APMG - Assistant Postmaster General
 CCP - Chief Controller of Posts
 CTA - Chief Treasury Accountant
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