Legislative Council Economic Services Panel
Introduction of Postcode System in Hong Kong

PURPOSE

This paper informs Members that the Hong Kong Post Office is considering the introduction of a postcode system in Hong Kong to upgrade the efficiency of postal operations.

BACKGROUND

Postcode

2. A postcode is a series of alphabets and numbers or just numbers assigned to an address to expedite the sorting and delivery of mail. Postcode is adopted by major countries world-wide. According to the Universal Postal Union, 52 postal administrations have introduced a postcode system including the Mainland, the UK, the USA, Canada, Australia and Japan. The postal administrations without a postcode system are primarily those of small and developing countries.

Current mail sorting system in Hong Kong

3. In 1990, the Hong Kong Post Office installed a mechanised letter sorting system (MLSS) in the sorting centres at the General Post Office (GPO) and International Mail Centre (IMC) to improve efficiency in mail processing. The MLSS uses optical character recognition (OCR) technology to read typed/printed English addresses on letters. About 50% of mail processed by the MLSS are not readable by the OCR machines, because the addresses are either written in Chinese, handwritten in English or poorly printed. For these letters, the images of the addresses are electronically transmitted to the video coding machines where operators read and key in address information from the images to allow the MLSS to interpret the addresses. Letters read and processed by the OCR machines or by video coding are bar-coded and sent from the sorting centres at GPO and IMC to the 13 delivery offices for sorting by letter sorting machines (LSM) according to the delivery areas. Individual postmen have to sort the letters to delivery point sequence manually.

Recent Mail Sorting Technology

4.   Technology advances in recent years have made it possible to automate the sorting of letters to delivery point sequencing (DPS) with the help of a code as an identifier of the delivery sequence.   DPS is the sorting of letters in the exact order that a delivery postman delivers them.   The postal administrations which have automated DPS are the USA in 1993, Japan in 1998 and Singapore in 1999.

Case for a new sorting system in Hong Kong

5.   The MLSS has an economic life of about 15 years and hence should be replaced in around 2005.   The Hong Kong Post Office considers it opportune to introduce a new MLSS which could sort letters to DPS to enhance the efficiency of postal operations when the existing MLSS is to be replaced.   Preliminary thinking is that the operation of the new MLSS should be centralised in one sorting centre in order that all letters posted could be sequenced in one lot for each delivery postman.

PROPOSAL

Postcode System Proposed for Hong Kong

6.   The introduction of a postcode system is a prerequisite for the automation of DPS.   In many countries having a postcode system, the inclusion of postcode by the public in the mail address is entirely voluntary. For application in Hong Kong, the same voluntary arrangement would apply.   The postcode could be a seven to eight digit numeric code. The exact length of the code and format would be decided after a detailed study to take into account, among other things, future developments in various districts.

7.   Prior to introducing a postcode system, the Hong Kong Post Office will need to build a comprehensive database of all addresses in Hong Kong and assign a postcode to each of them.   It will also need to restructure its MLSS address database to incorporate the postcodes.

Benefits of the New System

8.   The introduction of a postcode system and a new MLSS with DPS will greatly enhance the efficiency of postal operations. At present, there are about 1700 delivery postmen providing delivery service to the whole territory. On average, each of them spends two to three hours daily to manually sort their letters into delivery sequence before they leave office to perform their delivery work. The total time spent by them each day on this process is estimated to be over 3,700 man-hours. Automating DPS could achieve savings in delivery manpower and together with a revamped database and improved OCR read rate, manpower savings in video-coding and manual sorting. The exact amount of savings would depend on the level of usage of post code by the business community and members of the public.

IMPLICATIONS FOR THE PUBLIC

Business Community

9.   Postcode could be a useful tool for business organisations in planning their commercial activities such as direct marketing. The Hong Kong Post Office has from time to time received enquiries from the business sector on whether a postcode system would be introduced in Hong Kong.

10.   To encourage bulk mailers which constitute 75% of the total mail traffic to apply postcodes to their postings, the Hong Kong Post Office will be prepared to consider the introduction of incentive schemes, e.g. the granting of rebate for printing postcodes in barcode format on letters. Bulk postings of letters prepared in such a format would facilitate the automation sorting process and save costs in postal operations.

General Public

11.   The use of postcode by the general public will not be made compulsory. The savings that would be achieved in automating DPS may however help to ease the pressure on postage rates increases.

Way Forward

12.   Members' views on the introduction of a postcode system in Hong Kong would be welcome. Subject to Members' views, the Hong Kong Post Office would further develop its thinking on the postcode system and revert further on implementation arrangements and financial implications.

Economic Services Bureau/Hong Kong Post Office
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