Economic Development

Research Office
Legislative Council Secretariat

Statistical Highlights

ISSH19/18-19

Performance of Hongkong Post

Figure 1 – Rates of return of POTF

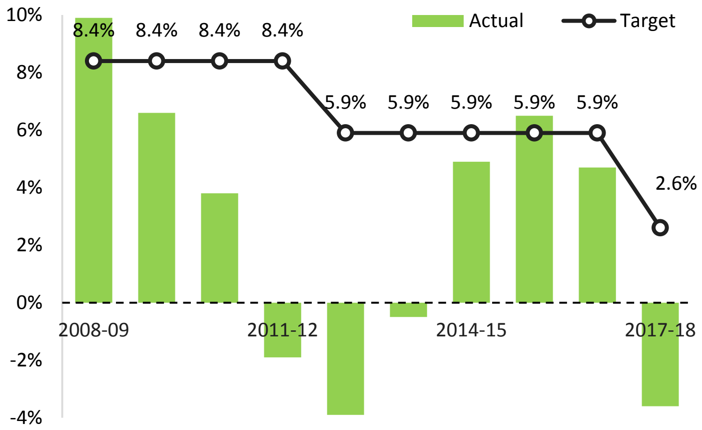


Figure 2 – Operating performance of POTF

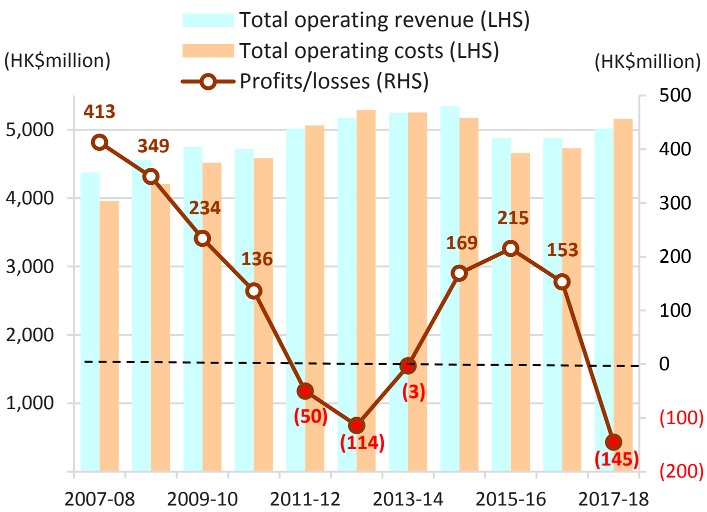
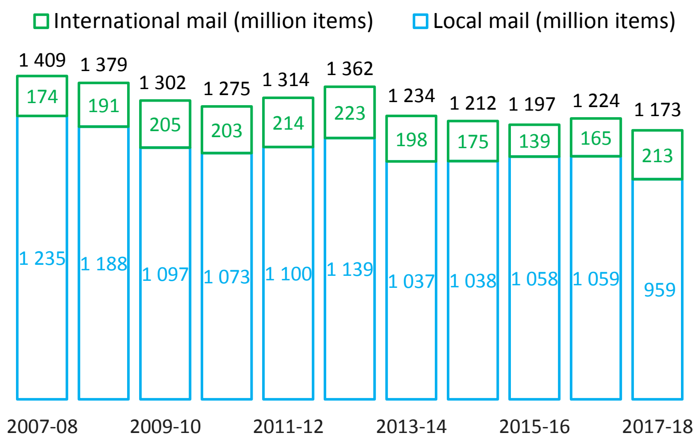


Figure 3 – Mail traffic by mail category



Highlights

- Hongkong Post ("HKP") is one of the five trading fund departments established by the Government to operate as a business with greater financial and operational flexibilities than traditional vote-funded departments. Established in August 1995, the Post Office Trading Fund ("POTF") manages and accounts for the operation of HKP. On financial objectives, POTF is required to generate sufficient revenue to: (a) finance its liabilities and expenses incurred in the provision of mail services; and (b) provide a reasonable return to its sole shareholder (i.e. the Government).
- While seeking financial sustainability, POTF was unable to achieve the target rates of return in eight years and recorded negative rates of return in four years for the 10-year period between FY2008-2009 and FY2017-2018 (**Figure 1**).
- The lacklustre operating performance of POTF was due to the slow growth of the total operating revenue, which either fell short of the total operating costs or failed to exceed the total operating costs to achieve the target return rates throughout most of the period between FY2007-2008 and FY2017-2018 (**Figure 2**).
- HKP's total operating revenue grew by an annual average of a mere 1.4% between FY2007-2008 and FY2017-2018, attributable to the anaemic growth of "general mail services". During the period, "general mail services" had consistently accounted for about 97% of the total operating revenue and "miscellaneous revenue" for the remaining 3%. Slowing mail traffic (**Figure 3**), coupled with the slower-than-expected contribution from e-commerce related services as discussed below, has contributed to the setback for "general mail services".

Performance of Hongkong Post (cont'd)

Figure 4 – Revenues attributable to e-commerce related services

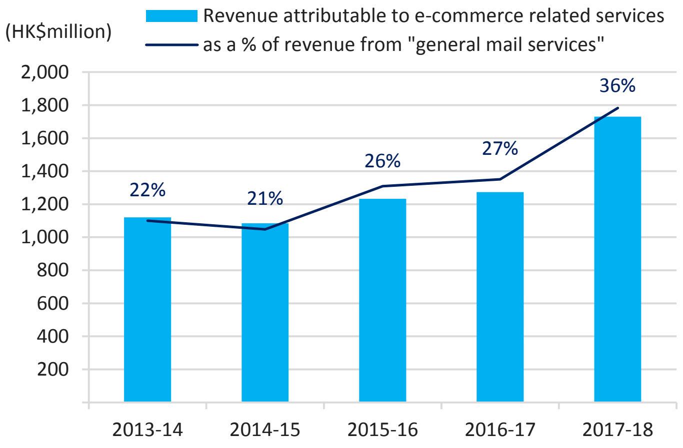


Figure 5 – Operating costs of POTF

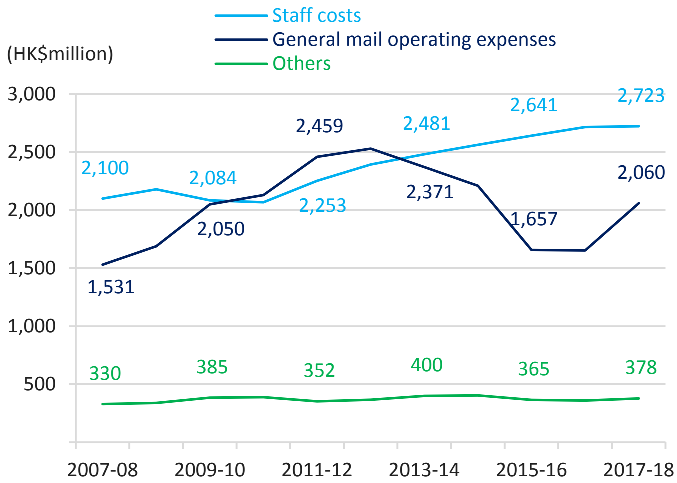
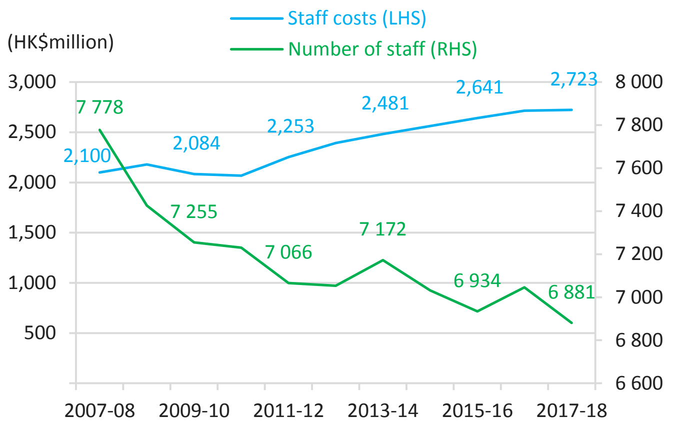


Figure 6 – Number of staff and staff costs



Highlights

- HKP has been aware that e-substitution will reduce the traffic of traditional mail items, and that revenue from e-commerce related services will help boost the total operating revenue. Yet, the revenue growth had been stagnant until the launch of a low-priced tracked delivery service in 2016. In FY2017-2018, revenue from e-commerce related services increased visibly to account for 36% of the revenue from "general mail services" (**Figure 4**).

- The annual average growth of POTF's total operating costs, at 2.7% between FY2007-2008 and FY2017-2018, was higher than that of the total operating revenue (1.4%). Most of the operating costs of POTF are "staff costs" and "general mail operating expenses" (**Figure 5**). In FY2017-2018, they accounted for about 53% and 40% of the total operating costs respectively. Other operating costs, such as rental and management charges, depreciation and central administration overheads, accounted for the remaining 7% of the total operating costs.

- "Staff costs" increased by an annual average of 2.6% between FY2007-2008 and FY2017-2018, while the number of staff (comprising mostly civil servants) had been on a declining trend over the period to reach a low of 6 881 in FY2017-2018 (**Figure 6**). As explained by HKP, the divergent trends were attributable to (a) the pay rise for staff that was generally in line with the civil service pay adjustments; and (b) the change in staff on-costs rate which reflected the cost for staff benefits such as pensions and housing for civil servants.

Data source: Latest figures from Hongkong Post.

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