

立法會
Legislative Council

LC Paper No. CB(4)1348/14-15(05)

Ref: CB4/PL/EDEV

Panel on Economic Development
Meeting on 27 July 2015

Background brief on the services of the Hongkong Post

Purpose

This paper provides background information on the services provided by the Hongkong Post ("HKP") and summarizes the views and concerns expressed by Members.

Background

2. HKP aims to provide reliable, efficient and universal postal services at reasonable prices to meet the needs of Hong Kong as well as fulfilling its international postal obligations. According to HKP, it has grown beyond the provision of traditional postal service to a wide and comprehensive range of services in the logistics supply chain since its establishment in 1841. Apart from the general postal services, it also provides ancillary services such as Local Courier Post service, philatelic services, and PayThruPost service, as well as the electronic authentication services after it has become a recognized certification authority in January 2000.¹

3. As at June 2015, there are 127 post offices, with 32 located on Hong Kong Island, 35 in Kowloon, 57 in the New Territories and the outlying islands, and three mobile post offices. In 2013-2014, HKP handled an average of 3.38 million mail items daily, with over 90% of them coming from the industrial and business sectors. To ensure the quality of the services provided, HKP has undertaken a number of performance pledges and achieved all of them in 2013-

¹ With effect from April 2007, the electronic authentication services are provided through a contractor under the supervision of HKP.

2014, such as to delivery 99% of locally posted letters to local addresses by the following working day. A detailed list of performance pledges undertaken by HKP is at **Appendix I**.

4. HKP has changed to a trading fund operation by establishing the Post Office Trading Fund ("POTF") since 1 August 1995, through a resolution passed by the Legislative Council ("LegCo") on 19 July 1995 under the Trading Funds Ordinance (Cap. 430) ("the Ordinance"). The Postmaster General is the general manager of the trading fund and the management will retain the trading fund revenue to finance the cost of service provision on a financially autonomous basis. Despite the changes in its financial and accounting framework, HKP remains a government department.

5. Section 6 of the Ordinance requires the general manager to manage a trading fund with the objectives of –

- (a) providing an efficient and effective operation that meets an appropriate standard of service;
- (b) within a reasonable time, meeting expenses incurred in the provision of the government service and financing liabilities of the trading fund out of the income of the trading fund, taking one year with another; and
- (c) achieving a reasonable return, as determined by the Financial Secretary, on the fixed assets employed.

6. HKP started to incur an operating loss of 50 million in 2011-2012. To improve its financial sustainability, HKP has been actively pursuing various measures to generate revenue and control costs, and adjusted the principal postage rates and various postal fees in 2013. The operating loss was significantly reduced to \$2.6 million in 2013-2014 and it is expected that the financial performance would continue to improve in 2014-2015.

7. According to the Administration, HKP will continue to manage its costs and enhance its operational efficiency by streamlining the workflow and wider use of information technology and mechanization. Major initiatives to be implemented in 2015-2016 include installation of the Integrated Postal Services System at all counters and back-end offices, implementation of the optical Chinese character recognition function on its Mechanized Letter Sorting System, and development of a new mail-flow management and tracking system.

Previous discussions

8. Views and concerns expressed by Members about postal services provided by HKP and related matters during the previous and current legislative sessions are set out in ensuing paragraphs.

Postal services

9. At the Council meetings on 22 October 2008, 20 November 2014, 22 April 2015 and 24 June 2015, Members have raised questions on a wide range of subjects relating to postal services.

10. At the Council meeting on 22 October 2008, a Member asked about measures which HKP would take to avoid losing mail items. The Administration advised that HKP had stipulated in its guidelines to postmen that mail items delivered to old buildings had to be inserted into the letterboxes completely. HKP had also called upon the public to use larger and lockable letterboxes and clear their letterboxes regularly to avoid mail overflow which might invite theft. In case of oversized mail items that could not be inserted into letterboxes, HKP would inform the recipients to collect the items at post offices.

11. A Member enquired at the Council meeting on 20 November 2014 about the monitoring mechanism on opening of postal items. The Administration advised that while undeliverable letters without a return address would be disposed of and would not be opened, small packets and parcels would be opened under the supervision of officers-in-charge. HKP had stringent mechanism and procedures for the opening of postal items to protect the privacy of personal data. Under the relevant procedures, opening of postal items for inspection must be conducted by designated officers under the supervision of an officer-in-charge in a designated area which was under closed-circuit television surveillance and was subject to access control.

12. Members noted HKP's response to a question at the Council meeting on 22 April 2015 that HKP had all along adopted a prudent approach in the deployment of resources. In assessing the possibility of outsourcing, due consideration would be given to all relevant factors, including whether the work involved related to the core postal business, the possible impact of outsourcing on service quality and staff, cost-effectiveness, and so on.

13. At the Council meeting on 24 June 2015, there was a question about the mechanism to prevent abuse of the compensation mechanism for loss of mails. According to the Administration, HKP processed compensation claims in accordance with the regulations stipulated by the Universal Postal Union, and

had laid down a set of vetting procedures to ensure that compensation claims would only be approved if they were fully justified and substantiated by supporting documents (including invoice details). For compensation claims involving outbound mail items, HKP would, depending on the actual circumstance of the case, sought assistance from the destination postal administrations in the course of processing. HKP staff were required to strictly observe the relevant internal procedures and vetted compensation claims for loss of mail items in a fair and impartial manner. An audit review mechanism had also been put in place for the processing of compensation claims to guard against possible abuse of the compensation mechanism. If there was any instance of negligence of duties, HKP would deal with the case in accordance with the established internal procedures. If the department came across any compensation claim which was suspected to involve unlawful acts, it would refer the case to the law enforcement agencies for follow-up action.

Cost saving and revenue generation measures

14. The Panel on Economic Development ("the Panel") discussed at its meeting on 22 July 2013 about the revision of postage rates and miscellaneous postal fees and charges. Some members opined that the competition from commercial delivery service providers would continue to put pressure on POTF, and enquired about the measures taken by HKP to increase its revenue and reduce costs.

15. HKP responded that it had endeavoured to partially offset the increase in operating costs by revenue generated from new and enhanced services developed in response to customer needs, e.g. providing services targeting internet traders, revitalizing the philatelic market by issuing special stamps, launching a new Make-my-card service, etc. In addition, it had implemented a number of cost control and productivity improvement measures, e.g. the introduction of the Mechanized Letter Sorting System, 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.

Re-positioning of HKP

16. In examining the Estimates of Expenditure 2015-2016, a Member enquired if the Administration had any plan to reposition HKP to tie in with the development of e-commerce. The Administration advised that with the rapid development of e-commerce, HKP had been expanding its service offerings. Examples included the local Smart Post service with an e-mail notification

function and a choice between home delivery and counter collection, the international e-Express service with a tracking feature, the international iMail service for bulk posting of registered airmail, counter collection service for online purchases, as well as online posting platform to facilitate internet traders to post items, etc. HKP would continue to develop more products and services to cater for the market needs arising from the e-commerce.

Latest position

17. In response to members' queries on (a) the reasons for termination of the consultancy study on the review of postal services commissioned by HKP in 2008 and (b) the mechanism to prevent abuse of the compensation mechanism for loss of mails, the Administration will brief Panel members on the services provided by HKP at its meeting on 27 July 2015. The Panel also received a submission from a member of the public requesting the set up of a postal code for Hong Kong so as to improve the efficiency and effectiveness of the postal services.

References

18. A list of the relevant papers which are available on the LegCo Website (<http://www.legco.gov.hk>) is in **Appendix II**.

Council Business Division 4
Legislative Council Secretariat
21 July 2015

Performance pledges of Hongkong Post

Performance pledge		2013-2014 Targets	2013-2014 Performance	2014-2015 Targets
Local and international mail				
1.	Deliver locally posted letters to local addressees by the following working day	99.0%	99.8%	99.0%
2.	Deliver Bulk Economy letters to addressees within 3 working days	99.5%	100%	99.5%
3.	Deliver Hongkong Post Circular Service items within 4 working days	99.5%	100%	99.5%
4.	Despatch outward airmail items, posted before the advertised latest time for posting, to the designated air carrier, subject to availability of flights			
	Non-peak periods ¹ - Within the same day or the following working day	99.0%	99.5%	99.0%
	Peak periods ² - Within 5 working days	90.0%	99.7%	90.0%
5.	Deliver inward airmail items within 2 working days after arrival in Hong Kong	99.0%	100%	99.0%
6.	Deliver local and inward parcels within 2 working days after day of posting or arrival, to Hong Kong, Kowloon and major commercial and industrial areas in the New Territories, and within 3 working days to other areas	99.5%	99.7%	99.5%

Performance pledge		2013-2014 Targets	2013-2014 Performance	2014-2015 Targets
7.	Despatch outward air parcels, posted before the advertised latest time for posting, to the designated air carrier, subject to availability of flights.			
	Non-peak periods ¹ - Within 2 working days	99.0%	99.8%	99.0%
	Peak periods ² - Within 5 working days	90.0%	100%	90.0%
8.	Despatch outward bulk airmail items, posted before the advertised latest time for posting, to the designated air carrier, subject to availability of flights			
	Non-peak periods ¹ - Within 3 working days	90.0%	100%	90.0%
	Peak periods ² - Within 7 working days	90.0%	100%	90.0%
Speedpost and Local CourierPost				
9.	Provide pick-up service for Speedpost items within the period as specified in the Service Information Sheet	99.5%	100%	99.5%
10.	Deliver outward Speedpost items accepted before the specified latest times for posting to air carriers on the same day, subject to availability of flights	99.5%	99.7%	99.5%
11.	Deliver inward Speedpost items on the same working day for items arriving before 6:00 am	99.5%	99.9%	99.5%
12.	Deliver Local CourierPost items according to the standards specified in the Service Leaflet	99.5%	100%	99.5%

Performance pledge		2013-2014 Targets	2013-2014 Performance	2014-2015 Targets
Retail business				
13.	Serve customers within 10 minutes during non-peak hours	98.0%	99.2%	98.0%
14.	Serve customers within 25 minutes during peak hours or periods ³	98.0%	100%	98.0%
15.	Reset private franking machines at counters within 15 minutes	98.0%	100%	98.0%
16.	Deliver products under the Local Standing Order Service at counters within 15 minutes	98.0%	100%	98.0%
Philately and PostShop products				
17.	Make products available for collection under the Local Standing Order Service on the first day of issue of the related special stamps	100%	100%	100%
18.	Despatch overseas orders within 5 working days from date of receiving the order	100%	100%	100%
19.	Open new philatelic accounts within 6 working days from date of receiving the application	100%	100%	100%
20.	Deliver local orders for PostShop products within 6 working days from date of receiving the order	99.0%	100%	99.0%
Certification Authority				
21.	Process applications for Hongkong Post e-Cert within the working days stipulated below: <ul style="list-style-type: none"> • e-Cert (Personal) - 3 days • e-Cert (Organizational) - 10 days • e-Cert (Encipherment) - 10 days • e-Cert (Server) - 10 days 	99.0%	99.9%	99.0%

Performance pledge		2013-2014 Targets	2013-2014 Performance	2014-2015 Targets
Hotlines				
22.	Answer calls to Hongkong Post Hotlines within 3 rings, i.e. within 12 seconds	90.0%	98.1%	90.0%
Application for postal services				
23.	Process applications for the following services within 5 working days: <ul style="list-style-type: none"> • Post Office Boxes • Use of Private Franking Machine • Opening of deposit accounts for posting of mail in bulk • Redirection Service Process applications for the following services within 4 working days: <ul style="list-style-type: none"> • Freepost • Business Reply Service • International Business Reply Service 	100%	100%	100%
24.	Process applications for Hongkong Post Circular Service within 1 working day	100%	100%	100%
25.	Process applications for Permit Mailing Service by the following working day	99.0%	100%	99.0%

¹ Non-peak period: January to August for 2013-2014 and March to October for 2014-2015.

² Peak period: September to December for 2013-2014 and November to February for 2014-2015.

³ Peak periods include the first day of issue of philatelic products, seasonal peak periods such as Christmas, Lunar New Year and the peak collection periods for government bills (i.e. the whole month of January and the last week of April, July and October). Details of peak hours for individual post offices are displayed in the public halls of the post office concerned.

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	22 July 2013	Agenda Minutes Background brief
Council meeting	22 October 2008	Written reply by the Secretary for Commerce and Economic Development to a question on "Loss of Mail Items by Hongkong Post" raised by Hon Albert CHAN
	20 November 2014	Written reply by the Secretary for Commerce and Economic Development to a question on "Handling of Postal items by Hongkong Post" raised by Dr Hon Elizabeth QUAT
	22 April 2015	Written reply by the Secretary for Commerce and Economic Development to a question on "Impacts of Hongkong Post's Costs Manangement Measures on Its Staff Members" raised by Hon LEUNG Yiu-chung
	24 June 2015	Written reply by the Secretary for Commerce and Economic Development to a question on "Alleged poor

Issued by	Meeting date/ Issue date	Paper
		<u>management of Hongkong Post" raised by Dr Hon Elizabeth QUAT</u>
Hongkong Post	--	<u>2013-2014 Annual Report</u>
Information Services Department	December 2014	<u>Hong Kong Fact Sheets – Hongkong Post</u>