

III. BUSINESS ENVIRONMENT IN THE MEDIUM TERM

1. As part of our strategic business planning, we have reviewed the business environment by conducting a Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis as set out below.

(A) STRENGTHS

(a) Extensive retail, collection and delivery network and comprehensive product range

2. To provide postal service within easy reach of the local population, we have an extensive postal infrastructure with a retail network of 126 branch offices and two mobile post offices, around 1 100 street post boxes throughout the territory, three mail processing centres, three Speedpost operations centres, 28 delivery offices and two printing centres. With a fleet of around 280 vehicles, about 1 700 postman beats and around 400 courier staff, our delivery covers every local business and residential address. Capitalising on this well-established postal infrastructure, HKP offers a comprehensive range of postal and related services that meet customer needs at the Government-to-Citizen (G2C), Business-to-Customer (B2C) and Business-to Business (B2B) levels.

(b) Global network, convenient and reliable airport facilities and flight connections

3. The Hong Kong International Airport provides air transport links to over 180 destinations. In terms of physical connectivity, HKP is globally networked. As a member of the UPU under the sovereignty of the People's Republic of China, Hong Kong enjoys freedom of transit for mail items. The efficiency of our air connection, the integrity of our customs regime and HKP's low postage rates all add to Hong Kong's attractiveness to consolidators as a regional hub for transit mail.

(c) Well-established and reputable brand

4. HKP enjoys a long history of serving the community and prides itself on the excellence of its customer service. Through our continuous effort, we have earned the trust of our customers. The 2012 customer satisfaction survey indicated that 96.9% of our customers were satisfied

with our counter service, while 98.5% and 96.2% held the same view for our delivery service and hotline service respectively. The overall customer satisfaction level was at a high level of 98.5%. HKP is consistently recognised as an outstanding partner of local small and medium sized enterprises (SMEs) in various awards. In the Civil Service Outstanding Service Award Scheme 2013, HKP won the “Best Public Image Award – Bronze Award”, which speaks for the high performance standard of our entire workforce.

(d) One-stop service provision

5. With a wide range of postal services and products on offer, we make the best use of our postal infrastructure and human capital to provide one-stop solutions for our customers. These solutions embrace local and international postal solutions that cater for every budget, counter collection service, direct marketing, online shopping platform as well as end-to-end distribution to support both the public sector and the business sector in e-commerce.

(e) Unique stamps and philately-related products

6. HKP has a long and successful track record of stamp issues with popular themes, attractive designs and innovative printing techniques. We also market and package our philatelic products as corporate souvenirs and gifts. Our services cover gift/ souvenir design and production as well as creating attractive stamp collections to make personalised gifts.

(f) Dedicated and disciplined workforce

7. Over the years, in pursuit of business excellence, we have nurtured a highly dedicated and disciplined workforce which can be flexibly deployed to cope with sudden upsurges in business demands while providing high quality service. To meet the increasingly sophisticated demand of the marketplace, we place emphasis on improving customer experience and delivering our service pledges through a team of professional postal staff.

(B) WEAKNESSES

(a) Institutional set-up

8. HKP remains a government department despite its trading fund status. Under this institutional set-up, HKP is required to (i) meet the target rate of return on its average net fixed assets (ANFA); (ii) perform its universal service obligations under the Post Office Ordinance (Cap.98); (iii) be subject to the confines of its charter stipulated in the Trading Fund Framework Agreement; (iv) abide by the Government’s rules and policies on procurement, financial resource management and human resource management; and (v) obtain the Chief Executive in Council’s approval for revising the principal postage rates and the fees for miscellaneous postal services under the Post Office Regulations (Cap.98A). These requirements limit HKP’s ability to respond swiftly and effectively to a market-driven business environment.

(i) HKP not being a legal entity



(ii) Inflexibility in resource management

Human resource

10. Over 70% of HKP’s staff are civil servants. Bound by the Civil Service Regulations and related guidelines on the management of the

civil service, HKP is not allowed to flexibly modify the employment terms and conditions³, the recruitment process and other aspects of the management of its civil service staff in accordance with market conditions or HKP's business needs and financial position. Although HKP may employ non-civil service contract (NCSC) staff to meet fluctuating service demand, it is required to abide by the terms of the NCSC Scheme and Government's prevailing policy in this regard. Moreover, it is subject to constant pressure from outside HKP to convert existing NCSC posts to civil service posts. Any changes to the service-wide policy and measures on manpower management, including those with significant financial implications⁴, will automatically apply to HKP. HKP is also required to pre-fund the pension payments to be paid to its civil service staff, [REDACTED]

Other resources

11. Many of the post offices vested by the Government in HKP were established prior to the setting up of the POTF for the purpose of providing community service to the public without regard to commercial viability. The operating expenditure they incurred used to be funded by the Centre. HKP inherits this retail infrastructure. However, any proposed closure of those post offices that are not financially viable⁵ requires local consultation that is fraught with difficulty. [REDACTED]

³ HKP is required to strictly follow the service-wide policy on civil service pay and conditions of service, including the annual civil service pay adjustment, the application of the results of the periodic Pay Trend Survey, the payment of allowances, etc., and meet the financial implications thus arising with its own means. Take the annual civil service pay adjustment as an example, HKP has no control over the magnitude of adjustment. Moreover, if the approved rate of pay adjustment exceeds the projected increase advised by the Treasury during the preparation of HKP's annual business plan, HKP is still required to pay for the difference and meet the target rate of return without any assistance from the Centre.

[REDACTED]

[REDACTED]

[Redacted]

(iii) Inflexibility in the procurement of goods and services and choice of business partners

[Redacted]

[Redacted]

(iv) Difficulties in pricing and operating on a fully commercial basis

14. Given our obligation to provide universal postal services to the public at affordable prices and as adjustments to the principal postage rates and postal fees prescribed in the Post Office Regulations (Cap. 98A) are subject to political considerations, HKP is unable to recover the full cost of service provision promptly on a commercial basis. Nor do we receive any government subsidy for providing the loss-making universal postal services.

(b) High service costs

[Redacted]

[Redacted]

[Redacted]

(i) Staff Cost

[Redacted]

(ii) Terminal Dues

[Redacted]

(iii) Air Conveyance Costs

[Redacted]

[Redacted]

[Redacted]

(iv) Costs of Hired Vehicles

[Redacted]

(v) Accommodation Costs

[Redacted]

(c) Erosion of HKP's monopoly

[Redacted]

[Redacted]

[REDACTED]

(d) HKP has to compete for the patronage of Government bureaux and departments

[REDACTED]

(C) OPPORTUNITIES

(a) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

¹⁰ Kahala Post Group (KPG) is an international postal alliance established in 2002 to improve international postal services, particularly Express Mail Service (EMS) and Air Parcels service in the Asia-Pacific rim. Australia, Mainland China, Hong Kong, Japan, Korea and the USA are the founding members. In July 2009, the membership expanded to include Spain, the United Kingdom, France and Singapore. The KPG members account for approximately 70% of the global traffic in EMS.

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(D) THREATS

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