

(D) Measures to Secure the Longer-term Operational Sustainability and Financial Viability of HKP

Longer-term Operational Sustainability

43. Despite our current stringent financial condition, we will continue to invest in our postal infrastructure and promote green measures to secure our longer-term operational sustainability.

(a) Expansion of AMC



(b) Reprovisioning of the GPO



(c) Green management

46. To protect the environment and to support sustainable development, we have implemented a range of measures across our services, operations

and infrastructure to reduce consumption of resources, minimise waste, as well as reuse and recycle materials. Our departmental Environmental Enhancement Steering Committee oversees the efficient use of resources and waste management, implements energy-saving measures, raises environmental awareness among staff and promotes staff participation in various green initiatives. In view of increasing public concern about environmental conservation and the trend of green operation, we will take appropriate measures to reduce the carbon footprint of HKP's operations.

Longer-term Financial Viability

47. The circumstances faced by the Post Office have changed substantially since the establishment of the POTF in 1995.

48. Under the Post Office Ordinance (Cap. 98), HKP enjoys a monopoly over letter post¹¹. Over the years, however, this monopoly has been completely eroded with the emergence of a large number of private sector couriers operating in an unregulated environment. These couriers pose serious competition to HKP by creaming off the more profitable business provided by HKP. Non-profitable business, typically universal obligation postal services such as territory-wide mail delivery at a uniform postage rate and territory-wide provision of retail postal services, is left to HKP, which operates without any subsidy from Government.

49. In discharge of its universal service obligations, HKP is required to maintain an extensive mail processing and delivery infrastructure as well as an extensive post office network. With the significant changes to the postal behaviour of the public as well as businesses in recent years brought about by the prevalence of electronic communication, social mail volume has dropped dramatically while transaction mail volume is also on a downward trend. Although the majority of HKP's post offices are loss-making, the political reality makes it difficult to close them. On the other hand, with urban development and the emergence of new developments in rural areas, HKP has to create new delivery beats to provide service coverage. HKP's means become increasingly drained as a result of these factors combined, and resources available at HKP's disposal for further business expansion and service quality improvement become increasingly limited.

¹¹ Section 6(1) of the Post Office Ordinance (Cap. 98) provides that "The Postmaster General, by himself or by the officers of the Post Office, shall have the exclusive privilege of -
(a) conveying letters from one place to another within Hong Kong;
(b) sending letters out of Hong Kong for delivery outside Hong Kong;
(c) receiving letters brought into Hong Kong for delivery in Hong Kong; and
(d) receiving letters brought into Hong Kong for transmission to some place outside Hong Kong, other than letters contained in mail bags passing through the waters of Hong Kong without transhipment,".

50. The postal industry is by nature labour-intensive. Despite HKP's continuous effort to enhance operational efficiency and productivity, staff cost accounted for [REDACTED] of its operating costs in 2012-13. Remaining as a Government department, some 70% of its staff are civil servants and the terms of their employment are subject to Government's civil service policy. The remaining 30% are NCSC staff to help HKP cope with fluctuations in mail traffic, meet service demand that does not require the staff concerned to work the conditioned hours of civil servants and tap expertise in the private sector that is not readily available in the civil service. While the cost of engaging NCSC staff is lower than that of civil service employment, HKP is under constant pressure to convert the NCSC posts in the department to civil service posts. [REDACTED]

[REDACTED] In this connection, it is noteworthy that HKP is required to pre-fund the pension payments of its serving employees, [REDACTED]

[REDACTED]

52. Against the circumstances outlined in paragraphs 47 - 51 above, we propose to further explore with Financial Services and the Treasury Bureau (FSTB) a number of suggestions as set out in paragraphs 53 - 57 below with the objective of improving the POTF's longer-term financial viability.

(a) Rent payment to Government

[REDACTED]

[Redacted]

[Redacted]

(b) Investment of the POTF's reserve

[Redacted]

(c) HKP as the service provider of choice for Government bureaux/departments

[Redacted]

[Redacted]

[Redacted]

(d) Funding of pension payments for civil service staff in HKP

[Redacted]

[Redacted]

[Redacted]