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17 December 2015

Mr Anthony Chu  
 Clerk to Public Accounts Committee  
 Legislative Council Secretariat  
 Legislative Council Complex  
 1 Legislative Council Road  
 Central  
 Hong Kong

Dear Mr Chu,

**Public Accounts Committee**  
**Consideration of Chapter 5 of the Director of Audit's Report No. 65**  
**Operation of the Hongkong Post (HKP)**

Further to our letter dated 9 December 2015, we set out in the ensuing paragraphs the requested information under item (a) to (c) and items (i) and (j) in your letter of 1 December 2015.

On items (a) to (c)

2. Among the five existing trading funds, the POTF is unique in that HKP provides postal and related services in competition with numerous service providers in an open market with a low entry threshold. HKP carries the universal service obligation, which requires the Department to provide reasonable access to affordable postal service for the community at large (including service provision at remote locations and provision of local mail service at uniform postage rates throughout the territory), while other local courier service providers are free to choose the scope and geographical coverage of their service provision. In comparison, the other four trading funds provide niche services or services for niche markets, e.g. incorporation of companies and ancillary services and company search for the Companies Registry Trading Fund, land search and registration of deeds services for the Land Registry Trading Fund, regulation of telecommunication and broadcasting services for the Office of the Communications Authority Trading Fund, and electrical and mechanical engineering services for the Electrical and Mechanical Services Trading Fund whose clientele comprises mainly government bureaux/departments and quasi-government bodies.

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3. A copy of the exchange of correspondence among the Financial Services and the Treasury Bureau (FSTB), the Commerce and Economic Development Bureau (CEDB) and Hongkong Post (HKP) during the review on the target rates of return for trading funds conducted in 2010 and 2011 in respect of the proposed target rate of return for the Post Office Trading Fund (POTF) is at **Annex A**.

4. While it is Government's policy to adopt a trading fund mode of operation for HKP, the institutional and other constraints faced by the POFT are registered and recognised as reflected in the Strengths, Weaknesses, Opportunities and Threats analysis as well as the sections on HKP's longer-term operational sustainability and financial viability in the POTF's annual business plans and medium range corporate plans (please see Annex A to ~~the Secretary for Commerce and Economic Development's reply dated 17 December 2015 to Clerk, Public Accounts Committee~~ for copies of the POTF's annual business plans and medium range corporate plans from 2010-11 to 2014-15). The constraints articulated in these plans set the backdrop for the regular discussions between HKP and the CEDB and FSTB on the financial and operational performance of the POTF. The Working Group on Long-Term Fiscal Planning, which was established under FSTB pursuant to the Financial Secretary's 2013-14 Budget Speech reviewed, among others, the management of trading funds, including the POTF. An extract from the Phase Two Report of the Working Group is at **Annex B**.

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5. Having regard to Government's afore-mentioned policy, HKP has over the years made its best endeavour to enhance its operational and financial performance by implementing various measures to manage its costs, generate revenue through business development and maintain its longer-term financial and operational sustainability. In this endeavour, HKP has, as far as practicable, sought to make the best use of the flexibilities permitted under the prevailing institutional and legal framework governing the POTF. In the process, HKP engages the assistance and support of CEDB on policy matters, FSTB on financial resource management matters and the Civil Service Bureau on human resource management matters.

*On item (i)(i)-(iii)*

6. The number of civil servants, the number of vacancies and the vacancy rates in the Mail Distribution Division (MDD) and the Air Mail Centre (AMC) in 2010-11 to 2015-16 are at **Annex C**. The wastage rates of civil servants in HKP are calculated by civil service grade rather than by functional units in the Department. The wastage rates of the frontline departmental grades in HKP, i.e.

***\*Note by Clerk, PAC: Annex B not attached and please see Appendix 60 of this Report for Annex C.***

the Postal Officer grade and the Postman grade, in 2010-11 to 2014-15 are at **Annex D**. The number of non-civil service contract (NCSC) staff, the number of vacancies, the vacancy rates and the wastage rates in the MDD and the AMC in 2010-11 to 2015-16 are at **Annex E**.

On item (i)(iv)

7. Information on the recruitment exercises conducted in 2010-11 to 2015-16 for civil service vacancies in the Postal Officer grade and the Postman grade in HKP and NCSC vacancies in MDD and the AMC, as well as the number of vacancies filled in each exercise, is set out at **Annex F**.

On item (i)(v) and (vi)

8. Civil service recruitment in HKP is required to comply with service-wide procedures promulgated by the Civil Service Bureau. This means, among others, that to uphold fairness, HKP is required to process all applications received even if the number of applications far exceeds the number of vacancies to be filled. This prolongs the recruitment process. Moreover, once HKP embarks on a fresh round of recruitment, the waiting list from the last round of recruitment exercise will cease to be valid. As a consequence, HKP has to carry the vacancies arising during the recruitment process until the new intake reports for duty. To address these problems, we have sought to compress the recruitment process, e.g. replacing the written test by an aptitude test for the recruitment exercise for the Postal Officer grade launched in October 2015, enhancing the planning and scheduling for civil service recruitment in the Department so as to minimise the number of vacancies to be carried by the Department pending the completion of a recruitment exercise. The wastage of the Postal Officer grade and the Postman grade is relatively stable, and we do not face any retention difficulty for these two grades.

9. For NSCS positions in respect of which we encounter difficulty in recruitment and staff retention, we have implemented a number of measures in response :

- (a) We explain clearly in the vacancy advertisements the job requirements, the work location and the working hours to attract the right candidates and reduce wastage;
- (b) We conduct regular pay level reviews for NCSC staff in HKP with reference to market pay levels to ensure that we continue to offer a

**\*Note by Clerk, PAC: Please see Appendices 62 and 61 of this Report for Annexes D and E respectively, and Annex F not attached.**

competitive remuneration package. In this regard, commencing from 1 November 2015, additional pay is granted to NCSC positions performing overnight duties, including those at the AMC, in order to attract more applicants for the overnight shift;

- (c) For more targeted recruitment effort for NCSC positions at the AMC, we distribute household circulars in Tung Chung with the objective of attracting more local applicants, in addition to placing recruitment advertisements in newspapers. Moreover, we engaged the assistance of Labour Department to arrange recruitment exercises in Tung Chung in 2015;
- (d) We provide on-the-job training to equip our staff with the necessary skills and knowledge for enhanced performance; and
- (e) HKP offers an attractive career path for NCSC staff. We encourage serving NCSC staff to apply for civil service vacancies in the Department and relevant working experience, including working experience in HKP, is given recognition in the recruitment process.

10. We have examined the suggestion of providing transportation service to the workplace for staff working at the AMC. AMC is easily accessible by public transport (please see information at **Annex G**). The duty hours of the staff working at the AMC are scheduled to cope with the round-the-clock operation of the AMC and they spread throughout the day. Moreover, the arrival and departure patterns of the AMC staff are uneven in reflection of the manpower demands at different hours during the day. In view of the foregoing, we consider that the provision of departmental transportation service to the workplace for staff working at AMC is not a cost-effective arrangement and do not intend to pursue the suggestion.

On item (j)

11. Delivery beats are formed following a beat revision exercise to assess the daily workload of a delivery beat postman, taking account of relevant factors such as the volume, size and weight of the mail items for delivery; the delivery mode (e.g. nested letter boxes, door-to-door delivery, delivery requiring signature on receipt, etc.); the standard time for the processing and delivery of different mail types; the pledged delivery standard; errand time between delivery points and the local geographical characteristics of individual beats. As the conditioned hours of work of the Postman grade is 48 hours (or 8 hours a day,

**\*Note by Clerk, PAC: Annex G not attached.**

including a one-hour meal break), the daily standard workload of a delivery beat is normally set close to, or equal to, 420 minutes a day.

12. While HKP has set standard time for the processing and delivery of different mail types, there are inevitably variations among delivery beats due to diverse local conditions. Moreover, the actual volume and mix of mail for delivery on a day-to-day basis for a delivery beat may not exactly match the standard workload set for the beat concerned. Thus, to achieve cost-effective resource deployment, supervisors in delivery offices are required to exercise judgment and draw on their local knowledge in assessing the daily workload of individual delivery beats and, where justified, allocate additional resources (e.g. by means of overtime work for the beat concerned or assigning other staff in the delivery office to share out the extra workload) so as to ensure the timely completion of the delivery workload on hand. A copy of the guidelines on delivery workload assessment promulgated to supervisors and managers in the Mail Distribution Division is at **Annex H(1)** (in English only). Specifically, Postal Inspectors are required to record on a daily basis the reasons for deviations from the standard time in assessing the workload for each delivery beat. Superintendents of Post/Senior Postal Inspectors as well as managers are required to examine these records and follow up on deviations of 5% or more.

13. The example at **Annex H(2)** (in English only) illustrates how the instructions in the guidelines are applied in practice. On 6 October 2015, the delivery beat (WC 02) handled an exceptionally large quantity of mail. However, noting that some of the mail items were destined for the same delivery point, the Postal Inspector made an adjustment to the computed workload by deducting 90 minutes. Such adjustment and the associated reason(s) are recorded in the “Remarks” column.

14. To supplement the daily workload assessment for delivery postmen, Postal Inspectors are required to monitor the time of return of delivery postmen to the delivery office upon completion of their delivery duties, and conduct beat patrol at selected delivery points as well as the last stop of the delivery routes to review whether the resource allocation is in line with the workload. If notable deviations are observed, they will be reported to their Superintendents of Posts/Senior Postal Inspectors for necessary follow-up, e.g. by way of minor patching to the delivery beats concerned. Since November 2015, the beat survey team under Productivity Services Section has increased their monthly checks and

**\*Note by Clerk, PAC:** *Please see Appendix 58 of this Report for Annex H(1), and Annex H(2) not attached.*

enhanced their communication with delivery offices on notable disparity between the time allocated to a delivery postman and the actual time required. Reports on the monthly check are required to be submitted to Postal Services Branch Headquarters in a timely manner.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lorrience Chow', written in a cursive style.

( Lorrience Chow )  
for Postmaster General

c.c. Secretary for the Commerce and Economic Development  
Secretary for Financial Services and the Treasury  
Director of Audit

**Exchange of Correspondence among the Commerce and Economic  
Development Bureau (CEDB), the Financial Services and the  
Treasury Bureau (FSTB) and the Hongkong Post (HKP) during the  
Review on the Target Rates of Return for Trading Funds  
conducted in 2010-11**

<b>Exchange of Correspondence</b>	<b>Annex</b>
CEDB's email of 9.7.2010 to FSTB	Annex A(1)
FSTB's memo dated 14.11.2011	Annex A(2)
HKP's email dated 19.12.2011 to FSTB	Annex A(3)
HKP's memo dated 20.12.2011 to FSTB	Annex A(4)
FSTB's email dated 22.12.2011 to HKP	Annex A(5)

**\*Note by Clerk, PAC:** *Please see Appendices 55 and 54 of this Report for Annexes A(1) and A(4) respectively, and Annexes A(2), A(3) and A(5) not attached.*