

Linking people Delivering business 傳心意 遞商機

Our ref. : HKP FSD/4-35/FM1C
Your ref. : CB4/PAC/R65

9 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)

Thank you for your letter of 1 December 2015. The requested information under items (d) to (h) and (k) to (m) is set out in the ensuing paragraphs. We will provide our response to the remaining items shortly.

On item (d)

2. Letters/flats and packets are all no more than 2 kg per item. We do not have a detailed breakdown of these mail items in our mail traffic statistics. For an overview of the mail volume handled by HKP, we provide a breakdown at **Annex A** by the following categories (local and international mail included) : Letters and Packets (i.e. up to 2 kg), courier mail (i.e. Local CourierPost and Speedpost) and Parcels.

On item (e)

3. The key performance indicators adopted for assessing the operational and financial performance of the POTF are :

***Note by Clerk, PAC: Annex A not attached.**

- (a) *Performance pledges for operational performance* – There are altogether 25 performance pledges for various aspects of HKP’s operations. The results for 2010-11 to 2014-15 are at **Annex B**. With persistent effort to enhance our operational performance, HKP met all performance pledges in 2013-14 and 2014-15; and
- (b) *Achievement of the self-financing requirement and a reasonable rate of return* – The POTF manages its financial affairs in a manner to ensure that :
- (i) within a reasonable time, it is able to meet expenses incurred in the provision of its services and finance liabilities of the trading fund out of the income of the trading fund, taking one year with the other; and
- (ii) it achieves a reasonable return on the fixed assets employed as determined by the Financial Secretary.

In 2010-11 to 2014-15, the POTF was able to meet its operating expenses with its operating revenue and other income (please see **Annex C**). During the same period, the rate of return of the POTF was :

Financial year	Operating profit/loss (\$M)	Rate of return on average net fixed assets (%)	Target rate of return on average net fixed assets (%)
2010-11	136	3.8%	8.4
2011-12	(50)	(1.9%)	8.4
2012-13	(114)	(3.9%)	5.9
2013-14	(3)	(0.5%)	5.9
2014-15	169	4.9%	5.9

The improving financial performance of the POTF is a reflection of the continuous effort of HKP in implementing a diverse range of targeted cost-management measures to enhance its operational efficiency and effectiveness as well as revenue-generation measures that cater for the evolving service needs of its customers. This effort will continue; and

- (c) *Customer satisfaction level* – HKP also gauges customer feedback on its service quality by means of an annual customer satisfaction survey conducted by an independent external consultant. The overall customer

***Note by Clerk, PAC: Annexes B and C not attached.**

satisfaction level as reflected in the survey findings is consistently high as shown below :

Service Areas	2014-15	2013-14	2012-13	2011-12	2010-11
Overall service	98.7%	98.7%	98.5%	99.2%	98.6%
Counter service	97.7%	96.8%	96.9%	97.6%	97.9%
General delivery Service	98.8%	98.6%	98.5%	98.7%	98.7%

On item (f)

4. Measures adopted by HKP to generate revenue and its effort to introduce new services in recent years are set out in **Annex D**.

On item (g)

5.. A breakdown of the POTF's operating revenue in 2010-11 to 2014-15 is at **Annex E**. We wish to point out that while the services grouped under "e-services" specifically cater for the delivery needs of e-merchants and are typically used for e-commerce transactions, the services grouped under "regular mail services" and "competitive mail services" are increasingly used for e-commerce purposes to meet the diverse delivery needs of e-merchants depending on their budget as well as their preferences regarding speed of delivery, mail tracking and proof of delivery. As we do not require mailers to indicate whether their postings are for e-commerce purposes, we are unable to ascertain the precise proportion of revenue for the categories of "regular mail services" and "competitive mail services" that is attributable to e-commerce.

On item (h)

6. The Business Development Branch (BDB) in HKP, headed by Assistant Postmaster General (Business Development), is responsible for business strategy formulation, product/service development, marketing and sales as well as customer relationship management. It also oversees the product management for Local Mail, Speedpost and digital certificates, and the stamps and philately portfolio. The organisation chart, establishment and strength of the Business Development Branch are at **Annex F**.

***Note by Clerk, PAC:** *Please see Appendices 49 and 50 of this Report for Annex D and E respectively, and Annex F not attached.*

On item (k)

7. As at 31.3.2015, there were 2 064 NCSC positions in HKP. Of the 1 854 NCSC positions in the Postal Services Branch, 1 742 were filled comprising 7 managerial staff and 1 735 non-managerial staff. The non-managerial staff were categorised as follows :

Category I : Customer Service Officer (monthly-rated); 71 staff

Category IA : Customer Service Officer (Mail Tracing Office) (monthly-rated); 63 staff

Category II : Operations Assistant (monthly/daily/hourly-rated) and Administrative Assistant (monthly-rated); 259 staff

Category III : Driver (monthly-rated), Sorting Office Assistant (monthly/hourly-rated) and General Assistant (monthly-rated); 377 staff

Category IIIA : MLSS Operations Assistant (monthly/daily/hourly-rated); 105 staff

Category IV : Worker (monthly/daily/hourly-rated), Worker (Platform) (monthly/daily/hourly-rated); 783 staff

Part-time Sorters : joining HKP before the introduction of the NCSC Scheme; 77 staff.

On item (l)

8. To ease the workload of delivery postmen, we have engaged NCSC staff to assist them in conveying sorted mail in the delivery office to the workstations of individual postmen, mail sequencing work in accordance with the pre-designed routing of individual beats, loading mail pouches onto feeding vehicles so that delivery postmen could start their delivery rounds earlier, and clearing and returning all sorting tools/equipment for use by postmen after their departure for their delivery duty. NCSC staff are also deployed to despatch mail items to some 1 600 second pouch boxes across the territory, thus obviating the need for delivery postmen to return to their respective delivery offices for collecting additional mail for delivery on their beats. Moreover, we have engaged additional hired vehicles for transporting postmen and feeding mail pouches in replacement of departmental crew buses manned by Postman drivers, thus releasing more postmen for delivery duty.

On item (m)

9. Postal operation is labour-intensive. Moreover, operating in a highly competitive market, HKP's service provision is demand-led. The volume of local and international mail handled by HKP fluctuates at different hours of the day, on different days of the week and at different times of the year. In order to ensure optimal resource deployment and avoid slack staff hours in the face of fluctuating and unpredictable service demand and to meet its stringent performance standards, HKP engages a workforce comprising civil servants and monthly/daily/hourly-rated NCSCS, supplemented by overtime work as justified.

10. Overtime work beyond an officer's regular hours of work is undertaken only when it is strictly "unavoidable". Typical circumstances which give rise to overtime work in different operations divisions under the Postal Services Branch are illustrated at **Annex G**.

11. The control mechanism for overtime work in HKP is stipulated in the HKP Departmental Rules. To enhance awareness and compliance, briefings are conducted for supervisors and managers on proper administration of overtime work, and the departmental guidelines are regularly re-circulated to the staff concerned. The key requirements under the departmental control mechanism are set out at **Annex G**.

12. In addition, HKP has made persistent effort to reduce overtime work at source through business process re-engineering, automation, mechanisation as well as load-leveiling measures. Details are set out at **Annex G**. Savings of about \$7M in overtime work (excluding other notional savings) was achieved in 2014-15 through these measures.

13. HKP accumulated a fairly large balance of uncompensated TOIL hours as a result of a measure implemented a few years ago to compensate a relatively larger proportion of newly accumulated overtime hours by TOIL instead of overtime allowance. This has much constrained the scope for compensating newly accumulated overtime hours by TOIL. To address this issue, we have stepped up effort since 2011-12 to work down the overall balance of uncompensated TOIL hours in the Department, including the establishment of a dedicated team (currently comprising 40 civil service posts and NCSC positions) to clear the accumulated uncompensated TOIL balance, with priority being given to those cases with a relatively higher balance of uncompensated overtime hours as well as staff approaching retirement.

***Note by Clerk, PAC: Please see Appendix 57 of this Report for Annex G.**

14. To ensure compliance with the service-wide requirement that TOIL is preferably granted before a staff takes his earned leave unless the staff concerned has accumulated the maximum amount of earned vacation leave permissible under the relevant CSRs, we introduced a self-declaration requirement in August 2015 in the Postal Services Branch, requiring staff in the Postal Officer grade and the Postman grade to declare their accumulated uncompensated TOIL balance and vacation leave balance when submitting vacation leave applications. We are improving access for staff to check their uncompensated TOIL balance online, to supplement the existing online facility for checking vacation leave balance. Under this enhanced arrangement, TOIL will be granted unless the accumulated vacation leave balance of the staff concerned has reached 90% of their permitted vacation leave accumulation ceiling.

15. As a result of the afore-mentioned measures, the total uncompensated TOIL balance in HKP was reduced to about 207 200 hours as at 30 November 2015, representing a reduction of 41% compared to the balance at 31 March 2012 or 21% compared to the balance at 31 March 2014. As of the same date, the uncompensated TOIL balance of all staff in HKP was below the service-wide accumulation ceiling of 180 hours and 80% of the HKP staff with an accumulated TOIL balance had a balance less than 50 hours. We will continue with this and other parallel effort to maintain the uncompensated TOIL hours in the Department at a reasonable level as far as practicable.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Lorrience Chow", enclosed within a hand-drawn rectangular box.

(Lorrience Chow)
for Postmaster General

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