

Annex D

Hongkong Post's revenue-generation measures and its effort in introducing new services in recent years

The permitted service scope for the Post Office Trading Fund (POTF) is stipulated in Schedule 1 of the resolution setting up the POTF (Cap.430E) (see **Appendix**). Hongkong Post (HKP) seeks to generate revenue by growing its existing services and introducing new services that optimise the use of its extensive postal infrastructure and capitalise on its capabilities in response to evolving market needs. The key revenue-generation measures in recent years are set out in the ensuing paragraphs.

Supporting local businesses

2. Pursuant to its mission of supporting local enterprises, SMEs in particular, in their business development, HKP has all along devoted attention to the provision of service solutions that cater for their business needs. These service solutions could broadly be categorised as follows :

- (a) *Brand building and market visibility* : local and cross-boundary direct mail service¹ and DMDIY.hk², online-selling on ShopThruPost³;
- (b) *Delivery solutions* : a broad range of local and international delivery solutions with diverse service features that cater for different budgets and service needs in terms of delivery mode and delivery standard, posting volume and extent of mail tracking;
- (c) *Customer relationship management* : customised corporate gift and souvenir production making use of the special stamps and Heartwarming Stamps issued by HKP, festive hamper service; and

¹ Local direct mail service is provided under the Hongkong Post Circular Service. To cater for the service needs of local SMEs, the posting threshold was lowered from 2 000 items to 1 000 items in 2015 with a positive market response. In collaboration with China Post, cross-boundary direct mail service covering 11 Mainland cities assists local businesses to reach out to the Mainland market.

² DMDIY.hk is a web-based direct marketing service that enables businesses to plan, create, and arrange production and distribution of direct mail and digital communication on a self-service basis. Direct mail templates for specified trades (e.g. small-scale food and beverage outlets, play groups, cake shops, fashion shops, spectacles shops, etc.) are available on this one-stop online platform for customers to create direct mail with ease.

³ ShopThruPost is an online selling platform supported by an e-payment gateway as well as local and international delivery services provided by HKP. Apart from HKP's own philatelic products (e.g. stamps, postal stationery and philatelic souvenirs), ShopThruPost also hosts products offered by other merchants, including government departments, social enterprises and local young designers, etc.

- (d) *Internal support* : PayThruPost for bill payment, postal and e-remittance services and digital certificate service⁴, etc.

HKP's service provision in support of e-commerce

3. To address diverse shipping needs arising from domestic and cross-border e-commerce, HKP offers a range of delivery solutions, with variations in price, delivery standard, tracking facility and threshold on posting volume. Examples of HKP's service offerings in support of e-commerce include :

Local delivery

- (a) **Smart Post** : Launched in 2013, this service offers a choice between door delivery and post office counter collection, e-notification to both the mailer and the recipient of successful delivery as well as posting facilitation on EC-Ship⁵;
- (b) **post office counter collection of online purchases** : Launched in mid-2014 for the collection of online purchases made on Taobao.com, this service is also available to other online merchants;

International delivery

- (c) **Speedpost**⁶ : HKP's premium global courier service that offers the fastest delivery in HKP's service offerings, with tracking and reasonable all-inclusive prices (i.e. without separate fuel surcharge and remote location supplement, etc.);
- (d) **EMS Cool Box** : an EMS service launched in 2014 in collaboration with Japan Post for the delivery of fresh produce from Japan;

⁴ HKP is a recognised certification authority under the Electronic Transactions Ordinance (Cap. 553). As electronic communication and electronic transactions become more prevalent, wider use of recognised digital certificates will help enhance cyber security by safeguarding confidentiality of electronic communication, identity authentication in electronic communication/transactions and non-repudiation of electronic transactions.

⁵ EC-Ship is an online posting platform provided by HKP to facilitate mailers, in particular, bulk mailers and e-merchants in posting preparation (e.g. printing address labels and posting forms, calculating postage, mail tracking and managing their posting accounts with HKP, etc.). To further facilitate e-merchants, Application Program Interfaces (APIs) have been developed (including posting API, postage API and tracking API) for enhanced customer experience.

⁶ "Speedpost" is the brand name for the Express Mail Service (EMS) offered by HKP. It covers over 200 destinations globally. The delivery standard for major international cities is the next working day after posting. To facilitate posting preparation by mailers, we have launched a dedicated online posting platform, "My Speedpost", for use exclusively by Speedpost account customers.

- (e) **Bulk Air Mail** : the most economical shipping solution for posting of untracked mail up to 2 kg per item in bulk;
- (f) **iMail** : bulk posting of registered air mail with proof of delivery and partial tracking information for items up to 2 kg each;
- (g) **e-Express** : a reasonably priced tracked service launched in 2011 for mail up to 2 kg per item to specifically meet the needs of e-merchants. It now covers 12 markets, viz. US, UK, Australia, Canada, Russia (with e-customs facility), New Zealand, France, Germany, Norway, Singapore, South Korea and Vietnam, and will further expand to new destinations;
- (h) **e-EMS** : a joint service launched with China Post in 2014 to deliver e-commerce items from overseas through Hong Kong to online shoppers in China under a streamlined work flow; and
- (i) **conveyance of transit mail from Mainland China via HKP** : a service offered to China Post for the conveyance of outbound mail by air, taking advantage of Hong Kong's excellent air links and the expanded cargo handling capacity at the Hong Kong International Airport.

4. Apart from the above-mentioned delivery services, HKP also offers customised shipping solutions to cater for specified service needs of mailers. In drawing up these customised solutions, we seek to achieve cost-effectiveness by streamlining the mail flow through work-sharing with the mailers.

5. In our effort to support the local business sector, HKP reaches out to local chambers of commerce and trade associations to better understand customer needs. HKP also engages the assistance of local trade/industry support organisations (such as the Hong Kong Productivity Council and the Hong Kong Trade Development Council) to help local enterprises grow their business through patronage of HKP's services.

Hongkong Post's philatelic business

6. HKP releases about 10 to 12 issues of special stamps and commemorative stamps a year. To boost the sales of stamps and related products, we devote particular effort to the selection of stamp themes and stamp designs in order to generate more market interest. In this effort, we partner with various government bureaux/departments as well as relevant external organisations for enhanced synergy. In addition, we keep up our effort in the promotion of philately among the young generation through diverse channels. The customised

philatelic souvenir service provided by HKP is favourably received by the market.

Optimise utilisation of postal infrastructure

7. HKP offers advertising service for government bureaux and departments and public organisations on the external walls of post offices, the exterior of some 1 600 second pouch boxes⁷ and digital TVs in selected post offices.

Periodic adjustments of postage rates and postal fees under the Post Office Regulations (Cap. 98A)

8. To maintain HKP's longer-term financial sustainability, we keep postage rates and postal fees under regular review and adjust them from time to time to recover costs.

⁷ These boxes are for temporary storage of mail bags for delivery postmen.

Appendix

The permitted service scope for the Post Office Trading Fund (POTF) is stipulated in Schedule 1 of the resolution setting up the POTF (Cap.430E) as set out below :

1. Receiving, collecting, sending, dispatching and delivering postal articles within the meaning of the Post Office Ordinance (Cap. 98).
2. Providing Speedpost and other courier services.
3. Retailing stamps and postal related products through counter outlets and appointed agents.
4. Philatelic services.
5. Remittance services.
6. Other services prescribed by the Acts of the Universal Postal Union.
7. Any ancillary service incidental or conducive to providing any of the services in items 1, 2, 3, 4, 5 and 6, including the services of business reply, express, insurance, post restante, private post office boxes, redirection and registration.
8. Agency services for Government departments, public bodies and public utilities, which are compatible with postal related services.
9. Letting out of accommodation that is not immediately required to provide postal services if the letting out does not affect the provision of postal services.
10. Providing the services of a certification authority within the meaning of the Electronic Transactions Ordinance (Cap. 553) and services incidental or related to such services.