



Linking people Delivering business 傳心意 遞商機

5 January 2016

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

Thank you for your letter of 22 December 2015. The requested information under items (e) to (g), (i) to (l), (o) to (s), (u) and (x) is set out in the ensuing paragraphs.

Management of mail processing

On item (e)

2. To protect its revenue, Hongkong Post (HKP) takes action to tackle underpayment of postage with due consideration of the risk of revenue loss as well as the practicability and administrative costs involved. In the light of the recommendations in the Director of Audit's Report No. 65, we have conducted a review of the prevailing mechanism and procedures for the detection and subsequent processing of underpaid mail items. In addition, we have stepped up publicity and public education on the responsibility of mailers to pay sufficient postage.

3. At present, HKP processes about 3 million locally posted mail items a day. About 88% are accepted over post office counters with postage paid by permit/meter/postage labels. These mail items are checked by HKP staff at the time of mail acceptance and hence the risk of underpayment of postage is very low. The remaining 12%, which are paid by postage stamps and accepted through street posting boxes and posting slots in post offices, carry a higher risk

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of underpayment. Striking a balance between revenue protection and administrative cost-effectiveness, we adopt a risk management approach in the detection of underpaid items, targeting mail items received through street posting boxes and posting slots in post offices and, in particular, large letters and packets which are more susceptible to underpayment of postage and the amount of underpaid postage for which tend to be higher.

4. First of all, we have stepped up staff awareness of the need to protect HKP's revenue and the responsibility of all staff handling mail to assist in this task. To enhance staff vigilance in the detection of underpaid items, we have improved the operational guidelines to incorporate detailed work steps and delineation of responsibilities for detecting underpaid items, whether these mail items are processed by machine or manually. Notices carrying the key operational steps and essential points-to-note are displayed prominently at relevant work units throughout the mail flow from mail acceptance to mail processing and delivery. In addition, supervisors conduct regular briefings for frontline staff to ensure compliance of the stipulated requirements.

5. To help ensure effective detection of underpaid items by frontline staff, we have increased the minimum quantity, by mail category, to be checked by supervisors at different stages of mail processing taking into account their respective risk levels, and promulgated the requirement for strict compliance by the staff concerned. All underpaid items are recorded and accounted for, including when they are passed from the Central Mail Centre (CMC) to delivery offices, to facilitate monitoring of follow-up actions (such as settlement of surcharges). In addition, starting from December 2015, test mail items with insufficient postage are sent regularly as a control measure to ascertain the effectiveness of HKP's detection mechanism. Managers in operational units and the Postal Services Branch (PSB) Headquarters are responsible for overseeing the effective implementation of the improved operational procedures.

6. To enhance operational efficiency, mail items identified to carry insufficient postage are centrally processed at the CMC, which also maintains statistics on such items to facilitate monitoring of any underpayment trends. To further streamline the operational procedures for processing underpaid mail items and surcharge collection, we are enhancing the Integrated Postal Services System (IPSS) to automate the calculation of surcharge, the issue of dues labels in replacement of dues stamps and recording of the surcharge amount to be collected by item. This will be rolled out in phases from January 2016 for full implementation by end March 2016. This new arrangement will enhance management control over surcharged items as the surcharge amount and the amount collected will be captured electronically item by item.

7. Hitherto, surcharge for underpaid items is collected at the time of mail delivery. This is labour-intensive and time-consuming. We will cease this

practice. Instead, recipients will be asked to pay the surcharge and collect the mail item at the designated post office starting from April 2016.

8. We have stepped up publicity and public education on the responsibility of mailers to pay sufficient postage. We will also continue to remind the public that underpaid mail items are subject to surcharge and delivery delay. The publicity channels employed include : posting publicity messages on the HKP website and the HKP mobile app; postal slogan printed on mail items which require stamp cancellation; publicity message printed on invoices for issue to HKP's account customers; announcements made on HKP's general enquiry hotline and digital displays in selected post offices; notices/posters displayed on street posting boxes and second pouch boxes; posters displayed at post offices, District Offices and the lift lobby of selected public housing blocks; and Announcement in the Public Interest (API) on radio.

9. We will continue to closely monitor the trend of underpayment of postage and will consider the need for introducing more stringent measures (e.g. increasing the surcharge for underpaid items) to deter underpayment if warranted.

On item (f)

10. According to the terms of HKP's 2014-15 tender exercise for airfreight services, if a tenderer failed the financial vetting and the estimated value of the contract was over \$5 million, HKP might require the selected tenderer to submit a deposit equivalent to 0.5% of the estimated contract value. When seeking the Central Tender Board's approval of the award of contracts, HKP informed the Board that the tenderers had been financially vetted and were considered financially capable of undertaking the contracts, and as they had passed the financial assessment, no contract deposit was required.

11. In the afore-mentioned tender exercise, HKP had conducted financial vetting for those tenderers whose estimated contract values exceeded \$5 million. Although some tenderers failed the financial vetting, HKP did not present the full details of the financial vetting results to the Central Tender Board, nor the reasons for regarding the recommended tenderers for contract award as having passed the financial assessment and the reasons for waiving the contract deposit. This was due to oversight in preparing the submission to the Central Tender Board. We accept the recommendation of the Director of Audit that we should provide accurate and comprehensive information to the Central Tender Board on the results of HKP's financial vetting and the justifications for waiving the contract deposits.

12. Notwithstanding the waiver of the payment of a contract deposit, there is no adverse impact on HKP's interests as explained below :

- (a) *Stringent regulatory regime for airline operators operating from Hong Kong* - Regulation 6 of the Air Transport (Licensing of Air Services) Regulations (Cap. 448A) requires a local airline operator to submit annually the audited financial statements as well as key prescribed information for financial vetting. For non-Hongkong airline operators, the Civil Aviation Department requires the airlines to submit their Air Operator's Certificates (AOC). According to the "Air Operator Certification and Surveillance Handbook" published by the International Civil Aviation Organization, before issuing an AOC, the relevant regulatory authority will consider the financial viability of the operation as well as the economic and financial assessment on the applicant and the regulatory authority will make continuous re-evaluation of the financial viability of the airline operator during the validity period of the AOC;
- (b) *Low financial risk to Government* – The airfreight services contracts operate under a Standing Offer Agreement mechanism. Service provision by a successful tenderer under contract is pursuant to a specific request from HKP from time to time during the contract period. Flights are ranked for each destination having regard to price and other applicable criteria. HKP makes no commitment or warranty to any contractor regardless of its ranking as to the exact quantity of mail for its dispatch. When the volume committed by a contractor cannot be provided due to whatever reasons, HKP will turn to other contractors on the ranking list immediately;
- (c) *Market and international practice* – It is market practice that airlines may require their customers to pay them a deposit for a guaranteed supply of air conveyance capacity. The contract deposit arrangement as stipulated in HKP's tender document (i.e. the successful tenderers are required to pay a contract deposit to HKP under specified circumstances) is contrary to market practice; and
- (d) *Interests of Government* – Under the prevailing arrangement, there is reasonable assurance that HKP's air conveyance requirements will be met due to the relatively large pool of service providers and the established mechanism under contract for HKP to seek compensation from the contractors concerned in the event of defaults in their performance under the contracts with HKP. On the other hand, there is a risk that HKP's interests would be jeopardised (e.g. the contractors may decline the contract offers) if we insisted on the payment of a contract deposit by the contractors.

13. In the 2016-17 tender exercise for airfreight services, we informed the Central Tender Board of the details of the financial vetting results and explained clearly the justifications for HKP's decision of not requiring the successful tenderers to furnish a contract deposit. The Central Tender Board approved the

results of the 2016-17 tender exercise and offered no further comments in this respect. Pursuant to the recommendation of the Director of Audit, we will review the practice of waiving contract deposits from contractors of airfreight services who failed the financial vetting and whose estimated contract value exceeded \$5 million.

On item (g)

14. Paragraphs 2.44 to 2.46 in Chapter 5 of the Director of Audit's Report No. 65, supplemented by paragraphs 11-13 and Annex H1-2 of ~~our reply to the Public Accounts Committee dated 17 December 2015~~ ^{Appendix 45}, explain how a delivery beat is created based on an assessed standard workload that is close to, or equal to, 420 minutes (i.e. the normal daily working hours of a delivery postman minus a one-hour meal break) and how the daily workload of a delivery postman (including the permitted amount of overtime work) is assessed based on the actual mail volume.

15. We wish to point out that approval is granted for a delivery beat to undertake overtime work only if it is unavoidable (e.g. the mail must be delivered on that day in order to meet HKP's performance pledges, the workload cannot be shared by other staff in the delivery office, etc.). Moreover, Postal Inspectors in the delivery offices are required to make adjustments to the daily workload assessment of individual delivery beats based on their local knowledge and other relevant factors rather than mechanically meting out overtime work based on the computed workload calculated by reference to the standard time for the preparation/delivery of different mail types.

16. Paragraph 14 in ~~our reply to the Public Accounts Committee dated 17 December 2015~~ ^{Appendix 45} explains that further to the daily workload assessment for individual delivery beats, there are additional steps to ascertain if adjustments to the standard workload are warranted through the following monitoring measures :

- (a) Postal Inspectors in delivery offices are required to monitor the time of return of delivery postmen to their respective delivery offices upon completion of their delivery duties for an assessment on whether the resource allocation is aligned with the actual workload. If a postman returns to the delivery office earlier than the time indicated under the daily workload assessment, the overtime hours already granted may be forfeited subject to a review by the delivery office concerned. Conversely, if a delivery postman takes longer than the required duration assessed by his Postal Inspector to complete his daily delivery duties, he will not be granted overtime hours automatically. In addition, Superintendents of Posts of delivery offices carry out checks on the pouch-out time (i.e. the time at which a delivery postman departs from the delivery office to commence the outdoor delivery duty) and the pouch-in time (i.e. the time at which a delivery postman returns to the delivery office after completing the outdoor

delivery duty) to ensure that no excessive overtime is granted to individual beats. If a delivery postman persistently returns early, the respective Superintendents of Posts will review the standard workload of the delivery postman and seek endorsement from the Division Head for minor patching of the beat if the situation warrants;

- (b) Postal Inspectors are required to conduct regular beat patrols at selected delivery points and the last stop of each permanent and temporary delivery beat (including motorised beats and bicycle beats) at specified intervals (i.e. each beat should be inspected not less than six times a year, at least one of which must include a last call-point check) without prior announcement to the delivery postman concerned. Superior spot checks of delivery beats are also conducted by the supervisors of the Postal Inspectors (for at least one Postal Inspector every fortnight) and the area Managers (for at least one Postal Inspector every month). If notable deviations and/or irregularities are observed during these inspections, they will be brought to the attention of the Mail Delivery Division Headquarters for necessary follow-up; and
- (c) The Beat Survey Team in the PSB Headquarters conducts independent supervisory checks and reports any irregularities observed to the Mail Delivery Division Headquarters and the PSB Headquarters for follow-up actions (e.g. minor patching of the delivery beats concerned). The frequency of these supervisory checks was increased from four times a month to six times a month from November 2015 and will be further increased to eight times a month in April 2016.

17. To enhance control over the outdoor duty of delivery postmen, we will examine the merits and feasibility of incorporating a global positioning system (GPS) or tour monitoring system in the new personal digital assistants to be procured under the planned replacement programme (please refer to the response to item (k)).

On item (i)

18. In 1999, HKP embarked on an exercise to formulate a new methodology for measuring the workload of individual delivery beats by reference to a set of standard time for mail preparation and delivery for different types of delivery beats. The new methodology was implemented from 2001. In 2001 to 2005, the Vertical Postmen Preparation Fitting (VPPF) was introduced to all delivery offices in phases. Due to the changes in postal operations and tools, HKP conducted another review in 2006 to 2008 on the standard time for workload assessment for delivery postmen. The updated standard time was adopted in 2008.

19. The determination of the standard time for the processing and delivery of different mail types in the two afore-mentioned exercises was carried out in-house. To enhance objectivity and reliability in assessing the work performance of delivery postmen for the purpose of defining such standard time, HKP sought professional advice from the Department of Industrial and Systems Engineering of the Hong Kong Polytechnics University on proven industrial engineering methodologies relevant to the exercise (i.e. time study methodology and performance rating assessment) and engaged its assistance in organising training for HKP staff who were/are involved in tasks related to workload assessment, e.g. beat surveys, productivity and performance measurement, etc. The content of the first training course provided by the Hong Kong Polytechnics University to HKP staff in 1999 is at **Annex A**.

On item (j)

20. Under the current methodology for workload assessment for delivery postmen, standard time has been defined for the processing of different types of mail (including “letters/flats”, “packets”, “registered mails” and “Speedpost”) under eight categories of delivery beats¹. To provide an updated basis for workload assessment for delivery postmen, we will embark on a comprehensive review in 2016. The review will examine if any adjustments are required for (i) the designation of eight categories of delivery beats and (ii) the standard time for the processing and delivery of different types of mail items for different categories of delivery beats taking into account relevant factors such as changes to postal operations since the last review conducted in 2006 to 2008, changes in the mail mix in recent years, changes in the age profile of delivery postmen, the learning effect as a result of accumulation of experience with a delivery beat, etc.

21. In the upcoming review, we will select around 150 delivery beats that are representative of different delivery modes for a close study of their actual operations, covering the three key components underpinning the assessment of the standard workload of a delivery beat, namely :

- (a) *indoor preparation processes*, viz. the time required to segregate and sequence mail items before delivery, prepare the delivery pouch, handle dead letters, redirected and undeliverable mail items, etc.);
- (b) *journey time*, viz. the time required to reach the first delivery point from the delivery office and the time required for returning to the delivery office from the last delivery point; and

¹ These eight categories of delivery beats are: residential nest letter boxes, residential door-to-door delivery, rural, commercial door-to-door delivery, residential nest letter boxes/irregular door-to-door delivery, commercial door-to-door delivery/residential nest letter boxes, residential/commercial 50% mix and Islands.

***Note by Clerk, PAC: Please see Appendix 59 of this Report for Annex A.**

(c) *outdoor delivery time*, viz. the time required to travel from one delivery point to another along the delivery beat and deliver the mail items.

22. Allowing time for drawing up the detailed review methodology, selection of representative delivery beats for survey, field work, data analysis and staff communication, we tentatively target to complete the review in the first half of 2017. The new standard time for the processing and delivery of different mail types for application to different categories) of delivery beats will thereafter be applied for assessing the standard workload of each delivery beat in beat revision exercises.

23. Regular beat revisions are carried out for each delivery beat for the following objectives :

- (a) re-assessing the standard workload of the beat;
- (b) evening out the workload of the delivery beat;
- (c) maintaining a delivery boundary which will improve delivery and sorting efficiency; and
- (d) aligning staff resources used in mail delivery with the updated mail traffic.

24. According to the prevailing departmental guideline, a beat revision exercise should be carried out for each delivery office every three years. However, due to operational needs, the Beat Survey Team was deployed to conduct unscheduled workload assessment for the three Speedpost Centres and the three Speedpost hubs in 2012-14 due to the envisaged efficiency gain. Moreover, the Beat Survey Team carried three vacancies out of a total establishment of ten Postal Inspectors during the period from March 2013 to June 2014. As a result, there has been a slippage in the conduct of the beat revision exercises for the delivery offices. To catch up with the prescribed review schedule, HKP is taking steps to augment the Best Survey Team and aim to complete all outstanding beat revision exercises by end 2017.

On item (k)

25. All delivery postmen in Mail Delivery Division are equipped with Portable Digital Assistant (PDA) for instant recording of the delivery status of mail items supported by mail tracking (e.g. registered mail, recorded delivery, Parcel, Local CourierPost, Speedpost, etc.). The recorded delivery status is uploaded to our Track and Trace System for customers to check updated mail delivery information conveniently. These PDAs are due for replacement when they reach the end of their serviceable life in 2017. In preparation, we will embark on a review of our functional requirements in early 2016. Under this review, we will examine the merits and feasibility of incorporating additional

functions into the device so as to enhance performance management and service quality. These additional functions include global positioning and/or tour monitoring system (for enhancing control of outdoor duties) and photo-taking (for reporting irregularities such as damaged/insecure letterboxes of households). Allowing time for the above-mentioned review, procurement as well as system design and development, we aim to implement the replacement programme in phases from the third quarter of 2017 to the first quarter of 2018.

On item (l)

26. Overtime work may be undertaken only when it is unavoidable. The Air Mail Centre (AMC) is responsible for processing outbound and inbound mail to and from international destinations year-round. As the arrivals and departures of the flights engaged for conveying HKP's international mail are spread throughout the day and in order to meet HKP's performance pledges for processing international mail, the AMC operates round-the-clock.

27. While we have tried to organise our workforce at the AMC to match operational needs as far as practicable, overtime work is inevitable due to the unpredictable nature of postal traffic. Other circumstances which further add to the need for overtime work at the AMC include :

- (a) vacancies, for both civil service posts and non-civil service contract (NCSC) positions, pending the completion of recruitment and promotion exercises as applicable; and
- (b) temporary staff absence due to, for example, vacation leave, sick leave, clearance of time-off in lieu, training, etc.

28. We have implemented the following measures to ease the situation :

- (a) We have re-engineered the work processes at the AMC to reduce manual effort, e.g. scaling down the operations on Sundays and public holidays;
- (b) We have transferred/will transfer some of the operations to alternative locations in town where manpower shortage is less acute than at Chek Lap Kok:

Date	Relocation of work processes from the AMC
September 2013	Relocated part of the aviation security screening process from the AMC to the CMC
February 2014	Relocated part of the aviation security screening process and some of the mail sortation work from the AMC to the Bulk Air Mail Centre in Tsuen Wan

Date	Relocation of work processes from the AMC
May 2014	Relocated the Inward Registered Section from the AMC to the CMC
Mid-2016	Relocating the Air Registration Section from the AMC to the General Post Office (GPO) Building

The relocation of these operating units from the AMC also helps to ease the space constraint at the AMC, thus helping to improve operational efficiency;

- (c) We have rescheduled the duty hours of the staff at the AMC so that the operating hours of the AMC can be covered by the regular workforce as far as operationally practicable. We have also redeployed some NCSC staff from other operational units of the International Mail Division to the AMC to reinforce the workforce there. Since September 2014, we have been training up a wider pool of staff to share out the overtime work at the AMC. In addition, starting from August 2015, we deploy leave reserve staff to the AMC to cover temporary absence arising from attendance of staff training;
- (d) We have enhanced on-the-job training to equip the AMC staff with the necessary skills and knowledge for enhanced operational performance; and
- (e) We have stepped up effort to fill NCSC vacancies in the AMC, e.g. by distributing recruitment advertisements in Tung Chung by means of household circulars and we engaged the assistance of Labour Department in arranging recruitment campaigns in Tung Chung in 2015. We have also increased the salary for staff on overnight shift from 1 November 2015.

29. As a result of the above measures, during the period from April to November 2015, the total overtime hours incurred by the AMC staff has reduced by 20% and the number of staff working overtime in excess of the monthly departmental ceiling of 60 hours has reduced by 71% compared with the same period in 2014.

30. We will continue to monitor the overtime work incurred for operations at the AMC with the objective of further reducing overtime work there where operationally practicable. In this connection, we will further examine the feasibility of adjusting the duty hours of the AMC staff as well as the manpower deployment (including the mix of civil service posts and NCSC positions) at the AMC. Where operationally justified, we will consider creating additional posts.

Management of post offices

On item (o)

31. In 2014-15, 24 post offices achieved an operating profit. A breakdown is set out below:

Annual operating profit	Number of post offices
>\$10 million	3
>\$5 million to \$10 million	11
up to \$5 million	10

32. The scale of operation of these post offices varies as shown below :

Number of staff	Number of post offices
>30	2
11 to 30	6
up to 10	16

The services provided by these 24 post offices are broadly the same as other post offices. Half of them accept bulk postings and thus attract more revenue. Some of them provide additional services such as post office box rental, trade declaration service, etc.

33. These 24 post offices are generally located in commercial or industrial areas with a higher transaction volume. 14 of them are on premises vested in the Post Office Trading Fund (i.e. without the need to pay rent) and thus have a lower operating cost base.

On item (p)

34. Director of Audit's Report No. 54 recommended that the Postmaster General should conduct regular evaluation of the demand for the postal services of individual post offices and their financial viability to ensure that the operation of each post office is justified, and critically explore the feasibility of closing down loss-making post offices with low demand for postal services. Taking account of changes in postal behaviour locally over the years and to pave the way for rationalising the post office network, HKP conducted a review of the standards and guidelines for post office provision set out in the Hong Kong Planning Standards and Guidelines (HKPSG) in 2014. Following approval by the Committee on Planning, Land and Development (CPLD) chaired by the Secretary for Development, the updated standards and guidelines for post office provision (see **Annex B**) took effect in December 2014. In essence, the radius of the catchment area of a post office in urban areas has been increased from 0.8 km to 1.2 km.

***Note by Clerk, PAC:** Please see Appendix 63 of this Report for Annex B.

35. Taking account of the updated planning standards and guidelines for post office provision and the following consideration factors, HKP has kept under review the operation, as well as financial viability, of individual post offices to see if they continue to be justified :

- (a) whether the catchment area of the post office in question (i.e. the area covered by a radius of 1.2 km from the location of the post office) overlaps to a large extent with the catchment area(s) of adjacent post office(s);
- (b) demand for postal services in the local community;
- (c) the financial performance of the post office; and
- (d) whether there are alternative postal facilities (e.g. street posting box, outlets for stamp sales and bill payment, etc.) in the neighborhood of the post office that are conveniently accessible to local residents.

36. In deciding on the solution to be adopted, we need to take full account of the particular local circumstances in each case. Experience indicates that the local community is often resistant to any proposals to reduce the service level of post offices, despite dwindling service demand. The implementation of measures to rationalise the post office network, therefore, frequently takes time.

37. Our effort in rationalising the post office network to date is summarised below :

- (a) *Tsim Sha Tsui Post Office* : To optimise the utilisation of resources, we ceased counter operation at Tsim Sha Tsui Post Office on Sundays with effect from 6 April 2014;
- (b) *Chuk Yuen Post Office* : Following extensive discussions with Wong Tai Sin District Council and stakeholders in the local community, with effect from 2 February 2015 we shortened the service hours of Chuk Yuen Post Office to 9:30 a.m. to 4:30 p.m. on Mondays, Tuesdays, Thursdays and Fridays and close the post office on Wednesdays;
- (c) *Rationalising the service hours of 59 post offices* : To optimise the utilisation of resources, the business hours of 59 post offices were shortened by half-an-hour to one hour with effect from 2 February 2015;
- (d) *Lok Wah Post Office* : Following extensive discussions with Kwun Tong District Council and stakeholders in the local community, we closed Lok Wah Post Office after close of business on 11 April 2015. A mobile post office started serving the local residents three times a week (9:00 a.m. to 12:30 p.m. on Mondays, Wednesdays and Fridays) from 13 April 2015;

- (e) *Cloud View Road Post Office* : Following extensive discussions with Eastern District Council's Community Building and Services Committee and other stakeholders, we closed Cloud View Road Post Office after close of business on 31 December 2015; and
- (f) *On Ting Post Office* : Following extensive discussions with Tuen Mun District Council's Commerce, Industry and Housing Committee and other stakeholders, we closed On Ting Post Office after close of business on 31 December 2015.

38. We will continue to closely monitor the overall performance of our post office network and take appropriate actions to ensure its cost-effective operation. In doing so, we will give due consideration to the Government's responsibility to meet the postal needs of the public, local service demand, alternative means of service provision and the need to optimise the use of resources. In addition, we will continue to manage the costs of service provision, explore new revenue streams for our post office network (e.g. promoting counter collection for online purchases) and identify opportunities for further rationalisation.

On item (q)

39. We display the visiting schedules of the mobile post offices at the service points and advertise them on HKP's website. The public may also make enquiries at the HKP enquiry hotline (2921 2222) and the government hotline 1823. To enhance communication to the local community, HKP will display notices/posters in the vicinity of the service points and at the offices of village representatives and the public enquiry service centres of Home Affairs Department. We will also disseminate the information to the relevant District Councillors.

40. The existing three mobile post offices adequately cater for the service needs in locations which do not justify the operation of a post office. We will keep the situation under review and, where justified, adjust our service provision in response to the postal needs of the local community. In this connection, we will review the service points of our mobile post offices biennially.

On item (r)

41. We have recently completed a review on the service points of our Mobile Post Offices No. 1 and No. 2 by analysing the transaction pattern of all 58 service points served by these two mobile post offices. Taking account of changes in the postal service demand of the local community and the improved accessibility of alternative postal facilities (e.g. post offices) in the neighbourhood of the existing service points, we will cease service provision at 13 service points that either have a low service demand or are within the service boundaries of post

offices in the vicinity (details are at **Annex C**). In addition, we will suitably adjust the frequency of visits to a number of service points to align with service demand with a view to optimising resource utilisation. Allowing time for notifying customers and making necessary preparation, we will implement the above-mentioned adjustments with effect from April 2016.

42. As for Mobile Post Office No. 3, it currently has only one service point at Lok Wah Estate. We will keep its service provision under review having regard to the service demand of the local community.

43. To ensure that the service provision of mobile post offices is aligned with the service needs of the local community, HKP will conduct a review of the service points of mobile post offices biennially.

Management of postal vehicles

On item (s)

44. We are conducting a review on the formula and assumptions currently used for calculating the utilisation rates for different types of HKP's vehicles with the objective of enhancing the management of HKP's vehicle fleet by making available more accurate and reliable utilisation data. Under this review, we will update the pre-determined factors for calculating the vehicle utilisation rates (e.g. vehicle available hours, loading and unloading time and the usage patterns of vehicles, etc.) taking account of the prevailing organisation of postal operations and the deployment arrangements for different types of departmental vehicles. The updated formula and assumptions will be on trial in the first quarter of 2016. Subject to the successful completion of the trial, we plan to implement the updated methodology for calculating the utilisation rates of departmental vehicles in April 2016.

On item (u)

45. As we procure hired vehicle services by open tender, any service providers that are able to meet the tender specifications may submit a tender. We do not have information on the number of potential suppliers in Hong Kong that were able to meet the requirements on the minimum number of light goods vehicles and trucks under the respective tender exercises, which were set by reference to our operational needs.

46. HKP is committed to encouraging market participation and market competition in our procurement of hired vehicle services in order to achieve better value for money, and has been taking action in this direction in our recent hired vehicle procurement exercises.

47. The service requirements stipulated in the tender documents (such as the routing, the number of vehicles required and the hours of service provision) in the latest round of tender exercises for light goods vehicles and trucks were drawn up having regard to the operational requirements of the user units (e.g. conveyance of delivery postmen and second pouch bags for delivery offices to support an early start of the daily delivery duty, collection of mail from post offices for conveyance to mail processing centres, transportation of mail between mail processing centres and between mail processing centres and delivery offices, etc.) and the need to optimise operational efficiency. In addition, there is a need to secure service provision for all relevant operational units. Past experience indicates that while in theory breaking up the transportation routes to cover a smaller geographical coverage may allow more service providers to submit tenders, there is a risk that we do not have any bidders for unattractive routes (e.g. routes covering remote locations and rural areas, etc.) . To minimise such risks, we bundle unattractive routes with more attractive ones so as to attract more market participation overall.

48. For light goods vehicles, in the last tender exercise conducted in February 2015 for service provision from 1 August 2015 to 31 July 2017, we introduced the following changes to the service specifications :

- (a) Vehicles of the same contractor may be used for different service regions after the award of contract to meet operational needs as directed or agreed by HKP; and
- (b) The specifications for the hired vehicles have been relaxed, i.e. increasing the number of years in service from seven years to eight years and reducing the number of passenger seats per vehicle from five to four.

49. As a result of these changes, the number of bidders increased and all the successful bidders fully met the tender requirements. This is an improvement over the last tender exercise conducted in March 2013, under which a smaller number of tenderers submitted bids. Moreover, as the tenderers of the tender exercise in March 2013 fulfilled only part of the tender requirements, we had to conduct another tender exercise to source tenderers for the remaining requirements.

50. For trucks, in the last tender exercise conducted in October 2015, we introduced the following changes to the service requirements in order to promote market participation and market competition :

- (a) We relaxed the height restriction of vehicles so that only a minimum of five trucks, instead of all trucks under the previous tender exercise, were required to meet the height restriction of under 3.2 m; and

(b) To encourage more competition, we set out details of the transportation routes (e.g. the respective districts of the starting point and the end point, the number of call points for each route, etc.), instead of just the number of routes under the previous tender exercise, to facilitate cost estimation by potential tenderers.

51. As a result of these changes, the number of bidders significantly increased from one in the 2013 tender exercise for trucks to five in the recent tender exercise.

52. We will continue with our effort to encourage market participation and market competition in future procurement of hired vehicle services while giving due consideration to the need to meet our overall operational needs and maintain uninterrupted service provision in a cost-effective manner.

Management of Central Mail Centre and General Post Office Building

On item (x)

53. The GPO Building is situated in Site 3 of the New Central Harbourfront. In accordance with the Urban Design Study for the New Central Harbourfront completed by the Planning Department, Site 3 has been earmarked for development as a comprehensive development area. It is Government's plan to develop this site upon the completion of the Central-Wan Chai Bypass and the relocation of the relevant facilities. The reprovisioning of the GPO Building will be taken forward in step with the development of Site 3, which Government expects to commence in the next two to three years.

54. The GPO reprovisioning project comprises two parts, viz. reprovisioning of the district-tied facilities and reprovisioning of the HKP's Headquarters. The district-tied facilities (i.e. the GPO Counter Office and the Post Office Box Section, the GPO Delivery Office, and the Speedpost Section) will be reprovisioned to a location north of Lung Wo Road within Site 3 of the New Central Harbourfront to meet the postal needs of the local community. HKP's Headquarters will be reprovisioned to a government site adjacent to the CMC in Kowloon Bay. In order to maintain service continuity, the GPO Building will be demolished upon the completion of the reprovisioning of the relevant facilities.

55. In support of Government's overall project objective and project programme for the development of Site 3, HKP has been working closely with the relevant Government bureaux and departments all along (e.g. on the identification of reprovisioning sites and the timing of vacating the existing GPO site, drawing up user's requirements, etc.), and has been making its best endeavour to take forward those tasks falling within its purview in a timely manner in accordance with the established mechanism for implementing public works projects under Government's Public Works Programme. We aim to

consult the Central and Western District Council and the Kwun Tong District Council respectively on the two GPO-related reprovisioning projects in 2016.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lorrience Chow', written over a horizontal line.

(Lorrience Chow)
for Postmaster General

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

Cessation of service points of mobile post offices

(a) Mobile Post Office No. 1

District	Service point	Location	Current service schedule per week	Service duration per visit (minutes)
Tuen Mun	1. Castle Peak Hospital	Close to Castle Peak Family Clinic, at the junction of Leung Shun Road and Tsing Chung Koon Road, Tuen Mun	Wed	20
	2. Lam Tei	At the junction of Castle Peak Road and Lam Tei Main Street, Lam Tei, Tuen Mun	Fri	15
	3. Lung Mun	Oasis, Close to Block 1, Lung Mun Oasis, Tuen Mun	Mon Wed	20
	4. Sham Shing Estate	Close to Moon Yu House and Tin Hau Kindergarten, Sham Shing Estate, Tuen Mun	Mon Wed	20
	5. Shan King Estate	Close to King Wing House, Shan King Estate, Tuen Mun	Wed Fri	30
	6. Siu Hong Court	Next to Siu Fei House, Siu Hong Court, Tuen Mun	Mon Wed Fri	30
North	7. Wu Kau Teng	Wu Kau Teng Public Carpark at Wu Kau Teng Road, Fanling	Tue	15

(b) Mobile Post Office No. 2

District	Service point	Location	Current service schedule per week	Service duration per visit (minutes)
Tsuen Wan	1. Allway Gardens	At the podium, close to Block J, Allway Gardens, Tsuen Wan	Wed Fri	30
Sai Kung	2. Hang Hau,	Outside St. Vincent's Catholic Church, Hang Hau Road, Sai Kung	Tue	15
	3. Po Lo Che	Close to Po Lo Che Rest Garden, Po Lo Che Road, Sai Kung	Tue	15
Shatin	4. Prince of Wales Hospital	Close to Staff Quarters Block A, Prince of Wales Hospital, Shatin	Mon Wed	30 (Mon) 20 (Wed)
	5. Sui Wo Court	Opposite the bus terminus, Sui Wo Court, Shatin	Mon Wed Fri	30
	6. Sun Tin Wai Estate	Between Shing Wai House and Fu Wai House, Sun Tin Wai Estate, Shatin	Mon Fri	20