

For information
on 26 October 2015

Legislative Council Panel on Economic Development

**REVISION OF POSTAGE RATES AND MISCELLANEOUS
POSTAL FEES AND CHARGES**

Purpose

This paper informs Members that the Postmaster General (PMG) will adjust the principal postage rates from 1 January 2016, and plans to adjust a number of postal fees under the Post Office Regulations (Cap. 98A) from 1 February 2016.

Adjustment of Postage Rates and Postal Fees

2. Hongkong Post (HKP) is committed to providing reliable and efficient postal services to the public at reasonable prices. While HKP will continue with its effort to generate revenue through business development and manage its costs, there is a need to periodically adjust postage rates and postal fees in order to recover the escalating operating costs, in particular, increases in its major cost components, including staff costs, air conveyance costs and terminal dues payments.

3. On the adjustment of postage rates, an important objective of the current exercise is to rationalise the postage structure to better reflect the underlying costs. To align with global developments within the postal industry under the Universal Postal Union, postage rates for Local Mail (Letters and Packets), Air Mail (Letters and Packets) and Surface Mail (Letters and Packets) will be set by reference to the mail format, namely Small Letters, Large Letters and Packets, and weight.

4. In tandem with the introduction of the new mail format classification, the weight tiers for Local Mail (Letters and Packets) will be rationalised, and the sub-classes of Air Mail (Letters and Packets) (i.e. Air Mail – Second Class) and Surface Mail (Letters and Packets) (i.e. Surface Mail – Printed Papers and Surface Mail – Small Packets) will be abolished. An additional geographical zone, Zone 3, will be introduced for Air Mail (Letters and Packets) and Surface Mail (Letters and Packets)

to cover selected destinations now included in Zone 2 which have a higher costs base. These changes aim to modernise the postage structure for local and international mail in response to industry and market developments and to better reflect the “user pays” principle.

5. For Local Parcels, while the postage rates for items weighing 9 kg or below will be adjusted to reflect the cumulative inflation since the last adjustment, the postage rates for items above 9 kg will be reduced by up to 28.6%.

6. After the adjustments, the postage rates in Hong Kong will remain fairly low. Around 80%, 50% and 25% of Local Mail (Letters and Packets), Air Mail (Letters and Packets) and Surface Mail (Letters and Packets) respectively will not be affected by this round of postage adjustment. Overall speaking, the postage rates for around 74% of the total traffic will remain unchanged. The overall weighted average increase in principal postages rates in the current exercise is 6.2%, which is less than the cumulative inflation since the last adjustment in October 2013 (i.e. 9%).

7. On the other hand, the Post Office (Amendment) Regulation 2015 will be tabled at the Legislative Council for adjusting the rates of 14 postal fees under the Post Office Regulations (Cap. 98A) to recover the cumulative inflation since the respective last adjustments, revising the rates and service conditions of three postal fees and making other miscellaneous amendments.

8. Details are set out in the attached Legislative Council Brief issued on 15 October 2015.

Advice Sought

9. Members are invited to note the adjustments of principal postage rates and offer views on the proposed adjustments to miscellaneous postal fees under the Post Office Regulations.

Commerce, Industry and Tourism Branch
Commerce and Economic Development Bureau
16 October 2015

LEGISLATIVE COUNCIL BRIEF

Post Office Ordinance (Chapter 98)

**REVISION OF POSTAGE RATES AND
MISCELLANEOUS POSTAL FEES AND CHARGES**

INTRODUCTION

At the meeting of the Executive Council on 22 September 2015, the Council ADVISED and the Chief Executive ORDERED that the Post Office (Amendment) Regulation 2015 (the Amendment Regulation), at **Annex A**, should be made under section 3 of the Post Office Ordinance (Cap. 98) to make the following revisions in respect of various fees under the Post Office Regulations (Cap. 98, sub. leg. A) (POR) with effect from 1 February 2016 -

- (a) to increase the rates of 14 postal fees to recover the cumulative inflation¹ since their respective last adjustments -
 - (i) private box/private bag service annual fees;
 - (ii) recorded delivery fee for postal packets;
 - (iii) parcel demurrage charge;
 - (iv) fee for each additional key for private box;
 - (v) fee for each old key not returned upon change of lock of private box;
 - (vi) fee for change of lock of private box;
 - (vii) fee for a certificate of posting of an unregistered postal packet or for a duplicate certificate of posting of a registered postal packet, a parcel or a recorded delivery postal packet;
 - (viii) commission charge for money order for payment outside Hong Kong;
 - (ix) fee for an advice of payment for money order;
 - (x) fee for stopping payment of money order, issuing duplicate of money order, or refunding payment for void money order;
 - (xi) price of international reply coupon;

¹ As measured by changes in the Composite Consumer Price Index; same below.

- (xii) surcharge for each article delivered through the Business Reply Service (BRS);
 - (xiii) surcharge for each envelope or card delivered through Freepost; and
 - (xiv) fee for handling each dispatch of philatelic products ordered by customers outside Hong Kong;
- (b) to revise the rates and service conditions of three postal fees - the fee for a new BRS licence, the fees for redirection of postal packets and the special fee payable by the sender for cash on delivery parcels;
- (c) to introduce a licence fee for Freepost service; and
- (d) to remove the references to six postal fees from the POR -
- (i) five of the postal fees are abolished, namely gratuities to masters of ships not being Government or contract ships for conveyance of postal packets, fee for a certificate for reception of mail matter, fee for collecting a cash on delivery parcel, fee for express service for a postal packet and annual administration fee for ordering philatelic products by local customers; and
 - (ii) monthly fee for collection of Speedpost items from a customer's address will be charged on non-statutory basis.

2. Apart from revising the postal fees under the POR, the Postmaster General (PMG) will also rationalise the postage structure and revise the rates of the principal postages of Local Mail (Letters and Packets), Air Mail (Letters and Packets), Surface Mail (Letters and Packets) and Local Parcels with effect from 1 January 2016.

JUSTIFICATIONS

3. The Post Office Trading Fund (POTF) is required by law to operate on a self-financing basis and to achieve a reasonable return on the fixed assets employed. The principal postages² and a number of postal

² Principal postages refer to postages of traditional services of Local Mail, Air Mail and Surface Mail. Non-principal postages refer to postages of other services such as Speedpost, e-Express and Smart Post.

fees under the POR were last adjusted with effect from 1 October 2013 and 1 December 2013 respectively³. To recover the escalating operating costs and to maintain the financial viability of the POTF in the medium term, there is a need to regularly adjust the principal postage rates and postal fees. The factors which have been taken into account are outlined in paragraphs 4 to 8 below.

(a) Increase in Operating Costs

4. The major cost components pertinent to the operation of the POTF, namely staff costs, air conveyance costs and terminal dues payments⁴, have continued to increase in recent years. For instance, during the period from 2013-14 to 2014-15, staff costs went up by 8.8%, air conveyance costs by 3.7% and terminal dues payments by 7.8%. Accommodation costs also increased by 12.3%. Moreover, the rigidity of the civil service system⁵ and the POTF's obligation to provide universal postal services despite the relentless trend of e-substitution constrain the POTF's flexibility in controlling costs. With the continued rise in staff costs, air conveyance costs and terminal dues payments at a projected annual rate of around 4% during the forecast period (i.e. 2015-16 to 2019-20), there is a need to adjust the principal postage rates and postal fees to recover costs and maintain the financial viability of the POTF.

(b) Cumulative Inflation since the Last Adjustment Exercises

5. In moving the resolution for establishing the POTF in July 1995, the Government undertook that future postage rate increases would be broadly in line with inflation. The principal postage rates and certain

³ The principal postage rates last adjusted in October 2013 were in respect of Local Mail (Letters and Packets), Bulk Local Mail, Local Parcels, Air Mail (Letters and Packets), Bulk Air Mail, Surface Mail (Letters and Packets) and Surface Bulk Bag. The postal fees under the POR last adjusted in December 2013 were the private box/private bag service annual fees, fees for redirection of postal packets, fee for recorded delivery of postal packets, and fees for registration and compulsory registration of postal packets.

⁴ Terminal dues are the charges levied by other postal administrations for the provision of mail delivery service for all inbound mail types.

⁵ This refers to the inflexibility of the POTF in adjusting the civil service strength as well as its obligation to follow the annual civil service pay adjustment mandated by the Civil Service Bureau without regard to its own financial position and market pay for employees in the logistics sector.

postal fees were last revised with effect from 1 October 2013 and 1 December 2013 to broadly reflect the cumulative inflation since the respective last adjustments up to end December 2012. The cumulative inflation as measured by the change in the Composite Consumer Price Index from January 2013 to December 2014 was 9%.

(c) Cross-subsidisation among Postal Services

6. At present, Local Mail (Letters and Packets), Local Parcels and Surface Mail (Letters and Packets) and various miscellaneous postal services are operating at a loss and are subsidised by revenue generated by Air Mail, philatelic services and competitive services such as Speedpost. Due to the anticipated increase in air conveyance costs and terminal dues payments⁶, the margins of Air Mail and other outbound services (e.g. Speedpost) which are currently profitable will be further squeezed and cross-subsidisation to support other loss-making postal services provided by the POTF will become increasingly untenable. Moreover, in response to the recommendation of the Director of Audit in his Report No. 38, the Government has undertaken to reduce cross-subsidisation among the POTF's various services. Unrealistically low domestic postage rates encourage consolidators to recruit overseas mails and post them directly at local post offices as Local Mail for delivery to local recipients, instead of using the normal international mail channel, thereby aggravating the loss of Local Mail and depriving the POTF of the right of receiving cost-recovering terminal dues payments from other postal administrations. Furthermore, payments from other postal administrations for international mail are set with reference to local postage rates; the low domestic postage rates affect the level of terminal dues received.

(d) Revenue Generation and Cost Saving Measures

7. The POTF has made sustained efforts to identify new sources of revenue and manage its costs. The POTF has endeavoured to generate revenue from developing new or enhanced services in response to customer needs, e.g. introducing e-Express⁷, Smart Post⁸ and counter

⁶ Terminal dues payments to the major destination postal administrations for international mail from Hong Kong have been increasing significantly, up to 6% a year starting from 2014.

⁷ Hongkong Post (HKP) launched the e-Express service, a tracked delivery service with domestic priority delivery at the destination, in April 2011 in response to the growing trend

collection service to meet service demand arising from e-commerce; enhancing direct mail services; optimising the use of the postal infrastructure by allowing advertising on second pouch boxes and the external walls of post offices; and revitalising the philatelic market. In addition, the POTF has periodically adjusted the postage rates under the PMG's authority in order to improve cost recovery and product profitability. On cost management, the POTF has sought to contain expenditure on air conveyance by encouraging more market participation and competition through appropriate service specifications when inviting tenders for air conveyance service. The POTF has also been conducting bilateral negotiations with other postal administrations with a view to reducing expenditure on terminal dues payments. To enhance operational efficiency, the POTF has been implementing various measures such as business process re-engineering, automation and mechanisation. Examples include the amalgamation of the International Mail Centre and the General Post Office Sorting Office into a unified Central Mail Centre, which helps achieve economy of scale in postal operation; the implementation of a new Integrated Postal Services System to automate counter operations and streamline back end support functions; and pursuing the Chinese Optical Character Recognition project for the Mechanised Letter Sorting System to automate the sorting of letter mail bearing Chinese addresses. In addition, the POTF has taken steps to rationalise the post office network by closing those post offices that can no longer be justified by service demand or reducing their scale of operation. Despite continuous efforts in cost management, productivity enhancement and revenue generation, it is anticipated that the POTF would still incur substantial operating loss in the coming five years if timely adjustments were not made to the principal postage rates and postal fees.

(e) Return on Fixed Assets Employed

8. The target rate of return of the POTF based on the average net fixed assets (ANFA) is currently set at 5.9%. In 2013-14, the POTF's rate of return was -0.5%, with an operating deficit of -\$2.6 million. Although the POTF is expected to have an operating surplus in 2014-15,

of e-commerce. The service served only one destination, the US, at the beginning and was later extended to serve Australia, New Zealand, Canada, the UK and Russia.

⁸ Smart Post service provides an economical delivery solution with track-and-trace functions for local mail items, along with email notification of their delivery status as well as a choice between door delivery and counter collection.

it would still face considerable financial pressure in the medium term due to inherent institutional constraints and market competition.

REVISION OF POSTAGE RATES AND POSTAL FEES

(A) Non-legislative Adjustment of Principal Postage Rates

(a) Local Mail (Letters and Packets)

Classification of mail by format

9. At present, postage for Local Mail (Letters and Packets) is charged by weight per item without differentiation by item format provided that the mail item does not exceed the specified maximum dimensions (i.e. 900 mm in length, width and depth combined; the largest dimension may not exceed 600 mm) and the maximum weight (2 kg). In practice, the format of an item determines whether it could be sorted by machine and delivered via nested letter boxes in building lobbies, thus significantly affecting the mail processing costs. For example, small letters that can be mechanically-sorted and delivered through nested letter boxes will have lower mail processing costs. On the other hand, large letters and packets have much higher processing costs due to the need for manual sorting and door delivery. In recent years, the mix of Local Mail (Letters and Packets), and hence the mail processing costs, has been rapidly changing due to the decrease in letter mail traffic as a result of e-substitution and an increase in small packets arising from e-commerce. To better reflect costs, we have made reference to the Universal Postal Union (UPU) Letter Post Manual⁹ and will classify letter mail into Small Letter, Large Letter and Packet for postage purpose. Details of the new classification are set out in **Annex B**¹⁰. To assist mailers to identify the

⁹ In the current UPU Congress cycle that commenced in 2014, the UPU has introduced a new system to define letter post items by format (Small Letter, Large Letter and Packet) to better reflect the cost of mail processing. This classification system applies, in the first instance, to more developed postal administrations exchanging mail above a specified threshold for the charging of terminal dues and it will be extended to other postal administrations in due course. At present, the US, Canada, Australia and Singapore, etc. are using the format classification approach for setting postage rates. We expect this format classification approach to gradually replace the conventional classification of letter post items by content (e.g. letters and postcards, printed papers and small packets) worldwide.

¹⁰ The UPU guidelines may be varied by postal administrations to suit their needs and circumstances. The new mail classification by format as set out in **Annex B** follows the

format of their mail items and calculate the correct postages, we will arrange publicity of the new format classification and provide postage calculators on the HKP's website and mobile app.

Rationalisation of weight tiers

10. With the implementation of format classification, there is scope for rationalising the existing weight tier structure to better reflect the different mail processing costs for the three mail formats. For example, as Large Letters and Packets generally require manual sorting and door delivery, their processing costs involve a per item component but do not significantly vary by item weight. The rationalised weight tier structure for the new classification of Small Letter, Large Letter and Packet is set out in **Annex C**.

Adjustment of postage rates

11. Taking account of the revisions in paragraphs 9 to 10 above, we will revise the rates for Local Mail (Letters and Packets) with effect from 1 January 2016 as set out in the table in **Annex C**. The existing postage rate of \$1.7 (for items not exceeding 30 g) will be maintained as the rate for Small Letter (for items not exceeding 30 g) (accounting for around 80% of traffic). The weighted average increase in the postage rates for Local Mail (Letters and Packets) is 4.9%.

(b) Air Mail (Letters and Packets) and Surface Mail (Letters and Packets)

Classification of mail by format and removal of current sub-classes

12. For the same reasons as set out in paragraph 9 above, we will adopt the same format classification approach for Air Mail (Letters and Packets) and Surface Mail (Letters and Packets). With the adoption of the format classification approach, we will abolish the current sub-classes. At present, Air Mail (Letters and Packets) is further categorised into "Letters and Postcards" and "Second Class" mail items. "Second Class" items cannot be sealed and the postage rates are lower than those of "Letters and Postcards". Similarly, Surface Mail (Letters and Packets)

UPU guidelines, except that the maximum weight for Small Letter is set at 50g (compared with 100g under the UPU guidelines) in reflection of the operational capability of HKP's letter sorting machines.

is further categorised into “Letters and Postcards”, “Printed Papers” and “Small Packets”. “Printed Papers” and “Small Packets” cannot be sealed and the postage rates are lower. The reasons for abolishing the current sub-classes are as follows -

- (i) Postage rates should generally be determined by making reference to the mail processing costs, which depend on weight, delivery standard and the extent of manual effort rather than the mail content. A postage approach based only on mail format and weight is a more rational and equitable approach;
- (ii) “Second Class” items under Air Mail (Letters and Packets) as well as “Printed Papers” and “Small Packets” under Surface Mail (Letters and Packets) share the same, if not higher, mail processing costs as other mail items, and their discounted postage rates have to be subsidised by other revenue streams, which is unfair and should cease;
- (iii) Under the prevailing service conditions, “Second Class” items under Air Mail (Letters and Packets) as well as “Printed Papers” and “Small Packets” under Surface Mail (Letters and Packets) cannot be sealed. However, some senders still seal their items on the inside while using stringed envelopes to avoid paying the correct (and higher) postages. HKP is obliged to check whether there is any under-payment of postages, but such detection work often requires considerable efforts of HKP and hence adds to its operating costs; and
- (iv) The content of unsealed postal items may fall out during the course of mail conveyance. This is undesirable from the mail security perspective.

Additional geographical zone

13. There are currently three geographical zones for Air Mail (Letters and Packets) and Surface Mail (Letters and Packets), viz. “Mainland China and Taiwan” (MCT) (for Air Mail) / “Mainland China, Macau and Taiwan” (MCMT) (for Surface Mail), Zone 1¹¹ and Zone 2¹².

¹¹ Zone 1 covers mostly Asian countries, such as India, Indonesia, Korea, Malaysia, the Philippines, Singapore, Thailand, etc.

¹² Zone 2 covers all other countries on different continents, such as Australia, Japan, South

Mail bound for selected destinations in Zone 2 (e.g. destinations in South America, the Scandinavia, Africa and Central/Eastern Europe) incurs higher processing costs due to higher conveyance costs and terminal dues payments. To better reflect the costs and minimise cross-subsidy among destinations, we will add a new geographical Zone 3 for these destinations, for which higher postage rates than Zone 2 will be charged.

Adjustment of postage rates

14. Taking account of the revisions in paragraphs 12 to 13, we will adjust the postage rates under Air Mail (Letters and Packets) and Surface Mail (Letters and Packets) as set out in the tables in **Annex D** and **Annex E** respectively. The existing postage rates of “Letters and Postcards” will be maintained as the rates for Small Letter for MCT, Zone 1 and Zone 2 under Air Mail (Letters and Packets) (accounting for around 50% of traffic); and the existing postage rates of “Letters and Postcards” for 20g or below will be maintained as the rates for Small Letter (20g or below) for MCMT, Zone 1 and Zone 2 under Surface Mail (Letters and Packets) (accounting for around 27% of traffic). New rates are set for Zone 3. The weighted average increases in the postage rates for Air Mail (Letters and Packets) and Surface Mail (Letters and Packets) are 11.6% and 7.2% respectively.

(c) Local Parcels

Adjustment of postage rates

15. Local Parcel service has been operating at a loss due to high operating costs and market competition. As local parcels generally require door delivery, the unit processing costs do not vary significantly by weight. As a result, while lighter parcels are loss-making, heavier parcels are profitable. In order to recover the escalating costs for lower weight tiers and enhance the price competitiveness of higher weight tiers, we will adjust the postage rates for Local Parcels by increasing the postage rates for parcels weighing 9 kg or below (accounting for around 94% of traffic) and reducing the postage rates for parcels weighing above 9 kg (accounting for around 6% of traffic) with effect from 1 January 2016. The opportunity is also taken to rationalise the weight tiers of heavier parcels to better reflect the mail processing costs. The revised rates table is set out in **Annex F**. The weighted average increase in the

Africa, the US, the UK, France, Germany, Russia, etc.

postage rates for Local Parcels is 5.8%.

16. Taking into account the postage revision for Local Mail (Letters and Packets), Air Mail (Letters and Packets), Surface Mail (Letters and Packets) and Local Parcels as set out in paragraphs 9 to 15, the overall weighted average increase in principal postage rates in the current exercise is 6.2%, lower than the cumulative inflation from January 2013 to December 2014¹³. The postage rates for around 74% of the total traffic will remain unchanged.

(B) Adjustment of Miscellaneous Postal Fees under the POR

(a) Adjusting the rates of 14 postal fees to recover cumulative inflation

17. We propose increasing the following 14 postal fees under the POR to recover the cumulative inflation since their respective last adjustments to improve cost recovery -

<i>Items with fee adjustment in December 2013</i>				
	Postal fee	Regulation No. of POR	Last adjustment	Cumulative inflation from 1 January 2013 to 31 December 2014¹⁴ (Rate of increase)
1.	Private box/private bag service annual fees	13(1)	1 December 2013	9%
2.	Recorded delivery fee for postal packets	16A(1)	1 December 2013	9%

¹³ The last adjustments to the relevant principal postage rates were made in October 2013 to recover the cumulative inflation up to 31 December 2012.

¹⁴ The last adjustments were made in December 2013 to recover the cumulative inflation up to 31 December 2012. The current proposed adjustments are to recover cumulative inflation from 1 January 2013 to 31 December 2014.

<i>Items without fee adjustment in December 2013</i>				
	Postal fee	Regulation No. of POR	Last adjustment	Cumulative inflation since last adjustment up to 31 December 2014 (Rate of increase; unless otherwise stated)
3.	Parcel demurrage charge	12(1)	June 1995	37%
4. & 5.	Fee for each additional key for private box	13(4)(a)	July 1981	320% (to be adjusted by 204%) ¹⁵
	Fee for each old key not returned upon change of lock of private box	13(6)(c)	September 1985	204% ¹⁵
6.	Fee for change of lock of private box	13(6)(b)	June 1995	37%
7.	Fee for a certificate of posting of an unregistered postal packet or for a duplicate certificate of posting of a registered postal packet, a parcel or a recorded delivery postal packet	14	March 1997	24%
8.	Commission charge for money order for payment outside Hong Kong	19(2)(a)	November 1999	25%
9.	Fee for an advice of payment for money order	19(5)	November 1999	25%
10.	Fee for stopping payment of money order, issuing duplicate of money order, or refunding payment for void money order	19(8)	November 1999	25%

¹⁵ Both fees are \$10 per key. For alignment of both fees, it is proposed that the fee for each additional key for private box be also adjusted by 204%, i.e. \$30.

	Postal fee	Regulation No. of POR	Last adjustment	Cumulative inflation since last adjustment up to 31 December 2014 (Rate of increase; unless otherwise stated)
11.	Price of international reply coupon	22	June 1995	37%
12.	Surcharge for each article delivered under the Business Reply Service (BRS) ¹⁶	23(5)	June 1995	37%
13.	Surcharge for each envelope or card delivered under Freepost ¹⁷	23A(4)	November 1999	25%
14.	Fee for handling each dispatch of philatelic products ordered by customers outside Hong Kong	36(2)	March 1997	24%

(b) Revising the rates and service conditions of three postal fees

18. We propose to adjust both the rates and the service conditions of the following three postal fees under the POR -

- (i) Adjusting the fee for a new licence of BRS and abolishing the annual renewal requirement and the annual renewal fee (Regulation 23(3)) -

¹⁶ BRS enables a person to obtain transmission, through the post, without prepayment of postage, of envelopes and cards addressed to himself. Under Regulation 23(5) of POR, the postage due will be calculated at prepaid rates applicable to such articles and will be collected from the recipient on delivery, together with a surcharge for each article delivered. The current rate of surcharge is \$0.5 for each article delivered.

¹⁷ Freepost service is similar to BRS but Freepost users are not required to submit complete printed proofs of the envelopes or cards to PMG for approval. Instead, Freepost user will be provided with a Freepost number and a Freepost format upon obtaining written approval from PMG for using the service, and the Freepost envelopes and cards must conform to the Freepost format and the terms and conditions as specified in the written approval.

According to Regulation 23(2) of the POR, a person who wishes to use the BRS has to obtain a licence from PMG; and as provided in Regulation 23(3), the fee for such a licence shall be \$110 and must be paid in advance, and every licence will expire at the end of one year from date of issue but may be renewed for further periods of 1 year at a time on payment of a fee of \$110 in respect of each such renewal. HKP has waived the fee for a new licence and the annual licence renewal fee since November 1997 in order to promote the use of this service.

In order to better recover the costs incurred for processing applications for a new licence, we propose increasing the fee for issuing a new BRS licence by 37% from \$110 to \$150 to recover the cumulative inflation since the last adjustment in June 1995 up to 31 December 2014. We further propose dispensing with the annual licence renewal requirement and the annual licence renewal fee would no longer be required.

- (ii) Adjusting the fees for redirection of postal packets and the service conditions (Regulation 32) -

In accordance with the current terms, a service charge is levied on the initial 3-month period and a fee is charged for each 12 subsequent months, subject to a maximum service period of 27 months (or 15 months for private box).

In order to better recover the operating costs and to provide more flexibility for users when renewing their service subscriptions, we propose (i) increasing the fee for the first 3 months by 9% from \$125 to \$136 (for private user) and from \$375 to \$409 (for business user) to recover the cumulative inflation from 1 January 2013 to 31 December 2014¹⁸; and (ii) revising each subsequent service period after the initial 3-month period from “12 months” to “6 months” and increasing the pro-rata fees in accordance with the cumulative inflation from 1 January 2013 to 31 December 2014 (i.e. 9%).

¹⁸ The last adjustments were made in December 2013 to recover the cumulative inflation up to 31 December 2012. The current proposed adjustments are to recover the cumulative inflation from 1 January 2013 to 31 December 2014.

- (iii) Changing the service condition of the special fee payable by the sender for cash on delivery parcels (Regulation 18(1)) -

Through the “cash on delivery parcels” service, HKP collects payment for the sellers when the parcels of goods are delivered to the buyers. The special fee payable by the sender under Regulation 18(1) is set at 1% of the trade charge, but the trade charge on any one parcel shall not exceed \$1,200 as per Regulation 18(2). To align with the prevailing commercial practice, we propose charging the fee on a “per item” basis, with the proposed fee level of \$12 per item.

(c) Introducing a licence fee for Freepost service

19. At present, a person who wishes to use the Freepost service must first obtain a written approval from PMG. However, unlike users of BRS, a similar service offered by HKP, who need to pay a fee for a new licence, no fee is charged for the approval for using the Freepost service. In order to recover the costs incurred for processing Freepost applications, we propose introducing a one-off licence fee of \$98 under Regulation 23A payable to HKP upon application for using the Freepost service.

20. Details of the proposed amendments to the various postal fees mentioned in paragraphs 17 to 19 with effect from 1 February 2016 are set out in **Annex G**.

(d) Removing the references to six postal fees from the POR

21. We propose removing the references to the following six postal fees from the POR. The justifications and the current fee rates are set out in **Annex H** -

- (i) gratuities to masters of ships not being Government or contract ships for conveyance of postal packets (Regulation 11);
- (ii) fee for a certificate for reception of mail matter (Regulation 15);
- (iii) fee for collecting a cash on delivery parcel (Regulation 18(3));
- (iv) fee for express service for a postal packet (Regulation 33);
- (v) monthly fee for collection of Speedpost items from a customer’s

address (Regulation 34); and

- (vi) annual administration fee for ordering philatelic products by local customers (Regulation 37).

OTHER OPTIONS

22. As set out in the paragraphs above, to maintain the financial viability of the POTF, we have to adjust the principal postage rates and postal fees. Revisions to the postal fees in the POR must be effected by legislative amendments and administrative means cannot achieve the purpose.

THE AMENDMENT REGULATION

23. The effect of the main provisions of the Amendment Regulation is as follows -

- (a) section 1 provides that the Amendment Regulation is to commence operation on 1 February 2016;
- (b) sections 4 to 6, 8 to 11, 12(1) and (2), 13(1) to (6) and (8), 14 and 16 revise the rates and/or service conditions of various postal fees as set out in paragraphs 17 to 19;
- (c) sections 3, 7, 9, 15 and 17 remove the references to the six postal fees as set out in paragraph 21 and sections 12(3) and 13(7) are amendments consequential to the abolition of the express delivery service; and
- (d) section 18 sets out the transitional arrangements relating to any licence issued and written approval given under the existing (pre-amended) Regulations 23 and 23A respectively, which will be treated as licences issued under the amended Regulations 23 and 23A respectively.

The existing provisions being amended are at **Annex I**.

LEGISLATIVE TIMETABLE

24. The legislative timetable is as follows –

Publication in the Gazette of the Amendment Regulation	30 October 2015
Tabling of the Amendment Regulation	4 November 2015
Effective date of the Amendment Regulation	1 February 2016

The adjustment of the principal postage rates does not need legislative amendments or Legislative Council's approval. The PMG will effect the increase on 1 January 2016. We will brief the Legislative Council Panel on Economic Development on the new principal postage rates and the proposed revisions to the postal fees at its meeting on 26 October 2015.

IMPLICATIONS

25. The revisions in principal postages and postal fees is in conformity with the Basic Law, including the provisions concerning human rights. It has no staffing, sustainability, gender and family implications. The revisions in principal postages and postal fee have financial, economic, environmental and productivity implications. Details are set out in **Annex J**. It will not affect the current binding effect of the Post Office Ordinance (Cap. 98) and its subsidiary legislation.

PUBLIC CONSULTATION

26. HKP has briefed the Customer Liaison Group¹⁹ and the Business Customer Liaison Group²⁰ on the problem arising from the existing postage structure for Local Mail (Letters and Packets), Air Mail (Letters

¹⁹ It is a consultative committee chaired by PMG and comprising representatives from the 18 District Councils.

²⁰ It is a consultative committee chaired by PMG and comprising representatives from the five major local chambers of commerce and eight major local SME associations.

and Packets) and Surface Mail (Letters and Packets) (i.e. charging postage by weight alone without reflecting equitably the different underlying mail processing costs for different mail formats) and the problems posed by second class mail. Members support the adoption of a format classification approach in order to keep abreast of developments in the UPU. They also support the abolition of second class mail in view of the inherent problems of such mail.

PUBLICITY

27. A press release will be issued and a spokesperson of HKP will be assigned to answer media enquiries. Suitable publicity will also be arranged to introduce the new format classification approach to the public.

BACKGROUND

28. A background note is set out at **Annex K**.

ENQUIRIES

29. Enquiries on this brief should be addressed to Miss Kathy Chan, Principal Assistant Secretary for Commerce and Economic Development (Tel: 2810 2958).

Commerce and Economic Development Bureau
15 October 2015

Post Office Ordinance (Chapter 98)

REVISION OF POSTAGE RATES AND MISCELLANEOUS POSTAL FEES AND CHARGES

ANNEXES

- Annex A - Post Office (Amendment) Regulation 2015
- Annex B - New mail classification by format for Local Mail (Letters and Packets), Air Mail (Letters and Packets) and Surface Mail (Letters and Packets)
- Annex C - New Postage Rates of Local Mail (Letters and Packets)
- Annex D - New Postage Rates of Air Mail (Letters and Packets)
- Annex E - New Postage Rates of Surface Mail (Letters and Packets)
- Annex F - New Postage Rates of Local Parcels
- Annex G - Proposed Revisions to Postal Fees under the Post Office Regulations (Cap. 98, sub. leg. A)
- Annex H - References to Postal Fees Proposed to be Removed from the Post Office Regulations (Cap. 98, sub. leg. A)
- Annex I - Existing provisions of the Post Office Regulations (Cap. 98, sub. leg. A) being amended
- Annex J - Implications of the adjustments to the principal postage rates and postal fees under the Post Office Regulations
- Annex K - Background Information
- Annex L - Abbreviations used in the paper

Post Office (Amendment) Regulation 2015

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Post Office (Amendment) Regulation 2015

(Made by the Chief Executive in Council under section 3 of the Post Office Ordinance (Cap. 98))

1. Commencement

This Regulation comes into operation on 1 February 2016.

2. Post Office Regulations amended

The Post Office Regulations (Cap. 98 sub. leg. A) are amended as set out in sections 3 to 18.

3. Regulation 11 repealed

Regulation 11—

Repeal the regulation.

4. Regulation 12 amended

(1) Regulation 12(1)—

Repeal

“\$2”

Substitute

“\$2.7”.

(2) Regulation 12(1)—

Repeal

“\$16”

Substitute

“\$22”.

5. Regulation 13 amended

(1) Regulation 13(1)(a)—

Repeal

“815”

Substitute

“890”.

(2) Regulation 13(1)(a)—

Repeal

“625”

Substitute

“680”.

(3) Regulation 13(1)(a)—

Repeal

“340”

Substitute

“370”.

(4) Regulation 13(1)(b)—

Repeal

“400”

Substitute

“435”.

(5) Regulation 13(1)(b)—

Repeal

“340”

Substitute

“370”.

- (6) Regulation 13(1)(c)—
Repeal
 “400”
Substitute
 “435”.
- (7) Regulation 13(1)(c)—
Repeal
 “340” (wherever appearing)
Substitute
 “370”.
- (8) Regulation 13(4)(a)—
Repeal
 “\$10”
Substitute
 “\$30”.
- (9) Regulation 13(6)(b)—
Repeal
 “\$40”
Substitute
 “\$55”.
- (10) Regulation 13(6)(c)—
Repeal
 “\$10”
Substitute
 “\$30”.

6. **Regulation 14 amended**
 Regulation 14—
Repeal
 “\$1.20” (wherever appearing)
Substitute
 “\$1.50”.
7. **Regulation 15 repealed**
 Regulation 15—
Repeal the regulation.
8. **Regulation 16A amended**
 Regulation 16A(1)—
Repeal
 “\$12.5”
Substitute
 “\$14”.
9. **Regulation 18 substituted**
 Regulation 18—
Repeal the regulation
Substitute
 “18. (1) In this regulation—
cash on delivery parcel (代收貨價包裹) means a parcel that is sent by a person (*sender*) to another (*recipient*) with instructions that an amount (*trade charge*) is to be collected by the Postmaster General, on behalf of the sender, from the recipient on delivery.

- (2) The trade charge for a cash on delivery parcel must not exceed \$1,200.
- (3) For each cash on delivery parcel, a special fee of \$12 is payable by the sender.
- (4) The recipient must pay the trade charge on collecting the parcel.”.

10. Regulation 19 amended

- (1) Regulation 19(2)(a)—

Repeal

“\$40”

Substitute

“\$50”.

- (2) Regulation 19(5)—

Repeal

“\$11”

Substitute

“\$14”.

- (3) Regulation 19(8)—

Repeal

“\$40,”

Substitute

“\$50”.

11. Regulation 22 amended

Regulation 22—

Repeal

“\$14”

Substitute

“\$19”.

12. Regulation 23 amended

- (1) Regulation 23(3)—

Repeal

everything after “a licence”

Substitute

“is \$150.”.

- (2) Regulation 23(5)—

Repeal

“50 cents”

Substitute

“70 cents”.

- (3) Regulation 23(6)—

Repeal

“or marked for express delivery”.

13. Regulation 23A amended

- (1) Regulation 23A(2)(a)—

Repeal

“written approval”

Substitute

“licence”.

- (2) Regulation 23A(2)(b)—

Repeal

“written approval”

Substitute

“licence”.

- (3) After regulation 23A(2)—

Add

“(2A) The fee for a licence is \$98.”.

- (4) Regulation 23A(3)—

Repeal

“written approval”

Substitute

“licence”.

- (5) Regulation 23A(4)—

Repeal

“approved”

Substitute

“licensed”.

- (6) Regulation 23A(4)—

Repeal

“60 cents”

Substitute

“80 cents”.

- (7) Regulation 23A(5)—

Repeal

“or marked for express delivery”.

- (8) Regulation 23A(6)—

Repeal

“written approval”

Substitute

“licence”.

14. Regulation 32 amended

- (1) Regulation 32(a)—

Repeal

“\$125”

Substitute

“\$136”.

- (2) Regulation 32(a)—

Repeal

“\$375”

Substitute

“\$409”.

- (3) Regulation 32(b)—

Repeal

“12”

Substitute

“6”.

- (4) Regulation 32(b)—

Repeal

“\$315”

Substitute

“\$172”.

- (5) Regulation 32(b)—

Repeal

“\$940”

Substitute

“\$512”.

15. Regulations 33 and 34 repealed

Regulations 33 and 34—

Repeal the regulations.**16. Regulation 36 amended**

(1) Regulation 36(1)—

Repeal

“outside Hong Kong”.

(2) Regulation 36(2)—

Repeal

everything after “ordered”

Substitute

“by a customer outside Hong Kong is \$12.”.

17. Regulation 37 repealed

Regulation 37—

Repeal the regulation.**18. Regulation 38 added**

At the end of the Regulations—

Add**“38. Transitional provisions for Post Office (Amendment) Regulation 2015**

- (1) In this regulation, a reference to a particular pre-amended regulation is a reference to that regulation as in force immediately before 1 February 2016.
- (2) A licence issued under the pre-amended regulation 23 and in force immediately before 1 February 2016 is to be treated as a licence issued under regulation 23.
- (3) A written approval given under the pre-amended regulation 23A and in force immediately before 1 February 2016 is to be treated as a licence issued under regulation 23A.”.

Clerk to the Executive Council

COUNCIL CHAMBER

2015

Explanatory Note

The purpose of this Regulation is to amend the Post Office Regulations (Cap. 98 sub. leg. A)—

- (a) by revising the fees for the Post Office's certain services;
- (b) by removing the references to certain fees;
- (c) by revising the service conditions of certain postal services; and
- (d) by requiring a licence (instead of written approval) to be obtained from the Postmaster General of Hong Kong for using the Freepost service and imposing a licence fee.

**New mail classification by format for
Local Mail (Letters and Packets), Air Mail (Letters and Packets)
and Surface Mail (Letters and Packets)**

Small Letter (P)

Maximum dimensions: 165 mm x 245 mm x 5 mm (thickness)

Minimum dimensions: 90 mm x 140 mm

Maximum weight: 50 g

Large Letter (G)

Maximum dimensions: 305 mm x 381 mm x 20 mm (thickness)

Minimum dimensions: 90 mm x 140 mm

Maximum weight: 500 g

Packet (E)

Maximum dimensions: length, width and depth combined: 900 mm, but the largest dimension may not exceed 600 mm

For roll form: length plus twice the diameter: 1 040 mm but the largest dimension may not exceed 900 mm

Minimum dimensions: 90 mm x 140 mm

Maximum weight: 2 kg

New Postage Rates - Local Mail (Letters and Packets)
with effect from 1 January 2016

Weight	Current Postage (\$)	New Postage		
		Small Letter (P)	Large Letter (G)	Packet (E)
		(\$)	(\$)	(\$)
30g	1.7	1.7	2.9	4.0
50g	2.7	2.8		
100g	3.7	-	3.9	
150g	4.5	-	5.7	5.8
200g	4.9	-		
250g	5.4	-		
500g	10.0	-	10.8	10.9
1 Kg	20.0	-	-	21.8
2 Kg	34.2	-	-	37.3

New Postage Rates - Air Mail (Letters and Packets) with effect from 1 January 2016

Mainland China and Taiwan

Weight	Current Postage		New Postage		
	Letters & Postcards (\$)	Second Class (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	2.9	2.3	2.9	3.0	3.1
30g	5.5	3.8	5.5	5.6	5.8
Each additional 10g	1.5	1.0	1.5	1.5	1.5

Zone 1

Weight	Current Postage		New Postage		
	Letters & Postcards (\$)	Second Class (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	2.9	2.3	2.9	3.0	3.1
30g	5.5	3.8	5.5	5.6	5.8
Each additional 10g	1.5	1.0	1.5	1.5	1.5

Zone 2

Weight	Current Postage		New Postage		
	Letters & Postcards (\$)	Second Class (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	3.7	3.1	3.7	3.8	3.9
30g	6.5	5.0	6.5	6.6	6.8
Each additional 10g	1.6	1.2	1.6	1.6	1.6

Zone 3 (previously falling within Zone 2)

Weight	Current Postage		New Postage		
	Letters & Postcards (\$)	Second Class (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	3.7	3.1	3.8	3.9	4.0
30g	6.5	5.0	6.6	6.7	7.0
Each additional 10g	1.6	1.2	1.6	1.7	1.7

Note: The ceiling of 5 kg for sending books will be removed, as mailers seldom use letter mail rates to send items up to 5 kg because Air Parcels offer lower rates.

New Postage Rates - Surface Mail (Letters and Packets) with effect from 1 January 2016

Mainland China, Macau and Taiwan

Weight	Current Postage			New Postage		
	Letters & Postcards (\$)	Printed Papers (\$)	Small Packets (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	2.2	1.8	6.8	2.2	2.4	7.4
50g	3.7	2.9		3.9	4.0	
100g	7.0	4.0		-	7.2	
250g	13.9	8.4	13.9	-	14.2	14.4
500g	27.0	15.7	25.5	-	27.3	27.5
1 Kg	47.0	26.8	45.6	-	-	47.5
2 Kg	72.5	40.3	67.1	-	-	73.0

Zone 1

Weight	Current Postage			New Postage		
	Letters & Postcards (\$)	Printed Papers (\$)	Small Packets (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	2.8	2.3	6.8	2.8	2.9	7.5
50g	5.4	5.0		5.5	5.6	
100g	7.1	6.3		-	7.3	
250g	14.2	12.9	13.9	-	14.4	14.7
500g	27.6	24.2	25.5	-	27.8	28.1
1 Kg	48.3	42.9	45.6	-	-	48.8
2 Kg	80.5	63.1	67.1	-	-	81.0

Zone 2

Weight	Current Postage			New Postage		
	Letters & Postcards (\$)	Printed Papers (\$)	Small Packets (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	3.5	3.1	6.8	3.5	3.7	8.6
50g	6.1	5.4		6.3	6.4	
100g	8.1	6.8		-	8.4	
250g	16.0	13.9	13.9	-	16.3	16.5
500g	30.3	25.5	25.5	-	30.6	30.8
1 Kg	52.3	45.6	45.6	-	-	52.8
2 Kg	83.2	67.1	67.1	-	-	83.7

Zone 3 (previously falling within Zone 2)

Weight	Current Postage			New Postage		
	Letters & Postcards (\$)	Printed Papers (\$)	Small Packets (\$)	Small Letter (P) (\$)	Large Letter (G) (\$)	Packet (E) (\$)
20g	3.5	3.1	6.8	3.7	3.8	8.8
50g	6.1	5.4		6.5	6.6	
100g	8.1	6.8		-	8.6	
250g	16.0	13.9	13.9	-	16.5	16.7
500g	30.3	25.5	25.5	-	30.8	31.0
1 Kg	52.3	45.6	45.6	-	-	53.0
2 Kg	83.2	67.1	67.1	-	-	83.9

Note: The ceiling of 5 kg for sending books will be removed, as mailers seldom use letter mail rates to send items up to 5 kg because Surface Parcels offer lower rates.

**New Postage Rates - Local Parcels
with effect from 1 January 2016**

Weight	Current Postage (\$)	New Postage (\$)
1 Kg	55.0	60.0
2 Kg	55.0	60.0
3 Kg	55.0	60.0
4 Kg	66.0	72.0
5 Kg	78.0	85.0
6 Kg	89.0	97.0
7 Kg	101.0	110.0
8 Kg	113.0	123.0
9 Kg	124.0	131.0
10 Kg	136.0	135.0
11 Kg	147.0	
12 Kg	159.0	140.0
13 Kg	171.0	
14 Kg	182.0	165.0
15 Kg	194.0	
16 Kg	205.0	
17 Kg	217.0	180.0
18 Kg	229.0	
19 Kg	240.0	
20 Kg	252.0	

Proposed Revisions to Postal Fees under the Post Office Regulations (Cap. 98, sub. leg. A)
(with effect from 1 February 2016)

(a) Adjusting the rates of 14 postal fees to recover cumulative inflation

No.	Regulation	Fee Description	Current Fee	Proposed Fee
1	13(1)	Annual fees for private box or private bag service		
		- General Post Office	\$815 (large box) \$625 (small box) \$340 (private bag)	\$890 (large box) \$680 (small box) \$370 (private bag)
		- Tsim Sha Tsui Post Office	\$815 (large box) \$625 (small box) \$340 (private bag)	\$890 (large box) \$680 (small box) \$370 (private bag)
		- Kowloon Central Post Office	\$400 (small box) \$340 (private bag)	\$435 (small box) \$370 (private bag)
		- Other Post Offices	\$400 (large box) \$340 (small box) \$340 (private bag)	\$435 (large box) \$370 (small box) \$370 (private bag)
2	16A(1)	Recorded delivery fee for postal packets	\$12.5 per packet	\$14 per packet
3	12(1)	Parcel demurrage charge	\$2 per day after 7 days (minimum charge at \$16)	\$2.7 per day after 7 days (minimum charge at \$22)
4	13(4)(a)	Fee for each additional key for private box	\$10 per key	\$30 per key
5	13(6)(c)	Fee for each old key not returned upon change of lock for private box	\$10 per key	\$30 per key
6	13(6)(b)	Fee for change of lock of private box	\$40 per lock	\$55 per lock
7	14	Fee for a certificate of posting of an unregistered postal packet or for a duplicate certificate of posting of a registered postal packet, a parcel or a recorded delivery postal packet	\$1.2 per packet/parcel	\$1.5 per packet/parcel
8	19(2)(a)	Commission charge for money order for payment outside Hong Kong	\$40 + 0.5% of remitted amount per order	\$50 + 0.5% of remitted amount per order
9	19(5)	Fee for an advice of payment for money order	\$11	\$14
10	19(8)	Fee for stopping payment of money order, issuing duplicate of money order, or refunding payment of void money order	\$40 per order	\$50 per order
11	22	Price of international reply coupon	\$14 per coupon	\$19 per coupon
12	23(5)	Surcharge for each article delivered under the Business Reply Service	\$0.5 for each article delivered	\$0.7 for each article delivered
13	23A(4)	Surcharge for each envelope or card delivered under Freepost	\$0.6 for each envelope or card delivered	\$0.8 for each envelope or card delivered
14	36(2)	Fee for handling each dispatch of philatelic products ordered by customers outside Hong Kong	\$10 per dispatch	\$12 per dispatch

(b) Revising the rates and service conditions of three postal fees

No.	Regulation	Fee Description	Current Fee	Proposed Fee
1	23(3)	Fee for new licence of Business Reply Service	\$110 per licence per year	\$150 per new licence
2	32	Fee for redirection of postal packets		
		- Private user	First 3 months: \$125 Each succeeding 12 months: \$315	First 3 months: \$136 Each succeeding 6 months: \$172
		- Business user	First 3 months: \$375 Each succeeding 12 months: \$940	First 3 months: \$409 Each succeeding 6 months: \$512
3	18(1)	Special fee payable by the sender for cash on delivery parcels (the trade charge on any one parcel shall not exceed \$1,200)	1% of trade charge	\$12 per item

(c) Introducing a new licence fee for Freepost service

No.	Regulation	Fee Description	Current Fee	Proposed Fee
1	23A	Licence fee for Freepost	N/A	\$98 per new licence

**References to Postal Fees Proposed to be Removed from the Post Office Regulations (POR) (Cap. 98, sub. leg. A)
with effect from 1 February 2016**

No.	Regulation	Fee Description	Current Fee	Justifications for Repealing the Fee in the POR
1	11	Gratuities to masters of ships not being Government or contract ships for conveyance of postal packets - a) Mails other than parcels - Transit mails to Indo-China or to ports in China south of Shanghai - Transit mails to Canada, the United States (including Hawaii), Europe, Australia and New Zealand - Transit mails to any other destination - Mails made up in Hong Kong b) Parcels	<p style="text-align: center;">\$0.5 per bag or paper packet</p> <p style="text-align: center;">\$2 per bag</p> <p style="text-align: center;">\$1 per bag</p> <p style="text-align: center;">\$0.2 per kg or part thereof</p> <p style="text-align: center;">\$0.05 per parcel</p>	Hongkong Post (HKP) would enter into contracts with shipping company(ies) to convey Surface Mail items to specific destinations and payment would be made according to the contract terms. After abolishing the gratuities, HKP would seek to remove the related Section 19 of the Post Office Ordinance (Cap. 98) in due course when the opportunity arises.

No.	Regulation	Fee Description	Current Fee	Justifications for Repealing the Fee in the POR
2	15	Fee for a certificate for reception of mail matter	\$140 per year or part of a year	The original service was for HKP to issue a certificate at the payment of a fee of \$140 per year to allow a recipient of mail matter to appoint someone to collect mail at a post office on his behalf. Over the years, HKP has modified the arrangement whereby a representative of a person or a company may collect postal items by presenting his own Hong Kong identity (HKID) card plus a copy of the HKID card of the recipient, the company chop or the company's authorisation letter. The presentation of digital images shown in mobile devices is also accepted as proof of identity. There has not been any new application for the certificate since 2006.
3	18(3)	Fee for collecting a cash on delivery parcel	\$9 per item (on top of trade charge)	A person now collecting a cash on delivery parcel shall pay a fee of \$9 in addition to the trade charge. However, the prevailing commercial practice is to charge the sender for the service, rather than the collector. The fee payable by the sender has been stipulated in Regulation 18(1) (see paragraph 18(iii)).
4	33	Fee for express service for a postal packet	\$6 per item	The express service was originally an untracked service enjoying priority treatment upon arrival at the destination posts. However, the Universal Postal Union has recently mandated the postal administrations to track and exchange item-level information of express items. The service would become similar to the tracked e-Express service currently provided by HKP. To rationalise its service offerings, HKP ceased the express service from 1 April 2015.

No.	Regulation	Fee Description	Current Fee	Justifications for Repealing the Fee in the POR
5	34	Monthly fee for collection of Speedpost items from a customer's address	\$200 per month	This fee is essentially a mail pick-up fee. With effect from November 1993, the fee was set at \$200 a month. In March 1997, HKP introduced a tiered collection fee scheme, under which a customer has to pay a monthly charge of \$200 for four or more collections in a month and can enjoy fee concessions if there are fewer collections ¹ . Collection of Speedpost items for posting is part and parcel of the mail processing costs of Speedpost, the rates of which are set by the Postmaster General (PMG) as a service provided under Schedule 1 of the Post Office Trading Fund (Cap. 430E). We therefore propose deleting Regulation 34 from the POR while maintaining the existing tiered collection fee scheme at the current fee levels.

¹ The tiered collection fee scheme is as follows –

No. of collection in a month	Monthly Fee
1	\$50
2	\$100
3	\$150
4 or more	\$200

No.	Regulation	Fee Description	Current Fee	Justifications for Repealing the Fee in the POR
6	37	Annual administration fee for ordering philatelic products by local customers	\$50 per year	<p>According to Regulation 37(1), a non-refundable administration fee of \$50 is to be charged on local customers for ordering philatelic products for a period of 12 months commencing from the first day of the month of subscription of the service. This administration fee was waived by the then PMG starting from January 1999 so as to retain existing customers and attract new customers. We propose waiving the subject annual administration fee and deleting Regulation 37(1) from the POR so as to attract more business.</p> <p>Following the removal of the fee by deleting Regulation 37(1), we consider that Regulation 37(2) can also be removed. Hence, the entire Regulation 37 is proposed to be deleted.</p>

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
 Regulation: 11 Heading: Version Date: 10/04/2014

Subject to any special agreement between the Postmaster General and any particular steamship company, the rates of the gratuities payable under section 19 of the Ordinance, shall be-

- | | | |
|-----|--|---|
| (a) | For transit mails other than parcels conveyed to Indo-China and to ports in China south of Shanghai | \$0.50 per bag or paper packet. |
| (b) | For transit mails other than parcels conveyed to Canada, the United States (including Hawaii), Europe, Australia and New Zealand | \$2.00 per bag. |
| (c) | For transit mails other than parcels conveyed to any other destination | \$1.00 per bag. |
| (d) | For mails other than parcels made up in Hong Kong | \$0.20 per kilogram or part thereof. (L.N. 176 of 1980) |
| (e) | For parcels originating in Kong Kong or transit parcels | \$0.05 per parcel. |
-

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
 Regulation: 12 Heading: Version Date: 10/04/2014

(1) Any parcel remaining unclaimed at the expiry of 7 days (excluding public holidays) from the posting of a notification of arrival shall be liable to a demurrage charge of \$2 for each day that it remains unclaimed after the expiration of that period, with a minimum charge of \$16. (L.N. 60 of 1985; L.N. 191 of 1988; L.N. 122 of 1991; L.N. 418 of 1993; L.N. 151 of 1995)

(2) If a parcel sent through the post from a place outside Hong Kong is not collected within 2 months from the posting of a notification of arrival it may be returned to the sender or otherwise disposed of as the Postmaster General thinks fit. (L.N. 122 of 1991; 23 of 1998 s. 2)

(2A) A parcel sent through the local post that remains uncollected within 14 days from the posting of a notification of arrival may be returned to the sender or otherwise disposed of as the Postmaster General thinks fit. (L.N. 122 of 1991)

(3) All fees payable under this regulation shall be payable in cash in such manner as the Postmaster General may direct.

(L.N. 270 of 1975)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
 Regulation: 13 Heading: Version Date: 10/04/2014

(1) Subject to the provisions of this regulation, the Postmaster General may let private boxes or provide private bag services to any person applying therefor on payment in advance of the following annual fees in respect of each such box or bag service-

Large Box	Small Box	Private Bag
--------------	--------------	----------------

	\$	\$	\$
(a) at the General Post Office, or the Tsim Sha Tsui Post Office	815	625	340
.....			
(b) at the Kowloon Central Post Office for small box and private bag only	-	400	340
.....			
(c) at any other Post Office	400	340	340,
(L.N. 191 of 1988; L.N. 122 of 1991; L.N. 418 of 1993; L.N. 151 of 1995; L.N. 147 of 2013)			

but where the initial letting is for a period of more than 12 months the fee payable shall be the annual fee and for the period in excess of 12 months for each month or part thereof one twelfth of the annual fee. (L.N. 184 of 1981)

(2) Every private box shall be let or bag service provided for an initial period of not less than 12 months with effect from the date on or from which the user rents the box or the service, and such letting or service shall thereafter be renewable at the discretion of the Postmaster General for further periods of- (L.N. 151 of 1995)

(a) 12 months at a time upon payment of the annual rent prescribed in subregulation (1) 7 days before the date of expiry of the current period. (L.N. 184 of 1981)

(b) (Repealed L.N. 184 of 1981)

(3) With the consent of the Postmaster General any private box service may be let jointly to 2 or more persons, and in every such case the fee for such service shall be 75 % of the fee prescribed by subregulations (1) and (2) and shall be payable by each such person.

(4) (a) The Postmaster General shall supply free of charge to every lessee of a private box 1 key thereto and, on application and payment of a fee of \$10 for each key, such additional keys as may be required, and no key other than those supplied by the Postmaster General shall be used with any such box. (L.N. 184 of 1981)

(b) The applicant for every private bag service shall supply to the Postmaster General for use in such service 2 bags each bag to be fitted with a lock, 1 key to which shall be delivered to the Postmaster General for retention by him during the continuance of such service.

(5) Every key supplied for use with any private box shall remain the property of the Postmaster General and shall be returnable to him on termination of the rental of the box in question; and every key supplied to the Postmaster General for use with any private bag service shall remain the property of the supplier thereof and shall be returnable by the Postmaster General on request by the supplier or on termination of the service.

(6) Where during the currency of any rental period any lessee of a private box requires that the lock thereof be changed, the Postmaster General-

(a) upon application in writing; and

(b) upon payment of the sum of \$40; and (L.N. 184 of 1981; L.N. 191 of 1988; L.N. 418 of 1993; L.N. 151 of 1995)

(c) upon return of every key supplied for use therewith, or payment of the sum of \$10 in lieu for each such key not returned, (L.N. 60 of 1985)

shall cause such lock to be changed for another lock and shall supply therewith, free of charge, 1 key to each lessee of such box.

(G.N.A. 75 of 1958)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 14 Heading: Version Date: 10/04/2014

The fee for each of the following certificates of posting issued at the time of posting shall be \$1.20 for each packet or parcel posted in respect of the relevant certificate of posting, and shall be payable in advance by means of postage stamps to the value of \$1.20 affixed to that certificate, namely-

- (a) a certificate of posting of an unregistered postal packet;
- (b) a duplicate certificate of posting of a registered postal packet, a parcel or a recorded delivery postal packet.

(L.N. 27 of 1997)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 15 Heading: Version Date: 10/04/2014

The fee for the reception of mail matter shall be \$140 per year or part of a year. The certificate shall lapse on 31 December of the year in which it is issued unless renewed.

(L.N. 184 of 1981; L.N. 60 of 1985; L.N. 191 of 1988; L.N. 122 of 1991;
L.N. 418 of 1993; L.N. 151 of 1995)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 16A Heading: Version Date: 10/04/2014

- (1) The recorded delivery fee shall be \$12.5 for a postal packet. (L.N. 147 of 2013)
- (2) The fee for requesting advice of delivery of a recorded delivery postal packet shall be \$11.
- (3) The recorded delivery fee and the postage on a recorded delivery postal packet shall be prepaid.

(L.N. 27 of 1997)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 18 Heading: Version Date: 10/04/2014

- (1) For cash on delivery parcels a special fee of 1% of any trade charge shall be payable by the sender. (L.N. 116 of 1967; L.N. 184 of 1981; L.N. 60 of 1985)
 - (2) The trade charge on any one parcel shall not exceed \$1200. (L.N. 184 of 1981)
 - (3) Each person collecting a cash on delivery parcel shall, in addition to paying the trade charge, pay a fee of \$9. (L.N. 60 of 1985; L.N. 191 of 1988; L.N. 122 of 1991; L.N. 418 of 1993)
 - (4) In this regulation, **trade charge** (商業收費) means the amount to be collected on delivery.
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(1) (Repealed L.N. 178 of 1999)

(2) (a) Money orders for payment in a place outside Hong Kong may be issued by the Postmaster General and such money orders, if issued, will be issued at rates of exchange fixed by the Postmaster General from time to time and in any currency as he thinks fit. Commission shall be charged at \$40 plus one half per cent of the amount remitted for each of such orders. (L.N. 184 of 1981; L.N. 191 of 1988; L.N. 122 of 1991; 23 of 1998 s. 2)

(b) Money orders issued in a place outside Hong Kong for payment in Hong Kong will be paid at rates of exchange fixed by the Postmaster General from time to time and in any currency as he thinks fit. (L.N. 178 of 1999)

(3) The maximum amount for which-

(a) a money order for payment in a place outside Hong Kong may be issued in Hong Kong; or
(b) a money order issued in a place outside Hong Kong may be paid in Hong Kong,
shall be the amount determined by the Postmaster General which shall not exceed \$5000, currency of the United States of America, or the equivalent of such sum. (L.N. 178 of 1999)

(4) A money order issued in Hong Kong for payment in a place outside Hong Kong or issued in a place outside Hong Kong for payment in Hong Kong that has been remaining unpaid after the last day of the 3rd month following the month of issue shall be treated as void. (23 of 1998 s. 2)

(5) The fee for an advice of payment shall be \$11. (L.N. 270 of 1975; L.N. 191 of 1988; L.N. 122 of 1991)

(6)-(7) (Repealed L.N. 178 of 1999)

(8) The Postmaster General may, on payment of a fee of \$40,- (L.N. 191 of 1988; L.N. 122 of 1991)

(a) stop payment of any money order issued in Hong Kong for payment in a place outside Hong Kong;

(b) issue a duplicate of a money order issued in Hong Kong for payment in a place outside Hong Kong; or

(c) (Repealed L.N. 178 of 1999)

(d) in relation to a money order for payment in a place outside Hong Kong that has become void, refund to the purchaser the price he paid in Hong Kong dollars for it. (L.N. 60 of 1985; 23 of 1998 s. 2)

(L.N. 418 of 1993; L.N. 178 of 1999)

The selling price of an International reply coupon shall be \$14.

(L.N. 270 of 1975; L.N. 184 of 1981; L.N. 60 of 1985; L.N. 191 of 1988; L.N. 418 of 1993; L.N. 151 of 1995)

- (1) The Business Reply Envelope and Card system mentioned in this regulation enables a person to obtain transmission, through the post, without prepayment of postage, of envelopes and cards addressed to himself which he may distribute inclosed with advertising or other matter. (L.N. 122 of 1991)
- (2) A person desiring the facilities for transmission through the local post or for transmission to Hong Kong through the post from a place outside Hong Kong afforded by the Business Reply Envelope and Card system must first obtain a separate licence from Postmaster General. (L.N. 122 of 1991; 23 of 1998 s. 2)
- (3) The fee for a licence shall be \$110 and must be paid in advance. Every licence will expire at the end of 1 year from date of issue but may be renewed for further periods of 1 year at a time on payment of a fee of \$110 in respect of each such renewal. (L.N. 270 of 1975; L.N. 184 of 1981; L.N. 60 of 1985; L.N. 191 of 1988; L.N. 122 of 1991; L.N. 418 of 1993; L.N. 151 of 1995)
- (4) Complete printed proofs of the envelopes or cards must be forwarded to the Postmaster General for approval and must conform to the terms and conditions specified in the licence. (L.N. 122 of 1991; L.N. 27 of 1997)
- (5) The postage due on such cards and envelopes transmitted to the licensee will be calculated at prepaid rates applicable to such articles and will be collected from him on delivery, together with a surcharge of 50 cents for each article delivered. (L.N. 270 of 1975; L.N. 67 of 1978; L.N. 60 of 1985; L.N. 191 of 1988; L.N. 122 of 1991; L.N. 418 of 1993; L.N. 151 of 1995)
- (6) Business reply envelopes and cards cannot be sent by registered post or recorded delivery or be insured or marked for express delivery. (L.N. 27 of 1997)
- (7) Without prejudice to any other penalties prescribed in the Ordinance, the licence will be liable to cancellation in the event of default in payment of postage due on such cards and envelopes as are transmitted to the licensee through the post. (L.N. 122 of 1991)

- (1) The Postmaster General may provide the Freepost service mentioned in this regulation. The Freepost service enables a person to obtain transmission through the local post, without prepayment of postage, of envelopes and cards sent to him.
- (2) A person desiring the facilities afforded by the Freepost service must-
 - (a) first obtain a written approval from the Postmaster General which specifies a Freepost number and a Freepost format; and
 - (b) observe the terms and conditions specified in such written approval.
- (3) Freepost envelopes and cards must conform to the Freepost format and the terms and conditions specified in the written approval referred to in subregulation (2).
- (4) The postage due on such envelopes and cards transmitted to a person approved to use the Freepost service will be calculated at prepaid rates applicable to such envelopes and cards and will be collected from him on or after delivery, together with a surcharge of 60 cents for each envelope or card delivered.
- (5) Freepost envelopes and cards cannot be sent by registered post or recorded delivery or be insured or marked for express delivery.
- (6) Without prejudice to any other penalties prescribed in the Ordinance, a written approval referred to

in subregulation (2) will be liable to cancellation in the event of default in payment of postage or surcharge due on Freepost envelopes and cards transmitted.

(L.N. 178 of 1999)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 32 Heading: Version Date: 10/04/2014

The Postmaster General may redirect a postal packet on payment in advance of the following fees by the addressee-

	Private user	Business user
(a) for a period not exceeding 3 months	\$125	\$375
(b) for each 12 months thereafter	\$315	\$940

(L.N. 191 of 1988; L.N. 122 of 1991; L.N. 418 of 1993; L.N. 151 of 1995; L.N. 147 of 2013)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 33 Heading: Version Date: 10/04/2014

The fee for express service for a postal packet shall be \$6.

(L.N. 191 of 1988; L.N. 151 of 1995)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 34 Heading: Version Date: 10/04/2014

The monthly fee for collection of Speedpost items from a customer's address shall be \$200.

(L.N. 122 of 1991; L.N. 418 of 1993)

Chapter: 98A Title: **Post Office Regulations** Gazette Number: E.R. 2 of 2014
Regulation: 36 Heading: Version Date: 10/04/2014

(1) The Postmaster General may provide a service to customers outside Hong Kong for ordering philatelic products. (23 of 1998 s. 2)

(2) The fee for handling each dispatch of philatelic products ordered under the service mentioned in subregulation (1) shall be \$10.

(3) For the avoidance of doubt, the Postmaster General shall charge a separate fee for the service mentioned in regulation 35.

Chapter: 98A	Title: Post Office Regulations	Gazette Number: E.R. 2 of 2014
Regulation: 37	Heading:	Version Date: 10/04/2014

(1) The Postmaster General may, on payment of a non-refundable administration fee of \$50, provide a service to local customers for ordering philatelic products for a period of 12 months commencing from the first day of the month of subscription of the service.

(2) For the avoidance of doubt, the Postmaster General shall charge a separate fee for the service mentioned in regulation 35.

Implications of the adjustments to the principal postage rates and postal fees under the Post Office Regulations

Financial Implications

To implement the adjustments to the principal postage rates with effect from 1 January 2016 and to implement the adjustments to various postal fees under the Post Office Regulations (Cap. 98A) with effect from 1 February 2016 will bring about additional recurrent operating revenue of around \$82 million in a full year.

Economic Implications

2. The postages and postal fees increase will not have a material impact on the Composite Consumer Price Index¹. Moreover, expenses on postal services provided by the POTF only account for a very small fraction of the overall business costs². As such, the increase is not expected to cause undue hardship on most businesses, although the impact on certain industries that rely more heavily on postal service (such as printing, publishing, merchandising, wholesale and internet trading) could understandably be larger. However, some of them may switch to electronic means of communication depending on their business needs. With the continued provision of discounted bulk posting services, there is a choice of services to suit their business needs. In general, even after the increase, the postage rates in Hong Kong will remain fairly low, compared with those in other places.

Environmental Implications

3. Postal services involve a lot of paper which will become waste if not recycled. The postage rates adjustment may prompt postal service users to switch to electronic delivery or adopt cost-saving measures such as less bulky packaging. It is estimated that it will lead to a reduction in mail traffic, which would in turn lessen the burden on the environment.

¹ “Postage” and “Courier” are covered under one of the 94 sub-groups of commodity/service in compiling the Consumer Price Index, the “Information and communications services” commodity/service group. These two items in total make up less than 0.01% of total household expenditure weights. The Census and Statistics Department considers the effect of the postages and postal fees increase on the Composite Consumer Price Index immaterial.

² Based on the information from the Census and Statistics Department, the percentage share of expenses on postal and courier services to the total operating costs of businesses in Hong Kong was 0.3% in 2013. The percentage share of expenses on postal services provided by the POTF to the total operating costs of businesses is below 0.3%.

Productivity Implications

4. The adjustments to the principal postage rates and various postal fees will help improve the POTF's financial position and enable the POTF to continue to implement productivity enhancement initiatives by drawing on its reserves. Examples of these initiatives include the implementation of the Integrated Postal Services System in 2015 and the Chinese Optical Character Recognition functionality on the Mechanised Letter Sorting System in 2016, which would improve the efficiency of mail processing and other backend support services. A new Mail Flow Management and Tracking System now under development for commissioning in 2017 will also enhance operational efficiency and improve operational resources planning.

Background Information

Section 4(1) of the Post Office Ordinance (Cap. 98) provides that the Postmaster General (PMG) may, subject to any direction of the Chief Executive in Council (CE in C), determine the rates of postage to be charged on postal articles. Postal fees under the Post Office Regulations (Cap. 98A) may be adjusted through amendment to the Regulations concerned. As regards postages of competitive services such as Speedpost, they are adjusted by the PMG from time to time.

2. The Post Office Trading Fund was established by a resolution passed by the Legislative Council on 19 July 1995 under the Trading Funds Ordinance (Cap. 430), with the PMG as the general manager. It can retain the revenue generated from its business to cover the cost of service provision on a self-financing basis.

3. Section 6 of the Trading Funds Ordinance (Cap. 430) requires the general manager to manage a trading fund with the objectives of –

- (a) providing an efficient and effective operation that meets an appropriate standard of service;
- (b) within a reasonable time, meeting expenses incurred in the provision of the government service and financing liabilities of the trading fund out of the income of the trading fund, taking one year with another; and
- (c) achieving a reasonable return, as determined by the Financial Secretary, on the fixed assets employed.

4. The principal postage rates and some postal fees stipulated in the Post Office Regulations were last adjusted with effect from 1 October 2013 and 1 December 2013 respectively.

**Abbreviations used in the paper
(in alphabetical order)**

Amendment Regulation	–	Post Office (Amendment) Regulation 2015
ANFA	–	Average net fixed assets
BRS	–	Business Reply Service
CE in C	–	Chief Executive in Council
MCMT	–	Mainland China, Macau and Taiwan
MCT	–	Mainland China and Taiwan
HKP	–	Hongkong Post
PMG	–	Postmaster General
POR	–	Post Office Regulations (Cap. 98, sub. leg. A)
POTF	–	Post Office Trading Fund
UPU	–	Universal Postal Union