

**立法會**  
**Legislative Council**

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**Panel on Economic Development**  
**Meeting on 26 October 2015**

**Updated background brief on**  
**the revision of postage rates and miscellaneous postal fees and charges**

**Purpose**

1. This paper provides background information on revision of postage rates and miscellaneous postal fees and charges, and summarizes views and concerns expressed by members when relevant issues were discussed at the Panel on Economic Development ("the Panel").

**Background**

2. The Post Office Trading Fund ("POTF") was established by a resolution passed by the Legislative Council ("LegCo") on 19 July 1995 under the Trading Funds Ordinance (Cap. 430) ("the Ordinance"). The Postmaster General ("PMG") is the general manager of the trading fund and the management will retain the trading fund revenue to finance the cost of service provision on a financially autonomous basis.

3. Section 6 of the Ordinance 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. In moving the resolution for establishing POTF in July 1995, the Administration undertook that future postage rate increases would be broadly in line with inflation.

### **Last adjustments on postage rates and postal fees**

5. The principal postages<sup>1</sup> and a number of postal fees under the Post Office Regulations ("POR") (Cap. 98A) were last adjusted with effect from 1 October and 1 December 2013 respectively. The said revised principal postage rates included -

- (a) the postage rates for local mail (letters and packets) and bulk local mail which were increased by 22%;
- (b) the postage rates for local parcels which were increased by 16%;
- (c) the postage rates for air mail (letters and packets) and surface mail (letters and packets) which were increased by 22%;
- (d) the postage rates for bulk air mail which were increased by 24%; and
- (e) the postage rates of surface bulk bag which were increased by 22%.

6. The postal fees under POR last adjusted were –

- (a) postal box/bag rental fees under Regulation 13(1) and fees for redirection of postal packets under Regulation 32 which were increased by 25%;
- (b) the registration fee under Regulation 16(1) and the compulsory registration fee<sup>2</sup> under Regulation 17 which were increased by 19%; and

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<sup>1</sup> 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.

<sup>2</sup> According to Regulation 17 of Cap. 98A, unregistered postal packets found to contain banknotes, used or unused postage stamps, cheques payable to bearer or uncrossed postal orders or postal notes shall be subject to compulsory registration and shall be charged a registration fee for each such packet.

- (c) the recorded delivery fee for postal packets under Regulation 16A(1) which was increased by 13%.

### **Current revision of principal postage rates and postal fees**

7. The Administration announced on 15 October 2015 that PMG would rationalize 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. In addition, the Post Office (Amendment) Regulation 2015 will be tabled at LegCo to increase the rates of 14 postal fees under Cap. 98A with effect from 1 February 2016. According to the Administration, 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. It had taken into account a number of factors, including the increase in operating costs; cumulative inflation since the last adjustment exercises; cross-subsidization among postal services; revenue generation and cost saving measures, and return on fixed assets employed in this revision exercise.

8. Further information about the current revision is available in the LegCo Brief on "Revision of postage rates and miscellaneous postal fees and charges" (File ref: CITB CR 5/4-60/1C) issued by the Commerce and Economic Development Bureau on 15 October 2015.

### **Previous discussions**

9. The Panel has discussed about postage rate revisions at its meeting on 22 July 2013 and visited the subject when reviewing the services of Hongkong Post ("HKP") at the meeting on 27 July 2015 in the current term. Members' major views are summarized in the ensuing paragraphs.

#### Revision of the postage rates and postal fees

10. Regarding the postage revision in 2013, some members considered that percentage-wise, the increases of postage rates and postal fees ranging from 13% to 25% in 2013 were high and would have an impact on people's livelihood and pose a burden to many local small and medium enterprises ("SMEs"). They asked whether the increase could be implemented by phases.

11. The Administration replied that the adjustments in absolute terms were actually small. Nevertheless, it would consider providing a rebate to local SMEs by way of a one-off 5% discount for the first \$3,000 of stamps purchased or postage incurred during the initial three months following the increase in the principal postage rates. A member opined that the 5% discount for SMEs was too small, and suggested that discounts should also be given to certain underprivileged groups in the society such as senior citizens. The Administration responded that giving further discounts would undermine the effectiveness of the postage adjustment exercise to improve the financial situation of POTF.

12. At the Panel meeting on 22 July 2013, a motion was passed to express its strong dissatisfaction with the revision mechanism of the postage rates which allowed HKP to bypass LegCo when introducing any changes. It also urged the Government to enhance the transparency of the postage revision system to alleviate the impact brought about by postage revision.

13. At the Panel meeting on 27 July 2015 when the services of HKP was reviewed, a member enquired if HKP was not yet able to meet the target rate of return on fixed assets as determined by the Financial Secretary. Although HKP had been implementing various measures to generate revenue and control costs, its operating costs, comprising principally staff costs, air conveyance costs and terminal dues payments, had been escalating. Periodic adjustments of postage rates were necessary to sustain the operation of HKP. HKP would consider relevant factors such as the economic condition of Hong Kong, the business environment and public affordability before making a decision on postage adjustment.

#### Frequency of postage and postal fee adjustments

14. At the Panel meeting on 22 July 2013, some members considered that POTF should conduct reviews of postage rates and postal fees more frequently, say, every five years, to avoid the need for a large increase after a long interval. This would facilitate small and medium enterprises' planning of their budgets. Another member said that frequent increases in postage rates and postal fees would be a hassle to the public but so was a large increase after a long interval. The Administration responded that in future the Administration would conduct review of postage rates and postal fees every two years.

#### Cost saving and revenue generation measures

15. In considering the postage revision in 2013, a member questioned the rationale for the citizens of Hong Kong to bear the loss incurred by the

postal service and urged the Government to consider taking up a greater responsibility in providing the postal service. Moreover, the increase in postage rates would affect the demand for postal services and ultimately affect the sustainability of POTF. Some members opined that the competition from commercial delivery service providers would continue to put pressure on POTF, and enquired about the measures taken by POTF to increase its revenue and reduce costs.

16. The Administration responded that even if the postal services were provided by way of the service of a Government department, it was necessary for the Government to review the postage rates and postal fees according to the principle of cost recovery. POTF had in fact endeavoured to partially offset the increase in operating costs by revenue generated from new and enhanced services developed in response to customer needs, e.g. providing services targeting internet traders, revitalizing the philatelic market by issuing special stamps, launching a new Make-my-card service, etc. In addition, POTF had implemented a number of cost control and productivity improvement measures, e.g. the introduction of the Mechanized Letter Sorting System, the amalgamation of the International Mail Centre and the General Post Office Sorting Office into the new Central Mail Centre and the setting up of the Integrated Postal Services System for automating counter operations and streamlining back end support functions.

#### Non-civil service contract staff

10. At the Panel meeting on 27 July 2015, a member expressed concern that HKP had outsourced some of its services and employed more contract staff in order to reduce costs. He worried that unequal pay for similar work might result in low morale among staff and affect the postal services.

11. The Administration responded that to optimize resource utilization and maintain service standards during peak periods, HKP engaged a workforce comprising both civil servants and non-civil service contract ("NCSC") staff. NCSC staff were engaged to meet the operational needs of HKP rather than reducing staff costs. Where a position was required on a long-term basis, HKP would consider converting it to a civil service position. In recent years, HKP had converted about 70 NCSC positions to civil service posts. In addition, in the past two-and-a-half years, over 120 NCSC staff in HKP had joined the civil service to take up the vacancies arising from natural wastage. Among the 2 000 contract staff in HKP, about half of them were part-time staff.

## **Council questions**

12. At the Council meetings on 20 November 2014, 22 April 2015, 24 June 2015, Dr Hon Elizabeth QUAT and Hon LEUNG Yiu-chung raised questions about, inter alia, the monitoring mechanism on opening of postal items, HKP's costs management measures on its staff members, and mechanism to prevent abuse of the compensation mechanism for loss of mails. Hyperlinks to the relevant written replies from the Administration are provided in the **Appendix**.

## **Latest development**

13. The Administration will brief Panel members on the new principal postage rates to be effective from 1 January 2016, and the proposed adjustments to miscellaneous postal fees and charges with effect from 1 February 2016 at the meeting on 26 October 2015.

## **References**

14. A list of the relevant papers which are available on the LegCo Website (<http://www.legco.gov.hk>) is in **the Appendix**.

Council Business Division 4  
Legislative Council Secretariat  
22 October 2015

## Appendix

### List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Economic Development	22 July 2013	<a href="#"><u>Administration's paper</u></a> <a href="#"><u>Background brief</u></a> <a href="#"><u>Minutes</u></a> <a href="#"><u>Administration's response to the motion</u></a>
	27 July 2015	<a href="#"><u>Background brief</u></a> <a href="#"><u>Minutes</u></a>
Council meeting	22 October 2008	<a href="#"><u>Written reply by the Secretary for Commerce and Economic Development to a question on "Loss of Mail Items by Hongkong Post" raised by Hon Albert CHAN</u></a>
	20 November 2014	<a href="#"><u>Written reply by the Secretary for Commerce and Economic Development to a question on "Handling of Postal items by Hongkong Post" raised by Dr Hon Elizabeth QUAT</u></a>
	22 April 2015	<a href="#"><u>Written reply by the Secretary for Commerce and Economic Development to a question on "Impacts of Hongkong Post's Costs Manangement Measures on Its Staff Members" raised by Hon LEUNG Yiu-chung</u></a>

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
	24 June 2015	<u>Written reply by the Secretary for Commerce and Economic Development to a question on "Alleged poor management of Hongkong Post" raised by Dr Hon Elizabeth QUAT</u>
Commerce and Economic Development Bureau	15 October 2015	<u>Legislative Council Brief on Revision of postage rates and miscellaneous postal fees and charges</u>