LCQ20: Improvement of Hongkong Post’s modus operandi in order to increase its revenue

Following is a question by the Hon Kenneth Leung and a written reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 6):

Question:

The Post Office Trading Fund (POTF) was established in August 1995 to manage and account for the operation of the Hongkong Post (HKP). On the other hand, the Director of Audit's Report No. 65 published in October 2015 pointed out that for the 20-year period from 1995-1996 to 2014-2015, HKP had recorded operating losses in eight years and had not achieved the target rates of return in 14 years. There are views that HKP should, apart from improving its operation by implementing measures to generate revenue and manage costs, also draw reference from overseas successful experience and revamp the modus operandi of postal services in order to increase revenue. In this connection, will the Government inform this Council:

(1) of POTF's target rate of return and actual rate of return, as well as HKP's operating cost and trading receipt, in each of the past five years;

(2) of the specific measures taken by HKP in the past five years to reduce its operating cost, and boost the percentage of revenue from sources other than traditional postal services, in its total revenue; the effectiveness of such measures, including the resultant increase in HKP's overall revenue;

(3) apart from rationalising the post office network and closing down those post offices which have been operating at a loss, whether HKP has studied ways to further diversify, through collaboration with various types of organisations, including non-profit-making organisations and commercial establishments, the services provided by various post offices so as to enhance HKP's operational efficiency and increase its revenue; and

(4) whether it has plans to comprehensively review the current arrangement under which HKP operates under the trading fund mode, and to reâ€‘engineer HKP upon drawing reference from the experience of overseas governments in revamping their postal departments, so as to bring the operation of HKP closer to a business model; if so, of the details; if not, the reasons for that?

Reply:

President,

A consolidated reply to the questions raised is set out below.

The Post Office Trading Fund (POTF) started operation in August 1995. The operating revenues and expenditures and the rates of return (Note 1) of the POTF from 2013-14 to 2017-18 are as follows:

	2013-14	2014-15	2015-16	2016-17	2017-18 (Note 2)
Operating revenue	$5,249 million	$5,344 million	$4,878 million	$4,881 million	$5,016 million
Operating expenditure	$5,252 million	$5,175 million	$4,663 million	$4,728 million	$5,171 million
Actual rate of return	-0.5 per cent	4.9 per cent	6.5 per cent	4.7 per cent	-4.0 per cent
Target rate of return	5.9 per cent	5.9 per cent	5.9 per cent	5.9 per cent	2.6 per cent

Hongkong Post (HKP) has been making sustained efforts to contain its operating costs and increase revenue.

Initiatives to contain operating costs include revising the procurement terms for major expenditure items such as airfreight services and vehicle hiring services to better encourage market competition; formulating bilateral agreements with other postal administrations to reduce expenditures on terminal due (Note 3); and business process re-engineering, automation and mechanisation such as implementing the Integrated Postal Services System and the Mail Flow Management and Tracking System to streamline mail processing procedures, improve operational efficiency and enhance user experience.

On revenue generation, HKP has been developing new services with a wider range of service features to capture the varied needs of e-commerce, including introduction of the e-Express Service and expansion of the service network to provide an economical and speedy delivery solution with priority delivery at the destination and basic mail tracking functions; and introduction of Express Lanes in collaboration with individual postal administrations based on a work-sharing model. For the new services developed to capture e-commerce, the revenue generated for 2017-18 is estimated to be about $700 million, constituting about 14 per cent of HKP's total revenue for that year. The revenue generated to a certain extent helps mitigate the drop in revenue caused by e-substitution of traditional mail items. HKP also engages with the Airport Authority Hong Kong and other postal authorities to explore collaboration with a view to maximising the use of the Air Mail Centre's transit handling capability to foster cross-border logistics and trading activities.

In addition, HKP has been collaborating with various organisations to offer a more diverse range of services, including collaborating with the Airport Authority Hong Kong to provide free delivery service for purchases reaching specified amounts at the Hong Kong International Airport to designated destinations (Note 4); collaborating with GS1 Hong Kong (GS1 HK) to launch the "Hong Kong Trusted Product" programme on HKP’s ShopThruPost e-market place, so that small and medium enterprises can offer products authenticated by GS1 HK and delivered by HKP to achieve "Double Trust in e-Commerce" to customers all over the world; and collaborating with the Hong Kong Trade Development Council (HKTDC) to provide international courier service via HKTDC's "Small Order Zone" platform to support local merchants to reach out to the global market.

We have no plan at this stage to change the mode of operation of the HKP as a trading fund. This arrangement allows HKP to manage its resources in a more flexible manner to better achieve cost-effectiveness, and to formulate appropriate business strategies in response to changes in the operating environment so as to provide customers with quality, reliable and value-for-money services. HKP will continue to explore and implement measures to contain expenditure, increase revenue and improve productivity to improve the financial performance of POTF.

Note 1: The rate of return on fixed assets = total comprehensive income (excluding interest income, interest expenses and net realised and revaluation gains or losses on derivative financial instruments and structured notes) divided by average net fixed assets. Fixed assets include properties, plants and equipment and intangible assets.

Note 2: Pending audit review.

Note 3: The fee charged by the destination postal administration from the originating postal administration for handling the mail.

Note 4: Hong Kong, Australia, Canada, Indonesia, Japan, Macao, Mainland China, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, the United States and Vietnam.

LCQ14: Access to government information

Following is a question by the Hon Charles Mok and a written reply by the Secretary for Constitutional and Mainland Affairs, Mr Patrick Nip, in the Legislative Council today (June 6):

Question:

Some members of the public have complained that they had made applications for access to government information under the Code on Access to Information (the Code) to the policy bureaux and government departments (B/Ds) covered by the Code, but then the B/Ds concerned rejected such applications without giving any reasons. They have pointed out that the criteria adopted by various B/Ds for vetting and approval of such applications are vague, thereby lowering the transparency of public administration and hindering members of the public from effectively monitoring the use of public funds. Besides, it has been reported recently that the Government, when commissioning consultancy studies, often incorporates a confidentiality clause in the contracts, and then claims on this ground that the relevant study reports are within the scope of exemptions under the Code, and hence rejects the access applications concerned. In this connection, will the Government inform this Council:

(1) of the details of the applications for access to information which were made by invoking the Code as received by various B/Ds in the 2017-2018 financial year, including the (i) names of B/Ds, (ii) number of applications received, (iii) number of pieces of information involved, (iv) number of applications under process, (v) number of applications the applicants of which were provided with all the requested information, (vi) number of applications the applicants of which were provided with part of the requested information, and (vii) average time for processing an application (set out in a table);

(2) of the number of applications for access to information which were rejected by various B/Ds in the 2017-2018 financial year, together with a breakdown by (i) category of information requested and (ii) reason for rejection; the number of times for which the applicants of such cases requested a review of the refusal decisions;

(3) as paragraph 2.2 of the Code stipulates that if the harm or prejudice which arises from disclosure of the information may outweigh the public interest, including both actual harm or prejudice and the risk or reasonable expectation of harm and prejudice (harm or prejudice outweighing the public interest), a department may refuse to disclose the information, and paragraph 2.2.3 of the Guidelines on Interpretation and Application of the Code states that a civil servant is required to act reasonably in reaching his/her decision, of the procedures for various B/Ds to conduct the "harm or prejudice" tests and the number of the tests conducted last year; whether a mechanism is currently in place to review if (i) the decisions concerned and (ii) the justifications therefor are reasonable; if so, of the details; if not, the reasons for that;

(4) of the number of applications for access to information that were rejected by various B/Ds in the past five years on grounds of "harm or prejudice outweighing the public interest", together with a breakdown by name of B/D; the procedure (e.g. conducting the "harm or prejudice" tests, and assessing public interest) that various B/Ds went through in reaching the decisions to reject the applications?

(5) of the number of cases in which various B/Ds set out the aforesaid confidentiality clause in the contracts when commissioning consultants or other organisations to conduct studies in the past three years and the details, including the (i) names of B/Ds, (ii) names of the study projects, (iii) dates on which the studies were conducted, (iv) consultancy fees, and

(v) reasons for keeping the study reports and the relevant documents confidential (set out in a table); and

(6) of the figures relating to the study reports which were classified by various B/Ds as information available for public access after they had commissioned consultants or other organisations to conduct the studies in each of the past three financial years (set out in the table below)?

Financial year	2015-2016	2016-2017	2017-2018
Number of consultancy studies			
Number of study reports available for public access			

Reply:

President,

The Government has always been committed to providing information requested by members of the public in accordance with the Code on Access to Information (the Code). Having consulted the policy bureaux, our consolidated reply to different parts of the Hon Charles Mok's question is as follows:

(1) and (2) The number and details of applications for access to information made by invoking the Code as received by various policy bureaux/departments (B/Ds) between January 2017 and December 2017 are set out at Annex 1. Of the 6 051 applications for access to information received during the above-mentioned period, 136 were refused. The B/Ds involved, together with the statistical data on reasons for refusal, are at Annex 2. There had been 10 requests by members of the public for reviews against these refusals. As for the number of pieces of information sought in the applications for access to information, and the category of information requested in the refused cases, no statistics or records had been kept by the relevant B/Ds.

(3) and (4) Part 2 of the Code sets out the categories of information that a department can refuse to disclose, including information the disclosure of which may harm or prejudice certain kinds of work or matters (such as the conduct of external affairs, or relations with other governments or with international organisations). The Guidelines on Interpretation and Application (the Guidelines) of the Code gives a detailed interpretation in this respect. In deciding whether harm or prejudice may arise in disclosure of the information, a department must consider all relevant material and balance the public interest in disclosure against any harm or prejudice that could result in order to reach a reasonable decision. Where the harm which may arise from disclosure would be extremely serious, then it is not necessary to establish that the harm would be likely or certain to occur to take it into account. On the other hand, if the perceived risk is neither very likely nor serious, this point should be given less weight. In

addition, in circumstances where there is no statutory restriction or legal obligation which prevents disclosure, and where there is a clear public interest in the disclosure of information sought, and this public interest outweighs the harm or prejudice that may result to the Government or to any other person, such information may be disclosed. We have not collected information from departments on the number of cases where departments refused disclosure of information on the consideration that the harm or prejudice that may thus be caused had outweighed public interest in disclosure. Any person who believes that a department has failed to comply with any provision of the Code may ask the department to review the situation. Any person who believes that a department has failed to properly apply any provision of the Code may also complain to The Ombudsman.

(5) The number and details of cases involving the setting of confidentiality clause in the contracts by the B/Ds when commissioning consultants or other organisations to conduct studies in the past three financial years which prevent the Government from disclosing the related reports are at Annex 3.

(6) The figures relating to the study reports which were classified by various B/Ds as information available for public access following commissioned studies by consultants or other organisations in each of the past three financial years are provided in the table below:

Financial year	2015-2016	2016-2017	2017-2018
Number of consultancy studies	114	138	131
Number of study reports available for public access	94	99	122

SHA to visit youth facilities in Shenzhen

The Secretary for Home Affairs, Mr Lau Kong-wah, will depart for Shenzhen tomorrow morning (June 7) to visit facilities providing support services for young people in Hong Kong to learn more about these developments.

â€‹

Mr Lau will return to Hong Kong in the afternoon on the same day.

LCQ1: Measures to facilitate cinema development in Hong Kong

Following is a question by the Hon Luk Chung-hung and a reply by the Secretary for Commerce and Economic Development, Mr Edward Yau, in the Legislative Council today (June 6):

Question:

In recent years, quite a number of cinemas have closed down one after another. At present, there is no cinema in certain districts (e.g. Tai Po), resulting in fewer entertainment choices for the residents in those districts. In March last year, the Government announced a series of new measures to facilitate the development of cinemas in Hong Kong, with a view to assisting in movie audience-building and promoting the long-term development of the film industry. However, some members of the public have pointed out the slow progress made by the Government on the implementation of such measures. Regarding the measures to promote the development of cinemas and the film industry, will the Government inform this Council:

(1) whether it knows, in respect of each District Council district in each of the past three years, the number of cinemas, the respective numbers of seats and screens of cinemas, and the year-on-year percentage changes of such numbers and the average ticket price;

(2) of the latest progress made by the Government on the implementation of the measures to facilitate the development of cinemas; the measures in place to assist the film industry in setting up more cinemas, so that there will be cinemas in each district, as well as to encourage and assist the film industry in showing more locally produced films and lowering ticket price, so as to attract members of the public to go to the movies; and

(3) whether the Government will consider amending the Hong Kong Planning Standards and Guidelines to reclassify cinemas as "cultural facilities" instead of "retail facilities"; if not, of the reasons for that; whether the Government will conduct regular surveys and studies on local film consumption and the development of the local film industry, in order to assist in the formulation of a more comprehensive development policy for the film industry?

Reply:

President,

The film industry is among the eight major creative industries in Hong Kong, with direct employment of about 12 550 in 2016. Hong Kong was once a major player in Chinese films but has been faced with numerous challenges in recent years. The Government has been sparing no efforts in promoting the development of local film industry on all fronts, mainly through the Film Development Fund (FDF), to support and promote film productions and other marketing and audience-building activities.

In respect of local cinemas, the Government announced in March 2017 new measures to facilitate cinema development in Hong Kong, including incorporation of a requirement to include cinema in the land sale conditions of two designated government land sale sites to increase the supply of cinemas, with a view to helping the long-term development of the film industry.

My reply to Hon Luk Chung-hung's question is as follows:

(1) From 2015 to 2017, the average price of a movie ticket in Hong Kong had remained stable, at HK$73, HK$76 and HK$75 respectively. The number of cinemas, seats and screens categorised by District Council districts in the three years are set out in Annex.

Overall speaking, from 2015 to 2017, the number of cinemas had increased by 12.8 per cent from 47 to 53; the number of seats by 3.2 per cent from 37 779 to 38 976; and the number of screens by 13.4 per cent from 209 to 237.

Out of the 18 District Council districts, all of them now have cinemas except Tai Po, which will also see the opening of a cinema in 2019. In the past three years, the number of cinemas had increased in six districts, reduced in two districts and stood the same in the remaining nine districts.

(2) As aforementioned, we will incorporate requirement to include a cinema in the land sale conditions of two designated government land sites in Kai Tak and Sha Tin, with a view to increasing the supply of cinemas. The Kai Tak site has been included in the 2018-19 Land Sale Programme, while a technical assessment by the Government is underway for the Sha Tin site. Upon completion of the relevant procedures and work, the two sites will be made available to the market at appropriate junctures.

While adopting the above measure, the Government considers that the provision of cinemas should still largely be market-driven. We are delighted to see the upward trend in respect of the numbers of cinemas, seats and screens in the past three years. With the upcoming launch of a cinema in Tai Po in 2019, there will be provision of cinemas in all the 18 districts.

The Government will continue, through the FDF and relevant measures, to keep pace with the development of the film market and broaden the audience base. For instance, the Government has provided additional screening facilities to the auditorium of the North District Town Hall and commissioned the Hong Kong Film Art Association to organise film screening activities on a regular basis with post-screening seminars in a bid to promote the film industry and build up audience base among students. Moreover, we have provided additional funding to the Hong Kong International Film Festival Society for adding Chinese subtitles to non-Chinese films screened in the Hong Kong International Film Festival and offering student discount tickets, thereby fostering the public's film-watching habit and their ability to appreciate films of different genres.

(3) The Hong Kong Planning Standards and Guidelines (HKPSG) stipulates the general guidelines for determining the various land uses and facilities in accordance with the population size and other factors. The relevant guidelines serve as general reference for the Government to, at the planning stage, reserve land for different developments and facilities to meet the public's needs. Relevant Government bureaux and departments would review, update and formulate the HKPSG from time to time in light of different policy and development needs, while the Planning Department would assist in coordinating the formulation of the relevant standards.

According to the HKPSG, cinemas operating on a commercial basis are categorised as retail activities, and can be built within land use zones where commercial uses, including retail, are permitted. Generally speaking, the provision of commercial and retail facilities should be market-led.

We understand that the development of cinemas and the development of the film industry complement each other. The Government has been consulting the Hong Kong Film Development Council (FDC) on the overall strategies, policies and practical arrangements for promotion and development of the film industry, as well as the use of public funds to support the industry, to understand the needs of the industry and offer support as appropriate.

In view of the considerable changes in the film market in recent years, the Government has engaged a consultant to review the operation and effectiveness of the various funding schemes under the FDF, to study the latest market development trends and to propose feasible corresponding measures. The study report will be completed shortly. We will consider the recommendations therein and, in consultation with the FDC, formulate proposals to enhance the operation of the FDF so as to assist the industry to respond to the needs of the market more effectively.

LCQ3: Provision of new targeted therapy drugs and financial assistance for cancer patients

Following is a question by the Dr Hon Chiang Lai-wan and a reply by the Secretary for Food and Health, Professor Sophia Chan, in the Legislative Council today (June 6):

Question:

â€‹ Some patient groups have relayed that quite a number of new targeted therapy drugs with significant benefits in curing cancers have come onto the market in recent years, but most of them have not been incorporated into the list of Self-Financed Items (SFIs) under the Drug Formulary of the Hospital Authority (HA). This, coupled with the stringent eligibility criteria for applications under the Samaritan Fund and the Community Care Fund, has resulted in cancer patients who cannot afford the medication costs not being able to grasp the opportunities for treatments, thereby undermining patients' rights and interests. In this connection, will the Government inform this Council:

(1) whether it will request the HA to expedite its appraisal procedure so as to incorporate those new targeted therapy drugs with significant benefits in curing cancers into the list of SFIs; if so, of the details; if not, the reasons for that;

(2) whether it will relax the eligibility criteria for applications under the two aforesaid relief funds and raise their subsidy ceilings, so that more cancer patients in need can obtain assistance; if so, of the details; if not, the reasons for that; and

(3) whether it will consider setting up a new dedicated fund to subsidise cancer patients with financial difficulties in receiving expensive treatments (including treatments with targeted therapy drugs); if so, of the details; if not, the reasons for that?

Reply:

President,

â€‹ The Government and the Hospital Authority (HA) place high importance on providing optimal care for all patients, including cancer patients, and assuring patients of equitable access to safe, efficacious and cost-effective drugs under our highly subsidised public healthcare system. My consolidated reply to the various parts of the question raised by Dr the Hon Chiang Lai-wan is as follows.

â€‹ The HA has an established mechanism for regular appraisal of new drugs and review of its Drug Formulary and the coverage of the safety net. As pledged in last year's Policy Address, the Drug Management Committee under the HA and other committees concerned will more closely monitor the research developments and the accumulation of medical scientific evidence for new drugs so that needy patients could receive early treatment. The Drug Advisory Committee of the HA currently conducts meetings once every three months to appraise new drugs. The whole appraisal process follows the principles of evidence-based medical practice, rational use of public resources, targeted subsidy, opportunity cost consideration and facilitation of patients' choice, and takes into account the safety, efficacy and cost-effectiveness of drugs and other relevant factors, including international recommendations and practices, advance in technology, disease state, patient compliance, quality of life, actual experience in the use of drugs as well as the views of professionals and patient groups. In appraising new drugs, especially expensive ones, the HA will also carefully examine the long-term financial sustainability of the drug therapies with a view to providing all patients with appropriate treatments. The HA will include approved drugs in the Drug Formulary or under the coverage of the safety net as appropriate.

â€‹ Currently, the HA Drug Formulary includes effective drugs for the treatment of various diseases. These drugs, including targeted therapy drugs for treating cancer, are provided for patients at standard fees and charges. The HA has been extending the coverage of its Drug Formulary through regular review. Self-financed cancer drugs are incorporated into the Drug Formulary's special drug category in phases and provided for patients with specific clinical indications at standard fees and charges.

â€‹ The HA provides a safety net for patients with financial difficulties in respect of specific self-financed items through the Samaritan Fund and the Community Care Fund (CCF) Medical Assistance Programmes, under which eligible patients are subsidised to purchase self-financed drugs covered by the safety net. As at April 2018, a total of 29 self-financed drugs proven to be of significant benefits were covered by the Samaritan Fund. Among them, 13 are for cancer treatment, of which 10 are targeted therapy drugs.

â€‹ To provide cancer patients with more support, the Government and the HA launched the First Phase Programme of the CCF Medical Assistance Programmes in August 2011 to offer patients financial assistance to purchase specified self-financed cancer drugs which have not yet been brought into the Samaritan Fund safety net but have been rapidly accumulating medical scientific evidence and have relatively higher efficacy. As at April 2018, a total of 16 self-financed cancer drugs have been covered by this Programme and 13 of which are targeted therapy drugs.

â€‹ The appraisal of drugs is an on-going process driven by evolving medical evidence, latest clinical developments and market dynamics. At this stage, more scientific evidence is required to confirm the clinical efficacy and cost-effectiveness of most newly-developed drugs for cancer treatment and the actual benefits to patients. The HA will keep abreast of the latest development of clinical treatment and scientific evidence, heed the views and suggestions of patients' groups, and continue to review the Drug Formulary and the coverage of the safety net under the principle of rational use of limited public resources while maximising the health benefits for patients in need. The HA is also examining the extension of the coverage of the CCF Medical Assistance Programmes to provide patients with subsidies for specific drug treatments according to individual patients' special clinical needs, including subsidising eligible patients to participate in compassionate programmes of individual pharmaceutical companies.

â€‹ To alleviate the financial burden on cancer patients, the HA has been in close liaison with pharmaceutical companies on the setting up of risk sharing programmes for specific cancer drugs. Under the programmes, the HA, patients and pharmaceutical companies will contribute to the drug costs in specific proportions within a defined period, or the drug treatment costs to be borne by patients will be capped. The aim is to facilitate patients' early access to drug treatments and provide the patients with sustainable, affordable and optimal drug treatments in the long term.

â€‹ The HA has commissioned a consultancy study to review the current financial assessment and patient's co-payment mechanism under the Samaritan Fund and the CCF Medical Assistance Programmes. Improvement measures will be put forward in the light of the review findings with the aim of providing more appropriate assistance for patients in need. The Government has earmarked funding in the 2018-19 Budget for this purpose. Actual use of the funding will be subject to the review findings and recommendations.