

# 立法會

## *Legislative Council*

LC Paper No. CB(1)504/06-07  
(These minutes have been seen  
by the Administration)

Ref: CB1/BC/3/05

### **Bills Committee on Rail Merger Bill**

#### **Minutes of fifth meeting on Saturday, 28 October 2006, at 9:00 am in the Chamber of the Legislative Council Building**

- Members present** :
- Hon Miriam LAU Kin-ye, GBS, JP (Chairman)
  - Hon TAM Yiu-chung, GBS, JP (Deputy Chairman)
  - Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
  - Hon LEE Cheuk-yan
  - Dr Hon LUI Ming-wah, SBS, JP
  - Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
  - Hon CHAN Kam-lam, SBS, JP
  - Hon LAU Kong-wah, JP
  - Hon Emily LAU Wai-hing, JP
  - Hon Andrew CHENG Kar-foo
  - Hon LI Fung-ying, BBS, JP
  - Hon Tommy CHEUNG Yu-yan, JP
  - Hon Albert CHAN Wai-yip
  - Hon WONG Kwok-hing, MH
  - Hon LEE Wing-tat
  - Hon LI Kwok-ying, MH, JP
  - Hon Jeffrey LAM Kin-fung, SBS, JP
  - Dr Hon Fernando CHEUNG Chiu-hung
  - Hon CHEUNG Hok-ming, SBS, JP
  - Hon Patrick LAU Sau-shing, SBS, JP
  - Hon KWONG Chi-kin
  - Hon TAM Heung-man
- Members absent** :
- Hon Albert HO Chun-yan
  - Hon LEUNG Yiu-chung
  - Hon SIN Chung-kai, JP
  - Hon Abraham SHEK Lai-him, JP
  - Hon LEUNG Kwok-hung
  - Hon Ronny TONG Ka-wah, SC
  - Hon CHIM Pui-chung

**Public Officers Attending** : Mr Patrick HO  
Deputy Secretary for the Environment, Transport and Works

Miss Ida LEE  
Principal Assistant Secretary for the Environment,  
Transport and Works

Mr David LAU  
Principal Assistant Secretary for Financial Services and  
the Treasury

**Attendance by invitation** : MTR Corporation

Mr Lincoln LEONG  
Finance Director

Mr William CHAN  
Human Resources Director

Mrs Miranda LEUNG  
General Manager – Corporate Relations

Ms Maggie SO  
External Affairs & Government Relations Manager

Kowloon-Canton Railway Corporation

Mrs Mimi CUNNINGHAM  
Director – Human Resource

Mr Raymond WONG  
Senior Corporate Affairs Manager

Kowloon-Canton Railway Workers Union

Mr KO Pak-kwan  
Chairman

Mr LO Tung-ki  
Secretary

Kowloon-Canton Railway Operation Staff Association

Ms LAU Choi-hung  
Chairman

Mr LI Ka-tsz  
Vice Chairman

Kowloon-Canton Railway Employees Association

Mr LAM Kwan-yui  
主席

Mr HO Chun-pong  
福利主任

Mass Transit Railway Corporation Staff Union

Mr CHAN Sin-wo  
Chairman

Mr TO Kwong-yan  
Liaison Officer

Hong Kong Mass Transit Railway Staff General Association

Mr MAK Pui-tung  
Chairman

Mr TSE Hon-bun  
Vice Chairman

Staff Consultative Council, MTR Corporation Limited

Mr AU Ka-hung  
Chief Coordinator

Mr AU Min-kee  
Councillor

KCRC – Divisional Consultative Committee

Mr WAN Keen-fai  
Representative

Ms HO Sui-yan  
Representative

KCRC – Management Staff Consultative Committee

Mr PANG Kwok-wai  
Representative

Ms YUEN Wah-chu, Celina  
Representative

Individual

Mr CHENG Cho-kwong  
Member  
Sha Tin District Council

The Coalition to Monitor Public Transport and Utilities

Mr TSOI Yiu-cheong, Richard  
Representative

Association of Engineering Professionals in Society

Ir LEE Ping-kuen  
Senior Vice Chairman

Individual

Dr HUNG Wing-tat  
Associate Professor, Department of Civil & Structural  
Engineering  
The Hong Kong Polytechnic University

The Hong Kong Polytechnic University, Integrated  
Rail-Property Development Study Team

Dr TANG Bo-sin  
Representative

Dr YEUNG Chi-wai  
Representative

Webb-site.com

Mr David WEBB  
Editor

Individual

Professor Tony M RIDLEY  
President  
Rail Technology Strategy Centre  
Imperial College London

The Hong Kong Federation of Trade Unions – Social  
Affairs Committee

Mr TSUI Fan  
Representative

Mr YIU Kwok-wai  
Representative

Civic Exchange

Dr Bill BARRON  
Representative

Individual

Mr LUK Chung-hung  
Member  
Yuen Long District Council

**Clerk in attendance** : Mr Andy LAU  
Chief Council Secretary (1)2

**Staff in attendance** : Ms Sarah YUEN  
Senior Council Secretary (1)6

Mr Anthony CHU  
Council Secretary (1)2

Miss Winnie CHENG  
Legislative Assistant (1)5

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Action

**I Meeting with deputations/the Administration**

- (LC Paper No. CB(1)166/06-07(01) - Administration's response to the submissions
- LC Paper No. CB(1)68/06-07(01) Submission dated 25 September 2006 from Alliance of Five Unions in Two Rails
- LC Paper No. CB(1)2266/05-06(01) - Submission dated 23 September 2006 from Sir Wilfrid NEWTON CA(SA) CBE
- LC Paper No. CB(1)2266/05-06(02) - Submission dated 25 September 2006 from The Real Estate Developers Association of Hong Kong
- LC Paper No. CB(1)2266/05-06(03) - Submission dated September 2006 from Dr LI Kui-wai, Professor, Department of Economics and Finance, City University of Hong Kong

Action

- LC Paper No. CB(1)2266/05-06(08) -- Submission dated 25 September 2006 from the Hong Kong Institute of Surveyors
- LC Paper No. CB(1)2266/05-06(08) -- Further submission dated 16 October 2006 from the Hong Kong Institute of Surveyors (A)
- LC Paper No. CB(1)2266/05-06(09) -- Submission dated 29 September 2006 from Mr Tony CHAN Tung-ngok)

The Bills Committee deliberated (index of proceedings attached at **Annex**).

Meeting with staff organizations

2. At the Chairman's invitation, representatives of various staff organizations presented their views on staff-related issues arising from the rail merger. The Administration, MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation (KCRC) responded to the views expressed, followed by discussion among members, the Administration, the two railway corporations, and other attending deputations.

Meeting with other organizations and individuals

3. At the Chairman's invitation, individuals and representatives of various organizations presented their views on various issues relating to the Bill. The Administration, MTRCL and KCRC responded to the views expressed, followed by discussion among members, the Administration, the two railway corporations, and other attending parties. In particular, the individuals/organizations were invited to express views on the Rail and Property model.

4. In the course of discussion, MTRCL, KCRC and certain organizations were respectively requested to take follow-up actions as follows –

- (a) KCRC to explore the feasibility of allowing trade union representatives to disseminate information to their union members via the internal e-mail system;
- (b) the Staff Consultative Council of MTRCL and the two consultative committees of KCRC to respectively provide a chart to show how the councillors and the members of the two consultative committees were elected; and
- (c) MTRCL and KCRC to give their assurances regarding the selection of staff to fill posts in the post-merger corporation (MergeCo) in more specific terms and in writing.

Action

5. Having regard that all individuals/deputations who had indicated interest in attending meetings of the Bills Committee to express views on the Bill had been received at this meeting, members agreed to cancel the meeting on 4 November 2006, which had originally been scheduled to meet deputations.

*(Post-meeting note: Members were informed of the cancellation of the 4 November 2006 meeting vide LC Paper No. CB(1)196/06-07 dated 31 October 2006.)*

**II Any other business**

6. There being no other business, the meeting ended at 1:00 pm.

Council Business Division 1  
Legislative Council Secretariat  
14 December 2006

**Proceedings of the fifth meeting of  
the Bills Committee on Rail Merger Bill  
on Saturday, 28 October 2006, at 9:00 am  
in the Chamber of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
<b>Agenda Item I – Meeting with deputations/the Administration</b>			
<i>Meeting with staff organizations</i>			
000000 – 000430	Chairman	- Opening remarks	
000431 – 001049	Kowloon-Canton Railway Workers Union (KCR WU)	<ul style="list-style-type: none"> <li>- Presentation of views (Submission tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)68/06-07(06) on 31 October 2006)</li> <li>- Supplementation of the view that Kowloon-Canton Railway Corporation (KCRC)'s delay in helping its workers to register as skilled workers under the Construction Workers Registration System (CWRS) would affect their re-employment opportunities if they had to leave KCRC as a result of the proposed merger. It was to be noted that many KCRC workers acquired their skills on the job and not through formal training, and hence could not register unless with KCRC's certification</li> </ul>	
001050 – 001553	Kowloon-Canton Railway Operation Staff Association (KCR OSA)	- Presentation of views (Submission tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)68/06-07(07) on 31 October 2006)	
001554 – 001856	Kowloon-Canton Railway Employees Association (KCR EA)	- Presentation of views (LC Paper No. CB(1)68/06-07(05))	
001857 – 002411	Mass Transit Railway Corporation Staff Union (MTRC SU)	<ul style="list-style-type: none"> <li>- Presentation of views (LC Paper No. CB(1)68/06-07(01))</li> <li>- Supplementation of views that               <ul style="list-style-type: none"> <li>i) the proposed merger and plans to outsource railway and maintenance services would inevitably lead to redundancy, especially for junior staff. Worries about whether the 1 300 job vacancies could be timely created to absorb the estimated 650-700 staff synergies</li> <li>ii) even if there were no plan of redundancy, the new terms and</li> </ul> </li> </ul>	



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		<p>conditions of employment might be worse off than the existing ones. As such, staff should be fully consulted and be given the right to opt between the existing terms and the new ones</p> <p>iii) job security for all staff should be ensured before and after the rail merger</p>	
002412 – 002853	Hong Kong Mass Transit Railway Staff General Association (SGA)	<ul style="list-style-type: none"> <li>- Presentation of views (LC Paper No. CB(1)68/06-07(02))</li> <li>- Supplementation of the view that the proposed merger should be able to benefit staff</li> </ul>	
002854 – 003416	Staff Consultative Council, MTR Corporation Limited (SCC MTRCL)	<ul style="list-style-type: none"> <li>- Presentation of views (LC Paper No. CB(1)68/06-07(03))</li> </ul>	
003417 – 003846	KCRC – Divisional Consultative Committee (KCRC-DCC)	<ul style="list-style-type: none"> <li>- Presentation of views (LC Paper No. CB(1)68/06-07(04))</li> </ul>	
003847 – 004539	KCRC – Management Staff Consultative Committee (KCRC-MSCC)	<ul style="list-style-type: none"> <li>- Presentation of views (LC Paper No. CB(1)68/06-07(04))</li> <li>- Supplementation of views that               <ul style="list-style-type: none"> <li>i) job security for non-frontline staff in rail management and development should be ensured to retain talents</li> <li>ii) redeployment of staff should be conducted, having regard to the need to retain talents and enhancing career development opportunities to staff</li> <li>iii) KCRC had greatly contributed to Hong Kong's development with the support of its staff, many of whom had served the company loyally for many years. The job security of such staff, who were close to retirement but still heavily laden with the responsibility to support their families, should be ensured</li> <li>iv) staff of both railway corporations should be treated equally, in particular when selecting staff to fill posts in the post-merger Corporation (MergeCo)</li> </ul> </li> </ul>	

Time marker	Speaker	Subject(s)	Action required
004540 – 010003	Administration MTRCL KCRC	<ul style="list-style-type: none"> <li>- Administration's supplementation to its response to the submissions to the Bills Committee (LC Paper No. CB(1)166/06-07(01) that               <ul style="list-style-type: none"> <li>i) there was a need to strike a balance between staff concerns about job security and public expectations for greater operational efficiency of rail service to be achieved by the proposed rail merger</li> <li>ii) the relative strength of MTRCL and KCRC could supplement each other to bring MergeCo new development opportunities and hence career development opportunities to staff after the rail merger</li> </ul> </li>   <li>- MTRCL's supplementation to LC Paper No. CB(1)166/06-07(01) that               <ul style="list-style-type: none"> <li>i) there was a need to allow time to work out the future staff arrangements of MergeCo. The two railway corporations were in active discussions with staff on issues of their concerns</li> <li>ii) an acceptable and sufficiently wide definition of "frontline staff" had already been worked out in consultation with staff and uploaded onto MTRCL's intranet. After the merger proposal had been approved by MTRCL's minority shareholders, front-line staff would be notified in due course of their posting arrangements. The majority of staff were expected to remain in their prevailing jobs. However, as there might be slight modification to the manpower arrangement at the interchanging stations, posting arrangements would be made for a small number of frontline staff</li> <li>iii) as for non-frontline staff, selection would only be conducted when there were overlapping in existing jobs</li> <li>iv) the purpose of working out a single set of employment terms and conditions for MergeCo was not to save costs</li> </ul> </li>   <li>- KCRC's supplementation to LC Paper No. CB(1)166/06-07(01) that               <ul style="list-style-type: none"> <li>i) KCRC had been actively helping its workers to register under CWRS</li> </ul> </li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>since July 2006. It had been liaising with the relevant authorities for permission to issue KCRC's own registration cards for its workers whose trades were not included in the designated trades. As a result, over 1 100 KCRC staff would be able to register under CWRS and more than 500 had already done so. Arrangements had even been made for staff of the Construction Workers Registration Authority to come to KCRC to register KCRC's workers. It was expected that their registration would complete before December 2006</p> <p>ii) restrictions on the use of electronic mail for communication between staff unions and their members as highlighted in KCR OSA's submission tabled were necessary to contain the volume of electronic mail and hence ensure smooth traffic on the intranet. However, a designated web page on KCRC's intranet was created to facilitate communication between staff unions and staff members. Workstations were installed at office premises to facilitate retrieval of information on intranet by staff who did not have access to computer. Further, additional notice boards were erected at stations for posting of union news</p>	
010004 – 010638	Chairman Dr Fernando CHEUNG KCR WU KCRC	<ul style="list-style-type: none"> <li>- Dr Fernando CHEUNG's recapitulation of members' majority view that to ensure fairness, the employment terms and conditions for staff of MergeCo must be no worse-off than the existing ones because MergeCo supposedly would have a brighter future, and the successful operation of the two railway corporations was the result of their staff's contributions. Grandfathering arrangements should therefore be made to ensure staff's smooth transition to MergeCo</li> <li>- Dr CHEUNG's suggestion that KCR OSA be allowed to send email messages to their union members via the internal e-mail system subject to certain restrictions to be worked out between</li> </ul>	KCRC to take necessary follow-up action

Time marker	Speaker	Subject(s)	Action required
		<p>KCRC and KCR OSA</p> <ul style="list-style-type: none"> <li>- KCR WU's explanation in response to Dr CHEUNG that KCRC workers who had no formal training had to acquire certification from KCRC before they could register as skilled workers under CWRs. While MTRCL had already issued such certification to its workers, KCRC had yet to do so, causing its workers great concern. Whilst KCRC's workers were exempted from registration, some of them might have to leave KCRC as a result of the proposed merger. KCRC's workers should therefore be helped to achieve full registration instead of the three-year provisional registration as presently arranged</li> </ul>	
<p>010639 – 011344</p>	<p>Chairman Ms Emily LAU KCR WU KCR OSA KCR EA MTRC SU SGA SCC MTRCL KCRC-DCC KCRC-MSCC</p>	<ul style="list-style-type: none"> <li>- Ms Emily LAU's view that in recognition of the contributions of the staff of the two railway corporations and the need to ensure the well-being of their family members who made up a significant group, there was a need to ensure that proper staff arrangements of MergeCo would be made</li> <li>- Briefing by attending deputations on membership size, mode of election and representativeness of their respective organizations</li> <li>- SCC MTRCL and the two consultative committees of KCRC's agreement to respectively provide a chart to show how the councillors and members of the two consultative committees were elected</li> </ul>	<p>SCC MTRCL and the two consultative committees of KCRC to take necessary follow-up actions</p>
<p>011345 – 011932</p>	<p>Chairman Mr TAM Yiu-chung MTRCL KCRC</p>	<ul style="list-style-type: none"> <li>- Mr TAM Yiu-chung's views that               <ol style="list-style-type: none"> <li>i) the concerns of the above deputations about the job security for frontline and non-frontline staff, the adoption of a single set of employment terms and conditions for staff of MergeCo, and the selection and appointment processes of MTRCL and KCRC staff to job positions in MergeCo were all justified</li> <li>ii) the single set of terms and conditions to be adopted by MergeCo should be better than the</li> </ol> </li> </ul>	

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		<p>existing ones</p> <p>iii) the job security for contract staff should not be affected as a result of the rail merger. Where possible, permanent vacancies should be offered to them to ensure smooth transition</p> <ul style="list-style-type: none"> <li>- MTRCL's explanation that contract staff were recruited for works projects only and hence their number was just around ten. Redeployment arrangements would be made for them</li> <li>- KCRC's explanation that the railway corporations were committed to look after the interests of all staff. Apart from offering permanent vacancies to contract staff defined as frontline staff, development opportunities for other contract staff would also be actively explored in the light of the then prevailing circumstances. There were over 1 000 contract staff in KCRC</li> </ul>	
011933 – 012445	Chairman Miss TAM Heung-man KCR OSA	<ul style="list-style-type: none"> <li>- Miss TAM Heung-man's enquiry about the reason for KCRC to deny KCR OSA use of the company's intranet email service, and whether KCR OSA found this a hurdle to its communication with its members and potential members, and a blow to the freedom of speech</li> <li>- KCR OSA's explanation of the adverse impact of the e-mail restriction on its membership, and the importance of access to KCRC's intranet email service and of getting its notices posted on KCRC's webpage designated for staff unions expeditiously</li> </ul>	
012446 – 013010	Chairman Ms LI Fung-ying MTRCL KCRC	<ul style="list-style-type: none"> <li>- Ms LI Fung-ying's expression of dissatisfaction with the slow progress made by the Administration and the two railway corporations in addressing staff's concerns about their job security after the announcement of the proposed rail merger, the need for adopting a single set of employment terms and conditions, the way years of service of staff would be counted, and the implications of the study on the grading and pay structure and terms and conditions of MergeCo commissioned by the two railway corporations (the</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>Study), which might be a trick played by the management to facilitate staff cuts</p> <ul style="list-style-type: none"> <li>- Ms LI's expression of concern about the selection criteria and timing for staff appointment</li> <li>- MTRCL's assurance that in general only non-frontline staff would need to be selected when there were overlapping of positions. Moreover, redeployment arrangement would be made for staff not so selected as far as possible. In fact, MTRCL had a very good track record in keeping its staff even in very bad times</li> <li>- KCRC's reiteration of the assurance that staff who required selection would be kept to the minimum, and staff would be consulted when finalizing the selection criteria and process</li> <li>- Ms LI's request that the above assurances be given in more specific terms and in writing</li> </ul>	<p>MTRCL and KCRC to take necessary follow-up actions</p>
<p>013011 – 013559</p>	<p>Mr LAU Kong-wah MTRCL</p>	<ul style="list-style-type: none"> <li>- Mr LAU Kong-wah's view that members would have difficulty in supporting the Bill if the two railway corporations could not reach a consensus with their staff on the future staff arrangements of MergeCo, in particular on differences in relation to               <ul style="list-style-type: none"> <li>i) the need to ensure the job security for non-frontline staff</li> <li>ii) the need to conduct selection for certain staff and whether their employment terms would be so affected</li> <li>iii) the need to ensure that in working out a single set of employment terms and conditions for MergeCo, existing terms would remain unchanged, and the need to consider including relevant provisions in the Bill as a means to safeguard employees' interest in case no consensus could be reached with staff</li> </ul> </li> <li>- MTRCL's advice in response to Mr LAU that since the single set of employment terms and conditions</li> </ul>	

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		<p>would be similar to existing ones, consultation with staff on them after the Study should bear fruit in time to tie in with the progress of the Bills Committee. Efforts would also be made to resolve the above differences</p>	
013600 – 014139	Chairman Mr LEE Wing-tat MTRCL KCRC	<ul style="list-style-type: none"> <li>- Mr LEE Wing-tat's emphasis of the need for the Study to complete and for the future staff arrangements of MergeCo to be agreed with staff well before the Bills Committee examined the relevant provisions. Co-operation among members from different political parties could help ensure the above</li> <li>- Mr LEE's concern that the incident on KCRC's corporate governance issues in early 2006 would cause KCRC's non-frontline staff to be discriminated against should they be subject to selection. Given that a total of 1 300 job vacancies would be available in the first three years after the proposed merger, which was more than adequate to absorb the estimated 650-700 staff synergies, he urged the Administration to undertake to absorb all the staff synergies. In particular, in consideration of pending rail projects, development opportunities for contract project staff should be explored to retain talents</li> <li>- MTRCL's assurance that selection panels would comprise representatives from both MTRCL and KCRC to ensure fairness. As to retaining project staff, it was hoped that planned rail projects could be finalized early</li> <li>- KCRC's assurance that efforts would be made to retain professional talents</li> </ul>	
014140 – 014755	Chairman Mr KWONG Chi-kin MTRCL KCRC MTRC SU	<ul style="list-style-type: none"> <li>- Mr KWONG Chi-kin's call for undertakings that the single set of employment terms and conditions for MergeCo should not be worse off than the existing ones, and that where possible, permanent vacancies would be offered to contract staff to ensure smooth transition</li> <li>- MTRCL's emphasis that since the aim of the proposed merger was not to save</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>costs, the single set of employment terms and conditions as a total package would be largely similar to the existing ones</p> <ul style="list-style-type: none"> <li>- MTRCL's undertaking that where possible, permanent vacancies would be offered to contract staff. KCRC's advice that consideration would be given to offering contract staff permanent vacancies if they fell within the definition of frontline staff as agreed</li> <li>- MTRCL and KCRC's assurance in response to Mr KWONG's call for more assuring undertakings that efforts would be made to work out staff arrangements acceptable to all</li> <li>- MTRC SU's view that assurance should be given that employment terms and conditions should not be changed drastically after the proposed merger</li> </ul>	
<b>Break from 014756 to 020305</b>			
<i>Meeting with other organizations and individuals</i>			
020306 – 020324	Chairman	- Opening remarks	
020325 – 020521	Mr CHENG Cho-kwong	<ul style="list-style-type: none"> <li>- Presentation of views that               <ul style="list-style-type: none"> <li>i) staff concerns should be addressed and staff redundancy plan should not be implemented</li> <li>ii) rail projects under planning such as the Shatin to Central Link should not be delayed because of the proposed merger</li> </ul> </li> </ul>	
020522 – 021032	The Coalition to Monitor Public Transport and Utilities (CMPTU)	<ul style="list-style-type: none"> <li>- Presentation of views that               <ul style="list-style-type: none"> <li>i) CMPTU in principle supported the proposed merger for its ability to enhance the operational efficiency of rail service. However, monitoring should be geared up accordingly to keep railway fares at a reasonable level</li> <li>ii) MTRCL's listing status had led to concerns about disposal of KCRC's assets to it at a severely diminished valuation. The Administration might need to renegotiate the merger terms with MTRCL to address such concerns</li> <li>iii) the concession period, at 50 years, was too long, and should be 20 to</li> </ul> </li> </ul>	



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		<p>30 years instead</p> <p>iv) the extent of fare reduction upon the proposed merger was too small and hence unacceptable. For journeys at \$12 or above, fare reduction should be at least 20%. For journeys with fares between \$8.50 and \$11.90, fare reduction should be at least 10%</p> <p>v) there was room for improvement in the proposed Fare Adjustment Mechanism (FAM) because it was not provided for in the Bill and, being largely linked to the consumer price index, there could be fare increase even when MergeCo was making huge profits</p>	
021033 – 021601	Dr HUNG Wing-tat	- Presentation of views (LC Paper No. CB(1)2266/05-06(04))	
021602 – 022104	The Hong Kong Polytechnic University, Integrated Rail-Property Development Study Team (the Study Team)	- Presentation of views (LC Paper No. CB(1)2266/05-06(06))	
022105 – 022645	Mr David M WEBB	- Presentation of views (LC Paper No. CB(1)2266/05-06(05))	
022646 – 023215	Professor Tony M RIDLEY	- Presentation of views (LC Paper No. CB(1)2266/05-06(07) and further submission tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)2266/05-06(07)(A) on 31 October 2006)	
023216 – 023725	The Hong Kong Federation of Trade Unions – Social Affairs Committee	- Presentation of views (Submission tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)2266/05-06(11) on 31 October 2006)	
023726 – 024039	Civic Exchange (CEX)	- Presentation of views (Submission tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)2266/05-06(12) on 31 October 2006)	
024040 – 024629	Chairman Mr LUK Chung-hung	- Presentation of views that i) there was doubt as to whether the service of the two railway corporations was as good as some deputations had pointed out	

Time marker	Speaker	Subject(s)	Action required
		<ul style="list-style-type: none"> <li>ii) at present the two railway corporations were operating with insufficient monitoring and competition. The proposed merger should be taken as an opportunity to rectify the situation</li> <li>iii) the wages of the workers of the two railway corporations' contractors were too low to comply with Government's relevant minimum wage requirements</li> <li>iv) although MTRCL had been listed, Government, being the majority shareholder, could still exercise control on it if it so wished</li> <li>v) although rail service was more environmentally friendly, it might not be appropriate to allow rail service to compete with other public transport services unfairly</li> </ul>	
024630 – 025202	Administration MTRCL KCRC	<ul style="list-style-type: none"> <li>- Administration, MTRCL and KCRC's recapitulation of the relevant points in LC Paper No. CB(1)166/06-07(01), and supplementation of views that               <ul style="list-style-type: none"> <li>i) The Service Concession should be co-terminus with the franchise so that MergeCo would look to the MTR system and KCR system and the respective staff of the two systems with same importance</li> <li>ii) The operation of MergeCo would be subject to the integrated Operating Agreement (IOA) which would be a legally binding document entered into between MTRCL and the Government. The IOA would contain specific provision on the FAM</li> <li>iii) reference to the consumer price index in adjusting fares was common worldwide and would help make the FAM less complicated</li> <li>iv) the fare reduction of at least 10% to long distance travellers was substantive and the corporations had undertaken not to raise fares within the two years after announcement of the merger package in April 2006</li> <li>v) when renewing or entering into new service contracts, the two railway corporations would require their contractors to observe the relevant guidelines on minimum wages. In particular, the contractors would be</li> </ul> </li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>required to ensure the wages of their cleansing and security service workers would not be less than the relevant average wages published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics</p> <p>vi) since 2005, KCRC's service contractors had been instructed to pay their workers the minimum wages specified in the relevant guidelines of the Government</p>	
025203 – 025755	Chairman Mr TAM Yiu-chung MTRCL KCRC	<ul style="list-style-type: none"> <li>- Mr TAM Yiu-chung's views that the proposed merger should help reduce fares for long-distance passengers such as residents of Tung Chung. Concessionary fares in the form of monthly tickets should be extended to cover more rail services, and a greater variety of concessionary tickets such as weekly and yearly tickets should be offered to attract ridership. The merger exercise should also be taken as an opportunity to improve the service of Light Rail (LR) Transit</li> <li>- MTRCL's advice that monthly tickets were not pursued by MTRCL as such had always led to a drop in revenue. Other promotional measures were introduced from time to time</li> <li>- KCRC's explanation that LR's present concern was to put its resources to the best use. LR's fare level might be affected if resources were deployed for purchase of new cars</li> </ul>	
025756 – 030349	Mr LEE Cheuk-yan Mr WEBB MTRCL	<ul style="list-style-type: none"> <li>- MTRCL's response to Mr LEE Cheuk-yan that whether the present concessionary monthly ticket schemes would continue would be for MergeCo to decide</li> <li>- Mr LEE's view that unless the two railway corporations were to be merged under the Government, MTRCL's listed status would inevitably create conflicts between the interests of the travelling public and those of MTRCL's shareholders</li> <li>- Mr WEBB's view in response to Mr LEE that if Government maintained the</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>socialist public transport policy, it should buy out MTRCL's minority shareholdings. Nationalization of rail service however might lead to deterioration of service, and hence, it would be better to operate rail service on a market basis</p>	
030350 – 031036	Dr Fernando CHEUNG Administration Dr HUNG	<ul style="list-style-type: none"> <li>- Dr Fernando CHEUNG's view that the proposed merger would enable the development of a more market-oriented rail service. He was worried that MergeCo would aim at maximizing its profit at the expense of the travelling public. As a result, railway fares would be set at a level beyond public affordability</li> <li>- Administration's explanation that the proposed FAM comprised an objective and transparent fare adjustment formula which was an improvement to the existing fare autonomy. It would also make revenues more predictable to facilitate long-term rail development</li> <li>- Dr HUNG's response to Dr CHEUNG that the Rail and Property model (the model) might not be able to meet public demand for rail expansion under the current social circumstances, where population growth was no longer fast enough to support the model. In the face of queries about the appropriateness of continuing the model after the listing of MTRCL, Government should clarify the funding arrangement for new railway projects</li> </ul>	
031037 – 031554	Ms Emily LAU Dr HUNG Professor RIDLEY	<ul style="list-style-type: none"> <li>- Dr HUNG's response to Ms Emily LAU that there was no conflict between Government's careful exercise of fare leverage to ensure affordability of railway passenger services, and the tax paying public's high expectation that Government should not subsidize public transport service. In his view, the FAM was a good proposal and it could minimize Government interference in rail operation while enhancing transparency to enable investors to better understand the prospects. The fixing of the fare level at 8% of the average dispensable income of the public was acceptable. It was also reasonable to review the FAM every</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>five years</p> <ul style="list-style-type: none"> <li>- Professor RIDLEY's response to Ms LAU that railway fares should be kept at a level that would not adversely affect the company's ability to reinvest in the railway system, otherwise it would lead to declining service quality that would take years to catch up</li> </ul>	
031555 – 032921	<p>Chairman Mr Albert CHAN CMPTU Mr WEBB Professor RIDLEY Dr HUNG CEx Mr LUK</p>	<ul style="list-style-type: none"> <li>- Mr Albert CHAN's statement of opposition to the proposed merger on grounds that it was unfair and would harm public interests because <ul style="list-style-type: none"> <li>i) the merger package would mean that the small number of shareholders of MTRCL would be in control of billions of worth of rail systems and the accompanying assets and development and management rights</li> <li>ii) the two railway corporations were reluctant to reduce railway fares on the ground that they were operated in accordance with commercial principles, but at the same time, they were asking for Government's subsidy in the form of property development on the ground that railway projects were built for the interests of the public</li> </ul> </li> <li>- CMPTU's view that Government subsidy for rail development was necessary. However, to safeguard public interests Government should more closely monitor rail service, especially railway fares</li> <li>- Mr WEBB's recapitulation of certain points in his submission, and supplementation of the view that higher railway fares should be set to maintain an incentive for reinvestment in maintenance to keep up service quality</li> <li>- Professor RIDLEY's view that the model was not a subsidy because, instead of being subsidized by the property above or adjacent to a station, the presence of a railway increased the value of the surrounding properties significantly. In fact, the model was so successful in creating value that it was the envy of the world and should not be</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>lightly given up</p> <ul style="list-style-type: none"> <li>- Dr HUNG's agreement with Professor RIDLEY's views above, recapitulation of certain points in his submission, and supplementation of the view that no other model in the world could make rail development fully financially viable. However, the model might not succeed in other places or in present-day Hong Kong where population growth could not sustain it</li> <li>- CEx's view that the model was very successful in that railways created values that otherwise did not exist, improved mobility and helped protect the environment and hence improve the quality of life. In looking at the proposed merger, the overriding concern should be to maximize the values the railways of Hong Kong were able to create</li> <li>- Mr LUK's view that being the majority shareholder of MTRCL and the sole owner of KCRC, the Government should more actively monitor their operation to respond to public needs</li> </ul>	
032922 – 033359	Chairman Mr LEE Cheuk-yan Ms Emily LAU Administration Dr HUNG	<ul style="list-style-type: none"> <li>- Mr LEE Cheuk-yan's views that               <ol style="list-style-type: none"> <li>i) whether offer of monthly ticket schemes would continue could be decided at present instead of by MergeCo since fare reduction was offered as a part of the merger package</li> <li>ii) while he had no objection to the model, given the acquisition of substantial profit therefrom, railway fares should be reduced to better safeguard public interests</li> <li>iii) as shown by the satisfactory operation of MTRCL before its listing and KCRC, which was very much a public body, nationalization of rail operation might not necessarily lead to deterioration of service</li> <li>iv) there might be a need to provide in the Bill that the FAM should take the travelling public's affordability into account</li> </ol> </li> <li>- Administration's explanation that the</li> </ul>	

Time marker	Speaker	Subject(s)	Action required
		<p>proposed fare reduction package had been made possible by synergies of the rail merger</p> <ul style="list-style-type: none"> <li>- Dr HUNG acknowledged that the FAM would be prescribed by the IOA. In his view, the overall guiding principle for setting the fare level was that the travelling expense should not exceed 10% of the average dispensable income of the public, especially if the Administration aimed to increase the market share of the railway service from the current 30 percent to the target over 50% in 2030</li> <li>- Ms Emily LAU's query if the above 10% ceiling would be too high</li> </ul>	
033400 – 034038	<p>Chairman Ms Emily LAU Mr WEBB CMPTU Administration</p>	<ul style="list-style-type: none"> <li>- Ms Emily LAU's invitation of views on whether KCRC's assets were disposed of at a severely diminished valuation</li> <li>- Mr WEBB's views that               <ul style="list-style-type: none"> <li>i) apart from paying the "entry fee", MergeCo also had to arrange for payment of land premium, construction costs and other development costs and therefore the pricing of the property package might not be in the best interests of shareholders</li> <li>ii) the FAM was unreasonable because Hong Kong could not keep relying on proceeds from the property to subsidize rail operation in future but need to move to a market-based approach</li> <li>iii) it was undesirable that the future revenue sharing percentage, and hence the profit available to MTRCL, was heavily dependent on the inflation rate</li> </ul> </li> <li>- CMPTU's view that the main concern should be to ensure that proceeds from property development would benefit the Government and the public. For example, by incorporating this factor in the proposed FAM, so that the fare level could be adjusted downwards when substantial profit from the model was acquired</li> <li>- Exchange of views on the percentage</li> </ul>	

<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
		which travelling expense should take up in the household income	
034039 – 034334	Association of Engineering Professionals in Society	- Presentation of views (Submission tabled at the meeting and subsequently issued to members vide LC Paper No. CB(1)2266/05-06(10) on 31 October 2006)	
034335 – 034544	Mr LEE Cheuk-yan Administration	<ul style="list-style-type: none"> <li>- Mr LEE Cheuk-yan's concern that if monthly ticket schemes were discontinued after the proposed merger, any benefit the public would gain from the proposed fare reduction package might be offset</li> <li>- Administration's explanation that the proposed fare reduction package had been made possible by synergies of the rail merger, while monthly ticket schemes were promotional measures introduced by the two railway corporations from time to time</li> </ul>	
034545 – 035023	Chairman Ms Emily LAU Mr WEBB MTRCL	<ul style="list-style-type: none"> <li>- Mr WEBB's view in response to Ms Emily LAU that the merger deal was not a balanced one. Instead, a full corporate merger should be negotiated preserving the fare autonomy and restructuring the relevant lease payments, thereby retaining the incentive to invest in maintenance of the rail network. This could ensure the sustainability of rail service to benefit the travelling public</li> <li>- MTRCL's emphasis in response to Ms LAU that the merger deal was a balanced one and could benefit all stakeholders. Moreover, minority shareholders would be given the chance to vote on the merger proposal with advice from independent financial advisors</li> </ul>	
035024 – 035705	Chairman CEX The Study Team Dr HUNG	<ul style="list-style-type: none"> <li>- Chairman's invitation of views on the model</li> <li>- CEX's explanation of the values that could be created by the model and how the Government and hence the public could benefit in terms of rates, land premium and the overall development prospects for Hong Kong. In his view, the model should be expanded</li> </ul>	



<b>Time marker</b>	<b>Speaker</b>	<b>Subject(s)</b>	<b>Action required</b>
		<ul style="list-style-type: none"> <li>- The Study Team's views that many efforts had to be made to achieve integrated planning and development and hence integration of rail stations and nearby developments to create value from the model. Moreover, the alignment and whether the fare level was competitive would also determine whether the model could improve ridership of the railway and hence its operational sustainability. While many places wanted to adopt the model, they might not be able to do so without the objective conditions that were available in Hong Kong in the past</li>   <li>- Dr HUNG's view that apart from providing funding, the model also helped to create clusters of residential neighbourhoods to ensure regular ridership and hence commercial viability of the railways. With population growth slowing down, there might be a need to modify the model to create ridership by constructing large facilities nearby</li> </ul>	
<b>Agenda Item II – Any other business</b>			
035706 – 035800	Chairman Ms Emily LAU	- Meeting arrangements	