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Room 602, Citibank Tower,
3 Garden Road,
Central, Hong Kong
(Attn: Dr Hon Fernando CHEUNG Chiu-hung)

Dear Dr Hon Cheung,

Bills Committee on Rail Merger Bill
Integrated Operating Agreement

I refer to your letters of 15 January, 23 February and 1 March respectively to the Chairman of the Bills Committee on Rail Merger Bill (Bills Committee) which set out your suggestions on amendment or addition to the provisions in the Integrated Operating Agreement (IOA). The Bills Committee has referred them to us for consideration. We have provided written replies vide LegCo Paper CB(1)1247/06/07(01) in response to the follow-up issues raised by Members at past meetings of the Bills Committee and most of your suggestions put forward in your letters. As regards the remaining suggestions raised by you, we would like to supplement as follows:

(a) Addition of a new clause in the IOA - Provision of half-fare concession to full-time students aged 25 or below, senior citizens aged 65 or above and people with disabilities (PwDs)

Through our discussion with MTR Corporation Limited (MTRCL) on the rail merger, MTRCL agreed to continue retaining existing half-fare concession for student passengers using MTR service and half-fare concession for senior citizens using MTR and KCR services after the rail merger. MTRCL advised that fare concessions are their own initiatives and thus it is not appropriate to stipulate this as a requirement in the IOA. MTRCL reiterated that they do not agree to add the proposed new provision in the IOA.

The Legislative Council has set up the “Subcommittee to Study the Transport Needs of and Provision of Concessionary Public Transport Fares for Persons with Disabilities” to discuss in detail the request for the provision of fare concession for PwDs by public transport operators. At their last meeting on 27 February 2007 which was attended by representatives from the two railway corporations amongst others, the Subcommittee discussed the Report of the Survey on the Public Transport Needs of Persons with Disabilities which was completed recently. MTRCL remarked that they would need some time to examine the report and would continue discussion on this subject together with the other major public transport operators at the next meeting on 12 April 2007.

MTRCL stressed that they have put into considerable resources in improving station facilities. MTRCL formulated a policy for PwDs in 1992 that focused on the provision of a better travelling environment for PwDs. Over \$400 million has been spent on retrofitting new station facilities and a further \$100 million will be committed for the next five years. MTRCL has also agreed to provide at least one wide ticket gate at each KCRC station after the rail merger to facilitate rail users who are PwDs.

(b) Addition of a new clause in the IOA – The Corporation should set a target for employing PwDs and publish in its annual report the number of its PwDs employed.

In response to the motion on “Assisting people with disabilities in integrating into society” moved by the Hon Leung Yiu-chong at the Legislative Council meeting on 15 November 2006, the Secretary for Health, Welfare and Food has

explained in detail Government's view regarding the issue of setting a disability employment indicator (such as employment rate and quota system). In summary, Government's policy objective in this regard is to ensure equal opportunities for PwDs in seeking productive and remunerative work in the open job market. Setting a target for employing PwDs is considered not a suitable or effective way for promoting PwDs employment. Overseas experience so far in the implementation of an employment quota system could not help prove the effectiveness of such system in facilitating PwDs employment. In helping PwDs to find suitable jobs, the Administration would emphasize their abilities rather than their disabilities, and would provide appropriate vocational training and employment services to them.

The two railway corporations advised that they have fulfilled their corporate social responsibilities in providing equal employment opportunities to PwDs. According to MTRCL, 225 or 3.5% of its employees are PwDs as in 2005, which is higher than other companies. MTRCL advised that MergeCo would consider ways to provide more job opportunities for PwDs.

(c) Addition of a new clause in the IOA – The Corporation should allocate suitable shops for concessionary rental by social enterprises to facilitate employment of the PwDs and the disadvantaged groups.

Government's policy objective concerning employment opportunities for PwDs is to ensure equal opportunities for them to seek jobs. Measures to facilitate employment of PwDs are introduced on a continuous basis to help them enhance their working abilities so that they can find suitable jobs in the open market and support themselves. MTRCL indicated that commodities sold or services provided at station shops would need to meet passenger needs. There are various factors to be taken into account when determining the rents.

We note that the railway corporation would consider renting shop space to social enterprises on concessionary rental on a case-by-case basis. In the past, MTRCL has let out shops at its Tung Chung Station and Nam Cheong Station to social enterprises at concessionary rents.

According to spirit of free enterprise, Government does not require commercial enterprises to allocate station shops at concessionary rental to any particular organizations, and it is inappropriate to stipulate such requirement in the IOA.

- (d) Addition of a new clause in the IOA – The Corporation should set up a Corporate Social Responsibility Committee comprised of individuals (including representatives of the disadvantaged groups, the PwDs community and the public) to facilitate and assist the Corporation in fulfilling its corporate social responsibility more effectively.**

MTRCL advised that it has all along endeavoured to fulfill its role of a socially responsible enterprise. Apart from the interests of the shareholders, the Corporation takes into account the needs of its passengers, staff, business partners and the community, and the Corporation takes it as its social responsibility to continue to provide world class rail service to the community of Hong Kong.

MTRCL has been a signatory of the Hong Kong Corporate Social Responsibility Charter since 2005. The Charter commits the Corporation to promote the principles of responsibility by positively managing their social, environmental and economic impacts. The Corporation has also formulated and published a Corporate Social Responsibility (CSR) Guideline in furtherance of the Charter so that through socially responsible behaviour, the Corporation can become a competitive and profitable enterprise able to make a long-term contribution to sustainable development by generating economic growth and providing job and career opportunities whilst supporting the social and environmental needs from the local and international perspectives.

A Sustainability and Corporate Social Responsibility Steering Committee was established by MTRCL in 2005 to ensure cohesive and top-down integrated supervision of the CSR Guideline. The Committee is comprised of ten members including directors and representatives of the management grade.

Since 2001, MTRCL has published its annual Sustainability Report setting out their performance in sustainable development and corporate social responsibility (including achievements of its Customer Service Pledges, staff turnover rate, passenger safety, breaches of statutory environmental requirements, greenhouse gas emissions, etc.). The Corporation advised that the above arrangement would continue after the rail merger and they do not agree to add proposed provision in the IOA.

Yours sincerely,

(Miss Ida Lee)
For Secretary for Environment,
Transport and Works

c.c. The Clerk to Bills Committee on Rail Merger Bill