

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

### **Staff-related matters arising from rail merger**

#### **PURPOSE**

This paper updates members on the latest progress regarding staff-related matters arising from the merger exercise.

#### **BACKGROUND AND LATEST PROGRESS**

##### ***Provision of job security for frontline staff***

2. According to the understanding reached between Government and the MTR Corporation Limited (MTRCL) on the terms for the rail merger, the post-merger corporation (MergeCo) would provide job security to all frontline staff as it relates to the merger integration process. In order to address the concern expressed by some staff over the uncertainty that may arise when the time period of the assurance of job security for frontline staff expires if the assurance is time-limited, there is no time period specified for the assurance on job security for frontline staff under the merger package.

3. The definition of frontline staff<sup>1</sup> as agreed between MTRCL and the Kowloon-Canton Railway Corporation (KCRC) was announced in April 2006. The definition is the result of lengthy discussions and careful consideration by the two corporations having regard to their actual operations.

4. The two corporations conducted more than 200 briefings with their staff at all levels after the merger package and the definition of frontline staff were announced. After detailed consultations with their

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<sup>1</sup> Frontline staff means “those full-time non-managerial staff who are employed regularly and directly in the operations and maintenance of trains, stations, buses and vehicles, infrastructure maintenance, stores operations and security operations. Non-managerial staff refer to staff below Grade MG1 in the case of MTRCL and staff below Grade 8 in the case of KCRC, who are employed on either continuous terms or contract terms for a duration of two years or more.”

line management and a 3-week consultation with the staff side commencing in mid August on the coverage of the definition of frontline staff and the delineation of individual job positions which would fall within the definition of frontline staff, the two corporations finalised and informed their staff of the delineation of frontline positions in September 2006. The delineation covers some 8,400 job positions, representing over 80% of all non-managerial staff<sup>2</sup> of the two corporations. The two corporations indicated that individual frontline staff would be informed in writing if and after the merger proposal is approved.

5. The two corporations indicate that, during the merger process, if a frontline staff member is subsequently transferred to a non-frontline position on the initiative of the management, the staff member concerned would continue to be provided with job security as it relates to the merger integration process. Therefore job postings / staff transfers would not affect job security of the frontline staff concerned.

6. The two corporations estimate that due to business growth including commissioning of new railways as well as retirement and turnover, a total of 1,300 job vacancies will be available in the first 3 years after the merger, which is more than adequate to absorb the estimated 650 - 700 staff synergies. Therefore in overall terms, there would be more career development opportunities for staff after the rail merger.

7. The two corporations envisage that majority of their staff would stay in their current jobs after the rail merger. MergeCo would make every effort to re-deploy affected staff to available vacancies and set up a special team to provide support to help staff concerned settling in their new jobs after the merger.

### ***Employment terms and conditions / pay and benefits***

8. Upon implementation of the rail merger, staff of the two corporations would be employed by MergeCo on their prevailing terms and conditions of employment. Eventually there will be a single set of

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<sup>2</sup> Excluding property and project staff.

terms and conditions of employment and grading structure for all staff of MergeCo as it will facilitate the integration of the human resources of the two corporations in the spirit of “One Company, One Team”.

9. The two corporations have jointly appointed an independent consultant to conduct a study aiming at developing a single set of terms and conditions of employment and grading structure for MergeCo. The two corporations briefed their staff in July 2006 on the objective, approach and methodology of the study. Progress of the study is also communicated to staff from time to time via Joint Merger Newsletters.

10. The two corporations indicate that their existing terms are broadly comparable. They expect that the employment terms and conditions of MergeCo to be offered to staff, as a total package, would not differ significantly from the existing ones and would remain competitive in the market.

11. The study is expected to be completed around the end of 2006. In the course of the study, staff would be consulted upon reaching major milestones. For this purpose, the two corporations have formed Consultative Groups comprising representatives from line management, Staff Consultative Committees (SCC) / Consultative Committees (CC) and staff unions. The two corporations would consult their staff on the recommendations before making a final decision.

### ***Appointment and redeployment of staff***

12. Under the merger package, all serving staff of MTRCL and KCRC would be employed by MergeCo at the time of the merger. The two corporations indicate that if the merger proposal is approved, the senior management of MergeCo would be selected before the merger implementation date and the selection would be conducted in a fair and equitable manner with inputs from both MTRCL and KCRC management. As for all other staff, the appointment and posting etc. of individual staff where necessary would be handled after the merger and the process would be conducted in a fair and equitable manner.

13. The selection / appointment criteria would be drawn up jointly by the two corporations. The two corporations would consult their staff before finalising the details. The criteria would include requirements of the jobs, performance, experience and capability of the individual concerned. Selection panels comprising representatives from both corporations would be appointed to conduct objective assessments. Where redeployment is necessary, a redeployment process and procedure would be drawn up following consultation with staff.

### ***Appeal mechanism***

14. The two corporations have an appeal mechanism in place following consultation with their SCC/CC and staff unions for handling staff-related matters arising from the merger. Modelling on the existing effective mechanisms of the respective corporations, enhancements have been made in response to requests from the staff bodies. The appeal mechanism has provided for involvement of staff representatives from SCC / CC and staff unions.

### ***Communications and consultation with staff***

15. The two corporations would, throughout the merger integration process, continue to maintain regular communications with staff, SCC, CC, staff unions and the Coalition of Five Unions and consult them on merger-related matters affecting them before making any final decisions. To further strengthen staff communications, the two corporations have started to jointly issue Joint Merger Newsletter on a regular basis since August 2006.

### ***Cultural integration***

16. To ensure successful integration of cultures and attain the goal of “One Company, One Team”, the two corporations have conducted a series of cultural integration workshops between August and October 2006 for around 1,000 managers and supervisors of both corporations to

disseminate the benefits of the merger, increase their involvement and support, and communicate details of the integration process to staff.

17. According to the two corporations, feedback from these workshops was very positive. The two corporations will arrange to conduct these workshops for more staff.

**Environment, Transport and Works Bureau**

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