

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 158 – GOVERNMENT SECRETARIAT : ENVIRONMENT, TRANSPORT AND WORKS BUREAU (TRANSPORT BRANCH)

Subhead 000 Operational expenses

Members are invited to recommend to Finance Committee the retention of the following two supernumerary posts in the Transport Branch of the Environment, Transport and Works Bureau for six months from 1 July 2007 to 31 December 2007 –

1 Administrative Officer Staff Grade B
(D3) (\$127,900 - \$135,550)

1 Administrative Officer Staff Grade C
(D2) (\$110,000 - \$116,800)

PROBLEM

The two existing supernumerary posts of one Administrative Officer Staff Grade B (AOSGB) (D3) and one Administrative Officer Staff Grade C (AOSGC) (D2) created in the Transport Branch (TB) of the Environment, Transport and Works Bureau (ETWB) to oversee the related work for the possible merger of the MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation (KCRC) will lapse on 1 July 2007. There is a need to retain these two supernumerary posts until completion of the merger exercise, as the existing directorate support in TB is not adequate to cope with the additional workload arising from the exercise.

/PROPOSAL

PROPOSAL

2. We propose to retain the two supernumerary posts of one AOSGB (D3) and one AOSGC (D2) for a period of six months from 1 July 2007 to 31 December 2007, to follow through the implementation of the proposed rail merger.

JUSTIFICATION

3. On 14 May 2004, the Finance Committee (FC) approved vide EC(2004-05)³ the creation of the two supernumerary posts of one AOSGB (D3) and one AOSGC (D2), viz., the Deputy Secretary for the Environment, Transport and Works (Transport)⁴ (DS(T)⁴) and the Principal Assistant Secretary for the Environment, Transport and Works (Transport) Special Duties (PAS(T)SD) in TB with effect from 1 July 2004 for a period of two years up to 30 June 2006 to cope with the additional workload arising from a possible merger of MTRCL and KCRC. On 23 June 2006, FC approved vide EC(2006-07)⁶ the retention of the two posts for another 12 months to follow through the implementation of the proposed merger of the MTR and the KCR systems. The revised job descriptions of the DS(T)⁴ and PAS(T)SD posts when approved for retention in June 2006 are at Encls. 1 & 2 Enclosures 1 and 2 respectively. The two posts will lapse on 1 July 2007.

4. ETWB is responsible for the overall co-ordination of the merger exercise in conjunction with the Financial Services and the Treasury Bureau and close liaison with the two railway corporations and the other relevant government bureaux and departments. Within ETWB, the merger exercise was taken up by the dedicated team led by DS(T)⁴ with support at the directorate level by PAS(T)SD.

5. On 11 April 2006, the Government announced that it had reached an understanding with MTRCL on the structure and terms for merging the MTR and KCR systems and had signed a non-binding Memorandum of Understanding (MoU) with MTRCL. Thereafter the relevant Legislative Council (LegCo) Panels met five times to discuss the way forward and the principles of the proposed merger. On 5 July 2006, the Government introduced the Rail Merger Bill (the Bill) into the LegCo to amend the Mass Transit Railway Ordinance and the Kowloon-Canton Railway Corporation Ordinance to implement the rail merger. A Bills Committee was formed by the LegCo on 7 July 2006 to scrutinise the Bill. Over the past ten months, the Bills Committee has held over 20 meetings to revisit and examine at greater length the principles of the proposed merger, the main proposals in the merger package and individual clauses in the draft Integrated Operating Agreement (IOA) to be entered into between the Government and the post-merger corporation (MergeCo) on the regulation of future railway operation. The Bills Committee started clause-by-clause examination of the Bill on 24 April 2007.

6. With the extension of the posts for one more year from 1 July 2006 as approved by FC vide EC(2006-07)6, DS(T)4 and PAS(T)SD have been working on the preparation of the draft IOA as well as leading the Government team in the discussions of the Bills Committee. DS(T)4 also continues to lead the Government's negotiation team in conjunction with the Financial Services and the Treasury Bureau in the discussions with the railway corporations on finalising the merger terms and draft IOA taking into account comments and suggestions from Members of the Bills Committee as well as the preparation of the transaction documents. PAS(T)SD is a key member of the team. In the light of the latest progress of the exercise, we see a need to retain the DS(T)4 and PAS(T)SD posts beyond 30 June 2007 to continue to oversee the implementation of the regulatory framework of MergeCo including the completion of the legislative process for the proposed rail merger exercise as well as to ensure satisfactory completion of the necessary steps to be taken by the two railway corporations thereafter to implement the merger and effect the fare reduction. The required duration of the two supernumerary posts is dependent on the progress of the merger exercise which entails various steps and procedures, and hence a definitive view could not have been taken at the time the posts were extended one year ago as to whether there would be a need for a longer duration of the two posts beyond 30 June 2007.

7. The continual service of DS(T)4 and PAS(T)SD beyond 30 June 2007 is required to oversee the completion of the legislative process including the making of necessary amendments to the relevant subsidiary legislation, the finalisation of the IOA and transaction documents for the merger and the planning for and oversight of the implementation of the merger. They will also continue to be responsible for the overall public relations strategy of the merger exercise to facilitate effective communication with all stakeholders and provision of policy guidance at Bureau level on a whole range of merger-related transport issues arising from the merger implementation. The two officers will also continue to co-ordinate the Government's input to facilitate integration planning to help set out the framework for the transitional arrangements to ensure a smooth transition and integration. They also need to represent the Government in the joint committees set up in conjunction with MTRCL and KCRC for implementation of the merger and on various other aspects of the transitional arrangements such as financial, legal, operation, human resource, implementation of new railway projects, etc.

8. In addition, if the Bill is approved, the continual service of the two officers is required to provide guidance and co-ordinate the Government's input to facilitate effective integration of the safety systems of the two railway corporations and their ticketing and fare collection systems, as well as modifications to interchange stations concerned to facilitate integrated interchange arrangements, and human resources integration of the two railway corporations in line with the

“One Company, One Team” concept. They would also monitor the process to be undertaken by MTRCL to seek approval from their minority shareholders on the merger package, and the final preparations by the two railway corporations for the merger.

9. Upon completion of all the proceedings for legislative approval of the merger, including the passage of the Rail Merger Bill and the relevant subsidiary legislation, the MTRCL would immediately start the necessary steps in accordance with the Listing Rules to convene an extraordinary general meeting according to established procedures. The MTRCL and KCRC would also make final preparations for the merger, including the integration tasks mentioned in paragraph 8 above. According to the railway corporations, these tasks could be completed in about four months.

10. In view of the complexity of and the procedures as well as preparatory work required for the merger exercise which require high level policy input as well as the progress of the exercise, we propose to retain the DS(T)4 and PAS(T)SD posts for six months with effect from 1 July 2007 up to 31 December 2007. This will ensure that the dedicated team set up within ETWB for the merger exercise will be able to oversee the completion of the merger process. The updated job descriptions of DS(T)4 and PAS(T)SD during the proposed retention period are Encls. 3 & 4 at Enclosures 3 and 4 respectively. The organisation chart of TB showing the two Encl. 5 posts is at Enclosure 5.

11. If the merger exercise is completed earlier, we will report to the Establishment Subcommittee (ESC) as soon as practicable and the two supernumerary posts concerned would be proposed for deletion. On the other hand, depending on the progress of the legislative process and the merger implementation, in case these two posts require further extension, we will seek the approval of the ESC/FC again accordingly.

Alternatives considered

12. The level and complexity of the responsibilities of the DS(T)4 and PAS(T)SD posts call for dedicated attention and input at AOSGB (D3) and AOSGC (D2) levels respectively. We have critically examined the possible redeployment of existing directorate posts to take on the work of the DS(T)4 and PAS(T)SD posts during the proposed extension period. As all the other Deputy Secretaries and Principal Assistant Secretaries are fully engaged in their own schedules of duties, it is operationally not possible for them to take up the tasks without adversely affecting the discharge of their current duties, in particular when the workload of the two supernumerary posts are expected to remain very heavy throughout the merger exercise.

/FINANCIAL

FINANCIAL IMPLICATIONS

13. The proposed retention of the two supernumerary directorate posts will bring about an additional notional annual salary cost at mid-point of \$2,941,200 as follows –

| Rank | Notional annual salary cost at mid-point (\$) | No. of Post |
|----------------------------|--|--------------------|
| Supernumerary posts | | |
| AOSGB (D3) | 1,580,400 | 1 |
| AOSGC (D2) | 1,360,800 | 1 |
| | <hr/> | <hr/> |
| Total | 2,941,200 | 2 |
| | <hr/> | <hr/> |

The full annual average staff cost, including salaries and staff on-cost, is \$4,241,000. The additional resources required will be met by internal redeployment of existing resources within ETWB. The proposal is covered in ECI(2006-07)8 on “Update on Overall Directorate Establishment Position”.

CONSULTATION WITH LEGISLATIVE COUNCIL PANEL

14. We circulated an information paper to the LegCo Panel on Transport on 20 April 2007 on the proposed retention of the two supernumerary directorate posts. The Panel discussed the proposal at its special meeting on 5 May 2007. The majority of Members present at the meeting supported the proposal, noting that the proposed extension of the posts is necessary to ensure adequate staffing resource and continuity to complete the merger exercise which has reached a critical stage. One Member objected to the proposal and commented that any outstanding tasks for the merger exercise after 30 June 2007 should be absorbed by the existing directorate staff in ETWB.

BACKGROUND

15. In June 2002, the Chief Executive-in-Council directed the Administration to conduct a feasibility study to look into the benefits and costs of merging MTRCL and KCRC. It was then decided in February 2004 that the two corporations be invited to commence negotiations on a possible merger on the basis of the parameters defined by the Government.

16. We briefed the LegCo Panel on Transport and the Panel on Financial Affairs on 12 April 2006 on the merger package and the proposed next steps, and discussed in detail the various aspects of the merger package on 28 April, 22 May and 23 May 2006. The Bill to implement the proposed rail merger was introduced to the LegCo on 5 July 2006. A Bills Committee was set up to scrutinise the Bill.

ESTABLISHMENT CHANGES

17. The establishment changes in TB for the past two years are as follows –

| Establishment (Note) | Number of posts | | |
|-------------------------|-------------------------------------|-----------------------|-----------------------|
| | Existing (as at 1 April 2007) | as at 1 April 2006 | as at 1 April 2005 |
| A | 14+ (2) [@] | 14+(2) | 14+(2) |
| B | 32 | 32 | 32 |
| C | 63 | 64 | 66 |
| Total | 109+(2) | 110+(2) | 112+(2) |

Note

- A – ranks in the directorate pay scale or equivalent
- B – non-directorate ranks the maximum pay point of which is above MPS Point 33 or equivalent
- C – non-directorate ranks the maximum pay point of which is at or below MPS Point 33 or equivalent and Model Scale I
- () – number of supernumerary directorate posts
- @ – as at 1 April 2007, there were no unfilled directorate posts in TB.

CIVIL SERVICE BUREAU COMMENTS

18. The Civil Service Bureau supports the proposed retention of the two supernumerary posts for six months to sustain the directorate support required in following through the implementation of the proposed rail merger. The grading and ranking of the proposed posts are appropriate having regard to the level and scope of the responsibilities required.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

19. As the posts are proposed on a supernumerary basis, their retention, if approved, will be reported to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedure.

**Existing Job Description for
Deputy Secretary for
the Environment, Transport and Works (Transport)4
(as shown in Enclosure 3 to EC(2006-07)6 and
approved by the Finance Committee in June 2006)**

Rank : Administrative Officer Staff Grade B (D3)

Responsible to : Permanent Secretary for the Environment, Transport and Works (Transport)

Main Duties and Responsibilities –

1. To jointly lead the Government's negotiation team (in conjunction with the Financial Services and the Treasury Bureau) and provide policy input to the discussions with the MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation (KCRC) on the detailed transaction terms for the merger.
2. To oversee and provide guidance on the finalisation of the merger transaction documents.
3. To provide policy guidance on all transport-related issues arising from the merger exercise and the formulation of public relations strategy to solicit support of the public and various stakeholders for the merger package.
4. To oversee the operation of and participate in the various joint committees between the Government, MTRCL and KCRC to facilitate close liaison between the parties concerned for conclusion of the merger transaction and preparation for seamless integration for the merger, etc.
5. To supervise the preparation of the necessary legislation and an integrated Operating Agreement for regulating future railway operation, and to oversee the completion of the legislative process.
6. To provide policy guidance on the preparation of the framework for the transitional arrangements for merger implementation.

**Existing Job Description for
Principal Assistant Secretary for
the Environment, Transport and Works (Transport) Special Duties**
(as shown in Enclosure 4 to EC(2006-07)6 and
approved by the Finance Committee in June 2006)

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary for the Environment, Transport and
Works (Transport) 4

Main Duties and Responsibilities –

1. To provide policy and administrative support on the discussions with the MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation (KCRC) on the detailed transaction terms.
2. To assist in co-ordinating Government's input to the preparation and finalisation of the merger transaction documents.
3. To examine and advise on the policy implications of all transport-related issues arising from the merger exercise in consultation with the relevant government bureaux and departments, and to devise public relations (PR) plans for the merger exercise and co-ordinate with MTRCL and KCRC and the relevant government bureaux and departments on the overall PR strategy.
4. To provide policy and administration support for and participate in the various joint committees between the Government, MTRCL and KCRC to facilitate close liaison between the parties concerned for conclusion of the merger transaction and preparation for seamless integration for the merger, etc.
5. To prepare the necessary legislation and the integrated Operating Agreement in conjunction with the Department of Justice and the two railway corporations and the other relevant parties, and to assist in overseeing the completion of the legislative process.
6. To prepare the framework for the transitional arrangements for merger implementation and co-ordinate Government's input on the integration of the two railway systems to the railway corporations.
7. To manage the Government's consultant(s) in respect of matters concerning the transport and railway operation aspects of the merger exercise.

**Revised Job Description for
Deputy Secretary for
the Environment, Transport and Works (Transport)⁴Note
for the period 1 July 2007 to 31 December 2007**

Rank : Administrative Officer Staff Grade B (D3)

Responsible to : Permanent Secretary for the Environment, Transport and Works (Transport)

Main Duties and Responsibilities –

1. To jointly lead the Government's negotiation team (in conjunction with the Financial Services and the Treasury Bureau) and provide policy input to oversee the finalisation of the Integrated Operating Agreement and the merger transaction documents for the rail merger.
2. To provide policy guidance on all transport-related issues arising from the merger exercise and the formulation of public relations strategy to ensure effective communication with the public and various stakeholders regarding the merger package and the implementation of the rail merger.
3. To oversee the operation of and participate in the various joint committees between the Government, MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation (KCRC) to facilitate close liaison between the parties concerned for conclusion of the merger transaction and preparation for seamless integration for the merger, etc.
4. To oversee the implementation of the regulatory framework of the post-merger corporation including the completion of the legislative process for the rail merger.
5. To provide policy guidance to ensure effective integration of the safety and ticketing systems etc. of MTRCL and KCRC and on the preparation of the framework for the transitional arrangements for merger implementation.

^{Note} The post will be re-titled as Deputy Secretary for Transport and Housing (Transport) Special Duties upon reorganisation of the policy bureaux of the Government Secretariat, if approved, with effect from 1 July 2007.

**Revised Job Description for
Principal Assistant Secretary for
the Environment, Transport and Works (Transport) Special Duties^{Note}
for the period 1 July 2007 to 31 December 2007**

Rank : Administrative Officer Staff Grade C (D2)

Responsible to : Deputy Secretary for the Environment, Transport and Works (Transport) 4

Main Duties and Responsibilities –

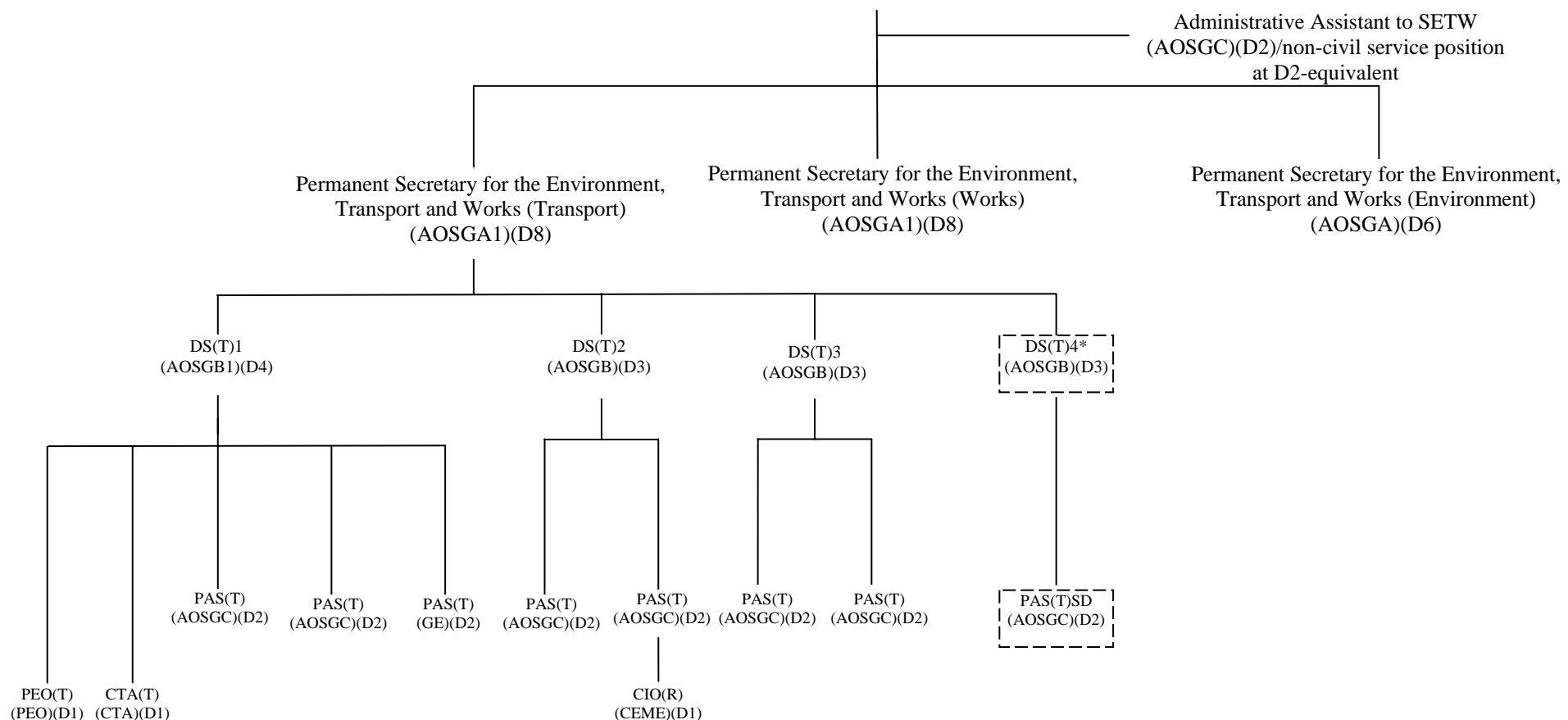
1. To provide policy and administrative support and assist in co-ordinating Government's input to the finalisation of the Integrated Operating Agreement and the merger transaction documents.
2. To examine and advise on the policy implications of all transport-related issues arising from the merger exercise in consultation with the relevant government bureaux and departments, and to devise public relations (PR) plans for the merger exercise and co-ordinate with the MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation (KCRC) and the relevant government bureaux and departments on the overall PR strategy.
3. To provide policy and administration support for and participate in the various joint committees between the Government, MTRCL and KCRC to facilitate close liaison between the parties concerned for conclusion of the merger transaction and preparation for seamless integration for the merger, etc.
4. To assist in overseeing the implementation of the regulatory framework of the post-merger corporation including the completion of the legislative process for the rail merger.
5. To provide policy support and coordinate Government's input to ensure effective integration of the safety and ticketing systems etc. of MTRCL and KCRC and prepare the framework for the transitional arrangements for merger implementation.
6. To manage the Government's consultant(s) in respect of matters concerning the transport and railway operation aspects of the merger exercise.

^{Note} The post will be re-titled as Principal Assistant Secretary for Transport and Housing (Transport) Special Duties upon reorganisation of the policy bureaux of the Government Secretariat, if approved, with effect from 1 July 2007.

Organisation Chart of the Transport Branch of the Environment, Transport and Works Bureau

(Position as at 22 May 2007)

Secretary for the Environment, Transport and Works



Legend

SETW Secretary for the Environment, Transport and Works
 DS Deputy Secretary
 PAS Principal Assistant Secretary
 AOSGA1 Administrative Officer Staff Grade A1
 AOSGA Administrative Officer Staff Grade A
 AOSGB1 Administrative Officer Staff Grade B1
 AOSGB Administrative Officer Staff Grade B
 AOSGC Administrative Officer Staff Grade C

PEO Principal Executive Officer
 GE Government Engineer
 CTA Chief Treasury Accountant
 CIO(R) Chief Inspecting Officer (Railways)
 CEME Chief Electrical and Mechanical Engineer
 SD Special Duties
 T Transport

☐☐☐☐☐ Supernumerary AOSGB and AOSGC posts proposed to be retained up to 31 December 2007

* DS(T)4 post will be re-titled as DS(T)SD upon reorganisation of the policy bureaux of the Government Secretariat, if approved, with effect from 1 July 2007.