

立法會
Legislative Council

LC Paper No. CB(1)402/07-08
(These minutes have been seen
by the Administration)

Ref: CB1/SS/2/07

**Subcommittee on
Rail Merger Ordinance (Commencement) Notice**

**Minutes of meeting on
Thursday, 8 November 2007, at 4:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon Miriam LAU Kin-ye, GBS, JP (Chairman)
Hon Albert HO Chun-yan
Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon LAU Kong-wah, JP
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon CHEUNG Hok-ming, SBS, JP
Hon KWONG Chi-kin
- Members absent** : Hon Andrew CHENG Kar-foo
Hon Abraham SHEK Lai-him, SBS, JP
Hon Ronny TONG Ka-wah, SC
Prof Hon Patrick LAU Sau-shing, SBS, JP
- Public officers attending** : **Agenda item II**

Mr Patrick HO
Deputy Secretary for Transport and Housing
(Transport) Special Duties

Miss Ida LEE
Principal Assistant Secretary for Transport and
Housing (Transport) Special Duties

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

**Attendance by
invitation**

: Agenda item II

MTR Corporation

Mr Leonard TURK
Legal Director & Secretary

Mr Wilfred LAU
Head of Operations

Mr Vincent LUK
General Manager – Human Resources

Mrs Miranda LEUNG
General Manager – Corporate Relations

Ms Maggie SO
External Affairs & Government Relations Manager

Mr Martin HANKS
Manager – Merger Coordination

Kowloon-Canton Railway Corporation

Mr Y T LI
Senior Director, Transport

Mr Raymond WONG
Senior Corporate Affairs Manager

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

Staff in attendance : Ms Connie FUNG
Assistant Legal Adviser 3

Ms Sarah YUEN
Senior Council Secretary (1)6

Action

I Election of Chairman

Election of Chairman

Mr Albert HO, the member who had the highest precedence among members on the membership list, presided at the election of the Chairman of the Subcommittee and invited nominations for the chairmanship. Ms Miriam LAU was nominated by Mr TAM Yiu-chung and the nomination was seconded by Mrs Selina CHOW. Ms Miriam LAU accepted the nomination. As there was no other nomination, Mr HO declared that Ms Miriam LAU was elected Chairman of the Subcommittee.

II Meeting with the Administration and the two railway corporations

(LC Paper No. CB(1)208/07-08(01) - Administration's paper on implementation of the rail merger

LC Paper No. LS 7/07-08 - Legal Service Division Report on Subsidiary Legislation tabled in the Legislative Council on 31 October 2007

LC Paper No. CB(1)209/07-08 - Paper on implementation of rail merger prepared by the Legislative Council Secretariat (Background brief)

LC Paper No. CB(1)224/07-08(01) Submission from Kowloon Canton Railway Workers Union dated 8 November 2007)

2. The Subcommittee deliberated (index of proceedings attached at **Annex**).

3. The Subcommittee examined the final preparations for implementing the merger of the Mass Transit Railway (MTR) and Kowloon-Canton Railway (KCR) systems on 2 December 2007 (the Merger Date), including integration of ticketing and fare systems, staff arrangement, alignment of safety management systems and publicity arrangements. The two railway corporations advised that staff from both corporations were at the final stage of preparation to ensure smooth transition and all necessary integration tasks would be completed before the Merger Date. Both corporations were ready to effect the merger on 2 December 2007.

Other related matters arising from the rail merger

4. The Subcommittee pointed out that a fully-integrated network could achieve efficiency and productivity gains, resulting in synergies. After the rail merger, the two railway corporations should take advantage of the best practices

Action

of each corporation so as to provide a better service to the travelling public. In this respect, members called on the post-merger corporation (MergeCo) to align the best practices of the two railway corporations. They also made various suggestions to the Administration and MTR Corporation Limited (MTRCL) as follows –

- (a) provision of a 50% discount on student fares for the KCR Railway similar to that of the discount rate for the MTR Railway;
- (b) provision of public toilets at MTR stations similar to that of the prevailing practices adopted by Kowloon-Canton Railway Corporation (KCRC);
- (c) introduction of permanent monthly or weekly ticket schemes for railway users;
- (d) improvement to Light Rail services and extension of the fare reduction package to cover Light Rail so as to cater for the transport needs of residents in Tin Shui Wai, Tuen Mun and Yuen Long and relieve their financial burden; and
- (e) examination of how MergeCo could contribute to the development of the local economy of Tin Shui Wai by sponsoring large-scale activities organized for the purpose and/or provision of concessionary fares to attract visitors to the tourist spots there.

5. In response, MTRCL explained that the proposed fare reduction, which amounted to \$600 million for the public per annum, was made possible only because of synergies to be achieved as a result of the merger. The two corporations had estimated that the synergies arising from the merger was only \$450 million per annum. In other words, the revenue foregone due to fare reduction from the first day of the merger had already exceeded the estimated amount of potential synergies. As such, MergeCo could only maintain the status quo with respect to student fare discounts by continuing to provide a 50% discount on student fares for the MTR Railway and would not be able to offer any discount on student fares for the KCR Railway. Likewise, this also explained why there was no more room to reduce the fares of Light Rail. Regarding the introduction and retention of various promotional schemes, MergeCo would review the situation from time to time, having regard to their marketing strategy and passenger demand.

6. As regards members' concerns over the service level of Light Rail, including the congestion in train compartments and at platforms, as well as service frequency, MTRCL advised that KCRC had made arrangements to purchase 22 Light Rail vehicles. On Light Rail fares, the Administration also pointed out that some passengers could enjoy free service for interchange with West Rail and MTRCL had committed to maintaining the West Rail One-Month

Action

Pass and the West Rail Discovery Pass unchanged until end June 2009.

Follow-up actions

7. As a result of the above deliberations, the two railway corporations agreed to provide a written response to the Subcommittee on members' requests for the following information –

- (a) an estimate of the revenue foregone if student discount fares were extended to the KCR network; and
- (b) an example to illustrate the student fares for travelling between the MTR and KCR networks after the rail merger.

The way forward

8. The Subcommittee completed its deliberations on and was in support of the Commencement Notice. The Subcommittee then deliberated on whether individual members wished to address the Council on the Notice at its meeting to be held on 28 November 2007. After deliberation, the Subcommittee agreed that a circular should be issued to invite members to indicate their intention to address the Council. The Clerk also reminded members that a Member who wished to seek the President's permission to address the Council under Rule 21(5) of the Rules of Procedure on subsidiary legislation tabled in the Council should provide an advance copy of the intended address to the President.

(Post-meeting note: A circular in this regard was issued to members vide LC Paper No. CB(1)232/07-08 dated 9 November 2007.)

III Any other business

9. There being no other business, the meeting ended at 5:45 pm.

Council Business Division 1
Legislative Council Secretariat
11 December 2007

**Proceedings of the meeting of
the Subcommittee on Rail Merger Ordinance (Commencement) Notice
on Thursday, 8 November 2007, at 4:30 pm
in the Chamber of the Legislative Council Building**

Time marker	Speaker	Subject(s)	Action required
<i>Agenda Item I – Election of Chairman</i>			
000000 - 000039	Mr Albert HO Mr TAM Yiu-chung Mrs Selina CHOW Ms Miriam LAU	- Election of Chairman	
<i>Agenda Item II – Meeting with the Administration and the two railway corporations</i>			
000040 - 000251	Chairman	- Opening remarks	
000252 - 001421	Chairman Administration MTR Corporation Limited (MTRCL) Kowloon-Canton Railway Corporation (KCRC)	- Briefing by the Administration, MTRCL and KCRC on the final preparations for implementing the rail merger (LC Paper No. CB(1)208/07-08(01))	
001422 - 001939	Chairman Mr Jeffrey LAM MTRCL	- Discussion on the need to extend the 50% fare discount for students traveling on the MTR Railway to students traveling on the KCR Railway - Discussion on when single journey ticket users could enjoy the abolition of the second boarding charge	
001940 - 002446	Mr WONG Kwok-hing MTRCL Administration	- Mr WONG Kwok-hing's emphasis on the need to improve communication with staff to address their concerns about job security and job grading - MTRCL and the Administration's recapitulation of the efforts made to address the above concerns	
002447 - 002932	Ir Dr Raymond HO MTRCL	- Discussion on i) the proposal to retain the title "Engineer" for staff in the existing KCRC engineer grade ii) the need to address staff concerns about job grading and career development opportunities, and non-frontline staff's concern about the selection process iii) the need to gear up communication with professional staff, who were not represented in trade unions	
002933 -	Chairman	- Mr LEE Cheuk-yan's expression of	

Time marker	Speaker	Subject(s)	Action required
003612	Mr LEE Cheuk-yan MTRCL	<p>regrets that Light Rail would be excluded from the fare reduction package to be effected by the rail merger, and that with the large profits made by MTRCL and substantial Government funding for railway development, the post-merger corporation (MergeCo) should find it difficult to extend discount on student fares to the KCR Railway</p> <ul style="list-style-type: none"> - Enquiry and explanation of how student discount would be worked out if the trip concerned straddled two railway systems 	
003613 - 004159	Mr Albert HO KCRC Administration	<ul style="list-style-type: none"> - Mr Albert HO's query of the benefits which the rail merger could bring if there would continue to be no discount on student fares for the KCRC Railway, and no public toilets at MTR stations - Discussion on continuation of the free service for interchange with West Rail and the West Rail One-Month Pass on a long-term basis - Administration's explanation of the reason for not extending student fare discount to the KCR Railway 	
004200 - 004924	Chairman Ms LI Fung-ying MTRCL	<ul style="list-style-type: none"> - Ms LI Fung-ying's reference to the concerns put forward in the submission from Kowloon Canton Railway Workers Union dated 8 November 2007 (LC Paper No. CB(1)224/07-08) - MTRCL's response to the concerns highlighted above - Discussion on the need and viability of issuing as early as practicable the appointment letter from the management of the two railway corporations indicating that the staff would be transferred to MergeCo on the Merger Date on their prevailing terms 	
004925 - 005519	Chairman Mrs Selina CHOW MTRCL	<ul style="list-style-type: none"> - Mrs Selina CHOW's indication of the Liberal Party's support for the rail merger, and emphasis on the need <ol style="list-style-type: none"> i) to ensure that the free service for interchange with West Rail would continue on a long-term basis 	

Time marker	Speaker	Subject(s)	Action required
		<ul style="list-style-type: none"> ii) to introduce suitable improvement measures to enhance the rail services in Tuen Mun, Yuen Long and Tin Shui Wai, so as to cater for the transport needs of residents in the areas at affordable prices iii) to extend discount on student fares to the KCR Railway iv) for MergeCo to seriously examine how it could contribute to the development of the local economy of Tin Shui Wai by sponsoring large-scale activities organized for the purpose 	
005520 - 005832	Mr TAM Yiu-chung MTRCL	<ul style="list-style-type: none"> - Mr TAM Yiu-chung's echo of Mrs Selina CHOW's view in ii) above, and emphasis on the need to gear up publicity efforts to familiarize the travelling public with the new fare table which would take effect upon the rail merger 	
005833 - 010345	Chairman Mr Jeffrey LAM MTRCL	<ul style="list-style-type: none"> - Discussion on <ul style="list-style-type: none"> i) the time required to effect provision of barrier free interchanges at Nam Cheong, Mei Foo and Kowloon Tong stations and integration of operations at those stations and at Tsim Sha Tsui station ii) extension of the discount on student fares to the KCR Railway 	
010346 - 010859	Mr LEE Cheuk-yan MTRCL	<ul style="list-style-type: none"> - Mr LEE Cheuk-yan's request for an estimation of the revenue foregone if student discount fares were extended to the KCR network and examples to illustrate the student fares for travelling between the MTR and KCR networks after the rail merger - Mr LEE's emphasis on the need to enhance transparency in the number of vacancies available for staff redeployment and the number of posts to be retained in every job category to facilitate non-frontline staff's decision on whether to apply for redeployment or opt for the Voluntary Separation Scheme (VSS) - Discussion on the alternative arrangement to allow concerned staff to opt for VSS after the completion of the 	The two railway corporations to take necessary follow-up action

Time marker	Speaker	Subject(s)	Action required
		selection process	
010900 - 011123	Ms LI Fung-ying MTRCL	- Discussion on staff concerns about job grading, and how to address them	
<i>Agenda Item III – Any other business</i>			
011124 - 011455	Chairman Mr TAM Yiu-chung Clerk	- Mr TAM Yiu-chung's indication of the support of the Democratic Alliance for the Betterment and Progress of Hong Kong for the Commencement Notice - The way forward	

Council Business Division 1
Legislative Council Secretariat
11 December 2007