

**Panel on Transport**

**Concerns about changes to pay and benefits of staff of MTR Corporation Limited (MTRCL) after the rail merger**

Staff's concerns about changes	Justifications given by the post-merger MTRCL	Administration's response	Members' views
<i>Common concerns expressed in various submissions and discussed at meetings on 22 May and 26 June 2009</i>			
<p>1. When aligning various work-related arrangements, MTRCL always adopted the less favourable terms. Sometimes it even unilaterally introduced changes without consulting staff.</p>	<ul style="list-style-type: none"> <li>- Considering the need to align two different work systems under the rail merger, changes were inevitable</li> <li>- In standardizing work-related benefits, various principles had been observed, e.g. operational needs of the combined network, arrangements of the two railway corporations before the merger and market practices. In recognition of the importance which staff attached to their benefits, close communication with staff had been kept up</li> </ul>	<p>The overall responses from the Administration to the views expressed in various submissions and discussions at meetings are as follows:</p> <ul style="list-style-type: none"> <li>- The Government has been requesting the Corporation to fully consult staff and listen to their views in aligning various work-related arrangements and to take full account of staff's views and maintain good communication with them when implementing the arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>- In standardizing staff's terms and conditions of employment, they should only be made better and not worse. Benefit cuts, if any, should be compensated with improvements on other aspects.</li> <li>- MTRCL should not unilaterally change the employment terms of staff but should maintain good communication with staff when aligning the terms.</li> <li>- Instead of merely urging</li> </ul>

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	<p>whenever their benefits were reviewed, and staff's views would be incorporated in the adjustments as appropriate. The above principles had also been explained to staff through various channels.</p>	<ul style="list-style-type: none"> <li>- After rail merger, MTRCL has provided frontline staff with job protection and all staff with salary protection in accordance with its commitments under the rail merger.</li> <li>- The post-merger corporation has to align the different work systems.</li> </ul>	<p>MTRCL and its staff to resolve their differences through negotiation, the Administration should actively follow up to ensure that the two sides could really properly discuss and reach consensus.</p>
<p>2. When reducing certain Kowloon-Canton Railway Corporation (KCRC) staff's working hours from 45 to 42 hours per week, the half-hour paid lunch break which they used to enjoy every day before the merger had been cut. In particular, the</p>	<ul style="list-style-type: none"> <li>- The contract working hours for all pre-merger MTRCL and pre-merger KCRC staff, regardless of their work nature or post, did not cover their meal breaks. After the merger, paid walking time for break for meals had been introduced or increased for pre-merger KCRC train captains, and bus captains have been given 10 minutes paid buffer time for break for meals.</li> <li>- After the merger, contractual working hours for bus</li> </ul>	<ul style="list-style-type: none"> <li>- We understand that MTRCL considered various relevant factors including the operational needs of the combined network, the arrangements of the two railway corporations before the rail merger, market practices and good human resources management.</li> </ul>	<ul style="list-style-type: none"> <li>- Certain members opined that the half-hour paid lunch break was an employment term because the staff concerned had enjoyed the arrangement for some twenty years.</li> </ul>

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<p>30-minute paid rest break originally enjoyed by bus captains of pre-merger Kowloon-Canton Railway Corporation (KCRC) had been replaced by 30-minute no-pay meal break. (page 1 of App. 2 to LC Paper No. CB(1)2059/08-09(01))</p>	<p>captains had been reduced from 45 to 42 hours per week while their basic salary remained unchanged. Their hourly rate for calculating overtime allowance had hence increased. As a result, the bus captains' monthly take home pay had in general increased by some \$600 after the merger.</p> <ul style="list-style-type: none"> <li>- Matters of roster arrangements and work-related arrangements, such as break for meals, have to be aligned based on operational needs and for One Company One Team.</li> </ul>		
<p>3. In the pre-merger days, Grade 7 of KCRC staff used to be a management (i.e. officer but not managerial) grade. Upon the merger</p>	<ul style="list-style-type: none"> <li>- Pre-merger Grade 7 KCRC staff have been given the option to continue working 39 hours per week or converting to 42 hours per week.</li> <li>- If they choose to retain their original working hours at 39</li> </ul>		

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<p>however, the grade was downgraded to "non-management" with the working hours increased from 39 hours to 42 hours per week without any compensation. Staff who chose to retain their original working hours at 39 hours per week would be discriminated against in performance appraisals.</p>	<p>hours per week, their basic salary and benefits would remain the same as they have enjoyed before the merger. If they choose to convert their working hours to 42 hours per week, they could receive work-related allowances applicable to their jobs and discretionary award provided by the merged corporation. The decision to continue with 39 working hours or converting to 42 working hours per week is entirely up to the concerned staff. MTRCL has provided to staff information on the salary and benefits under the 39 weekly working hours and under the 42 weekly working hours, including the entitlement to discretionary benefits for those working 42 hours a week, before the staff make the decisions.</p>		

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	<ul style="list-style-type: none"> <li>- Not all staff working 42 hours per week automatically receive the discretionary award but only those with satisfactory performance.</li> <li>- Out of the 328 concerned pre-merger KCRC staff, over 80% had opted to convert their working hours to 42 as at August 2009.</li> <li>- A fair performance appraisal system had been in place in MTRCL and the 39/42 weekly working hours is not a relevant consideration of the performance appraisal. Since rail merger, for the concerned pre-merger KCRC staff, the promotion rate for staff who opted 39 weekly working hours is similar to that for staff who opted 42 weekly working hours.</li> </ul>		

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<p>4. KCRC used to allow its staff organizations to post their views on its notice boards without censorship. This was no longer the case and sometimes notices of staff organizations were withheld by MTRCL's management for months.</p>	<ul style="list-style-type: none"> <li>- Such procedure and principles existed in both pre-merger MTR Corporation (MTRC) and pre-merger KCRC.</li> <li>- To protect the interests of the company and its staff, MTRCL has procedures applicable to all staff (not limited to staff organisations) in place to ensure that all notices posted on its notice boards complied with certain basic principles, including that they should be accurate and not defamatory, and that they should not affect company operation.</li> <li>- In addition to informing staff of the procedures, the management will explain reasons in case the notice was considered not appropriate to be posted having regard to the above principles.</li> <li>- Responses to the proposed</li> </ul>		<ul style="list-style-type: none"> <li>- Concerned whether staff's freedom of speech was narrowed, and that censorship of notices would greatly affect staff unions' communication with their members and their operation. Urged MTRCL to maintain established practices regarding posting of staff organizations' notices that had been in place before the merger.</li> <li>- Certain members commented that staff unions had the right to comment on company practices, and denial of such rights might constitute discrimination against staff unions. They requested MTRCL to stop subjecting notices of staff unions to censorship.</li> </ul>

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	<p>posting of notices have been given within a week. There has been no record of applications being held up for months.</p>		
<p>5. A group of Light Rail (LR) train captains complained (LC Paper No. CB(1)1672/08-09(04)) that as a result of the abolition of the pre-merger KCRC overtime pay system, their monthly pay was some \$3,000 to \$6,000 less than that in and before November 2008, and that the accumulated overtime allowance</p>	<ul style="list-style-type: none"> <li>- Overtime allowance was not part of the basic salary. For good management of human resources, staff should not be required to work over time frequently.</li> <li>- In pre-merger KCRC, it was the policy that overtime work should be settled by time off in lieu and when failing that, overtime work allowance would be provided. The same practice was implemented in pre-merger MTRC.</li> <li>- There was a period of time after the rail merger when MTRCL has not yet recruited</li> </ul>		

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<p>MTRCL owed them ranged from 30 to 100 hours per staff member.</p>	<p>all staff required and some existing light rail train captains had to work overtime. As time-off could not be arranged, these staff were given overtime allowance.</p> <ul style="list-style-type: none"> <li>- The monthly pay of \$3,000 to \$6,000 less than before was only when being compared with the short period after the rail merger where there was an exceptionally high demand for overtime work.</li> <li>- The need for overtime work diminished when MTRCL has employed sufficient staff. Staff establishment for train captains had now achieved the level to meet the operational needs. Over the past few months, MTRCL has already arranged staff to take the time-off accumulated earlier.</li> </ul>		

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<p>6. Concern about MTRCL's plan to contract out certain core businesses, such as maintenance service of the Island Line, the ticket inspection service, further customer service centres and the auto fare collection system. This was because the tendency might affect service quality and hence rail safety, necessitate forced redeployment of staff, and at the end lead to reliance on contractors for essential maintenance services because of</p>	<ul style="list-style-type: none"> <li>- MTRCL has already given a written guarantee to staff that no existing staff would be made redundant as a result of the outsourcing of services. If outsourcing would necessitate redeployment of affected staff, training would be provided to help them adapt to the new postings. It would also communicate with staff on outsourcing plans.</li> <li>- Outsourcing would not affect MTRCL's service to the public and rail safety. Staff of MTRCL's contractors receive similar training as MTRCL staff and are subject to equally high performance requirements. A stringent monitoring system has also been in place to ensure that the performance of contractors meets the requirement, and MTRCL would meet with them to follow up any</li> </ul>		<ul style="list-style-type: none"> <li>- Some members were concerned that outsourcing would affect staff morale and hence rail safety and the safety of the travelling public, in particular the outsourcing of such work procedures as maintenance.</li> <li>- A member considered that outsourcing would affect service quality and rail safety on grounds that MTRCL's contractors would be more concerned about minimizing costs in order to secure service contracts by quoting low prices. Moreover, their staff might not be as adequately trained or experienced as MTRCL's own staff because of the former's high turnover as a result of lower wages. To maintain rail safety, he</li> </ul>

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<p>the lack of practice for railway staff. Moreover, MTRCL had outsourced services without first achieving consensus with staff.</p>	<p>problems that might arise.</p>		<p>urged the Government to ensure that MTRCL would stop all outsourcing activities.</p>
<p>7. Communication between MTRCL and its staff was insufficient, and staff did not have the opportunity to express their views at staff briefings. For example, although staff unions had repeatedly called for joint meetings with the MTRCL management to discuss their concern about outsourcing and</p>	<ul style="list-style-type: none"> <li>- There were established communication channels with elected staff representatives in MTRCL. In the last round of election of staff representatives in 2008, about 10,100 staff were eligible to take part in the election and over 7,500 of them cast their votes, representing 75% of the eligible population.</li> <li>- There are 4 regular meetings with the Staff Consultative Council every year. In addition, there are also 4 regular meetings with each of the staff unions each year.</li> </ul>		<ul style="list-style-type: none"> <li>- -MTRCL should maintain adequate communication with staff. It should carefully listen to staff's views and address their concerns.</li> <li>- A member criticized the Administration and MTRCL for failing to keep up communication with the Coalition, which in his view was highly representative and was a useful communication channel with staff after the rail merger.</li> </ul>

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<p>roster arrangements, MTRCL refused to meet with them collectively. The management also refused to continue liaising with The Coalition of Five Unions of MTRCL and KCRC (the Coalition) on plans to change staff benefits.</p>	<p>There are also communication sessions with all the staff unions together on topical issues such as grade structure review, appraisal system, pay adjustment, work-related allowances etc. Additional communication will be arranged with staff unions should need arises. In 2009, MTRCL had conducted 6 communication sessions on topical issues and all are held with all 7 staff unions together.</p> <p>- MTRCL had in fact kept up good communication with staff. Decisions regarding matters of concern to staff were made after consulting them. In aligning work-related arrangements, MTRCL had already consulted staff and made revisions in the light of staff's views as appropriate. In</p>		

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	<p>implementing the aligned roster arrangements after the merger, MTRCL held over 140 briefings and meetings for staff and staff unions. As for work-related allowances, MTRCL also held over 300 briefings and meetings with staff and staff unions.</p>		
<p>8. The length of time period eligible for claiming the Lunar New Year Holiday Allowance for KCRC staff was reduced from 81 to 72 hours after the rail merger.</p>	<ul style="list-style-type: none"> <li>- It is not a common market practice to offer Lunar New Year holiday allowances to employees.</li> <li>- Both pre-merger MTR Corporation (MTRC) and KCRC offer allowances to staff for working during the Lunar New Year and substitute holidays for working on the Lunar New Year statutory holidays.</li> <li>- The 3-day qualifying period for MTRCL's Lunar New Year holiday allowances was determined in accordance with</li> </ul>		

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	the 3-day Lunar New Year statutory holiday.		
<p>9. All staff of pre-merger KCRC required to perform duty or required to work outdoor when the Black Rainstorm Signal was hoisted were eligible for the Black Rainstorm allowance. After the rail merger, only "essential staff" required to report for duty when the Black Rainstorm Signal was hoisted, or "essential staff" whose rostered work started within one hour after the cancellation of Black Rainstorm Signal were eligible</p>	<ul style="list-style-type: none"> <li>- According to the Labour Department's recommendation, if the Black Rainstorm Signal is issued before start of work, only "essential staff" as specified in relevant work arrangement should be required to report for duty.</li> <li>- Essential staff refers to staff who are required to report duty under adverse weather conditions to maintain MTR service.</li> <li>- Being a major transport operator, MTR will endeavor to maintain service under adverse weather. The Black Rainstorm Allowance is therefore provided to "essential staff" who have to leave home and travel to their workplaces to report duty</li> </ul>		

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for the allowance.	<p>(including staff whose roster started within one hour after the cancellation of Black Rainstorm Signal). MTRCL was one of the few public transport operators that offer Black Rainstorm Allowance to employees.</p> <ul style="list-style-type: none"> <li>- After the merger, MTRCL has aligned the circumstances, not the number of staff, eligible for receiving this allowance having regard to the objective of the allowance.</li> <li>- Whether or not they could be eligible for the allowance after rail merger depends on whether the staff concerned had to report duty after a Black Rainstorm Signal is hoisted.</li> </ul>		
10. The number of rest days of pre-merger KCRC staff has been aligned from	<ul style="list-style-type: none"> <li>- The contractual working hours have been reduced from 45 hours to 42 hours per</li> </ul>		

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<p>104 days per year to 65 days per year. (Page 1 of App. 2 to LC Paper No. CB(1)2059/08-09(01))</p>	<p>week.</p> <ul style="list-style-type: none"> <li>- Previously, pre-merger KCRC staff worked relatively longer shift. Upon alignment of work arrangement, the number of working hours in each shift has been reduced and the rest time between shifts have been increased to allow more rest time for staff.</li> </ul>		
<b><i>Concerns expressed in individual submissions</i></b>			
<p>11. Pre-merger KCRC staff could only enjoy free MTR travel on the KCR network and not the combined network upon the rail merger because their years of service in pre-privatization KCRC would not be taken into account when calculating the</p>	<ul style="list-style-type: none"> <li>- Pre-merger KCRC staff are entitled to free travel benefit on the KCRC network upon retirement when aged 60 or leaving service when aged 50 and having continuously worked for 10 years.</li> <li>- Pre-merger MTRC staff are entitled to free travel benefit on the MTRCL combined network upon retirement at 60 and having continuously worked 10 years or more or</li> </ul>		

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<p>25-year service to qualify for free MTR travel on the combined network. (Point (3) of LC Paper No.CB(1)1931/08-09(01))</p>	<p>leaving service at 55 to 59 and having continuously worked for 25 years or more.</p> <ul style="list-style-type: none"> <li>- Pre-merger KCRC staff are provided with choices to, stay with pre-merger KCRC's arrangement for free travels on pre-merger KCR network or at any time before retirement, opt once for permanently converting to pre-merger MTRC arrangement.</li> <li>- For those cases which the years of service in pre-corporatised Kowloon-Canton Railway (KCR) were not taken into account, they relate to staff transferred from Government to KCRC who have signed employment contracts with KCRC which stated that service period of previous employment (i.e. years of service with the</li> </ul>		

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	pre-corporatised KCR) would not be counted.		
12. The 30-minute non-paid meal break per shift of pre-merger KCRC station staff was arbitrarily increased to 40 minutes after the rail merger while that for bus captains maintained at 30 minutes. (Page 1 of App. 2 to LC Paper No. CB(1) 2059/08-09(01))	- Length of break for meals for station staff was 40 minutes for pre-merger MTRC railway lines and 30 minutes for pre-merger KCRC railway lines. After merger, it has been aligned to 40 minutes for all station staff. Bus captains were provided with an additional 10-minute paid buffer time for break for meals after taking into their views.		
13. As different from pre-merger days, staff were arbitrarily redeployed to work on different railway lines, which they had difficulty in	- Railway network covers Hong Kong Island, Kowloon and the New Territories. Staff transfers between railway lines based on operational and staff development needs are not uncommon in the pre-merger MTRC and		

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<p>adapting. (Page 2 of App. 2 to LC Paper No. CB(1)2059/08-09(01))</p>	<p>KCRC. Staff's employment contract specified that he/she may be deployed to work in different locations.</p> <ul style="list-style-type: none"> <li>- In considering staff postings, MTRCL takes into account operational needs and whether the staff concerned are suitable for such a posting. MTRCL will also communicate with the staff to understand their views and individual circumstances, which have always been a major relevant consideration in the decision. Job related training will also be provided to equip the staff with the right skills as necessary.</li> </ul>		
<p>14. Unfair differences in housing allowance for the same rank as a result of the mapping of ranks in</p>	<ul style="list-style-type: none"> <li>- After the rail merger, staff should continue to have the same grading-related benefits as the pre-merger benefits. This has been a commitment by MTRCL in the context of</li> </ul>		

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<p>the pre-merger railway corporations to the same rank under the new grading structure of the merged corporation after the rail merger. (page 5 of LC Paper No. CB(1)2042/08-09(01))</p>	<p>rail merger.</p> <ul style="list-style-type: none"> <li>- As a result, KCRC staff who had grading-related housing allowance before the merger continued to do so after the merger. MTRC staff of similar rank but who did not have grading-related housing allowances before the merger also continued not to do so after the merger.</li> </ul>		
<p>15. The mapping of certain ranks of pre-merger railway corporations to the same rank of the new grading structure of the merged corporation upon the rail merger would affect the promotion prospects of the staff concerned. (page 6 of LC Paper</p>	<ul style="list-style-type: none"> <li>- The grading and salary structure of the merged corporation was designed and recommended by an external consultant taking into account the business need of the merged corporation and the existing structures of the two rail companies.</li> <li>- Individual ranks of the two pre-merger railway corporations have been evaluated by the independent</li> </ul>		

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<p>No. CB(1)2042/08-09(01))</p>	<p>consultant. Accordingly, ranks of the two railway corporations have been mapped to the equivalent ranks of the new grading structure of the merged corporation.</p> <ul style="list-style-type: none"> <li>- Staff had been consulted during the grading structure review process. A total of 206 communication sessions were conducted on grade restructuring.</li> <li>- Staff in the new grade structure will either have the same or a higher salary scale maximum for their current rank.</li> <li>- Promotion opportunities depend on the availability of vacancies, which have increased after the merger due to the increasing manpower demand arising from new railway extensions</li> </ul>		

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	<p>and staff retirements.</p> <ul style="list-style-type: none"> <li>- The percentage of staff being promoted was doubled from 2007 to 2008.</li> </ul>		
<p>16. The rate of night shift allowance was reduced from 45% to 35% of the hourly salary. (page 6 of LC Paper No. CB(1)2042/08-09(01))</p>	<ul style="list-style-type: none"> <li>- MTRCL needs to align the allowance rate after the rail merger. The rate was determined taking reference to the practice of the market.</li> <li>- The alignment of allowance rate was implemented by two phases to reduce the impact on staff.</li> <li>- The change was communicated by MTRCL with staff in December 2006 and was generally accepted.</li> </ul>		
<p>17. Staff Handbook specified that staff and trade unions could not contact the press. The management refused to review</p>	<ul style="list-style-type: none"> <li>- To ensure accuracy in information provided to the media, communication with the media regarding company business and operation is coordinated through designated officers. This is</li> </ul>		

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the guideline despite staff's requests. (page 2 of LC Paper No. CB(1)1931/08-09(01))	meant to protect the interests of staff and the company.		

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