

Legislative Council Bills Committee on Rail Merger Bill

Views of the Staff Consultative Committees of KCRC on the Merger

Background

In Kowloon-Canton Railway Corporation (KCRC), there are 20 Staff Consultative Committees comprising staff representatives from different functions and different grades. All 5,900 employees in KCRC, irrespective of their functions and grades, are represented in the Staff Consultative Committees.

2. Members of the Staff Consultative Committees are elected by and from staff of their respective division/department. The Staff Consultative Committees serve as a platform to facilitate effective two-way communication between KCRC Management and staff on matters of interest to staff. The Staff Consultative Committees and the Management meet around once every three months; in addition, ad hoc meetings are held when there is a need to communicate and discuss important issues such as a salary review and the proposed merger.

3. Since the Government's announcement on the proposed merger on 11 April 2006, the Staff Consultative Committees have held more than 50 meetings/briefings to discuss the merger. Through these meetings, members of the Staff Consultative Committees are regularly briefed and updated on the progress of the merger, and staff's views on the merger are also communicated to the Management. Staff are keen to get more information released by the Government so as to reduce misunderstanding and anxiety.

4. The announcement on the proposed merger has understandably aroused some concerns among staff. But as always, members of KCRC staff are dedicated to providing the best railway service to the travelling public in a professional manner. This commitment will not change under any circumstances – with or without a merger.

5. At the same time, staff members would like to be assured that they will be kept well informed of the merger process, and that their voices are heard and their interests will be properly looked after. The KCRC Staff Consultative Committees are delighted to have the opportunity to attend the Bills Committee meeting to express staff views on the merger.

Merger, the Community and Staff

6. The proposed rail merger is expected to create value and benefits for various stakeholders including members of the public, passengers, and shareholders. We, KCRC staff members, firmly believe that the staff of the two corporations are also stakeholders. We place our trust in the Government, the legislators and the Management of the two railway corporations that they will make every endeavour to realise the benefits of the merger for all stakeholders. In so doing, we hope that they will address our concern over our future in the post-merger company (MergeCo).

Staff Expectations

7. Job security and career development

The stated purpose of the merger is to avoid duplication and strengthen the efficiency of the railway system. Part of the merger exercise involves identifying synergies that will enable this purpose to be realised. Synergy can take many forms, for example, through cost savings resulting from greater economies of scale and avoiding unnecessary duplication. However, there exists a worry that a significant part of the synergy will be derived from a reduction in headcount. While staff members note that, with an expanded network and projects in the pipeline, the merged company should provide more job opportunities and better career development for staff, they believe it is reasonable to expect that the following would be in place in the process of the merger:

- i. Re-deployment policy – In anticipation that there will be surplus staff in functions and departments, and there would be more than 1,300 vacancies in the first three years arising from new jobs created due to business growth of the MergeCo, particularly with the opening of new railways as well as from natural wastage and turnover of existing staff after the merger, a clear staff re-deployment policy is essential to reduce anxiety among staff. The re-deployment policy should be understood by all staff and be announced as soon as practicable.
- ii. Re-alignment of package for staff according to the market – There will be a single set of terms and conditions for the MergeCo. The terms and conditions for the new company should be worked out on a total package basis, such that the total package will be broadly comparable with the packages currently enjoyed by staff of the two corporations. Nonetheless, differences can be expected between the new package and the existing terms and conditions of individual KCRC and the MTR staff. Where such gaps exist, a mechanism and appropriate conversion arrangements should be available so that staff can know if he/she would be worse/better off.
- iii. Special considerations should be given for staff close to their retirement and to the future MergeCo’s retirement schemes.

8. Selection process

The selection of staff to fill posts in the new MergeCo is an important matter for staff. While clarification is being sought on whether all staff, or just those affected staff in the event of job overlaps will have to go through the selection process, staff views on selection are:

- i. Direct appointment should be adopted for all cases where the number of jobs matches with the number of eligible staff. Selection process is only invoked for exceptional cases.

- ii. Selection of staff should be based on capability, qualification and relevant experience of the staff, and should be de-linked from their current position level and current pay level.
- iii. Permanent and contract staff should be treated equally.
- iv. Should there be a selection panel, members of the panel should comprise department heads or line managers of the respective functions from both corporations.
- v. The current ratio of staff of the two corporations should be a reference for the future mix of staff of the merged company.

9. Voluntary Separation Scheme

To help rationalisation for the new MergeCo and to provide an alternative for staff, a voluntary separation scheme should be introduced. Management of the two railway corporations have said on different occasions that a voluntary separation scheme would be launched as required. Staff members believe that such a scheme is desirable. There are areas, however, that staff members would urge the Management to look into seriously if a voluntary separation scheme is to be introduced.

- i. A voluntary separation scheme and its terms should be announced as early as possible.
- ii. All staff should be eligible to opt for the voluntary separation scheme.
- iii. Benchmark what is offered under the voluntary separation scheme with the market.

Conclusion

10. Representing all KCRC staff, we would like to reiterate that we pride ourselves on our professionalism. We are committed to maintaining our high quality railway service for the travelling public. Should the Legislative Council and the MTR Corporation's minority shareholders approve a merger, we would hope to see a smooth integration of the two world-class railway corporations and that concerns of the staff will be addressed during the legislative process. In doing so, we would look forward to the realisation of a win-win-win-win situation for the new MergeCo, passengers, shareholders, and staff.

KCRC Staff Consultative Committees

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