

**Bills Committee on Rail Merger Bill
Eleventh meeting on Tuesday, 19 December 2006, at 2:30 pm in the
Chamber of the Legislative Council Building**

**Speaking notes for Mr Andrew McCusker,
Operations Director of
MTR Corporation Limited**

Good Afternoon Madam Chairman and Honorable Members,

Preamble

1. Since October 2000, MTR railway service has been operated in accordance to the Operating Agreement entered between the Corporation and the HKSAR Government.
2. The Operating Agreement provides a framework governing the fares, safety and service levels of the railway.
3. After the merger, all the relevant provisions in the Operating Agreement will be retained and suitable modifications will be made to cover the integrated rail network with a view to providing a safe and reliable train service to the traveling public of Hong Kong.

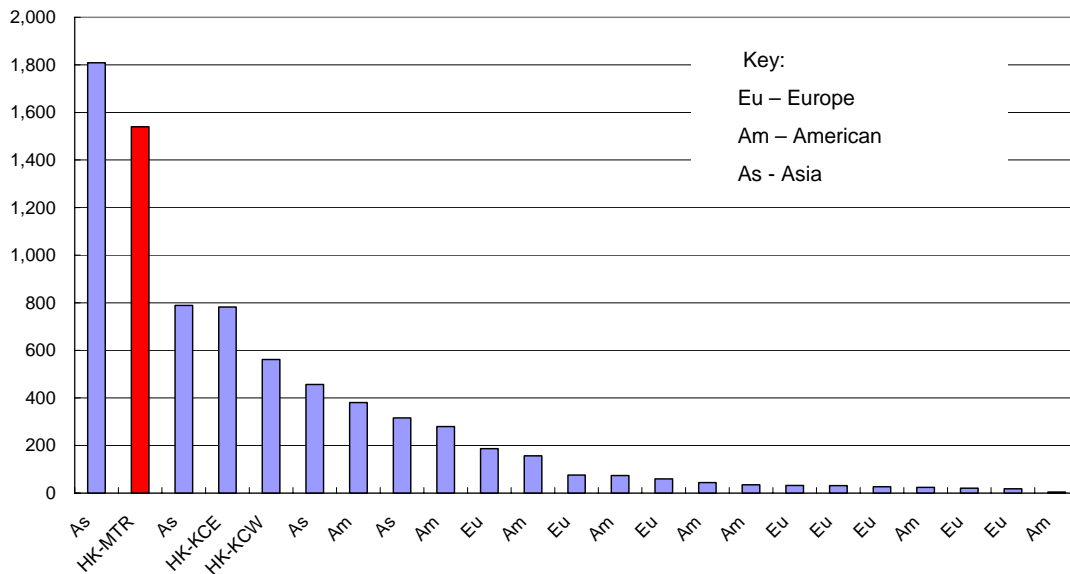
Performance Levels

4. The OA is constructed to deliver high, sustainable levels of service and customer satisfaction and, taken together with the Government controls and the commitment of the Corporation, provide an incentive for our staff to excel in service delivery.

5. Considering the complex nature of rail transport sustaining the performance levels over the 50 year period is going to be a great challenge.
6. I believe members can have confidence in MergeCo's ability to meet that challenge in the future because of the past service record of both Corporations which has constantly remained high by international standards as confirmed by the CoMET and Nova benchmarking organisations.
7. When we look at service reliability in 2005, MTR ranks second, which clearly demonstrates the dependability of our services.

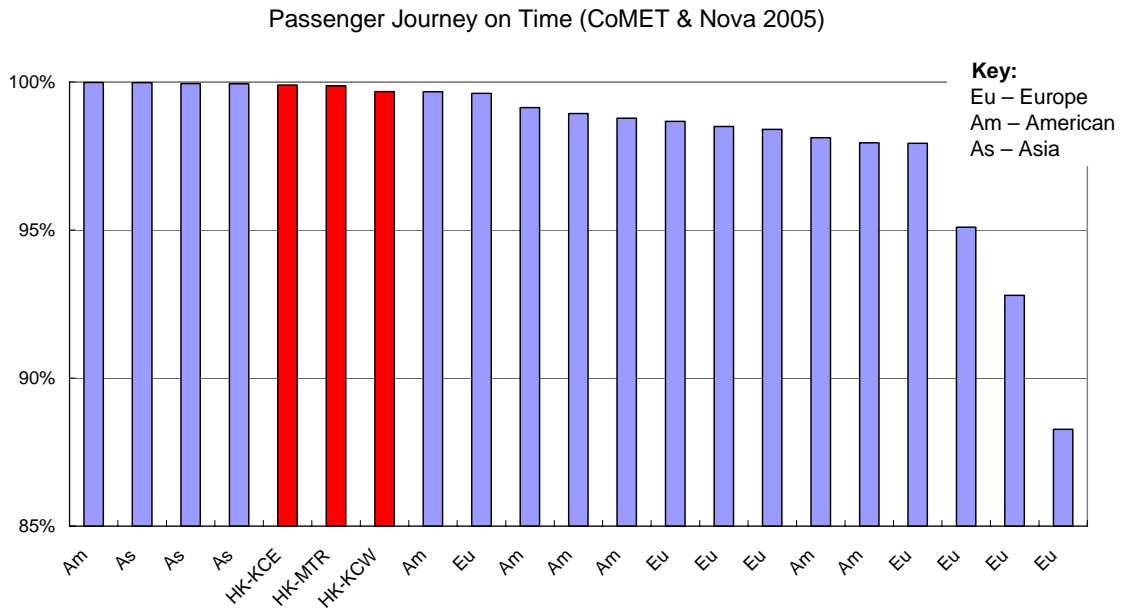
Service Reliability

Thousand Car km between 5 minutes delays (CoMET & Nova 2005)



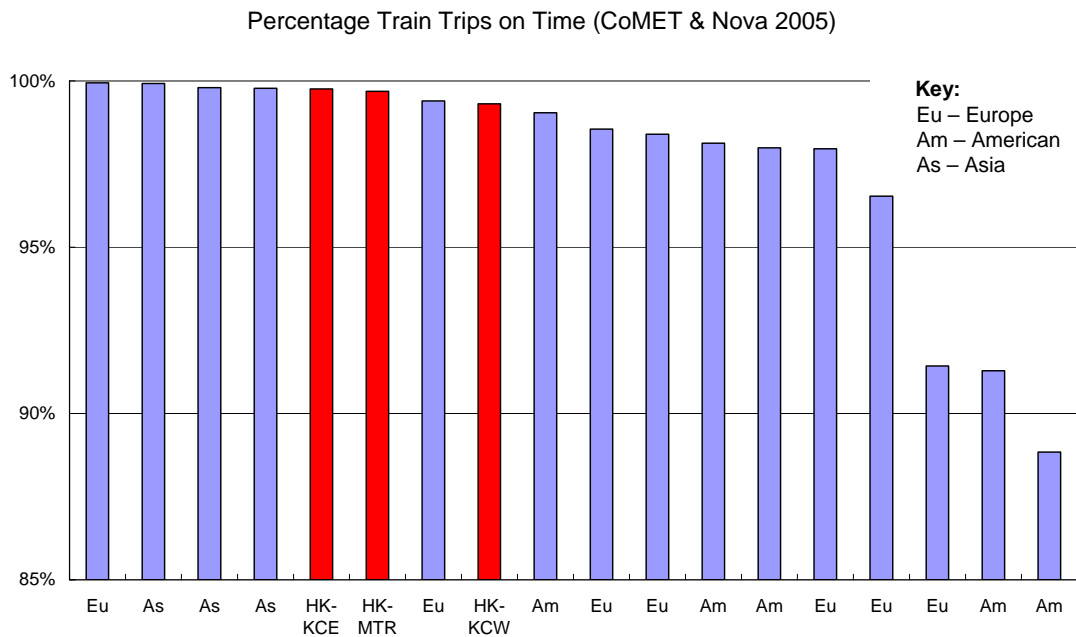
- With respect to passenger journey on time, again performance consistently lies in the 99.7% to 99.9% range.

Passenger Journey on Time



- HK passengers of MTR and KCR have also benefited from high levels of train punctuality. In 2005, MTR and KCR delivered 99.5% to 99.7% of all train trips on time.

Train Punctuality



10. These achievements indicate that Legislative Council, Government and the railway Corporations have established a successful model in the structure of the OA that combines the right levels of performance and Government control with the Corporations' culture for continuous improvement to deliver sustainable high levels of service performance to rail passengers in HK.
11. Therefore, when Professor Tony Ridley in his submission to Legco advised members that the best type of regulation sets on effective policy framework, encourages competent, pro-active and accountable management and reviews management's progress I believe we have this in the IOA.

A Proven Regulatory Framework that Benefits Hong Kong

12. I would invite you to step back for a moment and examine what you, the Government and MTR have achieved:-
 - ♦ An enlightened rail property model that works for the benefit of HK
 - ♦ A highly dependable public transport system free of the heavy burden of taxpayer subsidies experienced by other countries
 - ♦ A world-class public transport system which regularly modernizes
 - ♦ A highly socially responsible company supporting the young, the aged which invests heavily for a wide range of facilities for people with disabilities without continuous Government support.
13. The Corporation and its staff are committed to continuously upgrade its service for the benefit of the travelling public. In our staff submission, they have explicitly pointed out that "the MTR has been proactively upgrading the service level over and above that laid down in the Operating Agreement on an annual basis in order to provide a proper and efficient service to the public in Hong Kong."

14. Apart from its rail service, the Corporation has continuously encouraging its staff to involve themselves in serving the community through the “More Time Reaching Community” Programme.
15. While we are striving for further improvement in serving the community, we must be mindful that the framework is pragmatic and will not place railway staff in an unduely stressful environment.