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Mr Andy Lau,
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27 April 2006

Dear

**Merger of MTR and Kowloon-Canton Railway (KCR) Systems
- Proposed Way Forward**

At the joint meeting of the Panel on Transport and the Panel on Financial Affairs on 12 April 2006, Members requested the Administration to provide a detailed breakdown of the 1,300 staff vacancies and the overall staff synergy of 650 – 700 full-time equivalents expected to be achieved as a result of the proposed rail merger in terms of their job title, job nature, and job skills required.

The two corporations estimated that due to business growth including commissioning of new railways as well as retirement and turnover, there would be a net increase in staff vacancies available in the first three years following the proposed rail merger, after taking into account the estimated staff synergies. Therefore in overall terms, there will be more career development opportunities for staff after the proposed rail merger.

When the two corporations discussed the proposed merger, they have appointed an external human resources consultant to help assessing, from a macro

level, the area and magnitude of synergy which could be brought about by the proposed merger. Similarly, the overall job vacancies available in future years have also been examined using the same approach. On the basis of this approach, the breakdown of the staff synergies and job vacancies are set out in the **Annex**.

The two corporations will shortly commence in-depth studies on various aspects of human resources integration such as organization structure and manpower planning, grade and pay structure etc. It is expected that these studies would be completed near the end of 2006. In the course of the studies, the two corporations will continue to consult their staff on matters affecting them.

I should be grateful if you would circulate this letter to the Members of the Panel on Transport and the Panel on Financial Affairs.

Yours sincerely,

(Miss Ida LEE)
for Secretary for the Environment,
Transport and Works

Staff Synergies and Job Vacancies

Estimated Staff Synergies

	Non-managers	Managers / Professionals	Total
Synergies	580 – 620	70 – 80	650 – 700
% of synergies to number of staff	6%	10%	6%

Estimated Job Vacancies

	Non-managers	Managers / Professionals	Total
Expansion and business growth*	>510	~ 10	> 520
Retirement	>350	~ 40	> 390
Turnover	>360	~ 30	> 390
Total	>1,220	~ 80	> 1,300

* The vacancies arising from network expansion and other business growth include:

- Lok Ma Chau Spur Line
- Tseung Kwan O South Station
- Kowloon Southern Link
- “Dream City” and “Metro Town” in Tseung Kwan O
- Residential and retail projects at Tung Chung Station, Kowloon Station, Ho Tung Lau and Wu Kai Sha