

Statement by Secretary for the Environment, Transport and Works

Following is the statement by the Secretary for the Environment, Transport and Works, Dr Sarah Liao, about Government's understanding with MTRCL on the terms for merging the MTR and KCR systems today (April 11):

Good afternoon, Secretary Ma, Chairman Ch'ien, Chairman Tien, ladies and gentlemen.

As the Chief Executive has announced a few hours ago, the Executive Council has approved the structure and terms for merging the MTR and KCR systems. On the basis of the understanding reached between the Government and the MTR Corporation Limited (MTRCL) on the structure and terms for the proposed rail merger, the Government has signed a non-binding Memorandum of Understanding (MoU) with MTRCL. I am pleased that the package proposal is a fair and balanced deal. It will bring overall benefits to the community as a whole. It also balances the interests of all stakeholders. I believe that the merger will reduce duplication and enhance efficiency of rail network. The respective strength of MTRCL and KCRC can supplement each other to bring us a stronger rail operator. Hong Kong will be much more competitive both in the China market and in the international arena. This will help consolidate Hong Kong's status as Asia's world city.

The proposal has met the five parameters set by the Government for the merger discussion. I will introduce the transport benefits of the proposal.

The travelling public will get immediate benefit out of the rail merger. Overall, there will be fare reduction to 2.8 million daily passenger trips on the first day of the rail merger. There will be a minimum of 10% fare reduction for all rail passengers traveling on journeys with fares at \$12 or above, benefiting about 340,000 daily passenger trips. There will also be a minimum of 5% fare reduction for all rail passengers traveling on journeys with fares between \$8.50 and \$11.90, benefiting about 1.16 million daily passenger trips.

Now going into the details of the fare reduction package, the second boarding charge of \$1 to \$7 will be abolished; there will be a global fare reduction of \$0.20 for Octopus users paying full fares, an extra reduction of at least \$1 for journeys at \$12 or more, and additional fare reduction for journeys with fares between \$8.50 and \$11.90, which means a minimum discount of 5%. As a result of this package, passengers traveling between Yuen Long and Tsim Sha Tsui and those between Ma On Shan and Central will enjoy fare reduction of \$3.20 per trip, or a reduction of 16% and 18% respectively. Passengers travelling between Tuen Mun and Central and those between Sheung Shui and Central will enjoy fare reduction of \$2.50 and \$2.20 per trip respectively, a fare reduction of 10% and 12% respectively. Passengers travelling between Sha Tin and Kwun Tong will enjoy fare reduction of \$2.70 per trip which represents a fare reduction of 25%. Passengers travelling between Tung Chung and Central will enjoy fare reduction of \$2.10 per trip which represents a fare reduction of 10.4%.

There is a further commitment by the two corporations not to increase their fares in the next 24 months starting from today. If the rail merger is implemented before the end of the 24-month period, their commitment would mean the post-merger corporation not increasing its fares during the remaining duration of the 24-month period.

As a special measure, a special concession scheme for senior citizens would be introduced. They will enjoy a \$2 concessionary fare per trip for travelling on the MTR and KCR during Sundays and public holidays in the first year of the rail merger.

Secondly, I would like to introduce the fare adjustment mechanism.

The public have expressed strong support for introducing a more objective and transparent FAM. The proposed merger package will achieve just that.

At present, both MTRCL and KCRC have fare autonomy. In future, fares can go down or go up according to a fare adjustment formula that is linked to the rates of change of the consumer price index and a wage index. The two indices are well established and are

verifiable. They are published by the Census and Statistics Department periodically. The formula also contains a productivity factor to provide incentive to the operator to improve efficiency and allow passengers to share the benefit.

The third parameter is about Shatin to Central Link (SCL).

The two corporations have agreed to provide fully integrated KCR/MTR interchange stations as part of the merger package. In future, SCL passengers interchanging with the MTR system, and vice-versa, can do so at the platforms of the same interchange station without having to exit a station first, walk to another station before they can catch the train of the other system as they would have to do under the previous proposals for the SCL.

There have been advanced discussions between the two corporations and the Government on the details of the proposed SCL merger scheme. What remain to be finalised are the detailed locations of some of the stations and rail facilities, which may be affected by some other developments under planning. We will try to finalise those and confirm all the necessary details as soon as possible.

Fourthly, let me talk about seamless interchange.

Within one year thereafter, all interchanging passengers will experience seamless interchange at the interchange stations when the ticket gates between the MTR and KCR are removed. The three interchange stations are Nam Cheong, Kowloon Tong and Mei Foo. This will improve convenience and reduce journey time, making rail journeys more enjoyable.

Then, I will talk about job security for frontline staff and human resource integration.

Staff are important assets which the management of the railway corporations should attach importance to and make the best of. Under the merger package, job security for all frontline staff of the two corporations will not be affected as it relates to the merger.

The two corporations have agreed on the definition of frontline staff for the purpose of this exercise. Chairman Ch'ien will give further elaboration on this. The two corporations will convene a series of staff meetings commencing later today to explain the definition to their staff directly.

The relative strength of MTRCL and KCRC can supplement each other. The rail merger can create a world-class rail company with enhanced potential for expansion into the Mainland and overseas market. The two corporations estimated that due to business growth including commissioning of new railways, there will be a net increase in staff vacancies available in the first three years of the rail merger after taking into account the estimated staff synergies. Therefore in overall terms, there will be more career development opportunities to staff after the rail merger.

The two corporations will step up discussions on future staffing arrangements of the post-merger corporation. They will continue to consult their staff on matters affecting them in the rail merger exercise.

Our next step will be to brief the Legislative Council Panel on Transport and the Panel on Financial Affairs on the details of the merger package. We have immediately sent relevant paper to Legislative Council and have contacted the Panels to arrange for meeting for us to brief members on the details. We will listen carefully to views of the legislators as well as other stakeholders. We believe this is a fair and a balanced deal which balances the interests of all stakeholders. If there is general support to the merger package, we will proceed with the necessary legislative exercise to implement the rail merger.

The Chairmen of MTRCL and KCRC are with us today. Before I pass over to Chairman Ch'ien and Chairman Tien, I would like to express my gratitude to the two of them and all the staff of the two corporations who have participated in this exercise and worked so tirelessly in the past 24 months. It is time and effort well spent as the fruitful outcome of the hard work of all those involved is now coming to light.

Thank you.

Ends/Tuesday, April 11, 2006