

**Subcommittee on Rail Merger Ordinance
(Commencement) Notice**

Implementation of the Rail Merger

Purpose

This note informs members of the final steps being taken to implement the rail merger.

Background

2. In accordance with section 2 of the Rail Merger Ordinance, the Administration has set 2 December 2007 as the date to bring the Rail Merger Ordinance into operation. The Rail Merger Ordinance (Commencement) Notice was published in the Gazette on 26 October 2007 (“the Commencement Notice”). Subject to negative vetting of the Commencement Notice by the Legislative Council, the rail merger will be implemented on 2 December 2007 (“the Merger Date”).

Final Steps to Implement the Rail Merger

3. The MTR Corporation Limited (“MTRCL”) and the Kowloon-Canton Railway Corporation (“KCRC”) are completing the final preparations for implementing the rail merger, including alignment of safety management systems, integration of ticketing and fare systems, and staff arrangements. Both corporations have confirmed that all necessary integration tasks will be completed before the Merger Date.

Integration tasks

Alignment of safety systems

4. The respective safety management systems of the two

corporations will be aligned on the Merger Date. Staff training and drills have been conducted. All relevant tasks are expected to be completed in the latter half of November.

Re-configuration of ticketing and fare systems

5. To implement fare reduction on the Merger Date, it is necessary to align the different ticketing systems currently applied to the MTR and KCR networks respectively, including modifying the software in over 2,300 ticket machines/gates to give effect to the reduced fares. This is a complex task which requires long period of planning and detailed testings. MTRCL and KCRC started the programme months ago and expect to complete the task in the latter half of November.

Staff arrangement

6. The two corporations continue to maintain close communication with their staff and unions. All relevant staff of the two corporations will receive an appointment letter from the Management in the latter half of November indicating that the staff will be transferred to the post-merger corporation (MergeCo) on the Merger Date on their prevailing terms. On the Merger Date, the vast majority of frontline staff will remain in their existing jobs and continue to perform the same duties.

7. The process for appointing certain non-frontline senior personnel of MergeCo will be completed before the end of November. The process is conducted on the basis of a fair and equitable selection mechanism, with participation of equal number of officers from the senior management of both corporations in the selection panel. The selection process for the remaining non-frontline posts will be conducted progressively in the first 6 months after the Merger Date. All frontline staff do not need to go through any selection process.

Publicity arrangement

8. The two corporations have started a publicity programme to

introduce the new arrangements after the rail merger, such as new uniforms for MergeCo staff. They will announce the other new arrangements to be implemented on the Merger Date such as an integrated customer enquiry hotline and website about two weeks in advance.

Transport and Housing Bureau
6 November 2007