

## LCQ8: Remuneration packages for senior management of MTRCL

Following is a question by the Hon Starry Lee and a written reply by the Secretary for Transport and Logistics, Mr Lam Sai-hung, in the Legislative Council today (June 7):

Question:

A number of railway incidents occurred in 2022 involving the MTR Corporation Limited (MTRCL), resulting in serious delays in railway services. The Government pointed out in a paper submitted to this Council in March this year that the amount to be shared by the MTRCL for service disruptions that took place in 2022 was \$103 million. In addition, according to the MTRCL's Annual Report 2022, the annual salaries and "variable remuneration related to performance" of a number of its senior management personnel in 2022 increased significantly compared to 2021. There are comments that the remuneration and bonuses of the MTRCL's senior management should be linked to the performance of railway services, so as to motivate the management personnel to make their best efforts to improve management and service quality. In this connection, will the Government inform this Council:

(1) of the criteria adopted for determining the remuneration and bonuses of the MTRCL's senior management, and whether they include factors such as "providing safe and reliable railway services" and "quality of railway services meeting public expectations", etc.; if so, of the details; if not, the reasons for that;

(2) given that the Government is the majority shareholder of the MTRCL, and has appointed official representatives to the Board of Directors of the MTRCL, how such official representatives discharge their duties in monitoring the fare setting, as well as operation and management of the MTRCL, in particular, ensuring that sufficient human resources are made available to the MTRCL's departments responsible for railway safety and repair and maintenance; and

(3) whether it will consider pushing forward the implementation by the MTRCL of a mechanism that links the remuneration or bonuses of its senior management to factors such as the level of customer satisfaction with railway services, and the frequency and severity of railway incidents, etc.; if so, of the timetable and details; if not, the reasons for that?

Reply:

President,

The consolidated reply to the question raised by the Hon Starry Lee is as follows.

Railway is an important part of public transport in Hong Kong. The

Government attaches great importance to the development and operation of railways, and fully realises the public's expectation for the Government to strengthen the monitoring of the service performance of the MTR Corporation Limited (MTRCL). As the major shareholder of the MTRCL, the Government has been ensuring through the Board of Directors (the Board) that the governance and strategies of the MTRCL are up-to-date, as well as strengthening the governance of the MTRCL and monitoring of railway safety through a multi-pronged approach.

Currently, the Board of the MTRCL comprises 19 members, including four Government directors (Note), while the Chairman is appointed by the Government. Apart from attending Board meetings, each Government director also serves as a member of two Board Committees/Advisory Panel. By actively participating in the Board, they closely monitor the overall strategy and operation of the MTRCL, and reflect public concerns over the MTR's operation to the Board from time to time. Take the example of MTR fare concessions. The Government directors have been asking the MTRCL to provide various fare concessions as far as possible to cater for the needs of different passengers having regard to the socio-economic conditions and the financial sustainability of the Company.

On the remuneration of senior management, the "performance-based remuneration" of the MTRCL's management is determined by the Remuneration Committee of the Board, taking into account various factors such as the performance of the Company and the management as well as the operating and customer service performance. In particular, the Remuneration Committee will consider both financial factors (e.g. operating profit) and non-financial factors (e.g. customer satisfaction and performance requirements for "passenger journeys on time" and "train punctuality", etc.) when determining the "performance-based remuneration" with adjustments based on the performance of individual employees having regard to the serious railway incidents happened and the safety indicators of passengers and employees, etc.

In light of the two serious railway incidents last year, the Secretary for Transport and Logistics (STL) earlier wrote to the Chairman of the Board requesting that all factors, including the provision of safe and reliable railway service and fulfillment of public expectations, be taken into serious consideration when assessing the annual performance and remuneration of the MTRCL's senior management. The Government will continue to follow up on the matters, including requiring the MTRCL to review whether the existing mechanism for performance assessment can suitably meet public expectations and adequately reflect the linkage between the remuneration of senior management and railway service performance, and will monitor such progress through the Remuneration Committee.

In addition, on the two railway incidents happened last year, the MTRCL announced in last December that a comprehensive review on its asset management and maintenance regime would be conducted. The Government also established an Independent Monitoring Panel (the Panel) to closely monitor the MTRCL's entire review. Both the MTRCL's comprehensive review and the Panel's work have commenced early this year, and are expected to be completed

by mid-year. The MTRCL will then report on the review to the Board and submit the review report to the Government while the Panel will also submit a report to the STL. The Government will closely follow up with the MTRCL on the further actions and improvement measures as recommended in the review report through the Board and other working platforms.

In fact, the relevant government departments, including the Highways Department, the Electrical and Mechanical Services Department and the Transport Department, have been closely monitoring the performance of the MTRCL on the construction of new railway projects and railway operations and maintenance through various working platforms, briefings and reports by the MTRCL as well as on-site inspections. These efforts ensure that the duties performed and services provided by the MTRCL meet the Government's regulatory requirements.

The Government fully acknowledges the public's growing demand and expectations for the MTRCL to fulfill its role as a major transport operator. We will certainly continue to monitor the operation of the MTRCL through the established mechanisms and various channels, urging it to suitably meet the aspirations and expectations of the public as well as proactively fulfilling its social responsibility to keep up the provision of safe, reliable and efficient railway services to the public.

Note: Including the STL, Secretary for Financial Services and the Treasury, Permanent Secretary for Development (Works) and Commissioner for Transport.