

KOWLOON-CANTON RAILWAY CORPORATION REPORT SUMMARY

OUR QUEST FOR EXCELLENCE

Since its corporatisation in 1983, the Kowloon-Canton Railway Corporation (KCRC) has focused its energy on providing the people of Hong Kong with safe, efficient, caring and value-for-money transport services on a commercial basis. Through a commitment to excellence in everything it does, KCRC is today recognised as the most cost efficient, and profitable railway in the world.

THE QUALITY JOURNEY

Although KCRC was performing strongly, we realised that we had to look ahead to the future. With costs increasing, and major asset replacement on the horizon, we needed a strategic initiative to enable us to achieve our objectives of continuous improvement and long-term profitable growth. Our plan was to implement a programme that would improve quality yet reduce costs, and enable us to fund both service improvements and long term investments in the business.

While this decision provided strategic direction, it also presented some unforeseen difficulties. One challenge was to motivate people to change when there was no imminent commercial threat.

To overcome this, the Corporation initiated a culture change. The objective was to integrate customer satisfaction and continuous improvement with the work of every employee, every day.

MISSION, VISION AND CORE VALUES

Every single employee in the Corporation was involved in the year-long process of developing our:

MISSION

To provide quality transport and related services in Hong Kong and with China in a safe, reliable, caring, cost-effective and environmentally responsible manner. We are dedicated to finding better ways to:

- Serve our customers
- Fulfil corporate and Government objectives
- Maintain our financial strength
- Develop sound business partnerships
- Build pride, teamwork and commitment in people
- Encourage initiative and reward success.

VISION

To be recognised as a world leader in providing quality transport services on a commercial basis.

CORE VALUES

- Keep Customers First
- Continue Improving
- Respect and Trust
- Communicate Effectively

THE QUEST FOR EXCELLENCE

The Mission, Vision and Core Values form the foundation for our Total Quality Management system, or Quest for Excellence.

Our Quest for Excellence is defined by Chairman, Mr. Kevin Hyde as, “a systematic process for implementing the best management and working practices in everything we do, with the objective of improving results for customers, employees, and the Corporation.” The Chairman leads our Quest, heading up the Executive Quality Council (EQC) which guides the Corporation towards its Vision.

FOCUS ON CUSTOMERS

The central focus of the Quest for Excellence is our customers. This is manifested in many ways. Of particular significance are the Customer Satisfaction Index (CSI) - identified in our world-wide benchmarking study as “world’ s best practice”, the Passenger Liaison Groups (PLG) - a first for Hong Kong, the Customer First Training which won the HKMA 1994 Training Award for Excellence, and the successful implementation of ISO 9000. We have introduced a number of other initiatives to better understand the requirements and expectations of our customers and measure our progress towards them. These include the Mystery Passenger Survey, Customer Forums, Customer Services Centres and Customer Hotlines and Suggestions Schemes. We have also made Performance Pledges to our customers, which enable us to measure how well we are meeting their needs.

FOCUS ON PROCESSES

In 1993 we also took major steps towards changing and improving our key processes with the implementation of ISO 9001 in the Heavy Rail (KCR) Rolling Stock Department. This was the first railway department in Asia to achieve ISO 9000 certification and signalled KCRC’ s commitment to fundamentally change the way we work - to be more customer focused and more efficient. ISO 9000 is now being implemented in every division in KCRC as part of our drive to assure total alignment with our business objectives.

FOCUS ON EMPLOYEES

The drive to satisfy customers was accompanied by a commitment to our employees. The Core Value of Respect and Trust emphasises the importance of empowering and enabling employees to fulfil our Mission and Vision. We have conducted over 14,000 training man days since 1992 to train and develop our staff and managers to use work improvement tools and techniques. We introduced customer and quality awareness programmes for all employees, encourage employees to participate in quality improvement initiatives, and have reorganised elements of the corporate structure to push decision making authority down to levels where it is most effective.

FOCUS ON THE BUSINESS

As the number of quality initiatives grew, we began to instil a more systematic approach to meet both the requirements of our customers, and the commercial requirements of our business.

This meant finding ways to improve our service to satisfy customers and grow the business in a long term, self-sustaining way.

The principal objective of our long-term strategic plan is to maximise return generated by our existing services, and invest this in future business development.

As new businesses come on stream in the next century, they will provide funds for the replacement of assets in the existing business.

FOCUS ON STRATEGY

The Quest for Excellence is the foundation of our strategic plan. The drive to achieve greater efficiency, effectiveness and customer focus has enabled us to maximise commercial performance while improving service quality.

Based on the strategic plan we created five Corporate Goals which form the five pillars of our Quest for Excellence. The goals relate to customer and employee satisfaction, safety, efficiency and profitable growth. They provide the necessary framework for the systematic planning and deployment of quality in every division, at every level.

PERFORMANCE

The impact of our strategic and systematic approach to quality is manifested in strong operational performance and significant real cash-cost reductions. In fact, benchmarking has identified us as world leaders in delivery of cost efficient transport services.

Service standards - expressed in our Performance Pledges - have been consistently achieved and exceeded due to continued process improvement, ISO 9000 and timely capital investment.

This has enabled us to gain higher levels of customer satisfaction despite rising customer expectations.

PRODUCTIVITY

Process improvements have enabled productivity to improve to the point where we have achieved an 18% reduction in real cash since 1990. This has enabled us both to reduce fares by 13% in real terms, and invest more money back into the business, giving our customers better services, at lower prices in real terms. KCRC's fares for a typical 8 - 10 km journey are the cheapest in Hong Kong, and among the cheapest in the world.

SERVICE INVESTMENTS

We have invested significantly in service improvements since 1992. This includes the purchase of new trains and Light Rail Vehicles, station upgrades, new escalators, the Automatic Train Protection system, noise barriers and Light Rail route extensions. We have committed substantial funds for investment over the next three years, including station renovations, particularly at Kowloon Terminus, the Goldstar project to make the journey to Guangzhou faster and more comfortable, new Light Rail Vehicles to increase service frequency and capacity on the Light Rail System, and of course our new business for the future, the KCR West Rail.

SAFETY

We have focused on improving the safety of our operations, including the development of an integrated safety management system. This has helped to halve the number of employee injuries in recent years.

CONCERN FOR THE COMMUNITY

KCRC's concern for its communities extends to a comprehensive contribution programme. In 1995, amongst others, this included financial support of institutions for the elderly and handicapped within KCRC's catchment areas.

INFORMATION MANAGEMENT

New finance, maintenance, supplier and materials management systems applying the latest technology have been introduced in recent years and integrated to ensure maximum benefits. These new integrated information systems are complimented by an Executive Information System which enables executives to monitor trends and correlations between key business drivers. Related re-engineering of processes has also seen significant benefits flowing to the bottom line.

THE BOTTOM LINE

Above all, the effort that has gone into improving every aspect of the business is reflected in our commercial success. KCRC is today recognised as one of the most commercially successful railways in the world. Not only does the Corporation operate without subsidies from Government, but also pays a dividend to the Government, our only shareholder.

The higher levels of profitability are generated by our quality related improvements in efficiency, which in turn enable us to invest in further service improvements and reduce our fares in real terms.

THE CONTINUOUS CHALLENGE

Despite our efforts and the results they have brought, we are not satisfied. To find further ways to improve, KCRC has conducted two world-wide benchmarking studies to measure ourselves against the best in the transit and non-transit industries.

We have also conducted two corporate-wide self-assessments against the stringent HKMA Quality Award criteria. Together, the benchmarking and self-assessments have identified a number of opportunities for improvement that have, are or will be implemented throughout KCRC.

Many of these opportunities will be focal points for the coming 12 months, as we move towards achieving our Corporate Goals. When we do reach the goals, we will “raise the bar” and set new targets for the future.

At KCRC we believe that no matter how customer focused, efficient and profitable we are, we must not become complacent. Our Quest for Excellence will ensure that we continue to challenge ourselves to achieve ever-better performance in every part of KCRC.