

LOOKING OUT OF A WINDOW FROM MTR'S headquarters, Lincoln Leong points across Hong Kong Harbor to the West Kowloon Cultural District, the city's arts and culture hub, to a spot where tall construction cranes appear miniature. "Underneath there is 4 million square feet of underground high-speed rail station," Leong says, referring to a space nearly double the size of the Louvre in Paris, the world's largest museum.

In a little more than a year, when the underground station is complete, Leong tells us that travelers will be able to get from Hong Kong to Guangzhou by train in 48 minutes – a trip that takes two hours today. They'll be able to reach Shanghai in 8 hours, Beijing in 10 – the first such high-speed rail routes between the cities.

Consider the two new rail lines MTR is building in Hong Kong – having completed three new lines recently – and factor in the train services the

A train runs along MTR's South Island Line, which connects Hong Kong's Southern Island to its Central Business District. Indicative of the long-term planning that goes into an MTR railway line, the South Island route was first proposed in 2002, construction began in 2011, and the 4.6 mile (7.4 km) line fully opened in late 2016.



ON TIME

99.9% of the time

company operates in Sweden, Australia, mainland China and the UK, and it's safe to say that under Leong's leadership, MTR is, pardon the pun, moving full steam ahead.

Yet, with so many big projects under way, when we asked Leong about his main concern, he said "people" with little hesitation. "For us, and for many companies, the challenge is: how do you get the equation right? ... How do you keep that common set of values, common culture, as the company grows? How do you bring enough people in with the right skillset? How do you succession plan?"

"Competition" is also near the top of Leong's list. "But not just our competitors today, or our industry today – both may look very different in 20 years' time. It's also what's happening globally, the disruptive innovation and technology; how do we use them so we don't get left behind?"

Brunswick's **KARIN WONG** and **SUNITHA CHALAM** speak with **LINCOLN LEONG**, CEO of Hong Kong-based MTR, who leads arguably the world's most efficient – and profitable – metro system

Artificial intelligence might help transform the way MTR maintains its fleet of trains – instead of fixing trains according to a set schedule, algorithms might help predict breakdowns before they happen.

But technology perhaps poses MTR's most serious long-term threat, according to Leong. As virtual reality technology improves and becomes more readily available, Leong says it might reduce the need for people to travel to and from the office.

As it has been for years, the MTR-run metro system in Hong Kong is widely considered one of the world's best. Its trains run on schedule 99.9 percent of the time – a figure Leong admits will be difficult to improve. Stations are clean, train cars air-conditioned, fares low. According to TripAdvisor, visitors are more impressed with Hong Kong's train system than its skyline – MTR has received thousands of more "excellent" ratings than the



city's second-most popular attraction.

Perhaps most impressive to city planners and shareholders (MTR is majority-owned by the Hong Kong government, but also publicly traded on the Hong Kong Exchange): MTR posted a net profit of \$1.3 billion in 2016, and over the last decade hasn't had a net profit below \$1.2 billion.

The secret behind MTR's profitability is a unique "R+P" business model, short for "rail plus property." The "rail" portion is mostly train fares. The "property" aspect, more lucrative of the two, comes from the land MTR purchases from the Hong Kong government, upon which it builds train lines and develops both commercial and residential real estate. This is especially valuable in land-scarce Hong Kong – in an exceptional case, a regular-sized parking spot in a luxury condominium sold for more than \$660,000 in 2017. MTR owns more than 13 shopping centers and manages 96,000 residential apartments (with another 18,000 apartments being built over the next five years).

Leong believes MTR's "R+P" model will soon enjoy a demographic tailwind: according to UN projections, two out of every three people will live

in cities by 2050, driving significant demand for urban infrastructure such as public transportation, as well as commercial and residential real estate – all of which MTR has shown it can build and operate, profitably and efficiently, in Hong Kong.

Now it's looking to do so globally. Of the 12 million passengers MTR moves worldwide each day, slightly less than half are in Hong Kong; more than half of the company's employees are based outside of the city. Leong says MTR's journey "started off as a local Hong Kong company, became more of an international company, and now we're migrating from international to multinational."

The two other trends on Leong's radar: in Hong Kong, MTR's customers are getting older, while its workforce is getting younger. Hong Kong's latest census found a record-high 16 percent of the population was 65 years or older; and according to Leong, more than one out of every three MTR employees are Millennials.

The implications? MTR's train stations, which are designed to last at least a half-century, have to be built with elderly populations and longer lifespans in mind. This affects everything from a station's layout to its signage. More Millennials in the workforce hasn't really altered MTR's day-to-day operations, Leong says, but he has noticed a change in employee motivation. "It's not just about the job's salary or the recognition it brings – it's about what good is my job doing, my company doing, for society?"

Those are questions MTR feels confident answering. Its buses and trains – along with public transportation more generally – help lower greenhouse gas emissions. MTR has also begun industry-leading initiatives, including issuing \$600 million in green bonds to help finance, in part, more environmentally friendly trains and vehicles. And it has transformed its stations into community hubs, bringing in local art and performers. Connecting people in both a literal and cultural sense is "the soft side of building communities," Leong says.

MTR was one of 50 companies listed on *Fortune's* most recent "Change the World" list, a ranking determined by a company's "measurable social impact, business results, and degree of innovation." The only other transportation services company listed was JetBlue, a US airline.

As we neared the end of our interview, we asked Leong, who's responsible for a company with a market cap of \$34 billion and more than 27,000 employees, about the kind of issues that keep him up at night. Before answering, Leong said, "You mean apart from my son?"



MTR helped develop the International Commerce Centre (above, middle). Completed in 2010, the 108-story skyscraper was then the fourth-tallest building in the world. Now it is the 10th tallest – but still No. 1 in Hong Kong.

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