Workshop on performance schemes in rail transport

held in Brussels on 4 April 2008.

Conclusions

DG TREN of the EU Commission organised a workshop about performance schemes which attracted about 55 stakeholders from ministries, regulators, railway infrastructure managers and railway undertakings from different EU Member States. The workshop also dealt with reservation charges and possession charges (see parts II and III below), all of which constitute possible elements of a track access charging scheme.

Part I Performance Schemes

Building confidence is crucial for getting any performance scheme accepted. This includes that the infrastructure manager is neutral towards the different railway undertakings, which is more difficult in case of the infrastructure manager being under the same holding as one or more railway undertakings.

Railway undertakings and infrastructure managers should develop and agree transparent delay attribution procedures, which should be laid down in a manual.

Procedures should include a rather short target times for conflict resolution. They should be long enough to analyse the data and at the same time not be too long either as later on it will be difficult to establish the necessary evidence.

Delays should be counted on the basis of negotiated benchmarks according to market segment. The benchmarks should be derived from past performance, e.g. average delays, and should be set such that they provide fair and efficient incentives.

As for any other element of the pricing system, appeals have to be possible to the infrastructure manager, the regulatory body and before courts. However, procedures on amicable settlement have to be agreed and set out in the manual.

Delay rates (value per minute) should be proportionate to the value of a train service and be negotiated under the supervision of the regulatory body. Consequently, they may vary by railway line, time of the day and/or responsibility.

The overall service quality should be published in the form a performance indicator. This should allow tracking the impact of performance schemes.

The burden of proof should be proportionate to the penalty. It should lie on the part that collects the evidence is therefore in the best position to establish evidence. The manual should give all possible delay causes and, assign to each of them, the part responsible, i.e. infrastructure manager or railway undertaking. If, in a concrete case, when the cause has been established, this part feels that is was not responsible, the burden of proof is up to it.

Capping delay payments can be useful to limit negative financial effects. Caps are applied at the level of individual train paths as well as on payments due in a particular period.
Secondary delays should be included in the performance schemes, but they may have to be capped in order to avoid excessively high compensation.

Delays have to be recorded and analysed even without a performance scheme. Consequently, not all related costs should be imputed to performance schemes, but only the additional ones.

Performance schemes create synergies with management of rail systems: They draw on data that have to be collected anyway, e.g. for contracts to compensate public service obligations in passenger transport, and in turn, they reinforce incentives to remedy recurring delay causes.

Calculating delays requires a time table agreed beforehand between IM and RU.

**Part II Reservation charges**

Reservation charges should create an incentive to use a train path once it has been reserved. Their level should therefore be set accordingly.

If applied, reservation charges should oriented at marginal costs of path allocation and/or opportunity costs of a train service.

Reservation charges, especially when set at high levels, present an obstacle to market entry and to setting up services offered at low profit margins.

Overall benefits of reservation charging schemes may be very low, and so one should carefully assess benefits against costs of implementing and maintaining them.

**Part III Possession charges**

Possession charges are optional according to dir. 2001/14/EC article 7.9. They may not exceed the net revenue loss to the infrastructure manager caused by the maintenance. In addition, annex I requires that the network statement shall set out any restrictions for the use of the infrastructure, including likely capacity requirements for maintenance.

Possession charges should put an incentive to keep possessions as short as possible, in particular at lines with high priced train services. In addition, they should reward early planning and communication of possession maintenance plans. At the same time, they should not penalise or delay necessary maintenance works.

In case of the British infrastructure manager, possession charges have been successfully applied and meet expectations.

Apart form maintenance works, possession charges may also be levied for speed restrictions, thus creating an incentive to do remove them.

The infrastructure manager should propose maintenance plans and seek approval from the railway undertakings. This may be difficult, especially as freight and passenger operators may have different aspirations. When they cannot agree, the regulatory body should come in to mediate or even estimate reasonable maintenance times itself. Based on the lost revenues,
railway undertakings make a payment to the infrastructure manager. It returns the money according to the time needed to execute the maintenance. If less time is needed than planned, it has to return less, if more it has to return more than the railway undertakings had initially paid.

Possession charges may be reduced if a possession is communicated sooner as this may encourage early warning and allow railway undertakings to adapt the planning.

Possession charges have to be seen in the context of a multi-annual contract. The latter might include availability targets and rewards which pursue similar objectives as the possession charge.

* Disclaimer: The content of these conclusions and the views expressed therein do not commit the Commission nor prejudge the position of the EU and its institutions.