Performance Regimes: the Italian experience & the European Performance Regime project
Agenda

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THE ITALIAN PERFORMANCE REGIME
Why a Performance Regime

- Need to define **internationally accepted** and **measurable qualitative** standards at the aim of **stimulating** the industry and **improve** the provided service.

- Need to fulfil the requirements of both national (**Concession Act – 2000 and dlgs. 188/2003**) and international **legislation** (**EU Dir.2001/14**).

- Focuses on the most important market value **punctuality**.

- Provides regulation for the “**lack of quality**” (**bad performance**) rather than for the “**lack of service**” (cancellations).

- Is applied on the **whole network** and all RUs are involved.

- Foresees **monetary flows** but the penalties are kept low by applying **ceilings** and **thresholds** to avoid financial risk for the partners.
A short history

- 2000 - RFI starts working on a Performance scheme both at national and at international level on the basis of the outcomes of the EPR I and II UIC Projects.
- End 2001 - RFI presents its proposal to the Ministry of Transport

- 2002-2004 – Test of the and fine tuning of the model
- July 2004 – Presentation to RUs
- Until December 2004 - Shadow running in cooperation with RUs

- MONITORING
- FINE TUNING (thresholds, ceilings, delay attribution …)
Basic principles

- Incentivating and not compensative
- Produces financial flows
- Controllable by IT Tools
- Symmetrical
  - the delays caused by IMs and RUs “costs” the same amount
- Oriented towards the most valuable market value: punctuality
- Measurable & Quantitative (based on delays)
- Differentiated by type of traffic
  - thresholds: 15’ for passenger, 30’ for freight and 5’ for regional

Main features and basic principles of the chosen model
Main features

1 Monitoring
- Monitoring made *per* train
- Delay measurement in terms of minutes
- Cause attribution for each single minute
  - Secondary delays are attributed to the related primary cause
  - Undocumented delays are attributed to RFI

2 Calculation
- Late trains *above threshold* are taken into account
- Minutes of delay at *destination* are *shared* according to attributed responsibilities (excl. external causes)
- Penalties are calculated according to the above mentioned share of delay

3 Financial Flows
- Unitary value: 2€/minute
- Ceilings: 20% of the *TAC* of the delayed train (for single trains) and 15% of the total charge (for each RU at the end of the invoicing period)
- Penalties are calculated and attributed *per* train/RU
- Compensations between parties are applied
Supporting IT tools & procedures

On-line connection of RUs (Suite WEB RUs)
RUs can agree/disagree within 24h; in case of disagreement there are three levels of discussion: by24h, 48h, 8 days. If no agreement special inquiries are settled and those trains excluded from calculation.

Monitoring of traffic; Delay registering; Causes attribution

In order to guarantee privacy, integrity and reliability of data RFI obtained the TÜV Certification for:

- IT Security Management System (BS 7799) applied to SISCT-RIACE

REAL TIME
CONSOLIDATED DATA
Some results ....

- Better knowledge of the performance: the share of undocumented causes has sensibly decreased, from a quarterly average of 26% (with peaks of 75%-80%) in 2002 to 10%-12%
- The financial flows account for about 1% of the total TACs
- The total PR delays have been decreasing since the year 2002
The punctuality has improved since 2005
... some results

The system is managed without overwhelming administrative costs

Costs for the PR for RFI:
- Setting up of the system € 200,000 (una tantum)
- Managing of the system € 450,000 per year

The shadow running phase did not show an increase in “disagreements”
THE UIC EPR PROJECT
The Project has been organized in three Working Groups dealing with Commercial, Technical and Legal aspects of the project. Each WG is led by a Coordinator. Also a specific Advisory Group has been set up to evaluate the output of Working Groups. A new Data Managers Group has been created with representatives of RUs/IMs in order to organize and carry out the test run in 2008.
Outcomes of 2007 - overview

Last year has been very important for the developments of the EPR Project

q **Coordination with RUs (passenger and freight)**
   Presentation of the work done by EPR teams and remarks by RUs; remarks by RUs and presentation by SNCF of an improvement of the model. The general approach of the model has been agreed; some points remain open and it has been agreed to deeply examine the different options

q **UPDATING OF THE UIC LEAFLET 450.2**
   The requirements for a better implementation of the EPR have mainly been met

q **TEST RUN**
   The EPR model proposals have been tested on three Corridors by test teams (RUs+IMs):
   - Brenner
   - Rotterdam-Milano
   - Antwerpen Basel
EPR Commercial Model

The **common** features of the proposed models can be described as follows:

- Based on delays
- Foresees **financial** penalties
- **Corridor** – based approach (first step)
- Includes **secondary** delays (RU/RU) and provides an incentive to recover delays
- Limits penalties to a warning function
- Applied on the **whole** train path
- Monitoring made *per train*

The **different options** concern:
- Secondary delays treatment
- Recovered time treatment
- Technique of penalty calculation
Test run 2007

The main objectives of the test runs 2007 were:

- Data quality evaluation
- Detection of technical and operational problems – propositions for solutions
- Analysis of the commercial model options using real data

Very good results:
- Data quality and EOPT functionality improved,
- Remaining problems identified
- Definition of next improvements
- Cooperation and data flow among partners improved

An analysis on different aspects but without a deep commercial evaluation: new tests are foreseen in 2008
Next steps

Since the project has come to a crucial point, participant railways have signed a Memorandum of Understanding stating their commitment in the Project. This years activities would be:

- **Commercial issues**
  - Deeper analysis of the outcomes of the test run 2007
  - Analysis of outcomes of the test run 2008
  - Drafting of a final Commercial Model

- **Test run**
  - Carried out by the “Data Managers Group”
  - Corridors to test: same of 2007 (with an improved automatic procedure) and/or new corridors

- **Fine tuning of**
  - Contractual aspects
  - Acceptance procedures and disputes resolution
  - Update version of the Handbook

DEADLINE: end 2008
2009: dry-runs foreseen
RFI’s experience: some inputs

RFI’s experience highlighted that the following items are important in setting up a Performance Regime:

- **A MARKET ORIENTED SYSTEM**
  - Choice of an indicator that best suits the involved network; in principle it should be:
    - Measurable
    - Recognized by all stakeholders (nationally and internationally)

- **COOPERATION**
  - The performance of the railway system depends on both IM and RUs: it is important to involve the RUs at least in a shadow-running

- **EFFECTIVENESS**
  - Financial flows should be foreseen as they stimulate the commitment of partners, in addition the system should also allow a better knowledge of the causes of bad performance and distinguish different type of traffic

- **PR IS A MEANS NOT A GOAL**
  - If existing, penalties should be kept low, what is important is to allow the identification of corrective actions