

KPIs and REGULATION

KPIs ARE USEFUL TO...

...MEASURE



...ALERT



...INCENTIVISE



BUT :

- MONITORING KPIs IS COSTLY
- WRONG KPIs GIVE WRONG INCENTIVES
- BENCHMARKING CAN BE MEANINGLESS

KPIs



DIFFERENT TOOLS FOR DIFFERENT SITUATIONS...

- Monopoly (natural or legal)
- PSO
- Open market

...RAISING DIFFERENT
REGULATION ISSUES

OPEN MARKET KPIs

KPIs PROVIDE INFORMATION FOR THE END-CUSTOMER :

- Compliance to standards and norms when compliance is not compulsory
- Content of the product
- Etc.

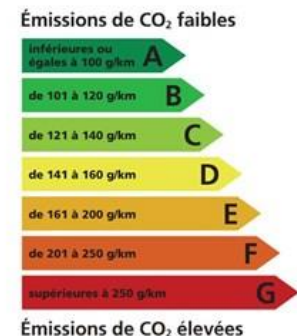
SOME KPIs ARE PROVIDED BY THE MARKET
(customer evaluation, comparators...)

INCENTIVISE THE PRODUCERS THROUGH :

- comparison of offers
- reputation effects

CONTENT ENERGY* EMISSIONS**

VALEUR NUTRITIONNELLE MOYENNE	POUR 100 g	PAR SACHET 50 g
Calories	445 kcal	223 kcal
Energetique	1870 kJ	935 kJ
Protéines	7 g	3,5 g
Glucides, dont :	66 g	33 g
- sucres	29,6 g	14,8 g
- amidon	36,4 g	18,2 g
Lipides, dont :	17 g	8,5 g
- saturés	8,5 g	4,2 g
Fibres alimentaires	5,7 g	2,8 g
Sodium	0,22 g	0,11 g
Vitamines E	1,50 mg	1,35 mg
	35 % ns*	7 % ns**
Vitamines B1	0,28 mg	0,17 mg
	20 % ns*	10 % ns**
Vitamines PP	2,70 mg	1,35 mg
	15 % ns*	7 % ns**
Phosphore	230 mg	115 mg
	15 % ns*	14 % ns**
Fer	5,60 mg	2,80 mg
	40 % ns*	20 % ns**
Magnésium	105 mg	52,5 mg
	35 % ns*	17 % ns**



*Directive 2010/30/UE
**Règlement n°1169/2011

KPIs FOR PSOs

EFFICIENCY INCENTIVES FOR PRODUCER THROUGH THE TENDER PROCESS
(COMPETITION FOR THE MARKET)

→ TWO KIND OF KPIS : customer oriented (safety, travel time, reliability and punctuality...)

business oriented (quality of rolling stock, investments)

→ FOR EVERY KPI THERE IS A TARGET

→ KPIs AND TARGETS SHALL BE PRECISED IN THE CALL FOR TENDER (FAIR
AWARDING PROCEDURE)

→ FAIR APPLICATION OF THE CONTRACT : no additionnal KPIs

penalties if performance is under the target

INFRASTRUCTURE MANAGER KPIs

NO COMPETITION : THE IM MUST BE INCENTIVISED
THROUGH A CONTRACT (cf. DIRECTIVE 2012-34)

THE CONTRACTUAL AGREEMENT SHALL SPECIFY

- user-oriented performance targets
- structure of funds allocated to the infrastructure services
- reporting obligations
- incentives to reduce the costs and the level of access charges



LEGAL MONOPOLY KPIs

DIRECT AWARDING OF THE MARKET

SAME ISSUES AS FOR IM KPIs BUT :

- INTERMODAL COMPETITION (level playing field : same level of requirement for all transport modes)
- MARKET OPENING IN THE NEAR FUTURE (no requirement which would be inconsistent with the upcoming competition)

KPIs REGULATION ISSUES : OPEN MARKET

- PROVIDING USEFUL INFORMATION TO THE END CUSTOMER (SAFETY, TRAVEL TIME, REGULARITY...) SHOULD BE COMPULSORY
- LEVEL PLAYING FIELD (INTRA/INTERMODAL COMPETITION)
- IMPLEMENTATION/RELIABILITY OF DATA (Cf. CARS CO2 EMISSIONS)
- NEUTRALITY/RELIABILITY OF MARKET PROVIDED KPIs
- SPECIFIC KPIs FOR THE MONITORING OF NEWLY OPENED MARKETS (P&L of the RUs...)
- KPIs MUST BE MONITORED BY AN INDEPENDANT REGULATORY BODY

KPIs REGULATION ISSUES : PSOs

- SAME COMPULSORY KPIS AS OPEN MARKET
- TARGET FOR EACH KPIS (CONTRACT)
- OTHER CONTRACTUAL KPIS : INVESTMENTS, ROLLING STOCK MAINTENANCE...
- NO NEED FOR EFFICIENCY KPI

KPIs REGULATION ISSUES : MONOPOLIES

- SAME COMPULSORY KPIS AS OPEN MARKET BUT...
- TARGET FOR EACH KPIS
- ADDITIONAL EFFICIENCY KPIS : this is where the real difficulty begins!
 - lower cost doesn't mean more efficiency (can be less maintenance or less safety measures : it can take years to see the consequence)
 - measuring productivity is very difficult (must follow the different maintenance tasks – up to 150 for the french IM – and build an index)
- INCENTIVIZE:
 - bonuses for the management and employees...
 - What if the public funds are not consistent with the targets ? What if the government doesn't provide the promised funds?

LESSONS FROM THE 1ST MULTIANNUAL CONTRACT OF THE FRENCH INFRASTRUCTURE MANAGER (2008-2012)

- A multiannual “performance contract” signed in 2008 (one year of negotiation) :
 - 4 parts : access to railway infrastructure and services, asset management, finances, governance and human resources
 - 33 « commitments »
 - 67 performance indicators

- User-oriented performance targets : regularity, safety, quality of service for the path allocation process, environmental protection

- Financial and economic indicators : costs of maintenance and renewals, long term total costs, balance sheet, financial costs

- Management and governance indicators : relationships with the stakeholders (regions, regulatory body, TOCs, trade unions), internal training strategy for employees, sustainable development actions

MAIN RESULTS

- a tight monitoring by the government and the regulatory body
- main outcome : a significant increase of renewal investments (from less than 500km of track renewal investments per year to more than 1000 km/year).
- main failure : despite a dramatic increase in infrastructure charges, the infrastructure manager is still unable to recover its full costs, there is still a 1,5 billion€ gap and a growing debt
- Costs (especially maintenance costs) have been rising, with the approval of the government
- Public funds have been shifting from the existing infrastructure to new lines (1 billion€ between 2008 and 2012)
- The indicators have not been really used for the internal management of the infrastructure manager
 - too many indicators
 - often inconsistent with the indicators used for operational management, or not relevant for operational management
 - hand work reporting system, no link with the management control system (no real management control system at this time)

MAIN LESSONS

- The contract must favor user-oriented performance targets such as, beyond speed and capacity, regularity, reliability (number and impact of infrastructure failures), availability (impact of work possessions), safety
- user-oriented performance targets and indicators should be defined through a consultation of all the stakeholders; it must be relevant both for the users and the operational
- user-oriented performance targets should be defined at the relevant level (which is not the network as a whole : HSL, high traffic sub networks, low traffic lines...)
- Reporting of the performance targets through the infrastructure manager management control system
- the contract should precise what to do if the government doesn't provide the expected public funds (reducing or giving up some of the targets; or cover the costs by a increase in debt)
- A productivity target does only make sense if the user-oriented performance targets are exhaustive and fully relevant

FOCUS : KPIs AND BENCHMARKING

Benchmarks are useful but sometimes it is very difficult, or even impossible, to compare « apples to apples »

Two examples :

- EIM Maintenance costs study (2 years, specific network segmentation, limited results)
- SNCF Réseau/DB Netz maintenance costs comparison (deep analysis of maintenance costs and no really useful results)

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