

# *Periodic Review 2013*

## *Passenger performance regimes*

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OFFICE OF RAIL REGULATION

# *Issues (1)*

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- Recalibration
  - How extensive?
  - Reference period
  - Granularity
- Regime design
  - Full or reduced MRE?
  - Payment curve
  - Bespoke regimes (particularly in light of industry reform)
  - Simplification, e.g. Charter rate
  - New features, e.g. Delay Repay
  - Sustained poor performance (SPP)
  - Caps

## *Issues (2)*

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- How well does Schedule 8 interact with other incentives and targets?
  - Trajectories - franchises and Delivery Plan
  - Processes – JPIPs, other metrics than lateness
- Drafting
- Promoting understanding of the regime

# *Re-calibration*

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- Minimum option
  - Network Rail and TOC benchmarks
  - TOC payment rates (based on star model)
  - Need to select 'calibration period'
- Enhanced option
  - Update MREs for first time since 2005
  - Use of consultants or collaborative approach within industry
- Who pays?

# *Regime design (1)*

- Full or reduced MRE?
  - Does 'full and immediate' compensation from Network Rail make TOCs indifferent to co-operating in performance improvement?
  - Should some risk remain with the TOCs?
- Payment curve
  - Straight line introduced since CP2
  - Does MRE start to reduce at very high levels of performance now being achieved on some services?
  - Greater differentiation in structure of regime for long distance and other passenger services?
  - Would greater accuracy prevent efficient administration of regime in terms of 'rolling over' disputed incidents into later periods?

## *Regime design (2)*

- Is there any appetite for bespoke regimes?
  - Industry reform: Joint ventures and alliances between TOCs and NR
  - Focus on significant lateness
  - Special arrangements for 'bad days'
  - Based on PPM (or other metric) rather than lateness
  - How would star model work?
- Simplification
  - Can Charter Rate now be abolished?
  - Changes to Cancellation Weightings and Caps

## *Regime design (3)*

- Demand for new features
  - Could Delay Repay be handled formulaically?
  - Can emergency timetables be handled better?
  - Could bonuses to Network Rail be lagged?
- Little used and or little understood provisions
  - Overall payment caps – high evidence threshold and transaction cost
  - Sustained Poor Performance – still rarely triggered and high evidence threshold and transaction cost

## *Coming up...*

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- ATOC's view – Alec McTavish
- Network Rail's view – Stephen Draper
- Discussion