Rail Contract Performance 2012-13

Recommendations

It is recommended that the board:

i. Note the contents of the report.

Executive summary

The Auckland rail operator (Transdev Auckland Ltd) receives a margin on the Direct Cost Budget for rail service provision under the PSA. The 2012/13 margin is set at a maximum of 7.75%, with 50% (3.875%) Not At Risk Margin payable quarterly in advance and 50% (3.875%) At Risk Margin payable subject to performance against KPIs of service reliability (35% weighted), service punctuality (35% weighted), customer satisfaction (15% weighted) and customer complaints (15% weighted).

Transdev performance against At Risk Margin KPIs in 2012/13 saw a stabilisation in reliability performance, an improvement in punctuality performance, improvement in customer satisfaction, but below target, and improvement against target of customer complaints.

Service reliability saw an average of 98.0% of services reaching their destination, the same result as for 2011/12 and on target for the year. Some months fell below target resulting in a reduction of the payable At Risk Margin.

Service punctuality during the year improved to an average of 84.6% against a target of 83.5% compared to the previous year of 80.6%. This culminated in the best monthly performance of the year being achieved in June of 88%, which was also the best performance since November 2008. The average for the year of 84.6% was the highest since the commencement of Veolia (now named Transdev) operations. As for reliability, some months fell below target resulting in a reduction of the payable At Risk Margin.

Whilst there was an improvement in customer satisfaction levels at 83.7% compared to the previous year of 82.2%, it was below KPI targets for the year of 84.0% and no At Risk Margin is payable against this measure.

Customer complaints were below target resulting in this portion of At Risk Margin being payable.

In addition, the rail operator shares 50% of upside and downside fare revenue collected against an annual Fare Revenue Target up to a maximum of +/-5% against the target. Fare revenue collected was below target and as a result the rail operator contribution to the shortfall amounts to approximately $470,500 payable to Auckland Transport.

Background

During financial year 2011/12, the existing PSA with Veolia Transport (Transdev Auckland Ltd from July 2013) was successfully renegotiated and a new agreement came into force on 1 July 2012.

Underlying principles negotiated into the new rail PSA from 1 July 2012 were:

a incentivising the operator to continue to improve performance, particularly in service reliability, service punctuality, customer satisfaction, communication of information to passengers and the management of the impacts of service disruption;

b enabling the operator to deliver support and assistance to AT's EMU and Depot projects;

c ensuring services provided by the operator are efficient, cost effective and provide value for money for AT;

d minimising risk, especially safety and operational risk, during a period of rail transformation;

e improving allocation of risk and reward in a way that incentivises desired outcomes;

f facilitating the operator to manage subcontracted services more effectively.

The new PSA provided for a greater transfer of financial risk through a sharing between AT and the operator of upside and downside fare revenue at +/-5% of a Fare Revenue Target and performance risk through four KPIs of service reliability, service punctuality, customer satisfaction and customer compliants for which the operators financial margin would be adjusted downwards where performance did not meet target.

Performance Regime

The PSA entitles the operator a margin up to a maximum of 7.75% of the total Direct Cost Budget for the year. 50% (3.875% margin) Not At Risk Margin is payable quarterly in advance; the remaining 50% (3.875% margin) At Risk Margin is withheld pending achievement of agreed KPIs:

Measure	Frequency	Target	Apportionment
Reliability	Monthly	98.0%	35% of the 50% At Risk Margin, paid at a rate of 1/12th for each month
Punctuality	Monthly	83.5%	35% of the 50% At Risk Margin, paid at a rate of 1/12th for each month
Customer Satisfaction	Annually	84.0%	15% of the 50% At Risk Margin
Customer Complaints	Annually	< 23.3 complaints per 100,000 passenger journeys	15% of the 50% At Risk Margin

The Operator also shares the upside and downside risk for achieving the annual fare revenue target, through a 50/50 share of up to +/-5% of the collected fare revenue against target:

Measure	Frequency	Target	Apportionment
Fare Revenue Collection	Annual	$28.071 million	50/50 sharing of upside and downside between AT and the Operator, up to +/-5% of the agreed target

2012/13 Results

1. Reliability

- KPI Target: 98.0%
- Actual result for year = 98.0% with following adjusted contractual monthly results:

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Result	98.8%	98.7%	98.9%	98.3%	98.5%	98.6%	97.8%	98.5%	98.7%	98.2%	96.6%	98.0%

Note that monthly contractually reported figures may differ from actual performance, as figures are adjusted to account for contractual Excepted Risk incidents outside of the operators control.

- At Risk Margin payable for reliability is for 10 of 12 months.

2. Punctuality

- KPI Target: 83.5%
- Actual result for year = 84.6% with following adjusted contractual monthly results:

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Result	82.6%	81.9%	86.2%	87.3%	84.5%	84.1%	85.1%	83.0%	84.3%	87.5%	86.5%	88.0%

Note that monthly contractually reported figures may differ from actual performance, as figures are adjusted to account for contractual Excepted Risk incidents outside of the operators control.

- At Risk Margin payable for punctuality is for 9 of 12 months.

3. Customer Satisfaction

- KPI Target: 84.0%
- Actual Result: 83.7%
- No At Risk Margin payable for customer satisfaction.

4. Customer Complaints

- KPI Target: < 23.3 complaints per 100,000 passenger journeys recorded
- Actual Result: 22.2 complaints per 100,000 passenger journeys recorded
- Full At Risk Margin payable for customer complaints.

5. Fare Revenue Collection

- Fare Revenue Target: $28.071 million
- Actual Result*: $25.630 million
- Fare Revenue Reimbursement due to AT: approximately $700,000

* Note that at the time of writing final year end results are still to be finalised, following finalisation of AT HOP reconciliation to all operators.

Total outcome for the 2012/13 year:

- 3.875% Not At Risk Margin
- 2.729% At Risk Margin
- ($700,000) Fare Revenue Reimbursement payable to AT

Next Steps

The Board notes the rail performance against PSA KPI targets for the 2012/13 year.

Attachments

Number	Description
1	Financial Payment Schedule

Document Ownership

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Approved for Submission	David Warburton **Chief Executive**	

Glossary

Acronym	Description
AT	Auckland Transport
EMU	Electric Multiple Unit
KPI	Key Performance Indicator
PSA	Passenger Services Agreement