Quantifiable targets and their monitoring –
Market experience in Germany and elsewhere in Europe

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Quantifiable targets and their monitoring

Essential questions of my short presentation

Which quantifiable targets should be used in public transport contracts?
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Essential questions of my short presentation

Which quantifiable targets should be used in public transport contracts?

How can these targets be monitored (efficiently)?
### Quantifiable targets and their monitoring

#### Key indicators in public transport contracts

<table>
<thead>
<tr>
<th>targets</th>
<th>indicator group</th>
<th>example indicators</th>
<th>enforcement by</th>
</tr>
</thead>
<tbody>
<tr>
<td>good service performance</td>
<td><strong>performance indicators</strong></td>
<td>- reliability&lt;br&gt;- punctuality, excess waiting times&lt;br&gt;- capacity&lt;br&gt;- rolling stock</td>
<td>financial incentives</td>
</tr>
<tr>
<td>adequate reaction to deficiencies; cooperation; dynamic service development</td>
<td><strong>(cooperation) process indicators</strong></td>
<td>overall satisfaction of the public transport (PT) authority</td>
<td>follow up processes of nonconformities, financial incentives (bonuses)</td>
</tr>
<tr>
<td>success in passenger market</td>
<td><strong>success indicators</strong></td>
<td>where feasible:&lt;br&gt;- customer satisfaction&lt;br&gt;- fare revenues&lt;br&gt;- patronage</td>
<td>financial incentives or ‘super incentives’</td>
</tr>
</tbody>
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**Performance indicators (1/2)**

<table>
<thead>
<tr>
<th>service input</th>
<th>service output</th>
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<tbody>
<tr>
<td>is quantifiable and measurable</td>
<td>quantification and measurement of the service output can be challenging</td>
</tr>
<tr>
<td>(but: PT services are complex and consist of numerous input elements)</td>
<td><em>customer requirements in terms of cleanliness (and actual weather conditions) instead of cleaning intervals</em></td>
</tr>
</tbody>
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- **Market experience:** many contracts include extensive stipulations that performance targets are measured and monitored (and sanctioned if non-compliant)
- **Consequences:**
  - in order to sustain the existing level and quality of service, targets are often static and oriented on input (based on the status quo), while future developments are not reflected sufficiently
  - large effort for monitoring/controlling, risk premiums in operators’ calculations, uncertainty about main targets and priorities
  - in day-to-day operational practice, parts of the targets are frequently overlooked or ignored and monitoring processes are not practiced as set out in the contract
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**Performance indicators (2/2)**

**Lessons from market experience**

- Focus on a limited set of **key performance indicators** (KPI) that are subject to permanent performance monitoring by the authority.
- These KPIs describe core service elements that represent the main cost drivers for the operator (essentially reliability, punctuality, capacity, rolling stock).
- Enforcement: use of financial incentives.
- The PT contract specifies the output for important passenger service characteristics - the operator is obliged to monitor its service quality.
- Instead of extensive and permanent monitoring the focus should be on using available operator’s data to respond and improve the service by swiftly and adequately:
  - responding to faults and deficiencies
  - ensuring quality and enhancing the service continuously
  - incentivizing success (where appropriate)
Quantifiable targets and their monitoring (Cooperation) process indicators

How to monitor the quality of (cooperation) processes

- Requirement for procedures that
  - allow an adequate reaction to service deficiencies and
  - strengthen the cooperation between the contract parties
- Aim of these processes:
  - facilitating flexible and focused responses to service deficiencies with the objective of sustaining, correcting, improving, or developing PT service quality
  - implementation of continuous service enhancements
- Best practice: If deficiencies occur (and are detected), the authority shall have the right to
  - take up the case (here: focus on solving problems instead of simply sanctioning nonconformities)
  - obtain a qualified answer/explanation by the operator
- Safeguarding of the actual implementation of these processes through
  - a ‘trustful cooperation’ between the authority and the operator
  - financial incentives reflecting the performance of the processes (eg. based on authority satisfaction)
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Success indicators

Success indicators reflect why authorities organize PT

- Note: authorities should specify measures of success for their actions (e.g. customer satisfaction, patronage and modal share, fare revenues)
- Success indicators and incentives can help to streamline the authority’s and the operator’s interests. Intention: improvement of the operator’s passenger focus
- Passenger needs are dynamic and require permanent adaptation
- Quantification and measurement of PT success can be methodically challenging
- The use of performance-based incentives should be limited to contracts where the operator is responsible for service design and able to influence the service outcome
  - Patronage: Is reliable data available? Which development can be seen as a success? e.g., can observed changes be attributed to the operator or to preceding developments (like population growth)?
  - Consequence: application of key success indicators only where feasible
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Conclusions and some remarks

- There is no ‘one size fits all’ for performance monitoring
- Monitoring and enforcement must fit to the contract objectives – and should be manageable
- Regardless of the level of monitored targets: authorities and operators need good performance data
- Necessary: a common understanding by both contract parties
- Try – and evaluate – and further develop contracts
- Be aware of cultural differences and different political objectives between the local/regional PT systems
- **Important for successful contractual relationships in PT:** trustful cooperation between the authority and the operator – and good pro PT transport policies
Thank you very much.
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- **Clients**: local and regional PT authorities, regional and national governments, European institutions

- **Approach**: We aim to understand our markets and to learn from experiences and best practice abroad, both on the national and international level. We identify the individual needs of our clients and develop tailor-made and innovative solutions.