

Report of Award

– TEMPLATE FOR DIRECT AWARD OF LPT SERVICES BY RAIL–

Introduction

This template is designed to assist the Awarding Entities (hereinafter: AE) in drafting the "Report of Award" (hereinafter: RoA) as required by Measure 2 (2) of Annex "A" to decision no. 154/2019 of 28 November 2019 (hereinafter: decision no. 154/2019) in the case of direct award of LPT services by rail¹, facilitating the adoption of a consistent and compliant approach with applicable laws and regulations, particularly with respect to:

- the reasons underlying the direct award, in compliance with Article 5 (4bis) of Regulation (EC) No. 1370/2007 (applicable from 26 December 2023);
- the AE's option to incorporate the contents of the RoA into the "Plan for Achievement of Regulatory Targets (hereinafter: PART), as provided for in Measure 2 (7) of Annex A to decision no. 120/2018 of 29 November 2018 (hereinafter: decision no. 120/2018), ensuring a unified submission/evaluation by the Authority.

In accordance with the provisions of the a.m. decision no. 154/2019, the following paragraphs set out the regulatory elements subject to the Authority's prior oversight, including with respect to the transparency of the awards of LPT services by rail as defined by EU legislation.

1. Framework of reference for awarded services and relevant context

1.1. Regulatory and administrative framework of reference

Brief description of the existing framework, with particular reference to regional regulations or other acts issued by the competent local/territorial authorities², covering:

- a) the structure of networks, and the planning and scheduling of public transport services;
- b) sector governance, including the definition of mobility areas, scopes of public service and award lots, as well as the entities responsible for planning and scheduling services, awarding contracts, overseeing compliance, and managing/entering into Public Service Contracts (hereinafter: PSC), with specific reference to territorial divisions: urban/suburban, inter-urban, and regional.

For all the above-mentioned aspects, where they have already been addressed in the Report under Measure 6 and Measure 4 (11) of the Annex to decision no. 48/2017 of 30 March 2017 (hereinafter: "Report of Lots"), a reference thereto is sufficient, without the need for a new report, unless updates are required³.

With regard to the choice of the awarding procedure and the related regulatory and administrative framework, the content of the Report pursuant to Article 14 of lgs.d. 201 of 23 December 2022 may be summarised, where applicable and if already published on the ANAC e-portal, in accordance with Article 31 (2) of the same legislative decree.

1.2. Territorial framework

Description of the social and economic characteristics of the area and the features of the planned transport service within the mobility area.

[Description of any territorial factors that may influence the performance and objectives of the awarded service, such as:](#)

¹ The template can also be adopted, with the necessary specifications, in the residual cases of so-called "below-threshold" direct award of LPT services by road, pursuant to Article 5 (4) of Regulation (EC) 1370/2007.

² E.g., regional laws (or those of the Autonomous Provinces) and related administrative acts, such as resolutions by the Executive board/Council or determinations by the Offices. This includes the administrative acts approved by the AE in relation to the procedure in question, including the prior information notice(s) under Article 7.2 of Regulation (EC) No. 1370/2007.

³ It also refers to the Report of Lots prepared by a Competent Authority other than the EA.

- average income of the population and its impact on fare revenue targets,
- competition from other transport modes or types,
- relocation of major mobility-attracting facilities,
- significant infrastructure works that, during their execution, could reduce travel speeds on specific sections and/or alter certain routes; potential medium- to long-term developments.

1.3. Operational framework

Description of the existing setup in terms of:

- Incumbent Operator (hereinafter: IO);
- characteristics of the existing PSC: awarding method (tender/direct/internal operators), date of conclusion and reference number⁴, duration, expiry, any extension regime, initially planned and current production volume, type of service involved (train, bus, trolleybus, tram, metro, other), revenue management (net cost/gross cost);
- results achieved under the "*previous management*"⁵ of the awarded service, with reference to target and actual values over the past three years, covering at least the following variables: investments (particularly in rolling stock and other assets essential for service provision), production volume and share of train-km operated outside the AE's boundaries, commercial speed, average route length and station density, operating and total costs, traffic revenue, passengers carried, coverage ratio and load factor (if available, per route/line), average age of rolling stock fleet, indicators for both delivered and perceived quality (actual levels of the quality indicators established by the PSC⁶), key performance indicators (KPI⁷). The data should not reflect post-Covid effects, and, where appropriate for accurate assessment, may also include information from earlier periods (e.g., 2019).

Description of the new setup in terms of:

- contracting company (hereinafter: CC) and related corporate structure;
- expected start of the new PSC, duration/expiry, any potential extensions pursuant to Article 4 (4) of Regulation (EC) No 1370/2007, regulatory periods;
- characteristics of the services subject to the award in relation to the existing setup: annual and total value of service, planned fare conditions, and revenue management (net cost/gross cost);
- key elements of the schedule of operations (hereinafter: SO), including details on the infrastructure manager and the applicable framework agreement under which capacity is allocated;
- any integration with other collective/shared services (sharing mobility) or innovative/flexible services (DRT⁸).

For the above listed elements, the content of the Report pursuant to Article 14 of lgs.d. 201/2022 may be summarised, where applicable and if already published on the ANAC e-portal, in accordance with Article 31 (2) of the same legislative decree.

2. Rules governing instrumental assets

⁴ Identification code as per the "Contract Prog." field in the database of the National Monitoring Centre on Local Public Transport Policies (LPT Monitoring Centre).

⁵ Cf. article 17 (2) of lgs.d. 201/2022, which specifies the need to take into account "*data and information resulting from the periodic verifications referred to in Article 30*" of the decree.

⁶ For this purpose, reference can be made to the data published pursuant to Measure 10 of decision no. 16/2018 of 8 February 2018 (hereinafter: decision no. 16/2018). In the case of "below-threshold" direct award of LPT services by road, cf. decision no. 53/2024 of 18 April 2024 (hereinafter: decision no. 53/2024).

⁷ *Key Performance Indicators*, in line with the provisions of decision no. 120/2018 (Annex 2). In the case of "below-threshold" direct award of LPT services by road, cf. decision no. 154/2019 (Appendix 7).

⁸ *Demand Responsive Transport*.

2.1. Infrastructure and immovable assets⁹

Comprehensive description of network characteristics, including the type of power supply (3 kV DC electric, electric with a different voltage, diesel), track gauge, presence of single track, gradient and curvature, permissible speeds by route, and allowable rolling stock compositions.

Description of other fixed assets (facilities and infrastructure) essential for service operations, specifying the necessary immovable assets, their qualification criteria, and methods of provision (ownership structure, transfer methods, and any takeover value¹⁰).

Identification and description of immovable assets procured through public funding, which is subject to a restriction on use (based on its useful life) and an ensuing transfer obligation to the CC; specification of the transfer method, in compliance with the provisions of Measure 6 of decision no. 154/2019.

Description of planned investments in immovable assets during the contract period, including:

- type and characteristics of the asset concerned;
- parties responsible for the planned investment (AE, CC, or other entities);
- timelines of planned investment.

Identification of critical infrastructure that may negatively impact the achievement of the annual efficiency and effectiveness targets set in the PART. Examples include planned infrastructure works (on the network or at stations) that may result in service modifications or disruptions, affecting effectiveness indicators such as punctuality and regularity, or leading to a decrease in passenger numbers, which would in turn impact efficiency indicators, particularly those related to traffic revenue.

2.2. New rolling stock

Description¹¹ of rolling stock and related assets subject to new procurement, specifying:

- planned investments in the contract period, with details on:
 - type and characteristics of vehicles involved (e.g., fuel type, useful life);
 - party responsible for planned investment (AE, CC, or other);
 - planned timeline, covering both projects initiated earlier but not yet completed and those starting during the new PSC, with reference to the year of entry into operation and number of rolling stock involved.
- methods of provision and takeover clauses for the new CC at the end of the contract period (to be regulated also in the draft PSC), in compliance with the provisions of Measure 7 of decision no. 154/2019.

Description of rolling stock procured through public funding, subject to a restriction on use (based on its useful life) and an ensuing transfer obligation to the CC; specification of the transfer method, in compliance with the provisions of Measure 6 of decision no. 154/2019.

Other measures adopted to ensure effective and non-discriminatory access to rolling stock, in accordance with the provisions of Measure 8 of decision no. 154/2019.

Identification of the impact of rolling stock investments on cost and revenue items. For example, concerning costs, the procurement of rolling stock including maintenance services, known as full-service contracts, will lead to higher maintenance costs for the company once the warranty period expires. In particular, if the company undertakes these services itself, additional maintenance staff may be required, resulting in increased personnel costs. Regarding revenues, the procurement of new rolling stock could enhance the attractiveness of the service, potentially increasing passenger numbers and, consequently, traffic revenue.

⁹ Optional section in the case of a direct award for "below-threshold" LPT services by road.

¹⁰ Cf. Measures 7, 9 and 10 of decision no. 154/2019. This part of the RoA may be omitted in the case of (re)award of the same LPT service to the IO.

¹¹ Cf. information referred to in Appendix 6, Table 3 ("Rolling stock") of decision no. 154/2019.

2.3. Existing rolling stock

Comprehensive description of the characteristics of the existing rolling stock used within the framework of the PSC¹²; specification of the essential rolling stock, its qualification criteria, and the methods of its provision (ownership structure, transfer methods, and takeover value, if any), in compliance with Measures 7 and 9 of decision no. 154/2019¹³.

Identification and description of the rolling stock procured through public funding, subject to a restriction on use (based on its useful life) and an ensuing transfer obligation to the CC; specification of the transfer method, in compliance with the provisions of Measure 6 of decision no. 154/2019.

Other measures adopted to ensure effective and non-discriminatory access to the rolling stock concerned, in compliance with Measure 8 of decision no. 154/2019¹¹.

Identification of any characteristics of the existing rolling stock that may affect the achievement of the annual efficiency and effectiveness targets established in the PART. For example, the aging of the existing rolling stock could impact both maintenance costs (higher expenses) and performance indicators such as punctuality and regularity (increased likelihood of failures and resulting service disruptions for users).

Identification of the impact that investments in existing rolling stock may have on cost and revenue items. For example, revamping activities on the existing rolling stock could enhance the attractiveness of the service, leading to an increase in the number of passengers transported and, consequently, higher traffic revenues.

2.4. Characteristics of movable assets

Identification and description of movable assets (ITS systems¹⁴: hardware/software and associated databases) which is essential for the provision of the service; specification of the qualification of the a.m. assets (essential or commercial) and the related criteria adopted for their quantification and classification.

Identification and description of movable assets procured through public funding which is subject to a restriction on use (based on its useful life), and an ensuing obligation of transfer to the CC; specification of the transfer method.

Other measures adopted to ensure effective and non-discriminatory access to the movable assets concerned, in compliance with Measure 8 of decision no. 154/2019¹¹.

Description of the investments in movable assets planned for the contract period, including:

- type and characteristics of assets involved;
- parties responsible for planned investment (AE, CC, or other) and related timelines.

2.5. Monitoring of investments

Description of the monitoring methods to be adopted by the AE to ensure effective implementation of the planned investments, including the related penalty system in case of non-compliance with the predefined implementation timelines due to reasons that may be attributed to the CC.

Description of the transparency obligations imposed on the CC to ensure that, at least annually, the level of investments made is publicly disclosed through clear and comprehensible records and data¹⁵, in relation to the planned commitments. Additionally, the CC shall provide any other operational and/or management information deemed relevant by the AE (cf. also § 7).

¹² *Ibidem*.

¹³ This part of the RoA may be omitted in the case of (re)award of the same LPT service to the IO.

¹⁴ *Intelligent Transport System*.

¹⁵ Cf. art. 25 (2) of lgs.d. 201/2022, where applicable.

2.6. Justification for direct award¹⁶

Comparison of the expected benefits of the direct award with both "*previous management*" (above) and alternative market-based approaches, in particular with reference to the following:

- structural and geographical features of the relevant market and network (size, demand, network complexity, technical and geographical isolation, types of services included in the PSC);
- expected improvement in quality and/or efficiency (punctuality, frequency, rolling stock quality, and passenger transport capacity), or both, including with reference to potential cost reductions compared to the previously awarded PSC.

Identification and description of performance indicators enabling the AE to conduct periodic evaluations (at intervals not exceeding 5 years) of the expected improvements outlined above, including the implementation of effective and deterrent measures if the CC fails to meet performance requirements.

Identification of any additional reasons why, based on objective data and information, the decision was made not to opt for market-based solutions for the efficient management of the service. These may include, for example, communications with industry operators, unsuccessful tender procedures.

3. Outcomes of the consultation procedure

Description of the procedure in terms of:

- period/duration;
- parties involved in the consultation: IO, stakeholders by type, public authorities, others;
- subject of the consultation, with any links to relevant documentation, in compliance with Measure 4 (7) of decision no. 154/2019;
- summary of stakeholder contributions and the AE's feedback/evaluations.

4. Management of personnel assigned to the provision of the service

Identification and description of the personnel employed in the awarded LPT services, specifying (at least) the number of employees and their respective qualifications/roles.

Description of any changes or turnover in personnel during the contract period, e.g., with respect to any adjustments in the production volume or service setup.

5. Objectives of the PSC

Description of the objectives established by the AE, which the CC is required to pursue during the contract period, pursuant to Measure 16 of decision no. 154/2019.

Description of the monitoring methods to be adopted by the AE to ensure the achievement and ongoing compliance with the established objectives; establishment of the associated penalty system in case of non-fulfilment of the objectives due to responsibilities attributable to the CC.

For the above, where already included in the award documentation (draft PSC), it is sufficient to provide a reference thereto without further elaboration, particularly with regard to:

- "minimum quality requirements" (MQR) of the TPL service concerned, as outlined by the AE in the PSC in accordance with decision no. 16/2018 of 8 February 2018¹⁷;

¹⁶ Mandatory from 26 December 2023. Optional section in the case of a "below-threshold" direct award of LPT services by road.

¹⁷ Decision no. 53/2024 in case of "below-threshold" direct award of LPT services by road.

- qualitative and quantitative indicators (KPIs), corresponding to the minimum set established by the Authority in Appendix 2 to decision no. 120/2018¹⁸.

The relevant parts of the award documentation, as referenced above, are submitted to the Authority together with the RoA (attached).

Description of the certifications related to service quality, which the CC must hold and maintain, or which the AE requires or expects to be obtained during the contract period¹⁹.

6. Economic and financial plan – templates and drafting criteria

Description of the assumptions adopted by the AE for drafting the simulated Economic and Financial Plan (EFP), according to the templates provided in Appendix 5 (attached to the RoA) and the objectives outlined in Measure 15 of decision no. 154/2019, referring to the entire duration of the new contract and to the following:

- production volume of reference, including "empty" runs;
- commercial speed;
- productivity of driving personnel (service hours per year);
- drivers for maintenance cost calculation (equipment, spare parts, and personnel);
- ratio between driving personnel and other non-driving personnel (including management);
- productivity factors for non-driving personnel;
- estimated revenues, differentiating between:
 - revenues from PSO compensation, with reference to the amounts included in the AE's multi-year budget and assumptions for the following periods;
 - revenue from traffic, detailing the assumptions for the three components that contribute to this item:
 - no. of passengers transported: this requires explaining the variations considered based on demand analysis and methodologies applied for estimation/forecasting; data and forecasts should be broken down at least by type of route and direction;
 - no. of paying passengers, i.e., an estimate of fare evasion/avoidance over time;
 - fares: a description of the existing fare system and the methods of adjustment/update outlined by the AE in the PSC20;
 - revenue from compensation for fare reductions/exemptions not covered by the consideration;
 - revenue from other activities (sale of advertising space and marketing activities, real estate leasing, rolling stock rental, etc.), including a description of its trend over time and the determining factors.
- estimated costs, distinguishing between:
 - operational costs, considering assumptions related to corporate interventions in production processes: production (operation, onboard staff and crew management, infrastructure access, traffic management, shunting, rolling stock cleaning, staff), maintenance, sales operations, etc.;
 - personnel costs, considering assumptions related to contract renewals, changes in staffing levels (hiring/early retirement, turnover), outsourcing/insourcing, etc.;
 - other costs, such as fuel and energy, third-party services, and use of third-party assets;
- investments in assets essential for the provision of the service cf. § 2), along with the related depreciation criteria, including the applicable rates and references to accounting principles/methods, and the methods of return on invested capital²¹;
- any extraordinary factors considered.

¹⁸ Appendix 7 of Annex A to decision no. 154/2019 in case of "below-threshold" direct award of LPT services by road.

¹⁹ E.g.: UNI EN ISO 9001:2015 – Quality Management Systems, UNI EN ISO 14001:2015 – Environmental Management Systems, UNI EN 13816:2002 – Public Passenger Transport - Definition, Objectives, and Measurement of Service Quality, UNI CEI ISO/IEC 27001:2014 – Information technology – Security techniques – Information security management systems.

²⁰ Pursuant to Measure Misura 27 of decision no. 154/2019.

²¹ In line with the applicable regulatory framework (most recently, decision no. 49/2023 of 10 March 2023).

Description of the criteria for quantifying inflationary/market dynamics and the related estimated increase in the price index during the term of the new contract²².

Reference to the CC's certification that the costs presented in the EFP are "relevant" to the scope of the services covered by the PSC and not to other services provided under competitive conditions or subject to other PSCs, even with different AEs. In the case of costs related to shared functions or multiple PSCs, the allocation coefficients must be explicitly stated.

Description of the methods for comparing the outcomes of the EFP with the 'standard cost', as per Ministerial Decree no. 157 of 28 March 2018, where applicable, taking into account the characteristics/peculiarities of the awarded service, as well as the criteria mentioned above.

Description of the methods provided by the AE for periodic verification of the economic and financial equilibrium of the PSC, and for adjustment (if necessary) of the EFP and related objectives.

7. Data Access Plan

Description of the Data Access Plan (DAP, attached to the RoA), prepared by the AE which forms an integral part of the new PSC, in relation to the following:

- set of elementary data that must be made available to the AE, including but not limited to the following:
 - the service provided and any changes from the SO;
 - passenger numbers per ride/line;
 - revenue from fares, where possible, broken down by ride/line;
 - final investment amount (cf. § 2);
 - quality levels achieved and actual/reported KPI values, based on the indicators outlined in the PSC (cf. § 5);
- supplier of the above-mentioned elementary data (IA, others), subject to the obligation to transmit/provide these data;
- method of data collection and transmission for each item, distinguished between automated (real-time) and manual/retrospective, with the corresponding reporting time intervals;
- data to be provided to Third Parties²³ (open access with data provided in editable format, via APP/website, upon request), with reference to both real-time information and retrospective data.

8. Risk allocation

Description of the methods adopted by the AE for risk identification, evaluation, and allocation (between the AE and CC) associated with the provision of the awarded services.

In line with the provisions of Measure 13 and Appendix 4 to decision no. 154/2019, the risk allocation between the parties must be based on an appropriate and consistent distribution, with mechanisms that minimise the effects of a given event.

In particular, this allocation should clearly identify the risks fully or partially attributable to the CC's responsibility, supported by adequate justifications. If the AE allocates risks to both parties, the respective share of responsibility must be explicitly defined, to reflect the dynamics of the associated revenue and cost components.

²² In the EFP it is recommended to apply the planned inflation derived from official reports for the most recent available year as a reference for inflation dynamics, so as to avoid that cost variations arising from discrepancies between the inflation rate used in the EFP and the actual rate are offset by higher costs acknowledged (lower efficiency) by the AE, which would improperly bear the associated risk.

²³ In compliance with the constraints on personal data processing (privacy) and the non-disclosure of information subject to industrial confidentiality, for which the AE acts as guarantor.

ANNEXES to the RoA

1. Risk matrix (Appendix 4 to decision no. 154/2019);
2. EFP templates prepared by the AE (Appendix 5 to decision no. 154/2019);
3. Qualitative and quantitative objectives (KPIs), corresponding to the minimum set established by the Authority in Appendix 2 of Annex A to decision no. 120/2018 and MQR as per decision no. 16/2018; comparison of KPIs and MQR with the previous management;
4. Data Access Plan (DAP).