

Key Performance Indicators – CANSO Definitions

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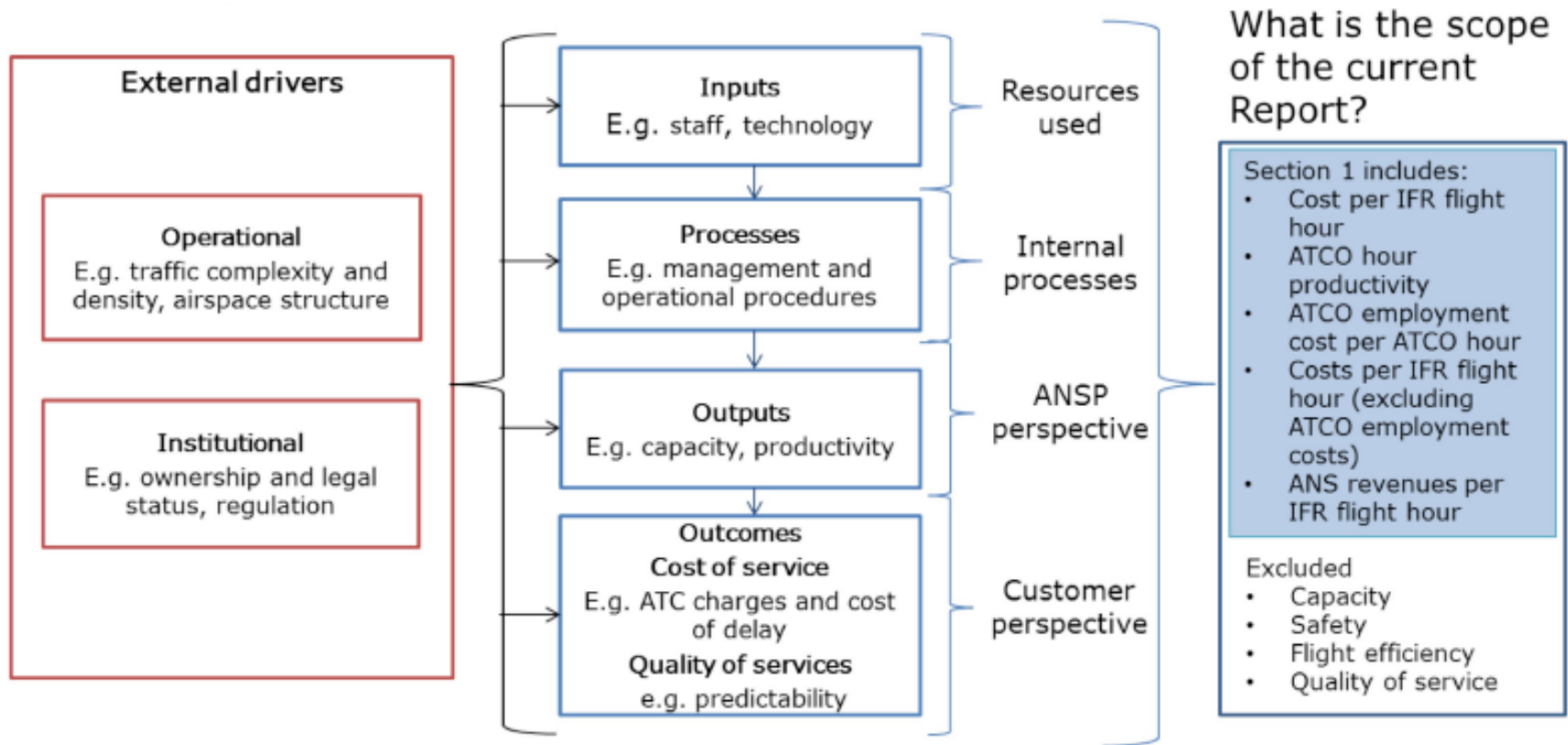
Key Performance Indicators (KPIs): Item 27-06

“Cost per 100km flown” and the “Cost per oceanic flight hour” are the KPIs of common interest to the NAT EFG and NAT IMG: report to NAT SPG/50 (paragraph 5.12 of the NAT EFG/25 Summary of Discussions)

- **Reported to NAT SPG/50 (NAT SPG/50 Report, paragraphs 2.11 thru 2.1.3 refer): NAT SPG [...] asked NAT EFG to further describe what was really understood under the term “cost”, and whether the costs covered air traffic control (ATC), communications and meteorological aspects and to which extents.**
- **Consult with CANSO on an appropriate description of the KPIs**

What is Performance?

Performance is the effectiveness with which inputs are combined, through processes, to give provider outputs and customer outcomes.



CANSO: Global Air Navigation Services Performance Report 2014

CANSO KPIs - 2014

	KPI	Numerator	Denominator
1	Cost efficiency	Costs	IFR flight hours
2A	ATCO employment cost per ATCO hour	Employment costs for ATCOs in operations	ATCO in operations hours
2B	ATCO hour productivity	IFR flight hours	ATCO in operations hours
2C	Cost excluding ATCO employment costs per IFR flight hour	Costs excluding ATCO employment costs	IFR flight hours
P1	ANS revenues per IFR flight hour	ANS revenues	IFR flight hours

Unit Cost Measures

Unit Revenue Measure

CANSO: Global Air Navigation Services Performance Report 2014

CANSO Total Cost Definition

Total ANSP costs include:

- **Operating Costs**
- **Cost of Capital and**
- **Depreciation/Amortization**

CANSO – Definition of Operating Cost

Operating costs include: direct and indirect employment costs; non-staff operating expenses; and other costs incurred through the purchase of goods and services directly used to provide ANS services.

- Operating costs should include outsourced services such as communications, IT and external staff on short-term assignments.
- Other items that are usually included in operating costs include materials, energy, rent, and facilities and maintenance.
- The cost of providing meteorological services is excluded.

CANSO – Definition of Capital Costs

The cost of capital falls into two categories. The first is the interest paid to the providers of debt capital. The second is the appropriate cost of capital applied to equity capital.

- For ANSPs with both categories the cost of capital is the interest expense on debt capital plus the cost of capital on equity built into the ANSP charges.
- For ANSPs with only debt capital, the cost of capital is the interest expense.
- For ANSPs with only debt capital, where the interest expense is borne by the government and not reflected in the accounts of the ANSP, the cost of capital can be imputed by applying the interest rate on overall government borrowing to the ANSP capital.

CANSO – Definition of Depreciation and Amortization

Depreciation and capital lease amortization expenses related to the total fixed assets in operation associated with providing ANS services.

- Depreciation is the decrease of an asset in value due to wear and tear through use, action of the elements, inadequacy or obsolescence, normally over a predetermined period (depreciation period/book life of the asset.)
- Amortization is the gradual extinguishment of the cost of an asset by periodic (annual) charges to expenses, usually applicable to intangible asset (e.g. development costs). It excludes depreciation/amortization costs associated with meteorological services.

CANSO Operational Definitions

Normalize to Compare with other Regions

IFR Flight Hours (Oceanic)

The sum of oceanic IFR flight hours controlled by an ANSP's en-route centers (ACC). For any given flight, the flight hours controlled are derived from the difference between the entry time and the exit time (as derived from the last flight plan received) in the oceanic controlled airspace.

IFR Kilometers (Oceanic)

The sum of IFR kilometers controlled by an ANSP within oceanic airspace. Note: Oceanic airspace controlled by an ANSP, has defined dimensions, e.g ICAO designated oceanic area.

CANSO – Total ANS Revenue

- **ANS revenue (Oceanic) is ANS revenue (before adjustments from previous years) from the provision of oceanic ANS services. Revenue is exclusive of continental ANS services, and non-ANS revenue sources.**
- **If normalized, a measure of profitability and price**
- **Not a proxy for cost**

Conclusion

- **CANSO provides a foundation for measuring cost efficiency and profitability based on unit costs and unit revenues for the NAT Region.**

