



## NOTICE OF REVISED SERVICE CHARGES

JUNE 2008

### **GENERAL**

Pursuant to Section 36 of the Civil Air Navigation Services Commercialization Act, S.C. 1996, c. 20 (the "ANS Act"), the following document provides notice (the "Notice") of **NAV CANADA's proposed revised charges for air navigation services to become effective September 1, 2008, except as otherwise noted.** A document setting out additional details in relation to these proposals, including a justification in relation to the charging principles established under Section 35 of the ANS Act, is available upon request from NAV CANADA.

Persons interested in making representations to NAV CANADA with regard to the proposals set out in this Notice may do so by writing to the address set out under Section 2 so as to be received by NAV CANADA not later than August 18, 2008.

NAV CANADA applies service charges to the following categories of air navigation services: (i) terminal, (ii) enroute, and (iii) oceanic.

**Except for the revisions proposed in this Notice, all the existing charges and related terms and conditions, as set out in earlier Announcements pertaining to charges, remain in effect.**

This Notice consists of two sections:

- 1) Proposed Revision in Rates for Service Charges; and
- 2) Additional Information Regarding the Notice and on Making Representations to NAV CANADA.

## **1. PROPOSED REVISION IN RATES FOR SERVICE CHARGES**

### **1.1. Background**

Continued focus on cost control and productivity improvements, while maintaining or improving safety, have – along with strong growth in traffic - enabled the Company to decrease customer service charges. A reduction averaging 1.8% was implemented on September 1, 2006. On August 1, 2007, rates were reduced by a further 3 percent, with an additional 1% temporary rate reduction put in place, which is scheduled to expire on August 31, 2008. We are now in a position to propose that the temporary 1% rate reduction be retained, and incorporated directly into the base rates, effective September 1, 2008.

The total costs of the Company for fiscal year 2009 are projected at \$1,253 million. The forecast revenue from the proposed rates (\$1,227 million) and from the non-aeronautical sources such as technology sales (\$32 million) totals \$1,259 million. This would result in an anticipated surplus of \$6 million for fiscal 2009.

It must be noted that significant uncertainties affect the financial projection. On the revenue side, the extent to which traffic growth will be affected by the economic slowdown and higher fuel costs remains to be seen. On the cost side, the main uncertainties pertain to pension costs and the restructuring of the Company's investments in Asset Backed Commercial Paper (ABCP).

In view of this uncertain environment, no further reduction in rates is proposed at this time although the Company will revisit this on an ongoing basis and will adjust rates as more information becomes available and/or experience with traffic results and costs dictates. A review of cost allocation between services was conducted as of August 31, 2007, and was found to be appropriate.

As noted above, the proposed effective date for the revision in customer service charges is September 1, 2008. However, for the annual and quarterly charges, the proposed revision will be effective March 1, 2009, consistent with the normal date for revisions in these charges.

This Notice also includes proposed revised rates pertaining to the implementation of Phase 2 of the change in the weight exponent for the Terminal Services charge, and the related change in the terminal component of the Daily charge (other than the Daily charge at specified airports for propeller aircraft three metric tonnes or less). This change in methodology was announced in April 2006 after extensive consultation with stakeholders during the Company's service charges review. The Announcement set out the revision, with Phase I being implemented on May 1, 2006, and Phase II to be implemented on September 1, 2008. These changes are revenue neutral to NAV CANADA.

## 1.2. Proposal to Retain Existing Temporary Reduction of One Per Cent

It is proposed that an amount equal to the existing temporary rate reduction for NAV CANADA service charges be retained by incorporating it into the base rates, and eliminating the existing temporary adjustment component of the charges. The revised charges will be effective September 1, 2008, except for the annual and quarterly charges, which will be implemented March 1, 2009.

## 1.3 Proposed Rate for Terminal Services Charge

In April 2006 NAV CANADA announced that it was changing the weight exponent in its Terminal Services charge formula from 0.9 to 0.8, to be completed in two phases. There would also be related changes in the Daily charge. The first phase changed the exponent to 0.85 effective May 1, 2006. The second phase further reduces the exponent from 0.85 to 0.8 effective September 1, 2008, with a related increase in the Daily charge. Overall, these changes are revenue-neutral to NAV CANADA.

The specific value of the weight exponent determines to what degree the cost to be recovered through the charge is borne by aircraft of varying weights. A lower weight exponent results in a smaller proportion of the cost being absorbed by larger aircraft.

The reduction of the weight exponent will also result in a significant reduction in the total number of charging units calculated. As such, the unit rate must be increased to generate the same level of total Terminal Services revenue.

NAV CANADA currently uses a weight exponent of 0.85 in its Terminal Services Charge formula. The formula is:

$$\text{Charge} = \text{MTOW}^{0.85} \times \text{Rate}$$

Where:

- MTOW is the maximum permissible take-off weight of the aircraft, and
- Rate = the unit rate. The base rate is currently \$19.62. A temporary rate adjustment of -\$0.20 also applies.

Effective September 1, 2008, the Terminal Services charge formula will be (as announced in April 2006)

$$\text{Charge} = \text{MTOW}^{0.8} \times \text{Rate}$$

## **Proposal**

Effective September 1, 2008, it is proposed that the base rate for the Terminal Services charge (at weight exponent 0.8) will be \$23.90. This rate also incorporates the current temporary rate adjustment.

### **1.4 Proposed Rates for Daily Charge for Aircraft Weighing Over Three Tonnes and Small Jet Aircraft**

The Daily charge represents a composite fee for terminal and enroute services. The Daily charge applies mainly to propeller aircraft, which typically represent smaller aircraft. A change in the Terminal Services charge affecting smaller aircraft also means a similar change in the terminal component of the Daily charge. As the reduction in the aircraft weight exponent for the Terminal Services charge, set out in subsection 1.3 of this Notice, will result in an increase in this charge for smaller aircraft, a similar increase will also apply for the terminal component of the Daily charge.

### **1.5 Proposed Rates**

The following tables set out the current and proposed rates. The proposed rates incorporate the existing temporary rate reduction, as set out in subsection 1.2, and the changes related to the reduction in the weight exponent for the terminal services charge, as set out in subsections 1.3 and 1.4.

#### **Movement-Based Charges**

Charge	Existing Rates		Proposed Rates
	Base Rates Prior to September 1, 2008	Temporary Rate Adjustments Prior to September 1, 2008	Base Rates Effective September 1, 2008
Terminal	\$ 19.62	\$ -0.20	\$ 23.90*
Enroute	\$ 0.03481	\$ -0.00036	\$ 0.03445
North Atlantic	\$ 94.21	\$ -0.97	\$ 93.24
International Communication			
Data Link	\$ 22.27	\$ -0.23	\$ 22.04
Voice	\$ 59.17	\$ -0.61	\$ 58.56

\* The proposed rate for the Terminal Services Charge has been adjusted to reflect the weight exponent change to 0.8, as set out in subsection 1.3.

**Daily Charges**

Category and Weight Group* (in metric tonnes)	Existing Rates		Proposed Rates**
	Base Rates Prior to September 1, 2008	Temporary Rate Adjustments Prior to September 1, 2008	Base Rates Effective September 1, 2008
Propeller Aircraft			
Over 3.0 up to 5.0	\$ 38	\$ -1	\$ 42
Over 5.0 up to 6.2	\$ 77	\$ -1	\$ 84
Over 6.2 up to 8.6	\$ 307	\$ -3	\$ 333
Over 8.6 up to 12.3	\$ 728	\$ -7	\$ 773
Over 12.3 up to 15.0	\$ 1,090	\$ -11	\$ 1,152
Over 15.0 up to 18.0	\$ 1,319	\$ -13	\$ 1,384
Over 18.0 up to 21.4	\$ 1,792	\$ -19	\$ 1,866
Over 21.4	\$ 2,368	\$ -25	\$ 2,421
Maximum for Helicopters	\$ 77	\$ -1	\$ 84
Small Jet Aircraft			
Up to 3.0	\$ 140	NIL	\$ 159
Over 3.0 up to 6.2	\$ 187	\$ -2	\$ 205
Over 6.2 up to 7.5	\$ 307	\$ -3	\$ 333

\* Maximum permissible take-off weight.

\*\* The proposed rates have been adjusted to reflect the increase related to the weight exponent change to 0.8 for the Terminal Services charge as set out in subsections 1.3 and 1.4.

**Daily Charge for Propeller Aircraft Weighing Three Tonnes or Less\***

Weight Group** (in metric tonnes)	Existing Rates		Proposed Rates***
	Base Rate Prior to March 1, 2009	Temporary Rate Adjustment Prior to March 1, 2009	Base Rate Effective March 1, 2009
0.617 up to 3.0	\$ 10	NIL	\$ 10

\* Applicable at Vancouver including the water aerodrome, Calgary, Edmonton, Winnipeg, Toronto (L. B. Pearson), Ottawa (Macdonald-Cartier) and Montréal (Trudeau) international airports. This Daily Charge also applies to propeller aircraft over 3.0 tonnes that have been declared to NAV CANADA as dedicated to recreational use.

\*\* Maximum permissible take-off weight.

\*\*\* The annual maximum limit of \$1,200 per aircraft will remain unchanged.

## Annual Charges\*

Weight Group** (in metric tonnes)	Existing Rates		Proposed Rates
	Base Rates Prior to March 1, 2009	Temporary Rate Adjustments Prior to March 1, 2009	Base Rates Effective March 1, 2009
0.617 up to 2.0	\$ 69	\$ -1	\$ 68
Over 2.0 up to 3.0***	\$ 229	\$ -2	\$ 227

\* For foreign-registered aircraft, the corresponding Quarterly Charge is equal to 25% of the Annual Charge.

\*\* Maximum permissible take-off weight.

\*\*\* The existing provisions regarding private aircraft used exclusively for recreational purposes (regardless of aircraft weight) and for aircraft restricted to aerial agricultural spraying remain with the exception of the revised rates.

## Annual Minimum Charges\*

Aircraft Category	Existing Rates		Proposed Rates
	Base Rates Prior to March 1, 2009	Temporary Rate Adjustments Prior to March 1, 2009	Base Rates Effective March 1, 2009
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft **	\$ 229	\$ -2	\$ 227

\* Applicable to aircraft not subject to the Annual Charge or the Quarterly Charge. For foreign-registered aircraft, the corresponding Quarterly Minimum Charge is equal to 25% of the Annual Minimum Charge.

\*\* Except for propeller aircraft over 3 metric tonnes (maximum permissible take-off weight) restricted to Agricultural Spraying, for which the existing provisions remain with the exception of the revised rates.

## 2. ADDITIONAL INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO NAV CANADA

Further details of this proposal, including a justification for the proposal in relation to the charging principles, are provided in a document entitled *Details and Principles Regarding Proposed Revised Service Charges* ("Details and Principles") which is available on request. The Notice and the Details and Principles documents are posted on NAV CANADA's Internet site ([www.navcanada.ca](http://www.navcanada.ca)).

Information on the existing charges is provided in NAV CANADA's announcements on service charges and *Customer Guide to Charges*, which are also available on the Internet site.

A hard copy of the Details and Principles document may be obtained by contacting NAV CANADA:

in writing: NAV CANADA  
P.O. Box 3411, Station "D"  
Ottawa, Ontario  
Canada K1P 5L6  
Attention: Director, Customer Relations

by e-mail: [service@navcanada.ca](mailto:service@navcanada.ca)  
by facsimile: 1-613-563-3426  
by telephone: 1-800-876-4693

Pursuant to Section 36 of the ANS Act, persons interested in making representations to NAV CANADA with regard to the proposals contained in this Notice may do so in writing to the following address:

NAV CANADA  
P.O. Box 3411, Station "D"  
Ottawa, Ontario  
Canada K1P 5L6  
Attention: Assistant Vice-President,  
Revenue and Performance Indicators

By facsimile 1-613-563-7994

**Note: Representations must be received by NAV CANADA not later than the close of business on August 18, 2008.**

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***Caution Concerning Forward-looking information***

*This document contains certain statements about our future expectations. Because forward-looking statements involve future risks and uncertainties, actual results may be quite different from those expressed or implied in these statements. Examples include terrorist attacks, war, health epidemics or pandemics, natural disasters, weather patterns, labour negotiations, arbitrations, workforce recruitment, training and retention, general industry conditions, capital market and economic conditions, the ability to collect customer service charges and reduce operating costs, changes in interest rates, changes in laws, tax changes, adverse regulatory developments or proceedings and lawsuits. The forward-looking statements contained in this document represent our expectations as of June 12, 2008, and are subject to change after this date. We disclaim any intention or obligation to update or revise any forward-looking statements included in this document whether as a result of new information, future events or for any other reason.*