

## **ANNOUNCEMENT OF REVISED SERVICE CHARGES**

**AUGUST 2020**

### **GENERAL**

NAV CANADA hereby announces revised service charges, pursuant to Section 37 of the *Civil Air Navigation Services Commercialization Act*, S.C. 1996, c. 20 (ANS Act). This Announcement sets out the revisions in charges that apply to four categories of air navigation charges: (i) Terminal, (ii) Enroute, (iii) North Atlantic Enroute, and (iv) International Communications. These revised charges will become effective on September 1, 2020 except where otherwise indicated. All other service charges provisions not amended by this Announcement remain in effect.

Pursuant to Section 42 of the ANS Act, persons wishing to appeal these revisions may do so by making an application to the Canadian Transportation Agency. The application must be filed within 30 days after the filing of this Announcement with the Agency. An appeal may only be made on one or more of the grounds set out in Section 43 of the ANS Act.

This Announcement consists of three sections:

- (1) Revision to Service Charge Rates;
- (2) Implementation of the Revised Service Charges; and
- (3) Modification to Terms and Conditions.

## 1. REVISION TO SERVICE CHARGE RATES

The following tables set out the revised rates to be effective September 1, 2020, except where otherwise noted. These rate increases are required to generate incremental revenues of \$242 million in NAV CANADA's 2021 fiscal year, thereby bringing it into compliance with debt covenants and enabling the borrowing of \$850 million by NAV CANADA in May 2020 to meet its liquidity requirements pursuant to the COVID-19 pandemic.

### Movement-Based Charges

Charge	Base Rates Prior to September 1, 2020	Base Rates Effective September 1, 2020
Terminal Charge	\$ 24.36	\$ 31.86
Enroute Charge (including Overflight)	\$ 0.03008	\$ 0.03802
NAT	\$ 155.03	\$ 230.22
International Communications		
Data Link	\$ 19.99	\$ 28.19
Voice	\$ 53.14	\$ 74.93

### Daily Charges

Category and Weight Group* (in Metric Tonnes)	Base Rates Prior to September 1, 2020	Base Rates Effective September 1, 2020
Propeller Aircraft		
Over 3.0 to 5.0	\$ 41.65	\$ 54.19
Over 5.0 to 6.2	\$ 83.32	\$ 108.40
Over 6.2 to 8.6	\$ 330.30	\$ 429.72
Over 8.6 to 12.3	\$ 766.73	\$ 997.52
Over 12.3 to 15.0	\$ 1,142.65	\$ 1,486.59
Over 15.0 to 18.0	\$ 1,372.77	\$ 1,785.97
Over 18.0 to 21.4	\$ 1,850.87	\$ 2,407.98
Over 21.4	\$ 2,401.36	\$ 3,124.17
Maximum Helicopters	\$ 83.32	\$ 108.40
Small Jet Aircraft		
Up to 3.0	\$ 157.72	\$ 205.19
Over 3.0 to 6.2	\$ 203.34	\$ 264.55
Over 6.2 to 7.5	\$ 330.30	\$ 429.72

\* Maximum permissible take-off weight.

### Annual Charges\*

Weight Group** (in metric tonnes)	Base Rates Prior to March 1, 2021	Base Rates Effective March 1, 2021	Base Rates Effective March 1, 2022	Additional 5 Year Temporary Rate Adjustment Effective March 1, 2022
0.617 up to 2.0	\$ 67.40	\$ 67.40	\$ 87.69	\$ 4.06
Over 2.0 up to 3.0***	\$ 225.12	\$ 225.12	\$ 292.88	\$ 13.55

\* 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 a rate of \$67.40 as at March 1, 2021.

### Daily Charge at Seven Specified International Airports

Aircraft Category	Base Rate Prior to March 1, 2021	Base Rate Effective March 1, 2021	Base Rate Effective March 1, 2022	Additional 5 Year Temporary Rate Adjustment Effective March 1, 2022
Daily Charge for Propeller Aircraft up to 3.0 Metric Tonnes*	\$ 9.92	\$ 9.92	\$ 12.91	\$ 0.60

\* Maximum permissible take-off weight.

### Annual Minimum Charges\*

Aircraft Category	Base Rate Prior to March 1, 2021	Base Rate Effective March 1, 2021	Base Rate Effective March 1, 2022	Additional 5 Year Temporary Rate Adjustment Effective March 1, 2022
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft **	\$ 225.12	\$ 225.12	\$ 292.88	\$ 13.55

\* 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 aircraft restricted to Agricultural Spraying, for which the existing provisions remain with a rate of \$67.40 as at March 1, 2021.

## **2. IMPLEMENTATION OF THE REVISED SERVICE CHARGES**

NAV CANADA seeks to mitigate the immediate cash flow impact of these service charge increases on its customers, while at the same time generating the required revenue increase for NAV CANADA. To this end the revised service charges will be implemented as follows.

### **2.1 Movement-Based and Daily Charges**

Payment of the incremental charges generated by the service charge increases in its fiscal 2021 year will be deferred over a five-year period.

To effect this, beginning with invoices capturing September 2020 flight activity, and continuing throughout the Company's 2021 fiscal year, only charges generated at current rates (i.e., the rates in effect prior to the service charge revisions) will be invoiced as "Current" due. The portion of the total charges that are calculated by applying the service charge increases will be shown separately on the invoice(s) and will be payable in equal amounts over the next five-year period.

Interest will not be charged on these deferred amounts provided they are paid when due. If they are not paid when due then interest charges will be applied at the rate set out in NAV CANADA's *Customer Guide to Charges*, beginning the day following the due date.

### **2.2 Annual Charges, Daily Charge at Seven Specified International Airports and Annual Minimum Charges**

To ease the administrative burden on both NAV CANADA and its customers, and to minimize the cash flow impact to customers of the service charge revisions, invoices will not reflect the revised charges until March 1, 2022. Invoices generated as at March 1, 2022, and thereafter for the following five years, will reflect the revised charges plus a temporary charge equivalent to 1/5 of the current increase to recover the amount that would otherwise have been invoiced if the revised charges had been invoiced effective March 2021, (plus whatever other service charge revisions become effective in the interim). The temporary charge structure is intended to replicate the effect of the five-year cash payment deferral for Movement-Based and Daily charges (as set out in Section 2.1 above) and will be removed from invoices generated after March 2027.

### 3. MODIFICATION TO TERMS AND CONDITIONS

Terms and Conditions for the incremental Movement-Based and Daily Charges generated by the application of the revised charges throughout NAV CANADA's 2021 fiscal year are subject to the following modifications:

Payment: Beginning with invoices pursuant to September 2020 flight activity and continuing throughout NAV CANADA's 2021 fiscal year, only the charges generated at the rates in effect prior to the September 1, 2020 revisions will be invoiced as "Current" due. The portion of the total charges that is calculated by the application of the service charge increases will be payable in equal amounts over the following five-year period (i.e., the deferred payment amounts).

Interest Charges: If payment of the deferred payment amounts is not received by the due date then NAV CANADA shall charge interest on the amount outstanding from the amount that is due and such interest shall be calculated commencing on the first day after the due date and continuing until all outstanding amounts are paid in full.

Refundable Deposit: The deferred payment amounts are excluded from the determination of the \$4 million limit set out in Section F 5.1 of NAV CANADA's *Customer Guide to Charges*.