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ANNOUNCEMENT OF REVISED SERVICE CHARGES

OCTOBER 2013

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 revision in charges, which will become effective on November 15, 2013. 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 two sections:

- 1) Modification to the Application of the Enroute Charge for Flights which Land or Take Off in Canada; and
- 2) Modifications to Credit Terms and Conditions.

1. MODIFICATION TO THE APPLICATION OF THE ENROUTE CHARGE FOR FLIGHTS WHICH LAND OR TAKE OFF IN CANADA

The revised application of the enroute charge is as follows:

The charge applies to both overflights and flights which land or take off in Canada. With respect to flights which land or take off in Canada, the Enroute charge applies:

- (a) to flights between two Canadian aerodromes, where at least one of which is not located north of 60° North latitude, and at least one of which is an aerodrome where NAV CANADA applies the Terminal Services charge; and
- (b) to flights between two Canadian airports that are located north of 60° North latitude, and at least one of which is an airport where NAV CANADA applies the Terminal Services charge; and
- (c) to international flights.

For the purpose of NAV CANADA charges, airport means a certified aerodrome, or an uncertified aerodrome with air navigation services staffed either by NAV CANADA or by a person acting under the authority of the Minister of National Defence.

2. MODIFICATIONS TO CREDIT TERMS AND CONDITIONS

2.1 Addition to Credit Terms and Conditions

The following will be added to the Credit Terms and Conditions:

Application

This policy applies in respect of a “customer” receiving, or having made available to them, air navigation services from NAV CANADA.

A “customer” means any person, which includes an individual, partnership, corporation, trust, unincorporated organization, government or agency or political subdivision thereof, or any other form of legal entity, including “affiliated” customers. Customers are affiliated customers if one of them is the subsidiary of the other, both are subsidiaries of the same customer, or each of them is controlled by the same person. A customer is a subsidiary of another customer if it is controlled by that other customer.

A customer is controlled by a person or other customer if

- (i) with respect to any entity, the ownership at the relevant time of securities carrying more than 50% of the exercisable voting rights attached to all outstanding securities of that entity, other than by way of security only, if the votes carried by those securities are sufficient to elect a majority of that entity's board of directors to otherwise provide for effective control of that entity;
- (ii) with respect to an entity without securities, it has the ability to manage the business and affairs of the entity;
- (iii) with respect to a partnership, it has the ability to manage the business and affairs of that partnership; and
- (iv) with respect to a trust, it has the ability to appoint and remove trustees of that trust.

2.2 Revision to Credit Security Arrangements

Credit security arrangements will be as follows:

Where an aircraft operator has significant and/or overdue charges or where NAV CANADA, acting reasonably and in good faith, is of the opinion that NAV CANADA charges will not be paid when due, NAV CANADA may seek credit security arrangements from the operator in a form and substance satisfactory to NAV CANADA.

The amount of outstanding charges, including both amounts billed and amounts accrued for unbilled charges, for any customer shall not exceed \$4 million at any time. When NAV CANADA determines that the maximum of \$4 million may be exceeded, it shall advise the customer that its billing and/or payment frequency shall be increased and/or a refundable deposit may be required as necessary to ensure the maximum is not exceeded. Where the customer makes a refundable deposit, the amount must remain on deposit for a minimum of six (6) months and NAV CANADA will remit to the depositor every six (6) months the interest earned based on the six (6) month Canadian Dollar Offered Rate (CDOR) or similar market rate at time of deposit or renewal. In appropriate circumstances, NAV CANADA may also require advance payments or deposits on account of charges.

A customer shall be required to pay for the provision or availability of air navigation services in advance or provide satisfactory security for such payment on the basis of an estimate of charges to be incurred, in the following circumstances:

- A customer fails to make a payment or any part of a payment in accordance with NAV CANADA's payment terms and conditions on three occasions or more;
- The customer's Dun & Bradstreet Financial Stress Score Risk Class is a 4 or 5, or the failure score equivalent, as amended from time to time;

- A customer's credit is rated and its credit rating is below or falls to below B as determined by Standard & Poor's or B2 as determined by Moody's;
- If a customer is under creditor protection (e.g., Companies' Creditors Arrangement Act (CCAA) in Canada or Chapter 11 in the United States) or any other form of financial restructuring in accordance with applicable insolvency legislation or the customer has publicly announced that it may file for creditor protection or bankruptcy; or
- The customer has not provided NAV CANADA, upon request, with financial information such as credit ratings, credit reports, analyst reports, current audited or unaudited financial statements, etc. which NAV CANADA deems sufficient to enable it to assess and conclude that the creditworthiness of the customer is satisfactory.

Without limiting NAV CANADA's general discretion to require security arrangements, where a customer has not been invoiced previously by NAV CANADA for ANS services, or has not been invoiced within the previous six months, and where total monthly charges are expected to exceed \$1,000, the customer will be required to make a pre-payment, which will remain on account for a minimum of two years, in an amount equal to twice the estimated monthly total charges. The pre-payment amount will be subject to adjustments based on changes in the level of the estimated monthly total charges.