



NOTICE OF REVISED SERVICE CHARGES

MAY 2006

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, 2006, 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 July 7, 2006.

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

NAV CANADA's last overall increase in customer service charges was implemented effective September 1, 2004. At that time, base rates were increased to provide the Company with sufficient revenues to recover its forecasted fiscal year 2005 costs. An existing rate adjustment, representing approximately 2% of base rates, that had been implemented on August 1, 2003, was retained. The adjustment had been implemented to gradually eliminate the deficit of \$116 million in the Company's Rate Stabilization Account (RSA), following the post-9/11 decline in traffic, with the objective of replenishing the Rate Stabilization Account to a target balance of \$50 million within five years.

Since the RSA balance is now above \$50 million, the Company proposes to remove the RSA related adjustment in the charges, effective September 1, 2006. By the end of fiscal year 2006, it is estimated that the RSA balance will be in excess of \$50 million by approximately \$8 million. As shown below, this amount has been taken into account in determining the proposed rates for fiscal year 2007.

With respect to fiscal year 2007, increased pension costs of approximately \$25 million versus fiscal 2006, will lead to a shortfall if service charges are not increased. Historical low yields in long term bonds have had a significant negative impact on most defined benefit pension plans. NAV CANADA's pension plans had an accounting deficit of \$629 million as at May 31, 2005. This deficit results in significant increases in current and future annual pension costs.

The total NAV CANADA costs for fiscal year 2007, including pension costs, are currently anticipated to be \$1,225 million, after taking into account all reasonable cost reduction initiatives. The revenue from the existing base rates and non-aeronautical sources is expected to be \$1,196 million, leaving a shortfall of \$29 million. In order to break even financially, this would necessitate an average increase of 2.5% in customer service charges. However, it is proposed to increase base rates by 2% only. This would reduce the shortfall by approximately \$21 million. The remaining shortfall of \$8 million would be recovered by a draw-down of the RSA.

Under this proposal, there is no net increase in customer service charges in fiscal year 2007.

1.2 Proposed Revision

It is proposed that the existing rate adjustment for NAV CANADA service charges be added to the base rates, and that the adjustment component of the charges be eliminated. The revised charges will be effective September 1, 2006, except for the annual and quarterly charges, which will be implemented March 1, 2007. The proposed rates are set out in the following tables.

Movement-Based Charges

Charge	Existing Rates		Proposed Rates
	Base Rates Prior to September 1, 2006	Additional Rate Adjustments Prior to September 1, 2006	Base Rates Effective September 1, 2006
Terminal	\$ 20.23	\$ 0.35	\$ 20.58
Enroute	\$ 0.03589	\$ 0.00065	\$ 0.03654
North Atlantic	\$ 97.12	\$ 3.35	\$ 100.47
International Communication			
Data Link	\$ 22.96	Nil	\$ 22.96
Voice	\$ 61.00	Nil	\$ 61.00

Daily Charges

Category and Weight Group* (in metric tonnes)	Existing Rates		Proposed Rates
	Base Rates Prior to September 1, 2006	Additional Rate Adjustments Prior to September 1, 2006	Base Rates Effective September 1, 2006
<i>Propeller Aircraft</i>			
Over 3.0 up to 5.0	\$ 39	\$ 1	\$ 40
Over 5.0 up to 6.2	\$ 79	\$ 1	\$ 80
Over 6.2 up to 8.6	\$ 317	\$ 5	\$ 322
Over 8.6 up to 12.3	\$ 751	\$ 13	\$ 764
Over 12.3 up to 15.0	\$ 1,124	\$ 19	\$ 1,143
Over 15.0 up to 18.0	\$ 1,360	\$ 23	\$ 1,383
Over 18.0 up to 21.4	\$ 1,847	\$ 32	\$ 1,879
Over 21.4	\$ 2,441	\$ 42	\$ 2,483
Maximum for Helicopters	\$ 79	\$ 1	\$ 80
<i>Small Jet Aircraft</i>			
Over 3.0 up to 6.2	\$ 193	\$ 3	\$ 196
Over 6.2 up to 7.5	\$ 318	\$ 5	\$ 323

* Maximum permissible take-off weight.

Annual Charges*

Weight Group** (in metric tonnes)	Existing Rates		Proposed Rates
	Base Rates Prior to March 1, 2007	Additional Rate Adjustments Prior to March 1, 2007	Base Rates Effective March 1, 2007
0.617 up to 2.0	\$ 71	\$ 1	\$ 72
Over 2.0 up to 3.0***	\$ 236	\$ 4	\$ 240

* 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, 2007	Additional Rate Adjustments Prior to March 1, 2007	Base Rates Effective March 1, 2007
Annual Minimum for Aircraft over 3.0 Metric Tonnes **	\$ 236	\$ 4	\$ 240

* 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 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).

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
by facsimile: 1 - 613 - 563 - 3426
by telephone: 1 - 800 - 876 - 46934 (within North America, disregard the last digit)

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 July 7, 2006.

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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 May 4, 2006, 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.