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## NOTICE OF REVISED SERVICE CHARGES

MAY 2017

### **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 to become effective September 1, 2017, 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 3 so as to be received by NAV CANADA not later than July 31, 2017.

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

**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 to Service Charge Rates and Refund of Service Charges;
- (2) Additional Information Regarding the Notice and on Making Representations to NAV CANADA.

Posted 2017/05/30

## **1. PROPOSED REVISION TO SERVICE CHARGE RATES AND REFUND OF SERVICE CHARGES**

### **1.1 Background**

When establishing a new charge for air navigation services or revising an existing charge, the Corporation must follow the charging principles set out in the ANS Act. These principles prescribe that, among other things, charges must not be set at a level that, based on reasonable and prudent projections, would generate revenues exceeding the Corporation's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to the charging principles, the Corporation's Board of Directors (Board) approves the amount and timing of changes to customer service charges. The Board also approves the Corporation's annual budget where the amounts to be recovered through customer service charges for the ensuing year are determined. The Corporation plans its operations to result in an annual financial breakeven position after recording adjustments to the rate stabilization account.

Traffic growth has exceeded expectations over the past year and has been unusually high considering actual GDP growth rates of major world economies. The high growth has been driven primarily through the expansion of low cost carrier operations, particularly on the North Atlantic. Traffic growth is expected to remain fairly strong through fiscal 2018.

The strong traffic results in the current fiscal year and forecast for fiscal 2018 have enabled the Company to reduce base rates for all services for fiscal 2018 as well as return an expected fiscal 2017 surplus during fiscal 2018. The following sections set out the proposals. Additional information including supporting calculations is provided in the document Details and Principles Regarding Proposed Revised Service Charges (May 2017). Refer to section 2 for information on how to obtain a copy of this document.

### **1.2 Proposed Customer Service Charge Rate Revisions**

There are three elements in this proposal to revise rates: (i) adjust base rates to the levels required in order to recover the Corporation's anticipated costs, by service, during fiscal 2018, (ii) set one-year temporary rate adjustments to return to customers approximately \$5.7 million, and (iii) issue a one-time refund in fiscal 2018 to customers totaling approximately \$60 million, based on a percentage of fiscal 2017 actual billings for customer service charges.

#### **(i) Base Rate Revision**

Based on the Corporation's financial forecasts, base rates need to be revised to generate 3.5% less ANS revenue in fiscal 2018 than would be generated by the existing base rates. The revisions in base rates must vary by service, to ensure that rates are aligned with the anticipated costs and traffic by service. NAV CANADA's costs and revenues relate to four services provided by the Company: Terminal, Enroute, North Atlantic Enroute (NAT), and International Communications (Int'l Com).

The proposed base rate revisions for each of the services are as follows, effective September 1, 2017: Terminal: 0.5% decrease, Enroute: 5.6% decrease, NAT: 9.5% decrease, and Int'l Com: 3.5% decrease. Overall, the proposed base rate revisions represent an average 3.5% decrease in base rates.

(ii) One-Year Temporary Rate Adjustment

It is proposed to return to customers approximately \$5.7 million by way of temporary one-year rate adjustments during fiscal 2018. The proposed rate adjustments are calculated as a 0.4% reduction from the proposed new base rates.

The revised base rates will be effective September 1, 2017, except for the Annual, Quarterly and Daily - Major Airport charges, which will be implemented March 1, 2018, consistent with the revision cycle for these charges.

Temporary rate adjustments will be effective from September 1, 2017 to August 31, 2018 inclusive, except for the Annual, Quarterly and Daily-Major Airport charges, which will be effective from March 1, 2018 to February 28, 2019 inclusive.

Once the temporary rate adjustments expire, the base rates will be the only component to the charges, unless charges are modified again prior to that time.

The following tables set out the current rates as well as the proposed base rates and temporary adjustments.

**Movement-Based Charges**

<b>Charge</b>	<b>Base Rates Prior to September 1, 2017</b>	<b>Base Rates Effective September 1, 2017</b>	<b>Additional Rate Adjustments<sup>†</sup></b>
Terminal	\$24.14	\$ 24.02	-\$ 0.10
Enroute	\$ 0.03194	\$ 0.03015	-\$ 0.00013
North Atlantic	\$87.18	\$ 78.90	-\$ 0.33
International Communication			
Data Link	\$19.02	\$ 18.35	-\$ 0.08
Voice	\$50.54	\$ 48.78	-\$ 0.20

<sup>†</sup> These temporary rate adjustments will be effective September 1, 2017 to August 31, 2018.

**Daily Charges**

<b>Category and Weight Group* (in metric tonnes)</b>	<b>Base Rates Prior to September 1, 2017</b>	<b>Base Rates Effective September 1, 2017</b>	<b>Additional Rate Adjustments<sup>†</sup></b>
Propeller Aircraft			
Over 3.0 up to 5.0	\$ 41.79	\$ 41.20	-\$ 0.16
Over 5.0 up to 6.2	\$ 83.58	\$ 82.41	-\$ 0.33
Over 6.2 up to 8.6	\$ 331.34	\$ 326.70	-\$ 1.31
Over 8.6 up to 12.3	\$ 769.14	\$ 758.37	-\$ 3.03
Over 12.3 up to 15.0	\$ 1,146.24	\$ 1,130.19	-\$ 4.52
Over 15.0 up to 18.0	\$ 1,377.08	\$ 1,357.80	-\$ 5.43
Over 18.0 up to 21.4	\$ 1,856.67	\$ 1,830.68	-\$ 7.32
Over 21.4	\$ 2,408.90	\$ 2,375.18	-\$ 9.50
Maximum for Helicopters	\$ 83.58	\$ 82.41	-\$ 0.33
<i>Small Jet Aircraft</i>			
Up to 3.0	\$ 158.21	\$ 156.00	-\$ 0.62
Over 3.0 up to 6.2	\$ 203.98	\$ 201.12	-\$ 0.80
Over 6.2 up to 7.5	\$ 331.34	\$ 326.70	-\$ 1.31

\* Maximum permissible take-off weight.

<sup>†</sup> These rate adjustments will be effective September 1, 2017 to August 31, 2018.

**Annual Charges\***

<b>Weight Group** (in metric tonnes)</b>	<b>Base Rates Prior to March 1, 2018</b>	<b>Base Rates Effective March 1, 2018</b>	<b>Additional Rate Adjustments<sup>†</sup></b>
0.617 up to 2.0	\$ 67.64	\$ 66.68	-\$ 0.28
Over 2.0 up to 3.0***	\$ 225.84	\$ 222.68	-\$ 0.88

\* 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.

† These temporary rate adjustments will be effective March 1, 2018 to February 28, 2019.

**Daily Charge at Seven Specified International Airports**

<b>Aircraft Category</b>	<b>Base Rates Prior to March 1, 2018</b>	<b>Base Rates Effective March 1, 2018</b>	<b>Additional Rate Adjustments<sup>†</sup></b>
Daily Charge for Propeller Aircraft up to 3.0 Metric Tonnes	\$ 9.95	\$ 9.81	-\$ 0.04

\* Maximum permissible take-off weight.

† These temporary rate adjustments will be effective March 1, 2018 to February 28, 2019.

**Annual Minimum Charges\***

<b>Aircraft Category</b>	<b>Base Rates Prior to March 1, 2018</b>	<b>Base Rates Effective March 1, 2018</b>	<b>Additional Rate Adjustments<sup>†</sup></b>
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft **	\$ 225.84	\$ 222.68	-\$ 0.88

\* 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 except the revised rate will be \$66.68 and the temporary rate adjustment will be -\$0.28.

† These temporary rate adjustments will be effective March 1, 2018 to February 28, 2019.

(iii) Refund of Service Charges

The Company proposes to issue a one-time refund of 4.6% of billings, including taxes, for fiscal 2017 charges. Fiscal 2017 charges refers to charges for fiscal 2017 services, even though some of these charges may be invoiced or adjusted in early fiscal 2018.

Fiscal 2017 runs from September 1, 2016 to August 31, 2017. In order to allow sufficient time for fiscal 2017 billings to be issued and the standard 90-day query period to have elapsed and associated adjustments processed, the refund will be calculated and issued in January 2018.

For all charge types except the three general aviation charges (Annual Charge, Quarterly Charge and Daily Charge at Seven Specified International Airports), and the annual minimum charges, the primary method of providing the refunds will be through a one-time credit applied to customer accounts. This approach is favoured over issuing cheques due to difficulties some customers outside Canada may face in depositing a Canadian dollar cheque issued by a Canadian bank in their home country. However, at its discretion NAV CANADA may decide to issue payments in lieu of credits in some cases.

For the three general aviation charges and the annual minimum charges, the credit will take the form of a credit to the unit rate for charges invoiced for the March 2018 – February 2019 period. The additional credit applied to 2018 rates will be 4.6% of the 2017 rates charged. The 2018 unit rate credits for the three general aviation charges will be:

	Annual Charge		
	Aircraft up to 2.0 tonnes	-\$	3.00
	Aircraft over 2.0 tonnes up to 3.0 tonnes	-\$	10.00
	Quarterly Charge		
	Aircraft up to 2.0 tonnes	-\$	0.75
	Aircraft over 2.0 tonnes up to 3.0 tonnes	-\$	2.50
	Daily Charge at Seven Specified International Airports	-\$	0.44
	Annual Minimum		
	Propeller aircraft over 3.0 tonnes and jets	-\$	10.00
	If restricted to agricultural spraying	-\$	3.00

These unit rate credits will apply *in addition to* the temporary rate reductions set out in subsection 1.2.ii.

## 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: AVP, Customer and Commercial Services

By e-mail: [service@navcanada.ca](mailto:service@navcanada.ca)  
By facsimile: 1-613-563-3426  
By telephone: 1-613-563-5588  
1-800-876-4693 (Toll Free North America)

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: Director, Rates and Revenue Systems

By facsimile: 1-613-563-5882

**Note: Representations must be received by NAV CANADA not later than the close of business on July 31, 2017.**

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### **Caution Concerning Forward-looking Information**

*This document contains certain statements about NAV CANADA's future expectations. These statements are generally identified by words like "anticipate", "plan", "believe", "intend", "expect", "estimate", "approximate" and the like, as well as future or conditional verbs such as "will", "should", "would" and*

*“could”, or negative versions thereof. 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 geopolitical unrest, terrorist attacks and the threat of terrorist attacks, war, epidemics or pandemics, natural disasters, weather patterns, environmental concerns, cyber security attacks, labour negotiations, arbitrations, workforce recruitment, training and retention, general aviation industry conditions, air traffic levels, the use of telecommunications and ground transportation as alternatives to air travel, capital market and economic conditions, the ability to collect customer service charges and reduce operating costs, the satisfaction of criteria for the remaining Aireon LLC (Aireon) investment tranche, the success of our investment in space-based aircraft surveillance through Aireon, credit losses on investments, changes in interest rates, changes in laws, tax changes, adverse regulatory developments or proceedings and lawsuits. Some of these risks and uncertainties are explained under “Risk Factors” in our fiscal 2016 AIF. The forward-looking statements contained in this document represent our expectations as of May 29, 2017 and are subject to change after this date. Readers of this document are cautioned not to place undue reliance on any forward-looking statement. 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, except as required by applicable securities legislation.*