



NOTICE OF REVISED SERVICE CHARGES

OCTOBER 15, 2001

GENERAL

Pursuant to Sections 15 and 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 January 1, 2002**. A document setting out additional details in relation to these proposed revised service charges, 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 proposed revised charges set out in this Notice may do so by writing to the address set out under Section 4 so as to be received by NAV CANADA not later than December 13, 2001.

NAV CANADA applies service charges to the following categories of air navigation services: (i) terminal, (ii) enroute, and (iii) oceanic. The Notice serves as a reminder of changes in charges on January 1, 2002, provided in the Announcement of Revised Service Charges, dated December 15, 2000. The Notice also provides for a modification in the application of the enroute charge with respect to flights between two points in the United States transiting Canadian-controlled airspace, and for modifications to the Terms and Conditions.

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 four sections:

- (1) Termination of the Existing Temporary Adjustments in Charges;
- (2) Modification in the Application of the Enroute Charge to Flights Between Two Points in the United States Transiting Canadian-Controlled Airspace;
- (3) Modifications to the Terms and Conditions; and
- (4) Additional Information Regarding the Notice and on Making Representations to NAV CANADA.

1. TERMINATION OF THE EXISTING TEMPORARY ADJUSTMENTS IN CHARGES

The Announcement of Reduced Service Charges dated August 16, 1999, provided for reduced rates, as well as temporary one-year adjustments representing an additional decrease in charges. The reduced charges were effective September 1, 1999, except for the annual and quarterly charges, which were effective March 1, 2000.

The purpose of the temporary adjustments was to return to the customers revenues in excess of financial requirements generated as a result of cost reductions and higher than expected growth in traffic.

The temporary adjustments were extended from August 31, 2000, to December 31, 2000, by the Announcement of Revised Service Charges dated August 18, 2000, and then further extended to December 31, 2001, by the Announcement of Revised Service Charges dated December 15, 2000. The corresponding extension for annual and quarterly charges was to February 28, 2002.

With the expiration of these temporary adjustments on December 31, 2001, for terminal, enroute, oceanic and daily charges, and on February 28, 2002, for annual and quarterly charges, these charges will revert to the existing base rates on January 1, 2002, and on March 1, 2002, respectively. As noted above, these changes were provided for in the Announcement of Revised Service Charges, dated December 15, 2000.

The existing base rates date back to September 1, 1999, when they were reduced, and are set out in the Announcement of Reduced Service Charges, dated August 16, 1999, except for the International Communication Services Charge. The base rates for the latter charge are set out in the Announcement of New and Revised Service Charges, dated January 28, 2000. The existing base rates are also provided in the Customer Guide to Charges, as well as on the NAV CANADA invoices.

To provide an example of these changes, the table below presents the unit rates for terminal and enroute charges before and after the January 1, 2002, modification.

Charge	Unit Rates before January 1, 2002		Unit Rates effective January 1, 2002
	Base Rate	Temporary Adjustment (Reduction)	Base Rate
Terminal Charge	\$13.38	-\$0.75	\$13.38
Enroute Charge	\$0.03204	-\$0.00178	\$0.03204

NAV CANADA has reviewed its costs and taken a number of initiatives to reduce and/or defer expenses, wherever feasible, in light of the unprecedented problems in the air transport industry caused by the terrorist attacks in the United States on September 11, 2001. However, after taking these initiatives into account, the potential reduced revenues for the Company resulting from the major cutbacks in capacity announced by the air carriers are still such that:

- The Rate Stabilization Account, created to help in circumstances such as these, will be fully drawn down;
- The reductions provided by the existing temporary adjustments can no longer be sustained; and
- Reverting to the existing base rates, with no further temporary adjustments, effective January 1, 2002, as already announced, will unfortunately be necessary.

Due to the uncertainty regarding air travel demand in the short term, it will also be necessary to continue to closely monitor developments. Should circumstances require further initiatives to address this exceptional situation, an increase in base rates some time in 2002 may become necessary. Any such proposal would be subject to the normal consultation process with customers, air transport organizations and other interested parties.

2. MODIFICATION IN THE APPLICATION OF THE ENROUTE CHARGE TO FLIGHTS BETWEEN TWO POINTS IN THE UNITED STATES TRANSITING CANADIAN-CONTROLLED AIRSPACE

It is proposed to extend the application of the Enroute charge to overflights by turbojet aircraft, with maximum permissible take-off weight (MTOW) of 20 metric tonnes or more and providing commercial service between two points in the United States, which operate in Canadian domestic airspace east of 95° W longitude, and enter and exit Canadian-controlled airspace south of 49° N latitude.

This modification will formalize an arrangement that has been in place since June 1, 2001, with the concurrence of the major carriers affected. In response to requests from U.S. air carriers, NAV CANADA provides extra service primarily in the Toronto flight information region for flights between two points in the U.S. seeking alternative routing through Canada, to avoid weather and air traffic control capacity problems in the Northeastern U.S. The modification is also necessary to ensure balance in the arrangement between the U.S. Federal Aviation Administration (FAA) and NAV CANADA regarding Enroute charges for flights between two points in the U.S. overflying Canada and flights between two points in Canada overflying the U.S. An imbalance has developed in recent years.

3. MODIFICATIONS TO THE TERMS AND CONDITIONS

3.1 Interest Charges

The provision concerning the demand for immediate payment in respect of delinquent accounts, set out in Subsection 2.1 of the Announcement of Revised Service Charges, dated August 18, 2000, is revoked.

3.2 Credit Security Arrangements

The provision concerning the Credit Security Arrangements, set out in Subsection 2.4 of the Announcement of Revised Service Charges, dated August 18, 2000, is revoked, and the following substituted therefor:

“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.”

3.3 Withholding of Service

The following provision is included:

“Where an aircraft operator has overdue charges owed to NAV CANADA 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 shall have the right, on 24 hours' notice to the operator, to terminate or reduce (withhold) its services, except in an emergency situation, until such time as applicable charges have been paid or until such time as credit security arrangements have been made by the operator in a form and substance satisfactory to NAV CANADA.”

Notice, as described in the above preceding paragraph, shall be sent by registered mail or by electronic means and will be considered to have been received (a) in the case of electronic means, on actual receipt and (b) in the case of registered mail, on the date of delivery.

4. 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 Details and Principles documents are available on NAV CANADA’s Internet site (www.navcanada.ca).

Information on the existing charges is provided in the *Customer Guide to Charges*, which is 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 proposed revisions 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 Revenues

By facsimile 1 - 613 - 563 - 7994

Note: Representations must be received by NAV CANADA not later than the close of business on December 13, 2001.