Note 2005/12/10:
Due to a placement error by a newspaper in publishing a notice, the date for receiving representation on the proposals has been extended to close of business February 10, 2006.

NAV CANADA

DETAILS AND PRINCIPLES REGARDING PROPOSED NEW AND REVISED SERVICE CHARGES

DECEMBER 2005

GENERAL

This document ("Details and Principles") provides additional details to expand upon the *Notice of New and Revised Service Charges* dated December 2005 (the "Notice"). Under Section 36 of the *Civil Air Navigation Services Commercialization Act*, S.C. 1996, c. 20 (the "ANS Act"), NAV CANADA (the Corporation) is required to produce a document containing more details in relation to the proposed new and revised charges set forth in the Notice, including a justification in relation to the charging principles set out in Section 35 of the ANS Act.

Except for the revisions proposed in the Notice, all the existing charges and related terms and conditions, as set out in earlier Announcements pertaining to charges, remain in effect.

This document sets out the following: (1) General overview of NAV CANADA, (2) Results of service charges review, (3) Approach for determining revised rates, (4) Calculation of revised unit rate for Terminal Charge, (5) Calculation of revised Daily Charge, (6) New Daily Charge at eight international airports for aircraft weighting 3 tonnes or less, (7) Calculation of revised International Communication Services Charge, (8) Justification of the proposal in relation to the charging principles, and (9) Information regarding the Notice and on making representations to NAV CANADA.

Persons interested in making representations in writing to NAV CANADA with regard to the Notice may do so by forwarding their submissions to the address set out in the Notice. Submissions must be received by NAV CANADA not later than February 3, 2006.

1. GENERAL OVERVIEW OF NAV CANADA

NAV CANADA is a non-share capital, private corporation which is responsible for the provision of civil air navigation facilities and services for aircraft in Canadian airspace and any other airspace for which Canada is responsible for providing air navigation services.

The system of governance at NAV CANADA is the result of a unique corporate structure intended to make the company a self-sustaining commercial enterprise that is accountable to its stakeholders. The Corporation is governed by a 15-member Board of Directors consisting of 10 directors nominated by stakeholders representing aviation users, bargaining agents and the federal government, 4 independent directors and the President & CEO. NAV CANADA also has an Advisory Committee elected by associate members, empowered to analyze and make reports and recommendations to the Board of Directors on any matter affecting the air navigation system.

The fundamental elements governing the mandate conferred on NAV CANADA by the ANS Act include the exclusive right to provide certain air navigation services, the ability to set and collect charges for air navigation services provided or made available by NAV CANADA or a person acting under the authority of the Minister of National Defence, and the obligation of the Corporation to provide these services.

The financial statements and Management's Discussion and Analysis (MD&A), issued quarterly and annually, and the Annual Information Form provide extensive information on the revenues and expenses of NAV CANADA. These documents are available electronically at www.navcanada.ca.

2. RESULTS OF SERVICE CHARGES REVIEW

In January 2005, NAV CANADA (the Company) initiated a review of its customer service charges. The scope of the review included the following areas:

- Charging Methodology;
- Rate Stabilization Account;
- Aeronautical Publications; and
- Cost Allocation Methodology.

To assist in this review, a discussion paper was produced. The discussion paper was widely distributed to international and national air transport and general aviation associations, regional and provincial aviation organizations and many individual customers and stakeholders. Consultation meetings were held at various locations between January and April 2005 to discuss the issues and written submissions were received from many stakeholders.

The Appendix to the Details and Principles document describes the results of the service charges review. Based on the analysis of the representations received, the Company is proposing certain changes. The specific proposals are set out in the Notice.

The proposed revisions in charges are designed to result in the same total revenue for the Company as under the existing charges, i.e., the proposed revisions are revenue neutral by service and overall.

3. APPROACH FOR DETERMINING REVISED RATES

The general approach was to start with the forecast revenue for fiscal year 2005-06 from the existing charges. The forecast revenue from individual charges is presented in Table 1 and totals approximately $1,185 million. This reflects an anticipated overall growth rate in traffic of 5% from the previous year and no increase in charges.

The forecast total revenue of $1,185 million is expected to recover the Company's total expected costs of $1,172 million for fiscal year 2005-06 and to contribute $13 million to the Rate Stabilization Account. The expected costs of $1,172 million represent an increase of $106 million over fiscal year 2004-05, which is primarily due to increased compensation levels, increased pension costs and higher depreciation as a result of the introduction of new systems and equipment.

TABLE 1

FORECAST REVENUE FOR FISCAL YEAR 2005-06*

Source	**Forecast FY 2006**
Terminal Charge	$ 444.5M
Enroute Charge	$ 625.9M
North Atlantic Charge (NAT)	$ 34.6M
International Communication Charge	$ 15.3M
Daily Charge	$ 37.9M
Annual and Quarterly Charge	$ 1.4M
Other	$ 25.5M
Total	**$ 1,185.1M**

* The forecast includes revenue from base rates and the separate adjustment related to the Rate Stabilization Account

While an overall increase in traffic of approximately 5% is reflected in this revenue forecast, the growth rate varies by fee: Terminal 3.2%, Enroute 6.2%, NAT 4.6%, International Communication 5.5% and Daily -6.9%.

The next step in the process was to focus on the charges where changes in the existing methodology are proposed. The objective was to determine revised rates that would generate the same revenue for the service concerned as the existing charges.

4. CALCULATION OF REVISED UNIT RATE FOR TERMINAL CHARGE

As set out in the Notice, the proposal is to change the aircraft weight factor in the formula for the Terminal Charge, from the existing exponent of 0.9 to 0.85, effective March 1, 2006 (Phase 1), and to 0.80, effective September 1, 2008 (Phase 2).

The Notice provides the revised Terminal Charge unit rates for Phase 1: a base rate of $20.23 plus a separate adjustment of $0.35. This section explains the derivation of these rates.

The Terminal Charge and flat charges (Daily, Quarterly and Annual) contribute to the recovery of terminal air navigation services costs. The flat charges are composite fees, representing 80% terminal and 20% enroute. Revisions are proposed in the Terminal Charge and the Daily Charge.

The proposed Terminal Charge and the terminal component of the Daily Charge are designed to generate the same total revenue for terminal air navigation services as the existing charges.

The forecast revenue for terminal air navigation services from existing charges for fiscal year 2005-06 was used in calculating the revised rates, as noted in section 3. This forecast is based on an anticipated growth rate in traffic of 3.2% over fiscal year 2004-05 pertaining to flights subject to the Terminal Charge. For flights subject to the Daily Charge, a decline of 6.9% was assumed. Total revenue forecast for terminal air navigation services is approximately $476 million. This is composed of $468 million from base rates and $8 million from the separate adjustment. The calculation of the revenue from base rates is provided in Table 2. The revenue from the separate adjustment was derived from a similar calculation.

TABLE 2

FORECAST REVENUE FOR TERMINAL SERVICES FROM BASE RATES
FISCAL YEAR 2006

Revenue from Terminal Charge - Base Rate		$ 437.0M
Terminal Revenue from Flat Fees - Base Rate		
Daily	$ 37.2M	
Annual Quarterly	$ 1.4M	
Total Flat Fees	$ 38.6M	
x 80% Terminal component		$ 30.9M
Total Terminal Revenue from Base Rates		**$ 467.9M**

In calculating the revised charging units, these were derived by first applying the new formula to the actual traffic for fiscal year 2004-05, then forecasting to fiscal year 2005-06 by applying the 3.2% anticipated growth rate.

In deriving the unit rates for the Terminal Charge, it was also necessary to take into account revisions in the Daily Charge. The calculation reflected the proposal that the percentage change in the two charges would be approximately the same for aircraft of similar weight (MTOW).

The calculation of the unit rates for the Terminal Charge is presented in Table 3.

TABLE 3

CALCULATION OF UNIT RATES FOR REVISED TERMINAL CHARGE EFFECTIVE MARCH 1, 2006

Base Rate	
Total Terminal Revenue Forecast for terminal air navigation services FY 2006	$467,963,959
Less: Terminal Component (80%) of adjusted Flat Fees	$33,808,723
Terminal Revenue to Recover from Terminal Charge	$434,155,236
FY 2006 Forecast Charging Units (Calculated at Exponent 0.85)	21,456,963
Unit Rate, Terminal Charge with Exponent 0.85	**$ 20.23**
Rate Adjustment	
Total Terminal Adjustment Forecast FY 2006	$7,997,864
Less: Terminal Component (80%) of adjusted Flat Fees	$576,266
Terminal Adjustment to Recover from Terminal Charge	$7,421,598
FY 2006 Forecast Charging Units (Calculated at Exponent 0.85)	21,456,963
Rate Adjustment, Terminal Charge with Exponent 0.85	**$ 0.35**

5. CALCULATION OF REVISED DAILY CHARGE

The proposed change in the formula for the Terminal Charge will result in an increase in the charge for smaller aircraft (and a corresponding decrease for larger aircraft). As noted in section 4, it is proposed that the terminal component of the Daily Charge be increased by a similar percentage for aircraft of similar weight.

The calculation of the revised Daily Charge is presented in Table 4.

TABLE 4

CALCULATION OF REVISED DAILY CHARGE
EFFECTIVE MARCH 1, 2006

BASE RATES

CATEGORY	MTOW (TONNES)	CURRENT BASE RATE TOTAL 100% A	CURRENT BASE RATE ENROUTE PORTION 20% B	CURRENT BASE RATE TERMINAL PORTION 80% C	TERMINAL INCREMENT REQUIRED D	REVISED TERMINAL PORTION E = C x (1+D)	REVISED BASE RATE F = E + B (ROUNDED)	DAILY RATE CHANGE G = (F-A) / A
Propeller Aircraft	Over 3.0 to 5.0	$ 35.00	$7.00	$28.00	15.2%	$ 32.26	$ 39	11.4%
	Over 5.0 to 6.2	$ 71.00	$14.20	$56.80	13.4%	$ 64.41	$ 79	10.7%
	Over 6.2 to 8.6	$ 290.00	$58.00	$232.00	11.7%	$ 259.14	$ 317	9.4%
	Over 8.6 to 12.3	$ 700.00	$140.00	$560.00	9.1%	$ 611.04	$ 751	7.3%
	Over 12.3 to 15.0	$ 1,051.00	$210.20	$840.80	8.6%	$ 913.45	$ 1,124	6.9%
	Over 15.0 to 18.0	$ 1,281.00	$256.20	$1,024.80	7.7%	$ 1,103.71	$ 1,360	6.2%
	Over 18.0 to 21.4	$ 1,753.00	$350.60	$1,402.40	6.7%	$ 1,496.36	$ 1,847	5.4%
	Over 21.4	$ 2,358.00	$471.60	$1,886.40	4.4%	$ 1,969.40	$ 2,441	3.5%
Maximum for Helicopters		$71.00	$14.20	$56.80	13.4%	$64.41	$79	10.7%
Small Jet Aircraft	6.2 or less	$ 175.00	$35.00	$140.00	13.2%	$ 158.48	$ 193	10.6%
	Over 6.2 to 7.5	$ 290.00	$58.00	$232.00	11.9%	$ 259.61	$ 318	9.5%

RATE ADJUSTMENTS

The revision in the separate rate adjustment ranges from nil to $ 2.

6. NEW DAILY CHARGE FOR AIRCRAFT WEIGHING THREE TONNES OR LESS

It is proposed to introduce a new Daily Charge for aircraft weighing three tonnes or less at Vancouver (including the water aerodrome), Calgary, Edmonton, Winnipeg, Toronto (Pearson), Ottawa, Montréal (Trudeau) and Halifax international airports.

As set out in the Notice, the new charge would be phased in, starting September 1, 2006, and then fully implemented, effective March 1, 2008, at $10 per day for departures from one or more of the eight airports, up to a maximum of $1,200 per year per aircraft.

In 2004, there was a total of approximately 30,000 departures and 85,000 touch and goes by aircraft weighing three tonnes or less at the eight airports. The additional annual revenue would depend on whether some aircraft operators decide to shift their flights to other airports. If there were no such shift, the additional annual revenue would be in the order of $250,000 when the charge is fully implemented.

7. CALCULATION OF REVISED INTERNATIONAL COMMUNICATION SERVICES CHARGE

The Notice proposes a revised International Communication Services Charge of $61 per flight for aircraft using voice communication for position reporting and $22.96 per flight for aircraft using data link for this purpose. This section provides details on the derivation of these rates.

The proposed rates are designed to generate the same total revenue for fiscal year 2005-06 as the approximately $15 million anticipated from the existing rates.

The forecast number of flights used in the calculation is approximately 366,000 reflecting an anticipated growth of 5.5% from fiscal year 2004-05. The percent of flights using data link communication is increasing. It is currently over 40% and is anticipated to reach 50% in 2006 (Table 5).

TABLE 5
FORECAST FLIGHTS FISCAL 2006

Voice Communication (50%)	182,825
Data Link Communication (50%)	182,825
Total	**365,650**

It is further assumed that::

- Flights using data link communication still have voice communication contacts averaging 1.5 per flight as a voice contact (selcal) is still required for safety reasons and some air traffic control messages are not yet allowed to be communicated using data link;
- Flights using voice only communication have six contacts per flight as all communication is via voice;
- There is no material difference in the ground to ground part of the communication between the two means of communication, i.e., same amount per flight;
- The air to ground part of the communication would be charged to the two types of flights on the basis of a uniform rate per contact multiplied by the respective number of such contacts per flight; and
- Any cost dedicated to data link communication would be borne by such flights alone.

Table 6 shows the breakdown of the amounts to recover in the following components: dedicated data link, ground to ground and air to ground communication. The amount per air to ground voice contact is calculated in Table 7. The derivation of the charge per flight for data link and voice communication is presented in Table 8.

TABLE 6

BREAKDOWN OF AMOUNTS TO RECOVER

Fiscal 2006 Forecast Revenue From Existing Charge	$ 15,347,796
Less: ARINC Message Processing Charges - Dedicated Data Link	$ 400,000
Amount to Recover From Voice and Data Link Communication	**$ 14,947,796**
Allocated as Follows:	
Ground/Ground Communications (18%)	$ 2,690,603
Air/Ground Communications (82%)	$ 12,257,193
Total	**$ 14,947,796**

TABLE 7

CALCULATION OF AMOUNT PER AIR TO GROUND VOICE CONTACT

Voice Contacts by Flights Using Voice Only Communication (182,825 Flights X 6 Contacts)	1,096,950
Voice Contacts by Flights Mainly Using Data Link Communication (182,825 Flights X 1.5 Contacts)	274,238
Total Contacts	**1,371,188**
Amount Per Contact:	
Air/Ground Communications	$ 12,257,193
Total Contacts	1,371,188
Amount Per Contact	**$ 8.94**

TABLE 8

CALCULATION OF REVISED CHARGE PER FLIGHT FOR DATA LINK AND VOICE COMMUNICATION

	DATA LINK	VOICE
Ground/Ground Communications:		
Amount Per Flight ($2,690,603/365,650 Flights)	$ 7.36	$ 7.36
Air/Ground Communications:		
Amount Per Flight		
Voice (6 Contacts X $8.94)		$ 53.64
Data Link (1.5 Contacts X $8.94)	$ 13.41	
ARINC Message Processing ($400,000/182,825 Flights)	$ 2.19	
Total Charge Per Flight	**$ 22.96**	**$ 61.00**

8. PRINCIPLES GOVERNING NAV CANADA'S SERVICE CHARGES

The principles governing the establishment of new charges or the revision of existing charges by NAV CANADA are set out in Section 35 of the ANS Act. Each of the principles is presented below in italics, followed by an explanation of how the Notice complies with that particular principle.

35 (1) (a) *Charges must be in accordance with a methodology established and published by the Corporation that is explicit and that also includes the terms and conditions affecting charges;*

The Notice, required under Section 36 of the ANS Act, has been placed on the Internet and sent to aviation associations. On the basis of this information, any person subject to NAV CANADA's charges can calculate the amount that would be payable for a given flight.

35 (1) (b) *Charges must not be structured in such a way that a user would be encouraged to engage in practices that diminish safety for the purpose of avoiding a charge;*

For any given flight, NAV CANADA's charges are not structured in such a manner that safety may be affected. For example, any flight involving a jet aircraft of a given weight between two points (e.g., Ottawa and Québec City) is subject to the same Terminal Services Charge and Enroute Charge, regardless of whether the flight is IFR or VFR.

35 (1) (c) *Charges for the same services must not differentiate between domestic and international flights of air carriers;*

There is no differentiation in the proposed charges between domestic and international flights of air carriers.

35 (1) (d) *Charges for the same services must not differentiate among Canadian air carriers or among foreign air carriers;*

There is no differentiation in the proposed charges for a flight based on which domestic or foreign carrier provides the flight.

35 (1) (e) *Charges must differentiate between the provision of services in relation to the landing and take-off of aircraft and the provision of services in relation to aircraft in flight, and must reflect a reasonable allocation of the costs of providing the services in those circumstances;*

NAV CANADA's charges are based on an allocation of costs among the enroute, terminal and oceanic services. The rules for the attribution of costs to the services were arrived at by considering work loads, statistics based on activity reports, management judgment and ICAO guidelines.

The Company's auditors, KPMG, have provided an opinion that the allocation methodology adopted by NAV CANADA reasonably reflects the way in which services are provided, is consistent with approaches used by other air navigation service providers, and is appropriate for use as a basis for establishing the costs of these services. A copy of this opinion is available upon request from NAV CANADA.

35 (1) (f) *Charges in respect of recreational and private aircraft must not be unreasonable or undue*;

The charges reflect the need for recreational and private aircraft to contribute, along with other users, to the costs of operating the Canadian civil air navigation system. NAV CANADA believes the charges are neither unreasonable nor undue.

35 (1) (g) *Charges for designated northern or remote services and for services directed to be provided under subsection 24(1) must not be higher than charges for similar services utilized to a similar extent elsewhere in Canada;*

Since NAV CANADA's charges are uniform throughout Canada, northern or remote services are subject to the same charges as services utilized elsewhere in Canada.

35 (1) (h) *Charges must be consistent with the international obligations of the Government of Canada; and*

The most relevant international obligations are the Convention on International Civil Aviation of 1944 (the "Chicago Convention") and bilateral air services agreements between Canada and other states.

Article 15 of the Chicago Convention deals with charges for air navigation facilities, and establishes the principle that fees charged for the use of airport and air navigation services not be higher for foreign compared to domestic users engaged in similar international air services. The charges comply with Article 15 because: (i) the charges in respect of international air services are not higher for foreign air carriers than they are for Canadian carriers engaged in similar international air services (i.e., the charges do not differentiate according to the flag of the carrier), and (ii) the charges relate to the availability or provision of air navigation services and are not imposed for the right of entry into Canadian airspace.

The charges are also consistent with bilateral air services agreements between Canada and other states.

35 (1) (i) *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*.

NAV CANADA's charges are set to recover the Corporation's costs, including expenses determined according to Generally Accepted Accounting Principles (GAAP) and the costs of complying with certain financial requirements, as described in detail in Subsection 35(5) of the ANS Act. The charges do not generate revenues exceeding the Corporation's current and future financial requirements in relation to the provision of civil air navigation services.

35 (2) *The charging methodology may recognize that the value of the services differs among users.*

NAV CANADA's charging methodology does recognize that the value of the services differs among users, e.g., charges that vary with aircraft weight.

35 (3) *Where the Corporation's charging methodology recognizes the value of the services and aircraft weight is used as a measure of the value of the services, the principle referred to in paragraph (1)(a) is deemed not to have been observed if aircraft weight is taken into account either directly proportionally or greater than directly proportionally.*

The International Communication Services Charge and the North Atlantic Enroute Facilities and Services Charge are levied on a per flight basis and do not take weight into account.

The Enroute and Terminal Services charges take weight into account, but less than proportionally. The Enroute Charge is based on a unit rate multiplied by the square root of aircraft weight multiplied by distance. The Terminal Services Charge is based on a unit rate multiplied by aircraft weight raised to the 0.9 power. As set out in the Notice, it is proposed to reduce this exponent.

Pursuant to Subsection 35(7), Subsection 35(3) does not apply to flat fees. The Annual, Quarterly and Daily charges represent flat fees.

35 (4) *For the purpose of subsection (3), "weight", in relation to an aircraft, means the maximum permissible take-off weight specified in the aircraft's certificate of airworthiness or in a document referred to in that certificate.*

Weight calculations are based on the maximum permissible take-off weight specified in the aircraft's certificate of airworthiness or in a document referred to in that certificate. For more information, please refer to the *Customer Guide to Charges*.

9. INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO NAV CANADA

The Notice and this document are available on-line and a copy may be downloaded from 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 posted 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 in writing to NAV CANADA with regard to the 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 e-mail: andreaa@navcanada.ca
By facsimile: 1 - 613 - 563 - 7994

Note: Representations must be received by NAV CANADA not later than the close of business on February 3, 2006.

Caution Concerning Forward-looking information

Certain statements made in this document are of a forward-looking nature and are subject to risks and uncertainties. The results indicated in these statements may differ materially from actual results. The forward-looking information contained in this document represents NAV CANADA's expectations as of November 30, 2005 and are subject to change after such date. However, NAV CANADA disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

APPENDIX

NAV CANADA

Service Charges Review:

Results

December, 2005

TABLE OF CONTENTS

1. Introduction

In January 2005, NAV CANADA (the Company) initiated a review of its customer service charges. To assist in this review, a discussion paper was produced. The paper summarized the existing charges and explored various aspects of the underlying charging and cost allocation methodologies, the Rate Stabilization Account and charges for Aeronautical publications. The Discussion Paper was widely distributed to international and national air transport and general aviation associations, regional and provincial aviation organizations and many individual customers and stakeholders. Consultation meetings were held at various locations between January and April 2005 to discuss the issues and written submissions were received from many stakeholders.

The scope of the review included the following areas:

- Charging Methodology;
- Rate Stabilization Account;
- Aeronautical Publications; and
- Cost Allocation Methodology.

Based an analysis of the input received, the Company is proposing certain changes. This paper describes the results of the service charges review, or more specifically, what changes are being proposed, the plan to implement the changes and what will stay as is. There are some additional issues related to the administration of service charges that have arisen since the consultation which are also described in the paper.

The proposed changes are set out in a Notice of New and Revised Service Charges, in accordance with the provisions of the *Civil Air Navigation Services Commercialization Act* (ANS Act), providing customers and stakeholders with an opportunity to provide input on the specific proposals. The Notice is posted on the Company's website at www.navcanada.ca. As indicated in the Notice, any comments must be received in writing by February 3, 2006*.

The comments and suggestions received during the consultation indicate that the views and concerns of the different customer groups are as diverse as they were at the time the service charges were first developed and fully implemented on March 1, 1999. This is not surprising due to the inherently conflicting views among customer groups, such as between commercial and general aviation. The key challenge is to ensure a fee structure that maintains a reasonable balance within the framework of the charging principles of the ANS Act.

In general, the proposed changes would:

- better balance the charges between large and small aircraft;
- better reflect the impact of new ANS technology;

* Note: The date has been extended to February 10, 2006.

- permit the Company to better absorb the financial impact of fluctuations in air traffic; and
- ensure an updated cost allocation methodology.

We would like to thank all those who participated for their time, input and willingness to assist us with this process.

2. Charging Methodology

In reviewing the charging methodology, it is important to bear in mind that the proposed changes in existing charges would result in the same total amount of revenue for the Company as under the current charges, i.e., the proposed revisions are revenue neutral.

2.1 Role of Aircraft Weight in the Charging Formulae

Movement-based charges (Enroute and Terminal)

The aircraft weight measure utilized in the calculation of ANS charges is the maximum permissible take off weight (MTOW). The use of the MTOW is set out in section 35(4) of the ANS Act and is consistent with ICAO policy and international practice. The aircraft weight is included in the charging formulae as a practical parameter to reflect the value of the service. It should also be noted that, from a cost perspective, the majority of the infrastructure and operating costs of the ANS system are driven by commercial air carriers operating large transport aircraft.

NAV CANADA uses an exponent of 0.9 (i.e., close to proportional to weight) in calculating the Terminal Charge and the square root of the aircraft weight in the formula for calculating the Enroute Charge.

There are various views on this issue amongst stakeholders. Some are opposed to the inclusion of weight in the charging formulae, believing that weight is not a cost driver, while others support the status quo or a reduction in the role of weight, often depending on their fleet.

A review of international practice shows that, for en route charges, the use of the square root of the aircraft weight is virtually the norm. Consequently, **no change is proposed in the Enroute Charge**.

For terminal charges, international practice varies and the role of weight in NAV CANADA's charge falls in the middle to high end of the range. The NAV CANADA Terminal Charge for larger aircraft is among the highest, while the charge for smaller aircraft is among the lowest. We therefore believe that moving to a lower weight exponent of 0.8 would be appropriate. This would be implemented gradually, starting with an exponent of 0.85, effective March 1, 2006 (Phase 1), then moving to 0.8 on September 1, 2008 (Phase 2).

A lower weight exponent means that larger aircraft would pay somewhat less than currently while smaller aircraft would pay somewhat more. In its June 2001 report, “Vision and Balance”, the *Canada Transportation Act* Review Panel noted that “a review of the pricing structure is desirable, to determine whether the higher charges imposed on larger aircraft are excessive.” NAV CANADA also notes that in Europe, there is a proposal to gradually harmonize terminal charges to an exponent of 0.7.

Daily Charge

The Daily Charge is a composite fee for terminal and enroute services. This review indicates that the split, which so far has been 85 per cent terminal and 15 per cent enroute, should be changed to 80 per cent and 20 per cent, respectively. This revised split has been reflected in the development of the proposed revisions in the Daily Charge.

The Daily Charge applies mainly to propeller aircraft, which typically represent smaller aircraft. A change in the *Terminal Charge* affecting smaller aircraft would also mean a similar change in the *terminal component of the Daily Charge*. As the proposed reduction in the weight exponent would result in an increase in the Terminal Charge for smaller aircraft, a similar increase is proposed for the terminal component of the Daily Charge.

Impact

The proposed changes would be implemented gradually in two phases, March 1, 2006 and September 1, 2008. Tables 1 to 3 illustrate the changes for Phase 1: The cost per passenger would increase in the 17 to 54 cents range for smaller aircraft, and decrease up to approximately $1 for larger aircraft.

In terms of the impact on the total price for air travel, it has been estimated that this would typically represent approximately 0.2%, if passed on to the traveler.

The impact of Phase 2 would be similar to Phase 1.

Table 1

Illustration of Impact of Proposed Changes in Terminal and Daily Charges

Change in Cost per Passenger

March 1, 2006 (Phase 1)

Jet Aircraft subject to Movement Fees

	Terminal Charge			Cost per Passenger per Flight		
Aircraft Type	Current	March 1, 2006	Percent Change	Current	March 1, 2006	Change
B747-400	$3,627	$3,323	-8.4%	$12.12	$11.10	-$1.02
A340-300	$2,613	$2,437	-6.7%	$13.25	$12.36	-$0.89
B767-300	$1,775	$1,692	-4.7%	$11.49	$10.95	-$0.54
A320	$821	$817	-0.5%	$8.23	$8.19	-$0.04
A319	$763	$762	-0.1%	$8.92	$8.91	-$0.01
B737-700	$744	$744	0.0%	$7.87	$7.87	$0.00
B737-200	$604	$611	1.2%	$7.12	$7.21	$0.08
CRJ-200	$280	$296	5.6%	$7.47	$7.89	$0.42

Current Terminal Charge Unit Rate: $16.66 (base rate of $16.38 plus adjustmnet of $0.28)
Terminal Charge Unit Rate on March 1, 2006: $20.58
For Jet Aircraft a Load Factor of 75% is assumed.

Propeller Aircraft subject to the Daily Charge

	Daily Charge			Cost per Passenger per Flight		
Aircraft Type	Current	March 1, 2006	Percent Increase	Current	March 1, 2006	Increase
DH8-300	$1,783	$1,879	5.4%	$7.77	$8.19	$0.42
DH8-100	$1,303	$1,383	6.1%	$8.80	$9.34	$0.54
Beech 1900	$295	$322	9.2%	$4.44	$4.84	$0.41
Metroliner IV	$295	$322	9.2%	$3.45	$3.77	$0.32
Twin Otter	$72	$80	11.1%	$2.12	$2.35	$0.24
Pilatus 12	$36	$40	11.1%	$2.00	$2.22	$0.22

For Propeller Aircraft a Load Factor of 50% is assumed.
Charges include base rates plus adjustments.

Table 2
Proposed Daily Charge
March 1, 2006 (Phase 1)

	Current	March 1, 2006	Percent Increase	Average Increase in Cost per Passenger per Flight
Propeller Aircraft				
Over 3.0 to 5.0	$36	$40	11.1%	$0.22
Over 5.0 to 6.2	$72	$80	11.1%	$0.17
Over 6.2 to 8.6	$295	$322	9.2%	$0.41
Over 8.6 to 12.3	$712	$764	7.3%	$0.33
Over 12.3 to 15.0	$1,069	$1,143	6.9%	$0.45
Over 15.0 to 18.0	$1,303	$1,383	6.1%	$0.45
Over 18.0 to 21.4	$1,783	$1,879	5.4%	$0.35
Over 21.4	$2,398	$2,483	3.5%	
Maximum for Helicopters	$72	$80	11.0%	
Small Jet Aircraft				
6.2 or less	$178	$196	10.1%	
Over 6.2 to 7.5	$295	$323	9.5%	

Table 3
Impact of Proposed Terminal Charge on Corporate Jet Aircraft
March 1, 2006 (Phase 1)

Aircraft Type	Current	March 1, 2006	Percent Increase	Increase
Falcon 900	$280.05	$295.74	5.6%	$15.69
Embraer 145	$269.06	$284.77	5.8%	$15.71
Challenger 600	$269.06	$284.77	5.8%	$15.71
Falcon 50	$269.06	$284.77	5.8%	$15.71
Embraer 135	$246.95	$262.61	6.3%	$15.67
Falcon 2000	$213.34	$228.73	7.2%	$15.39
Jetstream 328	$202.01	$217.24	7.5%	$15.23
Falcon 20	$190.62	$205.64	7.9%	$15.03
LearJet 60	$145.37	$159.21	9.5%	$13.84
LearJet 45	$134.71	$148.17	10.0%	$13.45
Falcon 10	$120.36	$133.21	10.7%	$12.85

NAV CANADA proposes to:

- **Reduce the exponent in the Terminal Charge formula gradually from 0.9 to 0.85, effective March 1, 2006 and to 0.8, effective September 1, 2008; and**
- **Increase the terminal component of the Daily Charge on the same dates by a percentage increase that is similar to the increase in the Terminal Charge for smaller aircraft (resulting from the change in the formula for this charge).**

2.2 Multiple Weights for the Same Aircraft

The aircraft weight (MTOW) can vary for the same aircraft model/series, and some air carriers obtain different MTOWs for the same aircraft by season. The MTOW can therefore vary by the nature of the operation of the aircraft. While some customers preferred the status quo, others proposed that the option of applying more than one MTOW for the same aircraft (multiple MTOWs) should be broadened to accommodate different MTOWs by flight stage length.

Since variation in MTOWs is already in use (e.g., by season), it seems reasonable to accommodate, as far as practical, an option to vary the MTOW by flight stage length.

The proposed effective date for this change is June 1st, 2006, to allow sufficient lead time to make the necessary changes required in the billing system.

NAV CANADA proposes to accommodate, effective June 1, 2006, the option of using multiple MTOWs for the same aircraft by flight distance on the basis of three fixed stage length ranges, 0-500, 501-1500 and over 1500 statute miles.

2.3 Time as a Charging Parameter

Distance is the parameter used for calculating the Enroute Charge. Some stakeholders suggested that applying time would better reflect the use of the services, resulting in higher charges for slower aircraft than for faster aircraft flying the same route.

Discussions and input received during the consultation uncovered a general agreement among most stakeholders that time in the system should not be included as a charging parameter. Delays due to congestion, the need to route around significant weather, or maintain separation with conflicting traffic all result in penalties to operational efficiency that impact customers. The inclusion of time in the system as a parameter in calculating en route charges would further exacerbate this penalty unfairly.

NAV CANADA does not propose to include time in the system as a charging parameter.

2.4 Peak/Off-Peak Charges

While most stakeholders supported the continuation of the status quo on the issue of peak/off-peak charging, some customers who operate at night expressed the belief that charges should be lower during off-peak periods. Internationally, peak/off-peak charges have so far not been used for ANS charges. In view of the wide support for status quo, NAV CANADA is not proposing any changes at this time.

Nevertheless, a fuller discussion with customers of whether peak/off-peak differentiation in charges could have some application in the future may be useful.

NAV CANADA does not propose to incorporate peak/off-peak charges in the charging methodology at this time.

2.5 Site-specific versus System-wide Charges

System-wide charges represent one of the core features of NAV CANADA's existing charging methodology. For example, the Terminal Charge for any particular aircraft is the same at each airport at which the Company has an Air Traffic Control tower or a Flight Service Station/Flight Information Centre.

Some stakeholders have expressed the view that charges should vary from site to site in order to recover the costs for terminal air navigation services at each airport from the traffic at that airport. Generally, this would result in an increase in the Terminal Charge at airports with lower traffic relative to the charge at higher traffic airports. However, the majority of stakeholders continue to support system-wide charges which recognize that the ANS is one integrated system, a key concept underlying the ANS commercialization in Canada.

NAV CANADA does not propose to incorporate site-specific charges in the charging methodology.

2.6 Differentiation in the International Communication Services Charge

In 2001, NAV CANADA introduced, as the first and so far the only ANS provider to do so, a fee differential to the International Communications Services Charge for operators using data link communication for position reporting. The purpose was to encourage the use of data link, given capacity constraints with HF voice communication.

The use of data link has since increased to over 40 per cent of flights on the North Atlantic, and is expected to continue to grow. The shift to data link would result in temporary excess voice capacity, and the question is whether such costs should be borne principally by voice communication aircraft or whether they should be equally shared with the data link aircraft. For this reason, further differentiation in the charge was frozen pending this review of charges.

Further differentiation now seems warranted for the following reasons:

- The consultation indicated a fair amount of support;

- Data link aircraft are subject to third party communication costs for their air-ground transmission of messages, which is not the case for aircraft using voice communication only. In view of this, there may be some justification for having those using voice communication only bear most of the cost of any temporary excess voice capacity; and

- Further differentiation would also provide added incentive for aircraft to become data link equipped.

NAV CANADA proposes to increase the differentiation in the International Communication Services Charge, effective March 1, 2006 as follows:

- **Increase the rate for flights using only voice communication from $52.33 to $61.00; and**
- **Reduce the rate for flights using data link communication from $26.44 to $22.96.**

2.7 Charges for General Aviation

Small aircraft weighing three tonnes or less are subject to Annual (Canadian-registered aircraft) or Quarterly charges (foreign-registered aircraft). The Annual Charge (base rate plus separate adjustment) is currently $72 for aircraft up to two tonnes and $240 for aircraft between two and three tonnes.

Stakeholder views on the issue of charges for general aviation varied widely. Many air carriers believe that the charges should be substantially increased, while representatives of general aviation either supported the status quo or argued for decreased fees.

In analyzing this issue, it was recognized that the level of the existing Annual (and Quarterly) charges, which are applied nationally, reflects the fact that many small aircraft (three tonnes or less) do not operate at airports with an Air Traffic Control tower or a Flight Service Station/Flight Information Centre (FSS/FIC). For such aircraft, the main ANS services available are weather information, flight planning/notification, aeronautical information and assistance to DND in Search and Rescue operations. Since more ANS services are provided and available at airports with a tower or a FSS/FIC, an additional charge for small aircraft operating at such airports could be considered. This option was explored in the Discussion Paper released in January 2005.

The charging principles in the ANS Act require that charges not be structured in such a way that aviation safety could be adversely affected and that charges on recreational and private aircraft must not be unreasonable or undue. This has led the Company to propose a new Daily Charge as an additional charge for aircraft weighing three tonnes or less using the major international airports. In addition to being fair and reasonable on its own merit, such a charge would serve as an incentive for small aircraft to use reliever airports, which are available at nearly all locations. This would have an efficiency benefit for air carrier traffic using the major international airports.

Due to changes required in the billing system, it is proposed to implement the first phase of the new Daily Charge on September 1, 2006.

NAV CANADA proposes to:

- **Retain the existing Annual and Quarterly charges;**
- **Gradually implement a new, additional charge at Vancouver (including the water aerodrome), Calgary, Edmonton, Winnipeg, Toronto (Pearson), Ottawa, Montréal (Trudeau) and Halifax international airports for aircraft weighing three tonnes or less (MTOW) as follows:**

    - **A Daily Charge of $5, effective September 1, 2006, increasing to $10, effective March 1, 2008; with**

    - **An annual maximum per aircraft, the annual period running from March 1 to February 28 (or 29). The maximum will be:**
        - **$ 300, for the period September 1, 2006 to February 28, 2007;**
        - **$ 600, effective March 1, 2007; and**
        - **$ 1200, effective March 1, 2008.**

2.8 Exemptions

Currently, the Company provides exemptions from charges for a limited number of activities such as fire fighting, air ambulance and registered charities. Under the ANS Act, aircraft operating under the authority of the Minister of National Defence are also exempted, as are foreign state aircraft in the absence of a Governor in Council (GIC) authorization to charge.

The existing exemptions and reductions seem reasonable and no changes are planned at this time, except for the following:

- There is a strong view among customers that foreign state aircraft should not be exempted from charges. **Given that the ANS Act provides for the GIC to authorize the charging of foreign state aircraft, NAV CANADA will write to the Minister of Transport seeking such approval;**

- **Additionally, the Company intends to expand the application of the Enroute Charge to sightseeing and other flights leaving the terminal control area but returning to the same airport, except aborted flights due to weather or training flights, provided that the additional revenue warrants the cost of related system changes; and**
- **The existing exemptions for ultralights, gliders, balloons and aircraft weighing less than 617 kg would not apply to the proposed new Daily Charge.**

For smaller aircraft, representation has been received for expanded exemptions or reductions in charges with respect to the current weight exemption limit, aircraft operating in areas without communication coverage or from small airstrips, and for certain aerial agricultural spraying operations. Recognizing the imperative of aviation safety, the ANS Act provides the authority to charge based on the availability of service regardless of whether the service is actually used or not. There are basic services available to aircraft operators regardless of where they operate, such as weather information, aeronautical information or Search and Rescue assistance. The basic safety oriented charging provisions in the ANS Act recognize that part of the ANS is available and of some value to any aircraft. This supports a broad application of a modest annual charge. On this basis, the status quo would be retained.

2.9 Service Charge Administration

Billing

Many regional and local air operators utilizing propeller aircraft are charged the Daily Charge given the nature of their operations (i.e. short haul multi-leg flights with a high daily flight frequency per aircraft). Flight planning procedures allow operators to centrally store their flight plans without aircraft registration marks. This complicates NAV CANADA’s billing procedures, as it is necessary to identify the specific aircraft used for each flight to bill the Daily Charge.

In order to ensure efficient and accurate invoicing of the Daily Charge, it is proposed that inclusion of aircraft registration marks in the flight plans be required.

NAV CANADA proposes to:

- **Require aircraft registration marks to be included in flight plans for the application of the Daily Charge, effective March 1, 2006;**
- **Apply movement based charges to all flights missing aircraft registration marks in the flight plan for aircraft over 3 tonnes (MTOW), effective March 1, 2006; and**

- **Apply the amount of the new Daily Charge for aircraft weighing 3 tonnes or less (MTOW) using one or more of the eight major airports to each departure if the aircraft registration mark is missing from the flight plan, effective September 1, 2006.**

Credit Terms and Conditions

As a not-for-profit company that recovers its costs on a break-even basis from its customers, NAV CANADA has little ability to absorb bad debt losses. The Company has an excellent collection record. However, when credit losses occur, these must be recovered through customer service charges.

During the consultation, customers generally agreed with a further tightening of credit terms on a risk basis.

It is proposed to tighten the Company's existing credit terms and conditions to reduce the risk of exposure to bad debts, by including the following provision:

> **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, if any one of the following circumstances exists:**
>
> - **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 3, 4 or 5, or Dun & Bradstreet equivalent failure score 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 & Poors' and/or B2 as determined by Moodys; or**
> - **The customer has not provided NAV CANADA, upon request, with financial information such as credit ratings, credit reports, analyst reports, current audited financial statements, etc. which NAV CANADA deems sufficient to enable it to assess and conclude that the credit worthiness of the customer is satisfactory.**

The proposed effective date for these changes is March 1, 2006.

3. Rate Stabilization Account

In order to mitigate the effect on its operations of unpredictable and uncontrollable factors, principally unanticipated fluctuations in air traffic volumes, the Company maintains a rate stabilization account (RSA) with a target balance of $50 million.

The RSA permits the Company to maintain lower charges following a downturn, such as during the post September 11, 2001 (9/11) period, than otherwise would have been possible.

As a result of the down-turn in traffic post 9/11, the Company incurred a shortfall which reached $116 million in fiscal year 2003. To help recover this shortfall and replenish the RSA, a separate rate adjustment of 2% was implemented on August 1, 2003, which will remain until the existing target balance of $50 million has been reached.

Customer views regarding the retention of or the appropriate balance for the RSA vary, from elimination, retention at the current target balance to an increase in the target balance. Some stakeholders expressed concern regarding the potential for abuse of a rate stabilization mechanism. However, for NAV CANADA, the governance structure and legislated charging principles effectively protect against this.

The RSA has proven its importance to the Company and its customers and will continue to be retained as a key element of NAV CANADA's financial management to ensure the provision of an essential service on a long-term sustainable basis. With respect to the level of the RSA, an increase in the target balance seems necessary for the following reasons:

- The risk of downturns in traffic has increased materially in the post 9/11 global environment of terrorist activities and related fears, health scares and natural disasters.

- Considering inflation, the current target balance has decreased in real terms since it was established.

The Company believes that the target balance of the RSA should be increased to $75 million. However, recognizing the difficult financial situation of the aviation industry at this time, this target would not be achieved through a fee increase but through positive variances in operating results.

Also, to provide for an automatic inflation adjustment, it is proposed to set the target balance at 7.5% of the Company's total annual expenses once the $75 million target balance has been reached.

NAV CANADA proposes to increase the target balance of the Rate Stabilization Account (RSA) from $50 million to $75 million and then set the RSA target balance at 7.5% of total annual expenses, excluding one-time non-recurring items, on an ongoing basis. The Company intends to achieve this increase of $25 million only through positive variances in operating results if and when they occur rather than through any increase in fees.

4. Aeronautical Publications

Due to the current comprehensive review by the Company of the production and delivery system for aeronautical publications, there is broad consensus among customers that the development of a new charging policy for aeronautical products should be held off pending the completion of this review.

NAV CANADA proposes to:

- **Await the review of the production and delivery system for aeronautical publications before developing the new policy for recovering the cost of such products; and**
- **Retain the existing charges in the interim.**

5. Cost Allocation Methodology

International air carriers and their associations believe that the allocation of costs for charging purposes should extend beyond the current allocation to services (terminal, enroute, International Communication and North Atlantic), to individual customer groups, such as general aviation. As an example, in their view the Flight Service Stations (FSS) and Flight Information Centres (FICs) principally serve general aviation and not international air carriers.

Many other customers support retention of status quo.

The current scope of the cost allocation is consistent with common international practice. With respect to FSSs and FICs, one of the main activities is weather observations and briefings. Weather observations are of critical importance to aviation weather forecasts, whether developed by Meteorological Services of Canada (MSC) or World Area Forecasting centres. Weather observations are also distributed to meteorological authorities and flight dispatchers world wide.

While the scope would be retained, the Company will update the existing cost allocation to ensure that changes in operation and activity levels are appropriately reflected. The allocation of costs provides a key foundation for the service charges. As was the case for the existing methodology, the Company will engage an independent expert to examine and opine on the updated methodology.

NAV CANADA proposes to:

- **Retain the current scope of the cost allocation to services and not expand it to individual customer groups;**

- **Continue to base the allocation of costs between the services on a reasonable allocation of costs between terminal and en route services;**
- **Update the existing cost allocation methodology to ensure it reflects current operations and activity data;**
- **Develop and assess the suggested alternative methodology for allocating Depreciation, Amortization and Interest; and**
- **Engage an independent expert to examine and opine on the updating of and any change in the existing cost allocation methodology.**

6. Summary of Proposed Changes

6.1 Charging Methodology

a) Reduce the exponent in the Terminal Charge formula gradually from 0.9 to 0.85, effective March 1, 2006 and to 0.8, effective September 1, 2008.

b) Increase the terminal component of the Daily Charge on the same dates by a percentage increase that is similar to the increase in the Terminal Charge for smaller aircraft (resulting from the change in the formula for this charge).

c) Accommodate, effective June 1, 2006, the option of using multiple MTOWs for the same aircraft by flight distance on the basis of three fixed stage length ranges, 0-500, 501-1500 and over 1500 statute miles.

d) Increase the International Communication Services Charge for flights using only voice communication from $52.33 to $61.00 per flight, effective March 1, 2006.

e) Reduce the International Communication Services Charge for flights using data link communication from $26.44 to $22.96 per flight, effective March 1, 2006.

f) Retain the existing Annual and Quarterly charges.

g) Gradually implement a new, additional charge at Vancouver (including the water aerodrome), Calgary, Edmonton, Winnipeg, Toronto (Pearson), Ottawa, Montréal (Trudeau) and Halifax international airports for aircraft weighing three tonnes or less (MTOW) as follows:

- A Daily Charge of $5, effective September 1, 2006, increasing to $10, effective March 1, 2008; with

- An annual maximum per aircraft, the annual period running from March 1 to February 28 (or 29). The maximum will be:

    - o $ 300, for the period September 1, 2006 to February 28, 2007;
    - o $ 600, effective March 1, 2007; and
    - o $1200, effective March 1, 2008.

h) Request authorization from the government, in accordance with the ANS Act, to charge foreign state aircraft.

i) Expand the application of the Enroute Charge to sightseeing and other flights leaving the terminal control area but returning to the same airport, except aborted flights due to weather or training flights, provided that the additional revenue warrants the cost of related system changes.

j) The existing exemptions for ultralights, gliders, balloons and aircraft weighing less than 617 kg would not apply to the proposed new Daily Charge.

k) Require aircraft registration marks to be included in flight plans for the application of the Daily Charge, effective March 1, 2006.

l) Apply movement based charges to all flights missing aircraft registration marks in the flight plan for aircraft over 3 tonnes (MTOW), effective March 1, 2006.

m) Apply the amount of the new Daily Charge for aircraft weighting 3 tonnes or less (MTOW) using one or more of the eight major airports to each departure if the aircraft registration mark is missing from the flight plan, effective September 1, 2006.

n) 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, if any one of the following circumstances exists:

- 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 3, 4 or 5, or Dun & Bradstreet equivalent failure score 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 & Poors' and/or B2 as determined by Moodys; or

- The customer has not provided NAV CANADA, upon request, with financial information such as credit ratings, credit reports, analyst reports, current audited financial statements, etc. which NAV CANADA deems sufficient to enable it to assess and conclude that the credit worthiness of the customer is satisfactory.

The proposed effective date for these changes is March 1, 2006.

6.2 Rate Stabilization Account

o) Increase the target balance of the Rate Stabilization Account (RSA) from $50 million to $75 million and then set the RSA target balance at 7.5% of total annual expenses, excluding one-time non-recurring items, on an ongoing basis. The Company intends to achieve this increase of $25 million only through positive variances in operating results if and when they occur rather than through any increase in fees.

6.3 Aeronautical Publications

p) Await the review of the production and delivery system for aeronautical publications before developing the new policy for recovering the cost of such products.

q) Retain the existing charges in the interim.

6.4 Cost Allocation Methodology

r) Retain the current scope of the cost allocation to services and do not expand it to individual customer groups.

s) Continue to base the allocation of costs between the services on a reasonable allocation of costs between terminal and en route services.

t) Update the existing cost allocation methodology to ensure it reflects current operations and activity data.

u) Develop and assess the suggested alternative methodology for allocating Depreciation, Amortization and Interest.

v) Engage an independent expert to examine and opine on the updating of and any change in the existing cost allocation methodology.