



## **DETAILS AND PRINCIPLES REGARDING PROPOSED REVISED SERVICE CHARGES**

**APRIL 2016**

### **GENERAL**

This document (Details and Principles) provides additional details to expand upon the *Notice of Revised Service Charges* dated April 2016 (the Notice). Under Section 36 of the *Civil Air Navigation Services Commercialization Act*, S.C. 1996, c. 20 (the ANS Act), NAV CANADA is required to produce a document containing more details in relation to the proposed 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) a general overview of NAV CANADA, (2) traffic outlook, (3) amounts to recover and return, (4) customer service charge rate analysis, (5) additional detail regarding proposed changes to terms and conditions, (6) a justification of the proposal in relation to the charging principles, and (7) 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 no later than July 6, 2016.**

## **1. GENERAL OVERVIEW OF NAV CANADA**

NAV CANADA is a non-share capital, private sector corporation which is responsible for the provision of civil air navigation facilities and services for aircraft in Canadian airspace or 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. The Corporation is governed by a 15-member Board of Directors (the Board) consisting of 10 directors elected by stakeholders representing aviation users, bargaining agents and the federal government, four independent directors and the President & CEO. NAV CANADA also has an Advisory Committee elected by associates, empowered to analyze and make reports and recommendations to the Board 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 exclusive 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.

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 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, which is discussed below.

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](http://www.navcanada.ca).

## **2. TRAFFIC OUTLOOK**

In developing the outlook for air traffic, the primary sources of information considered are airline schedules as reported in the Official Airline Guide, a time series analysis of historical weighted charging units (WCUs), forecasts of macro-economic indicators, and available passenger and/or aircraft movement forecasts, such as from IATA, FAA and Eurocontrol. The forecast for 2016 reflects actual traffic results up to February and a forecast for the remainder of the fiscal year. NAV CANADA's fiscal year runs from September 1 to August 31.

The following table presents the Company's traffic growth assumptions. Overall, the year-over-year traffic growth forecasts for fiscal 2016 and fiscal 2017 are 2.5% and 2.1%, respectively. The growth rates for both years reflect the impact of the extra day in February 2016 due to leap year. With the leap year effect removed, these growth rates would be 2.2% and 2.4% for fiscal 2016 and fiscal 2017, respectively, reflecting a slight strengthening of the growth in 2017.

	<b>Forecast</b>	<b>Preliminary Budget</b>
<b>Charge</b>	<b>FY 2016</b>	<b>FY 2017</b>
Terminal	0.5%	1.7%
Enroute	1.0%	1.7%
Overflight	4.4%	1.7%
NAT	4.2%	1.7%
Int'l Com	4.8%	1.7%
Daily	7.2%	7.8%
<b>Weighted</b>	<b>2.5%</b>	<b>2.1%</b>

### 3. AMOUNTS TO RECOVER AND RETURN

The rate setting exercise is designed to accomplish two objectives:

1. Set fiscal 2017 base rates to the appropriate levels in order to meet the Corporation's anticipated financial requirements in fiscal 2017, and
2. Set temporary rate adjustments, to be in effect during fiscal 2017, to return to customers approximately \$50 million, representing an estimate of the amount by which the notional balance of the Rate Stabilization Account will exceed its target balance by the end of fiscal 2016.

#### Fiscal 2017 Amounts to Recover from Customers

Total costs to recover in fiscal 2017 are expected to be \$1,336 million. The amounts to recover from ANS user charges are less than this, as other revenues are taken into account, consistent with the requirements of the ANS Act. The Company anticipates other revenues of \$47 million in fiscal 2017 from technology sales, its NAV CENTRE and other sources.

The following table sets out the specifics of amounts to recover in fiscal 2017, based on its preliminary budget.

	<b>\$ Millions</b>	
<b>Costs:</b>		
Operating Expenses:		
Salaries, Benefits and Allowances	\$878	
Other Operating Expenses	\$272	
Depreciation and Amortization	\$141	
	<u>\$1,291</u>	
Other Expenses	\$91	
Regulatory Deferrals Excluding RSA	(\$46)	
<b>Total Costs to Recover in Fiscal 2017</b>	<u><u>\$1,336</u></u>	(A)
<b>Other Revenues</b>	<u><u>\$47</u></u>	(B)
<b>Amounts to Recover from ANS Charges:</b>	<u><u>\$1,289</u></u>	(A-B)

#### Fiscal 2016 Amounts to Return to Customers

Customer service charges are set based on the Company's financial requirements, which take into account estimated air traffic volumes and planned expenditures. Since actual revenue and expenses will differ from these estimates, methods to accumulate the variances are required so that they may be taken into account when setting future customer service charges. There is also a need to absorb the immediate effect of unpredictable factors – mainly fluctuations in air traffic volumes resulting from unforeseen events. We meet these objectives through a "rate stabilization" mechanism.

The Company performs its rate setting activities with a view to maintaining a target balance in the Rate Stabilization Account (RSA). The target balance is set at 7.5% of total planned annual expenses net of other loss (income), excluding non-recurring items. In the process of determining future customer service charges, we take into account the balance of the rate stabilization account, adjusted "notionally" for the non-credit related portion of the fair value adjustments that have been provided on restructured and other investments in asset-backed commercial paper (ABCP). When the balance of the RSA is above its target balance and this excess is expected to grow by a material amount, the Corporation adjusts rates appropriately to return the surplus to customers.

The target balance of the RSA in fiscal 2016 is \$100 million, which is 7.5% of budgeted 2016 costs, as explained above. By the end of fiscal 2016, the Corporation anticipates having an excess of approximately \$50 million in the Rate Stabilization account, as shown in the table below.

	<b>\$ Millions</b>
Expected Closing Balance, August 31, 2016	\$140
Notional Adjustments:	
Non-credit Losses on ABCP Investments	\$10
Expected Notional Balance, August 31, 2016	\$150
Less: Target Notional RSA Balance	\$100
Amount to Return to Customers	\$50

#### **4. CUSTOMER SERVICE CHARGE RATE ANALYSIS**

As identified in sections 2 and 3 above, the Corporation proposes to adjust its base rates to recover \$1,289 million in fiscal 2017 and also set temporary rate adjustments to return the anticipated \$50 million RSA surplus during the fiscal 2017 year.

##### Fiscal 2017 Breakeven Base Rate Calculation

To determine the rate changes required to breakeven in fiscal 2017, by service, the forecast revenues and costs by service are used.

The amount to be recovered by each service is determined by the allocation of costs to services, i.e., to Terminal, Enroute, NAT and Int'l Com services. The Corporation's cost allocation methodology was developed in 1997, and a cost compilation report is produced following each fiscal year.

The Company has also prepared a more recent calculation, based on the fiscal 2016 forecasted costs, to determine the estimated fiscal 2017 costs by service. The forecast revenues at existing base rates are also used in the calculation. Using this information, the percentage change in rates, by service, is calculated. These calculations are presented in the following table.

2017 Base Rate Calculations	Terminal	Enroute	NAT	Int'l Com	Total
Fiscal 2017 ANS Revenue at Existing Base Rates	\$ 561,303,245	\$ 729,874,590	\$ 38,329,217	\$ 11,197,247	\$ 1,340,704,299
Fiscal 2017 Costs to Recover from ANS Charges	\$ 566,773,300	\$ 676,725,000	\$ 35,834,200	\$ 9,667,500	\$ 1,289,000,000
Cost Allocation ->	43.97%	52.50%	2.78%	0.75%	100.00%
Surplus (Shortfall)	\$ (5,470,055)	\$ 53,149,590	\$ 2,495,017	\$ 1,529,747	\$ 51,704,299
<b>Required base rate change</b>	<b>1.0%</b>	<b>-7.3%</b>	<b>-6.5%</b>	<b>-13.7%</b>	<b>-3.9%</b>
	<b>Flat Charges</b>	<b>-0.5%</b>			

Note that the rates for the flat charges (Daily, Annual, Quarterly, Annual Minimum and Daily – 7 Specified Airports) change by 82% of the terminal rate change and 18% of the enroute rate change.

#### Fiscal 2016 RSA Surplus to Return to Customers

The amount to be returned to customers via the fiscal 2017 temporary rate adjustment is approximately \$50 million. This represents a 3.9% reduction from the proposed revised base rates (an average of 3.7% from the existing base rates). This is detailed in the following table.

2017 Rate Adjustment Calculations	Terminal	Enroute	NAT	Int'l Com	Total
ANS Revenue from Proposed Revised Rates	\$ 566,773,300	\$ 676,725,000	\$ 35,834,200	\$ 9,667,500	\$ 1,289,000,000
Amount to return to customers	\$ (21,925,201)	\$ (26,178,600)	\$ (1,386,219)	\$ (373,980)	\$ (49,864,000)
<b>Adj % (vs NEW base rates)</b>	<b>-3.9%</b>	<b>-3.9%</b>	<b>-3.9%</b>	<b>-3.9%</b>	<b>-3.9%</b>
	<b>Flat Charges</b>	<b>-3.9%</b>			

## Summary of Proposed Rate Revisions

The following table sets out and compares the existing rates and proposed revised base rates and adjustments.

		Current	FY 2017 Break Even		FY 2017 Temporary Rate Adjustment (To Address August 31 2016 Surplus)			Proposed Fiscal 2017 Base Rates & Adjustments	
		Base Rates	Proposed Base Rates	% Change vs Existing Base Rates	Proposed Adjustment Sep 2016 to Aug 17	% Change vs Existing Base Rates	% Change vs New Base Rates	Proposed Net	% Change vs Existing Base Rates
<b>FLIGHT-BASED CHARGES:</b>									
Terminal Charge		\$ 23.90	\$ 24.14	1.0%	-\$ 0.93	-3.9%	-3.9%	\$ 23.21	-2.9%
Enroute Charge (including Overflight)		\$ 0.03445	\$ 0.03194	-7.3%	-\$ 0.00124	-3.6%	-3.9%	\$ 0.03070	-10.9%
NAT		\$ 93.24	\$ 87.18	-6.5%	-\$ 3.37	-3.6%	-3.9%	\$ 83.81	-10.1%
Int'l Com	Data Link	\$ 22.04	\$ 19.02	-13.7%	-\$ 0.74	-3.3%	-3.9%	\$ 18.28	-17.0%
	Voice	\$ 58.56	\$ 50.54	-13.7%	-\$ 1.96	-3.3%	-3.9%	\$ 48.58	-17.0%
<b>AIRCRAFT-BASED CHARGES:</b>									
<u>Daily Charges</u>									
Weight Group (in Tonnes)									
Propellers	Over 3.0 to 5.0	\$ 42	\$ 41.79	-0.5%	-\$ 1.63	-3.9%	-3.9%	\$ 40.16	-4.4%
	Over 5.0 to 6.2	\$ 84	\$ 83.58	-0.5%	-\$ 3.26	-3.9%	-3.9%	\$ 80.32	-4.4%
	Over 6.2 to 8.6	\$ 333	\$ 331.34	-0.5%	-\$ 12.92	-3.9%	-3.9%	\$ 318.42	-4.4%
	Over 8.6 to 12.3	\$ 773	\$ 769.14	-0.5%	-\$ 30.00	-3.9%	-3.9%	\$ 739.14	-4.4%
	Over 12.3 to 15.0	\$ 1,152	\$ 1,146.24	-0.5%	-\$ 44.70	-3.9%	-3.9%	\$ 1,101.54	-4.4%
	Over 15.0 to 18.0	\$ 1,384	\$ 1,377.08	-0.5%	-\$ 53.71	-3.9%	-3.9%	\$ 1,323.37	-4.4%
	Over 18.0 to 21.4	\$ 1,866	\$ 1,856.67	-0.5%	-\$ 72.41	-3.9%	-3.9%	\$ 1,784.26	-4.4%
	Over 21.4	\$ 2,421	\$ 2,408.90	-0.5%	-\$ 93.95	-3.9%	-3.9%	\$ 2,314.95	-4.4%
Maximum for Helicopters		\$ 84	\$ 83.58	-0.5%	-\$ 3.26	-3.9%	-3.9%	\$ 80.32	-4.4%
Jets	Up to 3.0	\$ 159	\$ 158.21	-0.5%	-\$ 6.17	-3.9%	-3.9%	\$ 152.04	-4.4%
	Over 3.0 to 6.2	\$ 205	\$ 203.98	-0.5%	-\$ 7.96	-3.9%	-3.9%	\$ 196.02	-4.4%
	Over 6.2 to 7.5	\$ 333	\$ 331.34	-0.5%	-\$ 12.92	-3.9%	-3.9%	\$ 318.42	-4.4%
<u>Annual Minimum Charges</u>									
Propeller Aircraft over 3.0 Tonnes and Jets		\$ 227	\$ 225.84	-0.5%	-\$ 8.80	-3.9%	-3.9%	\$ 217.04	-4.4%
<u>General Aviation Charges:</u>									
Annual Charge									
Under 2.0		\$ 68	\$ 67.64	-0.5%	-\$ 2.64	-3.9%	-3.9%	\$ 65.00	-4.4%
2.0 to 3.0		\$ 227	\$ 225.84	-0.5%	-\$ 8.80	-3.9%	-3.9%	\$ 217.04	-4.4%
Quarterly Charge									
Under 2.0		\$ 17.00	\$ 16.91	-0.5%	-\$ 0.66	-3.9%	-3.9%	\$ 16.25	-4.4%
2.0 to 3.0		\$ 56.75	\$ 56.46	-0.5%	-\$ 2.20	-3.9%	-3.9%	\$ 54.26	-4.4%
Daily - Specified 7 Major Airports		\$ 10.00	\$ 9.95	-0.5%	-\$ 0.39	-3.9%	-3.9%	\$ 9.56	-4.4%
<b>Overall (Weighted Average)</b>				<b>-3.9%</b>		<b>-3.7%</b>	<b>-3.9%</b>		<b>-7.6%</b>

## 5. ADDITIONAL DETAIL REGARDING PROPOSED CHANGES TO TERMS AND CONDITIONS

The Notice proposes changes to the Company's credit security arrangements. Both the existing credit security arrangements and the proposed revised credit security arrangements are presented in the Notice. To provide added clarity, the proposed revised credit security arrangements are presented here with the specific changes highlighted. Changes are shown in bold, with new text underlined and deleted text struck out.

Where ~~an aircraft operator~~ a customer 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~~ customer in a form and substance satisfactory to NAV CANADA.

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

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

- A customer fails to make a payment or any part of a payment in accordance with NAV CANADA's payment terms and conditions on three occasions or more;
- The customer's Dun & Bradstreet Financial Stress Score Risk Class is a 4 or 5, or the failure score equivalent, as amended from time to time;
- A customer's credit is rated and its credit rating is below or falls to below B as determined by Standard & Poor's or B2 as determined by Moody's;
- If a customer is under creditor protection (e.g., Companies' Creditors Arrangement Act (CCAA) in Canada or Chapter 11 in the United States) or any other form of financial restructuring in accordance with applicable insolvency legislation or the customer has publicly announced that it may file for creditor protection or bankruptcy; or
- The customer has not provided NAV CANADA, upon request, with financial information such as credit ratings, credit reports, analyst reports, current



audited or unaudited financial statements, etc. which NAV CANADA deems sufficient to enable it to assess and conclude that the creditworthiness of the customer is satisfactory.

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

## 6. 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 revised 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 revised 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;*

The 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 cost allocation methodology is set out in a document entitled "Methodology to be Used in Attributing the Costs of Air Navigation Services". The costs are allocated annually in a report entitled "Compilation of Air Navigation Services Costs". A copy of this report 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 expenses net of other revenues determined in accordance with International Financial Reporting Standards (IFRS) and the costs of complying with certain financial requirements, as described in detail in Subsection 35(5) of the ANS Act.

- 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 Charges 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 0.8 power.

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 November 15, 2013 *Customer Guide to Charges*.

## **7. 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](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 posted on the Internet site.

Additional copies 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 and Commercial Services

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

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: Director, Rates and Revenue Systems

By facsimile: 1-613-563-7994

**Note: Representations must be received by NAV CANADA not later than the close of business on July 6, 2016.**



***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 terrorist attacks, war, epidemics or pandemics, natural disasters, weather patterns, environmental concerns, 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 success of our investment in space-based aircraft surveillance through Aireon LLC (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 2015 AIF. The forward-looking statements contained in this document represent our expectations as of April 8, 2016 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.*