

NOTICE OF REVISED SERVICE CHARGES

MAY 2018

GENERAL

Pursuant to Section 36 of the *Civil Air Navigation Services Commercialization Act*, S.C. 1996, c. 20 (the ANS Act), the following document provides notice (the Notice) of **NAV CANADA's proposed revised charges to become effective September 1, 2018, except as otherwise noted**. A document setting out additional details in relation to these proposals, including a justification in relation to the charging principles established under Section 35 of the ANS Act, is available upon request from NAV CANADA.

Persons interested in making representations to NAV CANADA with regard to the proposals set out in this Notice may do so by writing to the address set out under Section 3 so as to be received by NAV CANADA not later than July 31, 2018.

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

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

This Notice consists of two sections:

- (1) Proposed Revision to Service Charge Rates; and
- (2) Additional Information Regarding the Notice and on Making Representations to NAV CANADA.

1. PROPOSED REVISION TO SERVICE CHARGE RATES

1.1 Background

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

Traffic growth has continued to exceed expectations over the past year. The high growth has been driven primarily through increases in oceanic traffic, some of which is from the continued expansion of low cost carrier operations focused on flying the north Atlantic Ocean. Traffic growth is expected to weaken somewhat through fiscal 2019, but growth is still expected to be slightly above-average.

The strong traffic results in the current fiscal year and forecast for fiscal 2019 have enabled the Company to keep the average rate change to zero for fiscal 2019, although the revision varies by fee. This proposal avoids a 0.4% rate increase that would have occurred on September 1, 2018, when the existing 0.4% temporary one-year rate reduction expires.

In fiscal 2019 the Company will begin trialing for use space-based ADS-B surveillance technology in its air traffic control operations for both domestic enroute and North Atlantic oceanic air space. The new space-based surveillance technology will significantly enhance safety and aircraft tracking over current non-surveilled airspace. In addition, the Company expects that ADS-B equipped aircraft will be able to obtain operational benefits and will use this trial period to work with its customers to help them obtain the benefits from this enhanced surveillance technology. During the trial period, the Company will not seek to recover in its revised service charges the cost incurred to obtain the space-based surveillance data.

The following section sets out the rate proposal. Additional information including supporting calculations is provided in the document *Details and Principles Regarding Proposed Revised Service Charges (May 2018)*. Refer to section 2 for information on how to obtain a copy of this document.

1.2 Proposed Customer Service Charge Rate Revisions

Based on the Corporation's financial forecasts, base rates need to be revised to generate 0.4% less ANS revenue in fiscal 2019 than would be generated by the existing base rates. The revisions in base rates vary by service, to ensure that rates are aligned with the anticipated costs and traffic by service. NAV CANADA's costs and revenues relate to four services provided by the Company: Terminal, Enroute, North Atlantic Enroute (NAT), and International Communications (Int'l Com).

The proposed base rate revisions for each of the services are as follows, effective September 1, 2018: Terminal: 1.4% increase, Enroute: 2.2% decrease, NAT: 5.2% increase, and Int'l Com: 1.8% increase. Overall, the proposed base rate revisions represent an average 0.4% decrease in base rates.

Movement-Based Charges

Charge	Base Rates Prior to September 1, 2018	Additional Rate Adjustments[†]	Proposed Base Rates Effective September 1, 2018
Terminal	\$ 24.02	-\$ 0.10	\$ 24.36
Enroute	\$ 0.03015	-\$ 0.00013	\$ 0.02949
North Atlantic	\$ 78.90	-\$ 0.33	\$ 83.00
International Communication			
Data Link	\$ 18.35	-\$ 0.08	\$ 18.68
Voice	\$ 48.78	-\$ 0.20	\$ 49.66

[†] These existing temporary rate adjustments will expire on September 1, 2018.

Daily Charges

Category and Weight Group* (in metric tonnes)	Base Rates Prior to September 1, 2018	Additional Rate Adjustments[†]	Proposed Base Rates Effective September 1, 2018
Propeller Aircraft			
Over 3.0 up to 5.0	\$ 41.20	-\$ 0.16	\$ 41.53
Over 5.0 up to 6.2	\$ 82.41	-\$ 0.33	\$ 83.07
Over 6.2 up to 8.6	\$ 326.70	-\$ 1.31	\$ 329.31
Over 8.6 up to 12.3	\$ 758.37	-\$ 3.03	\$ 764.44
Over 12.3 up to 15.0	\$ 1,130.19	-\$ 4.52	\$ 1,139.23
Over 15.0 up to 18.0	\$ 1,357.80	-\$ 5.43	\$ 1,368.66
Over 18.0 up to 21.4	\$ 1,830.68	-\$ 7.32	\$ 1,845.33
Over 21.4	\$ 2,375.18	-\$ 9.50	\$ 2,394.18
Maximum for Helicopters	\$ 82.41	-\$ 0.33	\$ 83.07
<i>Small Jet Aircraft</i>			
Up to 3.0	\$ 156.00	-\$ 0.62	\$ 157.25
Over 3.0 up to 6.2	\$ 201.12	-\$ 0.80	\$ 202.73
Over 6.2 up to 7.5	\$ 326.70	-\$ 1.31	\$ 329.31

* Maximum permissible take-off weight.

† These existing temporary rate adjustments will expire on September 1, 2018.

Annual Charges*

Weight Group** (in metric tonnes)	Base Rates Prior to September 1, 2018	Additional Rate Adjustments[†]	Proposed Base Rates Effective September 1, 2018
0.617 up to 2.0	\$ 66.68	-\$ 0.28	\$ 67.20
Over 2.0 up to 3.0***	\$ 222.68	-\$ 0.88	\$ 224.44

* For foreign-registered aircraft, the corresponding Quarterly Charge is equal to 25% of the Annual Charge.

** Maximum permissible take-off weight.

*** The existing provisions regarding private aircraft used exclusively for recreational purposes (regardless of aircraft weight) and for aircraft restricted to aerial agricultural spraying remain with the exception of the revised rates.

† These existing temporary rate adjustments will expire on February 28, 2019.

Daily Charge at Seven Specified International Airports

Aircraft Category	Base Rates Prior to September 1, 2018	Additional Rate Adjustments [†]	Proposed Base Rates Effective September 1, 2018
Daily Charge for Propeller Aircraft up to 3.0 Metric Tonnes	\$ 9.81	-\$ 0.04	\$ 9.89

* Maximum permissible take-off weight.

† These existing temporary rate adjustments will expire on February 28, 2019.

Annual Minimum Charges*

Aircraft Category	Base Rates Prior to September 1, 2018	Additional Rate Adjustments [†]	Proposed Base Rates Effective September 1, 2018
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft **	\$ 222.68	-\$ 0.88	\$ 224.44

* Applicable to aircraft not subject to the Annual Charge or the Quarterly Charge. For foreign-registered aircraft, the corresponding Quarterly Minimum Charge is equal to 25% of the Annual Minimum Charge.

** Except for aircraft restricted to Agricultural Spraying, for which the existing provisions remain except the revised rate will be \$67.20 and the temporary rate adjustment will be eliminated.

† These existing temporary rate adjustments will expire on February 28, 2019.

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

Further details of this proposal, including a justification for the proposal in relation to the charging principles, are provided in a document entitled *Details and Principles Regarding Proposed Revised Service Charges* (Details and Principles) which is available on request. The Notice and the Details and Principles documents are posted on NAV CANADA's Internet site (www.navcanada.ca).

Information on the existing charges is provided in NAV CANADA's announcements on service charges and *Customer Guide to Charges*, which are also available on the Internet site.

A hard copy of the Details and Principles document may be obtained by contacting NAV CANADA:

In writing: NAV CANADA
P.O. Box 3411, Station "D"
Ottawa, Ontario
Canada K1P 5L6
Attention: AVP, Customer and Commercial Services

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

Pursuant to Section 36 of the ANS Act, persons interested in making representations to NAV CANADA with regard to the proposals contained in this Notice may do so in writing to the following address:

NAV CANADA
P.O. Box 3411, Station "D"
Ottawa, Ontario
Canada K1P 5L6
Attention: Director, Rates and Revenue Systems

By facsimile: 1-613-563-5882

Note: Representations must be received by NAV CANADA not later than the close of business on July 31, 2018.

.....
Caution Concerning Forward-looking Information

This document contains certain statements about NAV CANADA's future expectations. These statements are generally identified by words like "anticipate", "plan", "believe", "intend", "expect", "estimate", "approximate" and the like, as well as future or conditional verbs such as "will", "should", "would" and "could", or negative versions thereof. Because forward-looking statements involve future risks and uncertainties, actual results may be quite different from those expressed or implied in these statements. Examples include geopolitical unrest, terrorist attacks and the threat of terrorist attacks, war, epidemics or pandemics, natural disasters, weather patterns, environmental concerns, cyber security attacks, labour negotiations, arbitrations, workforce recruitment, training and retention, general aviation industry conditions, air traffic levels, the use of telecommunications and ground transportation as alternatives to air travel, capital market and economic conditions, the ability to collect customer service charges and reduce operating costs, the satisfaction of criteria for the remaining Aireon LLC (Aireon) investment tranche, the success of our investment in space-based aircraft surveillance through Aireon, credit losses on investments, changes in interest rates, changes in laws, tax changes, adverse regulatory developments or proceedings and lawsuits. Some of these risks and uncertainties are explained under "Risk Factors" in our fiscal 2017 AIF. The forward-looking statements contained in this document represent our expectations as of May 28, 2018 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.