



**May 29, 2017**

**Re: Proposed Modification to Airport Fees and Charges**

In accordance with Article 4 of the Airport Authority (Fees and Charges) Regulations, 2009, the Nassau Airport Development Company (“NAD”) is proposing to modify the Tariff of Fees and Charges, effective December 1, 2017.

NAD proposes to increase the International Passenger Facility Charge by \$4.00 and the International Passenger Processing fee by \$4.00. It also proposes to increase the Domestic Passenger Facility Charge by \$2.50.

These increases will yield a total International Passenger Charge of \$48.00 (inclusive of Passenger Processing Fee of \$10.00 and International Passenger Facility Charge of \$38.00) and a Domestic Passenger Facility Charge of \$10.00.

Pursuant to The Airport Authority Act of 2009 (Fees and Regulations) the following factors are to be considered in modifications to airport fees and charges:

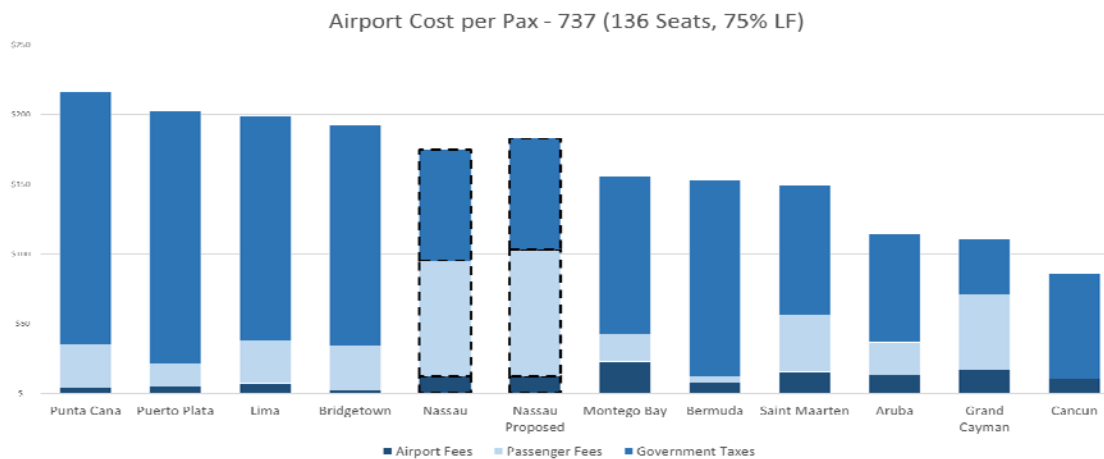
*a) Whether the application or level of the Fees and Charges is consistent with the International Civil Aviation Organization (“ICAO”) Policies on Charges for Airports.*

The methodology and application of the Fees and Charges, as proposed by NAD, are consistent with ICAO’s Policies on Charges for Airports and Air Navigation Systems. The ICAO Policies consider factors ranging from the methods used to calculate and collect the fees and appropriateness of the fee amounts, to the equality of their application. The ICAO Policies, in most respects, mirror general industry practices.

*b) How the Fees and Charges compare with those in the Caribbean region.*

The following graph compares total cost per passenger at Lynden Pindling International Airport (“LPIA”) with the total cost per passenger at 10 other airports in the Caribbean and Latin America market. The costs include airport fees and charges, and local government and U.S. government taxes and fees. The chart shows that LPIA’s total cost per passenger is currently \$175.00, and the proposed increase will move the cost up by 4.7% to \$183.00.

The graph shows that the rate increase does not change the competitive position of the airport from a total passenger cost perspective. InterVISTAS, NAD’s independent airport traffic consultant, has conducted multiple studies on the impact of rate increases on passenger traffic. Based on these studies, no material impact on passenger traffic is anticipated by the rate increase.



While LPIA ranks 5<sup>th</sup> in terms of the total fees charged by the 11 sample airports, it is important to consider the value provided by LPIA relative to other airports. For 2016, LPIA was ranked second in the Latin America and the Caribbean Region by the Airports Council International in the Airports Service Quality survey (ASQ). LPIA is typically ranked in the top three airports and given that the facility underwent a major expansion project from 2009 to 2013 and is well maintained, it offers significantly more comfort and convenience to passengers and airlines.

*c) Whether the amount of the Fees and Charges are sufficient to fund operating and capital expenditures, generate sufficient revenues for debt service, achieve compliance with financial covenants, fund debt service reserve accounts and other reserve accounts consistent with an investment grade rating.*

Management has taken steps to efficiently meet the NAD’s operating and capital expenditure programs, fund debt service requirements, and comply with financial covenants. Looking forward, NAD’s passenger traffic is forecast to show modest growth over the next five year period, while debt service requirements increase and large capital expenditure programs need to be funded. This will place a burden on NAD’s finances to meet an increasing level of debt service and financial covenant requirements and to fund critical capital expenditure programs during this period.

The current rate increase is required to ensure that NAD maintains a strong financial position, meets its debt service and financial covenant obligations, and fund

important regulatory, maintenance, and capital projects to ensure efficient and safe airport operations as we anticipate future passenger growth.

The fee increase is being implemented in accordance with Article 4 of the Airport Authority (Fees and Charges) Regulations and the Airport Transfer Agreement dated April 1, 2007 and Amendment No. 1, dated March 20, 2009. A timetable for notification and consultation with the public and airlines is in accordance with Schedule K (copy attached) of this Agreement. The current timeline for notification and consultation with the air carriers and the public, and approval of the Airport Authority, is as follows pursuant to Schedule K:

1. May 7, 2017 - 5(a) submit recommendation to the Airport Authority and receive acknowledgement of same.
2. May 29, 2017 – 5(a) publish “Proposed Modification to Airport Fees and Charges Notice” and invite comments from the public and impacted air carriers.
3. June 13, 2017 – 5(b) consultative meeting with impacted air carriers
4. July 14, 2017 – 5(c) deadline for written comments from the public and impacted air carriers
5. July 28, 2017 – 5(d) NAD to provide:
  - responses to written comments
  - copies of all written comments and responses to the Airport Authority
  - recommendation to the Airport Authority in writing for the changes to fees and charges taking into account the written comments and responses
6. August 28, 2017 – 5(e) “Approval Period” Airport Authority to notify NAD in writing of its determination of NAD’s recommendation:
  - 5(f) If the Airport Authority approves the Recommendation the Airport Authority will:
    - Notify NAD that it consents to the fees as recommended
    - Authorize NAD to publicly disclose the new fees to the public and directly to the impacted air carriers, such fees to be effective not less than 90 days from the first publication. In this case, if the Airport Authority were to provide such authorization on August 28, and the first publication occurred on August 30, then the effective date will be December 1, 2017.
  - 5(g) Where the Airport Authority notifies NAD the recommendation is not reasonable and has not approved it, they will inform NAD in writing of the reasons for its negative determination.
7. December 1, 2017 – All air travel charges will be at the revised rates.

**Any comments on the recommendation are welcomed and can be provided via our website [www.nassaulpia.com](http://www.nassaulpia.com) or by email: [feedback@nas.bs](mailto:feedback@nas.bs)**