

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 is proposing to modify the Tariff of Fees and Charges, effective January 1, 2017.

The Nassau Airport Development Company is proposing that the Landing Fees, Terminal Fees, Aircraft Loading Bridge Fees and Aircraft Parking Fees charged to airlines increase 3.0% effective January 1, 2017. The rate of increase for the aeronautical charges is consistent with those previously planned as acknowledged by the Airport Authority by letter dated March 18, 2009.

The Airport Authority (Fees and Regulations), 2009 provides the following factors for consideration of a modification to airport fees and charges:

a) Whether the application or level of the Fees and Charges is consistent with ICAO's Policies on Charges for Airports.

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

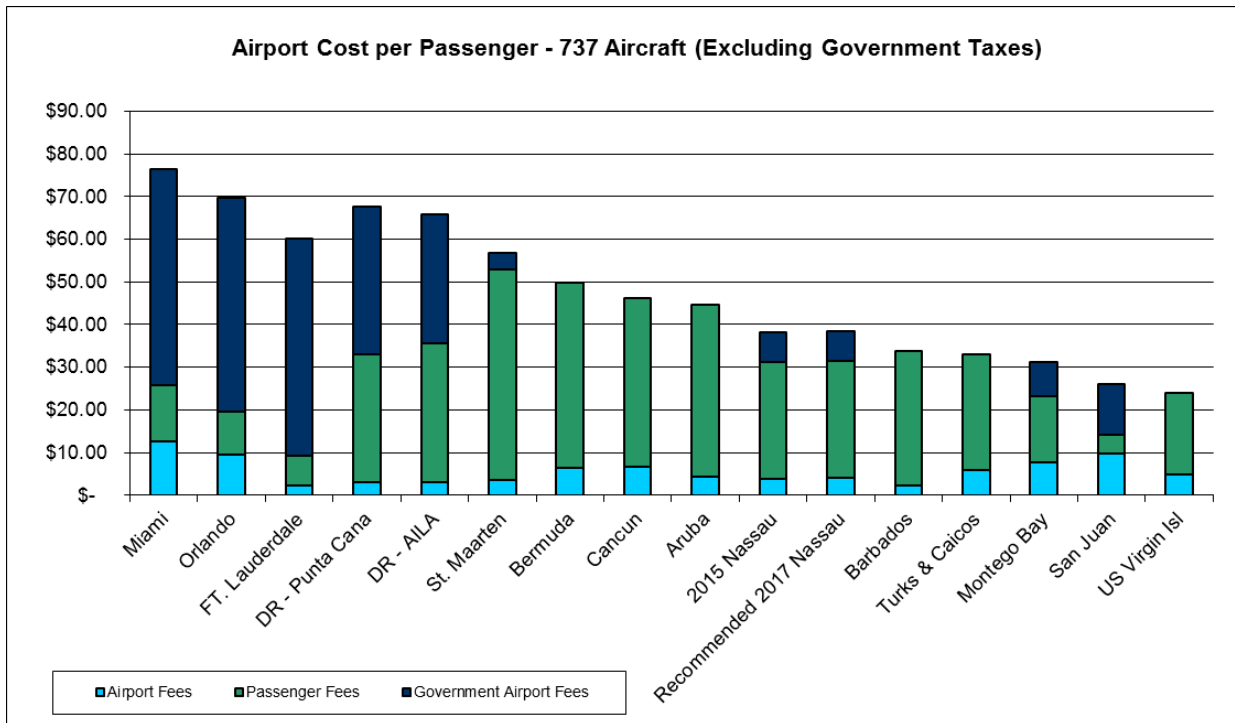
b) How the Fees and Charges compare with those in the Caribbean region.

The following graph compares the May 2015 Fees and Charges with the recommended Fees and Charges at LPIA, as at January 2017, to other airports in the Caribbean market. The costs presented for the other Caribbean airports for the most part are based on their 2015 fees and may be increasing in 2017 and 2018 as well. The costs are based on a Boeing 737-700 with a 75% load factor (passenger count of 102) with a 90 minute turnaround time including usage of a jet aircraft loading bridge.

The increase in fees to the airlines equates to \$0.08 per passenger. They are comprised of:

- Airport Fees of \$4.42, being Landing, Terminal, Aircraft Parking and Bridge fees prorated on a per passenger basis, which increase by \$0.08
- Passenger Fees of \$40.00, being Passenger Facility Charges of \$34.00 and Passenger processing Fees of \$6.00, which remain unchanged.

- Government Airport Fees of \$7.00 being the Airport Security Fee which remains unchanged.



LPIA excluded government tax as all jurisdictions levy tax, but not all on passengers. It is assumed in one form or another all peer jurisdictions levy taxes in similar amounts only through different methods. Hence it is excluded in the rate comparison.

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.

In accordance with its financing obligations, the Nassau Airport Development Company must maintain a debt service coverage ratio (DSCR) of not less than 1.30 to 1.0. The average DSCR ratio for the period of 2018 to 2021 is currently projected at 1.54 to 1.0, consistent with an investment grade rating of BBB-.

The financial model, created during the Phase II Stage 1 financing, which was completed in March 2009 and most recently updated in June 2016, includes the proposed Fees and Charges increase followed by annual CPI type increases for the aeronautical charges. The gradual increases contained within the financial model are necessary for the Nassau Airport Development Company to meet its operational needs and the financial covenants of the Phase II financing.

The 3% Aeronautical rates and fees 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.