

## **CEO all-staff email message – September 22**

I'm writing to provide you with an update on what took place at our Company today. Regrettably, today, 200 permanent positions in management and the represented ranks were eliminated across many of our departments. We also laid off the majority of our students in ATC and FSS and will be closing two flight information centres - Winnipeg and Halifax.

We also announced Level of Service reviews of five flight service stations, one tower and for 10 RAAS locations in the context of an overall review of RAAS assignments. Further, we will be reviewing the midnight closure for 10 flight service stations.

When we look at these decisions and the total number of impacted NAV CANADA employees, more than 720 employees will have accepted early retirement incentives, be declared surplus, received laid off notices, or will have had their terms ended.

This represents 14% of our total workforce since we started taking action as a result of the pandemic.

Eliminating permanent positions is a very difficult decision to make. But it is one that is necessary given the lasting low levels in air traffic. We have exhausted all options to reduce our costs to offset our revenue shortfall.

We have taken unprecedented measures to drive our operating expenses down. Our phased approach has included, management salary reductions, ending terms of temporary employees, concessions from bargaining agents on deferred increases, early retirement incentives, and an across the board reduction of all non-essential, non-critical activities. And although we raised service charges and raised funds through the debt market to help address our liquidity requirements, our fixed costs continue to significantly outweigh our revenue.

Additional cost-saving measures have been explored including reviewing our management compensation programs. First, there will be no MSP salary program for FY21. That means that salary ranges will be frozen and the cuts that have already occurred to management salaries, will continue through FY21. Second, we will modify the NAV CANADA Pension Plan for management employees participating in Part A, which has undergone few changes since it was transferred from Transport Canada to NAV CANADA in 1996. Rest assured, Part A pension for service prior to April 1, 2022 is not affected by this change. This is a necessary change that aligns with our business realities, but also remains competitive. Part B of the Plan is considered above market median and remains a defined benefit arrangement providing members with a guaranteed income for life when they retire. Specific details will be provided tomorrow.

The pandemic is expected to continue to have a negative impact on air travel globally and this will likely continue until such time as travel restrictions are eased and consumer demand for air travel returns. We expect until this occurs that reduced air traffic activity will have a significant negative impact on the Company's operations and revenues.

Undoubtedly, the aviation industry is suffering from the toughest moment in its history, and we still have a long road ahead before we can experience a full recovery.

I can assure you that our Company is here for the long term. We're the only ones that do what we do. And it's an essential service, critical to Canada's transportation infrastructure. However, we don't operate in isolation, and we are not immune to the economic downturn and severe financial impacts the aviation industry is experiencing. When making decisions, we always take a long-term view to preserve the sustainability of the Company and the integrity of the ANS.

Because our industry continues to face considerable uncertainty, we can't promise that these cost savings and workforce adjustments are the last measures we take to curb our revenue shortfall.

While we hope that these steps are all that we will be taking in the groups affected, additional reviews are being conducted across the Company in remaining groups to appropriately respond to these new realities of air traffic activity as part of our phased approach.

We will be resizing every part of the Company and its business units to adjust our workforce to an optimal and cost-effective level. Every group and area will be impacted.

Tomorrow afternoon I will follow up with everyone in the Company via a live video web stream and answer any questions that I can.

Today is a very difficult and sorrowful day for all of us. We collectively face the challenge of navigating through these unprecedented times and safeguarding the financial sustainability of the Company. I recognize that tomorrow's NAV CANADA will be different. But I'm confident that, together, we will build on our legacy and continue to set the standard for excellence in the provision of air navigation services.

Neil Wilson  
President and CEO