Chorus Aviation Inc.

Fourth Quarter and Year-End Results Conference Call

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PRESENTATION

Operator

Welcome to the Chorus Aviation Fourth Quarter and Year-End Results Conference Call.

I would now like to turn the call over to Nathalie Megann, Vice President, Investor Relations. Please go ahead.

Nathalie Megann — Vice President, Investor Relations and Corporate Affairs, Chorus Aviation Inc.

Thank you, Denise.

Hello, and thank you for joining us today for our Fourth Quarter and Year-End 2020 Conference Call and Audio Webcast. With me today from Chorus are Joe Randell, President and Chief Executive Officer, and Gary Osborne, Chief Financial Officer. We'll start by giving a brief overview of the results and then go on to questions from the analyst community.

Because some of the discussion in this call may be forward-looking, I direct your attention to the caution regarding forward-looking information and statements, which are subject to various risks, uncertainties, and assumptions, that are included or referenced in our Management's Discussion and Analysis of the results and operations of Chorus Aviation Inc. for the year ended December 31, 2020, the Outlook section, and other sections of our MD&A where such statements appear.

In addition, some of the following discussion involves certain non-GAAP financial measures, including references to EBITDA, Adjusted EBITDA, Adjusted EBT, and adjusted net income. Please refer to our MD&A for a discussion related to the use of such non-GAAP measures.

I'll now turn the call over to Joe Randell.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Thank you, Nathalie, and good morning, everyone.

It's remarkable the difference a year can make. One can't help but to reflect and compare how dramatically our business has changed in the last 12 months. Twenty-Nineteen was an outstanding year, and we were poised for significant growth and diversification in 2020, having started the year from our strongest position in our history.

However, the COVID-19 crisis forced us to quickly pivot our strategy from offense to defense, from organic growth to one of building liquidity and protecting the balance sheet. The crisis brought a deep global reduction in passenger demand and onerous travel restrictions, imposing significant financial hardship on our customers and dramatically reducing our CPA operations.

Nevertheless, the resiliency of our business model and the dedication of our team delivered respectable financial performance despite these unprecedented challenges. Year-over-year, Adjusted EBITDA of $347 million was relatively consistent due primarily to the fixed fee nature of our contract with Air Canada and modest growth in Regional Aircraft Leasing revenue. We are one of the few operators reporting positive returns, having concluded the 2020 Fiscal Year with $0.26 in net earnings per basic share, or $0.40 on an adjusted basis.

We closed 2020 with approximately $200 million in liquidity, and we anticipate this to be relatively stable for the balance of this year. Preserving liquidity remains a priority, given the duration and ultimate impact of the pandemic on our industry are unknown. We understand that the financial losses airlines are incurring are not sustainable in the long term. We continue to work with Air Canada and our leasing customers to help them manage the economic pressures they're facing as a consequence of this sustained reduction in demand for passenger air travel.

We are confident that air travel will return; but given the uncertainty of when, we continue to take the steps necessary to protect the Company. There have been some bright spots. We are encouraged by the incremental increases in aircraft utilization, and leasing revenue collected in the leasing segment. In the fourth quarter, we collected approximately 60 percent of the revenue build in that period, at 10 percentage point increase over the third quarter. We continue to monitor our portfolio of lessees, and are in active discussions to remarket the 13 aircraft that have been returned. This has been challenging in this environment.

We were very pleased to have delivered the final two of five new Airbus A220 aircraft to airBaltic of Latvia in the fourth quarter. Voyageur was successful in securing contract extensions with the United Nations for four CRJ200 aircraft, and won the competitive bid for a new five-year contract with Ambulance New Brunswick. This milestone extends our 25-year relationship with the province, a wonderful testament to the expertise of our team. In the latter part of December, we took delivery of five new CRJ900s, bringing the total to eight new aircraft earning leasing revenue under the CPA in 2020, and we received the ninth aircraft last week.

While we only operated approximately 35 percent of the capacity we flew in the same period last year, our fixed fee compensation under the CPA was unaffected by the significant reduction in flying activity. As a result of service cancellations across Air Canada's network, many of our smaller and regional communities are without air service, and over half of our employees remain on inactive status. We've been advocating for our industry with key government stakeholders so as to ensure the sustainability of Regional Aviation Services is top of mind when making policy decisions.

Aviation in Canada needs sector support and urgently needs attention from the government. Our stakeholders are being challenged by the uncertainty surrounding future services. We look forward to resuming service and providing critical links to the rest of Canada and the world through the Air Canada network, and we are eager to do so. I'm hopeful our government will soon introduce this plan to assist our vital industry, given its importance to the transportation infrastructure, social fabric and economic recovery of Canada.

I continue to be amazed by the resolve of our team and I sincerely thank our employees for doing all possible to maintain the safety and integrity of our operations. For the near term, we'll continue to focus on this while preserving liquidity and supporting our customers.

Before I turn the call over to Gary, I wanted to touch on the preliminary acquisition proposal we received last October. While that proposal is no longer being considered, we are having discussions with the same party regarding a potential investment. While I understand many of you may have questions regarding this, due to the contractual and confidential considerations, I can't provide more colour on this dialogue at this time. Naturally, we will update the market should a material transaction be realized.

Thank you very much for your time. I'll now pass the line over to Gary.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Thank you, Joe, and good morning.

In line with Joe's commentary, there has been an incredibly challenging year in which we saw the industry reduced to a fraction of its 2019 operating levels. Even with this, Chorus was able to achieve positive cash from operations, net income, and EBITDA, ending the year with over $200 million in liquidity.

The results are a testament to our business model, strong partnerships with customers including Air Canada, and the dedication of all our employees including those on inactive status awaiting their return.

Our fourth quarter Adjusted EBITDA was $82 million, a $6.7 million decrease over fourth quarter 2019. Adjusted net income was $7.7 million, a $15.6 million decrease over last year, which led to a decrease in adjusted EPS at $0.05 versus $0.15 last year.

Here's how the fourth quarter of this year compares to 2019.

The Regional Aircraft Leasing segment's Adjusted EBITDA decreased by $7.8 million, primarily due to a $3.6 million expected credit loss provision, and lower lease merchants attributable to 13 off-lease aircraft.

Due to the impact of COVID-19, the non-cash general aircraft impairment provision of $41.6 million and $0.5 million for lease repossession costs were added back to Adjusted EBITDA. The general aircraft impairment provision was a result of the combination of a drop current market values, a general assessment of our leases, and carrying values of the related assets.

Adjusted EBITDA for the Regional Aviation Services segment increased by $1.1 million. The results were impacted by a decrease in stock based compensation, an increase in aircraft leasing under the CPA, a decrease in general administrative expenses, offset by a decrease in capitalization of major maintenance overhaul of owned aircraft operated under the CPA, a reduction in other revenue, and an expected credit loss provision.

Adjusted net income was $7.7 million for the quarter, a decrease of $15.6 million, due to the previously mentioned $6.7 million decrease in Adjusted EBITDA, an increase in depreciation of $3 million primarily related to additional aircraft, an increase in net interest costs of $3.8 million primarily related to the new credit facilities for general operating purposes and additional aircraft debt, and an increase of $6 million in realized and unrealized foreign exchange, offset by $3.5 million decrease in adjusted income tax expense.

Net income decreased $27.4 million primarily due to the previously noted decrease in adjusted net income of $15.6 million, a general aircraft provision of $41.6 million, offset by the change in net unrealized foreign exchange on long-term debt of $25.3 million and tax recovery on adjusted items of $5.8 million.

For the year 2020, Chorus reported Adjusted EBITDA of $347.5 million, an increase of $5.7 million over 2019. Adjusted EBITDA for the Regional Aircraft Leasing segment increased by $12.9 million primarily due to the additional aircraft earning leasing revenue partially offset by the allowance for expected credit loss provision of $8.8 billion, and lower lease margins attributable to off-lease aircraft.

The Regional Aviation Services segment Adjusted EBITDA decreased by $7.2 million and was impacted by a reduction in other revenue due to a decrease in third-party MRO activity, reduced part sales, and reduced contract flying, a decrease in capitalization of major maintenance overhauls on owned aircraft operated under the CPA of $5.9 million, an expected credit loss provision of $1.5 million, partially offset by a decrease in stock-based compensation of $9.3 million due to the change in share price inclusive of the change in fair value of the total return swap, an increase in aircraft leasing under the CPA, primarily related to additional revenue of $9.9 million earned from two incremental Dash 8-300s and eight incremental CRJ900s in 2020 versus 2019, and a decrease in general administrative expenses.

Adjusted net income was $64 million, a decrease over 2019 of $30.9 million, primarily due to an increase in depreciation of $19.2 million related to additional aircraft, an increase in net interest cost of $19 million related to additional aircraft debt, the 5.75 percent unsecured debentures added in December 2019, and new credit facilities. An increase of $6.9 million in realized foreign exchange and unrealized foreign exchange losses, partially offset by a $5.7 million increase in adjusted EBITDA as previously described, and a decrease in the adjusted income tax expense of $9.3 million.

Net income decreased $91.7 million over 2019 primarily due to the general aircraft impairment of $68.2 million, a decrease of $30.9 million in adjusted net income, $3.2 million on lease repossession costs, an increased employee separation program costs of $2.5 million, offset by tax recovery on adjusted items of $10.3 million.

Now turning to liquidity. We ended 2020 with approximately $200 million in liquidity, a decrease from the third quarter of approximately $17 million, primarily due to the equity funding on two previously committed A220-300s acquired in the fourth quarter, as well as working capital requirements.

We generated strong cash from operations of $56.8 million.

Key items that impacted our overall liquidity in the quarter included increased receivable from Air Canada of $28.4 million primarily related to increased flying and other activity, increased CAC receivables of $8.4 million, decreased cash of $34.4 million due to repayment of long-term borrowing, and decreased cash of $33.1 million primarily due to the acquisition of two A220-300 aircraft net of financing. In the fourth quarter, Chorus also successfully negotiated the terms of certain of its debt facilities by extending existing repayment terms, all of which are further described in our MD&A.

In summary, we amended the following:

Increased the term out period of the $100 million U.S. unsecured revolving credit facility to replace a bullet payment due in April 2022, with repayment over eight equal installments of principal and interest starting in July 2022.

Increased the term of the loan deferral program repayment by lengthening the repayment period from 12 to 18 months beginning in January 2021. The balance deferred as of December 2020 was US$28.9 million.

Amended the terms of certain of its aircraft loans to remove the remarketing period deadline for aircraft repossessed up to April 24, 2021. This eliminates the requirement to repay the principal amount of the loans prior to maturity if the aircraft are not released by the end of the remarketing period, and of course remains in compliance with the relevant loan conditions.

We currently expect liquidity to be relatively stable to the end of this year, as we continue with measures to manage it, including the continuation of the reduction of non-essential capital expenditures and overhead costs. As Joe mentioned, we collected approximately 60 percent of lease revenue billed in the fourth quarter from our lessees, excluding repossessed aircraft, a 10 percentage point improvement over the third quarter of 2020.

Planned capital expenditures in 2021, including capitalized major maintenance overhauls, are estimated to be between $32 million and $38 million. This estimate includes $18.4 million that will be included in controllable costs.

Planned aircraft related acquisitions are expected to be between $100 million and $110 million in 2021. These deliveries are subject to securing financing and certain closing terms.

That concludes my commentary. Thank you for listening.

Operator, we can open the call to questions from the analyst community when you are ready.

Q & A

Operator

Thank you. Your first question comes from David Ocampo with Cormark Securities. Your line is open.

David Ocampo — Analyst, Cormark Securities

Thanks. Good morning, everyone.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Good morning.

David Ocampo — Analyst, Cormark Securities

It's pretty good to see the remarketing periods get eliminated, but the commentary is that it's for all planes up to April 24, 2021. Do you expect to see—or do you see, any major concerns with your customers right now where you may have to repossess other aircraft? I'm just trying to get a sense on why that date is two months out.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Just on the remarks, that April 24 date, that relates to our largest lender, EDC, so that remarketing period has been eliminated for up to that date for anything repossessed. You can see that in the Outlook section of the MD&A.

As far as the lessees, we actively monitor all our lessees. We have Aeromexico that's continuing to go through its bankruptcy process and we're optimistic throughout that piece. We continue to monitor others across the globe, and as far as the lessees go, it's an ongoing and it's a very fluid situation.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Yes. We're monitoring everybody very closely and I'd say we certainly don't see anything near term, but again, we're in a difficult environment. I would add, though, that we have 13 airplanes off-lease and we are in active discussions presently with a number of parties with respect to those airplanes, and certainly feel more optimistic this quarter than we did at the end of the last about being able to position those aircraft with other operators. Again, nothing firm at this point, but we're seeing some positive signs.

David Ocampo — Analyst, Cormark Securities

Yes, and Joe, you just took my next question. But maybe to build on that, how are the discussions with customers? Are lease rates coming down quite dramatically from what you're seeing, and are there a lot of other regional aircraft that are hitting the market that you have to compete against?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Well, there are quite a number of airplanes available of every type out there. If you look at the values today on used airplanes, both their current market values and the lease costs and that sort of thing, they're down quite substantially year-over-year. Depending on which publication you look at, you can see indications of 30 percent, it's not unusual, etc. These are the things we're dealing with in the near term. I think we're optimistic we're going to see that start to come around as the effect of COVID starts to decline.

The other good thing we're seeing is increased utilization of our fleet that we have out there. This is consistent with what we've said before, that the domestic and short haul markets will be the first to come back; and I think that's generally accepted in the industry. We are seeing that, and we're seeing good utilization rates in other parts of the world on the fleet, including in Asia, in Africa, and also in South America.

It's sort of steady as it goes, but certainly feeling that the flying is up, we're collecting more of our receivables, etc., we're heading in the right direction; but how long, and as I've said in my commentary, how deep, is yet to be determined.

David Ocampo — Analyst, Cormark Securities

Joe, on that, have you noticed an uptick from the 60 percent of lease revenue that you guys have collected, or can we assume that that's going to remain flat for the Q1?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Yes, we're not seeing a significant change from that at this point, but we'll continue to monitor. Again, we're working with several customers, and as they come back and the flying increases, we hope and expect to see some increase in that regard. There is sometimes a little bit of a lag as people come back because obviously in some cases fares are lower, etc., and operators are digging themselves out of a rut that was created over 2020.

David Ocampo — Analyst, Cormark Securities

That's helpful. I'll hand the call over.

Operator

Your next question comes from Tim James with TD Securities. Your line is open.

Tim James — Analyst, TD Securities

Thanks, and good morning.

Just looking at your expectations for the controllable cost guardrail receivable at the end of the first quarter, it's a fairly wide range relative to what you provided in your Q3 reports for the end of the year. Is there any particular reason why there is a fairly wide range on that expectation for the end of the first quarter?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Well, that is actually as it pertained for the end of 2021, so that's why you see that wide range, and, Tim, it's really going to depend on how things work out in the operation. We also have to sit down with our customer at Air Canada and try to set some rates here coming up. That is difficult in this environment, but that's giving you a range for the entire year.

In the first part of the year, we'd expect to be in the lower part of that range, and then as the year progresses, towards the higher end of that range.

Tim James — Analyst, TD Securities

Okay. That's helpful. That makes sense.

Then your CAPEX plans for 2021 of $100 million to $110 million, this is obviously non-maintenance CAPEX, it just seemed a little high to me when I think about the aircraft that are being acquired, and taking into account there's a little bit in there for the ESP. I'm just wondering, am I underestimating the cost of those air assets likely, or is there something else included in there that isn't sort of specifically called out?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Yes, we have probably somewhere between $10 million and $20 million as a general provision in case we need to do any aircraft improvements. It's an outlook at this stage.

Tim James — Analyst, TD Securities

Okay. Then I'm just wondering, and I'm not sure if you can provide any colour on that, but the report sites that prior to the pandemic, Chorus was providing Air Canada—or providing about 80 percent of the Air Canada Express capacity. What would that value have been? Can you give us a sense, in 2020, what that percentage of capacity would have changed to, if at all?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

I think it's probably fair to say it wouldn't have changed, or it would have remained proportionate through that period of time. The two carriers providing the capacity would be ourselves and Sky Regional; and both ourselves and Sky are flying these days. I don't think there's much of a material difference there.

Tim James — Analyst, TD Securities

Okay. Thank you. That's all the questions I had.

Operator

Your next question comes from Konark Gupta with Scotia Capital. Your line is open.

Konark Gupta — Analyst, Scotia Capital

Good morning and thanks, everyone.

Just wanted to first start off on the liquidity argument. You guys are expecting liquidity to be more or less stable throughout the year. I'm just curious if you can provide any cadence for that. Do you expect some initial liquidity decline in the first half and then it rebounds, or it's the other way? Then does it reflect, your assumption reflects, any external financing or the sectoral support from the government?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

As far as the liquidity goes, we would expect in the first part of the year to have a little bit of pressure. Traditionally, if you look back, it's one of our worst quarters, Q1, on working capital; but we still don't see a meaningful reduction from that level.

Then as you go through Q2 and Q3 it improves, and then Q4, we kind of slide back a bit. It'll be plus or minus a little bit from that projection throughout the course of the year.

Sorry. There was another part to that?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

I think it related to assumptions perhaps on government or sectorial support.

Konark Gupta — Analyst, Scotia Capital

Yes. Sectorial support and any external financing you plan to raise in that liquidity assumption.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

We do assume that we would raise around 70 percent on those aircraft financing from that. That's a very typical assumption we have, but we do not assume any level of government assistance in that.

Just a reminder, anything that we get under the CEWS program flows back to Air Canada. It doesn't directly flow to us.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

We feel that the sectorial support is very important, but, of course, given the fact that we're a contract flier for Canada, we're certainly hopeful that Air Canada will be assisted in looking to reinstate and provide services as the market comes back up. That discussion is very important to us.

Konark Gupta — Analyst, Scotia Capital

Absolutely. Maybe just a clarification on the cost guardrail. If the government sectoral support comes in, will it impact the cost guardrail receivable by any magnitude?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

It will depend. It's kind of hard to speculate. But the way it works under the CPA is if we get a reduction in cost net through the government program, that flows back as part of that guardrail process. You can expect that it would make its way back through Air Canada. It could reduce our guardrails, or it could increase it depending on if it was overly negative; but it would generally be positive. (Multiple speakers) CEWS program.

Konark Gupta — Analyst, Scotia Capital

Makes sense. Perfect. Thank you. Then on the gross lease receivable at CSC, if I'm understanding correctly, just making sure, you have been collecting less than 100 percent of your leases, obviously. As you collect less than 100 percent, you bill your receivable and then you start collecting some of the previous receivables, I guess, as those payments come through.

How should we think about this liability or this asset item, gross lease receivable? Should it increase as you go throughout the year, as you obviously collect less than 100 percent minus the payments you receive, or how should we think about it?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

If you go to our disclosure, we expect it to remain fairly constant to the end of the year without seeing a major change. It's really, as you alluded to, we are going to receive some deferral payments back from the customer, so what we put in the receivable, and then there could be some amounts that interchange there. We see it as being pretty flat to the end of the year.

Konark Gupta — Analyst, Scotia Capital

Thanks, Gary, for that. For CAPEX, is there any timing for CAPEX in any particular quarter which is heavy on CAPEX?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

I think you could say Q1 will probably be lighter than most coming through here. The two aircraft that were with the undisclosed customer are still under negotiation in that, so that's not something that's imminent right now; but that could change. As far as the maintenance CAPEX, I think you would see that start to spool up as the operation starts to spool up.

Konark Gupta — Analyst, Scotia Capital

Okay. Thank you. With respect to remarketing discussion, Joe, I'm curious if you can help us here. You have been sitting with these 13 aircraft for some time obviously now, and then hopefully the vaccine kind of brings in some recovery for the industry.

What are the early discussions like with your customers? Are they interested in these 13, or some of these 13 aircraft you have, or they're looking for some other kinds of aircraft type? What is sort of the timing discussion that's happening at this point? Is it late 2021, or early 2022 at this point?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

No, these customers are actively considering the aircraft that we have off-lease and we have not been out actively marketing an increase in our business due to our focus on liquidity over the year. We've been focused on remarketing those airplanes.

In fact, think there are a couple of aircraft there that we may potentially do. There are operators that are looking at getting back up here and so the timing is to be determined; but certainly, we're hopeful that throughout this year, you'll see quite a number of those 13 airplanes start to be released and put back in operation with customers.

Konark Gupta — Analyst, Scotia Capital

That's great, and then last one for me before I turn it over. The stock-based comp in Q1 last year, I think it dropped because the stock price dropped. I was just curious, given where you are right now on the share price and the total return swap you have, do you expect the Q1 of this year to be the strongest from the flat or down from last year?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Well, it should be flat. As far as the total expense, year-over-year, I'd have to look at that; but with the total return swap, essentially when we put in place it locked in a very flat number, so it's constant, and through 2020, it was a relatively constant number. You shouldn't see a lot of fluctuation in 2021 year-over-year.

Konark Gupta — Analyst, Scotia Capital

Perfect. That's it for me. Thank you so much.

Operator

Your next question comes from Walter Spracklin with RBC Capital Markets. Your line is open.

Walter Spracklin — Analyst, RBC Capital Markets

Good morning, everyone.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Good morning.

Walter Spracklin — Analyst, RBC Capital Markets

There's a lot of, obviously, stranded capacity on the belly space of aircraft that were flying and now grounded internationally. I noticed that you got a nice renewal with Voyageur. I'm just curious as to whether there's any potential to repurpose aircraft, either temporarily or longer term, if, as many expect, this stays constrained for some time. Can Voyageur aircraft be repurposed or can you look to do a strategy pivot here to include a cargo element to Voyageur or to Chorus?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

That's a very good question. We have repurposed a few Dash 8-100s into package freighters, and these aircraft, in some cases, we lease them as a dry lease, and others, we operate on a contract with Voyageur. We are actually using aircraft as well, that are not entirely converted, so we've been growing. It's still relatively small though, but it is an area of focus for Voyageur.

We do have quite a number of assets that we can repurpose here and we have the expertise and the know-how to do the change in North Bay. That's a very good interest to us. I'm hoping that over the next couple of months, we'll have more to say with respect to cargo and how we're doing, and what our plans are there.

Walter Spracklin — Analyst, RBC Capital Markets

Okay, that's great. You mentioned and you are absolutely right, I believe, that certainly shorter haul will come back quicker than longer haul. You mentioned some indicators that you follow that suggest that that is occurring.

Can you give us some hard numbers on that by any chance, or perhaps offline, give us some indication of what you follow, just so we can follow it along with you and kind of gauge that trend? Because, I think it is a trend that a lot of your investors are very much focused on as part of their investment thesis. Any specific proof of that would be very helpful.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Yes. We have stats that we can provide you. There are a number of industry publications, and of course we monitor the utilization on our own fleet by aircraft by month. We're watching that very closely with each of the operators and we've seen, as I said, positive signs there and that sort of thing. But if we can just take that offline, I don't have the specific publications with me right now, but we can certainly provide you with some indication as to where you can find some of this information.

Walter Spracklin — Analyst, RBC Capital Markets

Yes, and really, I was referring to what you were just referencing, Joe: your own utilization. If you have the chance again, offline, just to give us—when you said a positive indication, what would be the more quantitative of that. But, certainly, we can take that offline. Absolutely.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Yes. We can look at that for sure. The other thing is that I think if you look at the percentage of our aircraft that are with operators that are active, it's a very, very high percentage, which is itself, I think, a good sign. Of the aircraft that are still with operators, very, very few are very low utilization, or they're actually not to that.

Walter Spracklin — Analyst, RBC Capital Markets

Great. In terms of the government talks, I know Air Canada probably taking the lead on this along with WestJet, but you're no doubt closer to it than certainly we are. The tone of Air Canada changed very dramatically in a matter of a couple of weeks, from what I would say is fairly muted or even negative to very encouraged, by the talks that they were having with government as of their last quarter call.

Do you have any sense of how that's progressing from your perspective? Are you in talks with government as well officials on potential aid packages? And do you concur with that assessment that it is encouraging and even, since Air Canada's report, would you say that it continues to progress? How would you characterize it, Joe?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Well, I can't really speak on behalf of Air Canada in those talks. However, we have ourselves been talking to a number of government officials over the last number of months, and I think it's fair to say that the level of engagement and discussion has improved from our point of view. There is some very senior people in Ottawa now involved with this.

We're encouraging them to support the sector for sure. There were a few things that we think are really important, and that's that we really need to get people back up in the air safely and people feeling safe about flying, and I think rapid testing and adjusting quarantine periods, etc.. It's a very difficult environment right now that we face to talk about some of those things, but our focus is on how you get back up here and what it looks like. The focus is on that.

The other thing is, what we've been saying is that regional services have been under some financial stress for quite some time. We've been in the regional business a long time. I've been in it for 40 years and I can tell you that the download of government-imposed fees, charges from institutions is incredible in this country compared to the U.S. and others. We have all of these independent agencies now that have their our own bottom lines to worry about, they're government institutions. It doesn't matter if it’s Nav Canada, the airports, CATSA, etc.: these institutions are all putting up their charges. We see in other parts of the world when the market comes back, people want to be encouraged to fly and not have prohibitive fares facing them as they return to the air.

Our focus has been on and saying to the government, the government really needs to look at regional air transportation as an economic enabler and something that supports the transportation infrastructure within the country, rather than being a cash cow. These charges and these approaches, have had, over the years, a very disproportionate effect on regional air transportation, and we've seen it happen.

We did an example the other day, where a $250 airfare in the U.S. attracts fees, taxes, etc., about a 15 percent level. In Canada, the same fair attracts about 37 percent. Now we're seeing increases of AIS and Nav Canada fees of 25 percent to 30 percent. That's not helpful in terms of the return of air services.

We've been saying as well that these communities require access into a large network, into the world, rather than being isolated and not part of a larger network. That's been our message. We have thousands of employees laid off here, and it's really important where we have the aircraft, we have the employees, and we have the position in the market. We have the safety record and the quality of service that is required in these markets.

I think these markets need assistance in terms of how they get back up and how we reestablish regional air service within Canada. That's been our message. It’s about how do we get back up as an industry and start linking the country again the way it needs to be linked from a social and an economic perspective.

Walter Spracklin — Analyst, RBC Capital Markets

Yes. Hopefully, there's silver lining from all this is that we do get a revamp in many of these fees as we start to get the airline industry back on its feet. I appreciate the time as always, Joe.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Okay, no problem.

Operator

Your next question comes from Cameron Doerksen with National Bank Financial. Your line is open.

Cameron Doerksen — Analyst, National Bank Financial

Thanks very much. Good morning.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Good morning, Cameron.

Cameron Doerksen — Analyst, National Bank Financial

I just want to come back to the 2020 costs and guardrail number, I guess it was the $44 million. I'm just wondering when that receivable is collected. My understanding was that would be cash that would be collected in Q1, but I may be wrong on that. Maybe if you can just sort of clarify when that receivable comes in as cash for you.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

That comes in Q1, and as of this moment it's been collected.

Cameron Doerksen — Analyst, National Bank Financial

Okay, and for the 2021 cost guardrail will be the same thing at the end of the year, you would actually receive the cash in Q1 of 2022.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

It's always in Q1.

Cameron Doerksen — Analyst, National Bank Financial

Okay, perfect. Maybe a question on sort of the nature of your discussions with Air Canada these days. I mean, obviously, I think that probably, as everybody in the industry is, is probably thinking that this crisis has gone on longer than most people would have expected a year ago.

Of course, Air Canada's continued to pay the leases under the CPA. Has there been any discussion about Air Canada deferring some lease payments or any other adjustments to the CPA at this point? I mean, maybe you can just sort of discuss the nature of the discussions that you're having.

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

We continue to discuss with Air Canada ways of improving efficiency, helping them through this pandemic, etc. Our partnership is very strong and we've done a lot, and we will continue to do what we can to help and to be a good partner going forward. We have deep discussions on every aspect of our business and we will continue to do that. I think that's the nature of our partnership.

Cameron Doerksen — Analyst, National Bank Financial

Okay. Fair enough. Just maybe a final one from me. This is regards to the remarketing of some of the aircraft in the third-party leasing business. Is there discussions that you're having with some of the potential airlines? Are they more looking for short-term leases? Or maybe the better question is—I assume you would probably prefer short-term leases given where these rates are and then hope three years down the road to maybe re-lease those aircraft again once the industry has recovered. Is that kind of the way you're looking at it?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

Yes. Well, they're a little all over the place. I guess the benefit of the short term is the market may be better; but there's a benefit to a long-term lease as well, in that you have this certainty of a payment and a longer-term customer, etc. Right now we have I think a variety of potentials here that we're talking about. There's a put and a take on whether it's short or long. It's in the end something that works for us.

Cameron Doerksen — Analyst, National Bank Financial

Okay. That's great. I appreciate the time.

Operator

Your next question comes from Kevin Chiang with CIBC. Your line is open.

Kevin Chiang — Analyst, CIBC

Thanks for taking my question, everybody. Hope everyone's having a good morning.

Maybe just back on the government assistance stuff, one of the things I think the government has said as part of their criteria would be like a public interest test or some sort of support for the broader aviation and aerospace industry in Canada. Those that receive any funding would have to provide additional support to the Canadian aerospace industry.

When you look at Voyageur MRO business, do you see an opportunity to potentially benefit from maybe more Canadian airlines using your services, to the extent that they participate in a sectoral aid program? What percentage of, let's say, that business or revenue today sits with Canadian airlines?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

A lot of the Voyageur business is with customers outside of Canada. The thing about it is that all segments, of course as you know, are not created equal in this pandemic within aviation. The part that's been most severely hit has been passenger airlines and leases, etc. I think I can't help but believe that the support will be more along that segment, because the others, Voyager itself, is doing not bad these days, frankly, and it is somewhat insulated from the passenger side of things.

Of course, our CPA has very much influenced the lease. Our third-party leasing at this point is all passenger aircraft. I don't really know what the government's thinking here with respect to the sector, but I think the most immediate need is certainly more in the operating side of aviation within Canada. I think that's where other governments have been putting support in terms of the sector. For instance, in the United States, as an example.

Kevin Chiang — Analyst, CIBC

Okay. That's helpful, and then just on Chorus Aviation Capital or your Regional Aircraft Leasing operations, you basically have noted that most of your customers, if not all of your customers, have asked for some sort of relief.

Are you able to share with us the breakdown of the type of relief being provided; let's say the percentage of customers or aircraft that are now under some sort of power by the hour versus just a straight delay in payment that gets recaptured in a future quarter?

I guess what I'm trying to get at is, do these customers need to see traffic back at pre-pandemic levels before you get 100 percent rental recovery rate? Because, I would think it could be lower. As long as they're on sound financial footing, it doesn't matter if they're running 80 percent of 2019, you should be seeing 100 percent of your lease payments.

Is that the right way to think about it, or do you need to see them back at 100 percent of pre-pandemic levels before that rental collection rate is at 100 percent?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

I think the simple answer with that is it depends on the customer. We have customers that are in various states, and it depends what's going on within their individual geography and jurisdiction. What works for one doesn't necessarily work for another. One of the things that we do is we work closely with each of them to work to find a solution that works, so you're going to have a variety of things there.

We have customers that there's been no issue with throughout the pandemic and others that are struggling a lot. We don't break it down in that way, Kevin. A lot of it is competitively sensitive, I think. Because, I think one of the things that we believe is you can actually have a competitive advantage if you're more responsive with your customers and you work to find solutions. It includes in some cases extending leases out a number of years. It's a little all over the place to tell you the truth.

Kevin Chiang — Analyst, CIBC

Okay. That's helpful. Then just two housekeeping questions for me, and Joe, I think in an previous answer, you talked about working with Air Canada and finding other ways to find cost savings that could help them, as you're their key partner on the regional aircraft side. If I look at the CPA pass through revenue, that was down 55 percent year-over-year, give or take; the controllable cost revenue was down less than that.

If I use just simple rule of thumb, is that kind of the opportunity that controllable cost revenue should be down maybe similar to what you saw in terms of the pass-through revenue, just given the lack of flying, and if you're able to capture that saving in working with Air Canada, that's kind of a bigger structure to flow through into Air Canada?

Joe Randell — President and Chief Executive Officer, Chorus Aviation Inc.

The only thing I'd say about that is the pass-through flying costs are generally very directly linked to the amount of flying you're doing; whereas the other controllable costs, where you've got the aircraft, facilities, things of that nature, are not directly impacted. And some of those costs continue to exist. I don't think you can say that there should be, or there can be a direct relationship, or they are at the same level.

I think we just work with Air Canada on all of the cost buckets, and look at how we can improve the efficiency, how we can help them. It relates more to things other than costs, in terms of what we do with them in streamlining procedures, processes, helping them work through things. That's what we do.

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Yes, I would concur with what Joe said. I mean, there is a large fixed component in the controllable costs for facilities and for aircraft, and that's what makes the difference that you see there.

Kevin Chiang — Analyst, CIBC

Okay. That helps. I apologize, I was late on the call, but, Gary, you, might've given this in your prepared remarks.

Have you guided to what we should be thinking about in terms of the repayment of long-term debt in 2021, just given a number of the amendments to your debt facilities? Is kind of a low to mid $30 million a quarter still the right run rate assuming current levels of flying?

Gary Osborne — Chief Financial Officer, Chorus Aviation Inc.

Yes. I think if you just go to the current portion of the debt, that'll give you a pretty good idea of what's coming in the next couple of months and you could kind of even that out for the most part.

Kevin Chiang — Analyst, CIBC

Okay. (Inaudible). Perfect. That's it for me. Thank you very much.

Operator

We have no further questions queued up at this time. I'll turn the call back over to Nathalie Megann.

Nathalie Megann — Vice President, Investor Relations and Corporate Affairs, Chorus Aviation Inc.

Thank you very much, Operator, and thank you, everyone, for being present on this call. We look forward to speaking with you again soon. Have a great weekend.

Operator

This concludes today's conference call. You may now disconnect.