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NOTICE OF REVISED SERVICE CHARGES

SEPTEMBER 2023

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 January 1, 2024, 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 or accessible under the Service Charge Changes section on the NAV CANADA website (www.navcanada.ca).

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 2 of this Notice. Such representations must be received by NAV CANADA no later than November 26, 2023.

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 Summary

NAV CANADA proposes to decrease customer service charge rates, on average, by 5.57% (net of Base Rate decrease averaging 9.33% and Temporary Rate increase averaging 3.76%), effective January 1, 2024.

1.2 Background

When establishing a new charge for air navigation services or revising an existing charge, NAV CANADA 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 NAV CANADA's current and future financial requirements in relation to the provision of civil air navigation services. Pursuant to the charging principles, NAV CANADA's Board of Directors (the "**Board**") approves the amount and timing of changes to customer service charges. The Board also approves NAV CANADA's annual budget where the amounts to be recovered through customer service charges for the ensuing year are determined. As a general business rule, and consistent with its operations as a not-for-profit organization, NAV CANADA plans its operations to result in an annual financial breakeven position after recording adjustments to its Rate Stabilization Account (the "RSA").

The COVID-19 pandemic had a significant negative impact on global air traffic and on the aviation industry. Due to NAV CANADA's safety and essential service mandate, the majority of its costs are fixed. As a result, NAV CANADA was not able to fully offset the impact of significantly lower revenues during the pandemic. An average increase in service charges of 29.5% was implemented, effective September 1, 2020, to allow NAV CANADA to comply with its debt covenants and obtain additional debt financing to sustain its operations throughout the pandemic. However, the significantly lower air traffic volume for an extended period of time resulted in the accumulation of a material deficit balance in its RSA as NAV CANADA's costs exceeded its revenue. The recovery of this RSA shortfall and a reduction in debt levels are essential to reduce NAV CANADA's financial risk and restore its ability to manage through another future disruptive event.

In recent months, demand for air travel has remained strong despite mounting economic concerns and growth is increasingly attributable to normal seasonal variation plus incremental growth. However, many downside critical uncertainties that impact the aviation industry remain including labour and supply constraints, regulatory requirements, and broader economic and geopolitical risks. Industry challenges such as employee attraction and retention, and the availability of airframes continue to play a role in future growth. In the long-term, considerations such as travel affordability against increasing costs of living, and fuel cost instability may also limit growth. NAV CANADA's forecast for the fiscal 2024 budget represents a reasonable balance between recovery, growth, and mitigating risk around current critical uncertainties.

The rates proposal balances the rebuilding of NAV CANADA's financial resilience, support of the industry through the recovery of its remaining RSA shortfall over a five-

year period and financial investment in safety and service delivery. The uneven recovery of weighted charging units across the service categories directly impacts the rate adjustments to be applied across those service categories as NAV CANADA recovers the RSA shortfall. Additional information (including supporting calculations) is provided in the document “Details and Principles Regarding Proposed Revised Service Charges (September 2023)”. Refer to Section 2 of this Notice for information on how to obtain a copy of this document.

1.3 Proposed Customer Service Charge Rate Revisions Effective January 1, 2024

There are two elements in this proposal to revise rates: (i) a Base Rate Revision to recover NAV CANADA’s anticipated fiscal 2024 costs, by service; and (ii) a Temporary Rate Adjustment to recover a portion of the remaining cumulative RSA shortfall, currently estimated to be approximately \$346 million at August 31, 2023.

(i) Base Rate Revision

NAV CANADA’s costs and revenues relate to four services provided by NAV CANADA: Terminal, Enroute, North Atlantic Enroute (NAT), and International Communications (Int’l Com).

Based on NAV CANADA’s fiscal 2024 financial budget, an average overall Base Rate decrease of 9.33% is proposed. The revision in Base Rates must vary by service, to ensure that rates are aligned with the anticipated costs and traffic volume by service.

The proposed Base Rate Revisions for each of the services are as follows, effective January 1, 2024: Terminal: 4.89% decrease, Enroute: 11.56% decrease, NAT: 21.62% decrease, and Int’l Com: 14.20% decrease. Overall, the proposed individual Base Rate Revisions represent an average 9.33% decrease in Base Rates.

(ii) Temporary Rate Adjustment

NAV CANADA proposes to recover the remaining estimated cumulative RSA shortfall of \$346 million at August 31, 2023 within five years, through an additional Temporary Rate Adjustment to service charges, representing an average increase of 3.76%. As the accumulated RSA shortfall is material and the impact of the pandemic on the individual service charge categories has been uneven, NAV CANADA attributed the RSA shortfall to specific service charge categories in a retroactive manner by tracking the historical operating surpluses and shortfalls (i.e., RSA contributions and draws) by service since the beginning of fiscal 2020.

The proposed Temporary Rate Adjustments for each of the services are as follows, effective January 1, 2024: Terminal: 7.19% increase, Enroute: 1.06% increase, NAT: 1.50% increase, and Int’l Com: 7.46% increase. The proposed Temporary Rate Adjustments represent an average 3.76% increase in rates.

Overall, taking into account both the Base Rate Revision and the Temporary Rate Adjustment, the proposal represents an average rate decrease of 5.57%, with individual

net fee adjustments by service as follows: Terminal: 2.30% increase, Enroute: 10.50% decrease, NAT: 20.12% decrease, and Int'l Com: 6.74% decrease.

The following table summarizes the rate revision proposals described above.

	Terminal	Enroute	NAT	ICOMM	TOTAL
Jan 01, 2024 Base Rate Change Required	-4.89%	-11.56%	-21.62%	-14.20%	-9.33%
Flat Fees	-5.96%				
Jan 01, 2024 Temporary Rate Adjustment to Recover RSA Shortfall	7.19%	1.06%	1.50%	7.46%	3.76%
Flat Fees	6.21%				
Jan 01 2024 Net Rate Change Required	2.30%	-10.50%	-20.12%	-6.74%	-5.57%
Flat Fees	0.25%				

The revised rates will be effective January 1, 2024, except for the annual, daily – major airports, and annual minimum charges, as specifically set out in the tables below on Pages 5 and 6 of this Notice, which will be implemented March 1, 2024.

The following tables set out the current rates along with the proposed revised rates. The rate adjustments vary by service category, as noted above, depending on how far each charge deviates from its breakeven level as well as how much it has contributed to the overall RSA shortfall as the impact of the pandemic on the individual service charge categories has been uneven.

Movement-Based Charges

Charge	Base Rates Prior to January 1, 2024	Proposed Base Rates Effective January 1, 2024	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective January 1, 2024*
Terminal Charge	\$ 31.86	\$ 30.30	\$ 2.29
Enroute Charge (including Overflight)	\$ 0.03802	\$ 0.03362	\$ 0.00040
NAT	\$ 230.22	\$ 180.45	\$ 3.45
International Communications			
Data Link	\$ 28.19	\$ 24.19	\$ 2.10
Voice	\$ 74.93	\$ 64.29	\$ 5.59

* Temporary Rate Adjustments to Recover the RSA Shortfall will continue until the cumulative RSA shortfall is fully recovered.

Daily Charges

Category and Weight Group* (in Metric Tonnes)	Base Rates Prior to January 1, 2024	Proposed Base Rates Effective January 1, 2024	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective January 1, 2024**
Propeller Aircraft			
Over 3.0 to 5.0	\$ 54.19	\$ 50.96	\$ 3.37
Over 5.0 to 6.2	\$ 108.40	\$ 101.94	\$ 6.73
Over 6.2 to 8.6	\$ 429.72	\$ 404.11	\$ 26.69
Over 8.6 to 12.3	\$ 997.52	\$ 938.07	\$ 61.95
Over 12.3 to 15.0	\$ 1,486.59	\$ 1,397.99	\$ 92.32
Over 15.0 to 18.0	\$ 1,785.97	\$ 1,679.53	\$ 110.91
Over 18.0 to 21.4	\$ 2,407.98	\$ 2,264.46	\$ 149.54
Over 21.4	\$ 3,124.17	\$ 2,937.97	\$ 194.01
Maximum Helicopters	\$ 108.40	\$ 101.94	\$ 6.73
Small Jet Aircraft			
Up to 3.0	\$ 205.19	\$ 192.96	\$ 12.74
Over 3.0 to 6.2	\$ 264.55	\$ 248.78	\$ 16.43
Over 6.2 to 7.5	\$ 429.72	\$ 404.11	\$ 26.69

* Maximum permissible take-off weight.

** Temporary Rate Adjustments to Recover the RSA Shortfall will continue until the cumulative RSA shortfall is fully recovered.

Annual Charges*

Weight Group** (in metric tonnes)	Base Rates Prior to March 1, 2024	Proposed Base Rates Effective March 1, 2024	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2024****
0.617 up to 2.0	\$ 87.69	\$ 82.46	\$ 5.45
Over 2.0 up to 3.0***	\$ 292.88	\$ 275.42	\$ 18.19

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

** Maximum permissible take-off weight.

*** The existing provision regarding private aircraft used exclusively for recreational purposes (regardless of aircraft weight) applies only to propeller aircraft. The existing provision for aircraft restricted to aerial agricultural spraying remains with the exception of the revised rates.

**** Temporary Rate Adjustments to Recover the RSA Shortfall will continue until the cumulative RSA shortfall is fully recovered.

Daily Charge at Seven Specified International Airports

Aircraft Category	Base Rates Prior to March 1, 2024	Proposed Base Rates Effective March 1, 2024	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2024**
Daily Charge for Propeller Aircraft up to 3.0 Metric Tonnes*	\$ 12.91	\$ 12.14	\$ 0.80

* Maximum permissible take-off weight.

** Temporary Rate Adjustments to Recover the RSA Shortfall will continue until the cumulative RSA shortfall is fully recovered.

Annual Minimum Charges*

Aircraft Category	Base Rates Prior to March 1, 2024	Proposed Base Rates Effective March 1, 2024	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2024***
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft **	\$ 292.88	\$ 275.42	\$ 18.19

* 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 with the exception of the revised rates.

*** Temporary Rate Adjustments to Recover the RSA Shortfall will continue until the cumulative RSA shortfall is fully recovered.

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). The Notice and the Details and Principles documents are available 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 NAV CANADA’s Internet site.

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

In writing: NAV CANADA
P.O. Box 3411, Station “T”
Ottawa, Ontario
Canada K1P 5L6
Attention: AVP Stakeholder and Industry Relations

By e-mail: service@navcanada.ca

By telephone: 1-613-563-5588
1-800-876-4693 (Toll Free North America)
711/1-866-662-6478 (TTY Line (Deaf/hard of hearing))

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

NAV CANADA
P.O. Box 3411, Station “T”
Ottawa, Ontario
Canada K1P 5L6
Attention: Director Rates, Financial Systems and Controls

By e-mail Jenny.Xi@navcanada.ca

Note: Representations must be received by NAV CANADA no later than the close of business on November 26, 2023.

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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”, “forecast” and the like, as well as future or conditional verbs such as “may”, “will”, “should”, “would” and “could”, or negative versions thereof. Because forward-looking statements involve future risks and uncertainties, actual results may be different from those expressed or implied in these statements and these differences may be material. Examples of risks and uncertainties NAV CANADA faces include geopolitical unrest, terrorist attacks and the threat thereof, war, epidemics or pandemics, government interventions and related travel advisories and restrictions, climate change and environmental factors (including weather systems and other natural phenomena and factors arising from manmade sources), 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, 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 2022 Annual Information Form. The forward-looking statements contained in this document represent our expectations as of September 15, 2023 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 statement included in this document whether as a result of new information, future events or for any other reason, except as required by applicable legislation.