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DETAILS AND PRINCIPLES REGARDING PROPOSED REVISED SERVICE CHARGES

MAY 2026

GENERAL

This document (Details and Principles) ("**Document**") provides additional details to expand upon the *Notice of Revised Service Charges* ("**Notice**") dated September 2026 (the Notice). Under Section 36 of the *Civil Air Navigation Services Commercialization Act*, S.C. 1996, c. 20 (the "**ANS Act**"), NAV CANADA is required to produce a document containing more details in relation to the proposed revised charges set forth in the Notice, including a justification in relation to the charging principles set out in Section 35 of the ANS Act.

Except for the revisions proposed in the Notice, all the existing charges and related terms and conditions, as set out in earlier announcements pertaining to charges, remain in effect.

This Document sets out the following: (1) background information, (2) air traffic outlook, (3) amounts to recover, (4) customer service charge rate analysis, (5) justification of the proposal in relation to the charging principles, and (6) information regarding the Notice and on making representations to NAV CANADA.

Persons interested in making representations in writing to NAV CANADA about the proposals set out in the Notice may do so by forwarding their submissions to the address set out in the Notice. Submissions must be received by NAV CANADA no later than July 24, 2026.

1. BACKGROUND INFORMATION

NAV CANADA is a non-share capital, private sector corporation which is responsible for the provision of civil air navigation facilities and services for aircraft in Canadian airspace or any other airspace for which Canada is responsible for providing air navigation services.

The system of governance at NAV CANADA is the result of a unique corporate structure intended to make NAV CANADA a self-sustaining commercial enterprise. NAV CANADA is governed by a 15-member Board of Directors (the “**Board**”) consisting of ten (10) directors elected by stakeholders representing aviation users, bargaining agents and the federal government, four (4) independent directors and the President & CEO. The Board oversees the governance of NAV CANADA including operational, technology, investment, financial and strategic decisions. NAV CANADA also has an Advisory Committee elected by associates, empowered to analyze and make reports and recommendations to the Board on any matter affecting the air navigation system.

The mandate conferred on NAV CANADA by the *ANS Act* includes the exclusive right to provide certain air navigation services, the exclusive ability to set and collect charges for air navigation services provided or made available by NAV CANADA or a person acting under the authority of the Minister of National Defence, and the obligation of NAV CANADA to provide these services.

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.

NAV CANADA’s Board of Directors (the “Board”) approves the amount and timing of changes to customer service charges, as well as the annual budget, which establishes the level of costs to be recovered through those charges. Consistent with its not-for-profit mandate, NAV CANADA manages its financial position over a multi-year horizon, leveraging the Rate Stabilization Account (the “RSA”) and its established rate-setting methodology to absorb variability and smooth rate impacts over time. This approach supports the ongoing recovery of prior-period balances and the gradual rebuilding of the RSA, ensuring long-term financial stability and resilience.

The COVID-19 pandemic had an unprecedented impact on global air traffic and the aviation industry. Given NAV CANADA’s mandate to provide civil air navigation services, the majority of its cost base is fixed. While a service charge increase was implemented at the time, it was only set at a level to allow NAV CANADA to comply with its debt covenants and obtain additional debt financing to sustain its operations throughout the pandemic. 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 pandemic-related RSA shortfall, along with a continued focus on reducing debt levels, are important for strengthening NAV CANADA’s financial position and enhancing its resilience to cyclical

fluctuations in air traffic and broader economic conditions. In parallel, NAV CANADA is focused on gradually rebuilding the RSA to ensure it can effectively manage normal variability in traffic levels and expenses over time, supporting stable and predictable rates for customers.

The current operating environment continues to be characterized by a high degree of forecast uncertainty. Broader geopolitical developments—including trade-related pressures and, most notably, the ongoing conflict in the Middle East—are expected to remain key drivers of air traffic variability through the remainder of fiscal 2026 and into fiscal 2027.

Amid continued downside critical uncertainties, NAV CANADA must remain forward-looking and continue to invest in service delivery, operational training, and modernization. These investments are essential to maintaining safe, reliable, and high-quality service, while driving long-term efficiencies for both our customers and NAVCANADA.

The proposed rate adjustments reflect NAV CANADA's balanced approach to meeting its current obligations, rebuilding its financial resilience, investing in safety and service delivery, and supporting the industry by recovering the RSA shortfall and rebuilding it over an extended timeframe.

The Company's quarterly Financial Statements, Management's Discussion and Analysis documents and its Annual Information Form, provide extensive information on the revenues and expenses of NAV CANADA. These documents are available electronically under the Corporate/Investor Relations section on the NAV CANADA website at www.navcanada.ca.

2. AIR TRAFFIC REVENUE OUTLOOK

In developing the outlook for air traffic revenue, the primary sources of information considered are:

- a time series analysis of historical Weighted Charging Units (WCUs);
- forecasts of macro-economic indicators;
- available passenger and/or aircraft movement forecasts, such as from IATA, FAA and EUROCONTROL, industry research and analysis from multiple sources including Oxford Economics, Skift Research, Airline Weekly and CAPA - Centre for Aviation;
- near term airline schedules as reported in the Official Airline Guide; and
- strategic planning information provided by customers.

NAV CANADA's fiscal year runs from September 1 to August 31. The forecast for NAV CANADA's fiscal 2026 reflects actual traffic results up to February 2026 and a forecast for the months of March to August.

The following table presents NAV CANADA’s air traffic growth assumptions as measured in Weighted Charging Units (WCUs). Overall, the year-over-year air traffic growth forecast in Total WCUs for fiscal 2026 is -0.1% and 2.5% for fiscal 2027.

Service Charge Category	Forecast FY 2026	Proposed Budget FY 2027*
Overflight	-0.8%	2.4%
Terminal	-0.9%	2.7%
Domestic Enroute	2.1%	2.4%
North Atlantic Enroute (NAT)	-1.5%	1.9%
International Communications (Int’l Com)	-1.0%	1.1%
Daily	5.4%	2.7%
Total WCUs	-0.1%	2.5%

*The fiscal 2027 proposed budget is to be approved by the Board in July 2026.

3. AMOUNTS TO RECOVER

Customer service charges are established based on NAV CANADA’s financial requirements, taking into account projected air traffic volumes, planned expenditures, and the RSA balance, as well as broader operating conditions. These conditions include a range of factors that can influence both demand and costs, such as economic cycles, fuel price fluctuations, labour market dynamics, supply chain constraints, and geopolitical developments.

As actual revenues and expenses may differ from these projections, a structured mechanism is required to capture and manage such variances over time. NAV CANADA addresses this through its rate stabilization framework, which provides a systematic approach to managing the financial impact of both short-term fluctuations and evolving business conditions.

Under this framework, when revenues exceed expenses, the resulting surplus is recorded as a credit to the RSA and is returned to customers through future adjustments to service charges. Conversely, when revenues are below expenses, the shortfall is recorded as a debit to the RSA and is recovered through future service charge adjustments. This approach allows NAV CANADA to manage variability in a measured manner, supporting greater stability and predictability for customers over time while maintaining financial resilience.

The amounts that NAV CANADA will recover under the fee proposal fall into two categories:

- Base Rate – recovers the Corporation’s anticipated net costs by service category during fiscal 2027 and to enable a gradual and sustainable rebuild of the RSA account in each service category to their target levels within the outlook period of fiscal 2028 to fiscal 2031.

- Temporary Rate – recovers the accumulated pandemic-related RSA shortfall.

3.1 Base Rate - Costs for Fiscal Year 2027

NAV CANADA's fiscal 2027 cost base reflects a comprehensive budgeting process undertaken across all functions, incorporating projected operating requirements, planned investments, and identified efficiency measures. The budget is developed through a disciplined framework that includes detailed forecasting, internal review and challenge, and is subject to formal approval by the Board.

Based on the proposed budget, total costs for fiscal 2027 are projected at \$1,951M. In accordance with the *ANS Act*, \$23M in non-aeronautical revenues (including technology sales and other sources) has been deducted, resulting in a net recovery requirement of \$1,928M. Absent any rate adjustments, projected revenues—based on expected traffic levels and current rates—would total approximately \$1,839M, resulting in an estimated deficit of \$89M.

NAV CANADA has adopted a measured, multi-year approach to rate setting, leveraging the RSA framework to manage the financial impact of short-term variability arising from current economic conditions, evolving air traffic patterns, and broader industry uncertainties. Under this approach, a portion of the financial effect of these pressures is addressed over time, supporting a more balanced and predictable recovery profile.

Accordingly, the proposed rate adjustments result in a planned RSA deficit of \$52M for fiscal 2027 at the Base Rate level. Base Rate level, transitioning from an opening surplus of approximately \$33M (net surplus of \$31M after the allocation of \$2M of Base Rate RSA surplus for ICOMM to its related pandemic-related RSA shortfall) to an estimated closing deficit of approximately \$21M. This reflects a deliberate and proportionate application of the framework, balancing current financial requirements with the objective of maintaining rate stability and predictability. Supported by expected improvements in traffic and ongoing efficiency initiatives, this approach facilitates a gradual restoration of the RSA while strengthening financial resilience and avoiding more significant near-term rate impacts.

The resulting net recovery requirements form the basis for the proposed Base Rate revisions. The following table outlines the amounts to be recovered by service category, totaling \$1,876M, based on the fiscal 2027 budget to be presented to the Board for approval in July 2026.

Fiscal 2027 Recoverable Amounts from Customers		
Fiscal 2027 Proposed Budget in \$ Millions		
Operating Expenses		
Salaries, Benefits and Allowances	\$1,409.8	
Other Operating Expenses	\$433.0	
Depreciation and Amortization	\$146.1	
Total Operating Expenses		\$1,988.9
Other Expenses and Regulatory Deferrals		
Other Expenses	\$65.1	
Regulatory Deferrals Excluding RSA	(\$103.0)	
Total Other Expenses and Regulatory Deferrals		(\$37.9)
Total Expenses		\$1,951.0
Other Revenues		(\$23.0)
Net Total Expenses		\$1,928.0 (A)
Fiscal 2027 Revenue at Existing Base Rates		\$1,838.8
RSA shortfall at Existing Base Rates		(\$89.2)
RSA shortfall to be recovered from customers in fiscal 2027 at Base Rates		(\$37.5)
RSA shortfall to be recovered from customers in <u>future</u> periods		(\$51.7) (B)
Total Fiscal 2027 Recoverable Amounts from Customers		\$1,876.3 (A)+(B)

The amounts to be recovered for each service category are based on the allocation of costs across Terminal, Enroute (including Domestic Enroute and Overflight), North Atlantic Enroute (NAT), and International Communications (Int'l Com) services. NAV CANADA's cost allocation methodology, established in 1997, is applied annually and remains unchanged for the fiscal 2027 requirements.

Fiscal Year 2027 Costs Allocation Percentages

	Terminal	Enroute	NAT	Int'l Com	Total
Fiscal 2027 Cost Allocation %	45.89%	48.13%	5.29%	0.69%	100.00%

*Percentages shown are rounded to two decimal places

The fiscal 2027 cost allocation percentages are used as the primary basis for assigning costs to each service category. The resulting allocation which outlines the amounts to be recovered through air navigation service charges for each service is provided in Section 4 of this document.

3.2 Temporary Rate - Recovery of the Pandemic-Related Rate Stabilization Account Shortfall

Temporary Rates are used to recover the pandemic-related RSA shortfall, with full recovery targeted by the end of fiscal 2028.

During fiscal 2026, approximately \$51M of the pandemic-related RSA shortfall is expected to be recovered at Temporary Rate level. In fiscal 2027, transitioning from an opening deficit of approximately \$98M (net deficit of \$96M after the allocation of \$2M of Base Rate RSA surplus for ICOMM to its related pandemic-related RSA shortfall) to an estimated closing deficit of approximately \$44M, \$52M is expected to be recovered at Temporary Rate level, reducing the balance to approximately \$44M by year-end.

The International Communications (ICOMM) balance is expected to be fully recovered by August 31, 2026, supported in part by Base Rate surpluses. As a result, the Temporary Rate for ICOMM will be eliminated effective September 1, 2026.

Following this, the remaining RSA shortfall balance will be limited to the Terminal service category. No change to the Temporary Rate for Terminal is proposed, as recovery remains on track for completion in fiscal 2028.

	Terminal	Enroute	NAT	Int'l Com	Total
	<i>(In Millions)</i>				
Pandemic-Related RSA Shortfall as of Aug 31, 2026 (Note 1)	(\$95.6M)	\$0.0M	\$0.0M	(\$2.4M)	(\$98.1M)
Allocation of RSA surplus in Fiscal 2026 (Note 2)	\$0.0M	\$0.0M	\$0.0M	\$2.4M	\$2.4M
Projected RSA Shortfall recovery through existing Temporary Rates in fiscal 2027	\$51.5M	\$0.0M	\$0.0M	\$0.0M	\$51.5M
Projected RSA shortfall at Aug 31, 2027	(\$44.1M)	\$0.0M	\$0.0M	\$0.0M	(\$44.1M)

Note 1. As of January 1, 2025, the pandemic-related RSA shortfall for Enroute and NAT were fully recovered.

Note 2. As of August 31, 2026, Terminal is projected to have a \$9.2M RSA shortfall at Base Rate level so no offset to apply.

4. CUSTOMER SERVICE CHARGE RATE ANALYSIS

Pursuant to the *ANS Act*, service charges are set at a level that, based on reasonable and prudent projections, would generate sufficient revenues to meet NAV CANADA's current and future financial requirements, i.e., to recover its expenses net of other revenues determined in accordance with International Financial Reporting Standards and the costs of complying with certain financial requirements, as described in detail in Subsection 35(5) of the *ANS Act*, and to maintain a contingency reserve for unforeseen events.

Details of the calculation of the proposed changes in rates per service, as explained in Section 3 above, are as follows.

4.1. Calculation of Base Rate Adjustments

Section 2 of this Document sets out information on the traffic forecast and Section 3.1 presents the fiscal 2027 costs to be recovered from air navigation service charges. The following table shows the fiscal 2027 costs to be recovered from air navigation service charges for each service and the calculation of the Base Rate Adjustment as set out in the Notice.

Calculation of Base Rates Adjustments as of September 1, 2026

	Terminal	Enroute	NAT	Int'l Com	Total
Fiscal 2027 Costs to Recover					
Costs to Recover	\$895,416,883	\$939,175,796	\$103,115,409	\$13,441,368	\$1,951,149,455
Other Revenues	(\$10,579,668)	(\$11,096,695)	(\$1,218,345)	(\$158,815)	(\$23,053,522)
Targeted RSA Increase/Decrease	(\$33,305,318)	(\$15,625,570)	(\$3,745,307)	\$932,017	(\$51,744,178)
Revised Cost to Recover	\$851,531,897	\$912,453,531	\$98,151,757	\$14,214,570	\$1,876,351,755
Fiscal 2027 Costs Allocation %	45.89%	48.13%	5.29%	0.69%	100.00%
Fiscal 2027 Revenue at Existing Base Rates	\$818,327,990	\$912,453,531	\$92,334,941	\$15,723,642	\$1,838,840,104
Surplus/(Shortfall)	(\$33,203,907)	\$0	(\$5,816,815)	\$1,509,071	(\$37,511,651)
Sep 01, 2026 Base Rate Change Required	4.06%	0.00%	6.30%	(9.60%)	2.04%
	Flat Fees	3.49%			

4.2. Calculation of Temporary Rate Adjustments

Section 3.2 presented the proposed amount to be recovered for each service in fiscal 2027 as a contribution towards the recovery of the pandemic-related RSA shortfall and the amount of the RSA surplus from fiscal 2026 at Base Rate level that has been applied against the pandemic-related RSA shortfall. The following table shows the calculation of the Temporary Rate Adjustment as set out in the Notice.

Calculation of Temporary Rate Adjustments as of September 1, 2026

	Terminal	Enroute	NAT	Int'l Com	Total
Historical RSA Shortfall Amounts to Recover Fiscal 2027	\$51,511,625	\$0	\$0	\$0	\$51,511,625
Historical RSA Shortfall Recovery at Existing Temporary Rate Fiscal 2027	\$51,511,625	\$0	\$0	\$1,187,038	\$52,698,663
Surplus/(Shortfall)	\$0	\$0	\$0	\$1,187,038	\$1,187,038
Sep 01, 2026 Temporary Rate Change Required	0.00%	0.00%	0.00%	(100.00%)	(2.25%)
	Flat Fees	0.00%			

Overall, taking into account both the Base Rate and the Temporary Rate Revisions, the proposed net impact per service charge category, effective September 1, 2026, represent an average increase of 1.92% as summarized in the table below.

	Terminal	Enroute	NAT	Int'l Com	Total
Fiscal 2027 Total Costs to Recover					
Revised Costs for Fiscal 2027	\$851,531,897	\$912,453,531	\$98,151,757	\$14,214,570	\$1,876,351,755
Pandemic-Related RSA Shortfall Recovery in Fiscal 2027	\$51,511,625	\$0	\$0	\$0	\$51,511,625
Total Costs to Recover	\$903,043,522	\$912,453,531	\$98,151,757	\$14,214,570	\$1,927,863,380
Fiscal 2027 Revenue at Existing Rates (Base Rate + Temp Rate)	\$869,839,615	\$912,453,531	\$92,334,941	\$16,910,680	\$1,891,538,767
Surplus/(Shortfall) Including RSA Recovery	(\$33,203,907)	\$0	(\$5,816,815)	\$2,696,110	(\$36,324,613)
Sep 01, 2026 Net Rate Change Required	3.82%	0.00%	6.30%	(15.94%)	1.92%
Flat Fees	3.28%				

Comparison of Existing Rates to Proposed Revised Rates

The following tables set out the existing rates along with the proposed revised rates.

Movement-Based Charges

Charge	Base Rates Prior to September 1, 2026	Temporary Rate Adjustment to Recover RSA Shortfall Prior to September 1, 2026	Proposed Base Rates Effective September 1, 2026	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective September 1, 2026*
Terminal Charge	\$ 31.88	\$ 2.02	\$ 33.17	\$ 2.02
Enroute Charge (including Overflight)	\$ 0.03524	\$ -	\$ 0.03524	\$ -
NAT	\$ 183.61	\$ -	\$ 195.18	\$ -
International Communications				
Data Link	\$ 30.73	\$ 2.32	\$ 27.78	\$ -
Voice	\$ 81.67	\$ 6.16	\$ 73.83	\$ -

* 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 September 1, 2026	Temporary Rate Adjustment to Recover RSA Shortfall Prior to September 1, 2026	Proposed Base Rates Effective September 1, 2026	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective September 1, 2026**
Propeller Aircraft				
Over 3.0 to 5.0	\$ 53.58	\$ 2.55	\$ 55.45	\$ 2.55
Over 5.0 to 6.2	\$ 107.19	\$ 5.09	\$ 110.93	\$ 5.09
Over 6.2 to 8.6	\$ 424.92	\$ 20.20	\$ 439.75	\$ 20.20
Over 8.6 to 12.3	\$ 986.38	\$ 46.89	\$ 1,020.80	\$ 46.89
Over 12.3 to 15.0	\$ 1,469.99	\$ 69.88	\$ 1,521.29	\$ 69.88
Over 15.0 to 18.0	\$ 1,766.03	\$ 83.95	\$ 1,827.66	\$ 83.95
Over 18.0 to 21.4	\$ 2,381.08	\$ 113.19	\$ 2,464.18	\$ 113.19
Over 21.4	\$ 3,089.28	\$ 146.85	\$ 3,197.10	\$ 146.85
Maximum Helicopters	\$ 107.19	\$ 5.09	\$ 110.93	\$ 5.09
Small Jet Aircraft				
Up to 3.0	\$ 202.90	\$ 9.64	\$ 209.98	\$ 9.64
Over 3.0 to 6.2	\$ 261.59	\$ 12.44	\$ 270.72	\$ 12.44
Over 6.2 to 7.5	\$ 424.92	\$ 20.20	\$ 439.75	\$ 20.20

* 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, 2027	Temporary Rate Adjustment to Recover RSA Shortfall Prior to March 1, 2027	Proposed Base Rates Effective March 1, 2027	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2027****
0.617 up to 2.0	\$ 86.71	\$ 4.13	\$ 89.72	\$ 4.13
Over 2.0 up to 3.0***	\$ 289.60	\$ 13.77	\$ 299.72	\$ 13.77

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

** Maximum permissible take-off weight.

*** Provisions regarding private aircraft used exclusively for recreational purposes (regardless of aircraft weight) only applies to aircrafts that meet the definition of "recreational purposes". 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, 2027	Temporary Rate Adjustment to Recover RSA Shortfall Prior to March 1, 2027	Proposed Base Rates Effective March 1, 2027	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2027**
Daily Charge for Propeller Aircraft up to 3.0 Metric Tonnes*	\$ 12.77	\$ 0.61	\$ 13.22	\$ 0.61

* 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, 2027	Temporary Rate Adjustment to Recover RSA Shortfall Prior to March 1, 2027	Proposed Base Rates Effective March 1, 2027	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2027***
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft**	\$ 289.60	\$ 13.77	\$ 299.72	\$ 13.77

* 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.

The following table provides a summary of proposed rate revisions.

	Current Rates	Temporary Rate Adjustment to Recover RSA Shortfall*	Proposed Base Rates	Temporary Rate Adjustment to Recover RSA Shortfall*
	Prior to September 1, 2026	Prior to September 1, 2026	Effective September 1, 2026	Effective September 1, 2026
Movement Based Charges				
Terminal Charge	\$ 31.88	\$ 2.02	\$ 33.17	\$ 2.02
Enroute Charge (including Overflight)	\$ 0.03524	\$ -	\$ 0.03524	\$ -
NAT	\$ 183.61	\$ -	\$ 195.18	\$ -
International Communications				
Data Link	\$ 30.73	\$ 2.32	\$ 27.78	\$ -
Voice	\$ 81.67	\$ 6.16	\$ 73.83	\$ -
Aircraft Based Charges				
	Prior to September 1, 2026	Prior to September 1, 2026	Effective September 1, 2026	Effective September 1, 2026
<u>Daily Charges</u>				
Weight Group (in Tonnes)				
Propellers				
Over 3.0 to 5.0	\$ 53.58	\$ 2.55	\$ 55.45	\$ 2.55
Over 5.0 to 6.2	\$ 107.19	\$ 5.09	\$ 110.93	\$ 5.09
Over 6.2 to 8.6	\$ 424.92	\$ 20.20	\$ 439.75	\$ 20.20
Over 8.6 to 12.3	\$ 986.38	\$ 46.89	\$ 1,020.80	\$ 46.89
Over 12.3 to 15.0	\$ 1,469.99	\$ 69.88	\$ 1,521.29	\$ 69.88
Over 15.0 to 18.0	\$ 1,766.03	\$ 83.95	\$ 1,827.66	\$ 83.95
Over 18.0 to 21.4	\$ 2,381.08	\$ 113.19	\$ 2,464.18	\$ 113.19
Over 21.4	\$ 3,089.28	\$ 146.85	\$ 3,197.10	\$ 146.85
Maximum for Helicopters	\$ 107.19	\$ 5.09	\$ 110.93	\$ 5.09
Jets				
Up to 3.0	\$ 202.90	\$ 9.64	\$ 209.98	\$ 9.64
Over 3.0 to 6.2	\$ 261.59	\$ 12.44	\$ 270.72	\$ 12.44
Over 6.2 to 7.5	\$ 424.92	\$ 20.20	\$ 439.75	\$ 20.20
Annual Minimum Charges				
Propeller Aircraft over 3.0 Tonnes and Jet Aircraft	\$ 289.60	\$ 13.77	\$ 299.72	\$ 13.77
<u>General Aviation Charges:</u>				
Annual Charge				
Under 2.0	\$ 86.71	\$ 4.13	\$ 89.72	\$ 4.13
2.0 to 3.0	\$ 289.60	\$ 13.77	\$ 299.72	\$ 13.77
Quarterly Charge				
Under 2.0	\$ 21.68	\$ 1.03	\$ 22.43	\$ 1.03
2.0 to 3.0	\$ 72.40	\$ 3.44	\$ 74.93	\$ 3.44
Daily - Specified 7 Major Airports	\$ 12.77	\$ 0.61	\$ 13.22	\$ 0.61

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

Note that the rates for the flat fees (Daily, Annual, Quarterly, Annual Minimum and Daily – 7 Specified Airports) change by 86% of the Terminal rate change and 14% of the Enroute rate change. Changes to fees for Annual, Quarterly, Annual Minimum and Daily

– 7 Specified Airports will be effective on March 1, 2027, consistent with the revision cycle for these charges.

5. PRINCIPLES GOVERNING NAV CANADA’S SERVICE CHARGES

The principles governing the establishment of new charges or the revision of existing charges by NAV CANADA are set out in Section 35 of the *ANS Act*. Each of the principles is presented below in italics, followed by an explanation of how the Notice complies with that particular principle.

- 35(1)(a) *Charges must be in accordance with a methodology established and published by the Corporation that is explicit and that also includes the terms and conditions affecting charges;*

The Notice, required under Section 36 of the *ANS Act*, has been posted on the Internet, on the NAV CANADA website, and sent to aviation associations. On the basis of this information, any person subject to NAV CANADA’s charges can calculate the amount that would be payable for a given flight. NAV CANADA continues to use the same cost allocation methodology that has been in place since it was approved by the Minister of Transport in 1997. NAV CANADA’s cost allocation methodology was published, as required, in the “Details and Principles Regarding Proposed Revised Service Charges (September 2026)” document. There is no proposed modification to the terms and conditions affecting charges. Two definition changes are proposed in NAV CANADA’s Customer Guide to Charges including proposed changes to the definition of recreational purposes and definition of aircraft weight for quarterly charges for foreign-registered propeller aircraft (including Helicopters). Information on existing terms and conditions is provided in NAV CANADA’s Customer Guide to Charges, found under the Service Charges section on the NAV CANADA website (www.navcanada.ca).

- 35(1)(b) *Charges must not be structured in such a way that a user would be encouraged to engage in practices that diminish safety for the purpose of avoiding a charge;*

For any given flight, NAV CANADA’s charges, including the proposed revised charges, are not structured in such a manner that incentivizes unsafe practices by users. For example, any flight of any given aircraft between two points (e.g., Ottawa and Québec City) is subject to the same charges, regardless of whether the flight is IFR or VFR.

- 35(1)(c) *Charges for the same services must not differentiate between domestic and international flights of air carriers;*

There is no differentiation in the proposed revised charges between domestic and international flights of air carriers.

- 35(1)(d) *Charges for the same services must not differentiate among Canadian air carriers or among foreign air carriers;*

There is no differentiation in the proposed revised charges for a flight based on which domestic or foreign carrier provides the flight.

- 35(1)(e) *Charges must differentiate between the provision of services in relation to the landing and take-off of aircraft and the provision of services in relation to aircraft in flight, and must reflect a reasonable allocation of the costs of providing the services in those circumstances;*

The charges are based on an allocation of costs among the Enroute (includes Domestic Enroute and Overflight), Terminal, NAT and Int'l Com. services. The rules for the attribution of costs to the services were arrived at by considering workloads, statistics based on activity reports, management judgment and ICAO guidelines. The charges therefore represent a reasonable allocation of the costs to providing the services.

- 35(1)(f) *Charges in respect of recreational and private aircraft must not be unreasonable or undue;*

The charges reflect the need for recreational and private aircraft to contribute, along with other users, to the costs of operating the Canadian civil air navigation system. NAV CANADA believes that the charges are neither unreasonable nor undue.

- 35(1)(g) *Charges for designated northern or remote services and for services directed to be provided under Subsection 24(1) must not be higher than charges for similar services utilized to a similar extent elsewhere in Canada;*

Since NAV CANADA's charges are uniform throughout Canada, northern or remote services are subject to the same charges as services utilized elsewhere in Canada.

- 35(1)(h) *Charges must be consistent with the international obligations of the Government of Canada; and*

The most relevant international obligations are the Convention on International Civil Aviation of 1944 (the Chicago Convention) and bilateral air services agreements between Canada and other states.

Article 15 of the Chicago Convention deals with charges for air navigation facilities and establishes the principle that fees charged

for the use of airport and air navigation services should not be higher for foreign compared to domestic users engaged in similar international air services. The charges comply with Article 15 since: (i) the charges in respect of international air services are not higher for foreign air carriers than they are for Canadian carriers engaged in similar international air services (i.e., the charges do not differentiate according to the flag of the carrier), and (ii) the charges relate to the availability or provision of air navigation services and are not imposed for the right of entry into Canadian airspace.

Charges imposed are generally consistent with the themes included in ICAO Doc 9082, a non-binding document which provides guidance that States are encouraged to follow. ICAO Doc 9082 itself does not form part of the Government of Canada's international obligations under Subsection 35(1)(h) of the *ANS Act*.

The charges are also consistent with bilateral air services agreements between Canada and other states.

35(1)(i) *Charges must not be set at a level that, based on reasonable and prudent projections, would generate revenues exceeding the Corporation's current and future financial requirements in relation to the provision of civil air navigation services.*

NAV CANADA's charges are set to recover its expenses net of other revenues determined in accordance with International Financial Reporting Standards and the costs of complying with certain financial requirements, as described in detail in Subsection 35(5) of the *ANS Act*. NAV CANADA proposes to set charges effective September 1, 2026 to recover fiscal year 2027 net costs plus a portion of the accumulated pandemic-related RSA shortfall balance.

35(2) *The charging methodology may recognize that the value of the services differs among users.*

NAV CANADA's charging methodology does recognize that the value of the services differs among users, e.g., charges that vary with aircraft weight.

35(3) *Where the Corporation's charging methodology recognizes the value of the services and aircraft weight is used as a measure of the value of the services, the principle referred to in paragraph (1)(a) is deemed not to have been observed if aircraft weight is taken into account either directly proportionally or greater than directly proportionally.*

The International Communication Services charges and NAT charges are levied on a per flight basis and do not take weight into account. The Enroute and Terminal Services charges take weight

into account, but less than proportionally. The Enroute Charge is based on a unit rate multiplied by the square root of aircraft weight multiplied by distance. The Terminal Services Charge is based on a unit rate multiplied by aircraft weight raised to the 0.8 power.

Pursuant to Subsection 35(7), Subsection 35(3) does not apply to flat fees. The Annual, Quarterly and Daily Charges represent flat fees.

- 35 (4) *For the purpose of Subsection (3), “weight”, in relation to an aircraft, means the maximum permissible take-off weight specified in the aircraft’s certificate of airworthiness or in a document referred to in that certificate.*

Weight calculations are based on the maximum permissible take-off weight specified in the aircraft’s certificate of airworthiness or in a document referred to in that certificate. For more information, please refer to the January 1, 2025 *Customer Guide to Charges*.

6. INFORMATION REGARDING THE NOTICE AND ON MAKING REPRESENTATIONS TO NAV CANADA

The Notice and this Document are available on-line and a copy may be downloaded from NAV CANADA’s Internet site (www.navcanada.ca) under the Service Charge Changes section.

Information on the existing charges is provided in NAV CANADA’s announcements on service charges and *Customer Guide to Charges*, which are also available at www.navcanada.ca under the Service Charges section.

Copies 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)
711/1-800-876-4693 (TTY Line (Deaf/hard of hearing))

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

NAV CANADA
P.O. Box 3411, Station "T"
Ottawa, Ontario
CANADA K1P 5L6
Attention: AVP, Rates, Financial Systems and Financial
Operations

By e-mail: Jenny.Xi@navcanada.ca

Note: Representations must be received by NAV CANADA no later than the close of business on July 24, 2026.

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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 NAV CANADA's fiscal 2025 Annual Information Form. The forward-looking statements contained in this document represent NAV CANADA's expectations as of May 20, 2026 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.