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DETAILS AND PRINCIPLES REGARDING PROPOSED REVISED SERVICE CHARGES

SEPTEMBER 2024

GENERAL

This document (Details and Principles) ("**Document**") provides additional details to expand upon the *Notice of Revised Service Charges* ("**Notice**") dated September 2024 (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 November 21, 2024.

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 fundamental elements governing the mandate conferred on NAV CANADA by the *ANS Act* include 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. Pursuant to the charging principles, 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. NAV CANADA plans its operations to result in an annual financial breakeven position after recording adjustments to the Rate Stabilization Account (the “RSA”).

The COVID-19 pandemic had an unprecedented 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 and had to increase service charges and debt levels to meet its financial obligations. Despite the increase in service charges, the dramatically 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 far 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.

On January 1, 2024, NAV CANADA implemented an overall average net decrease in service charges of 5.57% consisting of a Base Rate decrease averaging 9.33% and a Temporary Rate increase averaging 3.76%. The Base Rate decrease reflected NAV

CANADA's forecast of continued strong growth in air traffic volume in 2024. A new Temporary Rate was implemented to recover the remaining balance of the RSA shortfall over a five-year period. The rate adjustments reflected a balanced approach between NAV CANADA rebuilding its financial resilience, investing in safety and service delivery while supporting the industry by recovering the RSA shortfall over an extended timeframe.

Since the rate change was implemented, our medium-term air traffic forecast was adjusted downwards, reflecting the impact of continuing downside critical uncertainties for the aviation industry including labour and supply constraints, and broader economic and geopolitical risks. In response, management implemented cost containment measures and the NAV CANADA Board of Directors instructed management in April 2024 to monitor the trend in air traffic volume over the balance of the fiscal year before determining the need to adjust customer service charge rates. As such, the proposed rate adjustments for fiscal 2025 reflect an implementation date of January 1, 2025, similar to the off-cycle rate adjustment implemented on January 1, 2024.

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

During the pandemic the methodology used to forecast air traffic revenue was modified to consider pandemic specific critical uncertainties including epidemiological outcomes, travel restrictions and government policies. Pandemic specific critical uncertainties are no longer the primary drivers of air traffic revenue, enabling the return to traditional forecasting approaches.

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, and 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 2024 reflects actual traffic results up to July 2024 and a forecast for the month of 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 2024 is 6.42% and 2.39% for fiscal 2025.

Service Charge Category	Forecast FY 2024	Budget FY2025
Overflight	7.56%	1.78%
Terminal	6.81%	2.86%
Domestic Enroute	6.70%	2.97%
North Atlantic Enroute (NAT)	7.11%	0.94%
International Communications (Int’l Com)	6.97%	1.05%
Daily	-13.77%	2.84%
Total WCUs	6.42%	2.39%

3. AMOUNTS TO RECOVER

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

- Costs for fiscal year 2025.
- A portion of the accumulated historical RSA shortfall.

3.1 Costs for Fiscal Year 2025

NAV CANADA’s budgeted costs for fiscal year 2025 are \$1,793.0M, net of \$41.9M from non-aeronautical revenues (technology sales and other sources). These costs have been used to calculate Base Rate Revisions. The following table sets out the specifics of amounts to recover, based on the fiscal 2025 budget.

Fiscal 2025 Budget in \$ Millions		
Operating Expenses		
Salaries, Benefits and Allowances	\$1,259.5	
Other Operating Expenses	386.7	
Depreciation and Amortization	150.1	
Total Operating Expenses		\$1,796.3
Other Expenses	77.7	
Regulatory Deferrals Excluding RSA	(39.1)	
Total Other Expenses and Regulatory		38.6
Total Expenses		\$1,834.9
Other Revenues		(41.9)
Net Expenses to Recover in Fiscal 2025		\$1,793.0

The amount to be recovered by each service category is determined by the allocation of costs to each service, i.e., Terminal, Enroute (includes Domestic Enroute and Overflight), NAT and Int'l Com. NAV CANADA's cost allocation methodology was developed in 1997, and an allocation exercise occurs at least annually. NAV CANADA has employed the same cost allocation methodology used in prior years to the fiscal 2025 requirements.

The fiscal 2025 budget cost allocation percentages are used as the principal basis for the allocation of costs to services. This allocation is provided in the following table which shows the amounts to be recovered for each service through air navigation service charges.

Fiscal Year 2025 Costs
To recover from ANS Charges

	Terminal	Enroute	NAT	Int'l Com	Total
Costs by Service	\$802.5M	\$882.0M	\$93.8M	\$14.7M	\$1,793.0M
Cost Allocation %	44.76%	49.19%	5.23%	0.82%	100%

3.2 Rate Stabilization Account

Customer service charges are set based on NAV CANADA's financial requirements, which considers estimated air traffic volumes, planned expenditures and the RSA balance. Since actual revenue and expenses will differ from these estimates, methods to accumulate the variances are required so that they may be taken into account when setting future customer service charges. There is also a need to absorb the immediate effect of unpredictable factors – mainly fluctuations in air traffic volumes resulting from unforeseen events. NAV CANADA meets these objectives through a “rate stabilization” mechanism. If actual revenue exceeds actual expenses, the excess is reflected as a credit to the RSA and is returnable to customers through future customer service charges. Similarly, if actual revenue is less than actual expenses, the revenue shortfall is reflected as a debit to the RSA and is recoverable from customers through future customer service charges.

With cost containment in fiscal 2024, the RSA recovery is forecast to be \$62.7M ahead of the planned recovery of \$102.3M by the end of fiscal 2024. The higher-than-planned RSA recovery in fiscal 2024 has been reflected in the calculation of service charges for fiscal 2025 as outlined below. The total planned RSA recovery in fiscal 2025 is \$21.3M, reflecting a planned historical RSA shortfall recovery of \$57.6M less the allocation of \$36.3M of the fiscal 2024 surplus to Base Rates in fiscal 2025.

Allocation of Fiscal 2024 RSA Surplus

	Terminal	Enroute	NAT	Int'l Com	Total
Projected RSA surplus/(shortfall) in fiscal 2024	\$88.4M	\$66.5M	\$9.5M	\$0.6M	\$165.0M
RSA shortfall recovery collected through Temporary Rate in fiscal 2024	(\$37.6M)	(\$6.9M)	(\$1.1M)	(\$0.7M)	(\$46.4M)
Net RSA surplus/(shortfall) in fiscal 2024	\$50.8M	\$59.6M	\$8.4M	(\$0.1M)	\$118.6M
Allocation to Base Rates	(\$14.9M)	(\$18.4M)	(\$3.2M)	\$0.1M	(\$36.3M)
Allocation to historical RSA shortfall collected through Temporary Rates	(\$35.9M)	(\$41.2M)	(\$5.2M)	Nil	(\$82.3M)

RSA Shortfall Recovery

	Terminal	Enroute	NAT	Int'l Com	Total
Total RSA shortfall at Aug 31, 2023	(\$278.2M)	(\$51.5M)	(\$6.9M)	(\$5.5M)	(\$342.0M)
RSA shortfall recovery collected through Temporary Rates in fiscal 2024	\$37.6M	\$6.9M	\$1.1M	\$0.7M	\$46.4M
Allocation of fiscal 2024 RSA surplus as of Dec 31, 2024	\$35.9M	\$41.2M	\$5.2M	Nil	\$82.3M
Projected RSA shortfall recovery through existing Temporary Rates from September to December 2024	\$18.7M	\$3.4M	\$0.6M	\$0.4M	\$23.0M
Projected RSA surplus/ (shortfall) at December 31, 2024	(\$186.0M)	Nil	Nil	(\$4.4M)	(\$190.3M)
Proposed RSA shortfall recovery to be collected through Temporary Rates from January to August 2025	\$33.8M	Nil	Nil	\$0.8M	\$34.6M
Projected RSA shortfall at August 31, 2025	(\$152.2M)	Nil	Nil	(\$3.6M)	(\$155.7M)

As a result of the allocation of a portion of the RSA surplus from fiscal 2024 to the RSA shortfall, the portion of the RSA shortfall attributed to each of Enroute and NAT is projected to be fully recovered by December 31, 2024. Therefore, a Temporary Rate for the Enroute and NAT service charge categories will no longer be required as of January 1, 2025 and has been removed as part of the planned decrease in Temporary Rates.

NAV CANADA is taking a balanced approach to the recovery of the RSA shortfall with a plan to recover the shortfall over the period ending in fiscal 2028. The proposed overall RSA shortfall recovery in Fiscal 2025 is \$57.6M as outlined in the chart below. The rate of recovery in fiscal 2025 considered the balance of the historical RSA shortfall as of December 31, 2024, the RSA surplus allocation from fiscal 2024 and the extent of critical uncertainties that remain with regards to air traffic growth as outlined in the Notice. The remaining RSA shortfall will be recovered over the next three years.

RSA Shortfall Recovery in Fiscal 2025 through Temporary Rates

	Terminal	Enroute	NAT	Int'l Com	Total
September 1 to December 31, 2024 at existing Temporary Rates	\$18.7M	\$3.4M	\$0.6M	\$0.4M	\$23.0M
January 1 to August 31, 2025 at revised Temporary Rates	\$33.8M	Nil	Nil	\$0.8M	\$34.6M
Total projected historical RSA shortfall recovery in fiscal 2025	\$52.5M	\$3.4M	\$0.6M	\$1.2M	\$57.6M

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, is as follows.

4.1. Calculation of Base Rate Adjustments

Section 2 of this Document sets out information on the traffic forecast and Section 3 presents the fiscal 2025 costs to be recovered from air navigation service charges for each service and the amount of the RSA surplus from fiscal 2024 that has been allocated to Base Rates.

The following table shows the calculation of the Base Rate Adjustment as set out in the Notice.

Calculation of Base Rates Adjustments as of January 1, 2025

	Terminal	Enroute	NAT	Int'l Com	Total
Fiscal 2025 Costs to Recover					
Costs to Recover	\$ 802,541,768	\$ 881,971,170	\$ 93,773,312	\$ 14,702,508	\$ 1,792,988,757
Fiscal 2024 RSA surplus/(shortfall) applied	\$ (14,879,845)	\$ (18,357,555)	\$ (3,197,488)	\$ 148,284	\$ (36,286,604)
Revised Cost to Recover	\$ 787,661,923	\$ 863,613,614	\$ 90,575,824	\$ 14,850,792	\$ 1,756,702,153
Fiscal 2025 Cost Allocation %s	44.76%	49.19%	5.23%	0.82%	100.00%
Fiscal 2025 Revenue at Existing Base Rates					
September to December 2024	\$ 248,974,443	\$ 274,068,999	\$ 29,398,072	\$ 4,146,237	\$ 556,587,752
January to August 2025	\$ 512,052,501	\$ 562,448,676	\$ 60,126,256	\$ 8,426,341	\$ 1,143,053,775
Total Revenue	\$ 761,026,945	\$ 836,517,676	\$ 89,524,329	\$ 12,572,578	\$ 1,699,641,527
Surplus/(shortfall)	\$ (26,634,978)	\$ (27,095,939)	\$ (1,051,495)	\$ (2,278,214)	\$ (57,060,626)
Jan 01, 2025 Base Rate Change Required	5.20%	4.82%	1.75%	27.04%	4.99%
Flat Fees	5.15%				

4.2. Calculation of Temporary Rate Adjustments

Section 3.2 presented the proposed amount to be recovered for each service in fiscal 2025 as a contribution towards the recovery of the 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 January 1, 2025

	Terminal	Enroute	NAT	Int'l Com	Total
Historical RSA Shortfall Amounts to Recover January - August 2025	\$ 33,813,353	\$ -	\$ -	\$ 806,619	\$ 34,619,972
Historical RSA Shortfall Recovery at Existing Temporary Rates January - August 2025	\$ 38,418,535	\$ 6,951,726	\$ 1,149,546	\$ 731,585	\$ 47,251,392
Surplus/(shortfall)	\$ 4,605,181	\$ 6,951,726	\$ 1,149,546	\$ (75,033)	\$ 12,631,420
Jan 01, 2025 Temporary Rate Change Required	-11.99%	-100.00%	-100.00%	10.26%	-26.73%
Flat Fees	-24.31%				

Overall, taking into account both the Base Rate and the Temporary Rate Revisions, the proposed net impact per service charge category, effective January 1, 2025, represent an average increase of 3.73% as summarized in the table below.

	Terminal	Enroute	NAT	Int'l Com	Total
Fiscal 2025 Total Cost to Recover					
Revised Costs for Fiscal 2025	\$ 787,661,923	\$ 863,613,614	\$ 90,575,824	\$ 14,850,792	\$ 1,756,702,153
Historical RSA Shortfall recovery in FY25	\$ 52,502,110	\$ 3,379,202	\$ 562,058	\$ 1,166,601	\$ 57,609,971
Total Costs to Recover	\$ 840,164,033	\$ 866,992,817	\$ 91,137,882	\$ 16,017,393	\$ 1,814,312,124
Fiscal 2025 Revenue at Existing Rates (Base Rate + Temp Rate)					
September to December 2024	\$ 267,663,200	\$ 277,448,202	\$ 29,960,130	\$ 4,506,219	\$ 579,577,751
January to August 2025	\$ 550,471,036	\$ 569,400,403	\$ 61,275,802	\$ 9,157,926	\$ 1,190,305,167
Total Revenue at Existing Rates	\$ 818,134,236	\$ 846,848,604	\$ 91,235,932	\$ 13,664,146	\$ 1,769,882,918
Shortfall/(Surplus) Including RSA Recovery	\$ 22,029,797	\$ 20,144,213	\$ (98,051)	\$ 2,353,247	\$ 44,429,206
Jan 01, 2025 Net Rate Impact	4.00%	3.54%	-0.16%	25.70%	3.73%
Flat Fees	3.94%				

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 January 1, 2025	Temporary Rate Adjustment to Recover RSA Shortfall Prior to January 1, 2025	Proposed Base Rates Effective January 1, 2025	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective January 1, 2025*
Terminal Charge	\$ 30.30	\$ 2.29	\$ 31.88	\$ 2.02
Enroute Charge (including Overflight)	\$ 0.03362	\$ 0.00040	\$ 0.03524	\$ -
NAT	\$ 180.45	\$ 3.45	\$ 183.61	\$ -
International Communications				
Data Link	\$ 24.19	\$ 2.10	\$ 30.73	\$ 2.32
Voice	\$ 64.29	\$ 5.59	\$ 81.67	\$ 6.16

* 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, 2025	Temporary Rate Adjustment to Recover RSA Shortfall Prior to January 1, 2025	Proposed Base Rates Effective January 1, 2025	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective January 1, 2025**
Propeller Aircraft				
Over 3.0 to 5.0	\$ 50.96	\$ 3.37	\$ 53.58	\$ 2.55
Over 5.0 to 6.2	\$ 101.94	\$ 6.73	\$ 107.19	\$ 5.09
Over 6.2 to 8.6	\$ 404.11	\$ 26.69	\$ 424.92	\$ 20.20
Over 8.6 to 12.3	\$ 938.07	\$ 61.95	\$ 986.38	\$ 46.89
Over 12.3 to 15.0	\$ 1,397.99	\$ 92.32	\$ 1,469.99	\$ 69.88
Over 15.0 to 18.0	\$ 1,679.53	\$ 110.91	\$ 1,766.03	\$ 83.95
Over 18.0 to 21.4	\$ 2,264.46	\$ 149.54	\$ 2,381.08	\$ 113.19
Over 21.4	\$ 2,937.97	\$ 194.01	\$ 3,089.28	\$ 146.85
Maximum Helicopters	\$ 101.94	\$ 6.73	\$ 107.19	\$ 5.09
Small Jet Aircraft				
Up to 3.0	\$ 192.96	\$ 12.74	\$ 202.90	\$ 9.64
Over 3.0 to 6.2	\$ 248.78	\$ 16.43	\$ 261.59	\$ 12.44
Over 6.2 to 7.5	\$ 404.11	\$ 26.69	\$ 424.92	\$ 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, 2025	Temporary Rate Adjustment to Recover RSA Shortfall Prior to March 1, 2025	Proposed Base Rates Effective March 1, 2025	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2025****
0.617 up to 2.0	\$ 82.46	\$ 5.45	\$ 86.71	\$ 4.13
Over 2.0 up to 3.0***	\$ 275.42	\$ 18.19	\$ 289.60	\$ 13.77

* 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, 2025	Temporary Rate Adjustment to Recover RSA Shortfall Prior to March 1, 2025	Proposed Base Rates Effective March 1, 2025	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2025**
Daily Charge for Propeller Aircraft up to 3.0 Metric Tonnes*	\$ 12.14	\$ 0.80	\$ 12.77	\$ 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, 2025	Temporary Rate Adjustment to Recover RSA Shortfall Prior to March 1, 2025	Proposed Base Rates Effective March 1, 2025	Proposed Temporary Rate Adjustment to Recover RSA Shortfall Effective March 1, 2025***
Annual Minimum for Propeller Aircraft over 3.0 Metric Tonnes and Jet Aircraft**	\$ 275.42	\$ 18.19	\$ 289.60	\$ 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 January 1, 2025	Prior to January 1, 2025	Effective January 1, 2025	Effective January 1, 2025
Movement Based Charges				
Terminal Charge	\$ 30.30	\$ 2.29	\$ 31.88	\$ 2.02
Enroute Charge (including Overflight)	\$ 0.03362	\$ 0.00040	\$ 0.03524	\$ -
NAT	\$ 180.45	\$ 3.45	\$ 183.61	\$ -
International Communications				
Data Link	\$ 24.19	\$ 2.10	\$ 30.73	\$ 2.32
Voice	\$ 64.29	\$ 5.59	\$ 81.67	\$ 6.16
Aircraft Based Charges				
	Prior to January 1, 2025	Prior to January 1, 2025	Effective January 1, 2025	Effective January 1, 2025
<u>Daily Charges</u>				
Weight Group (in Tonnes)				
Propellers				
Over 3.0 to 5.0	\$ 50.96	\$ 3.37	\$ 53.58	\$ 2.55
Over 5.0 to 6.2	\$ 101.94	\$ 6.73	\$ 107.19	\$ 5.09
Over 6.2 to 8.6	\$ 404.11	\$ 26.69	\$ 424.92	\$ 20.20
Over 8.6 to 12.3	\$ 938.07	\$ 61.95	\$ 986.38	\$ 46.89
Over 12.3 to 15.0	\$ 1,397.99	\$ 92.32	\$ 1,469.99	\$ 69.88
Over 15.0 to 18.0	\$ 1,679.53	\$ 110.91	\$ 1,766.03	\$ 83.95
Over 18.0 to 21.4	\$ 2,264.46	\$ 149.54	\$ 2,381.08	\$ 113.19
Over 21.4	\$ 2,937.97	\$ 194.01	\$ 3,089.28	\$ 146.85
Maximum for Helicopters	\$ 101.94	\$ 6.73	\$ 107.19	\$ 5.09
Jets				
Up to 3.0	\$ 192.96	\$ 12.74	\$ 202.90	\$ 9.64
Over 3.0 to 6.2	\$ 248.78	\$ 16.43	\$ 261.59	\$ 12.44
Over 6.2 to 7.5	\$ 404.11	\$ 26.69	\$ 424.92	\$ 20.20
Annual Minimum Charges				
	Prior to March 1, 2025	Prior to March 1, 2025	Effective March 1, 2025	Effective March 1, 2025
Propeller Aircraft over 3.0 Tonnes and Jet Aircraft	\$ 275.42	\$ 18.19	\$ 289.60	\$ 13.77
<u>General Aviation Charges:</u>				
Annual Charge				
Under 2.0	\$ 82.46	\$ 5.45	\$ 86.71	\$ 4.13
2.0 to 3.0	\$ 275.42	\$ 18.19	\$ 289.60	\$ 13.77
Quarterly Charge				
Under 2.0	\$ 20.61	\$ 1.36	\$ 21.67	\$ 1.03
2.0 to 3.0	\$ 68.86	\$ 4.55	\$ 72.41	\$ 3.44
Daily - Specified 7 Major Airports	\$ 12.14	\$ 0.80	\$ 12.77	\$ 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, 2025, 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 Services Charges (September 2024)" document. There is no proposed modification to the terms and conditions affecting charges. 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 are not structured in such a manner that safety may be affected. 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, Terminal and Oceanic 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 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 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 January 1, 2025 to recover fiscal year 2025 net costs plus a portion of the accumulated 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, 2024 *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)
711/1-866-662-6478 (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: 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 21, 2024.

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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 2023 Annual Information Form. The forward-looking statements contained in this document represent NAV CANADA’s expectations as of September 16, 2024 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.