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## NOTICE OF REVISED SERVICE CHARGES

SEPTEMBER 2024

### 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, 2025, 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 is available under the Corporate/Service Charge Changes section on the NAV CANADA website ([www.navcanada.ca](http://www.navcanada.ca)).

Persons interested in making representations to NAV CANADA about 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 21, 2024.**

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;
- (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 increase customer service charge rates, on average, by 3.73% representing a Base Rate increase averaging 4.99% and a Temporary Rate decrease averaging 26.73% compared to existing rates, effective January 1, 2025.

## 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 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 for continued strong post-pandemic 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. These 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.

**Additional information (including supporting calculations) is provided in the document “Details and Principles Regarding Proposed Revised Service Charges (September 2024)”. 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, 2025**

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

As a not-for-profit corporation, we invest directly in our operations, people and infrastructure to keep Canada’s air navigation system as safe, efficient and cost effective as it can be. As a result of cost management efforts and higher than planned other revenue, our financial results in fiscal 2024 are projected to be \$62.7M better than the planned RSA recovery of \$102.3M. The better than planned results in fiscal 2024 were considered in the determination of service charge rates in fiscal 2025 as outlined below.

The budgeted growth in costs in fiscal 2025, due mainly to investments in operational training and staffing, is projected to exceed the expected growth in air traffic. Without an average increase in customer service charges, budgeted costs for the coming fiscal year would not be recovered, creating an additional RSA shortfall balance to be recovered in future years.

There are two elements in this proposal to revise rates: (i) a proposed average increase to Base Rates to the level required to recover the Corporation’s anticipated costs by service type during fiscal 2025 after reflecting a portion of the RSA surplus from fiscal 2024, and (ii) a proposed Temporary Rate decrease to adjust the amount of the historical RSA shortfall to be recovered in fiscal 2025, allowing the Company to remain on track with its plan to recover the RSA shortfall over a 5-year period.

#### **(i) Base Rate Revision**

Based on NAV CANADA’s fiscal 2025 financial budget, an average overall Base Rate increase of 4.99% is proposed. The proposed average increase is required to achieve break-even results for fiscal 2025, after reflecting \$36.3M of the higher than planned RSA recovery in fiscal 2024. The revision in Base Rates varies by service as outlined in the chart below, to ensure that rates are aligned with the anticipated costs and traffic volume by service.

(ii) Temporary Rate Adjustment

In fiscal 2025, \$23.0M of the historical RSA shortfall is projected to be recovered between September to December 2024 at the existing Temporary Rates. After applying \$82.3M of the fiscal 2024 RSA surplus and a planned recovery of \$34.6M between January and August 2025 through a proposed average decrease of 26.73% to existing Temporary Rates, the remaining projected balance of the historical RSA shortfall as of August 31, 2025, to be recovered over the following three years, is \$155.7M.

As a result of the allocation of a portion of the fiscal 2024 RSA surplus by service charge category 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.

Overall, the proposed customer service charge rate revisions, which would be effective January 1, 2025, represent an average increase of 3.73%.

The following table summarizes the proposed service charge changes described above. The rate adjustments vary by service category, depending on how far each charge deviates from its breakeven level for fiscal 2025 after reflecting a portion of the higher than planned RSA recovery in fiscal 2024, as well as how much it has contributed to the remaining RSA shortfall balance.

	Terminal	Enroute	NAT	Int'l Com	TOTAL
<b>Jan 01, 2025 Base Rate Change Required</b>	5.20%	4.82%	1.75%	27.04%	4.99%
<b>Flat Fees</b>	5.15%				
<b>Jan 01, 2025 Temporary Rate Change Required</b>	-11.99%	-100.00%	-100.00%	10.26%	-26.73%
<b>Flat Fees</b>	-24.31%				
<b>Jan 01 2025 Net Rate Change Required</b>	4.00%	3.54%	-0.16%	25.70%	3.73%
<b>Flat Fees</b>	3.94%				

The proposed revised rates would be effective January 1, 2025, 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 would be effective March 1, 2025.

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.

## 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 under the Corporate/Service Charge Changes section on the NAV CANADA website ([www.navcanada.ca](http://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](mailto: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](mailto: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.*