

## **CANADA BORDER SERVICES AGENCY | CUSTOMS & IMMIGRATION PROGRAMS**

**Summary:** To equalize cost recovery mechanisms imposed by Custom and Immigration at Canadian border services across the country.

**Status:** adopted by Canadian Chamber

There are inequities in the provision and cost of Canadian Border Services at airports across the country. The Canadian Border Services Agency (CBSA) considers airport operators to be the sole beneficiaries of Customs Services rather than the public at large and, therefore, subject to cost recovery.

As a result of the strict implementation of the Treasury Board Cost Recovery and Charging Policy of 1997, which was subsequently replaced by the External Charging Policy in August, 2003, border services were “frozen” at existing levels. Any requests subsequent to that policy are treated on a direct cost recovery basis or not provided at all. This was further exacerbated by requirements following 9/11, which put additional operational pressures and financial strain on the CBSA budget.

CBSA is inflexible in its approach to requests for increased levels of service and treats every application as a cost recovery issue. Smaller airports are being unfairly penalized by this policy since service levels are not adjusted to reflect current demand. Where airports are obliged to contract with CBS for additional scheduled service, they either lose a large portion of the benefit from the new transborder and international traffic, or must increase aeronautical fees to cover the cost. Carriers and passengers both suffer from this inequitable treatment as the costs are passed on to users and the ability to attract new service for the community suffers.

The economic benefits resulting from increased international air traffic can far outweigh the cost of providing Customs services. Direct tax benefits to the federal government alone should justify the additional cost. Where it can be demonstrated, through pre-determined criteria, that the benefits of this service extend beyond a single user or supplier, the system should adjust to accommodate the need without additional cost to the airport operator. Existing services should be reviewed and more appropriately allocated to meet demand.

As an example, Kamloops has an international service operated by Horizon Air to Seattle. This service is provided on a daily basis during the four-month winter ski season. Horizon Air uses a Q-400 (Dash 8-400) 70 seat aircraft for the service. A 70 per cent average load factor for the flight translates to 49 inbound seats.

At a charge of \$14 each, that comes to \$686 for Customs Clearance as a direct charge to the air carrier. This goes directly to the carrier’s bottom line rather than as a surcharge for each passenger, and adds costs to the operation that are solely attributable to the Kamloops operation.

In Kelowna, customs clearance service is provided at no cost to Horizon Air. In order to offset the customs charge in Kamloops, Horizon Air needs to give away up to four seats per flight to

compensate.

While Customs Clearance in Kamloops costs \$686 in the example, the average daily spend of \$225 totals \$11, 025, times an average length of stay of four days comes to a directly local economic benefit of \$44,100. That results in tax to the federal government of \$2,206 (@ 5% GST).

**Recommendation:**

The Government of Canada move immediately to remove the discriminatory cost recovery mechanism for Customs and Immigration services and provide these services on the same basis as they are provided in other areas of the country and at the same cost to Canadians. Where new or expanded services are required in any region of Canada, the provision of such services should meet a legitimate business case.

**Submitted By:**

The Kamloops Airport