

Canada Border Services Agency Core Services Review



CANADIAN AIRPORTS COUNCIL
CONSEIL DES AÉROPORTS DU CANADA

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Executive Summary

The Canadian Airports Council (CAC) is pleased to have the opportunity to provide its views and positions on the Canadian Border Services Agency (CBSA)'s Core Services Review. This position paper establishes a set of principles to serve as a starting point for the development of policy views on propositions that CBSA has advanced in its stakeholder consultations. The objective of the paper is to provide sound policy options to CBSA that are reflective of the needs of airports across the country.

The CAC emphasizes that the federal government needs to recognize the demonstrated demand for border services at Canadian airports, and allocate sufficient resources to meet this demand. At the moment, the level of services made available by CBSA across the country can differ widely from community to community and from airport to airport.

The CAC is of the view that alternative service delivery options should first be considered. As for existing core services, the CAC believes that CBSA should work in partnership with Canadian airports in negotiating hours of service and developing facilitation programs and pilots to reduce the demand for agency resources.

The CAC objective in sharing this position paper is to provide CBSA with constructive input to CBSA's policy making process. The CAC has taken a principled approach to providing its input, with the ultimate goal of ensuring that all airports across Canada can compete on a level playing field: with one another, with other modes of travel, and with other airports internationally.

In its consultations with external stakeholders, CBSA tabled six propositions for discussion. The CAC and its members have already provided some informal reactions to these propositions on February 15, 2007. One of the main reasons for composing this position paper is to respond more comprehensively to each of these propositions in a considered fashion.

Generally speaking, those airports that already have full CBSA operations are concerned with deteriorating levels of service and increasing demands as traffic increases. Airports that have either limited or no service are most concerned with expanding what they have or acquiring new services. For those airports that are required to pay for services, the cost to the airport is a principal concern. In order to attract international or transborder flights, smaller airports often have to absorb the cost of CBSA services rather than passing the cost to the carrier or the passenger. Each of these situations demands a different approach.

The Canadian Airports Council would like to thank the Canada Border Services Agency for the opportunity to share its views and recommendations on the agency's Core Services Review. The CAC is aware of the challenges facing CBSA and offers this paper as a constructive look at how these challenges can be met.

Introduction

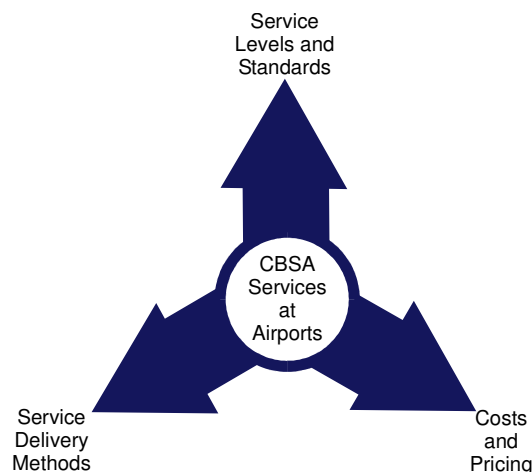
The Canada Border Services Agency (CBSA) began a “Core Services Review” several years ago. In its Report on Plans and Priorities for 2006-2007, CBSA announced that it would “determine options for a policy framework for defining publicly funded and privately funded services” as part of this review. CBSA has engaged external stakeholders, including airports, in consultations on this topic.

The position paper that follows provides a Canadian Airports Council response to CBSA’s request for input. The paper represents the views of Canadian airports, large and small, that have diverse requirements when it comes to border services. In composing this paper, the Canadian Airports Council has established some broad principles to address the complicated issue of cost recovery. These principles should all be taken into account as CBSA reviews its core services to air travellers.

The CAC is the national association of Canada’s airports. It has 43 members who represent more than 150 airports, handling virtually all of the nation’s air cargo and international passenger traffic and 95% of domestic passenger traffic.

The CAC has long had an interest in CBSA service levels and methods of cost recovery. The CAC position paper of April, 2006, entitled “Border Service Requirements” set out the stark views of Canadian airports on CBSA services. This paper was based on a far-reaching survey of airport views, which indicated that the majority of CAC members were unsatisfied with CBSA service levels and resources allocated to its mandate.

CBSA has responded with an A-Base Review of resource allocation to airports. That said, more needs to be done in terms of identifying service commitments, alternate service delivery methods, and the equitable application of cost recovery formulae. As shown in the diagram below, this is a three-way relationship that needs to be advanced in order to preserve the public benefits airports in Canada provide.



Airports, as ports of entry into large and small communities, play a significant role in trade and tourism and thus in the Canadian economy. International traffic has grown 25% at Canada's top 30 airports since 2000, and is forecast to grow at similar rates in the coming years.

For example, air travel is an important factor in the development of Canada's Asia Pacific Gateway, connecting North America with Asia. In order to meet their own stated "strategic outcome" of ensuring "efficient and effective border management that contributes to the security and prosperity of Canada," CBSA services must be enhanced to keep pace with the rising demand for air services.

The CAC emphasizes that the federal government needs to recognize the demonstrated demand for border services at Canadian airports, and allocate sufficient resources to meet this demand. At the moment, the level of services made available by CBSA across the country can differ widely from community to community and from airport to airport.

In cases where there is no option but cost recovery for CBSA services, the CAC is of the view that alternative service delivery options (such as the introduction of new technologies, cross-designation of other federal representatives, or the use of auxiliary officers) should first be examined. As for existing core services, the CAC believes that CBSA should work in partnership with Canadian airports in negotiating hours of service and developing facilitation programs and pilots to reduce the demand for agency resources.

The CAC objective in sharing this position paper is to provide CBSA with constructive input to the agency's policy making process. Besides offering a set of principles that the CAC believes should guide the agency's actions, this paper provides reactions to the six "propositions" presented during CBSA's consultations with stakeholders in mid-February. A model proposing three categories of CBSA service delivery is also presented.

Key Considerations Impacting Cost Recovery

The aviation industry has already suffered the introduction of several fees and charges for delivery of services. At the same time, there are five key macro themes related to the environment for international clearance of goods and passengers:

- **Cost:** both airports and airlines are facing record challenges in terms of operational costs. Any additional costs will invariably create challenges towards the viability of airports and air carriers.
- **New requirements for airports:** space and other processing requirements for border and security facilities continue to accelerate: new facilities will require, for example, twice the amount of space for security functions based on the most recent requirements.

- **Market growth:** concurrently, airports need to prepare for pronounced growth in transborder and other international travel – a growing opportunity for many facilities.
- **New capabilities:** air carriers have started to provide CBSA with airline passenger data (API) information, which should improve the capability of risk managing incoming flows.
- **Facilitation Opportunities:** technological improvements and the introduction of facilitation pilots and programs represent an opportunity.
- **Balancing priorities:** there is a clear need to reconcile resource allocation with evolving public policy objectives such as security, economic development and competitiveness both between Canadian airports and with international competitors

Principles

The CAC has taken a principle-based approach to providing its input to the federal government with respect to CBSA's Core Services Review and the issue of cost recovery. Taken together, the eight principles outlined below constitute a framework on which a number of recommendations for action by the federal government have been developed.

The CAC's ultimate goal is to ensure that all airports across Canada can compete on a level playing field: with one another, with other modes of travel, and with other airports internationally. An important starting point in trying to meet this objective is to recognize the critical role CBSA plays in meeting its mandate of ensuring "the security and prosperity of Canada by managing the access of people and goods."

Principle #1: National Security is a Public Good

Constant attention and improvement in Canada's border management practices are imperative in view of the dynamics and dangers associated with the security environment in the 21st century. Put another way, without adequate integrity of our borders, there are sizable threats to Canadian interests domestically and abroad.

The CAC's ultimate goal with CBSA is to ensure that all airports across Canada can compete on a level playing field: with one another, with other modes of travel, and with other airports internationally.

Inherently related to the issue of security is economic prosperity. The federal government has long recognized that efficient and effective border management directly benefits the Canadian economy. CBSA's mandate is to "ensure the security and prosperity of Canada by managing the access of people and goods to and from Canada."

The CAC respects CBSA's adherence to its mandate in protecting Canadians from dangerous people and goods. Furthermore, the CAC applauds the federal

government's investment in border infrastructure and services. Indeed, Canada's airports believe that the government should continue to invest in efficient border management and in CBSA. In particular, the CAC is a strong advocate for an increase in the resources afforded CBSA. Without appropriate resources, the agency is at risk of not being able to fulfill its critical mandate or core services.

Canada's airports are of the opinion that a national security mandate is not something that should be funded through cost recovery. Security is a public good which is not an end in itself insofar as its breakdown has broad implications ranging from economic stability to large scale loss of human life. As such, it should not be subject to user fees.

At the same time, Canada's airports recognize that CBSA has finite resources upon which to draw in fulfilling its important mandate. As will be discussed below, further investment in CBSA and alternative methods of service delivery are better means of allowing the agency to meet its mandate.

Principle #2: Border Service is an Economic Enabler

CBSA has important economic and security mandates. Indeed, the agency's border service can serve as an economic enabler for Canadian communities, enhancing economic growth and bringing in new tourism and investment dollars. CBSA's economic enabling role can have an impact on all types of communities, from large cities to smaller towns.

Decisions made by the agency can have a direct impact on the local economy, potentially interrupting or enabling large flows of people and goods that fuel business, tourism or socio-economic linkages within Canada and the rest of the world.

Eight Principles

- #1: National Security is a Public Good*
- #2: Border Service is an Economic Enabler*
- #3: Efficiency and Flexibility Are Needed in Operations*
- #4: Alternate Service Delivery Models should be Pursued*
- #5: Transparency and Equity are Needed in Core Service Allocations*
- #6: Government Policies and Programs should be Consistent*
- #7: Border Clearance is not a Direct Private Benefit*
- #8: Government should not Discriminate between Modes*

Principle #3: Efficiency and Flexibility Are Needed in Operations

CBSA plays a key role in the growth of air travel in Canada. The ability to offer border services has a direct impact on Canada's ability to compete for air carrier services. CBSA has, therefore, an important role as a facilitator of regional economic development. It is in the direct interest of Canadian airports and communities to ensure that this role is fulfilled. Accordingly, Canada's airports will continue to advocate for the most efficient and flexible allocation of CBSA resources possible.

CBSA must continue in its efforts, as reported to Treasury Board, to fully “understand its operating environment, and look for new and innovative ways to improve its processing of people and goods.” Any new policy framework governing the allocation of CBSA resources should take into account changes in demand and conditions at individual locations.

In order to meet forecast demand, and allocate scarce resources efficiently, Canada must move quickly to adopt new technological solutions (such as the adoption of electronic Primary Inspection Line or e-PIL processing), and expand existing facilitation programs (such as CANPASS/NEXUS). It is essential to note, however, that airports should not bear the costs associated with the introduction of facilitation programs and pilots that allow for the more efficient allocation of CBSA resources. Put another way, new processes that improve facilitation and save CBSA resources should not be subject to cost recovery.

Furthermore, CBSA should cease recovering costs from Canadian airports for programs that save the agency resources. Being asked to pay for something that saves CBSA money is neither an equitable nor reasonable situation for airports.

In addition to efficiency, flexibility is an important principle guiding CAC views. CBSA core services are often characterized by a set number of hours of service. Canada’s airports recognize that, with increasing demands on its resources, CBSA may sometimes be unable to extend these core service hours. In its October 2005 survey of Canadian airports, the CAC found that CBSA at the majority of Airport of Entry respondents had operating hours between 08:00 and 16:30 (with reduced hours on weekends and holidays). These hours are simply not consistent with the international schedules of most airports.

While extended hours would clearly be preferable, an alternative that CBSA should explore is the shifting of these (limited) hours of core service to better reflect the operating environment of airports. For example, if CBSA can only provide eight hours of “core” service at a given airport, the agency should work with that airport to determine which eight hours are the most appropriate.

Principle #4: Alternate Service Delivery Models should be Pursued

The CAC encourages CBSA to explore possible alternatives for service delivery in order to meet some of the exigencies of scarce resources. More specifically, CBSA should investigate the use of alternative mechanisms that will lower costs before examining methods for deriving new revenues.

CBSA should consider pursuing the following range of options for alternate service delivery:

- **More Flexible Hours:** In 2008, the government will negotiate a new collective agreement with the bargaining unit representing border services agents. One clear method of alternative service delivery is the introduction of greater flexibility in terms of hours of service that can be offered by border services

agents. While the government may have to offer incentives through the bargaining process to get this flexibility in return, the CAC is of the view that there are direct economic benefits to communities that will, in aggregate, outweigh the cost of these incentives.

- **Process Changes:** Implementing new processes such as e-PIL promises to offer significant reduction in processing times, similar to air carrier check-in advances in recent years. Alternate reporting mechanisms such as increasing telephone/videophone clearance services. Used in combination with automated card / passport readers, random checks, and requirements for airports to ensure all international arrivals make a report, the phone reporting option is viable.

The CAC urges CBSA to explore this facilitation option in order to make the best use of its scarce resources. An un-staffed videophone border clearance system is currently in operation (in an area known as the Northwest Angle) when crossing between Manitoba and Minnesota. The use of such technology at lower-volume sites such as fixed based operators and smaller airports should be considered.

- **Cross-Designation:** CBSA staff often work alongside other organizations with security mandates. For example, CATSA and police agencies are often present in the same airports where CBSA passenger clearance activities take place. At airports with lower volumes of international arrivals, it makes sense to cross-designate and train personnel at airports to carry out basic functions for CBSA services.

There are precedents with respect to the cross-designation of responsibilities. For example, under an agreement between CBSA and the Canadian Food Inspection Agency, CBSA agents are designated to perform specific CFIA enforcement functions at airports in Canada. Under this agreement, CBSA can assess penalties for legal or regulatory violations that fall under CFIA jurisdiction.

The CAC recognizes that this policy approach would require scrutiny in several related policy spheres (such as labour relations, legislative mandates, training and other human resources questions). That said, with CBSA service delivery facing serious resource constraints, the cross-designation option is worth exploring. The CAC stands ready to work with CBSA to analyze, in detail, these policy issues with respect to alternate service delivery methods.

- **Auxiliary Officers:** A related suggestion is the use of auxiliary officers. CBSA has often used students during peak travel periods. The expansion of the ranks of CBSA auxiliary officers, especially in remote locations with limited international traffic, is an option worth exploring.

Principle #5: Transparency and Equity are Needed in Core Service Allocations

Another essential principle that should be taken into account by CBSA in its Core Services Review is transparency. It has become increasingly clear in recent years that the long-standing policy of the agency to base its core services on 1987 levels of demand is not connected to the realities facing air travellers today. The Core Services Review is a necessary step in arriving at a policy framework that will establish fair, consistent and transparent criteria for the allocation of CBSA resources. This framework will also need to provide accountability to Canadian airports in terms of CBSA service standards, facility construction, and business case adjudication.

Canada's airports strongly encourage CBSA to develop a robust, equitable and transparent level of service standards for the processing of air travellers. While most Canadian airports and the agency can agree that there are increasing demands on CBSA's scarce resources, there is no clarity in what is meant by a "20 minute" standard CBSA has outlined.

The CAC proposes to work with CBSA to develop a meaningful standard that is statistically measurable. While not perfect, the service standards developed by the Canadian Air Transport Security Authority are a step in the right direction (i.e. 90% of the time passengers wait less than 8 minutes for service).

In sum, CBSA's Core Service Review should result in clear service commitments for passenger processing. At present it is unclear to what service standards CBSA is working, which has obvious implications for how core services are measured and allocated.

It is sometimes unclear to airports that apply for new CBSA services what the necessary steps are to acquire them. CBSA needs to develop a policy mechanism through which facilitation program business cases can be presented by airports for agency consideration. This mechanism needs to be, at its heart, transparent and employ criteria that mirror the other principles set out in this position paper.

The UK Civil Aviation Authority now requires that security screening at Heathrow and Gatwick must process 95 per cent of passengers in five minutes or less. If this standard is not met, penalties are applied. This is a salient example of how service standards can drive efficiency and serve as a useful metric.

The CAC would also like to bring CBSA's attention to a disquieting development with respect to the construction of new airport facilities. There have been several examples of facilities constructed specifically for the agency that are left unused because CBSA does not have the resources to staff them. It is only reasonable to expect a greater degree of transparency for airports with respect to CBSA resource allocation decisions when investments in new facilities have been or are being made (especially when the planning, design and construction costs are borne by an organization other than CBSA).

Principle #6: Government Policies and Programs should be Consistent

Canadian airports deal, on a regular basis, with several departments and agencies of the federal government. One challenge the CAC has recognized is the need for greater consistency of government policies and programs.

Canada's new international air policy is one instance in which greater coherence in government action is required. Canadian airports have been supportive of this policy (Blue Sky) that will lead to even further increases in demand for international air services. Yet, some airports that need new or enhanced border services to meet this demand are having their requests denied by CBSA. The federal government has overtly promoted Blue Sky as bringing more international air traffic to airports across the country. The Government should now give CBSA the resources it needs to deal with a direct implication of this new policy (i.e. increases in international air traffic).

Another issue of policy coordination concerns the legislative and regulatory environment that governs cost recovery in Canada. Simply put, any new cost recovery policy must be consistent with existing legislation. CBSA's Core Services Review must take into account the provisions of the User Fee Act, and Treasury Board Secretariat guidelines (including its policies on cost recovery, and Policy on Service Standards for External Fees). For example, according to Section Four of the User Fee Act, Regulating Authorities must establish standards that are comparable to those used by other countries (4.1.f), including performance standards (4.2.c). As discussed previously, the CAC is in favour of clear CBSA service standards.

Furthermore, the Treasury Board Policy on Service Standards for External Fees requires that services for which fees are charged must be accompanied by service standards that are (1) measurable and (2) relevant at the level of the paying stakeholder. The point here is that there is a clear link in legislation and Treasury Board Secretariat guidelines requiring a link between cost recovery and the development of clear service standards.

Principle #7: Border Clearance is not a Direct Private Benefit

CBSA has, in the past, applied cost recovery methods where it can be demonstrated that a direct private benefit accrues to an individual or an organization. The clearance of international arrivals at Canadian airports is not a direct private benefit to passengers. Rather, it is in the larger public interest that such clearance services be sufficiently resourced.

Under the current system, any traveller arriving at a designated port of entry during published hours is entitled to a public service, free of charge. Travellers arriving outside of published hours are determined to be direct beneficiaries and subject to cost recovery. Similarly, an increase in arriving passengers beyond a certain designated capacity is subject to cost recovery. Furthermore, there is no distinction made between scheduled, commercial passenger flights and private operations.

Due to resource constraints CBSA sometimes resorts to cost recovery methods. Canada's airports take the position that user fees or cost recovery methods must be applied equitably, and not in cases in which there is no distinguishable private benefit. Rather, the CAC believes that cost recovery methods are more appropriate in instances in which airports desire higher levels of service standards beyond what is offered through CBSA core services.

For example, courier operations wishing to augment services for meeting the highest level of service to guarantee 8:00 am deliveries could pay for dedicated CBSA services to improve their operating efficiencies and their bottom line.

Principle #8: Government should not Discriminate between Modes

Another essential principle is non-discrimination. Simply and briefly put, any new CBSA cost recovery practices and policies must be applied equally across all modes of transport.

Discrimination between modes of transport can have serious policy implications and distort markets, leading to economic inefficiencies. As the price of departing from Canadian airports rises, travellers will seek cheaper alternatives, transferring the economic activity of air services to airports across the border in the U.S.

Canada's airports believe that it is important to not isolate the air mode of transportation as the focus of cost-recovery policies. Far too often border security agencies have for the convenience of fee recovery continued to add charges to airline tickets. For example, as recently as November of 2006 the U.S. Department of Agriculture added a \$5 surcharge on transborder tickets to offset the costs of providing agricultural inspections at land borders.

Feedback on Six Propositions

In its consultations with external stakeholders, CBSA tabled six propositions for discussion. The CAC and its members have already provided some informal reactions to these propositions on February 15, 2007. One of the main reasons for composing this position paper was to respond more comprehensively to each of these propositions in a considered fashion. Accordingly, this section reviews each CBSA proposition, applying the principles introduced previously.

Proposition One: Assessment Criteria

There should be explicit criteria for assessing requests for border services and determining operational feasibility.

The CAC is in favour of explicit criteria for resource allocation, as long as the principles described previously are applied. More specifically, it is essential that the principles of transparency, flexibility and non-discrimination are taken into account.

As suggested, one of the clearest steps the agency can take in developing criteria for assessing requests for border services is the development of explicit service standards. It has been suggested that CBSA must seek a "rigorous, quantifiable process for assessing requests for new or expanded services." Canada's airports believe that the basis for this process should be the establishment of transparent service standards. Without such standards, it will be difficult for the agency to assess in a standardized fashion where resources are insufficient to meet demand.

Proposition Two: Economic Benefits

The economic benefit of requests for new or enhanced services should be factored into the decision to provide CBSA services.

CBSA consultation materials state that "safety and security of the border is a priority for CBSA," and that "requests for new services must be assessed in light of security obligations and risks to resource coverage at existing locations." The CAC is in complete agreement with these assertions, as Canada's national security is in the direct interest of CAC members. At the same time, border security is not CBSA's only mandate. Enhancing the economic prosperity of all Canadians is also part of the agency's role in society.

Accordingly, Canada's airports believe that the economic benefit of requests for new or enhanced border services should be recognized as a key part of CBSA's decision whether or not to provide service. The CAC's understanding is that CBSA does not currently take potential economic benefits into account when considering new or enhanced services, and that there is no formal mechanism through which the agency can take into account the views of partner departments. Not only should the government afford serious consideration to the economic benefits of a proposed new or enhanced service, it is the duty of CBSA to formally coordinate its efforts with other government departments.

The coherence of government policy is a responsibility of all departments and agencies; consultation and coordination between departments on matters of strategic economic development is crucial. The CAC therefore proposes that CBSA work with partner departments in developing a formal mechanism for the review of potential economic benefits of additional border services. In particular, Transport Canada, Industry Canada, Foreign Affairs and International Trade, the regional economic development agencies and the Department of Finance could all have useful roles in this mechanism.

Assessments of economic benefits should be based on the review of business cases submitted by parties requesting new or enhanced services. CBSA should increase the transparency of this process by issuing suggested guidelines for the submission of business cases. These guidelines should stress the use of objectively verifiable economic data and economic modelling. Standardization of business cases will render the federal government's assessment of those cases simpler and more effective. Additionally, a fixed timetable for yielding a decision should be instituted lest the results presented in a business case be altered by the passage of time.

Proposition Three: Adjustments to Service Levels

CBSA should review and adjust levels of service on a periodic basis (up or down), in order to better reflect changes in demand and travel patterns, and to better meet new demands within its fixed budget.

The CAC is in favour periodic adjustments to levels of CBSA services, as long as those adjustments are reflective of genuine needs, completed in a transparent fashion, and take into account available alternative service delivery options.

Canada's airports believe that the first step toward objective and transparent adjustments in service levels is the establishment of clear CBSA service standards for the processing of air travellers. Without such standards, it would be difficult to link service delivery to passenger volume. Where standards are not being met, the agency should consider a range of options (facilitation pilots and programs, cross-designation, the use of auxiliary officers) before considering the transfer of resources from other locations.

Furthermore, the periodic review and adjustment of border services should allow for the re-investment of resource savings generated by new facilitation programs and technology back into services offered at that location. Put another way, an airport that works with CBSA to increase the efficiency of border processing should not be penalized through later reductions in service levels.

Likewise, the development of new and efficient facilitation measures should not be used as an excuse to seek cost recovery from airports. New facilitation programs should allow CBSA to "do more with less," but should not be used to justify a reduction in resources leading to the further erosion in already unacceptable levels of service.

Additionally, any new policy should ensure that CBSA has flexibility in its cost recovery policy in order to recoup actual incremental costs incurred for additional services, and not for the redeployment of existing resources.

Proposition Four: Public Goods

Judgments about the level of public good versus private benefit should underlie decisions on how border services are funded.

As set out previously, the CAC believes that the border clearance of travellers is a public good and that these services should be measured through transparent standards.

Canada's airports take the position that CBSA services should be grouped into three discrete categories. The distinction between these groupings could be made, in part, on judgments about the level of public good versus private benefit. There is a distinction between airports that are providing a public benefit, as opposed to augmenting the level of service for express courier businesses.

Proposition Five: Funding of All Services

The funding of all existing services should be examined to ensure a consistent approach.

The CAC believes that all CBSA services provided at airports should be conducted without cost recovery. Furthermore, the CAC argues in favour of the provision of equivalent core services at airports across the country (based on both passenger volumes and clear service standards). As CBSA resource levels fluctuate, the ability to provide these core services will also change. Adjustments to the level of core services could be conducted on an annual or biannual basis once passenger volumes for the previous year(s) are known. Activities required at airports over and above core services would be considered as "enhanced" and subject to cost recovery (according to a formula that is in the public domain, and that reflects actual, incremental costs to CBSA).

The CAC also argues that CBSA should work harder to provide airports with better information on the link between facility construction and staffing. Some CAC members have decried the lack of a clear statement of requirements for facilities provided for CBSA use.

Proposition Six: Broad Based User Fees

Broad based user fees (e.g., passenger clearance fees applicable to all passengers entering the country) represent an alternative funding approach.

Canada's airports are of the view that broad based user fees would be impractical, discriminatory, and inconsistent with existing federal policies on user fees. Canada's airports believe that broad-based user fees would be largely opposed by Canadian travelers, reduce system efficiency, and stymie the continued growth of international air travel. Instead of broad based fees, CBSA should consider alternate methods of service delivery to alleviate existing resource constraints.

It is unlikely that broad based user fees could be practically implemented insofar as the administration of such a program would, in and of itself, be quite costly and require substantial CBSA resources. Furthermore, the conception and implementation of a broad user fee program would take years, while CBSA's resources need augmenting in the short term. Legislation authorizing such user fees would therefore be necessary, implying the necessity of Parliamentary approval (of an unpopular measure). Put more bluntly, CBSA already receives broad based user fees in the form of the taxes paid by Canadians.

The CAC also believes that a broad based user fee program applied only at airports would be discriminatory, penalizing air travellers unfairly. Over 80 percent of Canadians live within 100 kilometres of the border with the U.S. Forcing people into their cars when travelling south (by raising the price of flying) will only add to existing congestion problems at the border. This will inevitably transfer economic

benefits to border airports (e.g. Buffalo, Bellingham, Seattle, Plattsburg, etc.) and away from Canadian facilities.

Rather than broad based user fees, the Canada's airports advocate enhanced CBSA efforts to develop alternate service delivery methods. Innovative and non-financial means should be used to increase service levels, rather than fees. As discussed previously, the cross-accreditation of federally supervised agency officials, more flexible core service hours, and better use of available technologies are more practical measures in addressing CBSA's lack of resources.

A Principled Approach to the Future of CBSA

A principled approach to the provision of CBSA services in the coming years has led Canada's airports to several basic conclusions:

- Modifications in the existing CBSA service model are necessary,
- Any changes should result in a more equitable system, and
- A broad based user fee approach is unnecessary, undesirable and unjustifiable.

The CAC has outlined six particular areas in which the provision of CBSA services at airports could be improved. These areas have been touched on previously, but deserve further attention. This section sets out the CAC's views on CBSA service delivery with respect to methods, standards and cost.

More Flexible Service Delivery Methods

CBSA should consider providing its services through more flexible arrangements. One key example is the need for improvements in on-call services. Other government departments and public service agencies operate on an on-call basis with little trouble and across the breadth of their organizations. Another example is the implementation of new technologies such as e-PIL in large and small airports alike.

As discussed previously, flexibility in terms of hours of service is a contentious issue for Canadian airports. The ability to for airports to negotiate (as partners in providing services to air travellers) with CBSA on when a given number of core service hours begin and end would be a step in the right direction. While the Canada's airports also see merit in other alternate service delivery options (such as the cross-designation of officers, or facilitation process changes) the simplest and most effective change CBSA can make in its services is greater flexibility on hours of service.

Recommendations:

The CAC recommends that:

- ***CBSA provide alternative service delivery through flexible arrangements or new technologies***
- ***CBSA negotiate in good faith with airports over the designation of core service hours***
- ***CBSA consider the cross-designation of officers from other departments and agencies***

Clear and Measurable Service Levels and Standards

As argued previously, CBSA needs to institute clear service standards as a first step in its approach to addressing the challenges raised in the Core Services Review.

Without such standards, it will continue to be difficult to compare service at one location with another.

In the United States, Customs and Border Protection (CBP) operates cost recovery programs on a limited basis. Congress has authorized services to be provided on a cost recovery basis to User Fee Airports and courier services. In the case of User Fee Airports the services are provided to a limited population at a location that does not generate enough business to meet the CBP criteria for establishment of a port of entry. The applicant is usually the airport authority or local municipal government that operates the airport. CBP uses a list of criteria, established by regulation, for adjudicating whether or not authorized services can be provided.

The U.S. CBP template provides a good example that CBSA may be able to use in its consultations with airports. A set of clear, consistent criteria, similar to those experienced for start-up of pre-clearance services by U.S. CBP, would serve to inform stakeholders of a baseline quantitative metric needed to justify service provision.

Canada's airports would also like to note that CBP has been criticized by the U.S. General Accounting Office¹ (GAO) for not including traveller wait-times in the development of its new staffing model. Indeed, in its response to the Congressional GAO report, CBP notes that it would consider factoring in wait-times to increase the transparency and comparability of different CBP locations.²

Recommendations:

The CAC recommends that:

- ***CBSA institute clear service standards and use these standards and other clear criteria in allocating resources***

¹ General Accounting Office, International Air Passengers: Staffing Model for Airport Inspections Personnel Can Be Improved, Report to the Subcommittee on Immigration, Border Security and Claims, Committee on the Judiciary, House of Representatives, July 2005, pp. 30-31. www.gao.gov/new.items/d05663.pdf

² Ibid, p. 35.

A New Approach to Cost Recovery Pricing

Cost recovery charges can be as much as \$5,000 per flight, with significant variations above and below this rate across the country. CBSA should adopt a transparent and consistent approach to cost recovery efforts. At present, the ad hoc nature of CBSA approach has produced an uneven playing field for airports, and distorted the market for air services.

Cost recovery can not be allowed to distort the market for air services. For example, if fees result in adding 20% to journey costs for a passenger, the market will respond, with fewer passengers travelling by air. Canada's new International Air Policy is designed to increase such travel, creating a coherence issue between one policy (cost recovery) that will reduce demand, and another (Blue Sky) meant to increase it.

Furthermore, the application of marginal cost pricing in an industry with high fixed costs is not an ideal economic circumstance. For example, the introduction of the Air Traveller's Security Charge in 2002 has been shown to have had a significant negative impact on the demand for air travel. The federal government should avoid repeating this mistake.

Recommendations:

The CAC recommends that:

- ***CBSA discontinue the ad hoc application of cost recovery charges to avoid market distortions***

A Multi-Tiered Approach to Canada's Airports

Generally speaking, those airports that already have full CBSA operations are concerned with deteriorating levels of service and increasing demands as traffic increases. Airports that have either limited or no service are most concerned with expanding what they have or acquiring new services.

For those airports that are required to pay for services, the cost to the airport is a principal concern. In order to attract international or transborder flights, smaller airports often have to absorb the cost of CBSA services rather than passing the cost to the carrier or the passenger. The border service aspirations of Canada's airports can be categorized into three separate groups, each of which requires a different approach by CBSA:

- The provision of services at larger, international gateways,
- Enhanced services for aerodrome operators wishing to improve customer service, and
- The introduction of new border services.

Canada's airports understand that CBSA has limited resources. As discussed previously, the CAC is of the view that CBSA core services are in the national interest and, as such, are a public good. Furthermore, Canada's airports advocate the creation of standards that will allow these core services to be applied equitably across the country, and in relation to CBSA resource levels.

While the CAC prefers that the federal government invest more in CBSA to allow it to meet its mandate, it also recognizes that there may be a role for cost recovery, failing other options such as alternate service delivery methods. For instance, enhanced services could be offered on a cost recovery basis. Airports would make the case for enhanced services, to improve CBSA service standards for processing times, or for the introduction of new service programs.

Recommendations:

The CAC recommends that:

- ***CBSA take a multi-tiered approach to the provision of border services that take into account the different needs of airports of various sizes***

Continued Commitment to Core Services

Canada's airports wish to emphasize the importance for CBSA to remain committed to the provision of core services without cost recovery -- avoiding a "robbing Peter to pay Paul" approach to resource allocation.

The CAC is concerned that "core services" at one location could be reduced in order to staff cost recovery-based services at another airport. CBSA should ensure that true incremental resources are provided for CBSA services at a new location and not lead to a reduction in existing core services at another airport.

In its commitment to maintenance of core services, CBSA should institute basic common, national service standards. The agency should also work with airports in defining standards for the planning of any new facilities. Additionally, airports that partner with CBSA in facilitation programs should be rewarded and not charged for services that are part of those programs where efficiencies are found.

In sum, CBSA should:

- Remain committed to the provision of core services without cost recovery,
- Ensure that core services at one airport are not put at risk by the movement of resources in order to staff cost-recovery services at another airport, and
- Work with airports in defining standards for the planning of new facilities.

A Business-Case Approach to the Provision of New Services

Airports should be able to make the case for investments in CBSA services that will have a positive impact on local and regional economies. Should the introduction of

new or enhanced services be shown to have a much greater positive impact on communities than the cost of this investment, CBSA should work to provide these services.

A mechanism should be established to standardize CBSA's approach to these cases. For instance, in the case of new CBSA services, a letter from an air carrier setting out its intention to provide international air services at the airport in question could be a key milestone. An additional step could be the input of local stakeholders promoting economic development.

Guidelines for business cases could suggest standard elements, thus assisting CBSA's assessment of them. Possible elements include:

- Letters of support from air carriers, regional economic development agencies and others;
- Economic modelling to show potential economic impacts, such as increases in tourism revenues or employment and related federal income taxes;
- Clear descriptions of the level of service being requested;
- Evidence of sustainability of air services should be presented;
- Historical analysis of flight and passenger volumes and origin / destination markets.

Furthermore, regional economic development organizations should have the opportunity of assisting airports in funding CBSA cost recovery charges where applicable. These organizations have a mandate to allocate funds based on government policies and criteria and will invest in projects that have the biggest positive economic impact for their stakeholders. Clear criteria should be articulated for smaller airports that want new services. As discussed previously, the U.S. CBP has developed such criteria.

Finally, as recommended previously, the CAC believes that CBSA should make use of alternate service delivery methods, which could allow for more cost effective ways to provide service at smaller airports.

Recommendations:

The CAC recommends that:

- ***CBSA allow airports the opportunity of presenting business cases illustrating the economic benefits new services can bring and adopt a standardized approach to reviewing such cases***

The Development of Enhanced Services

Canada's airports see a place at CBSA for "enhanced services" on a cost recovery basis – services available at higher standards than currently those provided under "core services."

Examples of enhanced services could include the addition of extra staff to lower traveller wait times at peak hours, or the addition of extra facilitation infrastructure. For such additional services, cost recovery would apply for incremental costs (i.e. not the costs of hiring, training, or equipping agents).

Recommendations:

The CAC recommends that:

- ***CBSA provide enhanced services on a cost recovery basis that will allow for higher service standards than those currently provided as "core services"***

Conclusions

The Canadian Airports Council thanks the Canada Border Services Agency for the opportunity to share its views and recommendations on the agency's Core Services Review. As has been argued previously, the CAC is aware of the challenges facing CBSA, and offers this paper as a hopefully constructive look at how these challenges can be met.

Cost recovery for services that are clearly in the public interest is a complex matter. Where there is no option but cost recovery for CBSA services, Canada's airports are of the view that alternative service delivery options should first be considered. As for existing core services, the CAC believes that CBSA should work in partnership with Canadian airports in negotiating hours of service and developing facilitation programs and pilots to reduce the demand for agency resources.

The CAC stands ready to provide further input, comments and suggestions to CBSA as it forges ahead with its review, and constructs a policy framework to better manage its limited resources. In particular, as CBSA advances its policy recommendations, the CAC will look forward to the opportunity to advance the interests of improved service provision for international clearance at Canadian Airports.

Summary of Principles

#1: National Security is a Public Good

#2: Border Service is an Economic Enabler

#3: Efficiency and Flexibility Are Needed in Operations

#4: Alternate Service Delivery Models should be Pursued

#5: Transparency and Equity are Needed in Core Service Allocations

#6: Government Policies and Programs should be Consistent

#7: Border Clearance is not a Direct Private Benefit

#8: Government should not Discriminate between Modes

Summary of Recommendations

The Canadian Airports Council recommends that:

- CBSA provide alternative service delivery through flexible arrangements or new technologies
- CBSA negotiate in good faith with airports over the designation of core service hours
- CBSA consider the cross-designation of officers from other departments and agencies
- CBSA institute clear service standards and use these standards and other clear criteria in allocating resources
- CBSA avoid market distortions caused by the ad hoc application of cost recovery
- CBSA remain committed to the provision of core services without cost recovery
- CBSA ensure that core services at one airport are not put at risk by the movement of resources in order to staff cost-recovery services at another airport
- CBSA work with airports in defining standards for the planning of new facilities
- CBSA allow airports the opportunity of presenting business cases illustrating the economic benefits new services can bring and adopt a standardized approach to reviewing such cases
- CBSA provide enhanced services on a cost recovery basis that will allow for higher service standards than those currently provided as “core services”