June 12, 2019

The Honourable Percy Mockler, Senator
Chair, Senate Standing Committee on National Finance (NFFN)
Senate of Canada
Ottawa, Ontario
K1A 0A4
Via email/care of: nffn@sen.parl.gc.ca

Dear Senator Mocker:

RE: Division 12 of Part 4 of Bill C-97, An Act to implement certain provisions of the budget tabled in Parliament on March 19, 2019

On behalf of the NACC, I am writing to urge your Committee to support the recent report of the Senate Transport and Communications (TRCM) Committee on Division 12 of Bill C-97 which deals with the transfer of Canadian Air Transport Security Authority (CATSA) to a new not for profit entity.

As you may be aware, NACC appeared before the TRCM on June 4 to express concerns with the process, timelines and costs associated with this transfer. We also suggested specific amendments related to the cost of impact of Ministerial directives related to security, and the repeal of the Air Travellers Security Charge (ATSC), both of which are attached for your convenience. The TRCM supported the overall framing we presented, as well as our proposed amendment on the ATSC.

We hope your Committee will hold similar views, and formally amend the legislation to support our concerns. To this end, we would be delighted to further explain our position and answer questions from Senators by way of personal appearance before your Committee. Alternatively, you or your other Senate colleagues should not hesitate to contact NACC if you would like to discuss this matter further on an individual basis, or require any additional information.

Sincerely,

THE NATIONAL AIRLINES COUNCIL OF CANADA
Massimo Bergamini  
President and CEO  

Att.: Amendments
ANNEX C

PROPOSED AMENDMENTS

COMPENSATION FOR COST IMPACT OF MINISTERIAL DIRECTIVES RELATED TO SECURITY

Section 16 be amended by adding after clause 4:

Compensation

(5) The Minister shall compensate the designated screening authority for financial costs that it has sustained or will sustain in complying with a direction under subsection 16(1)

Appropriation required

(6) The amount of compensation shall be paid out of money appropriated by Parliament for the purpose.

RATIONALE


Real and potential security threats can cause the imposition of new screening requirements resulting in additional costs. CATSA itself was created in response to such an event. And a security event in December 2009 – the so called “underwear bomber” -- prompted an increase in user fees in 2010.

This amendment, which closely mirrors a similar disposition found in the Civil Air Navigation Services Commercialization Act, is designed to recognize the impact of external security shocks on the operations and funding of the new entity, as well as reflect the fact that security screening is in the public interest (as expressly stated elsewhere in the Bill), in order to protect travelers and other system users from shouldering such costs alone.
TERMINATION OF THE AIR TRAVELLERS SECURITY CHARGE ACT

The Security Screening Services Commercialization Act be amended by adding a new Section 63 under Transitional Provisions and by making the necessary consequential numbering amendments:

Repeal

63 The Air Travellers Security Charge Act (S.C. 2002, c. 9, s. 5), or any of its provisions, is repealed on a day or days to be fixed by order of the Governor in Council.

RATIONALE

Although CATSA was created in the wake of the tragic events of September 11, 2001 amid global demands for heightened airport and air travel security, the Government of Canada introduced a user pay system, the Air Travellers’ Security Charge (ATSC), to fund the new agency.

This amendment is needed to protect air travellers by ensuring that the ATSC is not used by subsequent governments as an indirect tax instrument. It provides the operational discretion necessary for the Governor in Council to ensure sufficient funding for the transition of airport security screening services from CATSA to the new DSA, but also clarifies the will of Parliament that the Government of Canada will no longer tax air travellers for airport security.

The ATSC has proven to be an appealing tax instrument because airlines act as the tax collectors, and while it was notionally intended to fund the operation of the new security screening body, between 2010 and 2017, it has generated a windfall for the Government of Canada of almost $650 million.

The ATSC was created for one principal purpose: funding airport security screening. Accordingly, with the transfer of airport security screening functions from CATSA to a new not-for profit agency, the ATSC must be repealed once the new Designated Screening Authority is operational and, in a position to set its charges and collect its fees.