

Arrivals Duty Free at Canadian Airports

Issue

The federal government should permit Arrivals Duty Free at major Canadian airports as it will result in many positive economic benefits.

Background

At present, federal legislation allows the sale of duty-free goods only to passengers departing Canada, but prevents the sale of duty-free goods to passengers arriving in Canada. As a result, sales that should be made in Canada are forced abroad.

Currently, more than 50 countries in the world have Arrivals Duty Free and many other countries are actively considering implementing Arrivals Duty Free due to the economic and other benefits that it generates. Over the past five years, there has been major growth and interest in Arrivals Duty Free globally including a recently signed Arrivals Duty Free accord in Switzerland.

This creates a clear competitive disadvantage for major Canadian airports and reduces the potential revenues that could be generated from international arriving passengers.

Arrivals Duty Free presents a significant opportunity for Canada to repatriate sales that Canadians traveling abroad would normally make on departure at foreign airports prior to their return flights.

Allowing Arrivals Duty Free would also not only increase passenger convenience and direct revenue currently spent abroad, but would also offset the losses currently experienced by Canadian duty free businesses due to increased security measures, including the current restrictions on liquids, aerosols and gels allowed on flights.

Duty Free sales are a significant revenue generator for airports. The introduction of Arrivals Duty Free would: significantly enhance the non-aeronautical revenues of major Canadian airports, helping to offset airline and security costs as well as the costs of travel; create additional employment directly at airports as well as through increased sales of local goods; better promote domestic products; reduce baggage loads for aircraft; be more convenient for travelers; promotion of tourism; and provide additional tax revenues to the Federal Government.

It is estimated that the introduction of Arrivals Duty Free in Canada would mean as much as \$88 million a year in additional revenue for the sector, 500 new Canadian jobs and \$4.6 million in additional federal tax revenue.

The experiences of other countries that allow Arrivals Duty Free have been extremely positive and Canada could expect the same, particularly at the major airports throughout the country that already provide duty free sales. Experience internationally has been that Arrivals Duty Free has “insignificant” or “minimal” impact on domestic sales.

There is broad support for Arrivals Duty Free from Canadian airports, Canadian businesses and Canadian travelers.

Recommendation

That the federal government amend the following sections of the *Customs Act* and the *Duty-Free Shop Regulations* in order to introduce Arrivals Duty Free at airports in Canada:

- Customs Act, s. 24(1)(c)
- Duty-Free Shop Regulations, s. 18(1)