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INCREASE CERTAIN CUSTOMS FEES AND REMOVE PASSENGER FEE EXEMPTIONS

Background: Customs currently assesses fees on air and sea passengers arriving in the United States (except those arriving directly from Mexico, Canada, the Caribbean Islands and the U.S. Territories) and a variety of commercial conveyances (trucks, rail cars, ships, planes) transporting merchandise into the country totalling over \$175 million annually. These fees are available without appropriation to provide enhanced Customs processing services. The fees were enacted in the 1986 Reconciliation Act (COBRA). They have not been changed since then.

Proposal: Amend statute to lift exemptions for passengers arriving by air and sea from certain countries; increase fees for all arriving air and sea passengers; increase fees for truck and rail crossings at land border ports of entry. Make these increased fees subject to appropriations and not automatically available for enhanced Customs processing services.

(1) Lift the current exemptions for air and sea passengers arriving from Mexico, Canada, the Caribbean and the U. S. Territories, (Puerto Rico is considered a State for this purpose and its exemption would continue):

- Consistent with current INS practice for air passengers. (INS has a separate \$5 passenger fee for air passengers but does not exempt passengers arriving from these countries.)
- Does not violate NAFTA, which deals only with the treatment of cargo, and not passengers.

(2) Double the current Customs fee (\$5) for all arriving passengers.

- Fees are currently authorized, but will require legislation to increase and change the authorized uses of the fees.
- INS assesses a \$5 fee per passenger in addition to the Customs fee. Proposal to increase to \$6 is included in the Administration's immigration initiatives pending before Congress.
- Fee collection procedure already in place because airlines and cruise lines include fee in total ticket price.

- Other reasons for increasing the fees at this time include the following:
 - current fees have not been increased since their original enactment in 1986 and were not increased in the extension enacted in OBRA 1993.
 - NAFTA will provide substantial benefits to those groups -- shippers, truckers, travelers -- who will face this fee increase.
 - The additional \$5 fee will have a minimal impact on the total price of airline and ship ticket prices. Any potential loss of demand for air travel will be more than offset by the gains in travel anticipated from NAFTA.
 - Passenger fee is assessed for all arrivals. No individual airline is placed at a disadvantage and domestic airlines will not be adversely affected relative to their foreign competitors.
- 3) Double the current fees for truck and rail car crossings. *amnds*
- Collection infrastructure already in place at ports of entry.
- No GATT tariff complaint since these arrival and crossing fees do not vary or depend upon the value of the cargo being conveyed.
- Current individual crossing fees are \$5 for trucks and \$7.50 for rail cars. Annual decal fees for trucks and railroad cars in lieu of individual fee would also be doubled.