

## Relief from the ATSC for Charitable Flights

2019 Federal Budget: Submission seeking an exemption from the Air Travellers Security Charge for flights provided by registered Canadian charities

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**Recommendation:** Hope Air recommends that the Government of Canada amend the Air Travellers Security Charge Act to exempt Canadian registered charities from the ATSC when providing free flights to low income Canadians travelling to required medical appointments.

# Relief from the ATSC for Charitable Flights

## Introduction

A primary objective of Canadian healthcare policy, as spelled out in the Canada Health Act, is “to facilitate reasonable access to health services without financial or other barriers”. However, in a country as vast and sparsely populated as Canada, physical access to core healthcare services can require overcoming the barriers of distance and/or cost of travel. Some Canadians must travel hundreds of kilometres to visit a healthcare professional, and even more to see a specialist. For far too many Canadians, the cost of travel simply makes seeing a doctor financially impossible and hence access is inhibited.

To bridge this gap between home and healthcare, and ultimately strengthen Canada’s public healthcare system, it has fallen at times to the charitable sector to provide low income Canadians with free flights to their medical appointments when such care is only available a long distance from their home community.

As part of these charitable services all associated flight costs, including the Air Travellers Security Charge, or ATSC, are covered. The ATSC is collected by carriers and distributed to the federal government to help recoup the costs of airline security. However, for charity provided flights, the per-ticket fee has proven to be a costly additional expense that could otherwise be used to provide more flights for Canadians in need.

To support families and help vulnerable Canadians access vital healthcare, Hope Air recommends that the Government of Canada amend the Air Travellers Security Charge Act to exempt Canadian registered charities from the ATSC when providing free flights to low income Canadians travelling to required medical appointments. This minor legislative change will free up tens of thousands of dollars each year to support the transportation needs of patients, while having a near negligible impact on federal coffers.

## The societal issue

Canada is a country of vast distances and economic disparities. Unfortunately, geography and income continue to affect the quality of care provided to Canadians, despite one of the central tenets of the Canada Health Act: the promise of equitable healthcare services for residents from coast-to-coast-to-coast.

Fellow Canadians face enormous challenges accessing specialist healthcare treatment because of where they live and their financial situations. They frequently face long-distance travel to get to their medical appointments, at their own expense, and, in winter, risk dangerous long drives.

For Canadians living in the rural or northern communities that make up a large portion of the country, travelling to medical care – particularly specialized medical care centralized in metropolitan cities – can come at an unaffordable cost of time and money. The charity work of Hope Air, the only national charity to provide Canadians in financial need with free travel to medical care far from home, ensures the accessibility of healthcare services for patients across Canada. Without the assistance of this charity service that fills this shortfall in access, many patients say they would have to cancel or delay important treatment.

It is of great concern that the current gap in access to healthcare will only widen further due to recent route closures in the passenger bus transportation marketplace across Canada. Should there be a further decline in bus routes reaching rural communities; travel to medical care will become an issue for more Canadian families than ever before and flying for medical appointments long distance will become even more of a reality to be faced. The charitable sector, primarily represented by Hope Air, has for a long time worked to address the societal issue in this regard, but will need more support to fulfill the additional demand if transportation options become more restricted. The legislative relief sought here, if implemented, will assist greatly in this regard.

### **Recommendation for legislative change**

To address the specific concern raised in this submission, and to support families and help vulnerable Canadians to equally access healthcare, Hope Air recommends that the Government of Canada amend Section 11 (2) of the Air Travellers Security Charge Act, 2002, c.9, s.5 as amended, to read:

- 11 (1.1) No charge is payable in respect of an air transportation service that is acquired:
- (b) by a person from a registered charity, for no consideration, if the service is arranged by the charity in pursuit of its charitable purposes and to assist that person to travel to a medical appointment authorized by that person's provincially funded health coverage.

### **Previous ATSC exemption was helpful, but did not provide for all concerned**

Hope Air is the unique national charity that provides medical transportation by air and serves all age brackets and is not illness-specific. In 2017, Hope Air fulfilled a total of 11,642 flight arrangements across Canada. These travel arrangements helped child and adult patients of cancer (23%), musculoskeletal disorders (9%), nervous system disorders (8%), and cardiovascular disorders (8%) reach the diagnoses, treatments, and follow-up appointments necessary for good health. Without these flights, patients would postpone or cancel their medical appointment, travel by car or bus for eight to over 12 hours each way to their appointment, or incur debt in order to purchase their flights.

Under the Air Travellers Security Charge Act, every person who acquires air transportation services from a designated air carrier is required to pay an Air Travellers Security Charge (“ATSC”)<sup>1</sup>. There are various provisions under the Act whereby the ATSC is not chargeable, such as:

- a) if the air service is in the course of an air ambulance service; or
- b) where a registered charity acquires transportation services from a carrier for no consideration and, in turn, donates the services to an individual for no consideration in pursuit of its charitable purposes.

Hope Air is not an air ambulance so cannot qualify for exemption in a) above. Hope Air has partially benefited from the current ATSC exemption as described in b) above; however, it does not address the full societal concern nor cover fully the ways this charity sources its flights. The exemption in b) above is solely focused on flights donated by an air carrier.

In light of the changing economic times and the impact felt by Canada’s airlines during the past several years, Hope Air modified its operating model so that it does not rely solely upon flights donated by the commercial airlines. Through innovative collaborative funding arrangements and increased private sector donor participation, Hope Air is now purchasing flights with donated funds to meet the increased demand. Under the current legislation, these purchased flights are not exempt from the ATSC.

This shift towards directly purchasing airline seats has meant more of Hope Air’s precious financial resources are being diverted to cover the ATSC. Of the 11,642 free flights provided by Hope Air in 2017 to low income Canadians, only 29 per cent were donated by airlines (and were thus exempted from the ATSC fee), while the remaining 71 per cent of these flights were purchased by Hope Air using private sector financial donations.

The goal of the government should be to ensure that financially disadvantaged Canadians have equal access to healthcare regardless of where they live in Canada. It is Hope Air’s submission that every free flight provided by a registered charity to help a fellow Canadian get to an approved medical appointment, should be exempt from the ATSC – regardless of whether the flight was donated or purchased with donated funds.

### **Impact this change will have on vulnerable Canadians**

By exempting charitable flights from ATSC, the federal government will help tens of thousands of Canadians in need access crucial healthcare services and improve the quality of life in rural and remote communities across the country. It will also send a powerful signal about this government’s commitment to ensuring the promise of the Canada Health Act and making life more affordable for low income families and children.

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<sup>1</sup> Under subsections 11(1) and 11(2) of the Air Travellers Security Charge Act<sup>1</sup>, 2002, c.9, s.5 as amended (the “Act”)

Hope Air's work yields significant improvements for the communities it serves. By easing the onerous financial and time costs of seeking healthcare services, Hope Air helps Canadians spend more time at home, where they can invest and volunteer in their communities. As the Prime Minister said in his mandate letter to the health minister in October 2017, "when Canadians are in good physical and mental health, they are able to work better, be more productive, and contribute more fully to our economy while living healthier, happier lives."

### **Impact this change will have on federal tax revenue**

The annual number of charity flights provided by Hope Air each year will vary. However, if Hope Air provides 12,500 flights to needy Canadians in 2019 and the ATSC rate remains at \$7.12 per one-way flight, the requested legislative relief would amount to a decline in federal tax revenue of \$89,000 (plus HST) for the year. This cost savings at Hope Air would allow the purchase of 400 more flights for low income Canadians who could not otherwise obtain their flight to medical care without significant distress.

It should be noted that Hope Air is the only registered charity in Canada which provides charitable flights on a national basis. Hope Air is not aware that there are other charities which currently seek legislative relief for the ATSC levy, or that there would be other charities which would seek a refund of ATSC if the requested legislative amendment were made.

### **Conclusion**

The delivery of healthcare services is the responsibility of the provincial and territorial governments. However, the federal government plays an important role in distributing resources, setting national priorities, and ensuring equitable care. Exempting registered charities providing flights to low income Canadians travelling long distances for medically required appointments will assist in the fulfillment of the accessibility promise our system makes, while making only a negligible impact on federal finances.

### **About Hope Air**

Hope Air is the only registered nation-wide charity that provides free flights to individuals who cannot afford the cost of a plane ticket to fly to required healthcare treatment far from home. The flights provided by Hope Air are for individuals living in Canadian households where the average income is close to their community's low income cut-off. Since its founding in 1986, Hope Air has arranged over 130,000 free flights, and has grown to become a national resource for individuals of all ages suffering from a wide range of illnesses. In addition to its flights program, Hope Air also supports the residents of Prince Edward Island by providing ferry and Confederation Bridge toll passes for those travelling to out-of-province specialist appointments.