



DATE: July 12, 2018

TO: Council Airport Committee

FROM: Interim Director of Public Works

SUBJECT Feasibility of U.S. Customs Office at The Hayward Executive Airport

RECOMMENDATION

That the Council Airport Committee (CAC) reviews the report and provides direction to staff for future action.

SUMMARY

At the request the CAC and commercial and individual tenants, staff has initially investigated the introduction of customs service at Hayward Executive Airport (HWD). After discussions with representatives of the U.S. Customs and Border Protection (CBP) and airport managers across the United States, as well as a review of written guidance on this subject, staff has identified two methods commonly used to provide customs service at General Aviation (GA) airports: (1) Approval by CBP as a User Fee Airport (UFA) and (2) Use of CBP Preclearance Operations. Due to the cost of constructing an inspection facility as a UFA, use of CBP Preclearance Operations by arriving international flights at HWD appears to be the most viable option. Further investigation is required.

BACKGROUND

In 2012, the Federal Aviation Administration (FAA) categorized approximately 3,000 GA landing facilities in the United States based on various operational criteria. After review, HWD was designated as one of just 84 “national” GA airports, the highest category. One of the specific evaluation points used in this determination was the volume of nonstop departures to foreign points from HWD.

As the use of GA aircraft for business purposes has increased nationwide and technological improvements are allowing GA aircraft to fly longer distances, staff has observed an increasing number of flights departing from HWD to foreign countries. While these flights have primarily been to cities in Canada and Mexico, there have also been nonstop departures to London, Helsinki, and Tokyo. Based on staff research, in 2017, there were 241 trips from HWD to foreign countries (Attachment II). Assuming three crewmembers and six passengers per flight, for a total of nine persons, HWD generated 2,169 international travelers in a 12-month period.

Aircraft may fly directly from HWD to foreign destinations, but upon return, they must clear customs at designated airports in the United States. In the Bay Area that includes the San Francisco, Oakland, and San Jose airports. In addition to the extra time required for such a stop, additional fuel is burned and unnecessary “cycles” are accumulated on engines and landing gear. This lost time and additional aircraft use has financial implications, and it is not considered a “green” best operating practice. Accordingly, in the past 18 months, staff has fielded inquiries from based commercial and individual tenants about the possibility of customs service at HWD.

DISCUSSION

CBP has a dual mission to facilitate trade and travel in the United States while securing the nation’s airspace and borders. CBP’s regulations governing landing requirements and procedures for GA aircraft arriving in the United States are listed in Title 19 of the Code of Federal Regulations (CFR), Part 122 – Air Commerce Regulations. CBP has the authority to limit the location where GA aircraft entering the U.S. from a foreign country may land. In general, the first landing of a GA aircraft must be at one of the following facilities:

- At a designated international airport (19 CFR 122.13)
- At a landing rights airport if permission has been granted (19 CFR 122.14)
- At a designated user fee airport if permission has been granted (19 CFR 122.15)

There are currently 381 airports in the United States where CBP inspection services are normally available. Of that total, staff contacted a sample of 30 GA airports offering customs service for this report, and 12 responded. The following points were noted:

- The number of persons cleared varied widely, from 1,000 per year at Waukegan, Illinois to 50,000 at Fort Lauderdale, Florida.
- Two-thirds of the airports utilized on-site buildings averaging 3,400 square feet in size.
- The average cost of construction was \$2.1 million.
- The funding sources varied. The Florida Department of Transportation partnered with two airports in the state to fund 75% of the cost of construction. In Ohio, the Toledo-Lucas County Port Authority funded the entire cost of construction. One customs facility in Denver, Colorado is leased from a local FBO and funded by the airport and the annual clearance fees collected from passengers.
- The clearance fees charged ranged from \$80 to \$2,165, and averaged \$827 per passenger.

Airport User Fee Program

Prior to 2006, CBP inspectors were available on-call, on demand, at no fee to GA airports and arriving international passengers. However, that program was discontinued. Under current CBP guidelines, airports qualify for customs service as a Port of Entry (POE) or a User Fee Airport (UFA). A POE is what is typically present at international air carrier airports – a large processing facility with a team of agents, able to process a large volume of passengers. CBP

funds the operation of such facilities. However, the minimum qualifications for designation as a POE include either an annual minimum of 15,000 international passengers or 2,000 scheduled international flights. It's apparent that HWD does not qualify for such a designation.

A UFA is a small airport that has been approved by CBP to receive, for a fee, the service of a CBP officer for the processing of aircraft, passengers, and cargo entering the United States. An applicant for designation as a UFA must complete certain steps:

- The current governor of the state in which the airport is located supports the UFA designation in a letter to the Commissioner of CBP.
- The applicant agrees to reimburse CBP for all costs associated with the service, including the expense of staffing a minimum of one fulltime CBP officer. The cost is currently \$140,874 for the first year and \$123,438 for successive years. A charge for automated data processing is also required in the amount of \$17,042 to \$21,062 for the first year and \$13,620 to \$17,640 for successive years, depending on location.
- The requestor completes an Agriculture Compliance Agreement (ACA) with fixed base operators and garbage haulers for hauling international garbage.
- There are additional administrative requirements.

The CBP typically requires the construction of a customs facility at airports designated as a UFA. There are a few locations that provide customs service with minimal facilities, and staff has been informed that CBP field offices have some discretion in the interpretation of physical requirements contained in the U.S. Customs and Border Protection (CBP) Airport Technical Design Standards (ATDS). However, typical requirements are extensive and include items such as a reception area, work area, holding cell, break room, and bullet-proof glass windows.

If an average construction cost of \$2.1 million outlined above is assumed, plus the cost of staffing and data processing, the initial cost to begin operation is approximately \$2.26 million. That is equivalent to \$1,198 per passenger at HWD, about 380% more than the average clearance fee. A more sophisticated calculation that includes indirect benefits through use of the airport by new international customers could be prepared. However, it's worth noting that a new UFA facility at Van Nuys Airport in Southern California – one of the busiest GA airports in the country - has reportedly seen few new flights as the result of CBP services. A funding source for a new multi-million-dollar building at HWD has also not been identified. As a result, it could be challenging to make a financial case for a new, fully-equipped customs facility here.

CBP Preclearance Operations

CBP Preclearance operations is the strategic stationing of CBP law enforcement personnel overseas to inspect travelers prior to boarding flights bound for the United States. CBP officers conduct the same immigration, customs, and agriculture inspections of international travelers typically performed upon arrival in the United States. There are currently 15 airport clearance sites in Canada, the Caribbean, Ireland, and Abu Dhabi. Additional sites are under

consideration in the United Kingdom, Belgium, Italy, Japan, the Netherlands, Sweden, Norway, Turkey, Iceland, Argentina, and Mexico.

In addition to the early identification of security threats, all CBP mission requirements are completed at the foreign Preclearance location, including immigration, customs, and agricultural inspections. This provides for “domestic” style arrivals at U.S. airports, improving efficiency and the overall travel experience. GA aircraft with sufficient range can fly nonstop to HWD and land without further inspection. The disadvantage to GA pilots and passengers is the limited number of Preclearance locations worldwide. However, for some international travelers, the use of Preclearance could reduce the need for customs service at HWD.

ECONOMIC IMPACT

A new U.S. Customs facility would, for the first time, allow HWD to become an initial arrival point for general aviation flights from other countries. This represents improved customer service for existing customers, and it’s anticipated to attract new customers that may purchase fuel, use local limousine and car rental companies, and patronize local restaurants and hotels. The economic impact will be commensurate with the volume of aircraft using the new customs facility. More research is necessary, but the economic benefits could be significant.

FISCAL IMPACT

There would be no impact to the General Fund. The fiscal impact to the Airport’s Operating Fund depends primarily on the type of customs facility and staffing required. Once CBP provides the technical specifications for a HWD facility, a formal cost/benefit analysis can be conducted that includes an in-depth review of user fees charged at other airports, a cost-recovery plan, and the identification of potential end users.

STRATEGIC INITIATIVES

This agenda item does not directly relate to one of the Council’s Strategic Initiatives.

SUSTAINABILITY FEATURES

The action taken for this report will not result in physical development, purchase, or service, or a new policy of legislation. Any physical work will depend on future Council action. The Airport is strongly committed to developing projects that are environmentally responsible. Therefore, staff will ensure that all proposed plans incorporate features that are in line with the City’s sustainability guidelines.

PUBLIC CONTACT

This is a preliminary informational report; no public contact was made.

NEXT STEPS

Airport staff contacted the General Aviation Program Manager, Office of Field Operations - San Francisco Port, and were advised to submit a formal proposal directly to the Port Director to initiate the review process. CBP must conduct an inspection of the airport, inspect historical operations data, and then provide HWD with a customized technical design for a suitable customs facility. If the CAC is interested in pursuing that, staff will start the process.

Prepared by: Douglas McNeeley, Airport Manager

Recommended by: Alex Ameri, Interim Director of Public Works

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

Kelly McAdoo, City Manager