



**The Potential Impact of a
Western Hemisphere Travel Initiative
Passport Requirement on
Canada's Tourism Industry**

The Potential Impact of a Western Hemisphere Travel Initiative Passport Requirement on Canada's Tourism Industry

A Report Prepared

by the Conference Board of Canada

The Conference Board of Canada
Insights You Can Count On



for the

Canadian Tourism Commission

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Preface

On April 5 of this year, the U.S. Departments of State and Homeland Security announced the Western Hemisphere Travel Initiative (WHTI), which will require all travellers to and from the Americas, including the United States, Canada and Mexico, the Caribbean, and Bermuda, Central and South America to carry a passport or other accepted document(s) (still to be determined) that establishes the bearer's identity and citizenship to enter or re-enter the United States. The WHTI implements the Congressional mandate of the Intelligence Reform and Terrorism Prevention Act (IRTPA) passed in December 2004.

Although the WHTI was announced on April 5, 2005, the publishing of the proposed rulemaking has been delayed. At the time of this release, the formal "Advance Notice of Proposed Rulemaking" for the WHTI has yet to appear in the U.S. federal register, which will open up a 60-day period during which comments are received.

Despite the subsequent delay, however, the announcement of April 2005 and the associated media coverage in both Canada and the U.S. are already impacting travel consumers and industry decision-makers in both countries. Indeed, we have already seen evidence that future conventions have been cancelled due to uncertainties surrounding the WHTI requirements.

To mitigate these current and future risks, it is important to understand the potential short-term effects and long-term effects on the Canadian tourism sector.

Needless to say, it is also critical that Canadian tourism stakeholders make their views known, both before and during the comment period, together with partner stakeholders in the U.S. who may also be negatively impacted, depending on how the WHTI is implemented. It is important to note that the IRTPA and WHTI provide the flexibility to define alternate, secure document requirements, beyond that of a passport, which may be more appropriate in the context of the unique relationship between Canada and the United States.

In order for Canadian tourism stakeholders, including their American industry partners or counterparts, to comment intelligently, again, it is important to understand the potential short-term effects and long-term effects on the Canadian tourism sector, as well as Canadian outbound travel to the United States.

The associated impact on Canadian outbound tourism volumes and revenues to the U.S. is also included within the scope of this analysis. Nevertheless, it is difficult to quantify with any precision the commercial impact of the new document requirements under the WHTI while we still do not know exactly what the new document requirements will be. As a result, this study specifically examines the effects of a possible WHTI passport requirement as the designated accepted document that establishes the bearer's identity and citizenship in order to enter or re-enter the United States.

Executive Summary

U.S. Departments of State and Homeland Security recently announced the Western Hemisphere Travel Initiative (WHTI), which will require all travellers to and from the Americas, including the United States, Canada and Mexico, the Caribbean, and Bermuda, Central and South America to carry a passport or other accepted document(s) (still to be determined) that establishes the bearer's identity and citizenship to enter or re-enter the United States. The WHTI implements the Congressional mandate of the Intelligence Reform and Terrorism Prevention Act (IRTPA) passed in December 2004.

The WHTI is to be implemented in three stages beginning on December 31, 2005 when all travellers (air/sea) to or from the Caribbean, Bermuda, Central and South America would require a passport or other accepted document(s) that establishes the bearer's identity and citizenship to enter or re-enter the U.S. By December 31, 2007 all travellers whether by air, sea or by land border crossings would require valid identification to enter or re-enter the United States.

While the Canadian tourism industry fully appreciates the enhanced security objectives of the WHTI, which is a shared concern nevertheless, the short-term effects on the industry are expected to be negative and significant if passports are required. For the period between 2005 and 2008, a WHTI passport requirement is estimated to result in a cumulative loss of nearly 7.7 million inbound trips compared to the base case forecast for the same period and an estimated cumulative gross shortfall in international export receipts by the Canadian tourism industry of \$1.7 billion, as well as a net shortfall of \$1.6 billion in overall industry revenues adjusting for domestic substitution effects.

Similarly, from the reverse U.S. tourism perspective, a WHTI passport requirement would also have a significant negative impact resulting in an estimated cumulative loss of nearly 3.5 million outbound trips from Canada to the U.S. and reducing U.S. travel payments by \$785 million over the period from 2005 to 2008.

One of the main reasons the short-term effects could be significant - particularly if the de facto outcome is a passport requirement, or alternately a secure document that is equivalent to a passport in terms of cost and application times and procedures - is that much of the cross-border travel that typically occurs between Canada and the U.S. involves travellers who do not possess a passport. For those travellers, a WHTI passport requirement imposes an additional cost and inconvenience component on their trip and will almost certainly deter some travel.

Under the most precise and restrictive available assumption of a current official passport as the designated accepted document that establishes the bearers identity and citizenship, quantifying the potential impact of a WHTI passport requirement on Canada's tourism industry involved the use of the Conference Board of Canada's Tourism Risk Impact Projection (TRIP) model. The TRIP model was developed to assess the impact of external and policy shocks on the tourism industry. For this particular application, the TRIP model was used to assess the distinct impact that a WHTI passport requirement would have on U.S. travel to Canada as well as Canadian travel to the United States. In addition, the analysis was extended to provide an estimate on the potential substitution effect of intended outbound travel (by Canadians) towards domestic destinations.

Key benchmark figures for passport possession among Canadians and Americans as well as the anticipated reaction of potential travellers to the a WHTI passport requirement, specifically those who currently do not possess valid passports, was obtained through household surveys conducted in Canada and the U.S. The survey results indicated that 34 per cent of U.S. residents (aged 18 and over) currently possess a valid U.S. passport. In Canada, 41 per cent of residents (18 and over) indicated they currently

possessed a valid passport. Not surprisingly, cross-border travellers from each country possessed higher passport possession rates than the general population. In Canada this rate ranged from 60 per cent, for typical same-day travellers to the U.S., up to 75 per cent for typical overnight air travellers to the U.S. In the U.S. the rate ranged from 44 per cent for typical same-day travellers to Canada, to 67 per cent for typical overnight air travellers. (The passport possession rates appear higher than previous estimates. The differences are explained by the fact that they apply to the population 18+ (and not the total population) and the fact that they are derived from household surveys. The use of more recent data will also have resulted in higher rates as passport applications have been on the rise in Canada and the United States).

Table A – Passport possession in the United States and Canada

2005 SURVEY RESULTS	UNITED STATES	CANADA
General population (18 years and over)	34%	41%
Same-day travellers (transborder)	44%	60%
Overnight auto travellers (transborder)	50%	70%
Overnight air travellers (transborder)	67%	75%

Implications of a WHTI passport requirement for U.S. travel to Canada

Considering the generally lower rate of passport possession among American households and travellers, it was not surprising that the TRIP model projected the impact associated with a WHTI passport requirement to be larger for U.S. travel to Canada than the other way around. In fact, over the period from 2005 to 2008, the TRIP model estimates that the number of U.S. arrivals in Canada would be reduced by 7.7 million due to the implementation a WHTI passport requirement. The bulk of the shortfall would be expected to come from same-day trips (5.0 million).

While the impact in 2005 is expected to constrain arrivals by only 1.0 per cent relative to the base case, in 2008, the full implementation of a WHTI passport requirement could dampen U.S. arrivals by 12.3 per cent compared to the base case.

Table B – WHTI passport requirement vs. Base Case – Difference in Person-Trips (000's of Person-Trips)

U.S. TO CANADA – ALL PURPOSES OF TRAVEL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Total (same-day and overnight)	0	-366	-821	-1,817	-4,730	-7,733
Overnight	0	-140	-316	-674	-1,606	-2,736
Same-day	0	-225	-506	-1,142	-3,124	-4,997

A WHTI passport requirement would also result in a significant decline in travel receipts from the United States. The TRIP model estimates that the cumulative impact of a WHTI passport requirement on U.S. travel receipts would be expected to reach \$1.8 billion for the period between 2005 and 2008. As is the case for the number of trips taken, the loss in Canadian tourism receipts from U.S. travellers would start out quite moderate but increases dramatically as implementation officially kicks in.

Table C – WHTI passport requirement vs. Base Case – Difference in Travel Receipts (CDN\$ millions)

U.S. TO CANADA – ALL PURPOSES OF TRAVEL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Total (same-day and overnight)	0	-88	-200	-497	-970	-1,756
Overnight	0	-73	-165	-413	-743	-1,394
Same-day	0	-15	-35	-84	-228	-362

Implications of a WHTI passport requirement on Canadian travel to the U.S.

The results from the TRIP model suggest that Canadian outbound travel would also be affected by a WHTI passport requirement — nearly 3.5 million fewer trips to the U.S. would be expected to occur over the 2005 to 2008 period. As is the case for the U.S., the largest discrepancy in Canada between the base case and a WHTI passport requirement scenario would be expected to arise in planned same-day trips (2.6 million). Compared to the base case, a WHTI passport requirement would be expected to curtail the growth of Canadian travel to the U.S. by 0.7 per cent in 2005, 1.4 per cent in 2006, 2.4 per cent in 2007 and 4.3 per cent in 2008.

Table D – WHTI passport requirement vs. Base Case - Difference in Person-Trips (000's of Person-Trips) to U.S.

CANADA TO U.S. – ALL PURPOSES OF TRAVEL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Total (same-day and overnight)	0	-259	-525	-957	-1,733	-3,473
Overnight	0	-78	-157	-309	-361	-904
Same-day	0	-181	-368	-648	-1,372	-2,569

The TRIP model estimates that the cumulative loss of nearly 3.5 million fewer outbound trips to the U.S. would reduce U.S. travel payments by \$785 million over the period from 2005 to 2008.

Table E – WHTI passport requirement vs. Base Case - Difference in Travel Receipts (CDN\$ millions)

CANADA TO U.S.– ALL PURPOSES OF TRAVEL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Total (same-day and overnight)	0	-66	-134	-266	-319	-785
Overnight	0	-57	-114	-230	-242	-644
Same-day	0	-10	-20	-35	-77	-141

Implications of a WHTI Passport Requirement at the Provincial Level

Our analysis of the impact of a WHTI passport requirement on Canada's tourism industry was extended to illustrate the potential impact the requirement could have at the provincial/regional level. Of the 7.7 million fewer trips expected to be made by U.S. travellers to Canada as a result of a WHTI passport requirement, Ontario would be expected to experience the largest shortfall. While our analysis suggests that Ontario and British Columbia would bear the brunt of the reduction in U.S. visitation, Quebec and Atlantic Canada would also be significantly impacted.

Table F – Impact of WHTI passport requirement on U.S. travel volumes to Canada by province (000's of Person-Trips)

U.S. TO CANADA – ALL PURPOSES OF TRAVEL (SAME DAY AN OVERNIGHT)	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic Canada	0	-29	-64	-142	-375	-610
Quebec	0	-35	-79	-173	-433	-720
Ontario	0	-221	-495	-1,102	-2,905	-4,723
Manitoba	0	-6	-14	-31	-78	-130
Saskatchewan	0	-2	-6	-12	-29	-49
Alberta	0	-10	-23	-49	-113	-194
British Columbia	0	-63	-141	-308	-797	-1,309
Canada	0	-366	-821	-1,817	-4,730	-7,733

The provincial breakdown for travel receipts tells a similar story. However, Ontario's gap relative to the other provinces is not expected to be quite as large. This is due to the fact that Ontario would be expected to experience a comparatively larger decline in U.S. same-day visitors; a segment that generally makes only modest expenditures per trip.

**Table G – Impact of WHTI passport requirement on U.S. travel receipts in Canada by province
(CDNS millions)**

U.S. TO CANADA – ALL PURPOSES OF TRAVEL (SAME DAY AN OVERNIGHT)	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic Canada	0	-6.6	-15.0	-37.3	-75.8	-135
Quebec	0	-11.6	-26.3	-65.5	-119.3	-223
Ontario	0	-42.5	-96.5	-238.7	-481.4	-859
Manitoba	0	-1.7	-3.9	-9.6	-17.4	-33
Saskatchewan	0	-0.9	-2.1	-5.3	-9.3	-18
Alberta	0	-4.7	-10.6	-26.4	-44.5	-86
British Columbia	0	-20.1	-45.7	-114.4	-222.5	-403
Canada	0	-88.1	-200.1	-497.1	-970.3	-1,756

Substituted Domestic Travel

Because obtaining a passport imposes an additional cost and inconvenience factor on making a trip, some travellers in the United States and Canada might substitute domestic travel for crossing the border and having to obtain a passport. Our analysis only focussed on the potential substitution of Canadian outbound travel to the U.S. to domestic destinations. We estimate that the substitution of outbound travel to domestic destinations could help stimulate the domestic tourism industry with over 1.1 million additional trips over the 2005-2008 period.

**Table H – Impact of WHTI passport requirement on domestic travel volumes in Canada
(000's of person-trips)**

INCREASE IN DOMESTIC TRAVEL VOLUME	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	52.2	107.2	191.8	461.7	812.9
Business	-	0.9	1.8	3.2	3.6	9.5
Other	-	24.0	48.2	84.4	142.5	299.1
Total	-	77.1	157.2	279.4	607.8	1,121.5
Per cent difference (vs. decline in travel to U.S.)	-	29.8%	30.0%	29.2%	35.1%	32.3%

Net Impact of a WHTI passport requirement on the Canadian tourism industry

Even when offsetting the reduction in U.S. travel receipts with the receipts associated with substituted outbound travel by Canadians, a WHTI passport requirement would still be expected have a significant negative impact on Canadian tourism receipts. For the period between 2005 and 2008, the net cumulative shortfall in receipts by the Canadian tourism industry would be expected to reach \$1.6 billion, compared to the base case forecast.

Similarly, from the reverse U.S. perspective, a WHTI passport initiative would also have a significant negative impact, resulting in a cumulative loss of nearly 3.5 million fewer outbound trips to the U.S. reducing U.S. travel payments by \$785 million over the period from 2005 to 2008.

Introduction

Purpose

The purpose of this report is to present the Canadian Tourism Commission with an objective analysis of the impact of the announced Western Hemisphere Travel Initiative's proposed passport requirement on the Canadian tourism industry. The impact on the tourism industry is measured as the change in the volume of travellers (both to and from the U.S.) as well as the expenditures lost due to the new passport regulations.

Background

The U.S. Departments of State and Homeland Security recently introduced the Western Hemisphere Travel Initiative (WHTI), which, when implemented, may require travellers between Canada, Mexico, the Caribbean, Bermuda and the United States to carry passports. The WHTI would be implemented in three stages beginning on December 31, 2005 when all travellers (air/sea) to or from the Caribbean, Bermuda, Central and South America would require a passport or other accepted documents that establishes the bearer's identity and citizenship to enter or re-enter the United States. By December 31, 2007 all travellers, whether by air, sea or by land border crossings, would require valid identification to enter or re-enter the United States.

Despite the enhanced security objectives of a WHTI passport requirement, which are also a shared concern of the tourism industry, the short-term effects on the industry would be negative, especially if passports would be required. One of the main reasons the short-term effects could be significant is that much of the cross-border travel that typically occurs between Canada and the U.S. involves travellers who do not possess a passport. For those travellers, a WHTI passport requirement would impose an additional cost and inconvenience component on their trip.

Methodology

Role of Survey Data

The approach used to assess the impact of the proposed Western Hemisphere Travel Initiative passport requirement on the Canadian tourism industry started with an assessment of key data requirements. While there is aggregate data available on the percentage of Canadian and U.S. travellers who possess a valid passport, a thorough analysis required more specific information. For instance, one of those requirements was the percentage of Americans who possess a valid passport and who typically travel to Canada for same-day trips, overnight trips, and overnight trips by air. Furthermore, there was a requirement for data that could provide insights into the decision-making process of those travellers who don't possess a valid passport. In particular, when would Americans, who currently don't hold a valid passport, plan to obtain (or renew) their passports. Would they apply early or wait until they need a passport for a specific trip.

In order to address those data requirements, and to be able to compare data between Canada and the United States, the Conference Board of Canada undertook similar surveys in each country. The data for key Canadian benchmarks on passport possession and passport behaviour specifically related to a WHTI passport requirement were obtained through the Conference Board of Canada's April 2005 Travel Intentions Survey, with additional questions funded by Passport Canada. Meanwhile, data for key benchmarks on U.S. passport possession and passport behaviour related to the WHTI was obtained through questions funded by the Canadian Tourism Commission, in an OMNIBUS survey administered by the Conference Board of Canada.

Role of Custom Modelling

To present an objective and comprehensive assessment of the impact a WHTI passport requirement would have on cross-border travel, the Conference Board of Canada developed a customized model based on the benchmarks and behaviour uncovered by the surveys. To accomplish this task, the Conference Board of Canada used a custom modelling tool, called the Tourism Risk Impact Projection (TRIP) model. The TRIP model was developed to help assess the impact of external and policy shocks on the tourism industry. Variants of the model have been successfully used in the past to assess the impact of the September 11th, 2001 terrorist attacks, the War in Iraq, SARS and most recently, the impact of exchange rate fluctuations. For a WHTI passport requirement scenario, the TRIP model was used to assess the impact of the requirement on U.S. travel to Canada and Canadian travel to the United States. There was also a component added that estimated the potential substitution of intended outbound travel with domestic trips.

Approach used to model behaviour

According to the survey results, the passport possession rate in the U.S. (among U.S. residents 18 years of age and older) was 34 per cent. The same rate for Canadians was significantly higher at 41 per cent of the population over 18. However, for each country, the rates of passport possession for the segments of the population travelling between the United States and Canada were found to be considerably higher. For instance, for Canadians, typical same-day travellers to the U.S. have a 60 per cent likelihood of possessing a valid passport while overnight auto travellers are 70 per cent likely and overnight air travellers 75 per cent likely. Similarly, for the U.S., same-day travellers to Canada have a 44 per cent likelihood of possessing a valid passport while overnight auto travellers are 50 per cent likely and overnight air travellers 67 per cent likely to possess the document. Yet while the percentages of passport possession are significantly different for Canada and the United States, in each country, they were

nevertheless fairly consistent across different travel segments, within each country, with the exception of business travellers. Business travellers tended to have a slightly higher likelihood of holding a passport than other types of travellers. Table 1 outlines the rates of passport possession in both the United States and Canada.

Table 1 – Basic benchmarks for passport possession in the United States and Canada

TYPICAL TRAVELLERS IN 2005	UNITED STATES	CANADA
General population (18 years and over)	34 %	41%
Same-day travellers (transborder)	44 %	60%
Overnight auto travellers (transborder)	50 %	70%
Overnight air travellers (transborder)	67 %	75%

As part of the modelling effort, the rates of passport possession for each travel segment (pleasure, business, personal travel and visiting friends and relatives) in the United States and Canada are used as basic benchmarks for the future likelihood of obtaining a passport in the respective country. However, a number of modifiers are applied to these benchmarks to arrive at a more accurate picture of the impact of a WHTI passport requirement on U.S. travel to Canada and the Canadian tourism industry. Depending on the travel segment, different modifiers such as early adoption, length of stay, mode of transportation, and confusion are applied. These are discussed in detail in the following sections.

For the purpose of this study, travellers obtaining a passport are categorized into two types: early adopters, and last minute adopters. Early adopters are U.S. or Canadian travellers who will obtain a passport prior to the implementation of a WHTI passport requirement. Conversely, last minute adopters are those travellers who will wait until WHTI passport requirement regulations require them to have a passport for travel. The percentage of travellers who are early adopters comes from the survey results. On the other hand, the percentage of travellers who are last minute adopters is based on the type of trip travellers intend to make. Table 2 and 3 summarize the behaviour of early adopters and last minute adopters in Canada and the United States.

**Table 2 – Canadians' timing for obtaining a passport
(percentage of Canadians likely to travel to the U.S. and when they plan to obtain a passport)**

TYPICAL TRAVELLERS	2005	2006	2007	LAST MINUTE
Same-day travel to the U.S.	34%	15%	5%	46%
Overnight auto travellers to the U.S.	34%	15%	5%	46%
Overnight air travellers to the U.S.	43%	13%	N.A.	44%

While these percentages represent the general population, the survey offered some insight into the likelihood of leisure travellers obtaining a passport when faced with the requirement to do so. In turn, these insights were used to develop assumptions for the response of business travellers and those travelling to visit friends and relatives, or for other personal reasons.

**Table 3 – Americans' timing for obtaining a passport
(percentage of Americans likely to travel to Canada and when they plan to obtain a passport)**

TYPICAL TRAVELLERS	2005	2006	2007	LAST MINUTE
Same-day travel to Canada	18%	8%	5%	69%
Overnight auto travellers to Canada	34%	15%	5%	46%
Overnight air travellers to Canada	28%	9%	N.A.	63%

In general, when faced with the requirement of a passport, potential leisure travellers were assumed to have the greatest flexibility with respect to other options—either travel to other destinations or other spending alternatives. Therefore, they were assumed to exhibit the lowest adoption rates for passports. On the other end of the spectrum, business travellers are assumed to exhibit the highest adoption rates for passports. The remaining segments, those travelling to visit friends or relatives or travelling for personal reasons, are assumed to fall somewhere in between.

The specific rate at which potential Canadian or U.S. travellers would obtain a passport also depends on their typical mode of travel as well as their length of stay. All things equal, those Canadian or U.S. travellers (currently without a passport) who typically travel to the other country on same-day trips were assumed to have the lowest rate of conversion. For those who typically travel on overnight trips (one or more nights), air travellers were assumed to have a higher likelihood of obtaining passports than automobile travellers. Table 4 illustrates the relative likelihood of specific travellers obtaining a passport when the need arises.

Table 4 – Estimated conversion rate of last minute adopters to obtain a valid passport

PURPOSE OF TRIP	LIKELIHOOD OF OBTAINING A PASSPORT (COMPARED TO BENCHMARK LIKELIHOOD OF SPECIFIC TRAVEL SEGMENT)
Leisure (pleasure)	10% higher
Visiting friends and relatives or for other personal reasons	35% higher
Business	50% higher

The staggered implementation dates of a WHTI passport requirement may also create some confusion among travellers. The initiative stipulates different dates of compliance for different countries and for different modes of travel. Consequently, there would likely be some travellers who believe they are required to have a passport under a WHTI passport requirement, even though the regulations do not yet apply to their mode of travel or their country. In the model, we therefore allocate a small percentage of travellers who would be unsure about the specific dates of implementation. The following table indicates the percentage of travellers (by type of traveller) between 2005 and 2007 who are assumed to be confused about the specific implementation of a WHTI passport requirement.

**Table 5 – Possible confusion about the implementation of the a WHTI passport requirement
(Percentage of Canadian or U.S. travellers currently without a valid passport)**

TYPE OF TRAVELLERS	2005	2006	2007
Same-day travellers	2%	5%	10%
Overnight auto travellers	2%	5%	10%
Overnight air travellers	2%	5%	N.A.

While these confused travellers might be considered early adopters, these travellers believe they require a passport prior to the actual implementation period. Hence, in modelling the decision-making process of this group, we use the same conversion rates as for those travellers “not confused”. This means that, based on the decision-making process, planned trips may not actually occur. Also, it is evident from the above percentages that the bulk of new passport requests prior to the actual implementation of a WHTI passport requirement would be expected to come from Americans or Canadians who are aware of the implementation dates and who are early adopters.

It should be noted that we assume the Canadian and American governments would widely publicize the existence of a WHTI passport requirement. We also assume that travellers would be aware of its existence. (In fact, travellers' awareness of a WHTI passport requirement is why some would be assumed to be confused over implementation dates in the first place). Therefore, we do not explicitly model the number of travellers who would be turned away at the Canadian or U.S. border because of their failure to comply with the requirement to have a valid passport.

Custom Modelling Tool - TRIP

The TRIP model has been modified to incorporate the benchmark figures regarding passport possession and the decision-making assumptions for Canadian and American travellers without valid passports. In turn, the model generated the number of trips that would be taken by U.S. residents to Canada between 2005 and 2008 and vice versa. Also, the model computed the number of trips by Canadians that were intended to take place in the United States, but would now take place in Canada because of some Canadians reluctance to obtain a passport. The impact on U.S. travel volumes to Canada is then computed by comparing the number of American trips expected to take place in Canada under a WHTI passport requirement against a base case scenario (in which a WHTI passport requirement did not exist).

The base case itself is a by-product of the international travel forecast the Conference Board of Canada already produces for the Canadian Tourism Commission. This forecast was recently updated in January 2005. The total impact on travel volumes due to a WHTI passport requirement is then calculated as the estimated decline in U.S. travel volumes less the increase in Canadians travelling at home.

In addition to volume impacts, TRIP was also used to derive comprehensive expenditure impacts for the Canadian tourism industry. This was accomplished by combining the forecasted travel volumes by segment (pleasure, business, visiting friends and relatives and for personal reasons) and mode (auto, air, other) with detailed spending patterns for each sub-component. This allowed TRIP to generate U.S. travel expenditures in Canada from the ground up. Moreover, the model also makes explicit adjustments for the fact that Americans have significantly different expenditure patterns from Canadians while travelling in Canada.

On average, Americans spend more per trip than their Canadian counterparts, and therefore, the impact on overall expenditures is still negative, even though some of the reduction in U.S. travel to Canada would be offset by more Canadians travelling at home. Similarly, Canadians travelling in the U.S. spend more than they do when they travel domestically. To determine the impact of a WHTI passport requirement on travel expenditures in Canada, U.S. travel expenditures in Canada under a WHTI passport requirement regime, as generated by TRIP, were compared to expenditures in the base case scenario. The overall impact on expenditures is calculated as the shortfall in U.S. expenditures compared to the base case, less the corresponding increase in expenditures due to increased Canadian travel volumes at home.

Impact of a WHTI passport requirement on U.S. travel to Canada

According to the model results, over the next few years the proposed passport regulations are expected to have a significant negative effect on the number of U.S. trips to Canada. In fact, the cumulative impact of a WHTI passport requirement on U.S. travel to Canada would be expected to result in a loss of over 7.7 million trips for the period from 2005 to 2008. In 2005, the number of U.S. trips to Canada would be expected to fall only slightly, 1.0 per cent compared to the base case. However, as the first implementation date of a WHTI passport requirement draws closer (December 31, 2006), the number of foregone trips to Canada would be expected to rise rapidly. By 2008, the first year when all travellers between the United States and Canada would be required to have a passport, the impact of the new regulations would be expected to be the largest. At that point, the number of trips would be expected to fall 12.3 per cent below the base case forecast. Table 6 outlines the impact of a WHTI passport requirement on Canadian travel volumes from U.S. travellers. More detailed results can be obtained via the supplementary tables in the appendices.

Table 6 – Impact of WHTI passport requirement on total U.S. Travel to Canada (000's of trips)

U.S. PERSON TRIPS TO CANADA – TOTAL (SAME-DAY AND OVERNIGHT)	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	34,592	35,905	36,850	37,669	38,504	-
Scenario with WHTI	34,592	35,540	36,029	35,853	33,774	-
Difference	-	-365	-821	-1,816	-4,730	-7,732
Per cent difference (against base case)	-	-1.0%	-2.2%	-4.8%	-12.3%	-5.2%

American same-day leisure travellers are by far the most sensitive to the new passport regulations. Out of the three travel segments, this group is the least likely to possess a valid passport and is also the least likely to obtain a passport in the future. Thus, in 2008, the number of same-day leisure travellers from the U.S. to Canada would be expected to drop over 17 per cent below the base case forecast. Overall pleasure travel from the U.S. to Canada would be expected to drop somewhat less but would still represent the lion's share of the drop in total U.S. trips to Canada over the forecast horizon.

In contrast to same-day leisure travellers, overnight business travellers from the U.S. to Canada – specifically those travelling by air – would be expected to be least affected by the new passport regulations. Since the new regulations concerning air travellers become binding in 2007, that is when this segment would be most affected. However, the effect would be the smallest for any travel segment required to carry a passport. In 2007, the volume of U.S. overnight air travellers on business would be expected to drop to only 3.4 per cent below the base case forecast. Moreover, for this segment, this would represent the peak of their shortfall. By 2008, the segment would be already expected to close the gap to the base case forecast. In that year, the number of U.S. overnight air travellers on business would be expected to remain only 1.0 per cent below the base case scenario.

Same-day pleasure travellers and U.S. overnight air travellers on business would be extreme cases and the performance of all other travel segments lies somewhere in between these two. However, these cases illustrate the general outcome of the model. Overall, pleasure travellers would be much more affected by the new regulations than business travellers. In 2008, the number of pleasure travellers from the U.S. to Canada would be expected to drop by 14.3 per cent below the base case forecast. On the other hand, business travellers would be least likely to be affected by the passport requirements and are expected to fall only 5.0 per cent below the benchmark. U.S. travellers for personal reasons or to visit friends and relatives lie in between the two and would be expected to decline by 10.5 per cent compared to the base case forecast.

If there is a silver lining to the decline in U.S. trips to Canada, it is the fact that the decline would happen somewhat gradually. In fact, the staggered implementation of a WHTI passport requirement acts to smooth out the impact of the new regulations over several years. In turn, however, the different stages of implementation would also create confusion among travellers.

Confusion about passport requirements would be expected to have a strong influence on the overall impact of U.S. travel to Canada. In fact, the impact of the proposed new passport regulations could be felt this year as some U.S. travellers will be confused and will therefore choose to avoid travel to Canada. Thus, even though none of the new regulations would require a passport for travel to Canada, confusion could dampen U.S. travel to Canada by 1.0 per cent in 2005. In fact, for travel between the United States and Canada, the proposed regulations effectively would not begin to apply until 2007, when air and sea travellers between the two countries would be required to carry a valid passport to cross the Canada-U.S. border. Thus, the loss of 2.2 per cent of American trips in Canada for 2006 (compared to the base case) represents an additional loss in revenue for the Canadian tourism industry that is due to confusion over the proposed passport requirements.

Not only are the proposed new passport regulations expected to lead to a significant decline in the number of U.S. trips to Canada over the next few years, they would be indirectly responsible for a large decline in Canadian tourism receipts over the same time period. By reducing the number of trips from the U.S. to Canada, the proposed new requirement would bring about a significant decline in Canadian tourism receipts. In fact, the model shows that the cumulative impact of a WHTI passport requirement on U.S. travel receipts would be expected to reach \$1.8 billion for the period from 2005 to 2008.

As is the case for the number of trips taken, the loss in Canadian tourism receipts from U.S. travellers would start out moderately over the next two years; however it would increase dramatically in 2007 and 2008—the years when the proposed agreement would start to apply to travel between Canada and the United States. Table 7 outlines the impact of a WHTI passport requirement on U.S. tourism receipts.

Table 7 – Impact of WHTI passport requirement on Total Canadian Receipts from U.S. Travel (\$CDN millions)

CANADIAN TRAVEL RECEIPTS FROM THE U.S. – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	9,619	10,095	10,633	11,196	11,712	-
Scenario with WHTI	9,619	10,007	10,433	10,699	10,742	-
Difference	-	-88	-200	-497	-970	-1,755
Per cent difference (against base case)	-	-0.9%	-1.9%	-4.4%	-8.3%	-4.0%

In general, the ranking of the declines in different segments of Canadian tourism receipts from U.S. travellers is the same as the ranking in the declines of the number of trips taken. For instance, pleasure travel receipts would still be the most affected by the proposed new passport regulations and would be expected to drop to 11 per cent below the base case forecast for 2008. Similarly, expenditures by U.S. business travellers in Canada would be least affected, dropping to only 2.4 per cent below the benchmark for 2008. Finally, the decline in other U.S. travel expenditures in Canada would be expected to lie in between the two and drop to 6.5 per cent below the base case forecast.

Note that the relative decline in Canadian receipts from U.S. travellers would be much smaller than the relative decline in U.S. trips to Canada. While the number of trips by U.S. residents to Canada in 2008 would be expected to fall by over 12 per cent compared to the base case, the level of Canadian tourism receipts from U.S. travellers would be expected to drop by only 8.3 per cent during the same year. In a general, this reflects the fact that same-day travellers spend less money per trip than overnight travellers.

Impact of WHTI passport requirement on Canadian travel to the U.S.

The impact from a WHTI passport requirement is not just one-sided. In fact, while the passport requirement of the travel initiative would have a significant negative impact on U.S. travel to Canada, it would also have a substantial impact on Canadian travel to the U.S. According to the model, over the period from 2005 to 2008, a WHTI passport requirement would be expected to result in a cumulative shortfall of 3.5 million trips by Canadians to the U.S., compared to the base case scenario.

The impact of the proposed new regulations on Canadian travel to the U.S. would be expected to begin in 2005. From then on, the impact would be expected to rise gradually over the next three years as the proposed regulations would become binding in 2007 and 2008. In fact, the shortfall in Canadian travel to the U.S. – compared to the base case – would be expected to grow from 0.7 per cent in 2005, to 1.4 per cent in 2006, 2.4 per cent in 2007 and finally 4.3 per cent in 2008. Table 8 outlines the impact of a WHTI passport requirement on Canadian travel to the United States. Appendix B includes additional tables and detail on the impact of WHTI on Canadian travel to the United States.

Table 8 – Impact of WHTI passport requirement on Total Canadian Travel to the U.S. (000's of trips)

CANADIAN PERSON TRIPS TO THE U.S. – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	35,864	37,345	38,241	39,231	40,192	-
Scenario with WHTI	35,864	37,086	37,717	38,274	38,459	-
Difference	-	-259	-525	-957	-1,733	-3,473
Per cent difference (against base case)	-	-0.7%	-1.4%	-2.4%	-4.3%	-2.2%

Overall, the impact of a WHTI passport requirement on Canadian travel volumes to the U.S. would be significantly smaller than the impact on U.S. travel volumes to Canada. In fact, the shortfall (compared to the base case) in Canadian trips to the U.S. of 4.3 per cent in 2008 would be one third of the 12.3 per cent shortfall in U.S. travel to Canada during the same year. Even more telling is the result of the cumulative shortfall in Canadian travel to the U.S. being less than half of the cumulative shortfall in U.S. travel to Canada, despite very similar cross-border travel volumes between the two countries in 2004. Thus, the fact that Canadians in general would have a higher likelihood of possessing a passport would have a dramatic effect on the relative impact of the proposed passport requirement on travel between Canada and the United States. Indeed, Canadians who currently travel to the U.S. are on average 15 per cent more likely to have a valid passport than their U.S. counterparts.

Much like their American counterparts, Canadian same-day leisure travellers would be the travel segment most affected by the proposed new passport regulations. By 2008, the number of same-day leisure travellers would be expected to drop to 6.8 per cent below the base case forecast. On the whole, Canadian pleasure travellers would be expected to undertake 5.1 per cent fewer trips in 2008 when compared to the base case forecast. This number would be about one third of the shortfall of U.S. travel to Canada and even compares favourably with the response of U.S. business travel volumes to Canada.

Even more impressive would be the response of Canadian business travellers. In 2007, the year of the strongest impact for the segment, overnight air travellers on business would be expected to drop to only 1.0 per cent below the base case forecast in 2007. Moreover, in 2008, travel in this segment would practically catch up with the base case forecast, remaining only 0.3 per cent below the benchmark.

Overall, Canadian business travel to the U.S. would be expected to remain 1.4 per cent below the base case forecast in 2008, but would be expected to close the gap rapidly thereafter. Similarly, the shortfall in the number of visits for personal reasons or to friends and relatives in the U.S. would be expected to remain only 3.9 per cent behind the corresponding base case forecast by the end of the forecast period.

It is important to note the performance of the business segment. For instance, given only the response of the pleasure segment, one may be tempted to conclude that the travel volumes under a WHTI passport requirement would never recover the values of the base case forecast. However, this would not be the case as the segment of Canadian air travellers to the U.S. on business clearly shows. In fact, because of the catch-up involved, the actual growth rate of travel in this segment would exceed that of the base case forecast for 2008. Therefore, for several years after the full implementation of a WHTI passport requirement, the overall tourism industry would be expected to experience stronger growth in travel than is outlined in the benchmark forecast.

Another point of difference in the Canadian versus American response to WHTI a WHTI passport requirement would be the very gradual increase in the shortfall of Canadian travel to the U.S. Again, this result would be due to the fact that Canadians are much more likely to hold or obtain a passport. This factor would also soften the effects of confusion. While there is also some confusion among Canadians travelling to the U.S. it is clearly not as prevalent as among their American counterparts. However, this result arises only from the fact that Canadians are more likely to hold a passport and therefore contain a smaller percentage of people who could be confused as to whether they should get a passport.

The decline in the volume of trips by Canadians to the U.S. (as compared to the benchmark forecast) would also be expected to lead to a corresponding decline in Canadian travel payments to the U.S. Our model results show that the cumulative impact of a WHTI passport requirement on Canadian travel to the U.S. would reach \$785 million for the period from 2005 to 2008. As is the case for the number of trips taken by Canadians to the U.S., the reduction (compared with the base case) in Canadian tourism payments to the U.S. would progress at a moderate pace over the next two years. Again, the largest impact would be in 2008 when the proposed new passport regulations would come into effect for all modes of travel between the two countries. Table 9 outlines the impact of a WHTI passport requirement on U.S. tourism receipts from Canadian travellers. Appendix B contains additional tables with more detail.

**Table 9 – Impact of WHTI passport requirement on Total U.S. Receipts from Canadian Travel
(\$CDN millions)**

U.S. TRAVEL RECEIPTS FROM CANADA – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	11,699	12,097	12,543	13,160	13,786	-
Scenario with WHTI	11,699	12,031	12,409	12,894	13,467	-
Difference	-	-66	-134	-266	-319	-785
Per cent difference (against base case)	-	-0.5%	-1.1%	-2.0%	-2.3%	-1.5%

Again, the relative decline in Canadian travel payments to the U.S. would be much smaller than the relative decline in Canadian trips to the United States. In fact, at 2.3 per cent, the percentage shortfall in Canadian travel payments to the U.S. would be expected to be barely larger than half of the 4.3 per cent shortfall in Canadian visits to the U.S. Therefore, with a cumulative gain of 2.0 per cent between 2005 and 2008, the average spending per trip by Canadians would rise by significantly less than that of their American counterparts.

Substituted Domestic Travel

Because obtaining a passport imposes an additional cost on travel, some travellers in the United States and Canada may substitute domestic travel for crossing the border and having to obtain a passport. Table 10 outlines the impact of a WHTI passport requirement on domestic travel in Canada. Appendix C contains all tables detailing substituted domestic travel by Canadians.

Table 10 – Impact of WHTI passport requirement on domestic travel volumes in Canada (000’s trips)

INCREASE IN DOMESTIC TRAVEL VOLUME	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	52.2	107.2	191.8	461.7	812.9
Business	-	0.9	1.8	3.2	3.6	9.5
Other	-	24.0	48.2	84.4	142.5	299.1
Total	-	77.1	157.2	279.4	607.8	1,121.5
Per cent difference (vs. decline in travel to U.S.)	-	29.8%	30.0%	29.2%	35.1%	32.3%

Part of the reason why pleasure travel would be much more responsive to the implementation of a WHTI passport requirement is the relative ease with which transborder pleasure travel can be substituted for by domestic pleasure travel. Conversely, transborder business travel is very unlikely to be substituted for domestically since a suitable domestic alternative may not exist. Thus, the very same factors that generate a shortfall (compared to the base case) in Canadian travel volumes to the United States would be expected to lead to an increase domestic travel volumes in Canada.

The number of trips originally destined for the U.S. that would be substituted for by domestic travel in Canada would be expected to reach 1.1 million cumulatively by the end of 2008. Of those trips, substituted pleasure travel in Canada would represent roughly 72 per cent, whereas substituted travel for personal reasons or to visit friends or relatives would account for about 27 per cent of the increase. Substituted business travel would barely amounts to 1 per cent of the increase in domestic travel volumes.

In general, expenditures on substituted travel in Canada would be expected to roughly double every year starting from 9 million in 2005 to 65 million in 2008. In Canada, the cumulative impact of substituted domestic travel over the period from 2005 to 2008 would be estimated to be \$130 million. However, because business travellers account for such a small proportion among Canadians who substitute domestic travel for travel to the U.S., whereas low-yield same-day travellers are relatively numerous among that group, substituted travel would have a relatively smaller impact on tourism expenditures compared to its impact on the number of trips. In fact, despite expenditures on substituted travel in Canada rising to \$65 million by 2008, this figure would still only amount to about 20 per cent of the value of the expenditures U.S. travellers would be expected to make in Canada in the same year of the base case scenario. Table 11 outlines Canadians’ spending on substituted travel at home.

**Table 11 – Impact of WHTI passport requirement on domestic travel expenditures in Canada
(CDN\$ millions)**

INCREASE IN DOMESTIC TRAVEL SPENDING	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	\$8	\$16	\$31	\$59	114
Business	-	\$0	\$0	\$1	\$0	1
Other	-	\$1	\$3	\$5	\$6	15
Total	-	\$9	\$19	\$37	\$65	130
Per cent difference of Total (against base case)	-	14.1%	14.3%	13.7%	20.4%	16.6%

Net Impact of a WHTI Passport Requirement on the Canadian Tourism Industry

In terms of volume, the net impact on the Canadian tourism industry would be the number of U.S. trips lost due to a WHTI passport requirement, plus the number of substituted trans-border trips that would be made by Canadians at home. Table 12 outlines the net impact of a WHTI passport requirement on travel volumes in Canada. Appendix D contains tables detailing the net impact of a WHTI passport requirement on the Canadian tourism industry.

Table 12 – Net Impact of WHTI passport requirement on total travel volumes in Canada (000's trips)

IMPACT ON TRAVEL VOLUMES IN CANADA	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	-138	-322	-866	-2,483	-3,809
Business	-	-23	-52	-110	-152	-338
Other	-	-127	-290	-561	-1,487	-2,464
Total	-	-288	-664	-1,537	-4,122	-6,611
Per cent difference (vs. base case U.S. volume)	-	-0.8%	-1.8%	-4.1%	-10.7%	-4.4%

Despite a large number of Canadians who would be expected to substitute their U.S. travel with domestic travel, the overall impact of a WHTI passport requirement on travel volumes in Canada would be significantly negative. By 2008, the overall cumulative impact of the proposed new passport regulations on Canadian travel volumes would amount to a loss of 6.6 million trips. In that year alone, the shortfall in the number of trips taken in Canada would amount to over 4.1 million compared to the base case.

The impact of a WHTI passport requirement would be even more pronounced in terms of tourism expenditures. Because Canadians spend less money than Americans when travelling in Canada, for a given number of trips, the offset provided by expenditures on substituted domestic travel would be smaller than the shortfall of expenditures by U.S. travellers. Moreover, as discussed in the previous section, the mix of travellers who would substitute for travel in Canada would be different from that of U.S. residents travelling to Canada, thereby adding to the decline in average spending per trip compared to the base case. Overall, the cumulative impact of a WHTI passport requirement on tourism expenditures in Canada would be expected to be \$1.6 billion. Using current travel prices this figure would convert to a shortfall of \$1.4 billion in real spending on Canadian tourism.

Table 13 – Net Impact of WHTI passport requirement on tourism expenditures in Canada (\$ millions)

IMPACT ON TOURISM EXPENDITURES IN CANADA	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	-42	-99	-268	-638	-1,047
Business	-	-12	-26	-61	-46	-145
Other	-	-25	-56	-131	-221	-433
Total	-	-79	-181	-460	-905	-1,625
Per cent difference (vs. base case U.S. volume)	-	-0.8%	-1.7%	-4.1%	-7.7%	-3.7%

Implications for Canada's Provinces

Using the travel patterns of Americans in Canada (where they go, and how do they get there), the model attributed the relative shortfall in the number of U.S. trips to Canada to each of Canada's provinces. Tables 14 through 16 outline the impact of a WHTI passport requirement on travel volumes for Canada's provinces. Additional tables detailing the impact on tourism expenditures for each province can be found in Appendix E.

Not surprisingly, Ontario would be expected to be the province that would be most affected by the implementation of a WHTI passport requirement. The province would be expected to see the largest decline in the number of U.S. visits but would also be expected to register the largest increase in substituted domestic travel. However, the net effect on travel volumes in Ontario would still be overwhelmingly negative. Compared to the base case, the cumulative shortfall in the number of visits to the province would be expected to reach 4.1 million by the end of 2008. This loss would represent almost two thirds of the loss for Canada as a whole. On the other hand, the shortfall in the number of visits to the Prairie provinces would be expected to remain relatively small.

Table 14 – Impact of WHTI passport requirement on U.S. travel volumes in Canada by province (000's visits)

IMPACT ON U.S TRAVEL VOLUMES BY PROVINCE	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	-29	-64	-142	-375	-610
Quebec	-35	-79	-173	-433	-720
Ontario	-221	-495	-1,102	-2,905	-4,723
Manitoba	-6	-14	-31	-78	-130
Saskatchewan	-2	-6	-12	-29	-49
Alberta	-10	-23	-49	-113	-194
British Columbia	-63	-141	-308	-797	-1,309
Canada	-366	-821	-1,817	-4,730	-7,733

Table 15 – Volume of substituted travel in Canada by province (000's visits)

PROVINCIAL IMPACT OF SUBSTITUTED TRAVEL	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	10	20	36	81	147
Quebec	9	17	31	65	122
Ontario	41	83	147	322	592
Manitoba	2	5	8	17	32
Saskatchewan	1	1	2	5	9
Alberta	1	3	5	10	20
British Columbia	14	28	50	108	199
Canada	77	157	279	608	1,122

Table 16 – Net Impact of WHTI passport requirement on travel volumes in Canada by province (000's visits)

PROVINCIAL IMPACT OF SUBSTITUTED TRAVEL	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	-19	-44	-106	-295	-464
Quebec	-27	-61	-142	-368	-597
Ontario	-180	-412	-955	-2,584	-4,130
Manitoba	-4	-10	-23	-61	-97
Saskatchewan	-2	-4	-10	-24	-40
Alberta	-9	-20	-43	-103	-174
British Columbia	-49	-113	-259	-689	-1,109
Canada	-289	-664	-1,537	-4,122	-6,612

Appendix A: U.S. travel to Canada

Table A1 – Impact of WHTI passport requirement on U.S. Pleasure Travel to Canada (000's of trips)

U.S. PERSON TRIPS TO CANADA - PLEASURE	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	17,747	18,472	18,984	19,417	19,852	-
Scenario with WHTI	17,747	18,282	18,555	18,358	16,907	-
Difference	-	-190	-429	-1,058	-2,945	-4,622
Per cent difference (against base case)	-	-1.0%	-2.3%	-5.5%	-14.8%	-6.0%

Table A2 – Impact of WHTI passport requirement on U.S. Business Travel to Canada (000's of trips)

U.S. PERSON TRIPS TO CANADA – BUSINESS	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	2,719	2,822	2,914	2,996	3,086	-
Scenario with WHTI	2,719	2,798	2,861	2,883	2,930	-
Difference	-	-24	-54	-113	-156	-347
Per cent difference (against base case)	-	-0.9%	-1.8%	-3.8%	-5.0%	-2.9%

Table A3 – Impact of WHTI passport requirement on Other U.S. Travel to Canada (000's of trips)

U.S. PERSON TRIPS TO CANADA – OTHER	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	14,126	14,611	14,952	15,256	15,566	-
Scenario with WHTI	14,126	14,460	14,613	14,611	13,937	-
Difference	-	-151	-338	-645	-1,629	-2,764
Per cent difference (against base case)	-	-1.0%	-2.3%	-4.2%	-10.5%	-4.6%

Table A4 – Impact of WHTI passport requirement on total U.S. Travel to Canada (000's of trips)

U.S. PERSON TRIPS TO CANADA – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	34,592	35,905	36,850	37,669	38,504	-
Scenario with WHTI	34,592	35,540	36,029	35,853	33,774	-
Difference	-	-365	-821	-1,816	-4,730	-7,732
Per cent difference (against base case)	-	-1.0%	-2.2%	-4.8%	-12.3%	-5.2%

Table A5 – Impact of WHTI passport requirement on Canadian Receipts from U.S. Pleasure Travel (\$CDN millions)

CANADIAN TRAVEL RECEIPTS FROM THE U.S. – PLEASURE	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	5,265	5,543	5,832	6,094	6,355	-
Scenario with WHTI	5,265	5,492	5,717	5,795	5,658	-
Difference	-	-50	-115	-299	-697	-1,161
Per cent difference (against base case)	-	-0.9%	-2.0%	-4.9%	-11.0%	-4.9%

Table A6 – Impact of WHTI passport requirement on Canadian Receipts from U.S. Business Travel (\$CDN millions)

CANADIAN TRAVEL RECEIPTS FROM THE U.S. – BUSINESS	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	1,540	1,620	1,706	1,791	1,885	-
Scenario with WHTI	1,540	1,608	1,680	1,729	1,839	-
Difference	-	-12	-26	-62	-46	-146
Per cent difference (against base case)	-	-0.7%	-1.5%	-3.5%	-2.4%	-2.1%

Table A7 – Impact of WHTI passport requirement on Canadian Receipts from Other U.S. Travel (\$CDN millions)

CANADIAN TRAVEL RECEIPTS FROM THE U.S. – OTHER	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	2,814	2,932	3,095	3,311	3,473	-
Scenario with WHTI	2,814	2,906	3,036	3,175	3,245	-
Difference	-	-26	-59	-136	-227	-448
Per cent difference (against base case)	-	-0.9%	-1.9%	-4.1%	-6.5%	-3.5%

Table A8 – Impact of WHTI passport requirement on Total Canadian Receipts from U.S. Travel (\$CDN millions)

CANADIAN TRAVEL RECEIPTS FROM THE U.S. – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	9,619	10,095	10,633	11,196	11,712	-
Scenario with WHTI	9,619	10,007	10,433	10,699	10,742	-
Difference	-	-88	-200	-497	-970	-1,755
Per cent difference (against base case)	-	-0.9%	-1.9%	-4.4%	-8.3%	-4.0%

Appendix B: Canadian travel to the U.S.

Table B1 – Impact of WHTI passport requirement on Canadian Pleasure Travel to the United States (000's of trips)

CANADIAN PERSON TRIPS TO THE U.S. – PLEASURE	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	18,001	18,794	19,373	19,945	20,501	-
Scenario with WHTI	18,001	18,663	19,106	19,439	19,448	-
Difference	-	-131	-267	-506	-1,053	-1,958
Per cent difference (against base case)	-	-0.7%	-1.4%	-2.5%	-5.1%	-2.5%

Table B2 – Impact of WHTI passport requirement on Canadian Business Travel to the United States (000's of trips)

CANADIAN PERSON TRIPS TO THE U.S. – BUSINESS	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	2,829	2,936	3,030	3,115	3,206	-
Scenario with WHTI	2,829	2,920	3,000	3,065	3,162	-
Difference	-	-15	-30	-49	-44	-139
Per cent difference (against base case)	-	-0.5%	-1.0%	-1.6%	-1.4%	-1.1%

Table B3 – Impact of WHTI passport requirement on Other Canadian Travel to the United States (000's of trips)

CANADIAN PERSON TRIPS TO THE U.S. – OTHER	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	15,035	15,615	15,838	16,171	16,485	-
Scenario with WHTI	15,035	15,502	15,611	15,770	15,849	-
Difference	-	-113	-227	-401	-636	-1,377
Per cent difference (against base case)	-	-0.7%	-1.4%	-2.5%	-3.9%	-2.1%

Table B4 – Impact of WHTI passport requirement on Total Canadian Travel to the U.S. (000's of trips)

CANADIAN PERSON TRIPS TO THE U.S. – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	35,864	37,345	38,241	39,231	40,192	-
Scenario with WHTI	35,864	37,086	37,717	38,274	38,459	-
Difference	-	-259	-525	-957	-1,733	-3,473
Per cent difference (against base case)	-	-0.7%	-1.4%	-2.4%	-4.3%	-2.2%

Table B5 – Impact of WHTI passport requirement on U.S. Receipts from Canadian Pleasure Travel (\$CDN millions)

U.S. TRAVEL RECEIPTS FROM CANADA – PLEASURE	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	6,005	6,325	6,659	6,956	7,258	-
Scenario with WHTI	6,005	6,288	6,582	6,794	7,024	-
Difference	-	-37	-76	-162	-233	-509
Per cent difference (against base case)	-	-0.6%	-1.1%	-2.3%	-3.2%	-1.9%

Table B6 – Impact of WHTI passport requirement on U.S. Receipts from Canadian Business Travel (\$CDN millions)

U.S. TRAVEL RECEIPTS FROM CANADA – BUSINESS	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	2,267	2,390	2,519	2,632	2,748	-
Scenario with WHTI	2,267	2,380	2,498	2,601	2,731	-
Difference	-	-10	-20	-31	-17	-78
Per cent difference (against base case)	-	-0.4%	-0.8%	-1.2%	-0.6%	-0.8%

Table B7 – Impact of WHTI passport requirement on U.S. Receipts from Other Canadian Travel (\$CDN millions)

U.S. TRAVEL RECEIPTS FROM CANADA – OTHER	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	3,427	3,382	3,365	3,572	3,780	-
Scenario with WHTI	3,427	3,363	3,328	3,499	3,711	-
Difference	-	-19	-37	-73	-69	-198
Per cent difference (against base case)	-	-0.6%	-1.1%	-2.0%	-1.8%	-1.4%

Table B8 – Impact of WHTI passport requirement on Total U.S. Receipts from Canadian Travel (\$CDN millions)

U.S. TRAVEL RECEIPTS FROM CANADA – TOTAL	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Base Case (no WHTI)	11,699	12,097	12,543	13,160	13,786	-
Scenario with WHTI	11,699	12,031	12,409	12,894	13,467	-
Difference	-	-66	-134	-266	-319	-785
Per cent difference (against base case)	-	-0.5%	-1.1%	-2.0%	-2.3%	-1.5%

Appendix C: Substituted domestic travel in Canada

Table C1 – Impact of WHTI passport requirement on domestic travel volumes in Canada (000's trips)

INCREASE IN DOMESTIC TRAVEL VOLUME	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	52.2	107.2	191.8	461.7	812.9
Business	-	0.9	1.8	3.2	3.6	9.5
Other	-	24.0	48.2	84.4	142.5	299.1
Total	-	77.1	157.2	279.4	607.8	1121.5
Per cent difference (vs. decline in travel to U.S.)	-	29.8%	30.0%	29.2%	35.1%	32.3%

Table C2 – Impact of WHTI passport requirement on domestic travel expenditures in Canada (\$ millions)

INCREASE IN DOMESTIC TRAVEL SPENDING	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	\$8	\$16	\$31	\$59	114
Business	-	\$0	\$0	\$1	\$0	1
Other	-	\$1	\$3	\$5	\$6	15
Total	-	\$9	\$19	\$37	\$65	130
Per cent difference of Total (against base case)	-	14.1%	14.3%	13.7%	20.4%	16.6%

Appendix D: Net Impact the Canadian Tourism Industry

Table D1 – Impact of WHTI passport requirement on total travel volumes in Canada (000's trips)

IMPACT ON TRAVEL VOLUMES IN CANADA	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	-138	-322	-866	-2,483	-3,809
Business	-	-23	-52	-110	-152	-338
Other	-	-127	-290	-561	-1,487	-2,464
Total	-	-288	-664	-1,537	-4,122	-6,611
Per cent difference (vs. base case U.S. volume)	-	-0.8%	-1.8%	-4.1%	-10.7%	-4.4%

Table D2 – Impact of WHTI passport requirement on tourism expenditures in Canada (\$ millions)

IMPACT ON TOURISM EXPENDITURES IN CANADA	2004E	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Pleasure	-	-42	-99	-268	-638	-1,047
Business	-	-12	-26	-61	-46	-145
Other	-	-25	-56	-131	-221	-433
Total	-	-79	-181	-460	-905	-1,625
Per cent difference (vs. base case U.S. volume)	-	-0.8%	-1.7%	-4.1%	-7.7%	-3.7%

Appendix E: Implications for Canada's Provinces

Table E1 – Impact of WHTI passport requirement on U.S. travel volumes in Canada by province (000's visits)

IMPACT ON U.S TRAVEL VOLUMES BY PROVINCE	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	-29	-64	-142	-375	-610
Quebec	-35	-79	-173	-433	-720
Ontario	-221	-495	-1,102	-2,905	-4,723
Manitoba	-6	-14	-31	-78	-130
Saskatchewan	-2	-6	-12	-29	-49
Alberta	-10	-23	-49	-113	-194
British Columbia	-63	-141	-308	-797	-1,309
Canada	-366	-821	-1,817	-4,730	-7,733

Table E2 – Volume of substituted travel in Canada by province (000's visits)

PROVINCIAL IMPACT OF SUBSTITUTED TRAVEL	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	10	20	36	81	147
Quebec	9	17	31	65	122
Ontario	41	83	147	322	592
Manitoba	2	5	8	17	32
Saskatchewan	1	1	2	5	9
Alberta	1	3	5	10	20
British Columbia	14	28	50	108	199
Canada	77	157	279	608	1,122

Table E3 – Impact of WHTI passport requirement on travel volumes in Canada by province (000's visits)

NET IMPACT OF WHTI ON PROVINCE VISITS	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	-19	-44	-106	-295	-464
Quebec	-27	-61	-142	-368	-597
Ontario	-180	-412	-955	-2,584	-4,130
Manitoba	-4	-10	-23	-61	-97
Saskatchewan	-2	-4	-10	-24	-40
Alberta	-9	-20	-43	-103	-174
British Columbia	-49	-113	-259	-689	-1,109
Canada	-289	-664	-1,537	-4,122	-6,612

Table E4 – Impact of WHTI passport requirement on Canadian receipts from U.S. travel by province (\$ millions)

IMPACT ON U.S. TRAVEL RECEIPTS BY PROVINCE	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	-6.6	-15.0	-37.3	-75.8	-135
Quebec	-11.6	-26.3	-65.5	-119.3	-223
Ontario	-42.5	-96.5	-238.7	-481.4	-859
Manitoba	-1.7	-3.9	-9.6	-17.4	-33
Saskatchewan	-0.9	-2.1	-5.3	-9.3	-18
Alberta	-4.7	-10.6	-26.4	-44.5	-86
British Columbia	-20.1	-45.7	-114.4	-222.5	-403
Canada	-88.1	-200.1	-497.1	-970.3	-1,756

Table E5 – Expenditures on substituted travel in Canada (\$ millions)

PROVINCIAL IMPACT OF SUBSTITUTED TRAVEL	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	0.7	1.5	2.7	5.8	11
Quebec	1.5	3.1	6.0	9.8	20
Ontario	4.5	9.1	17.2	31.4	62
Manitoba	0.4	0.8	1.5	2.7	5
Saskatchewan	0.1	0.3	0.5	0.8	2
Alberta	0.6	1.2	2.3	3.5	8
British Columbia	1.6	3.3	6.2	11.0	22
Canada	9.4	19.2	36.4	65.1	130

Table E6 – Impact of WHTI passport requirement on tourism expenditures in Canada by province (\$ millions)

NET IMPACT OF WHTI ON PROVINCE EXPENDITURES	2005F	2006F	2007F	2008F	CUMULATIVE IMPACT
Atlantic	-5.9	-13.5	-34.6	-70.0	-124
Quebec	-10.1	-23.2	-59.5	-109.5	-202
Ontario	-38.0	-87.4	-221.5	-449.9	-797
Manitoba	-1.3	-3.1	-8.1	-14.7	-27
Saskatchewan	-0.8	-1.9	-4.8	-8.5	-16
Alberta	-4.1	-9.4	-24.2	-41.0	-79
British Columbia	-18.5	-42.4	-108.1	-211.5	-381
Canada	-78.8	-180.9	-460.8	-905.2	-1,626
