

**THE WESTERN HEMISPHERE TRAVEL INITIATIVE:
BALANCING SECURITY AND ECONOMIC INTERESTS**

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THE WESTERN HEMISPHERE TRAVEL INITIATIVE

In April 2005, the U.S. departments of State and Homeland Security announced the Western Hemisphere Travel Initiative (WHTI), pursuant to section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004 (the “9/11 Intelligence Bill”). Under the WHTI, all travellers to and from the Americas (including Canada, Mexico, Central America and South America), the Caribbean and Bermuda will be required to present a passport, or other accepted document or combination of documents, when entering or re-entering the United States.⁽¹⁾ According to the proposed implementation schedule, air and sea travel will become subject to the WHTI on 31 December 2006, followed by land border crossings on 31 December 2007.⁽²⁾

The requirements of the WHTI are a departure from existing U.S. policy, which exempts Canadian citizens arriving in the United States from anywhere in the Western Hemisphere other than Cuba from the visa and passport requirement of the U.S. Immigration and Nationality Act (section 212(a)(7)). Currently, these travellers are required only to satisfy a U.S. Customs and Border Protection officer of their identity (with photo identification such as a driver’s licence) and citizenship (with a birth certificate, citizenship certificate or passport) in order to enter the United States. In some instances, an oral declaration of citizenship may be

(1) Travel between the United States and its territories, including Puerto Rico, the U.S. Virgin Islands, Guam, the Northern Mariana Islands and American Samoa, will remain unaffected by the WHTI.

(2) The WHTI was originally scheduled to be implemented in three phases, the first beginning on 31 December 2005. The U.S. departments of State and Homeland Security subsequently simplified the implementation schedule to two phases and delayed implementation of the first phase until 31 December 2006 in order to provide a longer lead-time for travellers to obtain the necessary documentation. On 17 May 2006, the U.S. Senate passed an amendment to an immigration bill that would extend WHTI deadlines by 17 months. In order for the amendment to become law, the Senate must pass the full immigration bill, which it did on 25 May 2006, and the amendment must be retained in the final legislation negotiated between the Senate and the U.S. House of Representatives.

accepted.⁽³⁾ Canadian citizens will, however, remain generally exempt from the U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) program, which requires nearly all visitors to the United States to provide biometrics (e.g., digital finger scans and photographs) for comparison with a database of criminals and suspected terrorists.⁽⁴⁾

ALTERNATIVE TRAVEL DOCUMENTS

One of the unresolved implementation details of the WHTI is the types of documents, other than passports, that will be considered acceptable for entry or re-entry into the United States. The U.S. government has indicated that it will consider documents that: establish the citizenship and identity of the bearer; enable electronic data verification and checking; and include significant security features. Based on these criteria, the U.S. Department of Homeland Security anticipates that the following documents will be deemed acceptable in the future:⁽⁵⁾

- the Border Crossing Card or “laser visa” for Mexican citizens travelling to the United States from contiguous territory; and
- cards used with existing international frequent traveller programs offered by U.S. Customs and Border Protection, including Secure Electronic Network for Travelers Rapid Inspection (SENTRI), NEXUS and Free and Secure Trade (FAST).

In addition, on 17 January 2006, the U.S. secretaries of State and Homeland Security announced plans to develop “an inexpensive, secure, biometric passport card as an alternative to a traditional passport book” for use by U.S. citizens in crossing land borders.⁽⁶⁾ The proposed PASS (People, Access, Security and Service) card is expected to be available

(3) U.S. Customs and Border Protection, “Documentary Requirements for Canadian and Mexican Residents,” http://www.cbp.gov/xp/cgov/travel/id_visa/req_canada_mexico.xml.

(4) For a list of circumstances under which Canadians may be subject to the US-VISIT program, see the U.S. Department of Homeland Security’s Web site at: http://www.dhs.gov/dhspublic/interapp/editorial/editorial_0695.xml.

(5) U.S. Department of Homeland Security, “New Passport Initiative Announced to Better Secure America’s Borders,” News Release, 6 April 2005, <http://www.dhs.gov/dhspublic/display?content=4433>.

(6) U.S. departments of State and Homeland Security, “Rice-Chertoff Joint Vision: Secure Borders and Open Doors in the Information Age,” News Release, 17 January 2006, <http://www.state.gov/r/pa/prs/ps/2006/59242.htm>.

beginning in late 2006 or early 2007, but few details are available at this time. To date, there is no indication that Canada will develop a similar passport alternative.⁽⁷⁾

In March 2005, Canada, the United States and Mexico announced the Security and Prosperity Partnership (SPP) of North America, which aims to protect North America from external and internal threats as well as to promote the economic well-being of citizens through further streamlining of the secure movement of low-risk traffic across shared borders. In order to advance the achievement of smart and secure borders (one of five high-priority initiatives under the SPP), leaders of the three countries agreed to work together over the subsequent two years to develop standards and options for secure documents to facilitate cross-border travel.⁽⁸⁾

BENEFITS AND COSTS

The WHTI aims to strengthen U.S. national security through increased border security, while simultaneously expediting the movements of frequent travellers (including those who reside in border communities). These potential benefits should be considered alongside the potential costs of the initiative, including:

- costs of implementation, including design of passport alternatives, training of border personnel, etc.;
- costs to travellers – in terms of time and money – associated with obtaining or renewing passports (or acceptable alternatives), which were not previously required to cross the Canada-U.S. border; and
- negative economic impacts resulting from forgone cross-border tourism, trade and commerce, if the new documentation requirements discourage travellers and businesses from crossing the Canada-U.S. border.

In addition, while it is envisioned that the WHTI will expedite border crossings for frequent and low-risk travellers, some critics believe that the new documentation requirements may create border congestion, at least in the short term. Any increases in border congestion would have

(7) See, for example, comments by the Canadian Minister for Public Safety in “‘Passport lite’ out – Ottawa: U.S. won’t bend on border plan; National ID card isn’t on agenda, Canada’s public safety minister says,” *The Gazette* [Montréal], 19 April 2006.

(8) “The Security and Prosperity Partnership of North America: Next Steps,” White House Fact Sheet, 31 March 2006,
http://www.spp.gov/pdf/security_and_prosperity_partnership_of_north_america_fact_sheet.pdf.

cost implications – in terms of time and money – for travellers and businesses such as manufacturers, importers and exporters, as well as environmental and health costs.⁽⁹⁾

The costs to travellers associated with obtaining documentation to satisfy the WHTI requirements will depend on the cost of the acceptable document(s) (once they have been identified) as well as on the number of travellers who choose to obtain them.⁽¹⁰⁾ These same factors – in combination with others such as the substitutability of the travel destination, the prospect of border congestion, etc. – will determine the extent of any negative economic impacts on cross-border tourism, trade and commerce.

Estimates of the percentage of Canadians and Americans who currently hold passports vary among sources and depend on the characteristics of the population considered. According to Passport Canada's 2003-2004 Annual Report, the share of Canadians holding passports increased from 28% in 2001 to 31% in 2003 and is expected to reach 50% by 2006 or 2007.⁽¹¹⁾ Comparable data for Americans are not publicly available on the U.S. Department of State's Web site. Recently published news articles, however, provide figures ranging from 20% to 24% for Americans and 37% to 40% for Canadians, with sources consistently reporting a higher incidence of passport ownership among Canadians than Americans. Household surveys conducted for the Canadian Tourism Commission in 2005 found that passport possession in Canada and the United States varied depending on the traveller profile, as shown in Table 1.

Table 1: Passport Possession According to Traveller Profile, United States and Canada, 2005

Traveller Profile	United States	Canada
General population (18 years and older)	34%	41%
Same-day travellers (transborder)	44%	60%
Overnight auto travellers (transborder)	50%	70%
Overnight air travellers (transborder)	67%	75%

Source: Canadian Tourism Commission, *The Potential Impact of a Western Hemisphere Travel Initiative Passport Requirement on Canada's Tourism Industry*, prepared by the Conference Board of Canada, Research Report 2005-2, 29 July 2005, Table 1, p. 10.

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- (9) In its submission to the U.S. Federal Register, the Government of Canada noted that any resulting backlogs at the shared border may create new security vulnerabilities (e.g., goods at rest as potential targets for terrorist tampering) and significant environmental impacts (e.g., from idling engines).
- (10) Appendix B contains selected results from a 2006 survey of Americans and Canadians regarding the likelihood of their obtaining a new border identification card in order to cross the Canada-U.S. border.
- (11) Passport Canada, *Toward a New Reality*, 2003-2004 Annual Report, pp. 2, 16, http://www.ppt.gc.ca/publications/pdfs/ar_03_e.pdf.

The potential economic impact of the WHTI – especially at land border crossings – is a concern shared by many stakeholders on both sides of the border. Published analysis of the WHTI’s projected economic impact has, to date, been limited. The most extensive analysis from a Canadian perspective is a July 2005 report of the Conference Board of Canada, commissioned by the Canadian Tourism Commission. The report uses survey data and Canada’s Tourism Risk Impact Projection (TRIP) model to assess the impact of a WHTI passport requirement on the Canadian tourism industry.⁽¹²⁾

Table 2 shows the estimated cumulative impact – in terms of travel receipts and volume – of a WHTI passport requirement on U.S. travel to Canada between 2005 and 2006. Scenario 1, the base case, forecasts travel in the absence of the WHTI; scenario 2 forecasts travel with a WHTI passport requirement; scenario 3 builds on scenario 2 by including the effects of substituted domestic travel.

Table 2: Forecast Impact of Western Hemisphere Travel Initiative (WHTI) Passport Requirement on Canadian Travel Receipts and Volume, 2005-2008 (cumulative)

	Scenario 1: Base Case	Scenario 2: WHTI Passport Requirement	Scenario 3: WHTI Passport Requirement With Substituted Domestic Travel
Travel Receipts:			
Travel receipts (CAN\$ millions)	53,255	51,500	51,630
Decrease from base case (CAN\$ millions)	0	-1,755	-1,625
Decrease from base case (%)	0.0%	-3.3%	-3.1%
Travel Volume:			
Travel volume (thousands of person-trips)	183,520	175,788	176,910
Decrease from base case (thousands of person-trips)	0	-7,732	-6,611
Decrease from base case (%)	0.0%	-4.2%	-3.6%

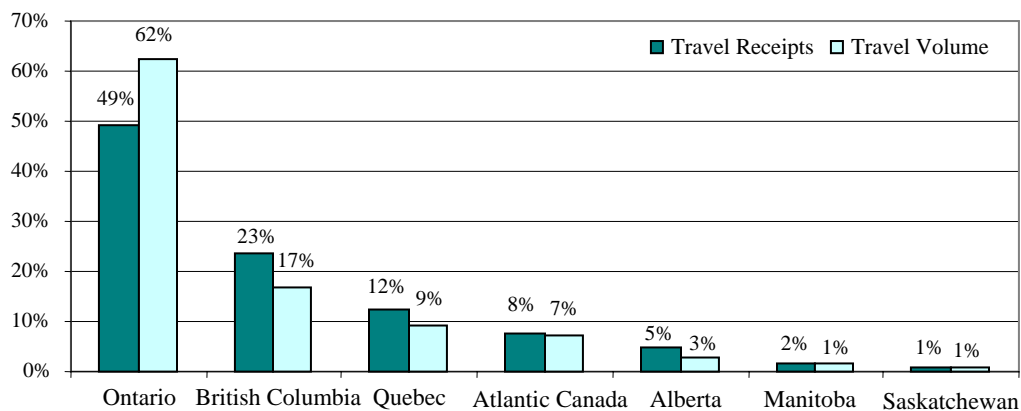
Source: Canadian Tourism Commission (2005). Some calculations by the Library of Parliament.

(12) The TRIP model is used to assess the impact of external and policy shocks on the tourism industry. The Conference Board of Canada’s analysis using the TRIP model was conducted when the WHTI was scheduled to be implemented in three phases, beginning on 31 December 2005.

The impact on travel receipts and volume is expected to increase each year as the WHTI is phased in. According to the analysis in the Conference Board report, Canada would experience an estimated cumulative reduction of more than 7.7 million inbound person-trips and nearly \$1.76 billion in tourism export receipts between 2005 and 2008 if the United States were to impose a passport requirement under the WHTI. Accounting for the extent to which the additional cost and inconvenience of obtaining or renewing a passport may result in Canadians choosing to substitute domestic travel for travel to the United States reduces the estimated cumulative losses to about 6.6 million person-trips and nearly \$1.63 billion in travel receipts over the 2005-2008 period. In terms of traveller profiles, same-day pleasure travellers are expected to be the most affected by a passport requirement, and overnight air business travellers the least affected, in part due to the substitutability (or lack thereof) of their respective travel destinations.

Figure 1 illustrates how the forecast net loss in travel receipts and volume would be distributed among Canadian regions. Ontario is expected to be most affected by a passport requirement, followed by British Columbia, Quebec and Atlantic Canada. The figures for Ontario demonstrate that all travellers are not equal: the province is forecast to experience approximately 62% of the total reduction in travel volume, but 49% of lost travel receipts, in part because of the province's comparatively larger decline in same-day visitors who typically spend less during their trips to Canada.

Figure 1: Forecast Net Decrease in Canadian Travel Receipts and Volume, by Province/Region as a Percentage of Canadian Total, 2005-2008 (cumulative)



Source: Canadian Tourism Commission (2005), Tables E3 and E6, pp. 31-32.
Figure prepared by the Library of Parliament.

The Conference Board report also considered the impacts of a WHTI passport requirement on Canadian travel to the United States, estimating a cumulative reduction of nearly 3.5 million person-trips (2.2%) and CAN\$785 million in U.S. travel receipts (1.5%) between 2005 and 2008.

U.S. Executive Order 12866 requires regulatory analysis for all significant regulatory actions and more sophisticated analysis for “economically significant” regulatory actions – primarily those with an annual impact on the economy of at least US\$100 million – before publication of a formal Notice of Proposed Rulemaking in the U.S. *Federal Register*.⁽¹³⁾ Some stakeholders have been lobbying the U.S. Office of Management and Budget to have the WHTI designated an economically significant regulatory action in order to require a full economic analysis. Such an analysis would provide information on whether the benefits of the measure are likely to justify the costs, as well as the most cost-effective means of implementation.

ADVANCE NOTICE OF PROPOSED RULEMAKING

A 60-day public consultation period concerning the WHTI was launched on 1 September 2005 with the publication of an Advance Notice of Proposed Rulemaking in the U.S. *Federal Register*.⁽¹⁴⁾ Interested parties were specifically invited to comment on: acceptable alternative documents to passports; the economic impacts (both costs and benefits) on governments, businesses and individuals; alternative methods of complying with the legislated mandate; and the proposed implementation schedule.

On 31 October 2005, the Government of Canada submitted an official comment regarding the WHTI, proposing to:

- partner with the United States to keep the border working for legitimate travellers and trade;
- strengthen passport-issuance processes and increase the engagement of states and provinces in identity authentication;

(13) Regulatory impact analysis for economically significant rules must comply with the U.S. Office of Management and Budget’s Circular A-4 (see <http://www.whitehouse.gov/OMB/circulars/a004/a-4.pdf>).

(14) U.S. Customs and Border Protection, U.S. Department of Homeland Security, “Documents Required for Travel Within the Western Hemisphere,” Proposed Rules, *Federal Register*, Vol. 70, No. 169, 1 September 2005, <http://a257.g.akamaitech.net/7/257/2422/01jan20051800/edocket.access.gpo.gov/2005/pdf/05-17533.pdf>.

- jointly identify and assess the best options for passport alternatives at land border crossings, including through the use of live pilot projects; and
- work with the United States to produce binational recommendations on documentary requirements and how they will be implemented.⁽¹⁵⁾

The submission noted the Canadian federal government's concern that "the work required may not be completed within the established timeframe, given the complexity and magnitude of the work to be completed and the need to develop new technologies to support the solutions eventually selected" and its desire to "take the time required to get this right."

The U.S. departments of State and Homeland Security are expected to issue final rules on air and sea borders in 2006 and on land borders in 2007.

CONCLUSION

While implementation of the WHTI is scheduled to begin on 31 December 2006, certain implementation issues – including the identification and introduction of acceptable passport alternatives – remain unresolved as of May 2006. Regardless of the specific documentation requirements, it is likely that the WHTI will have economic impacts given the level of transborder traffic between Canada and the United States. A full economic analysis would enable policymakers to consider the potential security benefits and economic costs of the WHTI and to identify the most cost-effective means of achieving security goals.

(15) Government of Canada, "Official Comment of the Government of Canada: Advance Notice of Proposed Rulemaking Western Hemisphere Travel Initiative," News Release, 31 October 2005, http://www.dfait-maeci.gc.ca/can-am/main/right_nav/whiti_comment-en.asp. Other submissions from Canadian groups regarding the WHTI are available on the Department of Foreign Affairs and International Trade Web site (see http://www.dfait-maeci.gc.ca/can-am/main/right_nav/whiti_submissions-en.asp).

APPENDIX A

WESTERN HEMISPHERE TRAVEL INITIATIVE

(Source: U.S. Customs and Border Protection, U.S. Department of Homeland Security, "Western Hemisphere Travel Initiative Documentation Matrix," current as of 04/05/2005)

WESTERN HEMISPHERE TRAVEL INITIATIVE

CURRENT AS OF 4/5/05

Document Name	Purpose	Groups Affected	Processing Time	Cost	Party Issuing Document	Document Validity
U.S. Passport	Identity and nationality travel document	U.S. citizens	6-8 weeks for normal process, 2 weeks for expedited process	16 years and older – \$97; under 16 years – \$82; expedited process – additional \$60	U.S. Department of State	16 years and older – 10 years; under 16 years – 5 years; Official passport – 5 years
Canadian Passport	Identity and nationality travel document	Canadian citizens	20 working days	Issued in Canada – C\$87; issued in U.S. – C\$97; issued elsewhere – C\$100	Passport Canada, an agency of Department of Foreign Affairs and International Trade	24-page passport for 16 years or older – 5 years
Border Crossing Card (BCC)	BCC replaces passport and visa for re-entry to U.S. from Western Hemisphere	Mexican citizens (optional travel document but widely used)	Approximately 4-5 weeks	Under age 15 years, with parent – \$13; age 15 years and older – \$100	U.S. Department of State	10 years
NEXUS U.S. / Canada Border	Facilitation of secure travel	U.S. citizens, Canadian citizens, and legal residents of both (3 years residence in last 5 years)	2 months from application process to issuance of card (includes background checks/fingerprinting and personal interview)	US\$50 – fee every 5 years	U.S. Customs and Border Protection and the Canada Border Services Agency	5 years or until the expiration of required entry document
FAST Commercial Vehicles	Facilitation of secure travel	U.S. citizens, Canadian citizens, Mexican citizens and legal residents of all 3 countries	2 months from application process to issuance of card (includes background checks/fingerprinting and personal interview)	US\$50 – fee every 5 years	Fast (North): U.S. Customs and Border Protection and the Canada Border Services Agency. Fast (South): U.S. Customs and Border Protection	5 years or until the expiration of required entry document

Document Name	Purpose	Groups Affected	Processing Time	Cost	Party Issuing Document	Document Validity
SENTRI U.S. / Mexico Border	Facilitation of secure travel	U.S. citizens, Canadian citizens, Mexican citizens and legal residents of all 3 countries	2 months from application process to issuance of card (includes background checks/fingerprinting and personal interview)	US\$129 fee for initial 2 years and US\$105 for every 2-year renewal	U.S. Customs and Border Protection	2 years
Lawful Permanent Resident (LPR) Card (I-551)	Identification and confirmation of LPR status; replaces visa for re-entry to U.S. if absent less than 1 year	Persons who have LPR status of the United States	Varies, up to and exceeding 1 year currently	Fee for I-90 application is US\$185	U.S. Citizenship and Immigration Services	10 years
Refugee Travel Document	Foreign nationals in refugee or asylee status in the U.S. to be able to return to the U.S. after traveling abroad; foreign nationals who once were refugees or asylees in the U.S. to be able to return to the U.S. after traveling abroad	Foreign nationals in refugee or asylee status in the U.S.; foreign nationals who once were refugees or asylees in the U.S.	Varies	Fee for I-131 application is US\$165	U.S. Citizenship and Immigration Services	1 year if issued within the U.S.; 2 years if issued outside of the U.S.
Re-entry Permits	Identification and confirmation of lawful permanent residence status for persons out of the U.S. 2 years.	Lawful permanent residents who have been absent from U.S. for greater than 1 year but less than 2 years.	Varies	Fee for I-131 application is US\$165	U.S. Citizenship and Immigration Services	2 years

APPENDIX B

SELECTED RESULTS OF A FEBRUARY 2006 ZOGBY INTERNATIONAL TELEPHONE POLL OF AMERICANS AND CANADIANS REGARDING PROPOSED BORDER REGULATIONS

- 34.5% of American non-passport holders and 29.2% of Canadian non-passport holders say they will be less likely to cross the shared border if they need a passport or other secure document to do so.
- The likelihood of Americans and Canadians purchasing a border identification card that would enable them to cross only at the U.S.-Canada border is:

Likelihood	Americans	Canadians
Unlikely	68%	54%
Somewhat likely	18%	23%
Very likely	7%	19%

- Of American non-passport holders, less than 9% say they would be very likely to purchase a border identification card that would enable them to cross only at the U.S.-Canada border.
- About 49% of American non-passport holders and more than 30% of Canadian non-passport holders are not willing to pay for a new border identification card that would enable them to cross only at the U.S.-Canada border. 29.6% of American non-passport holders say they would be willing to pay less than \$25; 57% of Canadian non-passport holders say they would be willing to pay between \$25 and \$50.
- Approximately 68% of Americans and about 70% of Canadians believe that a passport or current driver's licence is sufficient identification to cross the shared border.

Notes: Telephone poll of 1,214 likely U.S. voters in 11 American states (10 border states, plus Wisconsin) and 502 randomly selected, general population Canadians. The margin of error is +/-2.9 percentage points for the American results and +/-4.5 percentage points for the Canadian results.

Source: *Survey of U.S. Border State Voters and Canadians about New Border Regulations*, Submitted by Zogby International to the Business for Economic Security Tourism and Trade (BESTT) Coalition.