

COMMENT SUBMITTED BY THE GOVERNMENT OF BRITISH COLUMBIA

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Introduction

This submission provides information on the potential impacts on British Columbia of the implementation of Section 7209 of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA). The proposed requirements for secure documentation under the Western Hemisphere Travel Initiative (WHTI) will have significant adverse effects on cross-border tourism, transportation, trade and education links between British Columbia and neighbouring U.S. states. As British Columbia prepares to host the 2010 Olympic and Paralympic Winter Games in Vancouver, the proposed requirements raise concerns about border-related congestion and additional impacts on cross-border economic activity in conjunction with the 2010 Olympics.

Tourism Impacts

The proposed regulations will have a significant impact to British Columbia's tourism industry at a time when the North American tourism sector as a whole is struggling to overcome hurdles of recent years (September 11, SARS, natural disasters). Recent figures already show a decline of 3.4 percent between January and June 2005 compared to the same period last year. The Council of Tourism Associations of British Columbia (COTA) believes that poor communication by the media or misunderstanding by travel agencies may have contributed to a decrease in travel. Many thought the new requirements were already in effect.

The Canadian Tourism Commission (CTC) estimates a loss of 7.7 million visits from the U.S. by the end of 2008, with a gross shortfall of \$1.7 billion in international export receipts to Canada. This survey also looked at the impacts from the U.S. tourism perspective and found there would be a similar negative impact on the United States. **The WHTI rules would result in an estimated cumulative loss of nearly 3.5 million outbound trips from Canada to the United States, and reduce U.S. travel payments by \$785 million between 2005 and 2008. The impact is likely to increase after 2008.** The CTC used the Conference Board of Canada's Tourism Risk Impact Projection model to quantify the potential impacts.

The CTC report found that British Columbia is one of the two provinces within Canada facing the highest economic impact, estimating cumulative losses of \$403 million between 2005 and 2008. For British Columbia, about 72 percent of overnight entries are from the United States (Total for 2004 was 3.5 million). With many travelers reluctant to take the next step of obtaining secure documentation, including a passport, making use of existing enhanced documents would be of great benefit to both countries.

The CTC report concluded that a large proportion of cross border travel involves travelers who do not hold passports. For these travelers, the requirement to get a passport due to costs and convenience will deter their travel. A survey conducted on passport possession found that only 34 percent of United States residents hold passports compared to 41 percent of Canadians (aged 18 and over), and supports the projection there will be an impact from the proposed passport requirement.

Although the CTC report concluded pleasure travel to receive a greater impact over business travel, there is some evidence that conventions involving cross-border travel will be negatively impacted by the proposed rules. A recent sampling of major hotels and tourism industry groups found that event organizers are raising this as an issue for booking conventions. One corporation headquartered in the United States reconsidered Vancouver as a location for its 2010 convention specifically due to the proposed passport requirements. Several others are also debating locating their conventions in British Columbia in part due to difficulties in bringing exhibits through customs, together with the proposed passport rules.

Transportation impacts

The passport requirement will result in the need for many millions of additional passports to be issued to accommodate cross-border commercial and pleasure travel between Canada and the U.S. From a transportation perspective (this includes transportation service providers and persons routinely crossing the border on business), **an increase in congestion levels and processing times could occur at the border and at pre-clearance points due to Canadian and U.S. citizens not being aware of the passport requirement.**

Commercial transportation service providers participate in a competitive cross-border marketplace. **For commercial vehicle operators, employees of transportation service providers who must enter the U.S., and routine business travellers to the U.S., the cost of obtaining and renewing a passport will be an additional cost of doing business.**

Personal use automobile operators and passengers are more likely to experience entry refusal to the U.S. due to lack of knowledge of the passport requirement.

Areas likely to be specifically impacted by the proposed new regulations include the following:

Trucking

- The U.S. Department of Homeland Security indicates that the passport requirement may not apply to those truck drivers who carry Free and Secure Trade Program (FAST) credentials. This has yet to be confirmed.
- Regular truck traffic between Canada and the U.S. is probably already taking advantage of expediting tools such as NEXUS and FAST in their border crossings. This would be particularly true for the larger common carriers and in-house fleets carrying regular loads between common destinations.
- Less frequent traffic crossing the border and smaller independent truckers may not be currently using NEXUS and FAST. While the solutions (trucker obtains a passport or other secure identification, customer finds a different carrier, customer sources the product domestically) will have varying impacts, they are likely to have impacts on the smaller trucking operations. They are also likely to have impacts on smaller manufacturers and exporters shipping smaller loads (less than truckload) to numerous locations.

Air

- Passengers traveling by air will also be required to present passports commencing December 31, 2006. This could result in additional delays and costs at airports.

Marine

- Scheduled marine passenger services to the U.S. from British Columbia are limited to the ferry services originating in downtown Victoria and Sidney, and terminating in Port Angeles, Bellingham, Seattle or Anacortes, and the Alaska-Prince Rupert passenger ferry service. Passenger using these services will be required to present passports when entering the U.S. commencing on December 31, 2006.
- Cruise service passengers originating in B.C. and disembarking in the U.S. are treated similarly.

Private vehicles

- Passengers of private vehicles will be required to present passports when entering the U.S. commencing on December 31, 2007.
- The U.S. Department of Homeland Security indicates that the passport requirement may not apply to those drivers who carry NEXUS credentials. This has yet to be confirmed.

Border crossing infrastructure

- The passport requirement could, at least initially, result in border delays where truckers and drivers/passengers are not aware of the requirement and are not permitted to enter the U.S.

Trade Impacts

While the services sector of exports and imports will likely be most affected by the rule, there will also be an impact on the flow of goods where those goods are accompanied by an individual across the border.

The proposed passport requirements for Americans returning home and for Canadians entering the U.S. impacts three of the four General Agreement on Trade in Services (GATS) modes for providing services in other countries:

- Cross border supply of services where the services flow from one territory to another (e.g. trucking of goods across the border where the driver needs a passport).
- Consumption abroad where a consumer travels to another territory to consume a good (e.g. tourists from both the U.S. and Canada).
- Presence of Natural Persons entering another territory to supply a service (e.g. doctors or other professional providing a service in another territory).

The United States accounts for most of British Columbia's international service exports of \$10 billion and imports of \$7 billion. **Impacts to this sector will most likely show up in travel and transportation values but also in computer, management, information, technical and engineering services.** Both exports and imports are expected to be impacted.

Any amount of disruption caused by the passport requirement is likely to have a significant impact on the movement of goods between Canada and the U.S. in both directions. **In 2002 slightly over \$236 billion (US) in goods were transported by truck between the two countries. This was evenly split between exports to the US of \$117.9 billion (US) and imports of \$118.3 billion (US). The impact on surface travel would be proportionately greater on US trucking** since they place a greater reliance on truck movement into Canada (80.8%) than exporters shipping out of Canada (60.3%).

The passport requirement will have an impact on business travel both ways. While seasoned business travelers may be more likely to carry passport identification than the average person, it is likely that there is still some impact for both Canadian and American business travelers. US business travel to Canada amounted to 1.96 million person trips with total spending of \$1.58 billion. Conventions (probably the most vulnerable segment) accounts for 29% of the trips while meetings accounted for 58%.

British Columbia accounts for approximately 18% of the business trips, with Vancouver accounting for 16% on its own. This represents a provincial market of \$284.4 million which will be impacted. While the frequent business traveler is more likely to carry a passport and thus be unaffected, the once or twice a year conventioner

may be likely to forgo the out of country convention rather than go through the inconvenience and expense of obtaining a passport.

An example of possible market-distorting impacts of the proposed rule is in the agriculture sector where border congestion and delays could result in potential disruption to demand and supply flows of goods. This would particularly affect those who deal with perishable products and who would be especially sensitive to border delays. For instance, flower auctions are held 3 days each week in British Columbia and some US buyers come across the border each day, some for part of the week, and some come only seasonally. About 30 to 50 US buyers come to British Columbia in one week to these auctions. As a direct result of these trips, approximately \$10 - \$15 million in goods (flowers) is sold to the United States annually. US salespeople (representing seed growers and equipment companies, among others) also come to trade shows and on tours in British Columbia to bring information about technology that is important for BC growers to remain competitive. According to industry experts, these buyers and salespeople are unlikely to hold passports and their cross-border economic activity would be affected by the new requirements.

Economic activity most likely to be affected by the new rules would include:

- American independent truckers and smaller operators (likely to lose business to larger operators);
- Canadian independent truckers (less impact than on US counterparts because they are more likely on average to hold a passport);
- Small to medium manufacturers and exporters on both sides of the border (usually shipping smaller quantities to diverse customers are likely to face increased costs);
- American business travelers (more so than Canadians);
- Canadian business travelers;
- Canadian and U.S. conventions and facilities (more than American counterparts);
- American professionals providing cross border services;
- Canadian professionals providing cross border services (less so than American counterparts because of greater flow of Americans and passport rate);
- Americans living in border states who cross on a regular basis to conduct business;
- Border communities in proximity of either side of the border.

Education impacts

The new WHTI requirements would impact U.S. students in British Columbia's universities and colleges, British Columbia students in U.S. institutions, and other joint educational activities such as nationals of either country travelling to conferences, engaging in joint research activities requiring cross-border travel and other similar activities.

During the 2003/04 academic year, approximately 1300 international students came from the United States to study at BC public post-secondary institutions, including over 400 graduate students. This count included exchange programs as reported by the institutions.

In the academic year 2003/04, there were 27,017 students from Canada studying in the United States. This moves Canada from the sixth to the fifth-leading place of origin for students in the United States. Based on British Columbia's 13% share of the Canadian population, it is estimated that **British Columbia sends approximately 3,500 students to the U.S.** (13% of the 27,017 Canadian total).

The impact of the proposed regulations would be an irritant and an additional barrier for those individuals affected. This is occurring at the very time when British Columbia and neighbouring states are encouraging greater cross-border linkages in the area of high education. The academic community can be very sensitive to artificial barriers on the free movement of ideas and the individuals carrying those ideas. As an additional burden, it could dissuade some students from either side of the border from coming to study in either public or private institutions, diminish participation in international academic conferences and dissuade some joint research projects and other joint educational activity. There would be additional related economic impacts such as diminishing cross-border travel by parents and spending in local communities by students and exchange faculty.

In addition, students from Point Roberts, Washington, who are U.S. citizens and need to travel regularly to and through British Columbia would be impacted by the new passport requirements.

Anticipated costs of new document requirements

Factors that decrease likelihood of holding a passport are the cost and ease of obtaining one. Estimated costs to obtain an adult United States or Canadian passport currently range from \$80 to \$100, and for a family of four (up to \$400) can be prohibitive and discourage any travel that requires a passport. Anticipating long waits at passport offices to process an application and long time frames in receiving a passport may also discourage travelers in both countries. With administrative changes that make getting a passport or other secure document easier would ease the transition.

Increased security concerns have contributed to line-ups and border crossing waits. Introducing a secure document should address ways to allow for pre-clearance for low-risk travelers and to reduce line-ups. New technology should be incorporated into a card such as NEXUS that establishes citizenship and identity by embedding biometric identifiers.

However, the implementation of the NEXUS program has created other problems due to its complicated pricing structure. Different cards are issued for different jurisdictions and different modes of travel. The cost structures are different for each of these and the cost can range from US\$50 for a five-year period for land border crossings in British Columbia to more than US\$80 for NEXUS air, for one-year. Because each family member must apply separately, the costs in time and money make it a less attractive

option. Thus if NEXUS is to be considered as a cost-effective alternative, it is suggested that the program be improved to address its shortfalls.

With the U.S.-VISIT program, a visitor's biometric and biographic information is gathered prior to the visit and used at the border to confirm that the person who applied for entry is the same person. Five test locations are currently being used to test Radio Frequency Identification Technology (RFIT) to allow for an automated entry-exit system at the land borders. There is support for the U.S.-VISIT program, but it is too soon to determine the impact on tourism. Some individuals are concerned with the US-VISIT program due to the technology used and the issue of privacy protection. Also, this program does not apply to the majority of Canadians visiting the United States or to Americans visiting Canada. The basic concept of a card that uses RFIT could be used as a methodology. Costs associated with implementing an RFID card are not known.

Alternative methods of complying with the legislation

The Province of British Columbia strongly recommends that there is a need for efficient border flows, pre-clearance for low risk travelers, and low-cost, easily acquired secure documents. British Columbia has been actively encouraging Canada and the United States to work closely together on the shared objectives of greater border security and facilitation of legitimate trade and travel. The Security and Prosperity Partnership (SPP) process launched by U.S. President George W. Bush, Canadian Prime Minister Paul Martin and Mexican President Vicente Fox is an important initiative in this regard.

In the review of the proposed rules, consideration should be given to enhancing existing documents to ensure they meet the definition of "alternate secure documentation." Examples of these documents could include existing drivers licenses or birth certificates, provided they complied with the United States *Real I.D. Act*, 2005. Many individuals who are unwilling to obtain passports may find it acceptable to use other documents that are multi-purpose.

Consideration should be given to documents such as drivers' licenses and birth certificates as suitable documents, with required enhancements in the following order of priority:

1. A type of card similar to the one used in the NEXUS program with changes to streamline pricing structure, jurisdiction and mode of travel;
2. A card similar to the US-VISIT Card with its use of biometric identification and biographical information that uses RFIT to allow to decrease times spent at land border crossings; or
3. New drivers' licenses that contain biometric identification to confirm citizenship and identity.

Any new rules need to be implemented with minimal impact to both countries, taking into consideration the interests of all travel and commerce crossing the shared border. Serious consideration should be given to introducing one secure card or document that is applicable all over North America and can be used for all modes of travel (air, land, and

water). It is recommended that measures be implemented to make this card easy to obtain, be a reasonable cost and contribute to reducing wait times while crossing the border.

Potential impacts on longstanding treaty-enabled First Nations travel across the Canada-U.S. border should also be addressed and clearly communicated prior to implementation of the proposed regulations.

Proposed stages of implementation of requirements

Recognizing that Section 7209 of IRTPA directs the Secretary of Homeland Security, in consultation with the Secretary of State, to develop a plan relating to the new requirements as expeditiously as possible and to implement this plan no later than January 1, 2008, the Departments of Homeland Security and State are urged to ensure that changes to existing regulations are introduced at a time that: (a) allows sufficient time for travelers, operators and passport or secure document administrators to adjust to and prepare for the change; and (b) brings about all changes on one date to avoid confusion between air/water and land crossings.

Associated with the introduction of the new rules, the United States should design and implement a communication plan that addresses three issues: (a) confirm current cross border document requirements; (b) advertise changes to make travelers aware of the new rules, the effective date of the new rules and how they can apply for required documents; and, (c) encourage people to start applying for passports or secure documentation in the interim.

Sufficient lead time and planning by travelers, government departments and agencies should be provided to ease transition to the new policies. This phase-in period should reflect the need for education and communication to avoid confusion for travelers.

Thank you for this opportunity to provide these comments. For further information, please contact:

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