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WHTI, the Recession, and Cross-Border Travel

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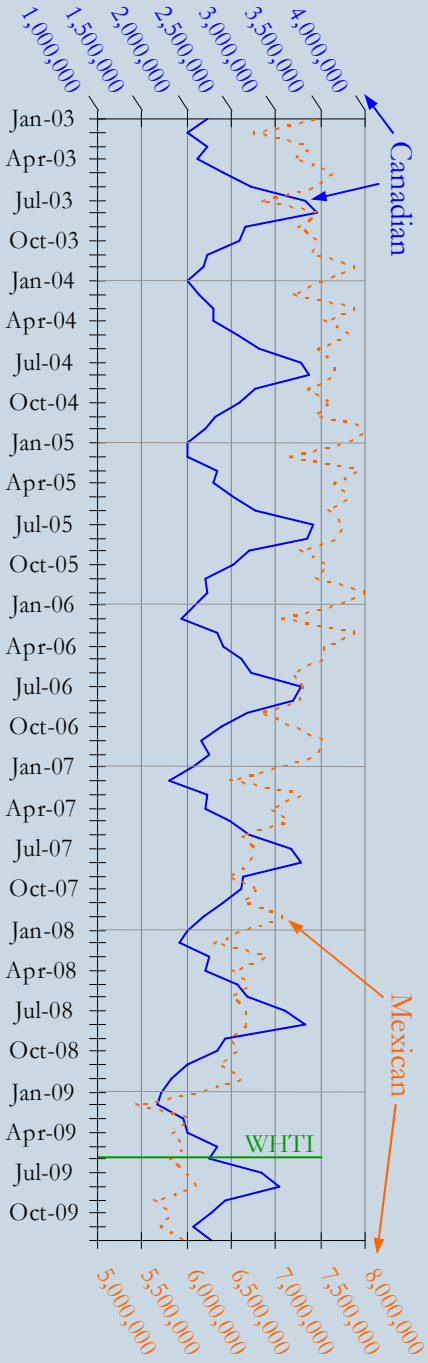
Monthly US-Bound Car Traffic Across Canadian and Mexican Borders[1]



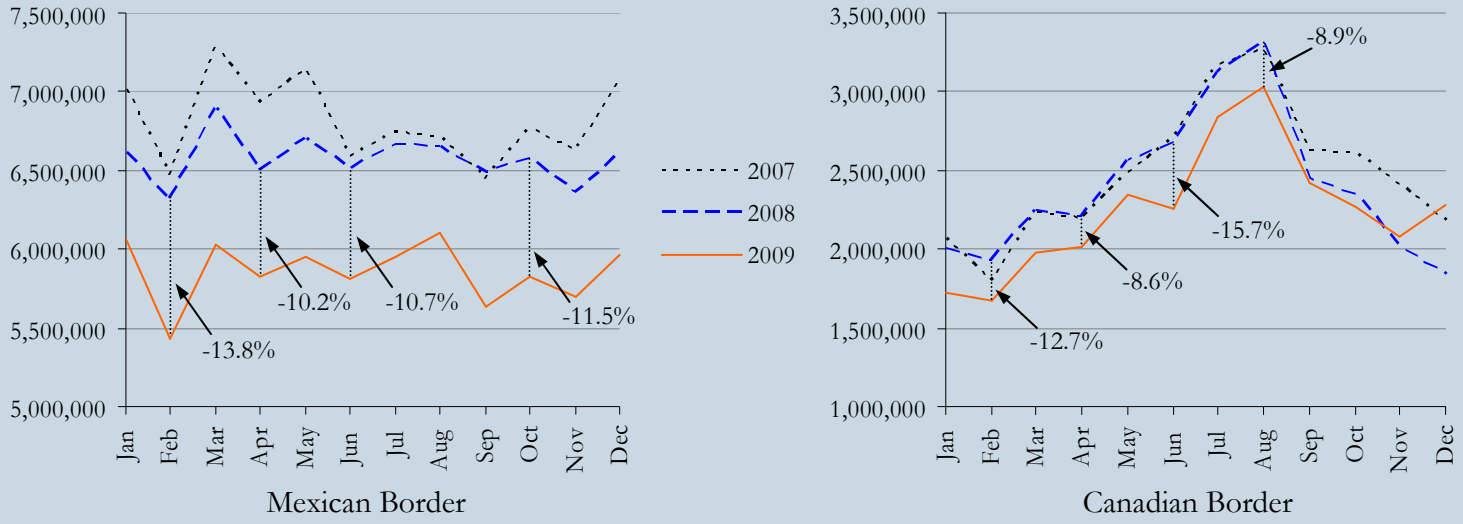
A year has passed since final implementation of the Western Hemisphere Travel Initiative (WHTI, the so-called passport law), and almost two years have passed since the economic "meltdown" of late 2008. Each of these events would be expected to have an impact on cross-border travel. This article looks at recent cross-border travel trends, seeking to understand the impacts attributable to the two events. While our usual focus is the Canada – US border, trends at the Mexico – US border are also examined here, as the two borders have exhibited differing patterns in recent years, and the differences are instructive.

The sidebar figure plots the monthly number of cars entering the US across each of the two land borders over the past seven years. Note that each of the plot lines has its own scale. Traffic volumes at the Mexican border have historically been over twice as great as those at the Canadian, so a scale offset has been used in order to superimpose the lines for easier comparison. The unit-dimensions of each scale are identical, though, so trends and seasonal peaks are directly comparable.

Seasonal Variations and Overall Trends. Canadian-border traffic exhibits a much greater degree of seasonal peaking than does Mexican. Like clockwork, the Canadian traffic reaches a peak in either July or August and then ebbs to a low-point in February. Summer peaks are consistently 65 to 75 percent higher than winter lows (e.g., 3.4 million in summer vs. 2 million in winter). Only in the final 15 months of the graph is the pattern broken, when both the winter low and the summer peak are well short of prior year levels. It is hard to discern any overall trend in traffic levels other than the decrease seen in those final months.

Mexican-border traffic has a more jagged look, exhibiting many small peaks each year and oscillating within a narrower range. Even the largest oscillations (e.g., 8 million in December 2005 to 7 million in February 2006) are on the order of only 15 percent of the baseline. While the peaks at first seem random, closer examination reveals a pattern. A peak occurs each year in the November/December timeframe, followed by a February low-point and a March rebound. An overall trend can be discerned—traffic gently climbs to a high point in late 2004 and then declines in the following years. Overall traffic levels in 2009 are about 23 percent lower than in 2005 (i.e., 5.8 million vs. 7.6 million).

Figure 1. Year-Over-Year Traffic, 2007-2009[1]

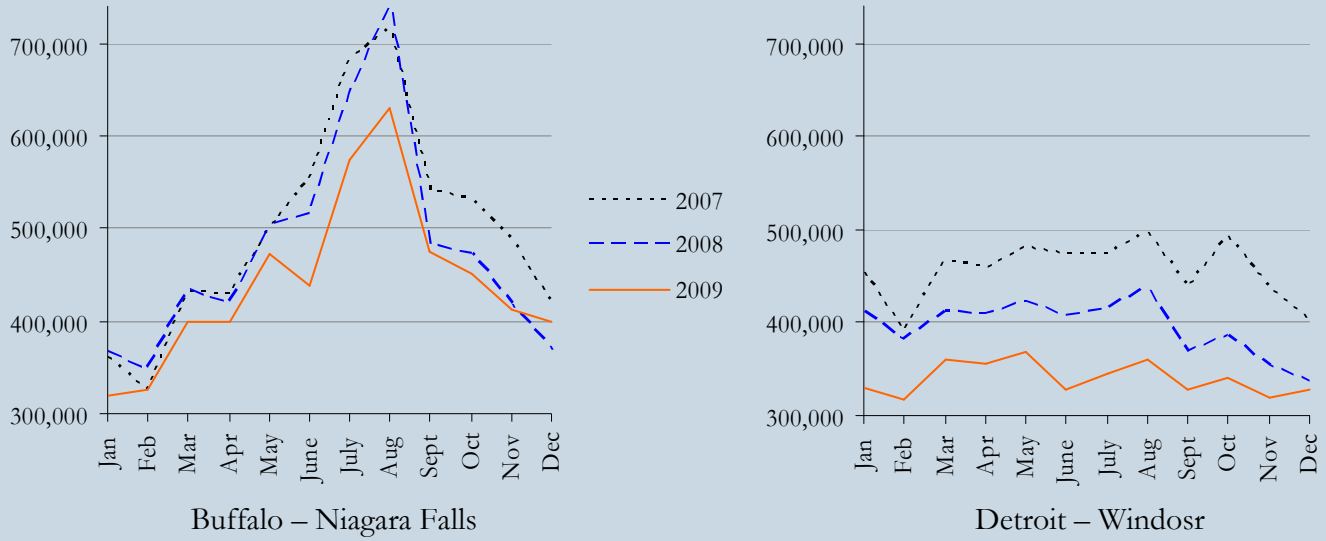


Mexican Patterns. The trends discussed above are sensible when viewed within the context of the distinct near-border cultures and economies that pertain at the southern and northern borders. At the Mexican border there is a well-known pattern of "paired cities," with each pair supporting a strong cross-border cultural and economic fabric. In its Regulatory Assessment of WHTI, DHS describes the patterns of travel that are prevalent within these border-straddling urban regions.[2] Typically 65 to 80 percent of the trips are made by Mexican residents, with shopping being by far the most frequent purpose. Significant numbers of the US residents (both citizens and noncitizens) are of Mexican heritage and have family connections in Mexico. These cross-border ties result in travel purposes such as family visits, church, medical appointments, and social recreation. In addition, work-related cross-border travel is common. The Mexican *maquiladora* program, dating from the 1960s, has led to the development of hundreds of near-border manufacturing facilities that are linked to parent companies in the US. Such facilities often have some staff (e.g., management, engineering) who are US citizens that commute to work from homes north of the border. In addition, many Mexicans have secured permission to work within the near-border region of the US.

The above-described purposes of travel—shopping, work, family visits—have a relatively high inherent frequency and low inherent seasonality, and the pace of the cross-border bustle is actually linked to the level of overall economic activity. A graph of real growth in the GDP of the US from 2003 through 2009 demonstrates the same overall trend as observed for Mexican-border traffic: a climb to a peak in 2004, followed by a decline that is gentle at first, but precipitous by the time of the 2008 economic meltdown.[3] Superimposed on this underlying trend is the holiday season (November/December peaks), which generates tourism-related and family/social/shopping travel. The February low-point represents a post-holiday lull.

Figure 1 contains a year-over-year graph of the Mexican-border traffic data, with some highlighted measurements of comparable-month changes from 2008 to 2009. Overall, the graph shows the manner in which traffic declined from 2007 to 2008 and plummeted from 2008 to 2009. No real recovery is seen throughout 2009, with the comparable-month declines persistently in the range of 10 to 14 percent. The 10.7 percent decline seen in June 2009, the month following final implementation of WHTI, is not unusual in comparison to other months. Factors such as the swine-flu scare and the rise in borderland violence undoubtedly contributed to the swoon in 2009 traffic. The manner in which the pattern of peaks and valleys is identical in successive years is intriguing, and research that produced an explanation of each of the peaks and valleys would be valuable.

Figure 2. Northern Border Examples[1]



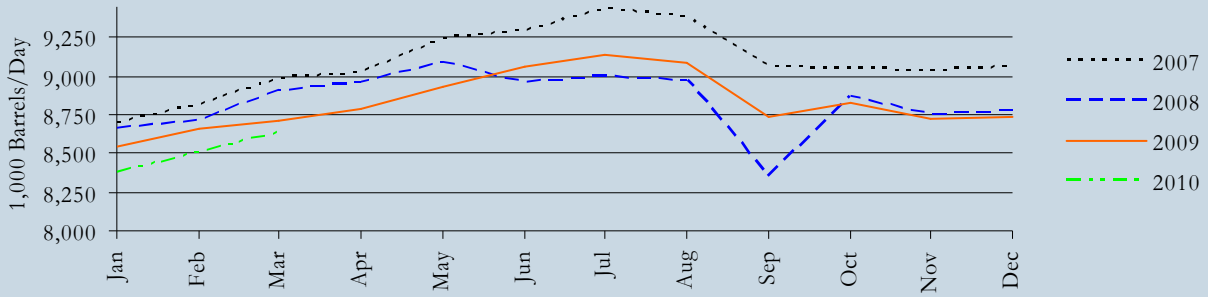
Canadian Patterns. Different patterns of development are found along the Canada – US border. An overwhelming proportion of Canadian residents live within 100 miles of the US border, but rarely within a "paired city" pattern. Major cities are typically located 30 to 80 miles from the border (e.g., Fredericton, Quebec, Ottawa, Montreal, Toronto, London, Winnipeg, Vancouver), and although Canadian industries have strong economic links to US markets, the linkage is in the form of goods flows rather than workforce commutes. The US is a popular travel destination for residents of these near-border cities, but not necessarily for purposes that are interwoven into daily life. Vacation travel and occasional same-day shopping trips are notable travel purposes. Along most of the border's breadth there is no corresponding collection of major American near-border cities. Much American cross-border travel therefore originates at some distance from the border, and many such trips, again, are vacation-related.

Vacation travel and same-day recreational travel are trip purposes that are less frequent and more seasonal than the purposes prevalent in the paired-cities model, and the summertime peaks observed in the graph of Canadian-border traffic are a reflection of this reality. Recreational and vacation travel are also highly discretionary, so factors such as exchange rates and general economic conditions can be expected to influence the volume of travel. Although the graph on page 1 shows no marked trend in the pre-meltdown period, total traffic declined by about 1 percent each year from 2004 through 2007, reflecting the slowing pace of economic growth in that period.

Figure 2 shows year-over-year data for two major crossings on the northern border, chosen for their dissimilar patterns. Detroit-Windsor, the region on the northern border that arguably is most similar to the paired-cities model (i.e., with sizable cities present on each side of the border, and with a strongly integrated auto-manufacturing economy), exhibits a pattern quite like the one observed in Figure 1 for Mexican traffic. In contrast, Buffalo shows a pattern similar to that of Canadian-border traffic as a whole (see right half of Figure 1), and most major northern ports exhibit that pattern, including Blaine, Champlain, Port Huron, Portal, Sweetgrass, and Pembina.[4]

WHTI or Recession? The year-over-year graph of Canadian-border traffic (Figure 1) reveals that traffic held steady prior to September 2008, at which point a decline occurred in response to the economic meltdown. Compared to pre-meltdown conditions, lower traffic volumes persisted through almost all of 2009, with comparable-month declines generally ranging between 8 and 14 percent. An exceptionally large decline of 15.7 percent is present in June 2009, following the WHTI implementation deadline. In fact, as seen in the graph on page 1, 2009 is the *only* recent

Figure 3. Year-Over-Year US Gasoline Usage[5]



year in which traffic declined from May to June. We believe this unusual decline is attributable to WHTI. In the two months preceding June 2009 and the two months following, comparable-month declines were all within the range of 8.4 to 8.9 percent. Comparing those values to June's (-15.7 percent), we believe that WHTI caused roughly a 7 percent decline in overall Canadian-border traffic. The question arises as to whether the WHTI impact persisted beyond June 2009. Figure 3 shows a year-over-year graph of gasoline usage within the US, which provides insight into how the recession has impacted overall automobile usage. As is the case in the border-traffic graphs (Figure 1), there is a gap evident between the plots for 2007 (pre-meltdown) and 2009 (the WHTI deadline year). The gap maintained a steady width throughout 2009, indicating that the overall amount of auto usage was not recovering to pre-meltdown levels. Given that Canadian-border traffic is a subset of overall traffic, and a highly discretionary one at that, the persistently low level of border traffic is likely attributable to the recession, rather than to WHTI.

Final Thoughts. The Canadian and Mexican borders have differing characteristics. Economic dynamics and fundamental patterns of land-use differ, which in turn leads to differing volumes, frequencies, and purposes of travel. There are distinct visa requirements and documentation programs in place at the borders (e.g., SENTRI and Border Crossing Cards in the south, NEXUS and visa-waiver in the north). Such differences will complicate any effort to establish one set of border-management standards and processes for uniform application at both borders.

The recession has led to reduced traffic volumes at both borders, with the greatest decline evident at the Mexican border. The magnitude of this overall decline appears to be much greater than the decline that is attributable to the onset of WHTI, but WHTI nevertheless had an impact, and that impact was most evident at the Canadian border. Reductions in border delays ought to be evident, given the combination of lower traffic volumes and WHTI itself (which held the promise of faster inspections enabled by machine-readable documents). The seasonal peaks and valleys exhibited at the Canadian border may be an impediment to staffing-related efforts to further reduce delay. Year-round staffing adequate to handle the summer peaks would seemingly not be cost effective.

Endnotes

1. Data retrieved from U.S. Bureau of Transportation Statistics at: http://www.transtats.bts.gov/BorderCrossing.aspx
2. See pp. 3-9 – 3-21 of DHS's *Regulatory Assessment for the Final Rule: Documents Required for Travel within the Western Hemisphere* (WHTI Land Regulatory Assessment 4/10/2008), retrievable at: http://www.cbp.gov/xp/cgov/travel/vacation/ready_set_go/whti_bg/ref_mat/
3. E.g., see p. 14 of the CRS report titled *U.S.-Mexico Economic Relations: Trends, Issues, and Implications*, which can be retrieved at: http://www.fas.org/sgp/crs/row/RL32934.pdf
4. See graphs for these ports in our *Border Barometer 2010*, which can be retrieved at: http://www.wwu.edu/bpri/files/2010_Feb_Border_Barometer.pdf
5. Data retrieved from U.S. Energy Information Administration at: http://www.eia.doe.gov/emeu/mer/query/mer_data.asp?table=T03.07C