

Fall 2020

COVID-19 and the US-Canada Border Report 3: Impacts on the Tourism Industry in Whatcom County

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COVID-19 AND THE US-CANADA BORDER

Impacts on the Tourism Industry in Whatcom County

This report is one in a series of briefings on the economic impacts of Canadians and the border, aimed at improving knowledge about how the COVID-19 crisis will impact economic recovery in Whatcom County.

Fall 2020

See full series of Covid-19 Policy Briefings at cedar.wwu.edu/bpri_covid19/

BPRI COVID-19 BRIEFINGS

On February 29th, 2020, the first death from COVID-19 occurred in Washington State. Over the weeks following, both Washington State and British Columbia implemented various efforts aimed at reducing the spread of the virus. On March 14th, B.C. announced closures of many businesses, made recommendations against non-essential travel, and implemented a voluntary two-week self-quarantine on Canadians returning to Canada. Two weeks later, Washington issued a stay-at-home order which went into effect March 23rd. These state and provincial measures aimed at limiting mobility were soon followed by coordinated decisions by the U.S. and Canada to limit cross-border travel. These restrictions, which went into effect on March 21st, placed limits on all non-essential passenger travel between the two countries (via land and sea), while maintaining the flow of commercial cargo.

This report is one in a series of briefings aimed at improving our understanding of how the border and cross-border activities affect various aspects of Whatcom County's economy. This is particularly important when considering economic recovery post-COVID-19, as cross-border volumes may remain relatively low even after border restrictions and stay-at-home orders are lifted. This report highlights how the border restrictions have likely impacted Whatcom County's tourism sector, specifically the hospitality sector. This is the third and final BPRI COVID-19 Briefing.

ABOUT THE BORDER POLICY RESEARCH INSTITUTE

The Border Policy Research Institute (BPRI) at Western Washington University is a multi-disciplinary institute that undertakes research that informs policymakers on matters related to the Canada – U.S. border, particularly in the British Columbia – Washington State region. This report was prepared by Research Analyst Erin Dahlman-Oeth.

KEY TAKEAWAYS

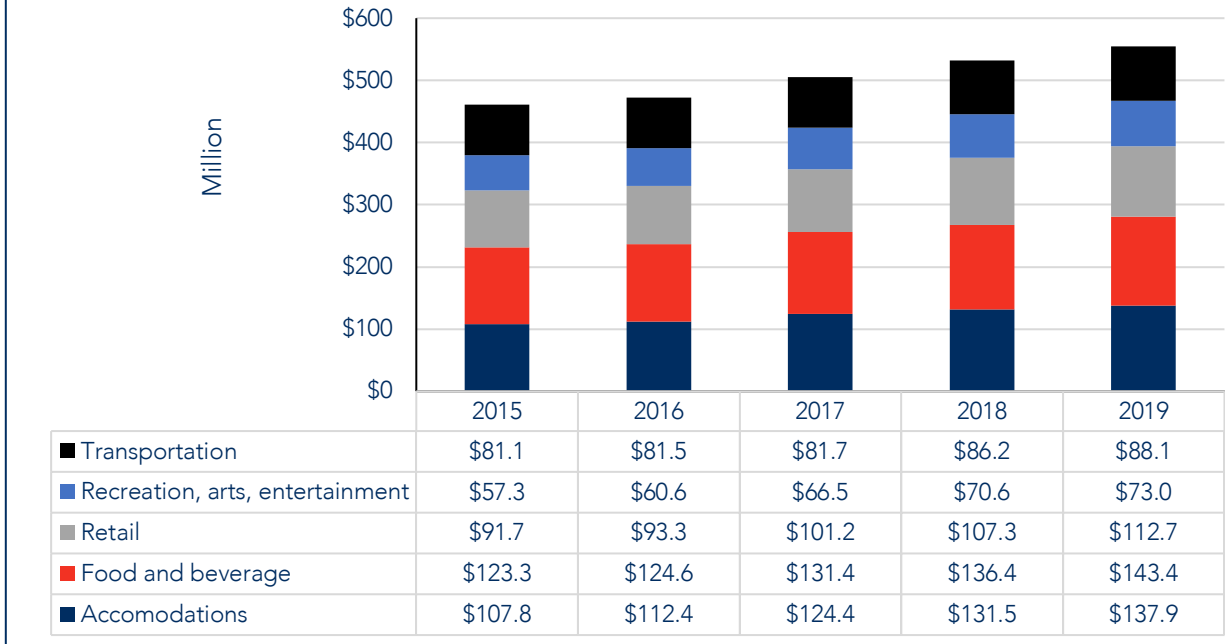
- Whatcom County's hospitality sector, the Bellingham International Airport (BLI), and second-home ownership are all aspects of Whatcom's economy that are affected by Canadians and the border.
- The border restrictions have eliminated essentially all cross-border leisure travel, which typically benefits local hotels under pre-COVID conditions.
- Since the border restrictions were enacted, Whatcom County has lost over 506,000 Canadian tourists compared to a typical year, or approximately 13% of all Canadian passenger travel that might have occurred from late March to September 2020.
- Up to 70% of BLI's enplaned passengers are typically Canadian and the total number of enplaned passengers is down by 70% as of September 2020.
- An estimated 7% of the County's homeowners are Canadians or dual-citizens; border restrictions and the federal quarantine in Canada limit access to Canadian-owned vacation homes or second homes.

INTRODUCTION

Tourism is a key component of Whatcom County's economy and labor market. Bellingham Whatcom County Tourism recently reported that total travel spending in Whatcom County generated \$70.7 million in state and local taxes in 2019, and "each household in Whatcom County would have to pay an additional \$831 in taxes each year were it not for tourism."¹ In 2019, visitor spending totaled \$555 million (Figure 1), and the industry itself supports nearly 5% of the county's jobs. While there is currently no estimate of how much Canadians contribute to the County's tourism market, this report identifies different aspects of the market where Canadians are known to have an impact.

¹ See Bellingham Whatcom County Tourism June 2, 2020 press release, "Newly released Washington State tourism statistics mark stunning decline from Coronavirus between 2019 and 2020," available at [bellingham.org/press-releases/newly-released-washington-state-tourism-statistics-mark-stunning-decline-from-coronavirus-between-2019-and-2020/](https://www.bellingham.org/press-releases/newly-released-washington-state-tourism-statistics-mark-stunning-decline-from-coronavirus-between-2019-and-2020/).

Figure 1. Annual Visitor Spending in Whatcom County (in Millions)



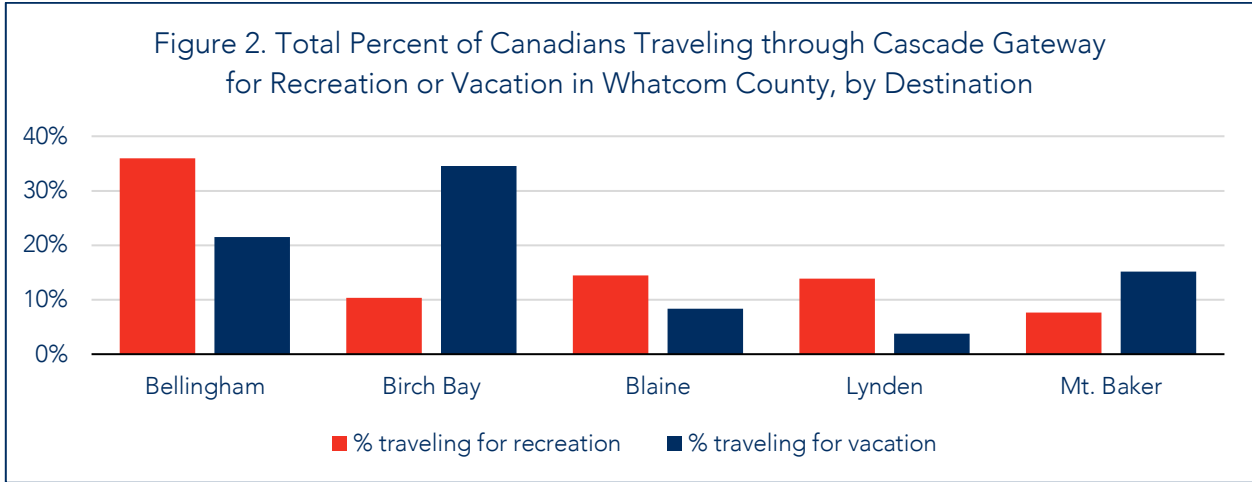
Source: Whatcom Tourism Alliance & Tourism Economics.

Every year, an average of 7.3 million Canadians cross the Canada – U.S. border through the Cascade Gateway, typically outnumbering American crossers three to one.² Previous BPRI COVID-19 Briefings³ have addressed the economic impact of Canadians crossing to shop, purchase gas, and pick up mail in Whatcom County, but many Canadians also cross the border for tourism. According to the International Mobility & Trade Corridor’s Passenger Vehicle Intercept Survey, 27% of Canadians crossing through the Cascade Gateway were traveling for recreation or vacation in 2019, and almost a third of those leisure travelers were destined for Whatcom County.

Most Canadian tourists that recreate and vacation in Whatcom County come from Surrey, Abbotsford, Langley, and Vancouver, with 38% coming from other cities in BC. Popular destinations in the County include Bellingham, Birch Bay, Blaine, Lynden, and Mount Baker, though the popularity of these destinations vary by trip purpose (i.e., multi-day vacation or single day recreation) (Figure 2). For example, Bellingham receives a larger proportion of recreating Canadians (36%) than vacationing Canadians (21.5%), and Birch Bay receives a far larger proportion of vacationing Canadians (34.5%) than recreating Canadians (10.4%).

² Statistics Canada. Table 24-10-0041-01. “International travelers entering or returning to Canada, by type of transport,” available at doi.org/10.25318/2410004101-eng.

³ See BPRI COVID-19 Briefings, available at cedar.wvu.edu/bpri_covid19/.

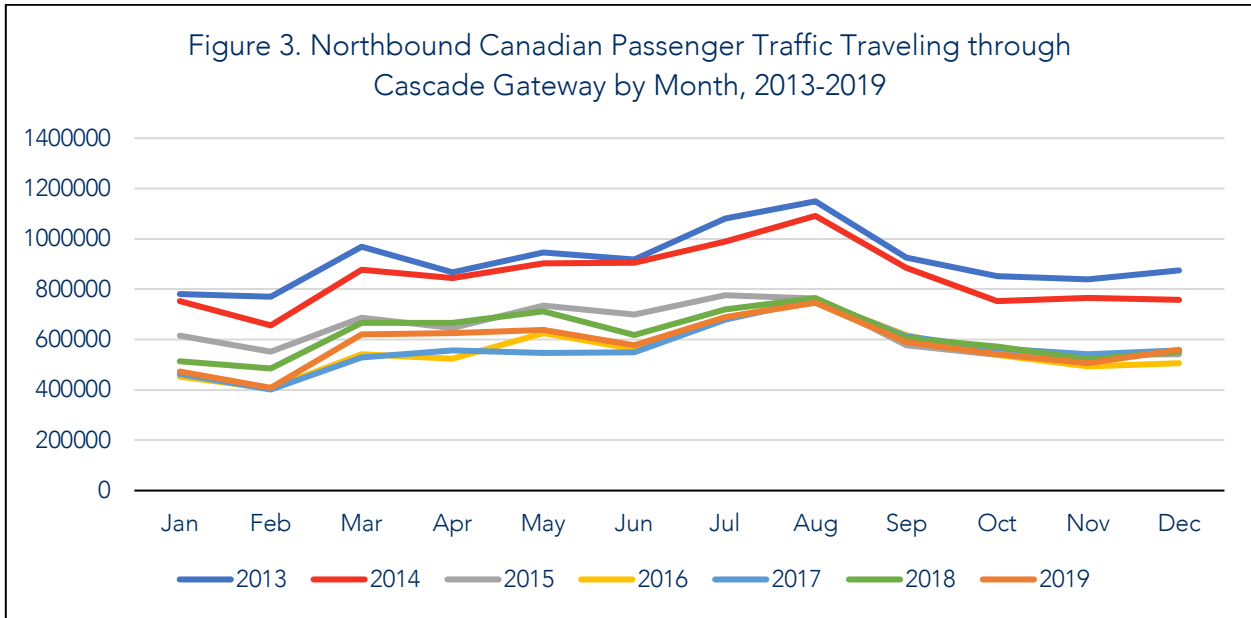


Source: IMTC 2018-2019 Passenger Vehicle Intercept Survey⁴

It is also important to note that cross-border traffic and Canadian tourist travel are very seasonal. Since 1990, annual cross-border passenger and pedestrian traffic has always peaked during the month of August. The “peak” in cross-border volume is typically bounded by the months of June and September, when Canadian passenger traffic is about 20% lower than during the month of August (Figure 3). Furthermore, Whatcom County does not experience a strong winter season of Canadian tourism despite the border’s proximity to Mount Baker and the Cascades. Since 1990, Canadian cross-border traffic is typically at its lowest during the months of December, January, or February, when it is estimated that only 12% of Canadians are crossing for recreation and 9% for vacation.⁵

⁴ See International Mobility & Trade Corridor, 2018/2019 IMTC passenger vehicle intercept survey. 2020 Data Digest, available at theimtc.com/border-data/travel-characteristics/.

⁵ According to the 2018/2019 Passenger Vehicle Intercept Survey, an even smaller proportion of these travelers were destined for Whatcom County. Comparatively, in the summer of 2018, 16% of Canadians were crossing for recreation and 15% for vacation, with a larger proportion of these travelers destined for Whatcom County compared to the winter.



Source: Statistics Canada. Table 24-10-0041-01. International travelers entering or returning to Canada, by type of transport. doi.org/10.25318/2410004101-eng.

Whatcom County’s prosperous tourism industry and its draw for Canadians is multifaceted. Products of the border —like the exchange rate, different real estate values, and the idea of the ‘Two Nation Vacation’⁶— draw tourists to the County. In addition, the County has specific amenities that are attractive to Canadians, including the range of retailers in Bellingham, hotels and resorts, the Bellingham International Airport, and second homes/vacation homes.⁷ The following sections provide an overview of these aspects of Whatcom County’s tourism economy, along with a discussion of the impacts of the COVID-19 border restrictions. While there are many more aspects of Whatcom’s tourism industry not captured in this report, focusing on these elements highlights those that are most significantly impacted by the border restrictions themselves.

INDICATORS OF THE HEALTH OF WHATCOM COUNTY’S CROSS-BORDER TOURISM INDUSTRY

WHATCOM’S HOSPITALITY SECTOR

The most common pattern of travel through the Cascade Gateway is a short-distance trip across the border for retail purposes, which is most often undertaken by Canadians. The border restrictions have entirely erased this kind of trip, and consequently greatly affected Whatcom’s retail economy.⁸ However, the tourism industry in general, and the hospitality sector more

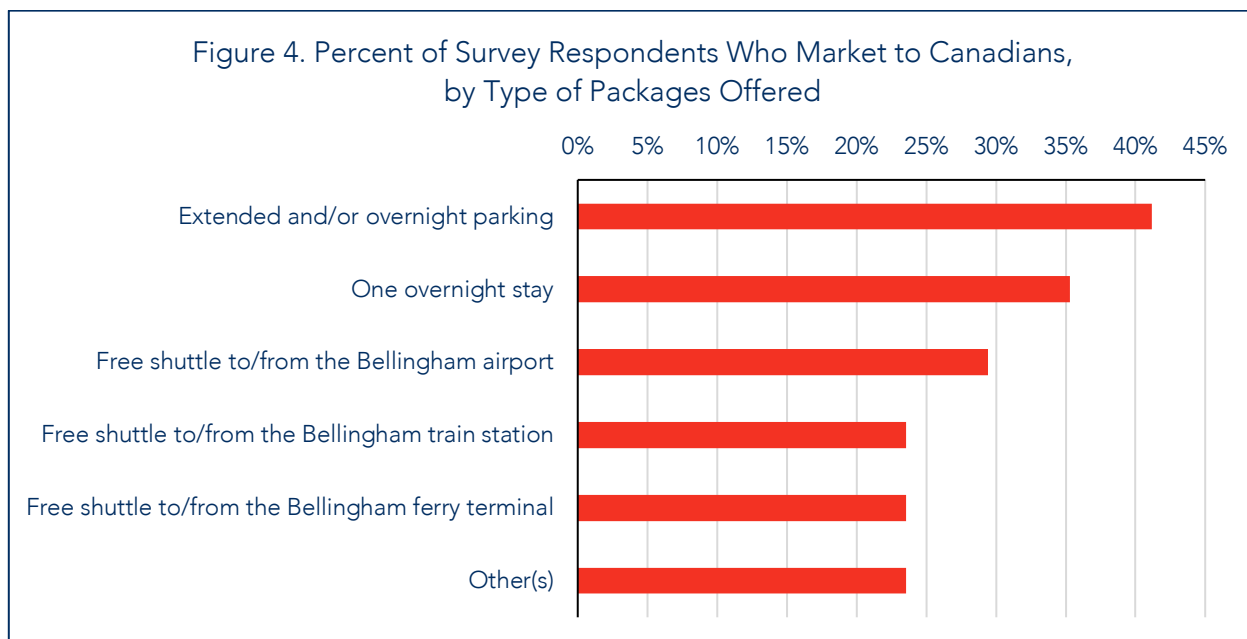
⁶ See Cross Border Fellow Pierre-Alexandre Beylier’s research report on regional tourism, forthcoming at cedar.wvu.edu/bpri_rr/.

⁷ For the purposes of this report, home ownership by Canadians that are not primary residents in Whatcom County is treated as tourism.

⁸ See other BPRI COVID-19 Briefings, available at cedar.wvu.edu/bpri_covid19/.

specifically, caters to a smaller, more diverse demographic of cross-border travelers. Therefore, it has been affected differently.

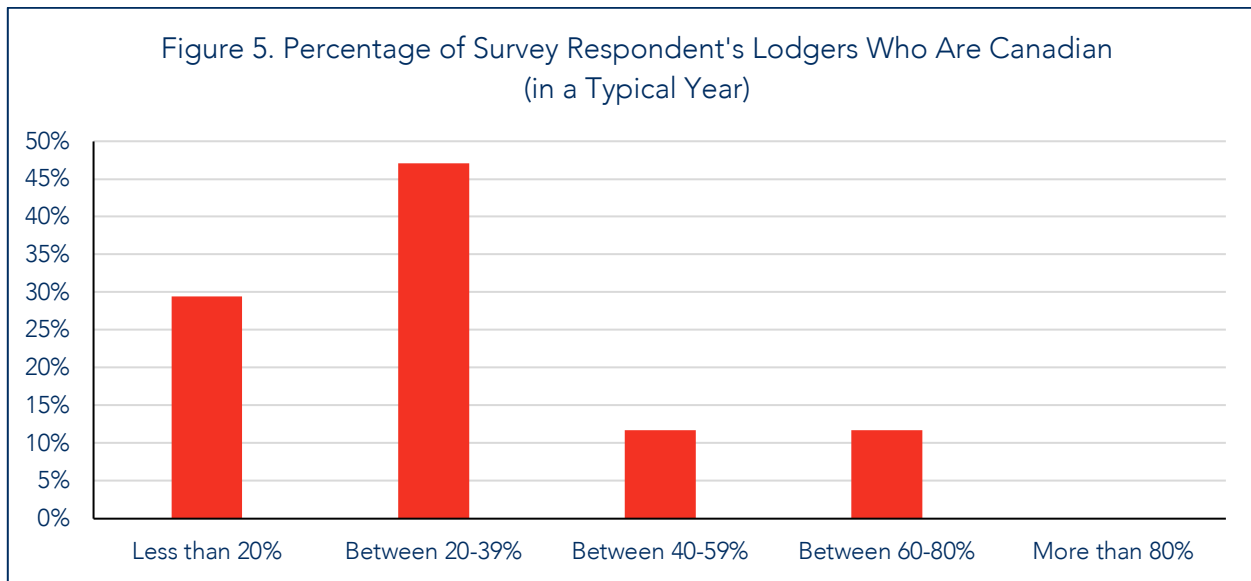
There are over 26 hotels and resorts in Whatcom County, largely concentrated in Bellingham. The hospitality sector is unique in that many hotels use Canadian-specific marketing to target the demographic that lives just across the border. A recent survey conducted by BPRI and Bellingham Whatcom County Tourism (BWCT) found that 59% of hotels in the sample offered packages or discounts that targeted Canadians and 65% also used marketing strategies to specifically target travelers from Canada (Figure 4).⁹ Some respondents also provide Canadian guests with shopping discounts or incentives, which further underlines the relationship between Canadian visitors, tourism, and the County’s retail sector prior to COVID-19 border restrictions.



Source: BPRI and Bellingham Whatcom County Tourism. 2020 Whatcom County Accommodation Industry Survey.

The extent to which these marketing strategies work is unclear. When asked, “During a typical year, about what percent of your business’s lodgers are Canadian?” almost half of survey respondents replied “Between 20-39%” (Figure 5). In a later open-ended question, many hotels wrote that while Canadians made up a relatively small percentage of their annual lodgers, a larger proportion of their lodgers were cross-border travelers in general, including U.S. travelers headed for Canada.

⁹ Whatcom county accommodation industry survey. Please contact Erin Dahlman-Oeth at dahlmae@wwu.edu for access.



Source: BPRI and Bellingham Whatcom County Tourism. 2020 Whatcom County Accommodation Industry Survey.

Local hotels benefit from the general cross-border flow of people that runs between Seattle and Vancouver via the I-5 corridor. When the border restrictions went into effect in late March, and one of the endpoints in the flow was cut off, the County hospitality sector lost all of its cross-border leisure travelers.¹⁰ According to one BPRI estimate, since the border restrictions were enacted, Whatcom County has experienced a loss of over 506,000 Canadian tourists compared to a typical year, or approximately 13% of all Canadian passenger travel that might have occurred from late March to September 2020 if not for the COVID-19 pandemic.¹¹

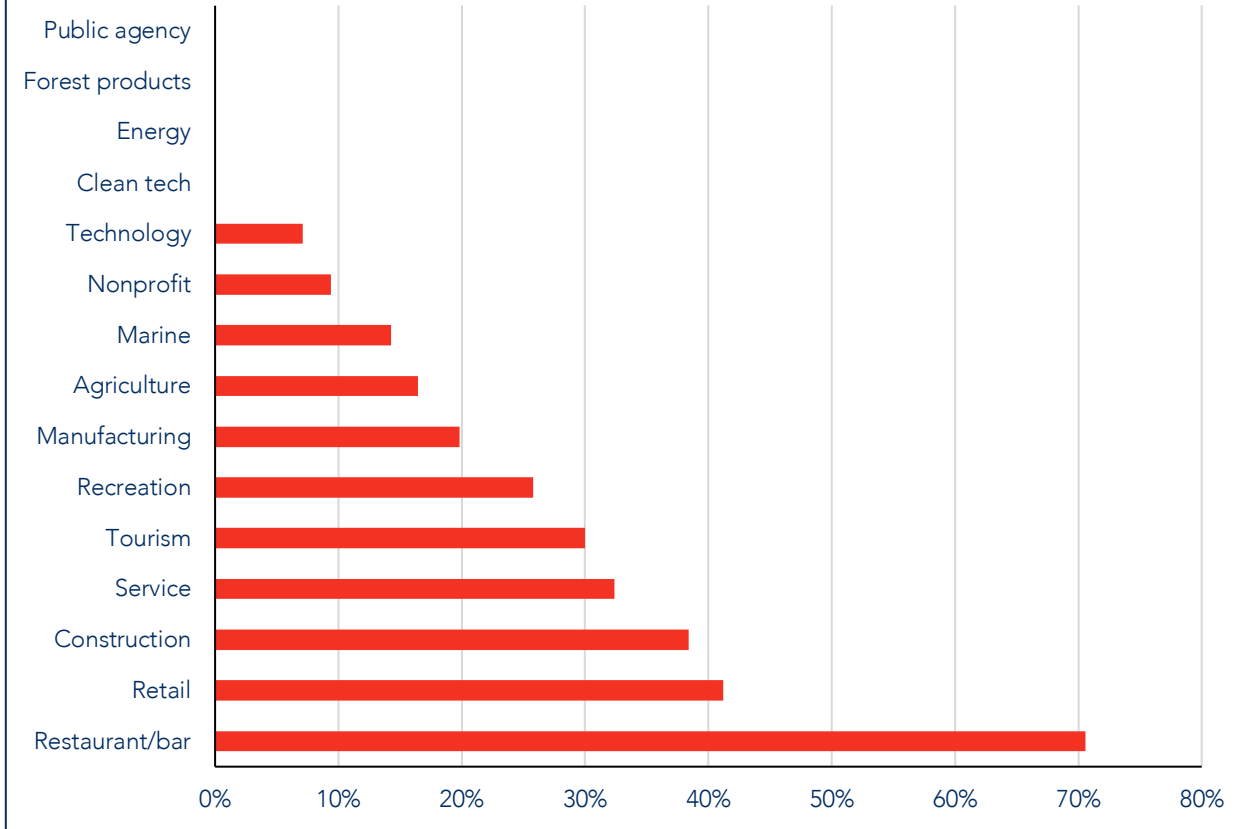
In another study that was conducted early during the pandemic (April 2020), the Port of Bellingham found that the businesses that were typically affected by the Canada – U.S. border did not necessarily experience more revenue loss during the pandemic, *except for the recreation and tourism sectors*.¹² Additionally, the study found that of all the industries that are related to or dependent upon the border, the tourism industry was one of the most affected industries in terms of layoffs (Figure 6). Since that study was conducted, hotels have continued to face mounting challenges. One hotel in the BPRI/BWCT survey summarized this well: “While we have been able to 'backfill' lost occupancy to more local families, we feel [our overall] year loss is about half.”

¹⁰ The County’s hotels still maintained their cross-border business travelers, according to the BPRI/BWCT survey.

¹¹ Estimate based on typical northbound passenger data from Statistics Canada and the 2018/2019 PVIS for flows from March to September.

¹² The full report available at portofbellingsham.com/DocumentCenter/View/9342/POB-REP-General-Economic-Impact-of-COVID-19-Survey-Findings-4282020-FINAL?bidId=.

Figure 6. Average Percent of Employees Laid Off in Whatcom County, by Sector (April 2020)



Source: Port of Bellingham. Economic Impact of COVID-19: General Survey Results.

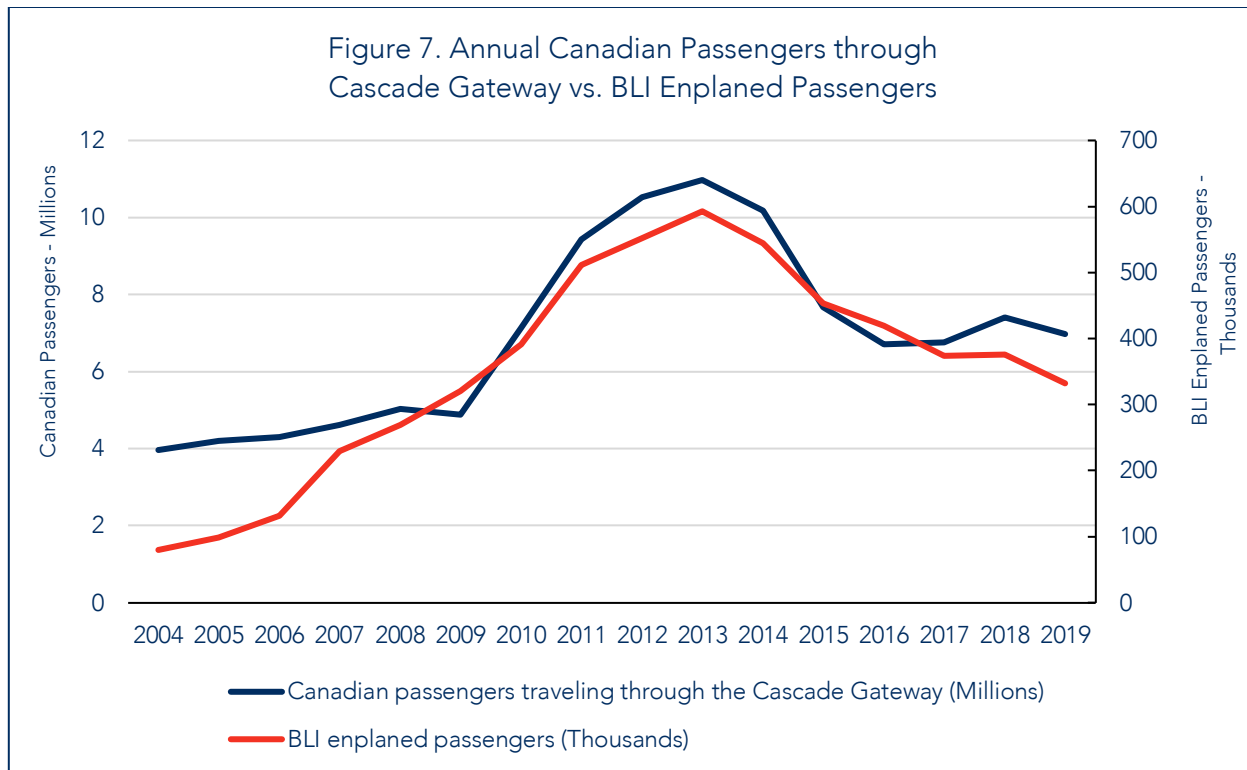
BELLINGHAM INTERNATIONAL AIRPORT

The Bellingham International Airport (BLI) has a working relationship with Bellingham’s hospitality sector, exemplified by many hotels’ “Park ‘N Fly” programs. These packages can include parking at the hotel, an overnight stay, free shuttle service, and other relevant services.¹³ The programs also give Canadians the opportunity to shop or purchase gas on their way back to the border.

While the BPRI/BWCT survey found no significant relationship between the percent of annual Canadian occupants at hotels and their proximity to BLI, it is clear that the airport is popular among Canadians (Figure 7). There are a range of estimates concerning how many passengers using BLI are Canadians crossing the border. One spokesperson at BLI estimated that about 60-65% of their passengers were Canadian, and another BPRI analysis of monthly BLI enplanements and Canadian cross-border volumes placed Canadian enplanements somewhere between 66% and 81%. At the same time, a 2018 passenger survey from WWU’s Center for Economic and

¹³ See “Park and fly hotel packages. Bellingham Whatcom County Tourism,” available at bellingham.org/insider-blogs/park-and-fly-hotel-packages-in-bellingham/.

Business Research (CEBR) showed that 33% of respondents were from British Columbia.¹⁴ While the number is not exact, Canadians undoubtedly have an impact on BLI.



Source: Statistics Canada and Bellingham International Airport.

While Canadians in the Lower Mainland of BC are also close to the Vancouver International Airport (YVR) and Abbotsford International Airport (YXX), these airports differ based on their carriers, destinations, and airport services. For example, YVR, as a larger airport, has more carriers and more destinations available (especially outside of BC and WA), which makes it popular to a wide range of passengers. On the other hand, BLI and YXX are smaller airports with far less carriers and destinations but with more regional flights that tend to be far cheaper.

Airport	# of Airlines	# of Destinations
Vancouver International Airport (YVR)	52	116 (70% outside BC/WA)
Abbotsford International Airport (YXX)	6	Unknown
Bellingham International Airport (BLI)	3	17 (47% outside BC/WA)

The allure of BLI specifically comes from the comparatively cheap flights through Allegiant Air. In 2019, 65% of flights to or from BLI were by Allegiant. From BLI, Allegiant typically offers flights to

¹⁴ See CEBR 2018 report, "Bellingham International Airport Tourism Survey Report. Retrieved from Bellingham Whatcom County Tourism," available at cbe.wvu.edu/cebr/topics-and-reports.

sunny destinations popular with Canadian snowbirds such as Las Vegas, Palm Springs, Phoenix, or San Diego with prices much lower than Vancouver and Abbotsford. According to the CBER's BLI survey, "BC respondents were most likely to cite the ticket price (80%, far above Whatcom or Elsewhere respondents) or the USD/CAD exchange rate as part of the reason they chose BLI" (CEBR, 2018). The decline of the value of the Canadian Dollar combined with an increase in the low-cost options out of YXX and YVR, however, have made BLI a less popular option for Canadian travelers over the past 5 years.

The airline industry was one of the first to feel the impacts of the pandemic. Prior to the border restrictions, BLI already experienced a dip in travel volume and by the end of March 2020, total enplaned passengers decreased by 69% compared to the same month last year. During the next two months, total enplanements dropped further, by 97%. According to the most recently available data from BLI, the number of enplaned passengers at BLI is currently 70% lower than during the same month (September) last year, and it's unclear when passenger volume will return to the pre-pandemic levels. It is difficult to disentangle the impact of the border restrictions from the overall drop in air travel due to the pandemic. However, the importance of Canadian travelers, and the border, to BLI is significant and may be a loss that continues long after air travel resumes to more typical volumes.

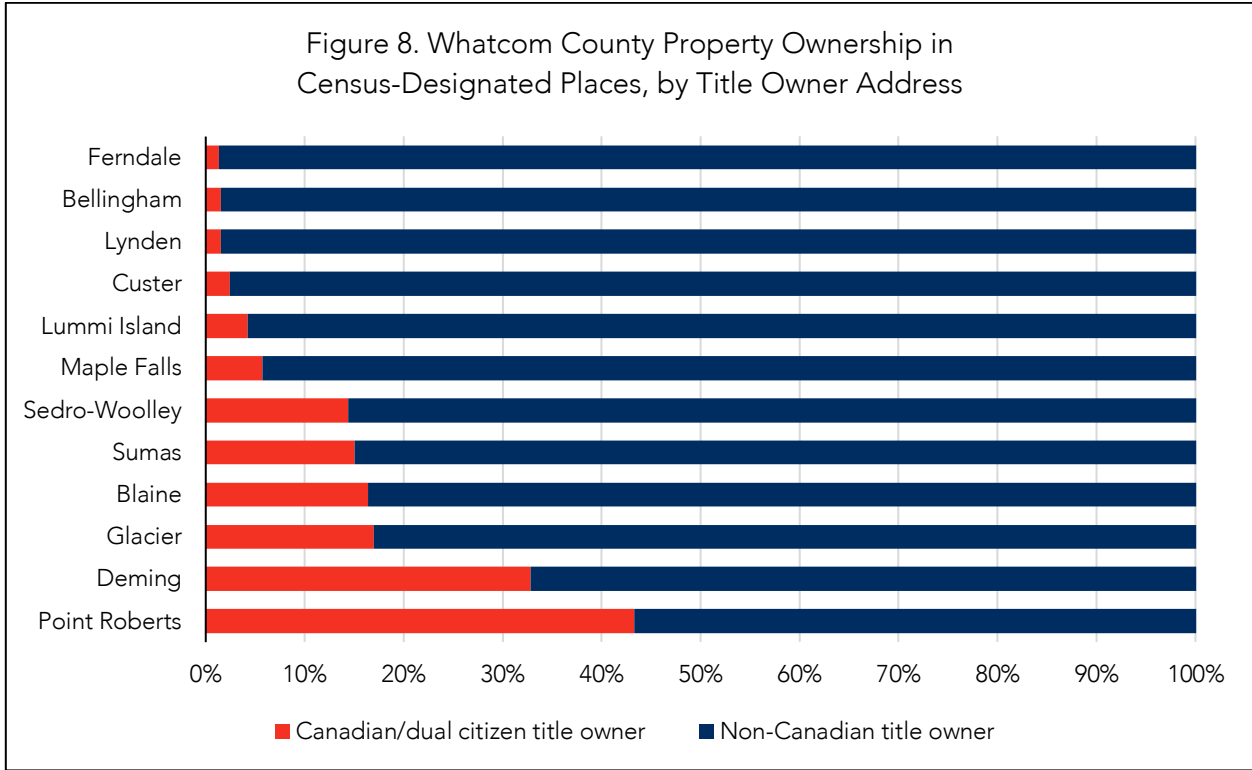
SECOND-HOME OWNERSHIP¹⁵

While the term 'second-home' could be applied to a variety of purposes, this report focuses only on privately-owned residential property that is not used as a primary residence. Second-home owners play a key role in local "repeat visitation, word-of-mouth promotion, and the hosting of other visitors," creating a subcategory of tourism: 'second-home tourism.'¹⁶ Whatcom County hosts healthy pockets of second-home owners, many of whom are from British Columbia. Based on data provided by the Whatcom County Assessor's Office, BPRI estimates that 7% of Whatcom County house title owners are either Canadians or Canadian-American dual-citizens.¹⁷ When broken down by location, these foreign-owned properties are primarily located in Blaine, Glacier, Deming and Point Roberts. The "most Canadian" area is Point Roberts, where 43% of title owners are Canadian or dual citizens (Figure 8).

¹⁵ Canadians who own a vacation home or second home in the County are restricted from crossing the border for discretionary purposes barring an emergency situation, which would be allowed only on a case-by-case basis. While dual citizens would be allowed to enter the U.S., they face a two-week quarantine upon return to Canada.

¹⁶ McLeod, J. B. (2007). Second-home owner attachment to a destination: A driver of tourism promotion [Dissertation]. University of Nevada, Las Vegas Repository. Available at core.ac.uk/display/215457577?recSetID=.

¹⁷ This estimation is based on the assumption that if the title owner's listed address is in Canada, then they are Canadian or dual citizens. It is very likely that some title owners with Canadian addresses are not Canadian or dual citizens, and that title owners with American addresses could be Canadian or dual citizens. However, we made this assumption for the sake of a ballpark estimation of homeownership.



Source: Whatcom County Assessor's Office. Short Master Dataset.

A handful of smaller municipalities also have sizable proportions of Canadian/dual citizen-owned property, as shown in Figure 8. The Mount Baker Chamber of Commerce shared that Deming, Glacier, Maple Falls, and other small towns along the Mt. Baker Highway host both Canadian second-home owners and cross-border tourists. Visitor center numbers in the area are an indicator of the effects of the border restrictions. In August 2019, 33% of visitors at the Visitor Center were Canadian, 4% greater than the volume of general Washington visitors. During the same month of August in 2020, no Canadians frequented the Visitor Center. These impacts are also reflected in the short-term rental market (Airbnb, VRBO, HomeAway) which is heavily concentrated along the Mount Baker Highway. The number of active short-term rental properties in Whatcom County is down by 29% compared to the same month last year (BWCT, personal communication, December 4, 2020).

It is also worth mentioning the unique situation of Point Roberts, a U.S. exclave located at the tip of the Tsawwassen peninsula. Point Roberts felt the repercussions of the border restrictions as both a border town and an area with many seasonal Canadian residents and dual citizens. According to one BPRI survey conducted in August, some businesses in Point Roberts furloughed or laid off about 72% of their workforce as a reaction to the drastic change in customer volume¹⁸; 83% of those surveyed businesses were making less than half of what they had been making during the same month last year.¹⁸ During the same timeframe, over half of the boats in the Point Roberts marina were vacated, and many of the seasonal Canadian residents that typically stayed during the summer were unable to visit.

¹⁸ Please contact Erin Dahlman-Oeth at dahlmae@wwu.edu for access to the BPRI Point Roberts business survey.

ADDITIONAL TOURISM-RELATED IMPACTS

This report is not intended to be a comprehensive analysis of the impact of the border restrictions on Whatcom County's tourism industry. Rather, it provides a snapshot of several key components of the tourism industry that are affected by Canadian visitors and the border restrictions. It is also important to note that the retail and tourism sectors overlap—they are not wholly different industries, but rather partners in the local economy. For example, in 2016, Bellingham Whatcom County Tourism, the Bellingham Chamber of Commerce, and Bellis Fair Mall came together to organize a Canadian 'At Par' Day, where Canadians could collect a 25% discount at select stores inside the mall. Because of this interconnectedness, it is difficult to differentiate all the impacts on each sector.

Additionally, casinos and outlet malls were very popular for Canadians prior to the border restrictions. Previous surveys conducted by BPRI found that 17% of the cars in local casino parking lots¹⁹ and 15% of the cars in retail parking lots had Canadian license plates. On the weekend the border restrictions were put into place, there were virtually no Canadian cars found at any of the casinos or shopping destinations sampled.

CONCLUSION

The COVID-19 border restrictions have significantly affected Whatcom County's tourism industry. The hospitality sector, BLI, and second-home ownership are all indicators and supporters of the health of Whatcom's cross-border tourism industry, and current numbers are not promising. Local hotels have indicated that their leisure travelers are almost nonexistent, BLI's enplaned passengers are still down by 70%, and Canadians who own a vacation home or second home in the County are restricted from accessing properties for discretionary purposes.²⁰ The border restrictions have produced varying impacts across sectors and locations, and this is especially the case with Whatcom County's tourism industry.

It is also important to note that the border restrictions have affected BC's tourism industry to an even greater degree. In 2019, it is estimated that over 50% of Americans who crossed into BC through the Cascade Gateway were traveling for leisure, and the Vancouver metro area attracted around 11 million international and regional tourists.²¹ In order to protect the public's safety, the federal and provincial governments released a number of mandates since February 2020, including the restrictions at the U.S.-Canada border, the Quarantine Act, and advisories on interprovincial travel, which severely limits both domestic and international tourism. According to Tourism Vancouver, Visitor Centre traffic is currently down by 90%.

Due to the cross-border nature and importance of the tourism sector on both sides of the border, it is likely that the region will continue to feel the effects of the border restrictions even after they

¹⁹ The casinos were the Silver Reef Casino, the Skagit Valley Casino, and the Tulalip Casino. Please contact Erin Dahlman-Oeth at dahlmae@wwu.edu for access to the BPRI 2019 and Marco 2020 License Plate Surveys.

²⁰ Air travel from Canada to the U.S. is still an option if owners want to visit their homes across the border recreationally.

²¹ According to the 2018/2019 IMTC PVIS and a representative at Tourism Vancouver.

are eased, as traveling across the border may be slow to resume. Much collaborative work is being done to promote recovery efforts through organizations such as the Pacific Northwest Economic Region²² and the Cascadia Innovation Corridor. Due to the unprecedented nature of both the pandemic and the border restrictions, there is no way of knowing when cross-border tourism may resume, and what it will look like when it does.

²² See PNWER's Northwest Tourism Rebound Initiative, available at pnwer.org/tourismrebound.html.