Spring 2020

COVID-19 and the US-Canada Border Report 1: COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County

Border Policy Research Institute, Western Washington University

BORDER POLICY RESEARCH INSTITUTE
WESTERN WASHINGTON UNIVERSITY

COVID-19 AND THE US-CANADA BORDER

Retail Shopping Destinations for Canadians 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.

Spring 2020

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

Border Policy Research Institute
Western Washington University
Bellingham, Washington
wwu.edu/bpri

WESTERN WASHINGTON UNIVERSITY

BPRI COVID-19 BRIEFINGS

On February 29, 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 coincided with the bilateral decision 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, while maintaining the flow of commercial cargo.

This report is one in a series of briefings on the economic impacts of the border in Whatcom County, aimed at improving knowledge of the effects that Canadians have on various aspects of the 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, due to public health concerns. The relatively large number of COVID-19 infections and fatalities in Washington State compared to B.C. is likely to influence Canadian's decisions to engage in discretionary travel to the U.S.[1] The short- to medium-term effects of fewer Canadian visitors will impact particular sectors in certain locations in Whatcom County in different ways. These BPRI briefings are an effort to both quantify and qualify those impacts. Additional reports will consider taxable retail sales (including online sales), fuel tax, and tourism.

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 policy-makers on matters related to the Canada – U.S. border, particularly in the British Columbia – Washington State region. This report was prepared by Director Laurie Trautman and Research Analyst Erin Dahlman-Oeth.

[1] As of May 12th, B.C. had 2,353 confirmed COVID-19 cases and 130 deaths (http://www.bccdc.ca/health-info/diseases-conditions/covid-19/data) while Washington had 17,122 cases and 945 deaths (https://www.doh.wa.gov/Emergencies/Coronavirus).

KEY TAKEAWAYS

- Canadian shoppers are an important part of Whatcom County's retail sector and accounted for an estimated $140 million in spending in 2018 and an average of 11.7% of taxable retail sales.
- Retail locations with the highest proportions of Canadians are Ross, Silver Reef Casino, Costco, and downtown Blaine.
- Border restrictions related to COVID-19 may have a long-term impact on Canadian shopping behavior in Whatcom County.

BACKGROUND

There are two ongoing research projects in the region that provide key insight into the impact that Canadian shoppers have on the retail economy of Whatcom County. The first is the Passenger Vehicle Intercept Survey, conducted through a partnership of the International Mobility and Trade Corridor Program.[2] This survey is conducted every five years, in winter and summer, at four ports-of-entry that comprise the Cascade Gateway system of border crossings: Peace Arch, Pacific Highway, Lynden, and Sumas. A variety of survey questions are administered to travelers as they cross the border in both directions, including origin and destination, trip purpose, and frequency of travel.

A second research effort that informs this report is the License Plate Survey conducted by the BPRI. This survey began in 2013 and is conducted roughly three to four times per year. The survey counts the volume of Canadian and American vehicles (according to license plates) in prominent retail parking lots along the I-5 Corridor (see Table 1, page 4, for a list of survey sites in Whatcom County). The purpose of the survey is to gauge where Canadians shop, how Canadian volumes at retail locations compare to overall volumes, and the influence of the exchange rate on Canadian shopping volume.[3]

Findings from both of these research projects can help to quantify and qualify potential economic impacts of COVID-19 on the retail sector of Whatcom County, during the border restrictions and beyond, and are the basis for this report.

INTRODUCTION

Based on 2018 data, it is estimated that shopping is the primary trip purpose of 24% of *all* Canadian cross-border travelers in the Cascade Gateway.[4] There are a variety of reasons that Canadians choose to shop south of the border. These include a wider diversity of products

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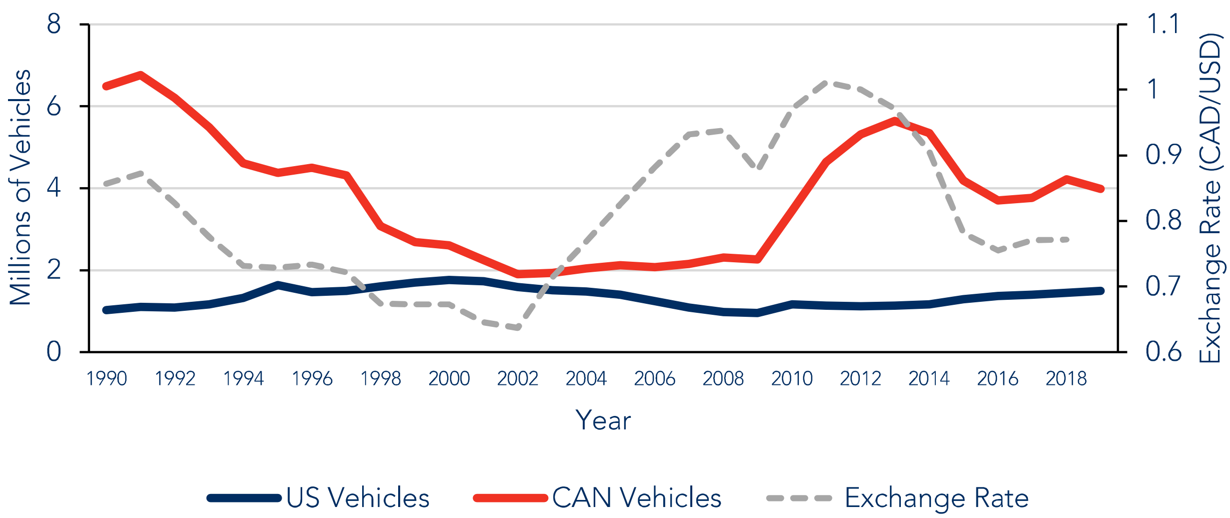
[2] See https://theimtc.com.
[3] Data is collected on Thursdays, Fridays and Saturdays during March, June, September, and December. For detailed methodology and previous findings see https://cedar.wwu.edu/bpri_publications/2/. The most recent survey was done in September and December of 2019 and March of 2020.
[4] See the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program (https://theimtc.com/data/).

available in the U.S., lower average retail prices, and in the case of Whatcom County, less congestion than lower mainland B.C. The exchange rate between the U.S. Dollar (USD) and Canadian Dollar (CAD) is also a powerful determinant of Canadian crossing volume. When the CAD is strong, Canadians tend to come south in greater numbers. The influence of the exchange rate varies throughout time, (see Figure 1 below) and is one of several factors that influence cross-border volume.

Changes in border policies following the 9/11 terrorist attacks weakened the relationship between the exchange rate and cross-border trips for multiple years following 2001. This highlights how external events and policy responses can influence cross-border flows. Between 2010 and 2018, there was a return to an observable correlation between the strength of the CAD and the number of Canadians crossing the border. This correlation has again been disrupted with the COVID-19 health crisis.

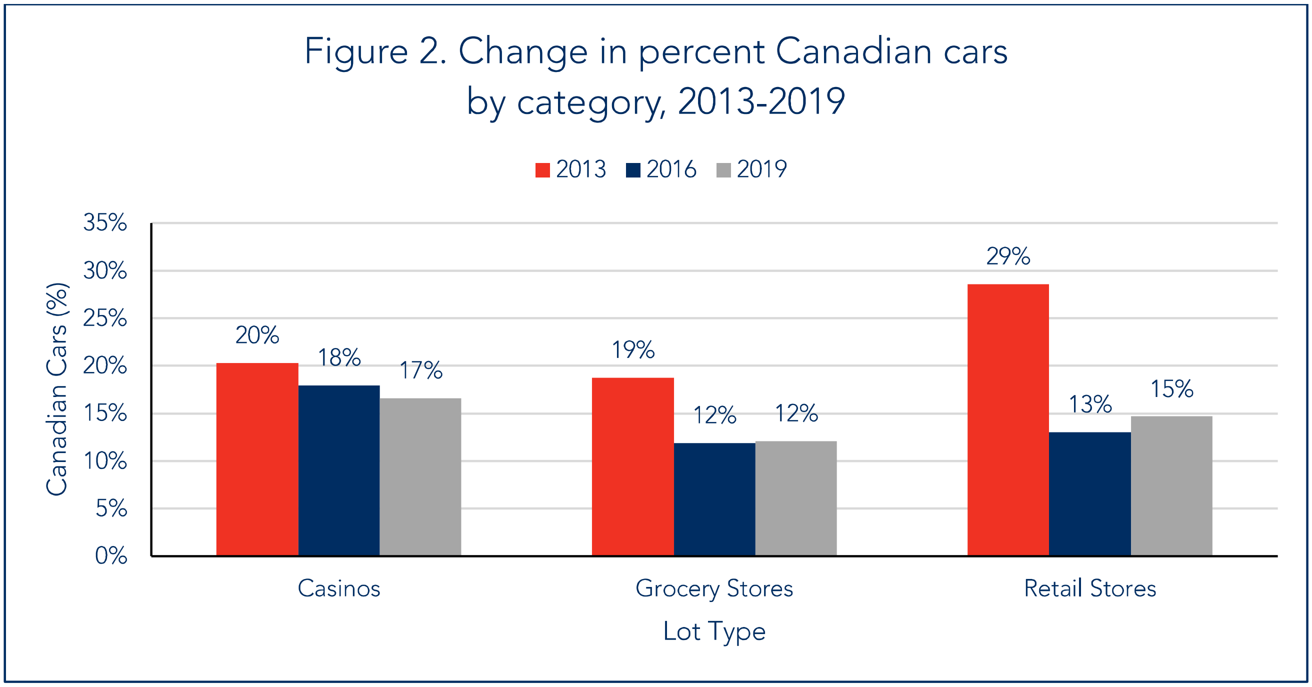
Figure 1. Northbound passenger vehicle volume in the Cascade Gateway



HOW DOES THE EXCHANGE RATE AFFECT CANADIAN SHOPPING?

From 2013 to 2016, when the CAD fell by $0.21 USD, Canadian vehicle counts at retail shopping locations surveyed fell by 55%. From 2016 to 2019, when the CAD's value rose by just $0.02 USD, Canadian traffic rose by about 9%. This positive relationship between the value of the CAD and Canadian shopping patterns is an important indicator of future cross-border spending behavior that may influence Whatcom County. However, the COVID-19 public health crisis may trigger a lasting disruption to that relationship, similar to the post-9/11 time period.

Figure 2 below shows the percentage of Canadian cars in different categories of survey locations during different years. All of these categories saw declines in the percentage of Canadian cars as the CAD weakened from 2013 to 2016, which also largely reflected a reduction in the absolute number of Canadian cars present at different locations. From 2016 to 2019, when the CAD remained around $0.77 USD, these percentages were largely unaffected.



In addition to illustrating the impact that the exchange rate has on Canadian visitation to different types of stores, Figure 2 also indicates that as economic recovery from COVID-19 resumes, casinos and retail stores in Whatcom County in particular may experience a disproportionately prolonged impact from the border restrictions. Even after the restrictions are lifted, Canadian shopping habits are likely to be disrupted, and may take some time to resume, given public health concerns.

WHICH WHATCOM COUNTY RETAIL DESTINATIONS ARE CANADIANS VISITING?

The retail locations with the highest proportion of Canadians include Ross, Silver Reef Casino, downtown Blaine, and Costco. Trader Joe's and Sierra Trading Company are also popular destinations for Canadians (see Table 1 below). Canadian vehicles at retail locations overall tend to decrease with distance from the border, and particularly for stores that are located in multiple locations. For example, in 2019 the Bellingham Ross had 45% Canadian vehicles, while the Marysville Ross had only 4%. The same is true for the Bellingham Costco, which had 39% Canadian cars in 2019, compared to 4% for the Burlington Costco. In 2019, 60% of Canadian vehicles in our survey were located in Bellingham, making it the top destination for Canadians.

Table 1. Average Percent Canadian Vehicles in survey locations in Whatcom County (2016 and 2019)		
Location		Average % Canadian Vehicles
Blaine	Downtown	28%
	Blaine Center	21%
Birch Bay	The Market	7%
Lynden	Safeway	18%
	Downtown	10%
Ferndale	Silver Reef Casino	43%
	Haggen	7%
	Ferndale Station	5%
	Downtown	3%
Bellingham	Ross	50%
	Costco	36%
	Walmart	38%
	Sierra Trading Post/HomeGoods[5]	24%
	Trader Joe's	23%
	Bellis Fair Mall	21%
	Bakerview Fred Meyer	18%
	Best Buy/BB&B	4%
	Lakeway Fred Meyer	3%
	Barkley Village	1%

WHICH WHATCOM COUNTY CITIES ARE CANADIANS VISITING?

Data from the Passenger Vehicle Intercept Survey (PVIS) conducted in 2018 indicate that 78% of Canadians entering the U.S. through the Cascade Gateway are traveling to points within Whatcom County. Table 2 below lists the observed distribution of trip destinations in 2018, as well as an estimate of absolute trip volumes to each city. Similar to the findings from the License Plate Survey, the PVIS data indicates that both Blaine and Bellingham are primary destinations for Canadians crossing the border.

[5] Sierra Trading Post and HomeGoods opened in 2018

Table 2. Destinations and Volume of Canadians, 2018		
Destination	Canadians traveling to destination (%)	Estimated Canadian Visitors[6] (#)
Blaine	29.5%	2,049,788
Sumas	8.3%	576,720
Lynden	4.0%	277,937
Birch Bay	3.5%	243,195
Ferndale	2.0%	138,969
Bellingham	30.3%	2,105,376
Outside Whatcom County	22.4%	1,556,450
Cascade Gateway Total	**100%**	**6,948,436**

HOW MUCH ARE CANADIANS SPENDING AT RETAIL LOCATIONS IN WHATCOM COUNTY?

In 2018, there were 6.9 million Canadians who entered the U.S. through the Cascade Gateway[7], and 25% of them were *bound for Whatcom County with shopping as the primary purpose of their trip*. While difficult to pinpoint the total dollar amount Canadians spent during their trips, this analysis adopts the metric developed by the U.S. Department of Commerce, which estimates that the average Canadian spends $80 USD during same day trips to the U.S.[8] When applied to the number of Canadians making trips to Whatcom County in 2018 for the primary purpose of shopping (1.75 million Canadians * $80), **annual Canadian expenditures equaled *roughly* $140 million. This amounts to an average of 11.7% of taxable retail sales in the County.**[9]

Note that, for those Canadians who did not identify shopping as the *primary* purpose of their trip during the survey, they may still have engaged in shopping as a secondary trip purpose. For example, if an individual's primary purpose for crossing the border was to visit family or engage in tourism or recreation, it is highly possible that shopping still occurred. Thus these estimates are likely a low-end figure in a range of possible spending. Table 3 below displays the estimated dollar amount spent by Canadian shoppers in each city. Bellingham is by far the largest

[6] The number of Canadian visitors does not equate to unique individuals, but rather trips made by Canadians (i.e., one person may make multiple trips). This figure includes all trip purposes, not just shopping and is based on an average occupancy rate of 1.735 people/vehicle.

[7] According to U.S. CBP, 5.6 million vehicles entered the U.S. at the Cascade Gateway in 2018 and findings from the PVIS suggest that 71% of them were Canadian vehicles, which equates to an estimated 6.9 million Canadian visitors. While this report relies on 2018 data for consistency, volumes decreased by 3.6% to 5.4 million vehicles in 2019.

[8] See reports by U.S. Department of Commerce (https://travel.trade.gov/) and Toronto-Dominian Bank (https://economics.td.com/canada-us-cross-border-spending-reversal-of-fortunes).

[9] Subject to margin of error and variable over time. Based on North American Industry Classification System for particular retail sales categories. See Washington State Department of Revenue (http://apps.dor.wa.gov/ResearchStats/Content/TaxableRetailSalesState/Report.aspx) and (forthcoming) BPRI report for more detail at: https://cedar.wwu.edu/bpri_covid19/.

benefactor of Canadian shoppers, followed by Blaine. Additional reports will provide a more detailed estimate of Canadian spending on different categories of goods and sectors, including fuel, online sales, and tourism.

Table 3. Estimated Spending by Canadians at Retail Locations in Whatcom County

Destination	Canadians: Primary Trip Purpose Shopping (%)	Estimated Spending by Canadians ($)
Blaine	15%	$ 24,597,461
Sumas	11%	$ 5,075,137
Lynden	18%	$ 4,002,298
Birch Bay	3%	$ 583,668
Ferndale	14%	$ 1,556,449
Bellingham	64%	$ 107,795,250

WHAT ARE THE IMPACTS OF BORDER RESTRICTIONS?

At the time of the March 2020 License Plate Survey (conducted March 20th and 21st), southbound passenger vehicle traffic was already down by 87% compared to 2019, and on the second day of surveying the border was officially closed by both federal governments to non-essential travel. Americans and Canadians were practicing social distancing and self-quarantine, and about one-third of retail operations at the sample sites had either reduced hours or were closed. The March sample size was comprised of 60% fewer vehicles than in previous years. Additionally, data collection sites were only 33% full, compared to 68% full in 2019. There were a small number of Canadian vehicles at surveyed locations in Blaine (4%), Lynden (1%), Ferndale (1%), and Bellingham (1%). No Canadian cars were observed in other cities.

It is apparent that the recent outbreak of COVID-19 and the subsequent acts to dissuade Canadians from traveling to the U.S. (e.g. Prime Minister Trudeau's comments prior to the announcement to restrict the U.S.-Canada border and BC's provincial guidance) had a large impact on Canadian shoppers. At the end of February 2020, passenger vehicle volumes were nearly identical with volumes in 2019. However, almost two weeks before the border restrictions were even announced, volumes had dropped by 35%.[10] While the border restrictions have been in place, daily cross-border volumes have remained at around 98% below typical volumes. However, because cross-border traffic was already dropping precipitously prior to the border closure to non-essential traffic (see Figure 3 below),[11] public health concerns about COVID-19 were already dissuading most travelers from crossing the border. Federal and provincial officials urged Canadian citizens to purchase their gas and milk within the country for the sake of public safety, and **this could mark the start of a long-term shift in shopping behavior similar to post-9/11 patterns.**

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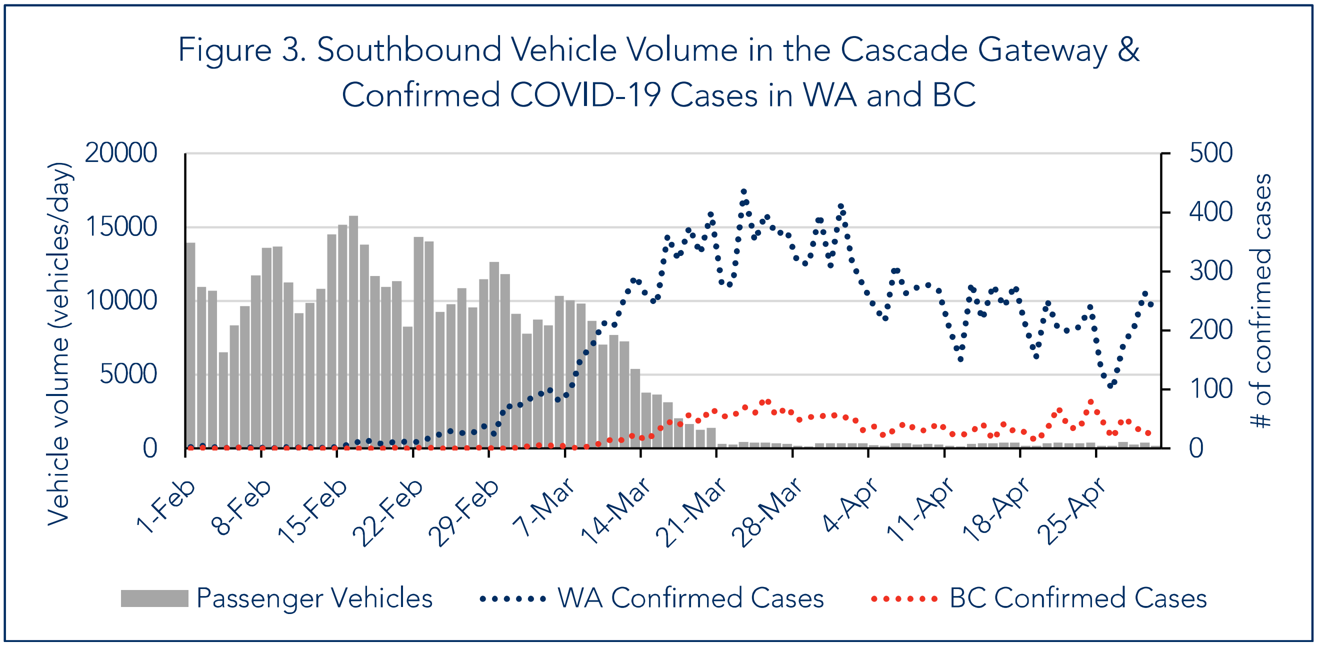
[10] When comparing northbound volumes at the Peace Arch crossing.

[11] Based on data from U.S. CBP, Washington State Department of Health, and BC Center for Disease Control.



CONCLUSION

It is difficult to predict how the border restrictions and the COVID-19 pandemic will influence cross-border travel in years to come. It is possible that the border restrictions will remain in place long enough for Canadians to adjust their shopping habits and consumer behavior to re-orient away from cross-border shopping. At the time of writing, the restrictions are due to be in place for three months, with additional extensions possible. Even after the restrictions are lifted, concerns about public health and safety could continue to inhibit Canadian's from shopping in the U.S.

Existing data suggests that retail locations in Bellingham and Blaine are the most commonly visited stores for Canadian shoppers, and that Canadian shoppers have a significant impact on Whatcom County's taxable retail sales revenues. These locations, and the County as a whole may be hardest hit by both the current border restrictions as well as longer-term changes in the consumer behavior of Canadians, should such changes occur. Additional COVID-19 Policy Briefings will consider the impact that Canadians have on different categories of sales tax revenues, including gas stations and online shopping, as well as cross-border tourism and recreation.

Summer 2020

COVID-19 and the US-Canada Border Report 2: Canadians and Taxable Retail Sales within Whatcom County

Border Policy Research Institute, Western Washington University

COVID-19 AND THE US-CANADA BORDER

Canadians and Taxable Retail Sales within 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.

Summer 2020

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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, 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. The relatively large number of COVID-19 infections and fatalities in Washington State compared to B.C. is likely to influence Canadians' decisions to engage in discretionary travel to the U.S.[1] Analyses presented here illuminate how the short- to medium-term effects of fewer Canadian visitors will likely impact particular sectors in certain locations in Whatcom County in different ways. These BPRI briefings are an effort to describe and measure those impacts. Additional reports consider shopping destinations and tourism.

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 policy-makers on matters related to the Canada – U.S. border, particularly in the British Columbia – Washington State region. This report was prepared by Director Laurie Trautman and Research Analyst Erin Dahlman-Oeth. The BPRI also collaborated with the Whatcom Council of Governments (WCOG) on data compilation and analysis.

[1] As of July 8th, B.C. had 2,990 confirmed COVID-19 cases and 183 deaths (bccdc.ca/health-info/diseases-conditions/covid-19/data) while Washington had 37,420 cases and 1,384 deaths (doh.wa.gov/Emergencies/Coronavirus).

KEY TAKEAWAYS

- In 2018, it is estimated that Canadians comprised up to 41% ($152 million) of Whatcom's retail sales in the general merchandise category and up to 44% ($51 million) in the clothing/clothing accessory category.
- In 2019, Canadians purchasing gas likely comprised up to 73% of Blaine's fuel tax revenue ($124 thousand) and up to 60% of Sumas's fuel tax revenue ($38 thousand).
- It is estimated that retail sales in Whatcom County fell by $54-$65 million in Q1 and Q2 of 2020 due to the COVID-19 border restrictions, representing a 5%-6% decrease in total retail sales compared to 2019. However, because many Canadians also cross to purchase gas and dairy products – two commodities that are not measured in taxable retail sales data – the true decrease in retail sales is likely much greater.
- Canadian shoppers have a large yet variable impact on Whatcom County's economy, which is most observable within certain sectors and places.

INTRODUCTION

This report compares taxable retail sales at different geographic scales to estimate the impact Canadians have on Whatcom County's retail economy—just one of the many sectors being negatively affected by COVID-19-related changes in travel patterns and border restrictions. This analysis uses data from the U.S. Census Bureau and the Washington State Department of Revenue to measure taxable retail sales from three cities in Whatcom County, Whatcom County as a whole, Washington State, and the United States.

METHODOLOGY

There is no straightforward way to measure Canadian spending in Whatcom County, and currently no system exists to measure Canadian spending in ways that do not infringe on privacy or require access to proprietary data. The first BPRI COVID-19 Brief used survey data on travel characteristics, such as cross-border trip purposes and destinations to analyze the economic impact of Canadian shoppers on Whatcom County overall.[2] This second report compares retail sales at different geographic scales to try to better isolate and estimate the impact Canadians have on border cities' and Whatcom County's economy.[3] These same data sources can be used in the future to estimate monetary loss due to COVID-19 and associated border restrictions.

Each analysis of retail sales category includes data for Bellingham, Whatcom County, Washington State, and the U.S. For online sales and fuel tax, data is also included for Blaine and Sumas, which are known destinations for Canadians purchasing gas and picking up online orders (see Table 1).[4] Annual local, state, and federal retail sales are measured both in raw numbers and as a per capita

[2] See BPRI Brief, "COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County," available at: cedar.wwu.edu/bpri_publications/119/.

[3] Statistics used in this report include Pearson's r correlation strength tests and bivariate and multivariate regression.

[4] See the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program (theimtc.com/data/).

rate during four distinct time periods and for consecutive years.[5] The years (2005, 2009, 2012, 2018) are not equidistant, but were chosen based on changes in border crossing volumes in the region. For example, 2005 represents a baseline for retail sales post-9/11; 2009 represents a reaction to the 2008 recession; 2012 represents a peak in the strength of the Canadian Dollar and associated spike in crossing volumes; and 2018 is the year that data was collected on Canadian trip purposes in the region. **Between 2009 and 2012, the volume of Canadian crossers increased by 117%, and between 2012 and 2018, the volume of Canadian crossers declined by 28%** (these changes are largely connected to fluctuations in the strength of the Canadian Dollar).[6] This analysis measures changes in taxable retail sales between 2009 and 2012, and between 2012 to 2018 to determine if taxable retail sales followed the border crossing volumes and if these correlations diverged between Whatcom County, Washington State, and the U.S. We also include yearly comparisons for a consistent temporal analysis.

CANADIAN VISITORS TO WHATCOM COUNTY

A survey of Whatcom County businesses conducted by the Port of Bellingham in Spring 2020 indicated that one third of surveyed businesses were impacted by the U.S. - Canada border in some way.[7] Of the 235 businesses who reported some impact from the border, 80% were in Bellingham, Blaine, Lynden, or Sumas. Thus, the border plays an important role in the health of Whatcom County's economy, in a number of ways.

In 2018, there were 6.9 million visits made by Canadian residents to Whatcom County.[8] Canadians visit Whatcom County for a variety of purposes and the majority are discretionary. Table 1 below is based on data collected via the Passenger Vehicle Intercept Survey in 2018 and highlights the three most popular *primary* trip purposes by location: shopping, mail pick-up, and gas.[9] While shopping is the primary trip purpose for Canadians who visit Bellingham, Canadian visits to both Sumas and Blaine are dominated by gas purchases, followed by mail pick-up.

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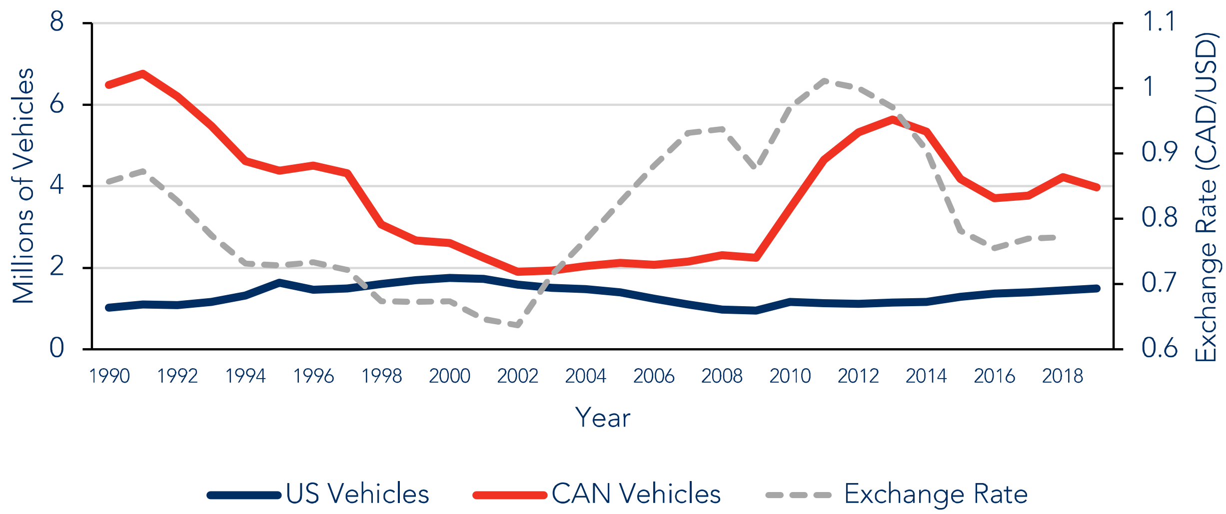
[5] Local and state retail sales tax data is from the Washington State Department of Revenue website and U.S. retail sales tax revenue is from the U.S. Census Bureau's Time Series data and the Census Bureau's Annual Retail Trade Survey. Further analysis comparing retail sales tax to Canadian cross-border travelers uses annual data from 2005 to 2018.
[6] Based on the number of Canadian residents returning to Canada through Sumas, Blaine, Lynden, and Point Roberts, data available at Statistics Canada (Table 24-10-0041-01).
[7] See the full report here: portofbellingham.com/DocumentCenter/View/9342/POB-REP-General-Economic-Impact-of-COVID-19-Survey-Findings-4282020-FINAL?bidId=.
[8] Based on data from the PVIS and Statistics Canada and includes trips made through Sumas, Lynden, Blaine and Point Roberts. The number of Canadian visits does not equate to unique individuals, but rather trips made by Canadians (i.e., one person may make multiple trips).
[9] Canadians who did not identify shopping as the primary purpose of their trip during the survey may still have engaged in shopping as a secondary trip purpose. For more information, see the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program (theimtc.com/data/).

Table 1. Primary Trip Purpose of Canadians by Locations in Whatcom County (2018)			
Destination	Shopping	Mail Pick-Up	Gas
Blaine	15%	27%	**45%**
Sumas	11%	38%	**40%**
Lynden	18%	9%	23%
Bellingham	**64%**	2%	4%

Historically, the exchange rate between the U.S. Dollar (USD) and Canadian Dollar (CAD) has been a powerful determinant of Canadian crossing volume, though its power has varied throughout time (Figure 1).[10] For example, the relationship between the exchange rate and Canadians crossing weakened in the years following 9/11. This highlights how external events and policy responses can influence cross-border flows. This correlation has again been disrupted with the COVID-19 health crisis.

Figure 1. Northbound Passenger Vehicle Volume in the Cascade Gateway



RESULTS

Taxable retail sales data is organized by the North American Industry Classification System (NAICS; see Appendix). The NAICS coding system organizes sales revenue by the type of retail establishment where the sales were made (known as "point-of-sale"), not by the type of product sold. It is a tiered coding system ranging from a general two-digit code (e.g. 44-45 are retail sales)

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[10] See BPRI Briefing, "COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County," available at: cedar.wwu.edu/bpri_publications/119/.

to a very specific six-digit level. In this analysis, seven NAICS categories were chosen to evaluate geographic and temporal differences in historic and future regional shopping trends by Canadian travelers. The selected categories are motor vehicles and parts dealers, furniture/home furnishing stores, food and beverage stores, clothing/clothing accessories stores, general merchandise stores, online shopping, and gas station convenience stores.[11] Data on tax from fuel sales are also analyzed, where applicable.

Some of these categories are commonly understood to experience substantial business from Canadian shoppers,[12] and are explored in more detail. The results are divided into two sections below: categories of stores in which taxable retail sales follow similar trends between Whatcom County, Washington State, and the U.S. (a potential marker of less Canadian influence) and categories that follow different trends across these same scales (a potential marker of more Canadian influence). This distinction is one way of illustrating the impact that Canadians may have on particular categories of stores.

CATEGORIES WITH MORE CANADIAN INFLUENCE

Clothing and Clothing Accessories Stores

The clothing and clothing accessories category includes stores that sell only new items, which tend to be part of one clothing line. For example, this category includes Kate Spade, Levi's, Forever 21, etc. These types of stores are often found in retail outlets and malls, including Bellis Fair Mall in Bellingham. Table 2 highlights the changes in taxable retail sales in this category across multiple scales. Taxable retail sales of clothing and accessories at the state and national scales followed a similar trend, growing consistently between 2009 and 2012, with growth continuing between 2012 and 2018. Sales in Whatcom County, however, increased by 33% between 2009 and 2012, then dropped by 8% from 2012 to 2018. This follows the overall trend in Canadian cross-border volumes, which increased between 2009 and 2012, then declined between 2012 and 2018, illustrating a strong connection between Canadians and this category of retail shopping, which was confirmed by a regression analysis on a County level.[13]

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[11] The six-digit miscellaneous NAICS category was not included in this report, though it makes up 9.7% of Whatcom's taxable retail sales as of 2018. Due to the variation in store types, it is too difficult to make generalizations about this category. Also, in 2018, the Washington Department of Revenue started reporting online sales by type of good, rather than as an online purchase. For example, an online order placed with Target.com and picked up in Sumas in 2012 was categorized as an online sale but this same purchase would be included under the General Merchandise category for Sumas in 2018. This may have impacted certain categories of store sales, particularly in the smaller towns of Blaine and Sumas. For that reason, they are not included in many of the categories analyzed in this report.

[12] See BPRI Brief, "COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County," available at: cedar.wwu.edu/bpri_publications/119/.

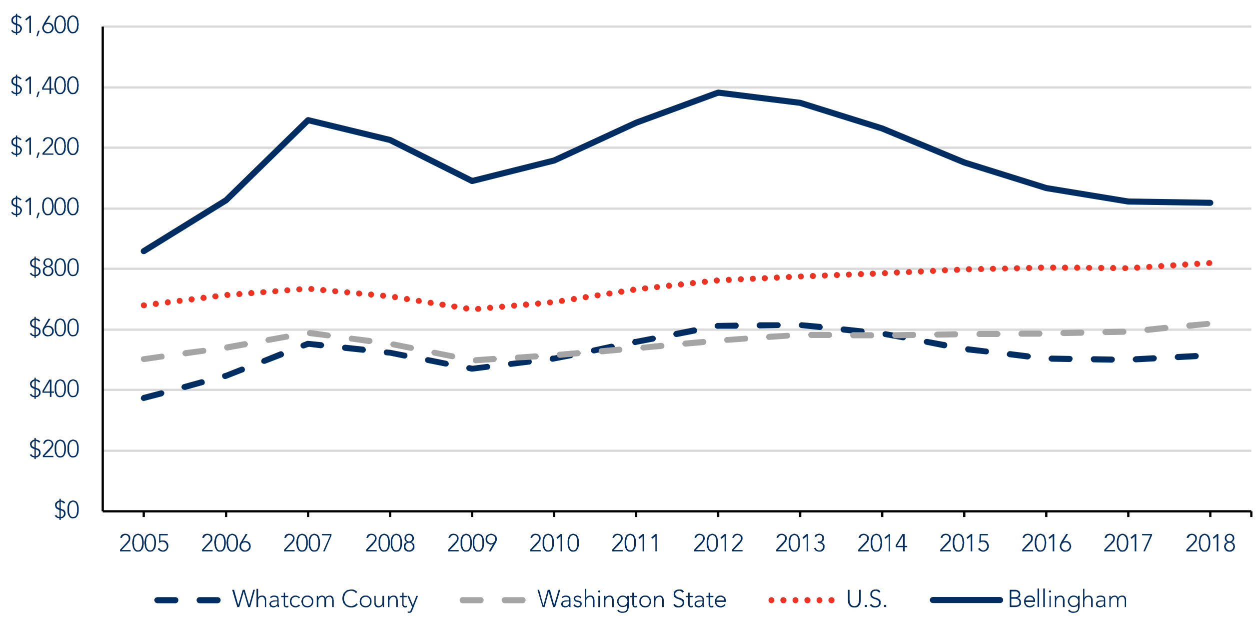
[13] A bivariate regression analysis demonstrated that there was a statistically significant, moderate to strong, positive relationship between sales from clothing/clothing accessory stores and Canadian cross-border volume ($r=0.83$, $p<0.001$).

Table 2. Change in Taxable Retail Sales: Clothing & Clothing Accessories		
Scale/City	% Change 2009-2012	% Change 2012-2018
United States	17%	12%
WA State	17%	20%
Whatcom County	33%	-8%
Bellingham	29%	-19%

Based on annual retail sales and Canadian cross-border volume, it is predicted that the average Canadian crossing the border with shopping as their *primary purpose* will spend $17-$25 on taxable items at clothing/clothing accessory stores. Given this estimate, **it is likely that Canadian spending accounted for 30%-44% (or $35-$51 million) of Whatcom's 2018 retail sales in the clothing/clothing accessory category**.

An analysis of the per capita figures also highlights that Bellingham's retail sales in this category are, on average, more than twice as high as all other scales (Figure 2).

Figure 2. Per Capita Taxable Retail Sales: Clothing/Clothing Accessories Stores



General Merchandise Stores

The general merchandise category includes stores like Costco, Target, Kohl's, Ross, and Walmart which sell a wide variety of products. Taxable retail sales from general merchandise stores in Whatcom County follow a very similar trend as clothing and accessories stores. The County's retail sales of general merchandise increased by 28% from 2009 to 2012 and then decreased by 16%

from 2012 to 2018. During the same time periods, state and national sales followed a slow yet consistent upward trajectory in sales (Table 3). This again illustrates the influence that Canadians have on retail sales for department stores and general merchandise in the County. The correlation between Whatcom's sales and Canadian volumes is close to perfect ($r=0.96$, $p<0.001$), meaning Canadians shoppers explain about 91% of the variation in general merchandise sales. These findings are also supported by BPRI's license plate survey, which found a large proportion of Canadian shoppers at these locations.[14]

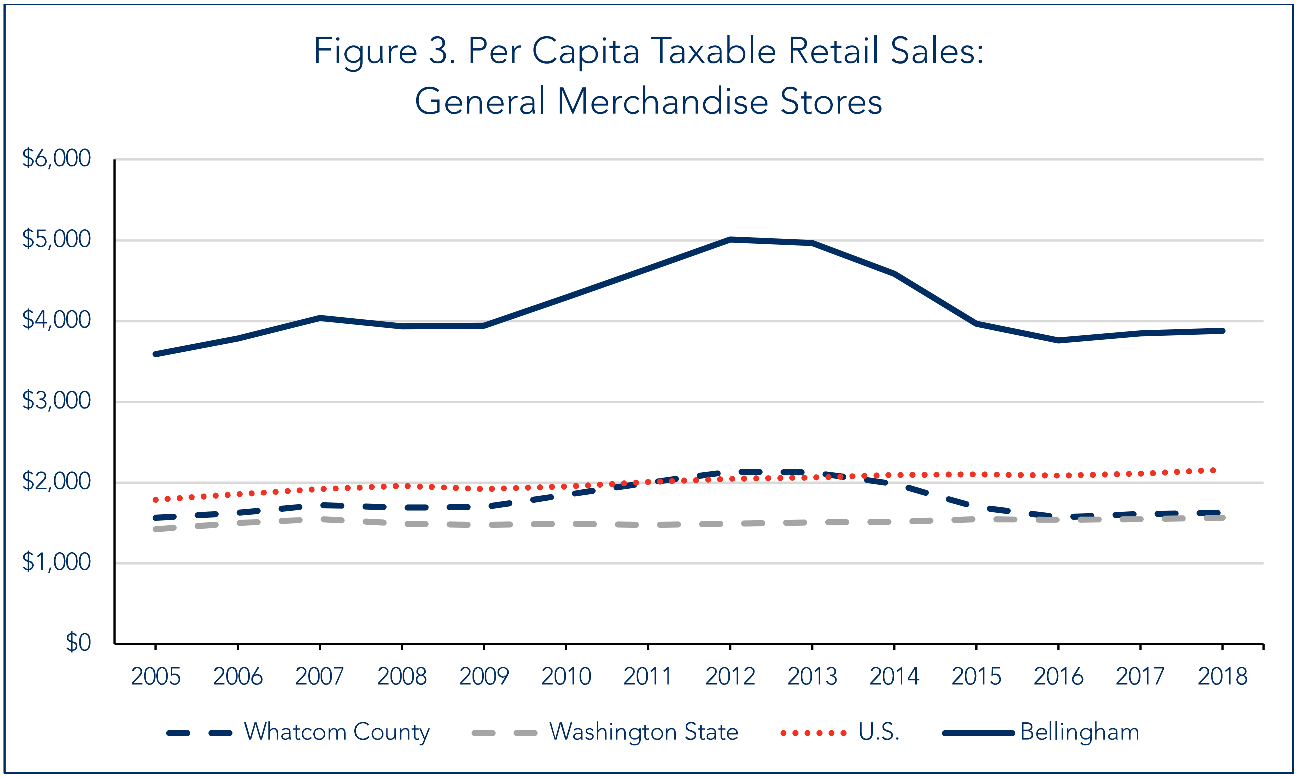
Table 3. Change in Taxable Retail Sales: General Merchandise

Scale/City	% Change 2009-2012	% Change 2012-2018
United States	9%	10%
WA State	4%	14%
Whatcom County	28%	-16%
Bellingham	29%	-15%

Based on annual retail sales in this category and Canadian cross-border volume, the average Canadian crossing the border with shopping as their *primary purpose* is predicted to spend $61-$73 on taxable retail items at general merchandise stores (not including food or gas). Given this estimate, **it is likely that in 2018, Canadians made up 35%-41% (or $127-$152 million) of Whatcom's retail sales in the general merchandise category**.

The per capita sales for general merchandise in Whatcom County was nearly equal to that of the state in 2018 (Figure 3). However, per capita sales in Bellingham were over twice that for the state, highlighting the importance of general merchandise sales to the tax base of the city and the location of general-merchandise stores in Bellingham. Out of the NAICS codes analyzed in this report, this category brings in the most taxable retail sales for Bellingham.

[14] See BPRI Brief, "COVID-19 and the US-Canada Border: Retail Shopping Destinations for Canadians in Whatcom County" available at: cedar.wwu.edu/bpri_publications/119/.



Online Shopping and Mail-Orders

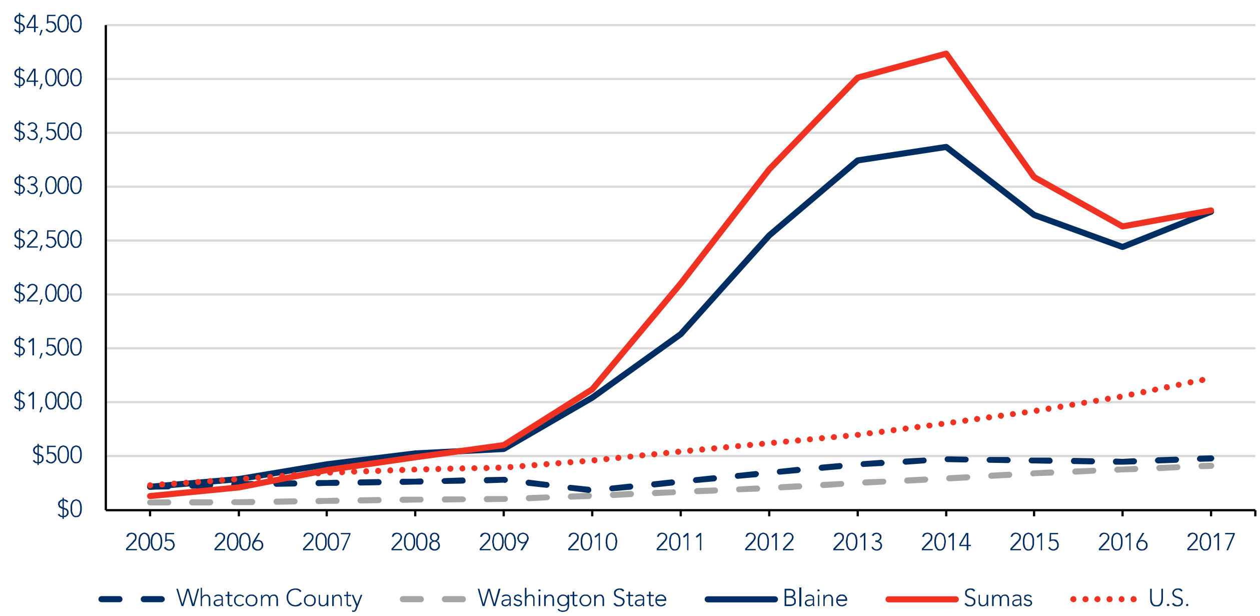
Taxable retail sales volumes in this category have been increasing since the 1990s due to the expansion of the internet, marketing techniques, and supply chain innovation, which explains why there are large increases in these sales from 2009-2012 at all scales (Table 4). Blaine and Sumas's growth in online and mail order sales from 2009-2012 also aligns with the increased volume of Canadian cross-border travelers during this time period. According to the Passenger Vehicle Intercept Survey, 92% of Canadians crossing to pick up mail and packages crossed at the Blaine (61%) and Sumas ports-of-entry (31%).[15] While there is not a strong relationship between online retail sales and Canadian passenger volume at the County level, there is a clear relationship in both Blaine and Sumas.

[15] See the 2018 Passenger Vehicle Intercept Survey, conducted in partnership with the International Mobility and Trade Corridor Program (theimtc.com/data/).

Table 4. Change in Taxable Retail Sales: Online Shopping & Mail-Orders		
Scale/City	% Change 2009-2012	% Change 2012-2017[16]
United States	61%	104%
WA State	103%	116%
Whatcom County	24%	50%
Bellingham	95%	44%
Blaine	325%	19%
Sumas	436%	-3%

In addition, per capita sales from online shopping and mail-orders is considerably higher in both Blaine and Sumas. As Figure 4 below illustrates, during 2013, a peak crossing year for Canadians, per capita sales in this NAICS retail category were $3,243 in Blaine and $4,001 in Sumas, compared to $251 for Washington State. It is likely that Canadians make up over 85% of Blaine and Sumas's online retail sales.

Figure 4. Per Capita Taxable Retail Sales: Online Shopping/Mail-orders



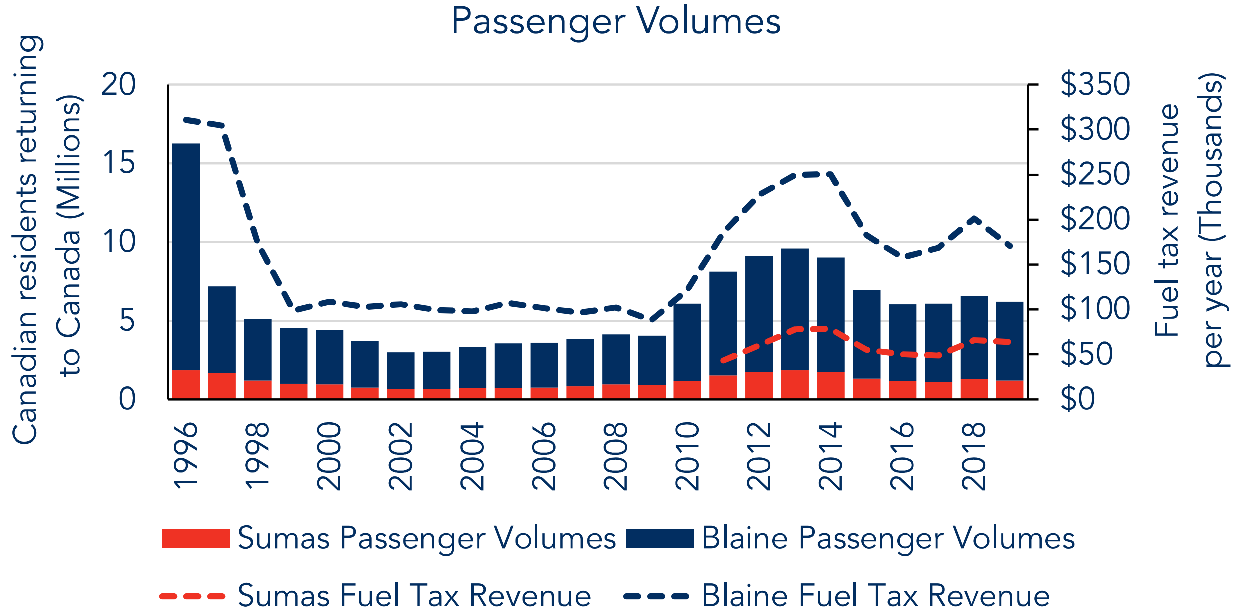
[16] Data from 2018 is not used for this category to avoid the impacts of the Marketplace Fairness Act, which went into effect in Washington State in 2018, and impacted the number of businesses reporting sales in the state. From 2017 to 2018, 21% fewer businesses reported sales to Washington State for this category. In addition, in 2018, the WA Dept. of Revenue recategorized online sales and started reporting them by type of good, rather than as online sales. Thus, future sales in this category are not comparable with pre-2018 data.

Fuel Tax Revenue

There is no category in the NAICS that includes sales from fuel (aside from direct wholesale of fuel), so this section uses data from Blaine and Sumas's annual fuel tax revenue to discuss Canadians' impact on fuel sales in Whatcom County. According to Washington State law, cities within 10 miles of the border have the option of assessing a one cent/gallon tax on fuel sales within their city limits. Of those with the option, Blaine, Sumas, and Point Roberts initiated the tax, though data from Point Roberts was not available. As shown in Figure 5 below, Blaine's fuel tax revenue is strongly correlated with Canadian passenger flows, while Sumas's is moderately correlated. Based on this data, **it is predicted that in 2019, 55-73% of Blaine's fuel tax revenue (or $95 to $124 thousand) and 44-60% of Sumas's fuel tax revenue (or $28 to $38 thousand) was generated by Canadians purchasing gas.**

There are two likely reasons for these findings. First, Vancouver and White Rock tend to have higher gas prices than Abbotsford, so the difference in price is not as drastic in the Abbotsford-Sumas area compared to the White Rock-Blaine area.[17] For many people who live near the border in Abbotsford or Huntingdon, it might not be as "worth it" to cross for gas. Secondly, there are far more Canadians crossing the border at Blaine compared to Sumas which creates a stronger relationship between the tax revenue and crossing volumes.

Figure 5. Blaine and Sumas Annual Fuel Tax Revenues ($0.01/Gallon) Compared to Northbound Canadian Passenger Volumes



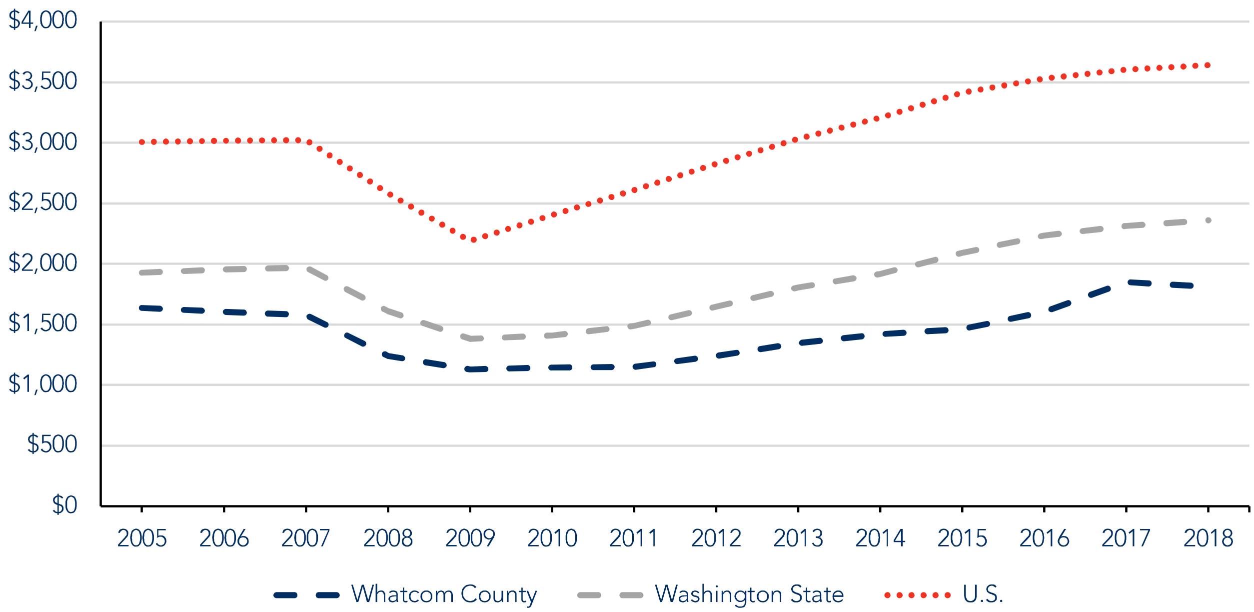
[17] See GasBuddy's historical gas price tools at: fuelinsights.gasbuddy.com/Charts.

CATEGORIES WITH LESS CANADIAN INFLUENCE

Motor Vehicles and Parts Dealers

It is often assumed that Canadians do not typically purchase vehicles during their cross-border shopping trips, meaning in theory, there should not be a correlation between Whatcom County's retail sales and Canadian cross-border volume. Retail sales for this category followed a similar trend between Whatcom County, Washington State, and the U.S (Figure 6). At all scales, there was a dip in per capita revenue in 2009, reflecting the fact that auto sales for light-weight vehicles typically decline during recessions.[18] From 2012 to 2018, when the U.S. economy was expanding and the Canadian Dollar was losing value, sales in Bellingham trended upward, following state and national trends. *This reinforces the assumption that Canadians do not have a significant influence on the sales of motor vehicles and parts in Whatcom County.*[19]

Figure 6. Per Capita Taxable Retail Sales: Motor Vehicle/Parts Dealers



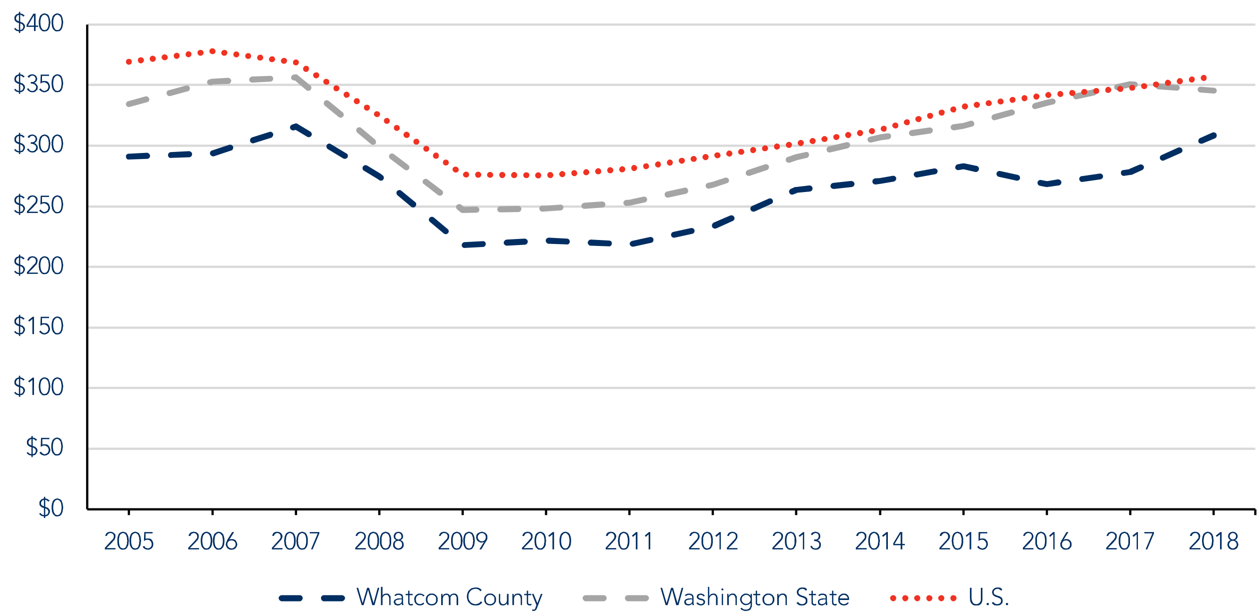
Furniture and Home Furniture Stores

Furniture is another category of goods that may be less influenced by Canadian shoppers, as the challenge of transporting goods as large as furniture across the border likely inhibits their purchases in this category. In 2009, retail sales were down at all scales due to the recession. Additionally, on July 1st, 2008, Washington State revised sales taxes to be "destination-based" rather than being collected at the point-of-sale, which could have affected Whatcom County businesses if they were delivering or shipping products outside the county. Therefore, starting at a

[18] Dupor, Bill. (2019). Auto sales and the 2007-09 recession. Economic Synopses, 16, doi.org/10.20955/es.2019.16.
[19] In fact, there was a slight negative correlation (r=-0.07) between Whatcom's retail sales in this category and Canadian cross-border volume such that as Canadian volume increased, Whatcom's sales in the category tended to decrease.

low point in 2009, taxable retail sales in Whatcom County mirrored state and national trends from then to 2012, with increases ranging from 8% nationally to 9% for Whatcom County and 12% for the state (Figure 7). At the same time, the growth of furniture sales from 2012 to 2018 was nearly identical between Whatcom County (59%) and Washington State (58%). Thus furniture sales grew at the same time that Canadian border crossers declined. *This reinforces the assumption that Canadians do not have a significant influence on furniture store sales in Whatcom County.*[20]

Figure 7. Per Capita Taxable Retail Sales: Furniture/Home Furnishing Stores



Food and Beverage Stores

It should be noted that because Washington State does not have a sales tax on food, food sales are not included here. However, all other sales made in grocery stores are incorporated (including sales of prepared food and liquor).[21] Taxable sales from food and beverage stores between 2009 and 2012 grew by 11% nationally, 4% in Washington State, and 17% in Whatcom County. This discrepancy may be an indication of the influence of Canadian shoppers, which are known to frequent locations such as Haggen's and Edaleen Dairy. Because many other states have a tax on food, a direct comparison with the overall U.S. is not possible. From 2012 to 2018, as Canadian volumes declined, grocery store sales in Whatcom County followed the state and national trend closely, increasing by 23%, 21%, and 19% respectively. However, the average food and beverage

[20] Like retail sales from motor vehicle and parts dealers, the correlation between Whatcom's furniture/home furniture store sales and Canadian cross-border volume is slightly negative (r=-0.12).

[21] As mentioned in the methodology, the NAICS is organized by point-of-sale, not good type. For example, this means that even though a store like Haggen's may sell products other than food, all taxable retail sales from that store is included in the Department of Revenue's retail sales for food and beverage stores because it sells *primarily* food products.

retail sales in Whatcom County are statistically higher than the state's average and there is a positive correlation between sales in this category and Canadian cross-border volume, suggesting Canadian shoppers may have a low to moderate impact on food and beverage store revenues at a county level.[22]

CONCLUSION

Based on statistical analyses of annual retail sales data and Canadian passenger volumes, it is predicted that the average Canadian passenger or pedestrian that enters the Cascade Gateway with the *primary purpose* of shopping will spend $95 (+/- $9) in Whatcom County on taxable retail items at clothing, general merchandise, food and beverage, and/or gas station convenience stores.[23] When this analysis is applied to 2019, it is estimated that Canadians made up a minimum of 8.4% (+/- 0.8%) of Whatcom's total retail sales, or $169 to $202 million. However, it is very likely that Canadians make up a greater proportion of Whatcom's retail sales than this estimate because these analyses only include sales of products subject to state sales tax (e.g. food is not taxed and fuel is taxed seperately). **The impact of Canadian spending on Whatcom County's retail sales varies throughout time, but on average and at a minimum, about 11.7% of Whatcom's taxable retail sales are attributable to Canadians.**[24]

Given the previous figures, **it is estimated that Whatcom County saw a reduction of at least $54-$65 million in retail sales in Q1 and Q2 of 2020 solely due to the loss of Canadian traffic.**[25] Compared to Q1 and Q2 of last year, this represents about a 5-6% decrease in total retail sales. Additionally, it is likely that Canadian-related monetary losses are even higher than this estimate because many Canadians typically cross to purchase gas and dairy products - two commodities that are not measured in this estimate.

Overall, this report sheds light on Canadian spending and local economic impact, adding to the body of knowledge on Canadian shopping in border communities. Canadian shoppers have a large yet variable impact on Whatcom County's economy which is stronger within certain sectors and in certain places. The broader regional economy is further subject to other outside variables like pandemics, federal actions, and the exchange rate to name a few.

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[22] One contributing factor to the strength of this correlation (r=0.57, p=0.034) is that this NAICS category also includes specialty food stores, of which Whatcom County has a handful (e.g. Edaleen Dairy).
[23] When controlling for Whatcom's population.
[24] Based on the years 2005-2018, with a margin of error of +/- 1.1%.
[25] This estimate is made using a predictive linear model based on Canadian cross-border passenger and pedestrian volume and is made on the assumption that 2020 Q1 and Q2 retail sales would have been similar to 2019 Q1 and Q2 retail sales given there was no pandemic or border restrictions. It does not equate directly to lost revenue, since sales tax revenue goes to both state and local jurisdictions.

DISCLAIMER

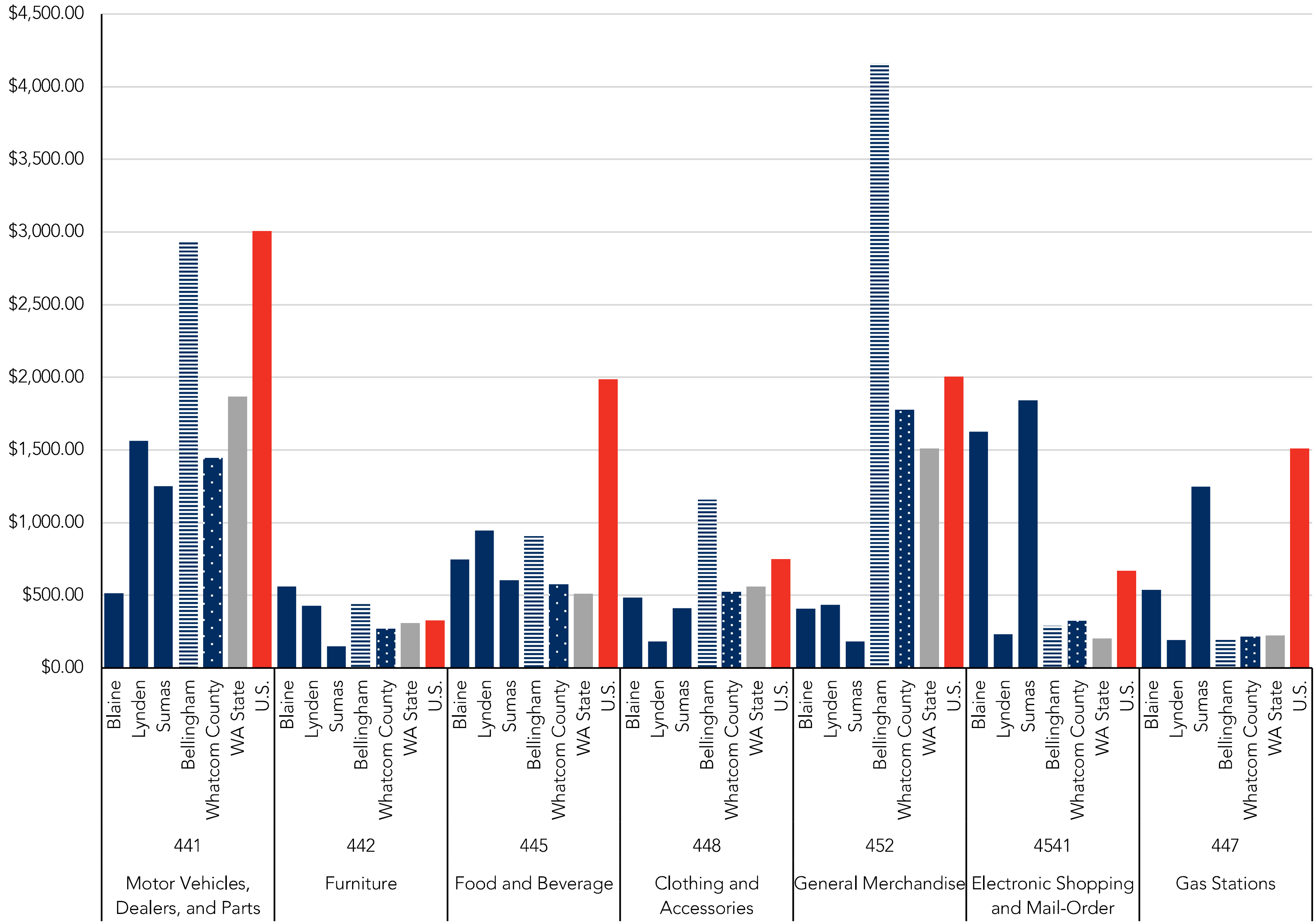
An analysis of taxable retail sales is only one way to measure Canadians' economic impacts on Whatcom County's economy. On a local level, some of the variation in retail sales may be due to changes in the NAICS tiers, which has occurred five times since 1995. Also, in many cases raw monetary amounts are cited throughout the report, but even these come with margins of error. The authors used bivariate regression analyses in most cases rather than multivariate regressions, meaning other variables like inflation, GDP, average household income, etc. were not accounted for. If accounted for, the reported impact of Canadians on Whatcom County's economy could be different than that found here. Overall, these findings should be interpreted with these facts in mind.

APPENDIX

NAICS CODE DEFINITIONS

RETAIL TRADE CATEGORY	NAICS CODE	DEFINITION
Motor Vehicle and Parts Dealer	441	Industries in the Motor Vehicle and Parts Dealers subsector retail motor vehicles and parts from fixed point-of-sale locations. Establishments in this subsector typically operate from a showroom and/or an open lot where the vehicles are on display. The display of vehicles and the related parts require little by way of display equipment. The personnel generally include both the sales and sales support staff familiar with the requirements for registering and financing a vehicle as well as a staff of parts experts and mechanics trained to provide repair and maintenance services for the vehicles. Specific industries included in this subsector identify the type of vehicle being retailed.
Furniture and Home Furnishings Stores	442	Industries in the Furniture and Home Furnishings Stores subsector retail new furniture and home furnishings from fixed point-of-sale locations. Establishments in this subsector usually operate from showrooms and have substantial areas for the presentation of their products. Many offer interior decorating services in addition to the sale of products.
Food and Beverage Stores	445	Industries in the Food and Beverage Stores subsector usually retail food and beverage merchandise from fixed point-of-sale locations. Establishments in this subsector have special equipment (e.g., freezers, refrigerated display cases, refrigerators) for displaying food and beverage goods. They have staff trained in the processing of food products to guarantee the proper storage and sanitary conditions required by regulatory authority.
Clothing and Clothing Accessories Stores	448	Industries in the Clothing and Clothing Accessories Stores subsector retail new clothing and clothing accessories from fixed point-of-sale locations. Establishments in this subsector have similar display equipment and staff that is knowledgeable regarding fashion trends and the proper match of styles, colors, and combinations of clothing and accessories to the characteristics and tastes of the customer.
General Merchandise Stores	452	Industries in the General Merchandise Stores subsector retail new general merchandise from fixed point-of-sale locations. Establishments in this subsector are unique in that they have the equipment and staff capable of retailing a large variety of goods from a single location. This includes a variety of display equipment and staff trained to provide information on many lines of products.
Electronic Shopping and Mail-Order Houses	4541	Definition of 454: Industries in the Nonstore Retailers subsector retail merchandise using methods, such as the broadcasting of infomercials, the broadcasting and publishing of direct-response advertising, the publishing of paper and electronic catalogs, door-to-door solicitation, in-home demonstration, selling from portable stalls and distribution through vending machines. Establishments in this subsector include mail-order houses, vending machine operators, home delivery sales, door-to-door sales, party plan sales, electronic shopping, and sales through portable stalls (e.g., street vendors, except food). Establishments engaged in the direct sale (i.e., nonstore) of products, such as home heating oil dealers and newspaper delivery service providers are included in this subsector.
Gas Stations	447	Industries in the Gasoline Stations subsector retail automotive fuels (e.g., gasoline, diesel fuel, gasohol, alternative fuels) and automotive oils or retail these products in combination with convenience store items. These establishments have specialized equipment for the storage and dispensing of automotive fuels.

Average Per Capita Taxable Retail Sales by Scale and Sector (2005-2018)



FIGURES AT-A-GLANCE: TAXABLE RETAIL SALES

MORE CANADIAN INFLUENCE

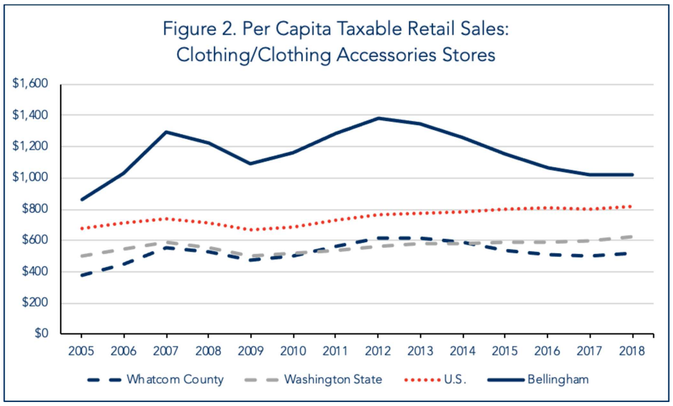


Figure 2. Per Capita Taxable Retail Sales: Clothing/Clothing Accessories Stores

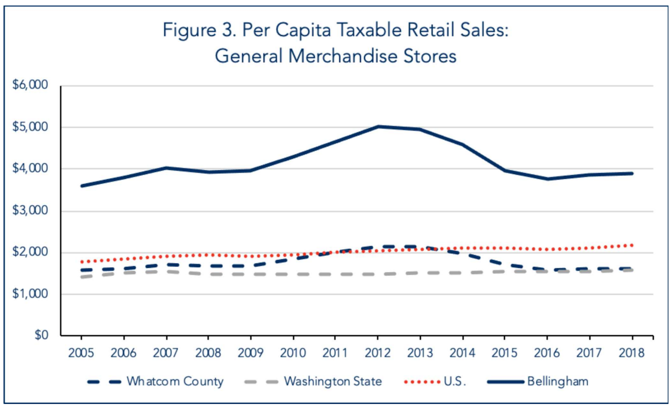
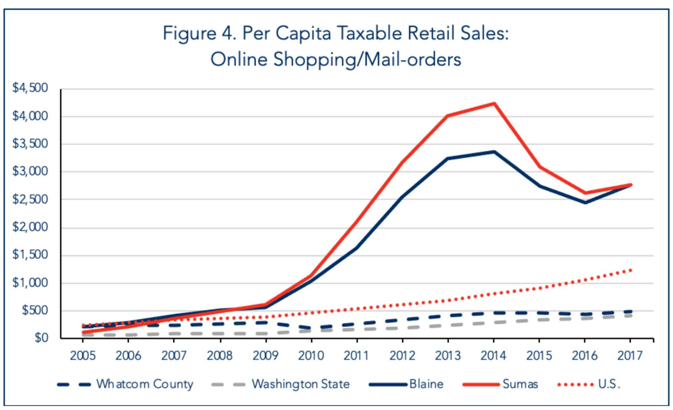


Figure 3. Per Capita Taxable Retail Sales: General Merchandise Stores



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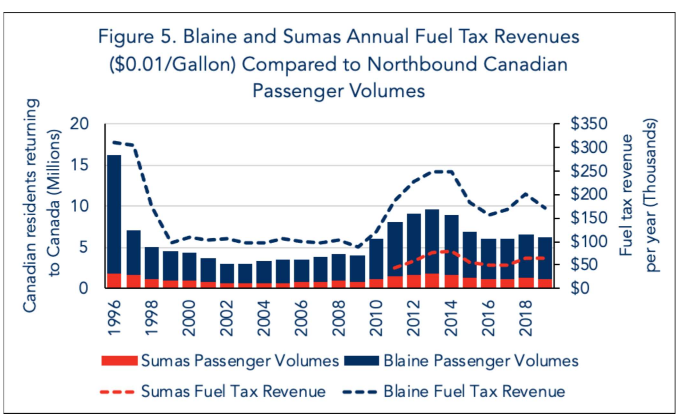


Figure 5. Blaine and Sumas Annual Fuel Tax Revenues ($0.01/Gallon) Compared to Northbound Canadian Passenger Volumes

LESS CANADIAN INFLUENCE

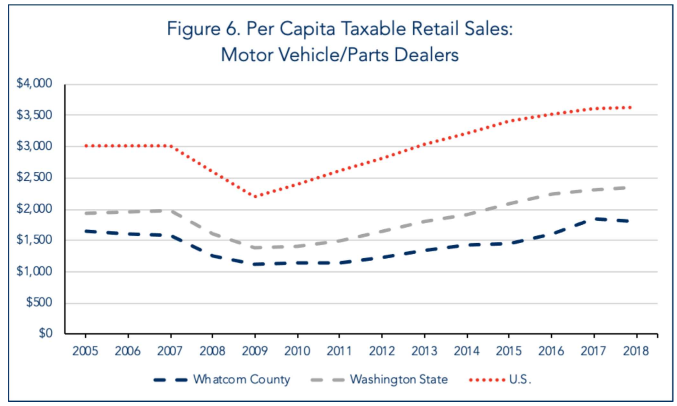


Figure 6. Per Capita Taxable Retail Sales: Motor Vehicle/Parts Dealers

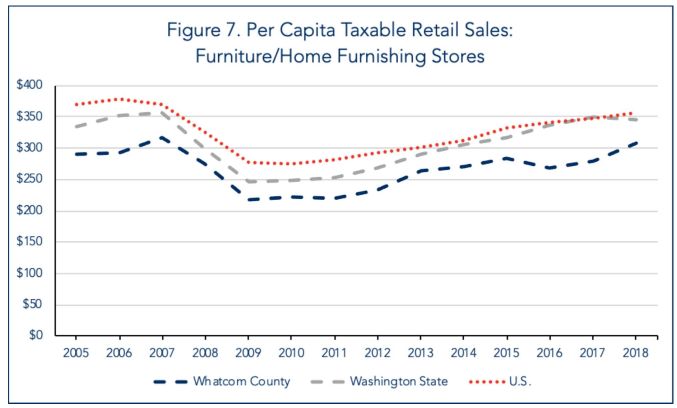


Figure 7. Per Capita Taxable Retail Sales: Furniture/Home Furnishing Stores

PASSENGER VOLUME

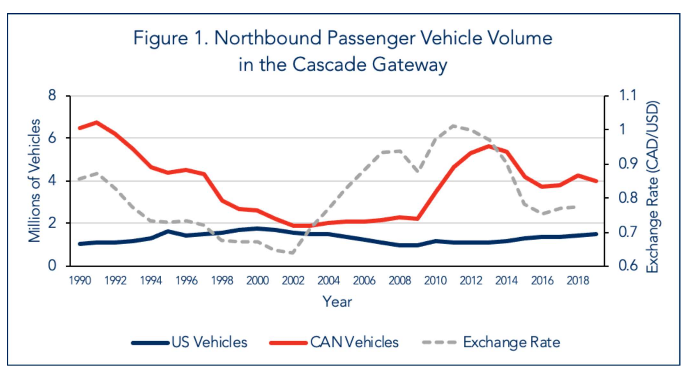


Figure 1. Northbound Passenger Vehicle Volume in the Cascade Gateway

Fall 2020

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

Border Policy Research Institute, Western Washington University

BORDER POLICY RESEARCH INSTITUTE
WESTERN WASHINGTON UNIVERSITY

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/

Border Policy Research Institute
Western Washington University
Bellingham, Washington
wwu.edu/bpri

WESTERN WASHINGTON UNIVERSITY

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

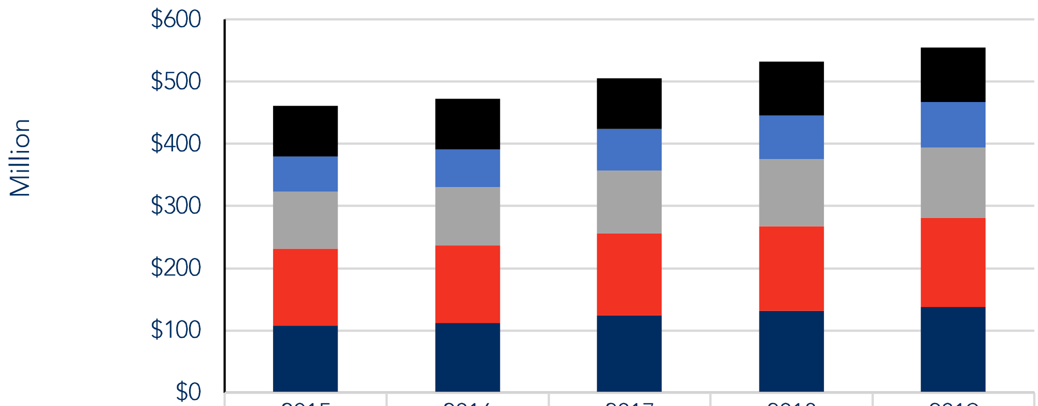
- Whatcom County's hospitality sector, the Bellingham International Airport (BLI), and second-home ownership are all aspects of Whatcom's economy that are affected by Canadians and the border.
- The border restrictions have eliminated essentially all cross-border leisure travel, which typically benefits 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/.

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



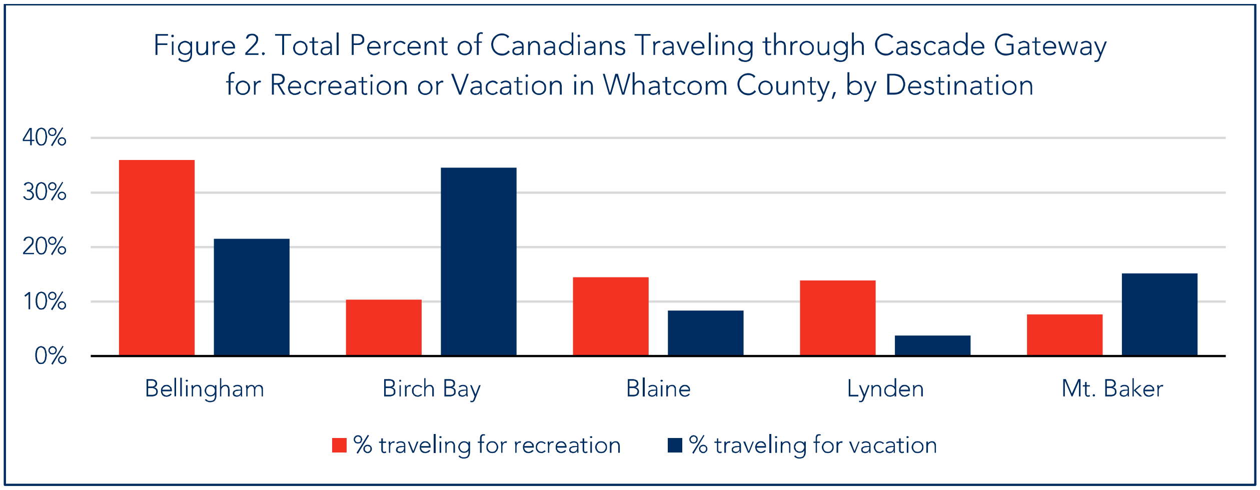
	2015	2016	2017	2018	2019
Transportation	$81.1	$81.5	$81.7	$86.2	$88.1
Recreation, arts, entertainment	$57.3	$60.6	$66.5	$70.6	$73.0
Retail	$91.7	$93.3	$101.2	$107.3	$112.7
Food and beverage	$123.3	$124.6	$131.4	$136.4	$143.4
Accomodations	$107.8	$112.4	$124.4	$131.5	$137.9

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 Briefings[3] 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.wwu.edu/bpri_covid19/.



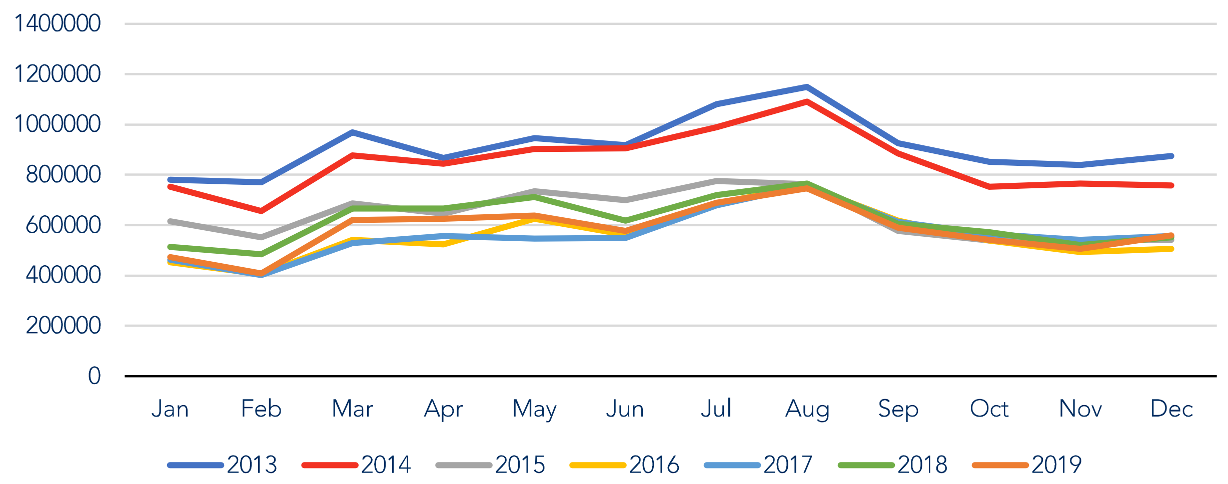
Source: IMTC 2018-2019 Passenger Vehicle Intercept Survey[4]

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.

Figure 3. Northbound Canadian Passenger Traffic Traveling through Cascade Gateway by Month, 2013-2019



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

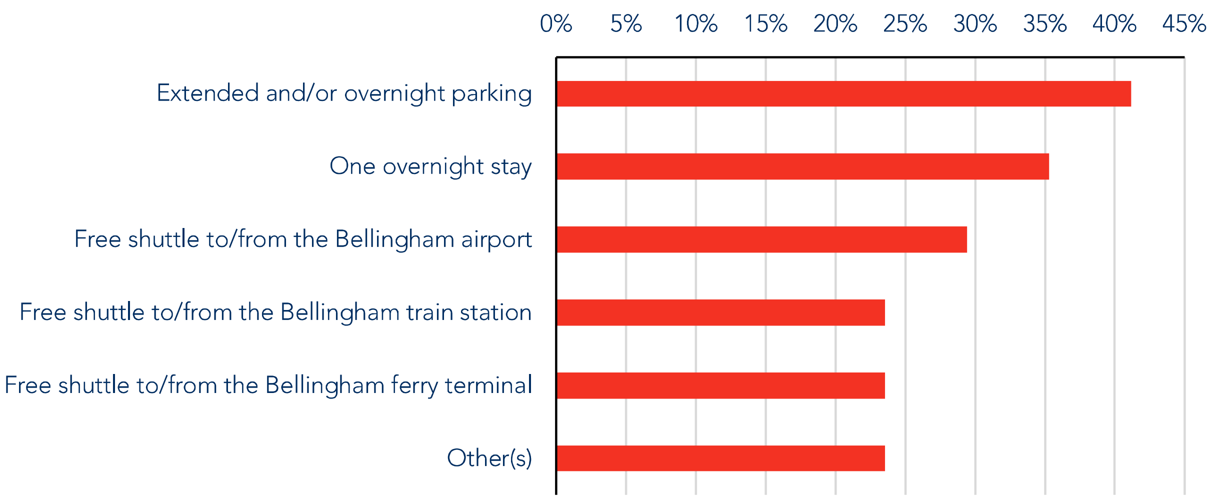
The most common pattern of travel through the Cascade Gateway is a short-distance trip across the border for retail purposes, which is most often undertaken by Canadians. The border restrictions have entirely erased this kind of trip, and consequently greatly affected Whatcom's retail economy.[8] However, 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.wwu.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.wwu.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.

Figure 4. Percent of Survey Respondents Who Market to Canadians, by Type of Packages Offered

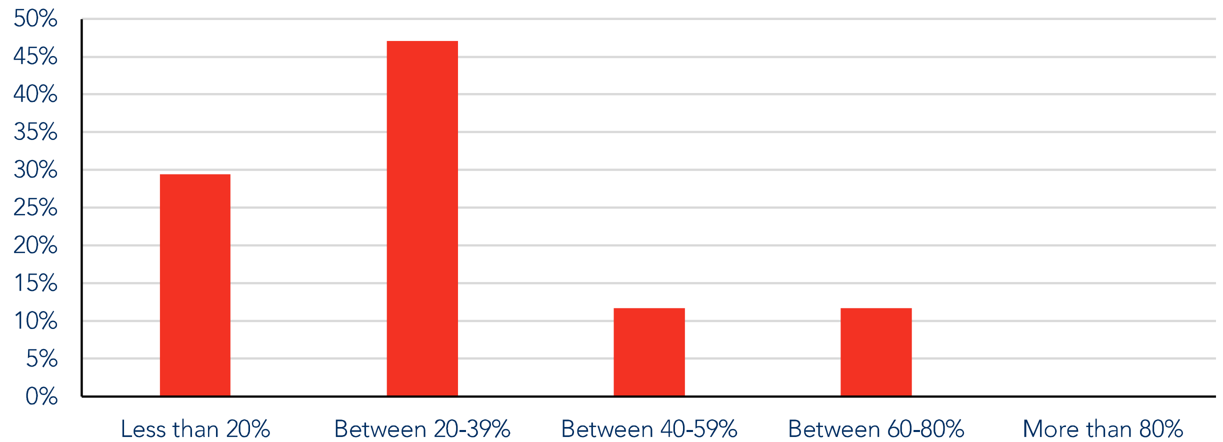


Source: BPRI and Bellingham Whatcom County Tourism. 2020 Whatcom County Accommodation Industry Survey.

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.

Figure 5. Percentage of Survey Respondent's Lodgers Who Are Canadian (in a Typical Year)



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]

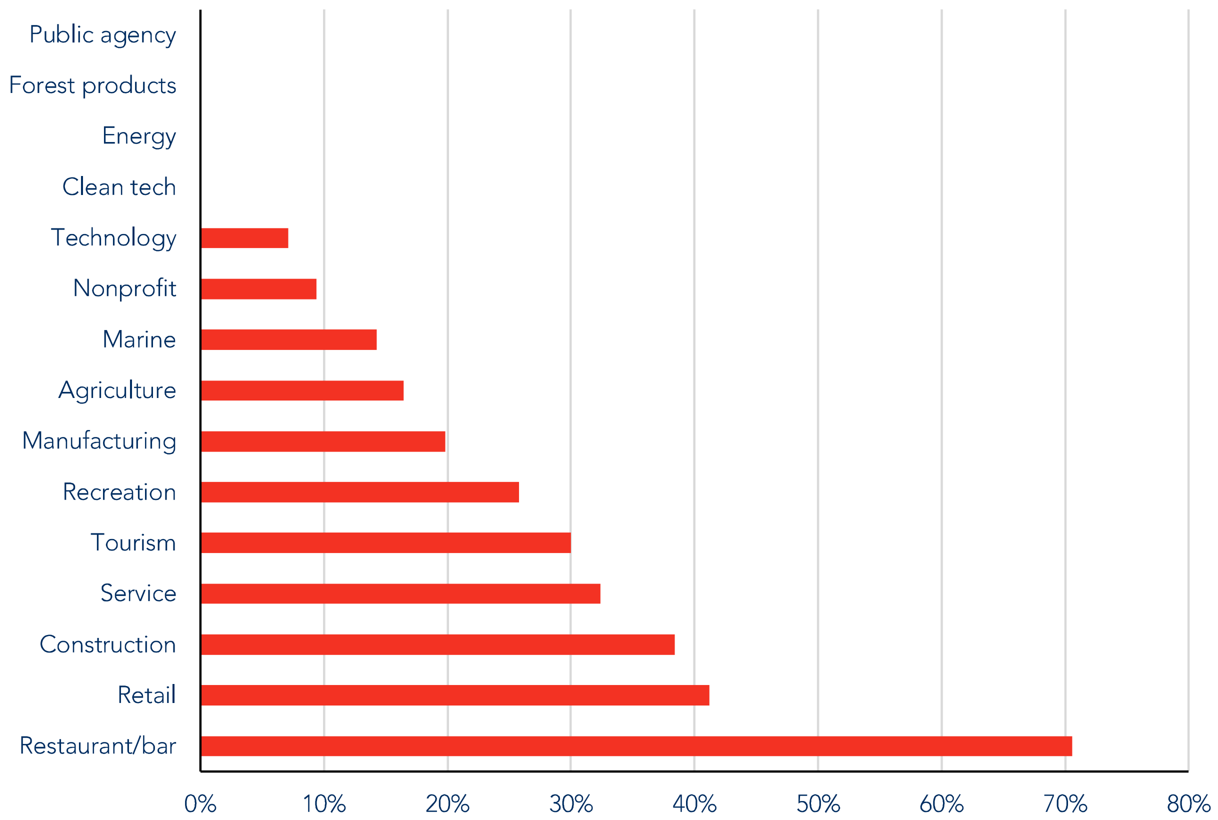
In another study that was conducted early during the pandemic (April 2020), the Port of Bellingham found that the businesses that were typically affected by the Canada – U.S. border did not necessarily experience more revenue loss during the pandemic, *except for the recreation and tourism sectors*.[12] 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 portofbellingham.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.

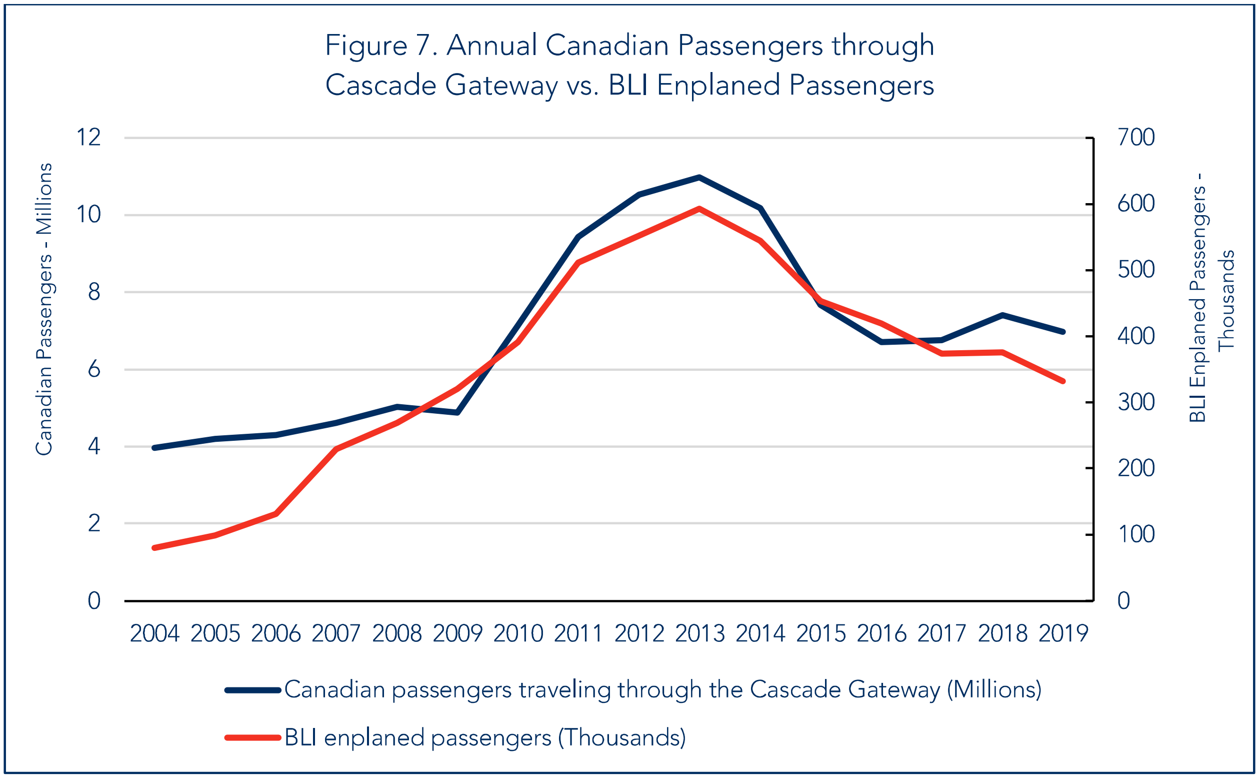
BELLINGHAM INTERNATIONAL AIRPORT

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.

Table 1. Airline and Destination Details of Local Airport Options

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.wwu.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 OWNERSHIP[15]

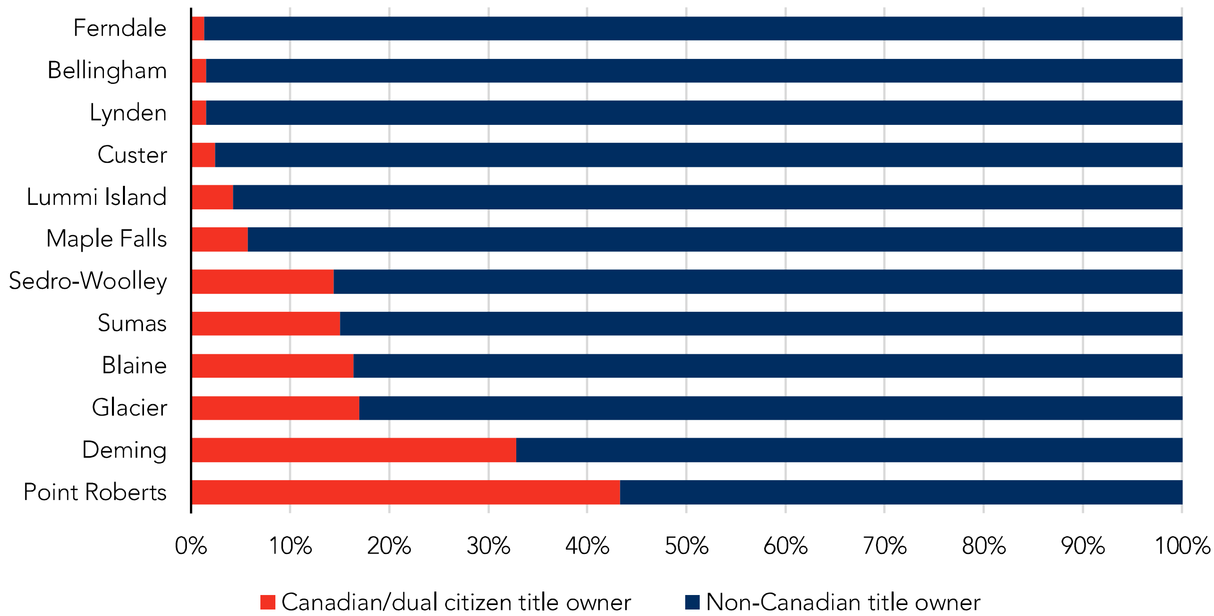
While the term 'second-home' could be applied to a variety of purposes, this report focuses only on privately-owned residential property that is not used as a primary residence. Second-home owners play a key role in local "repeat visitation, word-of-mouth promotion, and the hosting of other visitors," 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.

Figure 8. Whatcom County Property Ownership in Census-Designated Places, by Title Owner Address



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 volume'; 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 lots[19] 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

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[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 Region[22] 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.