



**The Impact of 9/11 and the U.S. VISIT Program
on U.S. Border Retailing**

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The Impact of 9/11 and the U.S. VISIT Program on U.S. Border Retailing

Questions

1. Is retailing important to U.S. border communities?
2. Are cross-border shoppers an important part of U.S. border retailing?
3. What impact has 9/11 and the U.S. VISIT program had on U.S. border retailing?
4. What can we expect in the future?



The Impact of 9/11 and the U.S. VISIT Program on U.S. Border Retailing

Methodology

Review and analysis of available data and recent studies.



Q/A

Q. Is retailing important to U.S. border communities?

A. Yes. In U.S. border communities, retailing accounts for the lion's share of total sales, a significant portion of employment, and is an important contributor to local government revenue (via retail sales tax rebates).

Table 1

Texas Border MSA's
Total Sales & Wholesale/Retail Sales
2004 (Billions)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's	Texas
Total Sales	5.9	10.6	4.5	18.6	39.6	1,154.3
W/R Sales	4.3	7.7	3.6	11.7	27.3	636.3
W/R Sales (Pct. of Total)	72.9	72.6	80.0	62.9	68.9	55.1

Source: Texas Comptroller of Public Accounts

Table 2

Texas Border MSA's
 Total Employment & Wholesale/Retail Employment
 2004 (Thousands)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's	Texas
Total Employment	116.4	184.5	77.6	256.8	635.3	9,478.3
W/R Employment	18.6	33.3	13.5	43.4	108.8	1,546.4
W/R Employment (Pct. of Total)	16.0	18.0	17.4	17.0	17.1	16.3

Source: Texas Workforce Commission

Table 3

Texas Border MSA's
Retail Sales Tax Rebates
2004 (Millions)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's
Retail Sales Tax Rebates	25.5	46.1	24.6	51.5	147.7

Source: Texas Comptroller of Public Accounts



Q/A

Q. Are cross-border shoppers an important part of U.S. border retailing?

A. Yes. Cross-border shoppers account for roughly 20 percent of total retail sales in U.S. border communities, ranging from 4.3 percent in El Paso to 41.2 percent in Laredo. Local bridge fees paid by cross-border shoppers constitute an important source of revenue for local government.

Table 4

Texas Border MSA's
Sales to Cross-Border Shoppers
2001 (Percentage)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's
Sales to Cross-Border Shoppers (Percent)	16.0	29.3	41.2	4.3	20.1

**Source: Keith Phillips and Roberto Coronado, Dallas Federal Reserve,
April 2005**

Table 5

Texas Border MSA's
Local Bridge Revenues
2004 (Millions)

	Brownsville MSA	McAllen MSA	Laredo MSA	El Paso MSA	Border MSA's
Local Bridge Revenues	14.2	10.2	33.2	13.4	71.0

Source: Texas Comptroller of Public Accounts



Q/A

Q. What impact has 9/11 and the U.S. VISIT program had on U.S. border retailing?

A. 9/11 had a short lived negative impact on U.S. border retail sales. Border retail sales grew 3.7 percent in 2001. Although northbound pedestrian and vehicle border crossings were down 17.9 percent and 24.4 percent, respectively, between September and November of 2001, they staged a recovery in December of 2001.

Overall, in 2001, northbound pedestrian flows were up 2.4 percent and retail sales in U.S. border communities rose 3.7 percent. Northbound vehicle traffic, however, was down 5.0 percent in 2001, continuing a trend began in 2000.

Table 6

Texas Border MSA's
September 11, 2001 - Border Crossings, Retail Sales
2000 - 2002

Border Crossings (Northbound/Millions)	2000	2001	2002	Percent Change	
				00-01	01-02
Pedestrians	16.5	16.9	17.8	2.4	5.3
Vehicles	30.0	28.5	28.4	(5.0)	(0.4)
Retail Sales (Billions)	16.4	17.0	17.9	3.7	5.3

**Source: Texas Center for Border Economic and Enterprise Development,
Texas A&M International University; Texas Comptroller of Public Accounts**



Q/A

Q. What impact has 9/11 and the U.S. VISIT program had on U.S. border retailing?

U.S. VISIT Program –

1. “Enhance security, facilitate legitimate travel and trade.”
2. The entry phase of U.S. VISIT program has been fully implemented at U.S. airports, seaports, and land ports since December 31, 2005.
3. The exit phase of U.S. VISIT program is still in the design and testing stage. Schedule for full implementation uncertain.
4. U.S. VISIT procedures apply only to those visitors going beyond 25 mile “border zone” that require a I-94 visa.
5. DHS estimates that only 1 in 7 visitors (15 percent) entering the U.S. at a southern border port-of-entry will travel beyond the 25 mile “border zone” and therefore will be subject to U.S. VISIT procedures.



Q/A

Border Community Opposition –

The U.S. VISIT program will have a devastating impact on the border economy , the State of Texas and the U.S. The program “will kill NAFTA” and offers no assurances that it will stop the entry of terrorists.



Q/A

U.S. VISIT Program Impact on Border Retailing –

(Note: How the U.S. VISIT program is implemented, and how cross-border shoppers respond to it, will determine the program's impact on border retailing.)

Impact Studies (ex ante)

1. Perryman Group Study
2. TAMIU Study (1st)
3. TAMIU Study (2nd)

Table 7

Perryman Group Study

Impact of Increase in Delay Time Crossing the Border

(Percent Decline)

	Delay: Increase 1-2 Hour(s)		Delay: Increase 3 or More Hours	
	<u>Output</u>	<u>Employment</u>	<u>Output</u>	<u>Employment</u>
U.S.	-0.3	-0.2	-1.1	-0.9
Texas	-0.2	-0.2	-.06	-0.8
Border	-3.7	-3.1	-14.1	-11.6

Source: “Stalling the Engine of Growth in a Global Economy: The Impact of Implementation of the U.S.-VISIT Program at U.S.-Mexico Border Crossings on Business Activity in U.S., Texas, and Border Region”, The Perryman Group, July 2004

Table 8
TAMIU Study
Impact of a Permanent Decline in Border
Crossings of 1%, 5%, and 10%*

Decline in Border Crossings (percent)	<u>Laredo</u>				<u>Border</u>		
	1%	5%	10%		1%	5%	10%
<i>Decrease By</i>							
Sales (millions \$)	19 (0.5)	95 (2.3)	190 (4.6)		76 (0.2)	380 (1.1)	759 (2.2)
<i>Increase By</i>							
Unemployed	398 (1.5)	1990 (9.6)	3980 (19.2)		1549 (1.5)	7745 (7.6)	15490 (13.9)
<i>Decrease By</i>							
Sales Tax Rebates (thousands \$)	133 (0.5)	665 (2.6)	1330 (5.2)		76 (0.2)	380 (1.1)	759 (2.2)
<i>Decrease By</i>							
Bridge Revenues (thousands \$)	324 (1.0)	1622 (5.0)	3240 (10.0)		726 (1.0)	3630 (5.0)	7260 (10.0)

*2002

(percent of total)

Source: “U.S. VISIT: A Preliminary Impact Assessment on the Border and Texas Economies”, Texas Center for Border Economic and Enterprise Development, Texas A&M International University, October 2003



Q/A

TAMIU Study (2nd) –

40 percent of 800 self-selecting cross-border shoppers in Laredo surveyed in April 2004 and December 2004 said if wait time at the bridge exceeded more than 1 hour, they would reduce their visits to Laredo and expenditures by 30 percent.



Q/A

Impact of U.S. VISIT Program (Entry Phase) on Border Wait Times –

According to Gene Garza, DHS Port Director, Port-of-Laredo, implementation of the U.S. VISIT program has gone smoothly. He cites reduced (not increased) wait times at Laredo's bridges, and reduced time in processing I-94 visas.

Table 9

Wait Time to Cross Bridge
Laredo, Texas – Vehicles Northbound
December 17 – January 10 (2003-04 & 2004-05)

<u>(Minutes)</u>		
	<u>Average</u>	<u>Maximum</u>
2003-2004	24 min	95 min
2004-2005	17 min	50 min
Percent Change	down 29.2%	down 47.4%

Source: Port Director, Laredo Port of Entry, March 2005

Table 10

Wait Time to Process I-94 Visas, Laredo, Texas
December 17 – January 10 (2003-04 & 2004-05)

	<u>Number of Permits</u>	<u>Average Wait Time</u>
2003-2004	66,867	11-12 minutes
2004-2005	68,873	3-4 minutes
Percent Change	+3.0%	67% reduction

Source: Port Director, Laredo Port of Entry, March 2005



Q/A

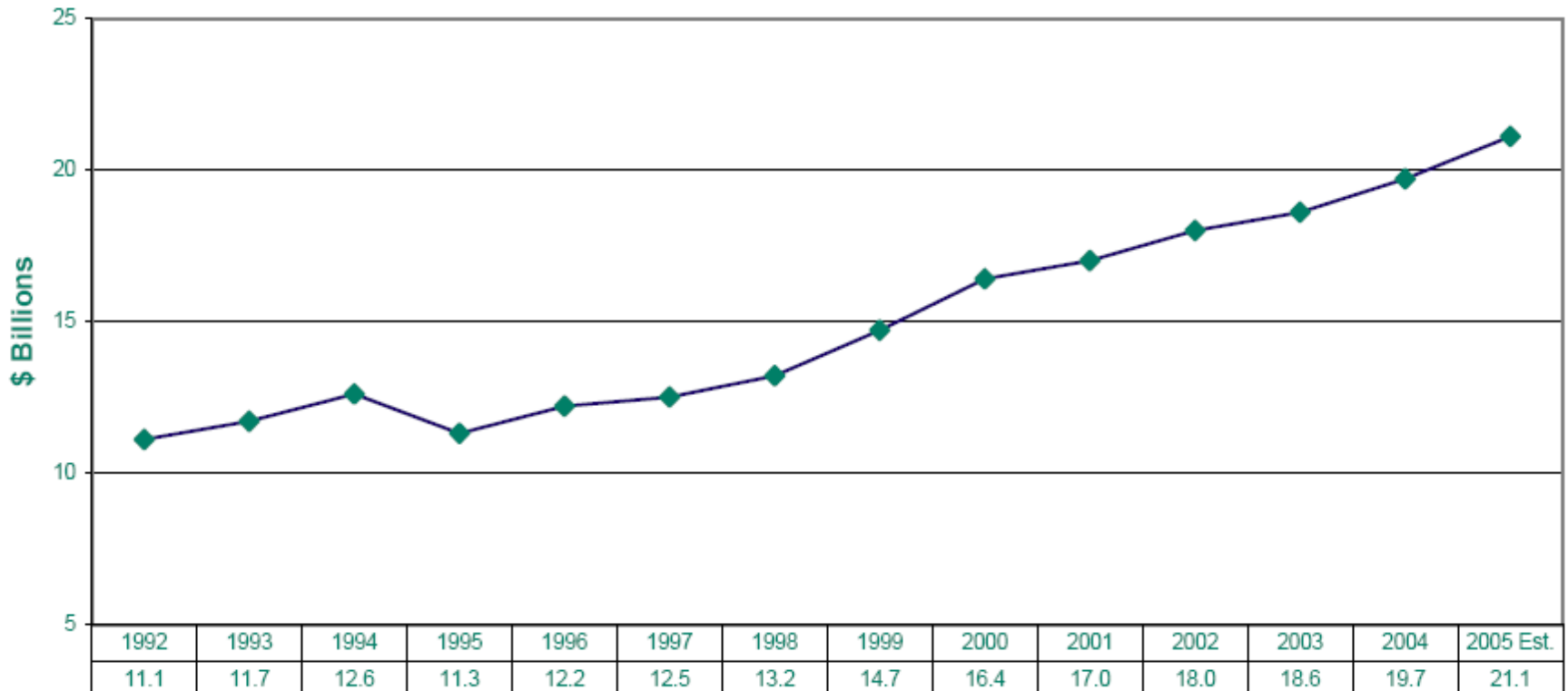
Impact of 9/11 and the U.S. VISIT program on border retailing, tentative conclusion –

Probably have had little impact. Border retail sales continue to grow. Northbound pedestrian and vehicle crossings, however, remain below their previous highs.

Northbound vehicle crossings continue on their gradual decline since reaching a high in 2000. Northbound pedestrian crossings, while dipping in 2002 and 2003, bounced back in 2005.

Chart 1

Texas Border MSA's* - Retail Sales, 1992-2005

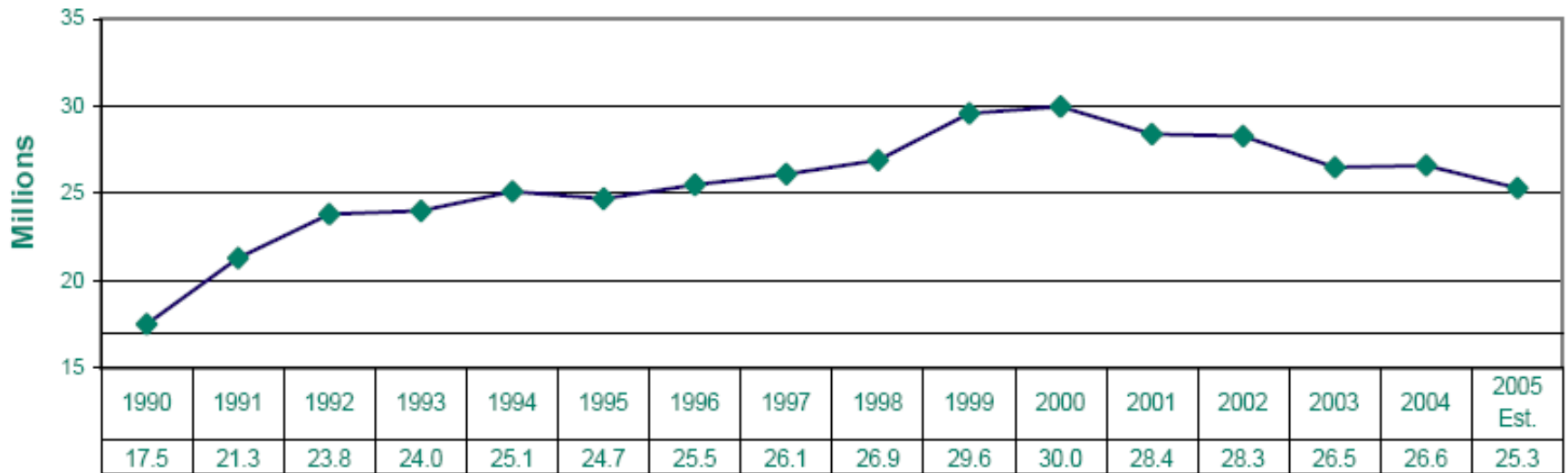


* Brownsville, McAllen, Laredo, El Paso

Source: Texas Comptroller of Public Accounts

Chart 2

Texas Border MSA's* - Vehicle Crossings North, 1990-2005

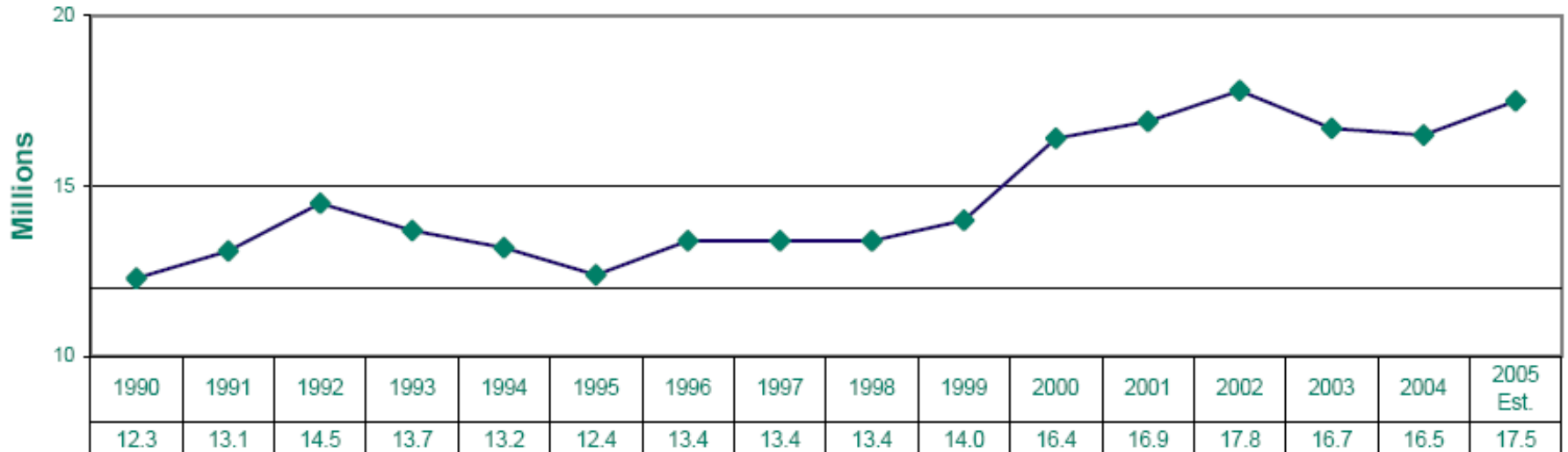


* Brownsville, McAllen, Laredo, El Paso

Source: Mexico's Oficina de Caminos y Puentes data compiled by the Texas Center at Texas A&M International University

Chart 3

Texas Border MSA's* - Pedestrian Crossings North, 1990-2005



* Brownsville, McAllen, Laredo, El Paso

Source: Laredo Bridge System and Mexico's Oficina de Caminos y Puentes data compiled by the Texas Center at Texas A&M International University



Q/A

Q. What can we expect in the future?

A. Retailing in U.S. border communities will continue to grow in the future, driven by strong population growth in the region and continued cross-border shopping.

The implementation of the exit phase of the U.S. VISIT program however, if not handled efficiently like the entry phase, could make crossing the border more time consuming and burdensome, having a negative impact on cross-border shoppers and U.S. border retailing.



Comments? Questions?

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