

Guam Visitors Bureau

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WRITTEN TESTIMONY ON IMPLEMENTATION OF PUBLIC LAW 110-229 (SPECIFIC REFERENCE TO THE GUAM-CNMI VISA WAIVER PROGRAM) By Vice Speaker Benjamin J.F. Cruz, 30th Guam Legislature Before the House Subcommittee on Insular Affairs, Oceans and Wildlife

May 19, 2009

Congresswoman Bordallo and members of the Committee, thank you for affording me the opportunity to testify before the House Subcommittee on Insular Affairs, Oceans and Wildlife, on the implementation of Public Law 110-229. As the Guam-CNMI Visa Waiver Program date of implementation nears, it remains critical that we maintain open lines of communication and make use of them frequently.

On February 27, 2009, the Guam Legislature passed Resolution No. 15 “Relative to presenting an Agenda of Priority Concerns for Guam on federal-territorial issues for proposed action to President Barack Obama, and to the Congress of the United States.” Among the priorities within the resolution is the establishment of a secure Guam-CNMI Visa Waiver program for visitors from the People’s Republic of China and Russia, in order to foster growth in the tourism economies of Guam and the Commonwealth of the Northern Marianas Islands.

The Department of Homeland Security extended the implementation date of the Guam-CNMI Visa Waiver Program, stipulated within the Immigration and Nationality Act and mandated by the Consolidated Natural Resources Act of 2008, from June 1, 2009 to November 28, 2009. As Chairman of the Guam Legislature’s Committee on Tourism, I must emphasize my opposition to the implementation if China and Russia are not included in the Guam-CNMI Visa Waiver Program.

The passage of Public Law 110-229 clearly demonstrated the intent of Congress to allow additional countries onto the Guam-CNMI visa waiver program list provided:

1. That they represent a significant economic benefit; and
2. That adequate safeguards are provided with regard to our national security.



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The addition of China and Russia would expand tourism opportunities for our destinations. This move would also help offset the decline in visitor numbers from our primary market of Japan due to an aging demographic, and to other social and economic issues. The Guam Legislature supported the delay in the implementation date in order for adequate security measures to be developed and allow the inclusion of China and Russia under the Guam-CNMI Visa Waiver Program.

Tourism Market Repercussions

According to U.S. marketing research firm Global Insight, tourism expenditures currently represent \$1.2 billion in Guam's economy, or 40% of Guam's Gross Island Product. Visitor spending is 95% of this total, producing \$148.9 million in combined payroll, hotel lodging, and gross receipts taxes. Each Japanese visitor creates \$120 in tax receipts, adds \$340 to Guam's gross island product, and generates \$170 in direct wages to Guam's workforce. Unfortunately, Japan arrivals have declined by 27% between Fiscal Years 2000 and 2008.

Based on CNMI figures, China and Russia provide compelling market viability for Guam. Spending by Chinese and Russian tourists in the CNMI in 2008 reached \$58 million, with per-person spending for Chinese visitors averaging \$967 and for Russian visitors, \$4,323. Overall, Chinese and Russian tourists contribute approximately 20% to the CNMI's tourism revenues. Based on research conducted by the Guam Visitors Bureau, China and Russia may potentially generate \$212.2 million in combined payroll, hotel lodging, and gross receipts taxes by 2018.

Japanese and Korean travelers account for 90% of the 1.2 million visitors annually arriving on Guam. Yet, their numbers declined considerably in 2008 while the number of Chinese travelers grew by 29% over 2007, although they only represent a small fraction of the Guam market. The total number of outbound travelers from the People's Republic of China numbered some 45 million in 2008, growing nearly 10% over 2007. Of that figure, 18% or 8 million Chinese travelers will potentially travel to non-Asian destinations. Just 2% of those visitors would be 160,000 more tourists for Guam. An average 4-day stay could produce an economic benefit of \$62.7 million for Guam.

By comparison, the exclusion of China and Russia could result in our tourism industry dwindling by 32% in the next 5 years. An expanded visa waiver program allows for preservation of a large segment of Guam's economy while creating a projected growth for Guam's most important industry to \$1.5 billion in 5 years. This definitely meets



the criterion for significant economic benefit, thereby providing a strong rationale for the expeditious inclusion of the People's Republic of China and Russia in the Guam-CNMI Visa Waiver Program.

Security Concerns

National Security is of paramount concern. Therefore, working with DHS, China, and airlines serving Guam to create and implement a visitors program that allows Chinese nationals expeditious entry into Guam while integrating security features to minimize overstays and asylum seekers is at the forefront of consideration. An additional concern is that tourists from China would no longer be required to apply for approval to travel to Guam through the costly and time-consuming visa issuance process to screen and approve potential travelers. Consequently, establishment of a system to conduct this process of screening and approval of potential tourists from China within 72-hours to a week is of great interest. Safeguards to include within the DHS program are:

1. Drawing from the model established under China's Approved Destination Status (ADS) system, only tourists traveling in groups organized by approved travel agents would be eligible. This system minimizes the risk that Chinese visitors might lose or destroy their travel documents.
2. As under the ADS system, the approved travel agents would be trained to identify and exclude potential immigrants and asylum seekers.
3. The travel agents would be required to post a \$500,000 bond to cover the costs of dealing with immigrants or asylum-seekers brought to Guam in a group organized by the agent.
4. The travel agents would be further required to abide by a "code of conduct" similar to that in effect under the current Visitor Entry Permit program, and any agents that violate that code would forfeit their approved status.
5. The Electronic System for Travel Authorization could be used to screen and approve potential visitors.
6. We would work with the airlines serving Guam to arrange for the collection of biometric data and photographs of Chinese visitors upon their arrival in Guam, and again upon their departure. In collecting this data from departing visitors, we would be



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implementing DHS's proposed "US Exit" program for the first time on a demonstration basis in Guam. Guam can be used to test where improvements to the "US Exit" program can be made before final implementation. The program would be established on a two-year trial basis, and could be terminated at any time by DHS if problems emerge.

Customs and Border Patrol (CBP) and DHS must rebuild the infrastructure at airports and seaports in Saipan, Tinian, and Rota. Capital costs include power generation, circuitry, cabling, equipment, construction and physical improvement, and security and access control. In addition, CBP must relocate officers and staff to operate the six CNMI ports. It is worrisome that completion of this work may not happen by November 28, 2009. Therefore, an extension of an additional 180 days past the November 28, 2009 deadline may be necessary. In the interim, it is important to address Guam needs regarding:

1. H-2 Labor – Delinkage of the H-2 cap so as not to impede the construction buildup of national defense projects associated with force restructure agreements of military personnel from Okinawa, Japan.
2. Hong Kong – The inclusion of Hong Kong residents in our current visa waiver program for both British National and Special Administrative Region passport holders.

Public Law 110-229 recognizes important source markets of economic significance from China and Russia, and allows for the continued expansion of tourism and economic development including aiding prospective tourists in gaining access to memorials, beaches, parks, dive sites, and other points of interest. Public Law 110-229 recognizes Guam's strategic importance, the U.S. force realignment, and the crucial balance between security concerns and the economic survival of Guam and the CNMI.

I realize that the House Subcommittee on Insular Affairs, Oceans and Wildlife is committed to fostering economic development in Guam and the CNMI. I respectfully request that the members take my testimony into consideration and seriously consider the economic consequences of your decision.