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Border delays cost Canada up to $30-billion a year

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A recent study by Trien Nguyen of the University of Waterloo and Randy Wigle of Wilfrid Laurier University and published in the March 2011 issue of Canadian Public Policy provides some estimates for the economic costs of border crossing delays. These costs can be startlingly large, especially in the auto sector. Parts and subassemblies of cars produced in North America crisscross the border several times during production, so custom rules and border delays can add an extra $800 to the cost of production. In contrast, cars imported from overseas only have to pass through customs once.

Previous studies treated border delays as a form of tax that increases the cost of sending goods across the border. This price wedge creates a ‘deadweight loss’ – sometimes referred to as Harberger’s triangle. In addition to the deadweight loss, the Nguyen-Wigle study also takes into account the costs associated with resources made idle (such as the time truck drivers are obliged to spend waiting at the border) or devoted to extra expenditures on warehousing and inventories.

Put together, the costs of border delays are considerable: on the order of 1 per cent to 2 per cent of total GDP, or between $15-billion and $30-billion a year. (Unsurprisingly, these costs are concentrated in Ontario.) Costs of this magnitude are large enough to offset -- perhaps even more than offset -- the economic gains produced by the North American free-trade agreement (NAFTA).

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