IRON AND STEEL

The domestic Iron and Steel industry was cost-competitive with the U.S. industry until 1980 (pre-exchange-adjustment). By 1984, total domestic costs were 9 per cent above those in the U.S.

Unit material costs accounted for approximately 60 per cent of total factor costs in both countries in 1982. The average annual rate of growth for this input was 11.5 per cent in Canada compared to 9 per cent in the U.S. While domestic material costs were lower than U.S. costs for most of the 1970's, this higher growth rate in Canada raised domestic costs above U.S. levels throughout the 1980's. Canadian costs increased by 10 per cent from 1982 to 1984, while U.S. costs only increased by 3.9 per cent. This raised domestic costs to a level of 21 per cent above U.S. values in 1984.

Domestic unit labour costs fluctuated above and below U.S. levels throughout the interval. In 1983 and 1984, however, Canadian producers gained an advantage in this area as domestic costs decreased on a year-over-year basis by 11 per cent and 1 per cent respectively in each of these years.

Unit depreciation payments increased dramatically in both countries over the period and were almost at the same level in 1982. Unit interest payments escalated at a much more rapid pace in Canada, however, and were 118 per cent above U.S. payments in 1982. They represented less than 5 per cent of total costs, however, and as such did not significantly affect Canada's competitive position.

On an exchange-rate-adjusted basis, the Canadian industry was more cost-competitive than the U.S. industry over the entire period, with total unit costs being 19 per cent lower than in the U.S. in 1984.