PETROLEUM AND COAL

Canadian producers were at a distinct disadvantage on a total cost basis (pre-exchange-rate-adjustment) from 1974 to 1979, and from 1982 onwards. In 1984, total domestic costs were 64 per cent above U.S. levels.

Unit material costs, which historically accounted for close to 90 per cent of total costs in both countries, grew at an average annual rate of 18 per cent in Canada compared to 16.7 per cent in the U.S. From 1981 to 1984, U.S. costs in this area actually declined by 30 per cent, while Canadian costs grew by 25 per cent. By the end of the period, domestic material costs were 65 per cent above U.S. levels.

Unit indirect taxes grew at a phenomenal average annual rate of 37.4 per cent in Canada compared to only 1 per cent in the U.S. This reflected the impact of the Syncrude levy from 1978 to 1980 and other charges that were associated with the National Energy Program. Although they were 110 per cent higher than U.S. unit tax payments in 1984, they only represented 3 per cent of total domestic costs in 1982.

On an exchange-rate-adjusted basis, the situation improved for domestic producers, but total costs still remained 21 per cent above U.S. levels in 1984.