For each of these 30 industries, cross-country comparisons were made for:

1) material costs[1];
2) labour costs;
3) indirect taxes;
4) interest payments; and,
5) depreciation.

This was done by creating historical "unit cost" measures for each of these factors, defined as nominal-dollar expenditures for each item in each year divided by constant-dollar (1971$) real output for the industry in question. In Canada, most of the data was taken from the Input-Output (I-O) tables prepared by Statistics Canada[2]. Current- and constant-dollar I-O tables itemize output for 191 industry groupings and summarize all of the related costs of doing business. These include purchases of materials; outlays for wages, salaries and supplementary labour income; and payments of direct and indirect taxes. Creating unit-cost measures in this manner allowed us to get a handle on exact expenditures made by each industry. They reflect the fact that an industry may buy goods at discounted prices, purchase imported as well as domestically produced materials, and use a different mix of inputs than comparable U.S. industries.

Canadian I-O data and corresponding U.S. information prepared by the U.S. Department of Commerce is available on an establishment basis. The establishment is defined as the smallest operating unit which produces as homogeneous a set of goods and services as possible, capable of reporting all elements of basic industrial data. So, for example, if a company produces both raw chemicals and packaging materials, it would be classified in two separate industry groupings on an establishment basis.

Since Canada I-O data is not available for capital costs, it was necessary to use Statistics Canada corporate tax statistics in this area. The use of interest and

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1 Material costs include transportation and storage, utilities, communication expenses, advertising etc.

2 For a more detailed description of I-O tables, see the Appendix page A2.