

TOBACCO PRODUCTS

This sector was very cost-competitive over the entire period, particularly from 1982 onwards. In 1984, total unit costs were 23.7 per cent below U.S. levels (pre-exchange-rate-adjustment).

Purchases of materials accounted for approximately 75 per cent of total input costs in Canada and 68 per cent in the U.S. in 1982. Canadian expenditures in this area were higher than in the U.S. until 1982, when cost increases began to moderate in Canada, but continued at double-digit rates in the U.S. By 1984, U.S. costs were 23 per cent above domestic costs.

Unit labour costs historically accounted for approximately 20 per cent of total costs in Canada and 10 per cent in the U.S. Canadian costs were consistently higher than U.S. costs throughout the interval and in 1984, U.S. producers had a 38 per cent advantage in this area. Canadian labour productivity was very low relative to the U.S. over the whole period and was only 50 per cent of the U.S. level in 1984.

In 1982, unit tax payments accounted for 13 per cent of total costs in the U.S. and less than 1 per cent in Canada. Costs were substantially higher in the U.S. over the entire period and by 1984, U.S. unit tax payments were 94 per cent higher than Canadian levels.

On an exchange-rate-adjusted basis, the Canadian industry was in a very favourable position from 1977 onwards. In 1984, domestic producers held a 70 per cent cost advantage over the U.S. industry.