

PULP AND PAPER

The Canadian Pulp and Paper industry was at a cost disadvantage vis-a-vis their U.S. counterparts from 1975 onwards (pre-exchange-adjustment). In 1982 and 1983, total unit costs for the industry were over 25 per cent higher than in the U.S. The cost-gap narrowed somewhat in 1984, however, leaving Canadian producers with total costs 20 per cent above those in the U.S.

In 1982, unit material costs accounted for 61 per cent of total costs in Canada and 74 per cent in the U.S. While Canadian costs in this area were lower than those in the U.S. over the first part of the 1970's, they exceeded U.S. levels for the remainder of the period. Domestic expenditures for this category grew at an average annual rate of 10.7 per cent, compared to 9 per cent in the U.S. By 1984, domestic unit material costs were 9 per cent above U.S. levels.

Unit labour costs accounted for 26 per cent of total Canadian costs in 1982 and 19 per cent in the U.S. Canadian producers were burdened with significantly higher unit labour costs throughout the entire period. From 1980 to 1982, Canadian unit labour costs grew 22.6 per cent more than U.S. costs, leaving domestic costs in 1982 88 per cent higher than in the U.S. Unit labour costs for Canada decreased in 1983 and increased only marginally in 1984, however, leaving Canadian costs only 62 per cent above U.S. levels by the end of the period. Canadian labour was also far less productive than in the U.S., and efficiency rates fell from 85 to approximately 65 per cent of U.S. levels over the period.

Canadian unit interest payments increased dramatically in 1981 and 1982, and were 899 per cent higher than U.S. payments in 1982, accounting for 7 per cent of total Canadian costs. U.S. payments accounted for less than 1 per cent of total U.S. costs throughout the period. Domestic depreciation payments were 68 per cent higher than those in the U.S. in 1982 and accounted for 5.8 per cent of total Canadian costs.

On an exchange-rate-adjusted basis, Canadian costs were 7.7 per cent lower than U.S. costs in 1984.