

TRANSPORTATION EQUIPMENT

Canada's Transportation Equipment industry was very uncompetitive from 1971 to 1976, with total unit costs being in the range of 27 to 46 per cent higher than U.S. levels. In 1977, this situation began to reverse, and from 1979 onwards the Canadian sector was at a competitive advantage with respect to U.S. producers. In 1984, total unit costs in Canada were 10 per cent below those in the U.S.

Unit material costs, which accounted for 72 per cent of total costs in both countries in 1982, were much more volatile in the U.S. and increased at a much higher rate over the period. In 1977, in particular, U.S. unit material costs grew at an incredible rate of 77 per cent over the previous year. The average annual growth rate was 9.2 per cent in Canada as opposed to 15.7 per cent in the U.S. As a result, Canadian costs went from being 90 per cent more expensive than U.S. costs in 1971 to .5 per cent more expensive in 1984.

Canadian unit labour costs rose substantially from 1979 to 1982, but then fell by 28 and 12 per cent respectively in 1983 and 1984. U.S. labour costs showed similarly high rates of growth, and on average increased by about 1 per cent more per year than Canadian costs. Domestic producers held a strong advantage in this area throughout the entire period, and costs were 41.5 per cent below U.S. levels in 1984. Canadian labour productivity improved significantly from 1982 to 1984, and was slightly above the U.S. value by the end of the interval.

The exchange-rate adjustment further improved the situation for domestic producers, and in 1984 Canadian costs for this industry were 43 per cent below U.S. costs.