

MINERAL FUELS

The Canadian Mineral Fuels sector has been at a total cost disadvantage relative to the U.S. industry since 1975. Faster rates of growth in both unit material and labour costs over the period raised domestic costs to a level of 32 per cent above U.S. costs by 1984 (pre-exchange-adjustment).

Unit material costs accounted for 65 per cent of total input costs in Canada and 38 per cent in the U.S. in 1982. While material costs grew at a rapid pace over the interval in the U.S. (with average annual growth of 15.3 per cent), they increased even more dramatically in Canada (with average annual growth of 20.7 per cent). By 1984, Canadian unit material costs were 90 per cent higher than in the U.S.

Unit labour costs accounted for 12 and 23.5 per cent of total factor costs in Canada and the U.S. respectively in 1982. Over the 1970's, domestic unit labour costs were, on average, 50 per cent below U.S. levels. While both countries experienced very high increases in this area throughout the period, the average annual rate of growth in Canada (1971 to 1984) was 2.1 per cent higher than in the U.S. While domestic producers retained their competitive advantage over the entire period, the cost-gap narrowed from 1980 onwards. In particular, in 1983 and 1984 unit labour costs declined in both countries, but by a more significant amount in the U.S. This left domestic costs only 28 per cent below U.S. levels in 1984. Canadian labour was very productive relative to labour in the U.S. over the 1970's. However, efficiency rates had dropped to about 90 per cent of the U.S. level by 1981, and only increased gradually over the remainder of the interval.

Unit gross indirect taxes accounted for 18.6 per cent of total U.S. costs in 1982, compared to only 5 per cent in Canada. Unit tax payments escalated dramatically in the U.S. in 1980 and 1981 (212 and 116 per cent respectively over the previous year). They fell approximately 22 per cent in each of the following two years, however, and by 1984 were 60 per cent higher than similar Canadian payments.

On an exchange-rate-adjusted basis, this sector was slightly less cost-competitive than the U.S. sector in 1983 and 1984.