

INDUSTRY ANALYSIS

This section provides an in-depth review of the different cost structures facing Canadian and American producers over the 1971 to 1984 period for each of the 30 goods-producing industries in question. To make cross-country comparisons easier, four pages of graphs are presented for each industry. The first page depicts unit costs for each of the individual inputs: materials, labour, indirect taxes, interest payments, and depreciation. In addition, two measures of total costs are included: the sum of materials, labour and indirect taxes, and the sum of all inputs including interest and depreciation⁵. This latter measure is labelled TOTAL on the graphs.

When mention is made in the text to total unit costs, it refers to the sum of materials, labour and indirect taxes only. As discussed earlier, the authors view this to be a more exact measure of costs given the discrepancies that exist between corporation- and establishment-based data. When reference is made to shares of total unit costs — for example, material costs account for 50 per cent of total costs — all costs are included in the calculation. Given the number of cost concepts under consideration, two graphs are presented for each country to avoid over-crowding in the diagrams.

The second page shows the same information, but on an exchange-rate-adjusted basis. U.S. costs are expressed in Canadian currency, and were converted from U.S. dollars by multiplying the unit cost measure by the average annual value of the Canadian/U.S. exchange rate. The discussion of cost differences between the two countries for each of the inputs is based on pre-exchange-rate-adjusted values. Given the depreciation of the Canadian dollar against the U.S. dollar from 1976 onwards, all exchange-rate-adjusted cost profiles move in Canada's favour after that time.

⁵ Interest and depreciation costs are not included for the Petroleum and Coal, Mineral Fuels, Transportation and Motor Vehicle Accessories and Parts industries. See Appendix, page A19 for a detailed explanation.