

to mines the value of whose output is to the extent of 70 per cent or more from gold. This will be of general benefit and encouragement to the industry as a whole. By widening the margin of retainable profits, the well-established mines should be able to utilize more low-grade ore than they might otherwise feel it worth while to bring to the surface. This provision should operate naturally to lengthen the productive life of existing mines in the industry. To this extent, therefore, it can be regarded as contributing towards future employment in the industry.

The second proposal is directed particularly towards the low-grade marginal mines where the impact of adverse conditions has been most severe. As a special relief measure in this direction it is proposed that the amount allowed as depletion for gold mines, as defined above, shall not in any case be less than \$4 per ounce of gold produced. This new minimum allowance of \$4 per ounce will replace the present minimum of \$2 per ounce, and will be effective as from the date of commencement of the existing \$2 per ounce minimum, that is to say, it will apply in respect of gold produced in fiscal periods ending after June 30, 1946. This provision will have the effect, for example, of exempting completely from tax those mines whose profit margin is \$4 per ounce or less. This minimum depletion allowance will likewise be of benefit to those mines whose profit margin is more than \$4. As it is an alternative to the 40 per cent depletion mentioned above, it is obvious that this \$4 minimum will be of benefit to every company whose profit margin per ounce is less than \$10.

The third proposal relates to new gold mines which have come or come into production on or after January 1, 1946. As the house is already aware, the law allows a three-year exemption period for new mines. In this three-year period companies are at present expected to take into their books the appropriate write-off for depreciation and pre-production expenses. It is now proposed to relieve gold mines from this requirement. These deductions which the companies have been required to take regardless of the size of their profits may now be carried over and taken in the remainder of the ordinary period of write-off remaining after the three-year period. This provision, while somewhat technical in nature, will, I think, be recognized by the industry as a substantial addition to the value of the three-year exemption. It should give added stimulus to the search for and development of new prospects since it increases

significantly the tax concession to new mines.

The government has given very careful and sympathetic consideration to a number of other suggestions which have been made. There has, for instance, been some talk in the press of an outright subsidy for gold production. It is significant, however, that this was not urged by those who speak on behalf of the industry as a whole. In the government's view, at a time when subsidies on essential foodstuffs and other commodities are being withdrawn, it would be most inappropriate to embark upon a policy of subsidizing gold mining operations.

I would also like to take this opportunity of clearing up one point on which I find considerable misunderstanding in some quarters. It has been suggested that the government is obtaining more than \$35 per ounce for the gold it sells abroad, because the Canadian dollar has been selling in the unofficial markets in the United States at a discount of several per cent. There are also suggestions that the industry should be entitled to the value of its gold converted at this unofficial exchange rate in New York. Let me say first of all that the proceeds of all Canada's sales of gold abroad are paid into the exchange fund account held by the foreign exchange control board and converted into Canadian dollars at the official rate of exchange, so that the government is making no profit in the way that some have apparently thought.

It would be out of the question to convert the proceeds of the sale of gold abroad into Canadian dollars through the unofficial market in New York and other American centres, and this is obvious when the nature of this unofficial market is understood. The transactions which take place in this market are only certain transactions between non-residents. All exporters of all products are required to account to the foreign exchange control board for the foreign exchange they receive from their exports and are not permitted to sell it in the unofficial market. This is one of the most basic elements in our system of exchange control, because it is necessary that the foreign exchange produced by the sale of our exports shall be made available for the purpose of purchasing imports for Canada and paying our other commercial and financial bills abroad. This is the use to which the foreign exchange is put when it is sold to the foreign exchange control board. If the proceeds of our gold exports or any other exports were sold in the unofficial markets abroad, they would not be available to Canada for normal purchases or payments abroad, but would instead be diverted to the