

Emergency Gold Mining Assistance Act

Mining Assistance Act to the years 1959 and 1960 and to provide for a 25 per cent increase in the amount of assistance for the years 1958, 1959 and 1960.

In presenting the Canadian budget for 1958 on June 17 last, my colleague, the Minister of Finance, outlined the government's program of assistance to the gold mining industry. He referred to the serious problems of adjustment confronting this industry since the war, which problems had adversely affected those northern communities which are dependent upon the gold mining industry for their survival.

I would like to supplement the remarks made by the Minister of Finance by briefly reviewing the history and the operations of the Emergency Gold Mining Assistance Act and by making a few comments on our gold mining industry and its problems.

At the beginning of the war, the industry was making notable headway and this was continued through 1941 when Canada's gold output reached an all-time record of 5.4 million ounces. By this time, however, the urgency of the war effort was making it increasingly necessary to divert all available labour and supplies to the production of munitions and related activities and, as a consequence, gold mining production declined steadily to a low of 2.7 million ounces in 1945. Although our gold mining production reversed this trend and steadily increased from 1946 through 1950, it has never reached the peak output of 1941 and was still considerably short of that peak in 1957.

The drop in the price of gold in terms of Canadian dollars from \$38.50 an ounce in 1940 to \$35 in 1946, the difficulties of rebuilding the depleted labour ranks and the rapid rise in the costs for labour and supplies caused some mines to close down and a number of others to operate at a loss. This brought hardships to many northern communities and our development of the northland was materially slowed down. This was a very disturbing situation which led to the introduction of the Emergency Gold Mining Assistance Act in 1948.

Over the years the gold mines have made very commendable and successful efforts to decrease their operating costs by making use of every improvement in mining and milling methods and techniques. In recent years these improvements had reached the point where very little more could be done while costs, on the other hand, have continued to mount. This severe situation has been further complicated by the adverse exchange rate when applied to the sale of gold at the Canadian equivalent of the fixed United States price of \$35 an ounce.

It is proposed, therefore, not only to extend the period of application of the act to the

[Mr. Comtois.]

calendar years 1959 and 1960, but to increase the amount of assistance payable under the present formula by 25 per cent. The increased assistance would apply from January 1, 1958 to the end of 1960.

In this connection I should explain that the payments which the gold mines receive under the act are based on a formula which has been changed on occasion in order to meet new conditions which arise. The essential features of the formula are the rate of assistance and the number of assistance ounces. The assistance to any one gold mine applies to two-thirds of the number of ounces it produces in the year concerned and no assistance is given unless the average cost of producing an ounce of gold exceeds \$26.50. The assistance payment is determined by multiplying the number of ounces eligible for assistance by two-thirds of the amount by which the average cost of producing an ounce exceeds \$26.50.

Only those mines whose output of gold is 70 per cent or more of their total output are eligible for assistance payments. Also, a mine must produce more than 50 ounces of gold in the year concerned.

A mine may request assistance on a quarterly, half yearly or yearly basis. Applications are given an initial check and the advance payments, amounting to 80 per cent of the approved assistance payable, are made. The 20 per cent holdback is paid after the final audit of the company's books by the office of the comptroller of the treasury.

A company may submit an application for cost aid up to six months after the end of the year. Consequently, final figures for payments made in respect of the year 1957 are not yet available. However, it is anticipated that they will amount to \$9.4 million. Total payments for the years 1955 and 1956 amounted respectively to \$8.9 and \$8.7 million. It is anticipated that the amount of assistance payable for the year 1958, including the proposed increase, will be approximately \$12 million.

The cost aid under the act applies to placer as well as to lode gold operations, lode gold mines being those in which the gold occurs in veins. Forty-three of the 52 lode gold mines in production in 1957 were eligible for cost aid. The output from these mines, plus the 69,000 ounces derived from placer operations, amounted to 2.5 million ounces. These 2.5 million ounces on which assistance payments were made, represent 57 per cent of all the gold produced in Canada in 1957.

By the end of March 1958 payments under the act had reached a grand total of \$108.8 million, this being for a total period of ten-years. Canada's production of gold from all