

Emergency Gold Mining Assistance Act. Under this Act, which came into force in 1948 (RSC 1970, c.E-5), financial assistance is provided to marginal gold mines to counteract the effects of increasing costs of production and a fixed price for gold. By enabling gold mines to extend their productive life, the subventions help communities dependent on gold mining to adjust gradually to diminishing support. In 1971, the Act was amended and its application extended to June 30, 1973 (RSC 1970, c.7, 2nd Supp.).

An Interdepartmental Committee on Gold Mining, in a Memorandum to Cabinet in April 1972, recommended that the EGMA Act be extended for a further three years from June 30, 1973 to June 30, 1976 without any change in the present method of computing the amount of assistance payable. This was confirmed by the Cabinet on May 23, 1972 and the Minister of Energy, Mines and Resources announced that a Bill would be introduced in Parliament to amend the EGMA Act accordingly.

The amount of assistance payable to an operator is determined by a formula, and is based on the average cost of production per ounce and the number of ounces produced; it ranges from zero to \$10.27 per oz.t. produced. Gold mines having a cost of production of \$26.50 or less per oz.t. receive no assistance and those having a cost of production of \$45 or more per oz.t. receive the maximum rate of \$10.27 per oz.t.

Under the current formula, the assistance payable to the operator of a gold mine is computed by adding 25% to the product of two factors — the "rate of assistance" and the number of "assistance ounces". The number of assistance ounces is two thirds of the total ounces produced and sold to the Royal Canadian Mint by a mine in a calendar year. The rate-of-assistance factor is two thirds of the amount by which the average cost of production exceeds \$26.50. The rate-of-assistance factor is limited to a maximum of \$12.33 which is reached when the average cost of production rises to \$45 per oz.t. of gold produced. The average cost of production is determined by dividing the total allowable costs by the total number of ounces produced in the form of bullion from the mine in a calendar year. Only those ounces of gold that have been sold to the Royal Canadian Mint are eligible for inclusion in the assistance-ounces factor. The cost of production includes mining, milling, smelting, refining, transportation and administration costs. Allowances are made for depreciation, pre-production costs and expenditures on exploration and development on the mine property in accordance with the Regulations.

The amounts paid to operators of gold mines to March 31, 1972 for the years 1948-71 inclusive, totalled \$301,270,630 on a production of 61,738,601 oz.t. of gold produced and sold in accordance with requirements of the Act. The assistance payable for gold produced and sold under the Act in the calendar year 1971 was estimated to be \$11.8 million. The average Mint price for gold in Canadian funds was \$37.69 in 1969, \$36.56 in 1970 and only \$35.34 in 1971.

In March 1968, the governors of the central banks of seven nations introduced a two-price system for gold which separated transactions in gold among the central banks from private open-market operations. The governors agreed that the existing official reserves would be used only in transfers among monetary authorities at the established price of US\$35 per oz.t., and that the central banks would neither purchase nor sell gold in private gold markets. The Minister of Finance stated that Canada would support fully the agreements reached by the central bankers. He also stated that there would be no change in the practices applicable to gold producers under the Emergency Gold Mining Assistance Act.

Operators of gold mines were thus offered the alternatives of selling their production to the Royal Canadian Mint at the fixed price of \$35 per oz.t. in United States funds in order to qualify for assistance payments under the Emergency Gold Mining Assistance Act or of selling on the open market at the price determined by supply and demand. It may be noted that the amount of assistance payable is determined on the basis of the cost of production and is not related to the selling price of the gold.

In accordance with the agreement by the central bankers, gold purchased by the Mint is not added to Canada's official reserves, but is sold on the open market. Except for a short period early in 1970, the open market gold price exceeded US\$35 from April 1968 to the end of 1971. Since only gold mine operators receiving cost assistance sold their gold to the Mint, the cost of assistance under the Act was effectively reduced by the difference in price at which the Mint bought newly mined gold and the price for which it was sold to open market bidders during this period.