

THE FEDERAL GOVERNMENT'S RESPONSE

TO THE FIFTH REPORT OF THE
STANDING COMMITTEE ON
NATURAL RESOURCES:

*Lifting Canadian Mining
Off the Rocks*

Tabled in the House of Commons by
The Honourable A. Anne McLellan,
Minister of Natural Resources

May 8, 1995

Canada

In the fall of 1994, the Standing Committee on Natural Resources undertook a study of the mining sector in Canada. The Committee's study focused on impediments to mineral investment in Canada, stimulation of the junior mining exploration sector, the preservation of geoscientific activity, and mine reclamation issues. The Committee received submissions from mining companies, federal and provincial governments, mining associations, environmental representatives, aboriginal representatives, and mining community associations. The Committee's report entitled *Lifting Canadian Mining Off the Rocks* was tabled in the House of Commons on December 12, 1994.

This document constitutes the Government of Canada's response to the Standing Committee's report.

Copies of the Standing Committee's report (Cat. No. XC49-351-1-39) may be obtained from:

Canada Communication Group – Publishing,
Public Works and Government Services Canada
Ottawa, Canada
K1A 0S9
Telephone: (819) 956-4802

Copies of this publication may be obtained from:

Mining Sector
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10th Floor
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Ottawa, Ontario
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Government of Canada, 1995

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Catalogue No.: M22-119/1995

ISBN: 0-662-61789-4



This publication is printed
on recycled paper.



PRINTED IN CANADA

Introduction

In September 1992, stakeholders in the mining industry of Canada undertook a national initiative to examine various short- and long-term issues affecting the competitiveness of mineral activity in Canada. This multi-stakeholder process (including federal and provincial governments, industry, aboriginal, and environmental community representation), known as the Whitehorse Mining Initiative (WMI), culminated in the signing of the *WMI Leadership Council Accord* in September 1994. The Accord outlined a vision and actions required to improve the economic, social and environmental prospects for mining in Canada.

The *WMI Accord* clearly states that addressing structural impediments to mineral activity is an important objective. Among the impediments identified were: the tax burden on the industry, particularly that imposed by non-profit taxes (for example, sales and excise taxes, capital taxes, payroll and employment-related levies, etc.); the inefficiencies of the current environmental regulatory regime; the uncertainty surrounding land-use policies and land-access decisions, policies and processes; and security of mineral title.

In the fall of 1994, following the activities of the WMI, and as input to the 1995 federal Budget, the Committee undertook an examination of the short-term issues. Longer-term issues are expected to be examined by the Committee in greater detail at a later date. The Committee received submissions from mining companies (4), federal and provincial governments (4), mining associations (11), environmental representatives (2), aboriginal representatives (2), and mining community associations (2). The Government thanks the Committee for its valuable efforts and contribution to the evaluation and understanding of the important challenges facing the Canadian mining industry.

The Government acknowledges that the mining industry has been an important part of Canadian history and will remain an important component of the country's future. The industry is a major contributor to the nation's economy, with mining and associated metal smelting and refining employing some 300,000 Canadians, many of them in northern and remote mining communities across the country. The mining industry, with a trade surplus of some \$10 billion in 1993, helps pay for the goods and services imported by Canadians from the rest of the world. In its efforts to remain competitive in a trading environment largely free of barriers, the mining industry acts as a catalyst to technological research and development, and contributes to the vibrancy of national efforts in science and technology. In addition, the mining sector has vital linkages to the rest of the Canadian economy. For example, mining accounts for 60% of all freight traffic on rail and marine transportation routes in Canada.

In the 1995 federal Budget, the Government addressed the state of Canada's finances by laying out a plan to establish the fundamental economic parameters for continued growth and job creation. The goal is to achieve an environment of low inflation and low interest rates, providing a positive climate for investment for the whole Canadian economy, including the mining sector.

The Government's Program Review, as a part of the 1995 federal Budget, included a comprehensive examination of federal activities in the natural resource sectors. It confirmed the importance of the Government's primary activities of science and policy in relation to Canada's natural resources, including mining. Responding to Program Review and the Government's fiscal constraints, Natural Resources Canada's new ways of doing business will take the Department out of the business of direct financial support to the resource sectors. As described in its February 1995 *Strategic Renewal* document, Natural Resources Canada will work in partnership with industry to develop policies and technologies that support the sustainable development of Canada's mineral resources, enhance productivity, add value to natural resource products, and support health and safety.

This Government, recognizing that the mining industry is one of Canada's economic strengths, is committed to removing the barriers that prevent the industry from achieving its potential for growth and job creation. In the September 1993 Liberal Plan for Canada, *Creating Opportunity*, and in the October 1993 *Liberal Mining Agenda*, commitments among others were made to: define a national strategy for sustainable mineral development; act on the results of the Whitehorse Mining Initiative; promote competitiveness in the mining industry; and work with the provinces to eliminate regulatory inefficiencies and barriers to land access. These efforts are now well under way. The successful results of these undertakings will ultimately establish an improved and stable environment for mineral investment, which will ensure that Canada continues to prosper from its resource wealth in a manner consistent with sustainable development.

The Government is currently engaged in a number of complementary initiatives directed towards meeting these commitments. Regulatory reform at the federal level, as it affects the mining industry, is a key component of the *Building a More Innovative Economy* initiative, the Government's plan for economic growth and job creation released December 5, 1994. On a broad level, federal-provincial cooperation, in relation to the Harmonization Initiative of the Canadian Council of Ministers of the Environment, is addressing the issues of regulatory overlap and duplication. The search for solutions in specific areas, like acid mine drainage, is being carried out under targeted programs such as the joint federal-provincial-industry Mine Environment Neutral Drainage Program (a program led by the Canada Centre for Mineral and Energy Technology). Similarly, the four-year federal-provincial-industry Aquatic Effects Technology Evaluation Program is seeking cost-effective methods of monitoring the environmental impacts of mining operations.

A basic premise of the *Liberal Mining Agenda* is a strong role for the Government in minerals and metals in areas of federal jurisdiction. In recent debates, these federal responsibilities have been questioned. Over the past several months, the Government has consulted with its provincial partners to review the federal role, clarify respective jurisdictions, and ensure that government partnerships are strengthened. There was consensus with all the provincial and territorial governments that there was no overlap and duplication in the area of mining with respect to the activities of Natural Resources Canada and its provincial and territorial counterparts. The provinces and territories also supported a need for Natural Resources Canada to communicate mining issues, and be an advocate for mining within the federal system. In fact, the provinces indicated that certain federal responsibilities, such as those related to research and development (R&D), trade and commerce, international relations, and regional development, are essential to mineral development in Canada.

While mining remains a priority of this Government, budgetary conditions also require that new ways be sought to deliver quality programs and services at a lower cost. To this end, the federal approach will be to exercise a role that complements that of the provinces and provides a national coordination capacity, where required, so that government policies and strategies have the most favourable impact on mining in Canada.

One of the major priorities of the Government is to ensure that the goals and visions of sustainable development are vigorously pursued, and policies are put in place to ensure that progress on implementation continues. The Canadian mining industry, itself, is a world leader in addressing the challenges and opportunities posed by sustainable development. For example, The Mining Association of Canada was the first national mining association in the world to endorse a guide for good environmental practice. The Mining Association of Canada has stated that it is committed to the concept of sustainable development, which requires balancing the protection of human health and the natural environment with the need for economic growth. Other national and provincial mining associations have since followed suit. The Government, for its part, is establishing an Office of Commissioner of the Environment and Sustainable Development to monitor and report on the Government's performance. All federal departments will be required to develop and table in Parliament their respective strategies for sustainable development. In addition, from a minerals and metals perspective, the new *Department of Natural Resources Act*, which came into effect in January 1995, requires the Minister of Natural Resources to have regard to the "sustainable development of Canada's natural resources."

RECOMMENDATION 1: That the federal government, in conjunction with its provincial counterparts, work to remove the structural impediments to mineral investment outlined in the Whitehorse Mining Initiative Final Report by the year 2000.

The need for a more streamlined and efficient regulatory system was recognized by all stakeholders in the Whitehorse Mining Initiative as essential to the creation of an improved investment climate for mining investment in Canada. However, a number of the issues raised by the Whitehorse Mining Initiative, including structural impediments to mineral investment, fall within the mandate of a number of federal departments. Natural Resources Canada is working with these other departments through an interdepartmental committee, chaired by Natural Resources Canada, to respond to the wide range of Whitehorse Mining Initiative goals. The Minister of Natural Resources has also established a private sector Advisory Committee on WMI Implementation (consisting of representatives from the mining industry, labour, aboriginal groups and environmentalists) to assist her in developing an appropriate action plan to deliver on Whitehorse Mining Initiative issues within federal jurisdiction.

The *Building a More Innovative Economy* initiative reaffirms the Government's intention to act on regulatory reform in areas affecting mining that were identified by the Whitehorse Mining Initiative. The regulatory thrust of the *Building a More Innovative Economy* initiative identifies six areas affecting mining where tangible improvements must be made. Those six areas are:

- administration of the *Fisheries Act*,
- land-use and related decision-making,
- definition of waste,
- regulatory regimes north of 60 degrees,
- regulatory impact analysis, and
- toxics management.

In addition to regulatory reform in these six areas, a twelve-month monitoring program will be put in place to assess the impacts of the *Canadian Environmental Assessment Act*. Natural Resources Canada, together with Industry Canada, Environment Canada, and the Canadian Environmental Assessment Agency (formerly the Federal Environmental Assessment Review Office), will monitor potential impacts on the mining industry to ensure that decisions are fair and balanced.

The Minister of Natural Resources will seek Cabinet approval for a sustainable development policy for minerals and metals, within areas of federal jurisdiction, that reflects the Government's position on issues raised in the Whitehorse Mining Initiative *Leadership Council Accord*. This policy, which should be tabled in 1995, will ensure that environmental concerns are properly addressed in federal policies and legislation.

Federal-provincial activities within the Harmonization Initiative of the Canadian Council of Ministers of the Environment will continue to be focused towards the establishment of a clearer environmental permitting process and resolving issues of regulatory overlap and duplication. These regulatory changes will be implemented while maintaining high standards of environmental protection, working towards sustainable resource

development, and building on the historic consensus achieved through the Whitehorse Mining Initiative process.

Cost savings to both the public and private sectors, as a consequence of a regulatory regime that is more efficient and compatible with environmental protection and sustainable development concepts, will improve the investment climate and thereby encourage new investment and jobs in Canada.

RECOMMENDATION 2: That, on recognition of the uncertain long-term prospects of the mining sector, the need for a more attractive exploration investment regime for junior companies, and the positive impact of mineral exploration activity on regional development and job creation, the federal government implement tax measures in its 1995 federal Budget to encourage Canadian mineral exploration.

The 1995 federal Budget has taken difficult fiscal actions — primarily on the expenditure side — which aim at getting our fiscal house in order. In this regard, the Government did not implement, in the 1995 federal Budget, the recommended tax-based incentives for mineral exploration. The current growth rate of federal public sector debt is unsustainable and must be addressed to prevent further negative impacts on investment and job creation. All sectors, including mining, will benefit from a more balanced budget and an improved economic outlook for the country. Only an integrated approach to solving long-term impediments to mineral investment will eventually lead to the favourable investment conditions that will sustain the levels of exploration expenditure necessary to maintain ore reserves. The 1995 federal Budget improves Canada's overall financial health, leading to positive economic growth in a low inflation and low interest rate environment. This provides the underpinning for the long-term and sustained attractiveness of Canada as a place to invest.

The Government did not introduce new tax incentives for mineral exploration beyond those that already exist. Nevertheless, the Government in its ongoing review of the tax system will continue to monitor the existing tax treatment provided to the mining industry to ensure that it is not acting as an impediment to mineral investment.

Canada has considerable geological potential. Investment opportunities exist for many commodities. The recent interest in diamonds and base metals, coupled with improving metal prices, has led to an increase in exploration activity across Canada. With rising base-metal prices and the increased interest in diamonds, exploration in 1995 is forecast to be \$640 million. This compares to \$590 million in 1994, \$477 million in 1993 and \$385 million in 1992. After adjustment for inflation, the expenditure level in 1992 was the lowest in twenty-five years. While these are positive developments, further increases in exploration spending are needed if Canada is to restore its levels of base-metal ore reserves.

There are many world-class ore deposits in Canada. New mines that opened recently include the Louvicourt copper-zinc mine in Quebec and the exceptionally high-grade Eskay Creek gold mine in British Columbia. Mines under development include Raglan nickel, Grevet zinc, and Moberly 1100 zinc in Quebec. There are a number of gold mines under development across Canada: four in Quebec, three in Ontario, one in each of

Manitoba and Saskatchewan, and three in British Columbia. Also, the McLean Lake uranium mine in Saskatchewan is being developed by the French company, Cogema Resources Inc., and is an indication of foreign investor confidence in the future of Canadian mining.

The potential for new discoveries in Canada is excellent. Recent promising metal discoveries include: the Voisey Bay nickel-copper deposit in Labrador; the Victor Deep copper-nickel deposit in Ontario — where a major five-year underground exploration program is under way; the Pipe Deep nickel deposit in Manitoba; the Sue uranium deposit in Saskatchewan; the ABM zinc deposit in the Yukon; and a substantial extension, at depth, of the orebody at the Kidd Creek copper-zinc mine at Timmins, Ontario. In addition, several exciting diamond deposits have been discovered in the Northwest Territories and development of a major diamond mining operation seems probable. To ensure continued success in making new discoveries in Canada, it is important that governments and industry continue to work together to develop and apply new geological tools for mineral exploration.

Successful examples of government-industry partnerships in encouraging and stimulating mineral exploration include the EXTECH (Exploration Science and Technology Program) initiative that is led by Natural Resources Canada. The EXTECH program will develop new geological models for mineral deposits and new technologies to explore for them, and will be a driving force behind future exploration, leading to new discoveries. EXTECH projects are currently in progress in the Flin Flon-Snow Lake region in Manitoba, where recent discoveries are expected to increase base-metal ore reserves and to extend the life of this mining operation, and in the Bathurst area of New Brunswick.

With the planned September 1995 launch of RADARSAT — a \$600 million federal-provincial-industry remote sensing satellite — Canada will have the latest space-based exploration and environmental monitoring tool capable of penetrating cloud cover, fog and darkness. Natural Resources Canada played an important role in the development of RADARSAT's geological applications, providing the Canadian exploration industry with more and better information, and increasing the probability of success in the search for new mineral deposits.

RECOMMENDATION 3: That, subsequent to Recommendation 2, the federal government introduce a mineral exploration incentive by modifying the Income Tax Act to incorporate a change in the adjusted cost base of flow-through shares from a value of zero to the actual cost of the shares; that this new fiscal measure incorporate a cap on a given company's take-up of the tax benefit; and that the new incentive vehicle be in place for a maximum duration of five years.

The flow-through share mechanism is an important capital-raising instrument for mineral exploration. Flow-through shares allow companies to pass exploration-related deductions to individual investors, making it easier to raise risk capital on financial markets. As a result of many factors, including tax reform in 1987, cyclical metal prices and investor psychology, flow-through shares are not as widely used as they were in the mid-to-late 1980s. However, they still account for an important element of junior company exploration

expenditures. Their use has, once again, been on the rise since late 1993 as a result of stronger metal prices and diamond exploration discoveries.

The Committee recommended that the *Income Tax Act* be changed to allow the adjusted cost base of flow-through shares to be the actual cost of the shares (instead of zero as it is deemed now in the *Income Tax Act*). This measure was not implemented for two reasons: (1) the Government considers the current treatment to be justifiable from a tax policy perspective; and (2) the financial situation of the Government prevents the introduction of a new tax incentive.

Under the current *Income Tax Act*, the treatment of flow-through shares ensures that taxpayers are not allowed to have the same outlay recognized more than once. Purchasers of flow-through shares receive an up-front benefit from being able to deduct eligible exploration or development expenses in calculating their taxable income. This tax benefit must be properly recognized when the flow-through share is sold in the future. This is done by setting the adjusted cost base of the share to zero, thereby ensuring that the flow-through share investor does not benefit twice from the same expense. This tax treatment is consistent with that of other “flow-through” mechanisms such as partnerships and joint exploration companies.

RECOMMENDATION 4: That, in order to enhance the effectiveness of exploration work financed by means of flow-through shares, the federal government enable the exploration activity funded through such shares to be carried out over a period of one full year after financing.

Flow-through shares are bought in large part by individuals who report income on a calendar-year basis for income tax purposes. Before the introduction of the “60-day rule” in the *Income Tax Act*, there was considerable pressure for exploration companies to spend the money raised through flow-through share issues on or before December 31 so that investors could use the tax deductions in the year in which they provided the financing. This situation led to inefficient spending because the winter drilling season was cut short at the end of December. The winter drilling season may offer the best conditions for exploration drilling (frozen ground facilitates the transportation of heavy drilling equipment and allows easier access to exploration targets located on wetlands or lakes). To ensure drilling program efficiency, the Government allowed, starting in 1985, tax write-offs for exploration expenditures carried out in the 60 days after year-end.

The 60-day rule currently allows a flow-through share investor to use exploration expenditures incurred in the first 60 days of one year to reduce income tax in the previous year. This rule gives taxpayers time to account for expenditures made in the first 60 days of a year before they are required to file their tax return, in April, for the preceding year.

The Government did not implement the Committee’s proposal to change the 60-day rule to a “365-day rule.” While the proposed change could help achieve increased exploration efficiency by allowing companies more time to organize their field work, it should be recognized that the current 60-day rule already offers significant scope for such efficiencies. Exploration companies also have the opportunity of raising their funds early

in the year so that they have a full year to carry out their exploration programs. Moreover, the proposed change would create many more technical and administrative difficulties than the original 60-day rule. For example, a "365-day rule" would mean that income tax deductions could be claimed for a taxation year for expenses that have not been incurred at the time taxpayers file their original tax returns. Expenses eventually made may not coincide with amounts deducted. In such cases, taxpayers would have to refile their income tax returns to reflect the proper amount of expenses actually renounced to them.

RECOMMENDATION 5: That, to assist junior and/or single mine companies, the federal government exempt mineral exploration and development companies without revenue from mineral production from the application of the Large Corporations Tax.

The Large Corporations Tax was introduced in 1989 to ensure that all large corporations contribute to deficit reduction. This remains an important part of the Government's efforts to manage the federal deficit. It is recognized that many companies that earn no profits must pay the Large Corporations Tax; this includes some junior mining companies that have exceeded the \$10 million capital threshold. This \$10 million threshold is the level of capital beyond which companies become subject to the Large Corporations Tax.

The Government did not implement the Committee's recommendation to exempt mineral exploration and development companies from the Large Corporations Tax because such a measure would treat natural resource companies differently from companies in other capital-intensive industries. Extension of similar relief to other capital-intensive industries would have significant revenue implications for the Government. In the 1995 federal Budget, the Large Corporations Tax rate was increased for all sectors to help reduce the Government's deficit.

RECOMMENDATION 6: That, in order to enhance the effectiveness of mineral exploration, core geoscientific funding under existing federal-provincial Mineral Development Agreements (MDAs) be preserved under alternative programming.

The termination of the Mineral Development Agreements (MDAs), and the reductions in Natural Resources Canada's financial resources announced in the 1995 federal Budget, will make it impossible to maintain the level of geoscientific work carried out in recent years by the Geological Survey of Canada and its provincial and territorial counterparts. The Geological Survey of Canada is working closely with these provincial and territorial counterparts to ensure that geoscientific programming is carried out in a cost-shared and collaborative manner, eliminating overlap and duplication. To minimize the impact of the reductions in levels of this work, Natural Resources Canada will deliver its geoscientific programs according to national priorities for geoscientific programs that will be jointly established with provincial and territorial governments and the Department of Indian Affairs and Northern Development.

RECOMMENDATION 7: That, once initial steps have been taken to improve the investment climate in Canadian mining, the federal government, its provincial and territorial counterparts and the domestic mining industry develop, through consultation, an integrated approach to communicate the positive features of the Canadian mining sector to potential investors.

The Government strongly agrees with the intent of the recommendation and feels that the continued promotion of Canada as a favourable destination for mineral investment is of the utmost importance. In fact, Natural Resources Canada is working collaboratively with its provincial and territorial counterparts, as well as with industry, to explain to foreign investors the many positive aspects of mineral investment in Canada. The Intergovernmental Working Group on the Mineral Industry (comprising representatives from federal, provincial, and territorial mining departments) and the Minister's Whitehorse Mining Initiative Advisory Committee are key to facilitating the collaborative process.

Also, the regulatory reforms stemming from the Whitehorse Mining Initiative, the *Building a More Innovative Economy initiative*, and the Canadian Council of Ministers of the Environment's Harmonization Initiative must be brought to the attention of potential investors, both domestic and international.

Involvement in international events is an excellent way of bringing Canada and Canadian mining companies to the attention of a wide range of investors and organizations. For instance, the participation of the federal Minister of Natural Resources in the "Investing in the Americas" conference in March 1995 was an example of a successful federal-provincial ("Team Canada") effort before a world audience. In addition, federal-industry investment promotion activities took place in February and March of 1995 in London, Geneva, Zurich, Taiwan (Taipei and Kaohsiung), Hong Kong, Seoul, and Sydney.

Current Government activities are designed to: (1) explain the economic trends that are developing in the Canadian economy; (2) present an accurate picture to potential investors, both foreign and domestic, of the attractiveness of key fundamental characteristics of Canada's geology and mineral economy; (3) explain key changes made by governments in Canada to improve the investment climate; and (4) facilitate the introduction of Canadian firms to foreign companies, and vice-versa.

The Minister of Natural Resources fully supports the mining sector's initiatives to communicate the positive aspects of mining in Canada, such as the "Keep Mining in Canada" campaign. Furthermore, at the Whitehorse Mining Initiative *Accord* signing ceremony, the Minister of Natural Resources announced that she would be proposing to the Prime Minister the establishment of a National Mining Week.

RECOMMENDATION 8: That Natural Resources Canada, together with its partners in the provinces and the industry, establish a national data base on active and orphaned mining sites and reclamation work that must be undertaken on those sites.

The Government supports the Committee's recommendation to establish a national data base on mine sites and reclamation. The Government will maintain its momentum in this regard.

Natural Resources Canada has had considerable success to date in working cooperatively with the Department of Indian Affairs and Northern Development, Environment Canada, their provincial and territorial counterparts and the mining industry, under the jointly funded Mine Environment Neutral Drainage Program, in constructing an up-to-date national data base on mine-site information and on estimates of the costs of reclamation that will be needed at orphaned, inactive and active mine sites. Substantial progress has already been made, and organizations and infrastructure are in place to continue this work. In fact, Environment Canada has developed a data base with systematic classification and quantification of contamination levels at federal sites.

The Canada Centre for Mineral and Energy Technology, in cooperation with the Ontario Ministry of Northern Development and Mines, will complete, by 1997, an extensive mine waste and information base related to rock stability in mines in Northern Ontario. The Northern Ontario project will be used as a basis for establishing partnerships with the mining industry and other provinces and territories.

Since 1994, the Canada Centre for Mineral and Energy Technology has been funding a project by the Mining Association of British Columbia to develop an information base on mine wastes in British Columbia. The results will supplement the substantial information that has already been collected in Quebec and Ontario, the two provinces with the largest mining industries. Similar partnerships are being developed by the Government with other provinces and territories and the industry.

RECOMMENDATION 9: That the Minister of Finance amend the Income Tax Act so as to defer taxation of income generated within mine reclamation trusts until the funds within these trusts are finally allocated for reclamation purposes and that the Minister make an announcement to that effect in the next federal budget.

Mine reclamation is an extremely important issue for both governments and the mining industry. Not only are the costs very significant — in the order of \$3 billion to \$5 billion — but the technology to deal with the problem is not fully developed and the standards of reclamation are changing. It is estimated that provincial and federal governments have inherited about one-tenth of the total liability because of abandoned or orphaned mines. However, the Canadian mining industry is facing the largest liability, with the final amount still to be negotiated among governments and companies.

The 1994 federal Budget proposed changes to the tax treatment of contributions to provincially mandated mine reclamation trust funds. Prior to the change, mine reclamation expenses were deductible in computing a taxpayer's income only in the year they were actually incurred. This created cash-flow problems for mining companies and the potential for under-utilization of tax deductions for mine reclamation expenses, since the majority of these expenses usually occur at the end of a mine's life when it no longer produces income. The 1994 federal Budget proposed changes to the *Income Tax Act* that permitted:

- a deduction for contributions to prescribed mine reclamation trust funds in the year in which they are made;
- income earned in such trusts to be taxed at the trust level and in the hands of the contributor on an annual basis;
- a refund in the amount of the tax payable at the trust level to be issued to the beneficiary to allow for the underlying tax status of the beneficiary to be reflected;
- all withdrawals from the trust to be included in computing the income of the beneficiary for tax purposes; and,
- reclamation costs to continue to be fully deductible at the time incurred.

In the 1995 federal Budget, the Government did not implement the Committee's recommendation to defer income tax on income earned in mine reclamation trust funds until such income is withdrawn from these funds (i.e., analogous to the tax treatment of an RRSP). The Government believes that the changes introduced in the 1994 federal Budget, which were developed in conjunction with provincial Finance departments, have already addressed a number of the mining industry's concerns. The tax system now treats contributions to provincially mandated mine reclamation trust funds consistently with other forms of financial assurance for mine reclamation, such as performance bonds and letters of credit. The recommendation proposed by the Committee would provide preferential tax treatment in favour of mine reclamation trust funds relative to other mechanisms. Furthermore, providing such tax treatment for these funds would increase the cost of the proposal to the Government, both directly and indirectly, as this tax treatment would provide an incentive to increase the use of these funds in mining and other sectors that may require similar environmental rehabilitation provisions. This concern is particularly important in light of the Government's current fiscal pressures.

The Government will continue to contribute resources to the work carried out under the federal-provincial-industry sponsored Mine Environment Neutral Drainage Program. Efforts are directed towards reducing the costs of mine reclamation, through new technology improvements and continuing collaborative partnership research efforts with other governments and industry while, at the same time, ensuring that environmentally acceptable standards are maintained.