

The CHAIRMAN: No.

Senator KINLEY: If you have a vessel and you have that depreciation, and you build a new vessel, they will not recapture the depreciation, they will give it to you for the new vessel?

The CHAIRMAN: Those were the old rules.

Mr. IRWIN: Yes, that is the old rule.

Senator KINLEY: Then let them change the rules.

The CHAIRMAN: Well, it is changed from January 1, 1966. If you build a new vessel after that time, then you are subject to recapture.

Senator KINLEY: Is this just for fishing vessels, or also for merchant marine vessels?

Mr. IRWIN: All vessels as defined in the Canada Shipping Act.

The CHAIRMAN: Any other questions on this aspect? I think we have it pretty well in summary form.

Senator BENEDICKSON: Mr. Chairman, I was absent for a few minutes and I should like to ask if the necessity for this legislation and the requirement of it in the Income Tax Act is due to the fact that the Maritime Commission will go out of existence under the new legislation?

Mr. IRWIN: Not entirely, sir. This is part of the package. The Minister of Transport announced in January 1966 that the Government assistance for ship building had been reviewed and that a new plan would be introduced. As part of this new plan the subsidy program was changed and the provisions of the Canadian Vessel Construction Assistance Act regarding freedom from recapture were to be cancelled, but a transitional period would be allowed. Since it was necessary to amend the Canadian Vessel Construction Assistance Act it seemed sensible to put certain parts of this act into the Income Tax Act.

Senator KINLEY: Does that apply to the subsidy?

Mr. IRWIN: It will be under an appropriation bill.

The CHAIRMAN: There is an appropriation bill which provides for the subsidy.

Senator KINLEY: The subsidy is 50 per cent on a steel vessel, and I think it is 40 per cent or 45 per cent—

The CHAIRMAN: The 50 per cent on the fishing vessels is not changed, but there are some changes, or will be. The minister in making a statement on subsidies said:

It is the Government's intention to resume, effective January 1, 1966 subsidy payments on ship construction at a level of 25 per cent for a period of three years. This amount would then be gradually reduced by two percentage points annually until a subsidy level of 17 per cent is reached in 1972. This level is roughly equal to a 20 per cent tariff for the ship building industry.

Then he says that for fishing vessels the current 50 per cent rate will be continued.

Senator KINLEY: I see.

The CHAIRMAN: Could we move into the next item? It is important but does not require much consideration, it is the registered supplementary unemployment benefit plan. As you know, usually you find these as part of a labour contract. This takes care of a situation where a company makes contributions and the money is to be used to supplement any deficiencies in pay when a man is on half-time or out of work for a period.