

By Mr. Crouse:

Q. If that ship was sold outside of Canada, would they not be able to depreciate it—you are assuming it would only be sold in Canada?—A. No, because if the ship is sold outside of Canada, the purchaser will not be a Canadian taxpayer so he will get no benefit under the act. But the seller—

Q. The seller will.—A. The seller will get subsequent benefits of freedom from recapture, no matter where it is sold—in or out of Canada.

The CHAIRMAN: Mr. Hees would like to speak.

Mr. HEES: I should like to ask Mr. Marler, in connection with his suggestion to change, did he mean that if a ship is held by a purchaser for perhaps one year, and he is able to take 33½ per cent depreciation, if he then sold it the subsequent purchaser should be allowed to depreciate the ship for himself a further 66½ per cent?

Mr. MARLER: Yes, that is correct.

Mr. HEES: In other words, so long as the ship has not been completely depreciated by the original buyer, whatever is left undepreciated could be depreciated by the subsequent buyer. Is that correct?

Mr. MARLER: Yes.

The WITNESS: I hate to see the second-hand market enhanced in value.

Mr. SMITH (*Simcoe North*): Mr. Chairman, I should like to call the attention of the committee to the title of the bill, which is to encourage the construction and conversion of vessels in Canada. I am afraid that Mr. Marler's suggestion is made having in mind the tax saving for people who have ships already built. What we are doing is encouraging the construction of ships in Canada. I do not think his suggestion goes to that point at all.

The CHAIRMAN: Are there any other questions on this clause? Mr. Audette wishes to give some explanation with respect to paragraph (a).

The WITNESS: Perhaps I might say a word about paragraph (a) because the questions took me straight down to (b) and (c). Under the present law, any ship built in Canada that is receiving the 33½ per cent allowance must remain on Canadian registry. We are all aware of the fact that operation under Canadian registry is a great deal more expensive than it is, let us say, under United Kingdom registry. Indeed, it is one and one-half times the cost. Both the ship building and ship operating figures average out at about the same.

By Mr. Chevrier:

Q. But it is less than under United States registry?—A. Yes, less than under United States registry. Indeed, for a 10,000 ton ship it is \$100,000 per annum more under Canadian registry than under United Kingdom registry.

With this in mind, we now have, as you are aware, certain special transfer arrangements with the United Kingdom where the vessels can be recalled, and where we retain a measure of control over them.

The purpose of paragraph (a) is to allow the continuation of 33½ per cent, even if the vessel goes to United Kingdom registry under these arrangements.

This is designed to encourage the owners who simply cannot and will not operate otherwise, to build ships in Canada. Without this they will be building abroad.

Q. How many ships have we now under United Kingdom registry?—

A. We have 60—it is up close to 60.

The CHAIRMAN: Are there any other questions under this clause?