

Vessel Construction Act

for years, of course that is just out of the question. How far back we will want to go I am not in a position to say at this time; but I would think it should be retroactive to some reasonable, fair and just date.

Mr. Green: In the case of the conversion of a ship, the person asking for the benefit must get the approval of the Canadian maritime commission to that conversion. Otherwise he does not get any benefit under this act. But apparently there is no such restriction in the case of new construction. In other words, the Canadian maritime commission has no voice whatever in what new construction is to benefit from the act. Is that correct?

Mr. Chevrier: Yes. That is the case.

Mr. Green: Why is there that difference in the way these two separate kinds of work are treated?

Mr. Chevrier: I am informed that the reason for that is that the commission wants to be sure that the amount spent in the conversion costs is reasonable, fair and equitable.

Mr. Green: What sort of conversion does the bill contemplate? For example, is it the thought that slow ships could be converted into fast ships? That seems to me to be an expensive process, and I do not think that could be done. Can the minister give us some idea of the type of conversion he has in mind?

Mr. Chevrier: It is conversion of a substantial nature, where the costs would be fairly high. It would envisage the case of the conversion of a 10,000-ton cargo vessel to a fast, modern and up-to-date cargo ship.

Mr. Green: Is that feasible?

Mr. Chevrier: Whether or not that is feasible technically, I am not in a position to say. But it would envisage that; if that were possible from an engineering standpoint, it would be covered by this section.

Mr. MacInnis: The point was raised by the hon. member for Vancouver-Quadra that there was no approval by the Canadian maritime commission for new vessels. Is that not quite a wide allowance for the ship company, in that they can build whatever sort of ship they wish, whether it is suitable for Canadian trade or not? I imagine that the purpose of this bill is to have vessels built that will be of value to Canada. It rests solely with the shipowner whether or not he is going to build that sort of vessel. But whether or not the vessel is useful to Canada, he can get the depreciation on it.

Mr. Chevrier: I do not think that is an extraordinary provision. After all, if an owner wants to build a new ship, he is not going to spend a tremendous amount of

money on it foolishly. If he decides to spend \$1 million, \$5 million or \$6 million on a tanker or on a fast cargo vessel, he will go into it with his eyes open, I think, and after he has had plans and specifications prepared by competent naval architects. What I say now, however, does not apply to the escrow fund or the replacement fund. Perhaps my hon. friend was not in the house when I replied to some of his remarks in connection with the amounts of money that had been collected under the replacement fund. In so far as that money is concerned—and there is some \$26 million—the plans for rebuilding in Canada will of course have to be approved by the Canadian maritime commission. That is already in the contract between the owner and the commission, providing for the payment in escrow.

Mr. Green: Would this provision apply to the man who builds a \$100,000 pleasure craft?

Mr. Chevrier: No; it would not apply for the reason that he does not earn anything with the craft. It is a pleasure craft. I am informed by the tax expert that he would be entitled to no depreciation.

Mr. Green: Is the minister sure of that, because I am doubtful whether there is that restriction. The wording is so wide that it simply refers to a taxpayer, and this taxpayer may have something to do with the shipping business, at least enough to get him under the blanket of the section. The minister may very well find that somebody will decide to build a \$100,000 boat or perhaps a \$500,000 boat and then come along and claim this accelerated depreciation. It may be that that is not the intention of the bill, but we should know whether or not it can be done.

Mr. Chevrier: Mr. Chairman, I am not a tax expert. This is a bill having to do with income tax, and I have to take the advice of those who know the position. The advice and the information I have is that there is no write-off or depreciation in the case of a pleasure craft any more than there would be on your own home. Furthermore, there is no point in claiming or getting depreciation if there is no profit. That is the whole purpose of the bill.

Mr. Isnor: I have one more question. Ten or twelve ships are tied up in the port of Halifax at the present time. In regard to our Park ships there is a special depreciation of 12 per cent. Would these ships be allowed 12 per cent of their total value at the present time and in addition 33½ per cent of their conversion expenditure?