

this ship for three years, and take 33½ per cent in each one of three years. Then I would sell it to Mr. Marler, let us say, who has raised the point, and he then could own it for three years, and take 100 per cent depreciation. And over 21 years there would be taken 700 per cent of depreciation.

These words were put in to guard against that. And also these words were put in to ensure that only the man who places his order in Canada, and who incurred himself the additional cost of building in Canadian yards would reap the benefit of the higher rate of depreciation.

Once he sells the ship he will lose this benefit, as Mr. Marler suggests. But the ship will then have its ordinary market value, as any other ship and the purchaser will not have incurred any additional cost in Canada. It is true that the man who sells the ship may find he cannot get quite as high a price as he could if he were selling it with the benefits attached to it. But the man who purchases it did not incur the additional cost.

The CHAIRMAN: Are there any other questions?

Mr. MARLER: I hope the minister will look into this matter, because I think there is a great deal to be said for the change that is now being made. But I think more could be said for something which assured the owner of the ship, regardless of who he may be, receiving the full benefits under the act, and in making that dependent on the same taxpayer holding it until the full benefits have been secured.

The CHAIRMAN: I think the witness has something to add.

The WITNESS: The other disadvantage, I might say that I can see in the suggestion is that we will raise the price of second-hand tonnage instead of raising the incentive for new building. In that sense, I would prefer it to stand almost as it is, because there should not—and I say this as one who is trying to support shipyards—there should be less and less incentive to purchase second-hand tonnage, and more and more incentive for the construction of new tonnage.

Mr. MARLER: I consider that a good argument.

Mr. HEES: Are you satisfied, then?

Mr. MARLER: I am still ready to be convinced.

By Mr. Smith (Simcoe North):

Q. Is there not a provision later in the amendment that encourages the man who sells the ship, while he still has some of his depreciation not taken, to put that money back into another ship, either personally or through another company, which has the effect of encouraging capital invested in ships to stay in the ships?—A. There is now, yes.

By Mr. Fisher:

Q. Where you have a situation where a company both controls shipyards and also has shipping, what would be the situation at the end of three years? You might say their own organization has built the ship and they have had 100 per cent depreciation, and then they sell. What advantage is there to them in that situation?—A. There is no advantage for them to sell at that point, from the point of view of depreciation, because the person who purchases will not be allowed these higher rates.

By Mr. Chevrier:

Q. Does not the government step in to recapture the amount taken?
—A. Furthermore, the government will recapture the excess over the depreciated value, unless that goes back into new building.