

Vessel Construction Act

preserve in this country a nucleus of a shipbuilding and ship repairing industry for defence purposes capable of expansion to meet an emergency in time of war.

The object of the bill before the house is to aid in the construction and conversion of ships. The bill may be divided into three main parts: One, depreciation with respect to construction costs of a vessel to be built after a date fixed by proclamation; two, depreciation with respect to conversion costs expended after the date fixed by proclamation on a vessel in existence on that date; three, depreciation with respect to ships sold.

Prior to December, 1948, the maximum depreciation to which the owner of a vessel was entitled was 6 per cent of the original cost. In 1944 or 1945, the normal rate was 4 per cent of the original cost. However, in order to encourage the sale of Park vessels, the normal rate was increased from 4 per cent to 6 per cent. Furthermore, ships purchased during the reconstruction period were entitled to double the normal rate, that is, 12 per cent.

The present position, therefore, is to allow a maximum allowable depreciation of 6 per cent of the original cost. This is in accordance with the straight line method as opposed to the reducing balance method. This bill will allow the owner of a vessel who constructs or converts his ships in Canadian yards to special depreciation which he may write off at the rate of 33½ per cent in a year. The bill contains certain other clauses which are of a minor nature.

I am sure this bill will commend itself to the house.

Mr. Green: This is the first opportunity that the house has had, Mr. Chairman, to discuss the allied questions of shipping and shipbuilding in Canada.

Mr. Chevrier: May I remind the hon. gentleman, without wishing to interrupt him, that this deals with shipbuilding only.

Mr. Green: Yes, I believe that is the great weakness in the government's position.

Mr. Chevrier: I am pointing that out because I hope the hon. gentleman is not going to commence a discussion of shipping problems, when this deals with just one angle of the problem.

Mr. Green: In the speech from the throne there was a reference to shipbuilding and shipping, in that it said that measures demanding our consideration would include a bill respecting assistance to shipping and shipbuilding in Canada. In the spring session, there was also a reference in the speech from the throne to a bill respecting assistance

for the Canadian shipbuilding industry. Nothing further was heard of that bill to help shipbuilding, and the house prorogued without any legislation having been brought down.

Today we have a measure before us to aid the shipbuilding industry, but it would appear that nothing is to be done to help the shipping industry directly. In any event, this bill is brought before us in the dying days of the session, and it is described as "An act to encourage the construction and conversion of vessels in Canada".

As I understand the bill, and I believe the minister confirmed my understanding in his remarks, its purpose is to provide for accelerated depreciation in respect of ships which are built or converted in Canadian shipyards after a date to be set by proclamation. A ship may be depreciated in full over a period of three years. The bill also contains a provision for setting aside a reserve for what are called quadrennial surveys on all shipping. These provisions will be of some help to the shipbuilding industry, and for that reason I believe the bill should be passed by the house. We should bear in mind, however, the fact that a vessel can be depreciated only once. In other words, if the company that owns the vessel is making a good profit during the three years after the ship is constructed, then of course they would benefit by writing off this depreciation but depreciation can only be taken once, and when the whole value of the ship has been depreciated, this is no further benefit.

As I understand the measure, it helps with the building of any kind of ship; it is not restricted to ocean-going vessels. There is more control over the conversion of ships than there is over construction, because in the case of conversions the Canadian maritime commission have to approve of the conversion plan. I believe the commission are given no such control over the construction of ships.

One other feature of the bill is that there is no provision for a report to parliament, or, in fact, to the minister himself, on the operations under this act. Here we have a bill making a special provision for depreciation with regard to shipbuilding. I suggest to the minister that there should be written into the bill a provision that there shall be a report to parliament annually on the operations under the bill. From its terms, I take it that the bill is to be under the jurisdiction of the Canadian maritime commission. That body is given whatever control there is over the operations carried on under the bill.

That brings me to the story of the Canadian maritime commission. That body being the one which will administer this act, it is