

Mr. HOWE: The total commitments.

Mr. GREEN: I mean the total expenditures and commitments.

Mr. DIEFENBAKER: What portion of that \$307,000,000 will ultimately be repayable by the companies to whom the advances are being made?

Mr. HOWE: I would say, roughly, none of it. We are creating assets which we own and are recoverable from the plants which we own.

Mr. DIEFENBAKER: Has the minister an estimate of the value of the assets at the present time?

Mr. HOWE: The assets at the present time are the figures I am giving you. What they will be after the war, perhaps you can give me.

Mr. DIEFENBAKER: The minister said a moment ago that depreciation was taken off machinery and assets immediately.

Mr. HOWE: It is taken off immediately because we pay for the assets. In other words, so far as the government is concerned, the firm has no depreciation to write off because the asset is paid for. That is called taking the depreciation immediately. When the government pays for a thing holus-bolus, the manufacturer has no value left to depreciate.

Mr. DIEFENBAKER: What proportion of this \$307,000,000 represents machinery written off immediately?

Mr. HOWE: Written off immediately by whom.

Mr. DIEFENBAKER: That is the statement the minister made.

Mr. HOWE: Let me try to explain it as simply as I can. We will say we wish to have a manufacturer build a plant to manufacture shells. There are two ways in which this can be done. The manufacturer can create the asset, pay for the plant and equipment. The machinery at least would have no post-war value, or very little, because it is a specialized process requiring specialized tools. Obviously, under these circumstances the government should permit the manufacturer to depreciate his plant during the war perhaps to nothing or perhaps to some definite figure. Provision is made in the revenue act to cover cases where the manufacturer has installed the plant at his own expense, so that there will be a depreciation cost, which would naturally be added to the price of the product.

Then we take the alternative case; the government pays for the building and for the machinery. The government is also the pur-

chaser of the product. In that case there is no depreciation charge to the government.

Mr. MacNICOL: Does the government operate the plant?

Mr. HOWE: No. We own it. In other words, the private operator cannot charge depreciation on a plant for which he did not pay. That is what we call taking the depreciation at the start. In that case the product is sold to the government more cheaply than the situation would be with a privately owned plant which bought and paid for its equipment.

Mr. BLACK (Cumberland): One hundred per cent depreciation is charged up to the initial order? Then the department would be in a more favourable position with regard to any future orders.

Mr. HOWE: We could say that, but we take the depreciation in any event. We say this plant is built for our exclusive use, and we prefer to depreciate it when we build it.

Mr. BLACK (Cumberland): The minister is referring to equipment furnished to a private industry. That means that the initial order bears the total depreciation.

Mr. JACKMAN: When do you write off the capital cost?

Mr. HOWE: Assuming we are the buyer of the product, we write off the capital cost when we install the machinery. We write it off against nothing; we simply write it off. We own the asset; we pay for it. We say to the operator: you are using our property; therefore you cannot depreciate it.

Mr. GREEN: These are state arsenals owned by the government?

Mr. HOWE: That is right.

Mr. GREEN: And operated by private companies?

Mr. HOWE: That is right.

Mr. GREEN: In every case? Have we any state arsenals operated by the government except those that we had before the war?

Mr. HOWE: We have the Quebec arsenal, which has been greatly enlarged, and the Lindsay arsenal. Those, I think, are the only two we operate directly.

Mr. GREEN: And Valcartier.

Mr. HOWE: Yes. I think that is all.

Mr. GREEN: The policy is for the state to own the arsenal but for that arsenal to be operated by a private firm?