

is building a ship in Canada for use in Canadian waters it allows him a rate of depreciations of $33\frac{1}{3}$ per cent in any one year instead of the usual rate of depreciation allowed under the Income Tax Act of 15 per cent on the reducing balance. The $33\frac{1}{3}$ per cent interest is a straight line of depreciation on the cost of the vessel instead of being on the reducing balance as is the 15 per cent which is provided by the Income Tax Act.

The other benefit which this act confers upon a ship built in Canada—and this act and all the benefits therein apply only to ships built in Canada—is where a ship is sold and the proceeds of sale are used for replacement in Canada there will not be recapture of depreciation. Perhaps later I will go into the matter of recapture of depreciation, but I think this summarizes the present position of the act. Perhaps the easiest thing to do is simply to go through the amendments now as they come up in the bill.

By Mr. Chevrier:

Q. This is complicated and I do not know whether I understand it too clearly. Over and above what you said, what is the general position with reference to the person who wants to build a ship; what depreciation is he entitled to if he wants to build it in a Canadian yard, say Vickers at Montreal?—A. If he builds in Canada at the moment he is entitled to a depreciation of $33\frac{1}{3}$ per cent.

Q. Under this he will be entitled to it?—A. He still will be entitled to that but we are enlarging the classes of vessels. I thought it would be easier to come to these as we go along.

Q. You are not enlarging the amount of depreciation; you are enlarging the class?—A. Only the number of vessels to which the benefit may attach.

Q. Does this apply to vessels built outside of Canada?—A. No.

Q. Does it apply to vessels under the Canadian flag now in the United Kingdom?—A. I think you mean, for example, owned in Canada but under the U.K. flag?

Q. Yes.—A. Under this new act it will apply to such vessels if built in Canada.

By Mr. Smith (Simcoe):

Q. Would it apply if they were replaced in Canada?—A. Not only that, if a ship is built in Canada and then put under U.K. registry under the special arrangements in existence, then the benefits would apply; whether it is a replacement or not.

By Mr. Fisher:

Q. I have a general question. What are your reasons for these extensions?—A. Because the building of a ship in Canada is more expensive than it is in European or Japanese shipyards. For instance, the cost in U.K. shipyards is 50 per cent lower; that is one half as much. Therefore the owner needs incentive in order to bring him into our yards; otherwise he will go abroad. That is the basic reason. Our costs are higher as well as our wage rates.

By Mr. Chevrier:

Q. Both in the cost of construction and operation?—A. Yes.

Q. Does this act apply to the Canadian National Steamships whose flag has been transferred?—A. No sir. Those ships were built some time ago and this envisages new construction or alteration in Canada.

By Mr. Bryce:

Q. What is the increase in tonnage you are asking now?—A. It applies to any ship regardless of its tonnage.