D. Ship Construction Assistance

I. Nature and extent of the subsidy

(a) Background and authority

Assistance by way of capital grant is paid in respect of the construction of commercial and fishing vessels. The assistance enables owners to modernize and expand their floating equipment in consonance with the expanding need for water transportation facilities. The programme was instituted in 1961 and was continued in 1962 under Appropriation Acts.

Commercial ships built under the programme are almost exclusively designed for use in inland and coastal waters. Fishing vessels are primarily draggers and medium-sized trawlers.

(b) Incidence

The subsidy is paid to the shipbuilder and the Regulations provide that for all purposes relevant to the business carried on by the shipbuilder, the subsidy shall be deemed to be a payment made to the shipbuilder by the shipowner on account of the cost of the construction of the vessel.

Subsidy is paid in an amount not exceeding 40 per cent of the cost of construction, to be reduced to 35 per cent on 31 March 1963, and is limited to ships built in Canada for Canadian citizens or companies. For steel fishing trawlers of 75' or over in length for use out of Atlantic ports, the subsidy is 50 per cent of the construction cost.
(c) **Amount of subsidy**

In the fiscal year 1961-1962 the sum of $2,025,261.36 was paid in respect of the construction of fourteen ships, including barges.

(d) **Estimated amount per unit - not applicable**

II. **Effect of subsidy**

(a) **Estimated quantitative trade effects of the subsidy**

The grant is a form of capital aid. As such, there is no direct connexion between the amount of the grant and the unit cost of the carriage of cargo or the unit cost of fish landed.

(b) **Statistics of production, consumption, imports and exports**

In view of the foregoing this question is not relevant.