

On July 16th, 1914, following negotiations, the Dominion Government took over the contract and the subsidy was fixed at \$375,000 a year. The *Empress of Russia* and *Empress of Asia* were placed in the service at that time.

On the outbreak of the War in 1914, the agreement was suspended and any mails carried were paid for on a partial subsidy basis. Early in 1916 when the Company had re-opened its service with the ships then available on the Pacific, an agreement was reached with the Canadian Government for a period of one year providing for an annual payment of \$350,000 to \$375,000 a year. In March, 1920, the then Minister of Trade and Commerce informed the Company that it was the policy of the Government to gradually curtail and limit subsidies for ocean services, leaving the Companies free to make their own rates, ports, etc., without limitation by Government, the Post Office to be free to make its own arrangements for the carriage of mails by such steamers as offered, and were most available. There were negotiations from time to time with the Post Office Department, who were forwarding Canadian mails through American ports on American and Japanese ships, which resulted in a complaint from the Vancouver Board of Trade and other public bodies, resulting in the then Prime Minister authorizing the payment by Canada of postal union rates. This continued until January, 1924, when a rate of \$1.00 a cubic foot was authorized by the Government.

Due to the heavy annual losses, without taking into account any allowance for interest on invested capital, the Company appealed to the Government in 1931, who considered that the maintenance and continuance of the existing direct passenger, freight and mail service on the Pacific Ocean as then carried on by the Contractors, was of the greatest importance to the development of Canadian foreign trade with Japan, China and other countries bordering on the Pacific Ocean. The negotiations resulted in the reaching of an agreement providing for not less than 20 round trips between the first day of April, 1931, and the 31st day of March, 1932, with an annual payment by the Government of \$988,000. This agreement was renewed in 1932 but the subsidy was reduced to \$569,000. It was again renewed in 1933 with the Government contribution remaining the same. From April 1st, 1934, to March 31st, 1935, the payment was \$690,000 with 23 round trips being specified. From April 1st, 1935, to March 31st, 1936, the amount of subvention was increased to \$749,000 with the number of round trips remaining at 23.

In the year 1891, the company's fleet on the Pacific, as has been before stated, consisted of the three ships, the *Empress of China*, *Empress of Japan* and *Empress of India*, with total gross tonnage of 17,818, and service speed of $17\frac{1}{2}$ knots. The capital invested was approximately \$3,500,000. In the year 1914, the *Empress of Asia* and *Empress of Russia* were placed in the service, replacing the *Empress of China* and *Empress of India*. These ships were requisitioned by the Admiralty in 1914, and returned to us in 1917. In the year 1922 the old *Empress of Japan* was replaced by the *Empress of Canada*, a ship of 21,517 tons, with service speed of 19 knots.

There is a correction I desire to make in the memorandum. It should be 21 knots instead of 19 knots.

Mr. MACINNIS: What page?

Mr. FLINTOFT: Page 7, about the middle of the page. You will notice a reference to the *Empress of Japan* and the *Empress of Canada*.

Mr. ISNOR: What is the correction?