

has been lost at a rate greater than the present capacity of British shipyards to build new ships. Nevertheless, thousands of ships remain, and men and supplies are freely carried where allied necessity calls. British shipyards are working at full capacity, and in addition to British shipyards, Canadian, Australian and American shipyards are building merchantmen and other ships for Britain. The House of Commons has already been told by the Minister of Munitions and Supply (Mr. Howe) that in addition to the naval construction under way in Canada for the British admiralty, eighteen merchant vessels are also to be built here for the British government.

In his speech on November 5, Mr. Churchill spoke plainly about the growing shipping problem. Since then, the British Minister of Shipping, Right Hon. Ronald Cross, said in a broadcast on November 26:

I am not going to hide the fact that the rate at which we are building ships does not make up for our losses.

Mr. Cross was, however, careful to add that orders were being placed in the United States. The real significance of his words is to be found in the sentence with which he concluded:

We must have ships. We cannot make too sure of our shipping in the months and years that may elapse before victory is assured. We must have a safety margin.

The result of the frankness of Mr. Churchill and Mr. Cross is reflected in our own present commitments, and in the additional keels that will be laid down every month in the shipyards of the United States and of the British commonwealth.

Let it not be forgotten that Germany, too, has suffered considerable shipping losses. Almost daily we hear of another German supply ship sunk off the coast of Norway, in the North Sea, or in the channel. German shipping and German barges have been bombed repeatedly in the channel ports. The great German shipyards at Hamburg and Bremen, and even in the Baltic, have been visited again and again by the bombers of the Royal Air Force. In the Mediterranean the Italian shipping losses have been heavy. On the high seas, German and Italian merchantmen have disappeared. I do not think they will take any part in the world's commerce until this war is over.

The British navy is still supreme on the seas of battle. Although the British navy in this war, single-handed, enforces the blockade, and although the coasts to be blockaded are more extensive, nevertheless the blockade is proving its effectiveness. Apart from Russia,

there are no neutral countries to which Germany can turn with confidence for imported supplies.

The vast quantities of supplies which Britain requires from North America to supplement the deficiencies of her own production must, of course, be paid for, and, when ordered from the United States, they must be paid for in American dollars. The problem of providing United States exchange which faces the British government is a very real one.

To view in its true light the statement by Lord Lothian to which the leader of the opposition has specifically referred, it must be recalled that what the British ambassador said about Britain being near the end of her financial resources and about the need she would have for financial aid, had reference to British purchases in the United States.

The problem of providing United States exchange which faces the British government is a problem which also faces our own government; for we too must provide for vast outlays of United States dollars to pay for our purchases of essential war material. Later this afternoon, the Minister of Finance (Mr. Illsley) will propose certain measures which, at this juncture, seem to the government necessary in order further to conserve our supply of exchange for this purpose.

It may help us to view the financial problem in a true perspective if, as with bombing and with shipping losses, we make comparison with the situation as it is in Germany.

While it is true that Britain and Canada are faced with the problem of providing exchange to pay for their purchases in the United States, it is also true that in the United States we have access to the greatest industrial resources in the world.

What is the German situation? Germany, of course, has acquired the industries and resources of France, Belgium, Holland and Czechoslovakia, but outside the borders of Germany and the territories she has conquered she can look to only two important outside sources of supply—Sweden and Russia. The capacity and the willingness of Russia to spare supplies to Germany is very doubtful. In the conquered territories she must keep the workers alive if they are to continue to produce. She must face, too, the ever-present hazard of sabotage.

In many essentials Germany has, through sacrifices of her standard of living and through conquest, made herself self-contained. But, as the British Minister of Economic Warfare, Right Hon. Hugh Dalton, pointed out in a broadcast yesterday, the blockade has imposed upon the enemy "serious shortages of rubber,