

Government-owned merchant marine after the first World War, a large proportion of these vessels numbering 215 of over 2,000,000 dead-weight tons were sold to Canadian companies for operation under Canadian flag.

For the first three years their commercial operation was a very successful venture. Freight rates were high and cargoes plentiful. Then in 1949 the position rapidly changed. Freight rates, particularly those in the bulk commodities, declined drastically. The ever growing restriction in the use of dollars by our principal customers in Europe, and the resulting drop in the volume of cargoes, forced rates to uneconomic levels, in so far as high-cost operated Canadian ships were concerned. I might say here that the cost of operating Canadian flag ships is the second highest in the world. Another heavy blow during that critical period was the costly and entirely unwarranted strike by the Communist-led Canadian Seamen's Union. In addition to these handicaps, it should be mentioned that fifty per cent of the Marshall plan shipments are reserved for American flag ships and the balance must be carried in ships of the recipient nations, so it will be seen that Canadian ships were not allowed to carry E.C.A. cargoes.

Then came devaluation of sterling. This was the coup de grace to Canadian flag deep-sea operations as a profitable commercial enterprise. Canada is in the dollar area and her shipping must earn dollars. As most of the world's actively employed shipping is in the sterling area, freight rates took another sudden and drastic drop in terms of Canadian dollars.

The effect of these various occurrences made the operation of Canadian flag ships in the international trades utterly impossible except at very heavy financial loss, and owners were forced to lay their ships up.

It was quite apparent that the contract between the Government and the operators to continue the operation of ships under Canadian flag was impossible of fulfilment, without a large measure of financial assistance from the Government. To keep the full fleet in operation would have meant subsidies running to over \$25,000,000 annually. The Government did not think it would be justified in asking the tax-payers of Canada for such an amount when even this would not have guaranteed full employment. On the other hand we did not wish to see the Canadian flag fleet laid up or transferred to the flags of low-cost nations.

Negotiations were, therefore, opened with the Government of the United Kingdom in an endeavour to reach a working arrangement, whereby some Canadian-owned vessels might be operated under United Kingdom flag. As a result of such negotiations a statement was made in the House of Commons on December 9, 1949, by the Prime Minister, on Canadian deep-sea shipping policy.

In a word, the Government is prepared to assist the Canadian deep-sea shipping industry by a grant of \$3,000,000 for one year only. This will enable approximately 40 ships to be kept in operation under Canadian flag. The plan also envisaged the transfer of about 65 vessels to United Kingdom registry and the retention on United Kingdom registry of an additional 58 Canadian-owned ships which were scheduled for return by the British Ministry of War Transport to Canada in 1950.

Today, as a result of this policy, 86 ocean-going dry cargo ships are still sailing under Canadian registry. Subsidy arrangements have been completed for a total of 35 ships. Consents to transfer of 65 vessels had been given as of July 1950, though it is contemplated that at least 123 may eventually find their way to United Kingdom registry. Moreover, as a further result of this policy, as at July