

*Supply—Transport*

government, in fairness to the railways, decided to give this \$50 million subsidy.

**Mr. Chevrier:** I am not going to pursue the matter indefinitely, but I am certainly not satisfied with the explanation which the minister has given because his comment is divided into two parts; one is related to the royal commission report, and there is no mention in the report of any amount to be paid in reduction of freight rates. We passed a statute under which we gave the railways \$20 million. There can, therefore, be no other conclusion but that this item has been put in here in that confused form to implement the recommendation of the Milvain report.

**Mr. Benidickson:** What relationship would the minister say that this has, not only to the revenues of the railways but to the wages of the employees, pending some consideration of some of the items in the royal commission report?

**Mr. Balcer:** As I said earlier, it arises from the royal commission report. The railways were facing great needs and these needs have been met in part by this \$50 million.

**Mr. Benidickson:** Is the minister suggesting that out of this \$50 million a substantial portion of it goes to those who work on the railways?

**Mr. Balcer:** Well, it goes for all the expenses of the railways. Railway expenses have increased in a general way and the operating costs of the railways have gone up recently. This is what I meant by the general needs of the railways and it was in the face of those needs that the government decided to grant this amount.

Item agreed to.

Canadian maritime commission—

592. Capital subsidies for the construction of commercial and fishing vessels in accordance with regulations of the governor in council, \$10,000,000.

**Mr. Chevrier:** As the committee knows, this item concerns the subsidy policy which the minister announced in the house, together with the regulations which were circulated. Since these regulations have been circulated, I should like to know how many shipowners, how many shipbuilders, have signed contracts on the basis of the regulations which were circulated by the minister and on the basis of the interim regulations announced by the minister on July 7?

**Mr. Balcer:** At the present time, Mr. Chairman, we have over one hundred applications and the Canadian maritime commission is processing them. At the moment five ships

[Mr. Balcer.]

are being built under the new regulations. There has been a tremendous response from shipbuilders, shipowners and future shipowners, and I am quite confident the new regulations will result in a number of ships being built.

**Mr. Chevrier:** Out of the hundreds of applications that have been made, five contracts have been signed for the construction of ships, am I correct?

**Mr. Balcer:** Five starts under the regulations are going on at the present time.

**Mr. Chevrier:** That means that five ships are being built?

**Mr. Balcer:** Five ships under the regulations are being built at the present time. These contracts are being processed and we are quite confident about the matter. The program is going very well and according to expectations.

**Mr. Chevrier:** Mr. Chairman, in the statement which the minister made in the house and the discussion which followed there was some question of this policy benefiting not only Canadian shipbuilders—that is, Canadian yards—but also Canadian ship operators. The minister went on to say that this would eventually mean assistance to a Canadian merchant navy. The policy as announced by the minister—and I have the announcement in my hand—concerned not only assistance to shipbuilding, as I said, but assistance to a Canadian merchant navy.

Will the minister indicate where in these regulations or in this policy announced by him will be any benefit forthcoming to the operators of Canadian ships on the deep-sea. As I understand it, the measure is one that will give assistance to Canadian yards by a subsidy of 40 per cent, together with the additional 33½ per cent over a period of three years by way of depreciation. But how will this policy benefit the operators of deep-sea vessels?

**Mr. Benidickson:** Canadian operators particularly.

**Mr. Balcer:** First of all, Mr. Chairman, we are not at the present time paying any operating subsidies, but of course these new regulations will help shipowners, because when they want a ship built in Canada they will have the advantage of this 40 per cent subsidy. When a ship is built in Canada for a Canadian shipowner, this 40 per cent subsidy will give the shipowner the opportunity to compete with ships being built in shipyards in other countries.

**Mr. Chevrier:** Is that what the minister meant when he said these regulations and this policy would help the deep-sea operators,