

than in Canada. I understand, as a matter of fact, that in Canada the cost for work in a shipyard, for building or for repairing, is approximately 1.5 times what it is in many of the European yards, and perhaps the United Kingdom yards are a good example. I might also mention that the Japanese shipyards are in that class. When I speak about European yards I mean yards in the United Kingdom or in Holland, Germany, Norway, Italy and France.

Hon. Mr. Quinn: Do costs not vary to some extent between shipyards in Germany, Holland and Great Britain, let us say?

Hon. Mr. Connolly (Ottawa West): Oh, yes, there is a variation, but I use the United Kingdom as a fairly good example. I think that, as a matter of fact, the costs in Japanese yards are lower still.

As honourable senators know, the maintenance of a nucleus of a merchant service for Canada is the main problem of the Canadian Maritime Commission, about which I would like to say something in a moment. There are two plans in the policy being pursued by that commission. I think we should remind ourselves about both plans in considering this measure.

The first plan is called the Replacement plan. The purpose of that plan is to maintain in the first place some semblance of an efficient Canadian-owned merchant service.

The second purpose of the Replacement plan is provide efficient ocean-going ships for those which are growing obsolete.

The third purpose is to provide employment in Canadian yards and to preserve some of the skills which were developed in this country under wartime conditions and later.

In speaking about these skills, although I step outside of the field of the discussion on the merchant service when I do so, it is worth while saying that there are some very exceptional skills available in Canadian yards. For example, in the yards of the Halifax Shipyards Limited, in those of the Davie Shipbuilding Company Limited in Levis, in the Marine Industries yard at Sorel, in the Canadian Vickers yard at Montreal, in the Yarrows Limited and the Victoria Machinery Depot Company's yards on the west coast, some of the most efficient modern destroyer-escort vessels have been built. These ships for the most part have been built for the Canadian Navy and, in their class, they are second to none anywhere.

The other plan with which the Maritime Commission is concerned is known as the Transfer plan. It results from an understanding between the Governments of Canada and the United Kingdom, or their officials, and it permits the operation of Canadian-owned ships under the United Kingdom flag, under

operating conditions more favourable than those which prevail in Canada.

Perhaps I should say a little more about these plans, because they are important to an understanding of this measure.

The Replacement plan, I think, can be described as the brain-child of the officials of the Maritime Commission. It provides that no sale of a Canadian-owned vessel off the Canadian register can be made without the approval of the Canadian authorities. That consent is given only if the proceeds of the sale are used for the replacement of that ship in a Canadian yard. Funds are usually deposited in an escrow account which is maintained for the purpose in one of the commercial banks. The result of this policy is that more than 16 ocean-going ships have been built or ordered or bought in Canada. Canadian shipyards have benefited from these escrow funds to the extent of about \$62 million since the end of the last war. Some \$3 million of escrow money has been spent abroad, in foreign yards, under conditions which I am afraid I do not know too much about. That is something which might be inquired into at the committee stage of the bill. There are still some \$12 million or \$13 million available in the escrow fund. Perhaps I should say, because I know some honourable gentlemen in the chamber are interested, that, of the fund of \$62 million, some \$29 million was used for the replacement of lake and coastal craft. But that branch of the policy, I understand, has been discontinued.

Now, as to the Transfer plan. Apparently the operators of Canadian vessels found, after the war, that operation under the conditions involved in operating under the Canadian flag became too costly. So an agreement was made with the United Kingdom authorities to transfer to the U.K. register such Canadian craft as it was desired to transfer, to be operated under the U.K. flag. The important consideration in this arrangement is that the United Kingdom authorities agreed that the profits which the shipping companies made from the ships so transferred could be repatriated to Canada, in dollars, to be taxed here. The ships are subject to recall to Canadian register at the instance of the Canadian Government. Should a wartime emergency arise, and if the ships are put in some type of allied pool—as has happened before—they are to count as a Canadian contribution to that pool.

Hon. Mr. Isnor: Do I understand there are transfers from the United Kingdom, or are the transfers of our ships to the U.K. register?

Hon. Mr. Connolly (Ottawa West): I understand that the transfer plan works only in connection with transfers from the register in Canada to the U.K. register.