

Thus it was that there was practically no Canadian shipping left by the time the First World War began, aside from coastal and inland vessels. Then, late in the war, submarine losses brought a revival of Canadian shipbuilding, almost entirely for government account. The Canadian Government Merchant Marine Limited was formed after the war to operate the government-owned fleet, which numbered 63 vessels by 1921. Operations were profitable at first, but the company soon lost ground to others operating faster and more modern ships. After years of deficits the fleet was finally liquidated in 1936. History thus repeated itself. By the start of the Second World War, Canada's ocean fleet was down to 38 vessels totalling only about 240,000 gross tons.

During World War II Canada got into the shipping business again, in a large way. We built 398 merchant vessels here (as well as 393 naval craft) and while some were sold outright, others were chartered or loaned to allies and still others were retained under the Canadian flag. At the end of the war the government owned 258 dry-cargo vessels, and in 1946 the Canadian merchant fleet once again was the fourth largest in the world.

After the War the government sold all its vessels on a brisk market, 215 of them totalling over two million deadweight tons going to Canadian owners for Canadian registry. Operations continued profitable well into 1948, but already the handwriting was on the wall. The vessels were slow and inefficient, they would face a growing competition from newer and more modern vessels in other fleets. The world shortage of shipping was being overcome, rates were bound to fall, and currency difficulties were increasing. It was clear that the Canadian fleet was too large for normal requirements, and that even a lesser fleet must be modernized. At the same time the lesson of two World Wars was that Canada must not depend solely on her allies for shipping services, that it was necessary to maintain a minimum number of vessels under Canadian control.

Three steps have been taken to meet this challenge. The first is the "replacement plan", inaugurated in 1948. This relates to the wartime vessels sold to Canadian owners. In each case the terms of sale had included the stipulation that the vessels be maintained under Canadian registry. The "replacement plan" allows such vessels to be sold abroad in approved cases, with the proceeds of the sale being placed in escrow to be used for building new and more efficient vessels for Canadian registry. As its name implies, it provides for modernization of the fleet. So far 62 ships have been sold under the plan, with proceeds of \$36.2 million to the escrow fund. Of this latter sum \$25.5 million already has been committed for new construction and conversion in Canadian yards.

The second step was the "transfer plan." It was established after negotiations with the United Kingdom in 1949 when ocean freights were low and "dollar" cargoes hard to get. Briefly this plan permitted transfer of Canadian ships to U.K. registry, with the ownership remaining in Canada. This change allowed vessels to operate at a much lower cost and to participate in sterling trades that otherwise would have been closed to them. Owners were enabled to keep vessels in profitable operation when otherwise many would have been laid up. At the same time the vessels will remain available as a Canadian contribution to an allied shipping pool in the event of war. Some 93 ships have been transferred to United Kingdom registry under this plan.