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**I**F there is one sphere more than another in which Canada is brought into direct contact with the world, it is in shipping, and world shipping promises to be a No. 1 post-war headache.

Can the nations find a use for all the merchant fleet tonnage they have built, or are these ships, like unused munitions, to be scrapped? What is to happen to the huge shipbuilding industry which has mushroomed in so many countries? How can the nations which depend upon their maritime trade for national income and foreign exchange be restored to their necessary volume of trade, while preserving the newly-acquired marine interests of countries which have not hitherto been sea-minded? This Letter will pose more questions than it answers; its sole endeavour is to present some facts to help the reader judge proposals which will be brought forward during the next few months or years.

Most, if not all the solutions are wrapped up in the answer to the question "What is to become of world trade?" If trade were on a broad enough scale and sufficient volume the fleets could be used. In this regard there are interesting and unequivocal declarations of policy by the leading nations, favouring widespread exchange of goods. The Atlantic Charter promises "equal access to the trade and to the raw materials of the world." The Lend-Lease agreement between Great Britain and the United States pledges the parties to "promotion of the betterment of world-wide economic relations," to "the elimination of all forms of discriminatory treatment in international commerce," and to "the reduction of tariffs and other trade barriers." Lived up to in the post-war years, these principles would result in providing cargoes for ships and employment for many hundreds of thousands of persons engaged in fabrication of replacement ships, reaching far back into steel, lumber, and manufacturing industries.

Shipping business is vital to a number of countries as a source of foreign exchange which may be used to pay for imports, a fact which is important to every surplus-producing country. There is no doubt of the need of other nations for commodities Canada produces in the form of raw or manufactured materials, but if the goods are to be paid for, the buy-

ing countries must have access to exchange. A part of that exchange, in the case of many, can result only from restoration of their pre-war position as maritime carriers. Before the war, British Empire ships transported two-fifths of the world's sea-borne trade, and the earnings of these ships abroad paid for more than 10 per cent of Britain's merchandise imports. Conversely, though other nations' ships carried more of the United States' foreign commerce than did American ships, the United States did not necessarily lose. Any supposed loss on shipping was made up by increased ability of the foreign countries to buy American goods: trade would have been much more restricted if these countries had not been earning exchange by performing the carrying service. Shipping service has been called a hidden export. The more it is interfered with or restricted, the less maritime nations will have with which to buy the product of Canadian firms, mines, forests and factories.

How important shipping is to maritime countries as a means of obtaining foreign exchange may be seen clearly by reference to Norway, the Netherlands and Great Britain. In normal years, Norway's merchant fleet earned foreign exchange which paid for approximately one third of Norway's total imports, while foreign shipping revenues of the Netherlands and Great Britain provided ten and eight per cent respectively of their foreign exchange requirements.

These countries have been hard hit by war, and will need to make every possible use of their shipping services for restoration of their economy. Great Britain's foreign investments have been to a great extent liquidated in carrying on the war; her industries have been converted to war production or destroyed by bombs and rockets. Britain has lost heavily in merchant marine ownership, both because of sinkings by submarine action and because she left the simpler building of merchant ships to Canada and the United States, while she produced the ships of war in which she was so experienced. Need, therefore, to work out some solution of the shipping problem will be pressing, if Britain is to be able to purchase the goods which Canada and the United States have to offer.

Another factor in appraising the importance of ships to a country is the amount of employment shipping provides. In Canada's case, the growth of



shipbuilding employment was phenomenal. At outbreak of war, Canada's boat-building establishments employed fewer than 4,000 in the construction of merchant vessels; in mid-1943 the industry employed 75,000 persons.

Seamen, too, have a stake in the shipping business. The "MN" emblem, issued to seamen who have served not less than three months in enemy-infested waters, has become a badge of honour which ranks with the active service decorations of fighting forces. There is a general feeling that mere expression of appreciation of war service will not suffice, and that the hard times which were allowed to fall upon merchant seamen after the last war should not be repeated.

Before discussing the shipping future, it might be well to take a quick view of the types of vessels comprised within the shipping industry. The public is inclined to think first of the passenger liners. Then follow combined passenger and cargo liners, transporting meat, fruit, and other high-class cargo, cargo vessels which follow a regular route, and tramps. The size of all these vessels has increased amazingly in the past fifty years. The average freighter at the turn of the century was 2,500 deadweight tons; today's wartime ships are approximately 10,500 deadweight tons. These 10,000-tonners are of four main types, all with a loaded speed of 11 knots, which means roughly  $12\frac{1}{2}$  land miles per hour. It seems to be admitted among shipping men that there will be a surplus of 10,000-ton, 11-knot type ships after the war. They will probably be too slow for competition and expensive to operate, with the consequence that their capital values will deteriorate very rapidly in face of competition from newer, faster and more economical vessels. At the same time it is argued by some that the 11-knot ships will be adequate for transportation of the bulk cargoes which make up the most of Canada's exports: agricultural, forest and mineral products. The economics of shipping must take account of the fact that an 11-knot ship could make only 6 round trips from Vancouver to Australia in a year, with a one-week turn-around at each end, while a 21-knot ship could do nearly 10 trips.

Just as cargo capacity of vessels has increased since the turn of the century, so has speed. The Scotia, an average 14.4-knot vessel, crossed the Atlantic in 9 days in 1862; the Queen Mary, nearly twenty times as great in tonnage, a rated 28-knot vessel, crossed in less than 4 days in 1938.

Two or three points become clear: merely to have a large number of ships will not make a prosperous mercantile marine, because there must be taken into consideration the number of trips that can be made on a paying route. Big tonnage alone is not a criterion: the number of times it is used for pay-load in a year is what counts; and before either speed or cargo capacity can be made to pay there must be trade available. A ship is just a piece of machinery to haul cargo, and its economic value is relative to the trade route on which it functions, modified by its efficiency.

In consideration of the world shipping picture, of which Canada is so definitely a part, the first point which stands out is the much larger tonnage there will be at war's end than at its start. Some believe that shipbuilding and operating on the scale now envisioned by some countries would break ocean freight rates to loss levels. World shipping revenues depend primarily upon two factors, the cargo tonnage of world trade, and freight rates. Statistics published by the United States Department of Commerce show that gross receipts from international shipping reached a pre-war maximum of about \$2,800 million in 1937. Receipts in 1929, the previous peak, were only slightly lower; but in 1932 and 1933, during the depression, the annual aggregate was less than half as much.

How is tomorrow's increased tonnage to be used to the greatest advantage of all the nations? It is important that a solution should be found, because shipping is a prime factor in the national economies of many allies and neutrals. Lord Leathers remarked, in stating the British viewpoint, "No one must have a flying start. At the same time, each of the nations must have its share." Britain's absorbing interest in the subject is indicated by the fact that in peacetime more than 90 per cent of the British merchant navy served in overseas transportation, but only one third of the ocean-going marine of the United States was engaged in foreign trade. American ships carried only 5 per cent of the sea-borne trade of the world, while British and Dominion ships carried 40 per cent of the world's overseas trade. The situation at war's end will be that United States tonnage could carry not only all the foreign trade of that country, but could provide transportation for much non-American trade, while British tonnage would scarcely suffice for Empire trade.

Meantime, the world has built up facilities for constructing many more vessels than can be used. Even if the normal 20-year life span of vessels should be shortened by a third, construction for replacement, providing constant efficiency improvements for a world merchant fleet of 60 million tons, would not amount to more than 5 million tons a year. And this, declares an article published under the auspices of Yale Institute, would still leave about half of the building facilities unused.

Disposition of enemy fleets poses another problem. It would have been better for British shipping after the first world war if the German merchant ships had been scuttled along with the warships. Purchased by British shipping men at high prices, the cargo carriers were soon out of date, depreciated rapidly, and became uneconomical in an era of falling trade. The Germans, who had to rebuild, secured ships that were modern, fast, and cheaper to operate. Consequently, the British were under the handicap of expensive operation, inferior carriers, and a capital outlay that was far out of line with the earning power of their investment. There will not be the same difficulty after this war for three reasons: the enemy has not the huge merchant marine which existed after the last war; the peculiar circumstances which surrounded



the disposal of last war's ships do not exist; and the nations understand better the economics of international transactions.

Overshadowing the question of surplus tonnage is the problem of its distribution among the nations. Nationalism is strong in regard to shipping, and has been encouraged by some governments because of the importance of ships in defence. There are national shipyards, national fleets, and national lines. But nationalism in this, as in other spheres, can be carried to excess that becomes dangerous. It prompts nations to look on the optimistic side of their own projects, setting up unrealistic aims which can be provocative of international misunderstanding. Carried to its extreme, nationalism in shipping would mean that all Canadian exports to Great Britain would go in Canadian ships, which could get no return cargo because goods originating in the United Kingdom would have to be carried in British ships. Extreme nationalism would be a sure guarantee of ships travelling light, of doubled freight rates, idleness of ships and men. In his Carnegie Endowment book, "Influence of the Great War Upon Shipping," Prof. J. Russell Smith comments: ". . . nationalism has already made many a ship run empty. It has already established mad lanes of the sea. To find a perfect example one need go no further from home than our own coasts, where our coasting trade is normally reserved by statute to American vessels, while foreign vessels in unending procession, empty or partly empty, skirt our shores from Norfolk where they coal, to Galveston and New Orleans, where they load."

Great Britain's flag has been known in every sea for centuries. An island nation, she depends absolutely upon ships for every industrial material except coal, and for from 40 to 60 per cent of her food, even under war rationing. She could not exist without ships; she could not keep her empire together without ships. The British government has followed a policy toward the shipping industry involving minimum control and subsidization. It has relied upon the self-regulation of the industry in national and international rate-fixing conferences, and in trade organizations. Enunciating Britain's guiding principles in connection with post-war shipping, the Ministry of War Transport said Britain would continue to serve the world with a large and efficient mercantile marine, and the government is prepared to collaborate with other like-minded governments "in establishing conditions in which the shipping of the world can be efficiently and economically carried on." The Chamber of Shipping, most influential of shipping trade organizations, asks transfer to private ownership of all vessels built by the government during the war, and declares strongly: "Great Britain must be prepared to require that the peace settlement should include effective guarantees against the renewal of the race in subsidies which marked the pre-war period."

Britain has a closely-integrated shipbuilding industry. Yards are near steel supplies, and surrounded by machine shops, engineering plants, cabinet-making

factories, and every other source of the diverse products that go into the making of a ship. In 1942-43, there was an increase of 50 to 75 per cent in the average output per employee, compared with 1917-18, according to Sir Amos Ayre, Chairman of the British Shipbuilding Conference, in an article in the *Economist*. This he said, was largely due to technical progress, that is in prefabrication, welding, simplification of structure, additional plant, and so on.

The United States is in unique position. As a result of the war, it is in possession of a total tonnage greater than that owned by all the allied powers before the war started, and it has been estimated that at the war's end it will have an ocean merchant marine equal to that of all other countries combined. The War Shipping Administration's tentative post-war programme discloses that there will be 50 million deadweight tons of commercial bottoms available in freighters and tankers, compared with 3 million tons before the war. Maximum effective use, including that on inland waterways, will take up about 12 million tons. The Administration plans to ask Congress to remove some 2,000 bottoms from the world market for about ten years, and maintain them as a stockpile for national defence. This would leave, according to the Administration's calculation, a surplus of 18 million tons.

Admiral Howard Vickery, of the United States Maritime Commission, has declared in favor of a United States merchant fleet of 15 to 20 million deadweight tons, operated under private enterprise on routes with as little American competition as possible, and with greater development of tramp business. "We have," he said, "no ambition to hog the seas. All we ask is that our legitimate requirements be accepted by our friends abroad." Other interested parties have recommended similar measures, with the estimate of required tonnage ranging as low as 10 million gross. Some interests are strongly in favour of subsidization to maintain competition while continuing the high wages paid United States merchant seamen and shipyard workers relative to those of other countries. It has been pointed out that the operations of American ships have been consistently more costly than those of other nations. If, as is suggested by some, the United States is to have a merchant marine carrying half or more of its foreign trade, it must be supported by large sums raised from taxation. Suppose, one writer said recently, the fleet is to be set at 20 million tons, the cost in operating subsidies alone would range between \$200 million and \$300 million a year. Those opposed to subsidization declare that a fleet which is heavily supported by public funds, whether for construction or operation, links the government with trade and brings it into conflict with other governments.

As to shipbuilding, the United States has produced prolifically during the war, under an agreement by which Britain reduced her merchant ship construction and concentrated on warships. It is as a result of this agreement for mutual benefit that the United States will emerge in such good relative position in



merchant tonnage. Up to the end of 1944, the United States yards had produced 50 million tons of dead-weight merchant shipping, equivalent to 33 million tons gross.

And now, against this world background, what is Canada's position and what are her prospects? It will surprise many to learn that Canadian-built Bluenose ships were once known in every port, and by 1878 Canada was fourth among the shipowning nations of the world. That great marine passed away swiftly as it was overtaken by the era of steel ships, and thousands of men skilled in wood-shaping, sail-making, and all the other trades that went into the production of wooden ships, found themselves without employment. Shipbuilding languished until war's needs gave it new impetus.

Canada will probably emerge from this war with a merchant fleet of more than 300 ocean-going ships, in addition to her lake, river and coastal fleet. Before the war she had only 37 ocean-going ships, a total of 275,000 tons. That was modest indeed, considering that Canada ranked fourth or fifth in world trade.

In this world war, Canada has risen from practically zero to third place among the shipbuilding nations of the world. Her record in building merchant ships will hold a place of honour in the history of the national war effort. When the programme is completed, as it will be shortly, it will have turned out 400 merchant vessels totalling about 3,700,000 deadweight tons, including 340 of the 10,000 — ton dry cargo carriers. Some of these 10,000 — tonners have been sold to the United States, others were converted for fleet auxiliary work, about 100 were turned over to Great Britain under Mutual Aid, and, according to the Minister of Trade and Commerce in a statement early this year, about 110 have been retained for war service under Canadian control.

The demands of war have, therefore, provided Canada with a shipbuilding industry, and the question uppermost in the minds of all connected with it is its future. Conscious of the great part her Navy played in this World War, and of the contribution made to the United Nations' cause by Canada's production of freighters, it is not likely that Canadians will return to the apathy which marked public regard of shipbuilding and shipping before the war. If Canadian shipping companies can render service at reasonable costs in competition with foreign lines, and if other governments refrain from subsidizing in an intemperate way, there seems no reason to suppose that Canadian firms could not be successful. This is modified by the need to take into account the volume of world trade, and this depends upon the spirit of the nations in their post-war agreements on tariffs, exchange stabilization, and other factors.

It is important that shipping, in common with all other parts of the industrial economy, should be wisely used to the fullest practicable extent. The Minister of Transport drew attention of the House of Commons to the possibilities added by a merchant marine to the country's chances of developing and maintaining export trade. "There is no difference of

opinion as to whether Canada should retain as many of these ships as can be used for the trade of Canada," he said. Canadian cabinet ministers have declared it to be Canada's policy to keep an ocean-going merchant fleet large enough to give Canada a voice in shipping matters, but not so large as to put Canada into world-wide competition with maritime nations.

Not only the capacity and speed of ships, but the facilities of ports, are important in considering the efficiency of a merchant marine. Land and water transportation must be co-ordinated; freight loading and unloading equipment must be on hand in the proper kind and quantity; there must be warehouses, railway and switching connections, grain elevators, coal bunkers and oil storage tanks. Canada is well supplied with efficiently-operated harbours. Between 1913 and 1938, facilities of Canada's six principal harbours expanded in this way: berthage space doubled; transit shed space doubled; elevator capacity increased five-fold; and cold storage capacity grew from nothing to 6 million cubic feet. In the calendar year 1943, nearly 90,000 ships were entered at Canadian ports, representing 66½ million tons register. Montreal, 1,000 miles from the sea, has 28 piers and wharves with over 10 miles of berthing; 4 grain elevators with total capacity of 15 million bushels, served by 3½ miles of grain galleries; a cold-storage terminal with a capacity of more than 4½ million cubic feet; and more than 60 miles of terminal railway.

While this article is concerned with ocean shipping, it would not do to omit mention of the great inland water-borne traffic of the Dominion. The Canadian lakes fleet is currently moving about 30 million tons of cargo a year, mostly coal and iron ore for war industries, and grain for Great Britain. Traffic through the Canadian and United States Sault Ste. Marie canals has been approximately twice as heavy as traffic through the Panama Canal during the last ten years for which records are available, and in 1940 was almost three times as heavy.

Enough has been said about the problems of re-organizing the shipping industry for peacetime to indicate the need of energetic and wise effort. It should be clear, also, that Canada cannot act unilaterally in the building or operation of her merchant marine. It should be the central aim of peace-loving peoples and governments to restore the market places of the world, freed from the insecurity of government control, the authority of monopolies, the embarrassment of exchange limitations, and all the other things which interfere with international commerce. Shipping is essentially competitive, declares the General Council of British Shipping, and it would be "fearful" to contemplate a situation in which a normal incident of commercial competition would become an act of State with diplomatic reverberations. While removal of state control over trade and shipping is not likely so long as urgent tasks of war, relief and repatriation remain to be accomplished, the health of shipping requires that the normal processes of world trade and sea transport shall be restored and encouraged to expand with the least delay.