

No. 12.

(No. 195.)

COPY of a DESPATCH from Lieutenant-Governor Sir G. ARTHUR, K.C.H., to the Right Honourable the Marquis of NORMANBY.

MY LORD,

Government House, Toronto, 25th September, 1839

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Sir Geo. Arthur
to the Marquis of
Normanby.
25th Sept. 1839.

I ANXIOUSLY awaited the arrival of the steam-ship Great Western, in the hope that, with the other despatches which have reached me by that vessel, I should have received one containing an intimation of the views of Her Majesty's Government, on the subject of the financial difficulties of this province, respecting which I had the honour to report to your Lordship, in my despatch, No. 131, of the 8th of June last, in connexion with the consideration of certain reserved Bills having reference to questions of finance.

As I propose to call the Provincial Parliament together early in the month of January, and the present is, consequently, the latest opportunity I shall have of communicating with your Lordship so as to receive from you a reply previously to their meeting. I trust that your Lordship will not consider me importunate in drawing your attention to the very embarrassing situation in which I shall be placed, if I be unable to convey to the Legislature any definite information in regard to the very important matters to which I have referred.

Since last addressing your Lordship on this subject, I have seen no reason to alter the opinions which I then expressed: on the contrary, subsequent occurrences have tended to confirm me more strongly in them, on the most material points.

The financial embarrassments that are now felt in the several States of the American Union, and the suspension there of many of the public works, are circumstances which seem to have convinced, at length, the American citizens that they may speculate *too rapidly* in such undertakings. I trust that the mischief experienced in the United States, in this respect, may exercise on the people of Upper Canada, a salutary influence, and prove to them the necessity of making in future special provision for the payment of the interest on the public debt as it is incurred.

I have lately seen Colonel Phillpotts, of the Royal Engineers, who has been engaged in inspecting the Welland Canal, and I have the honour to transmit herewith a copy of a short report which he has made to me with reference to his proceedings. Your Lordship will perceive that Colonel Phillpotts is strongly of opinion that the Welland Canal should be opened on the same scale of magnitude as the St. Lawrence Canal.

The population of those Western States is increasing with extraordinary rapidity. They are already consumers of manufactured goods to a very large amount, and may be expected, at no distant period, to raise from their territory agricultural produce infinitely beyond what they can require for their own consumption.

It is thus evident that their commercial interests, like those of the Southern States, will eventually become separate from those of the Eastern manufacturing States; and that the high protecting duties imposed on British manufactured goods, will prove, each day, more obnoxious to them.

If our communications with the ocean, for which we have natural advantages far beyond any possessed by the United States, were improved, so as to render the transport of goods by way of the St. Lawrence very much cheaper than that by the American canals, it cannot be doubted but a considerable portion of the import and export trade of the great western regions would pass through Canada.

On this hypothesis, British trade would be increased to a very great extent, and the cost of Canadian canals, or their reimbursement of expenditure by means of tolls, would cease thenceforward to be of very material consequence, in comparison with the more important results that would be attained by the encouragement of the national industry.

The transit of the export trade of these states, or even a portion of it, through the canals of Canada to the ocean, would seem, almost alone, calculated to insure the reimbursement of the expenditure necessary to render them available for these great objects.

I am convinced, therefore, that the completion of the internal communications of Canada, *by the nation*, would be really conducive to British interests; and although