

But indeed I cannot see what is to prevent an American vessel from making the whole voyage from Fort Covington to Lake Champlain now. She may, it is admitted, carry goods to Montreal; she may land them there; may if she please warehouse them (for by section 48 of the Possessions Act, Montreal is constituted a warehousing port for goods brought by land or inland navigation); it only remains for her then to re-export them. Now, there is not a single restriction upon the exportation of goods from any part of the British possessions, except that they cannot be exported to the United Kingdom, or to any British possession in a foreign ship, and that they cannot be exported to any foreign country by sea, except from a free port. But an exportation from Montreal to Lake Champlain falls under neither of these heads, and is therefore not illegal; so that there is nothing to prevent American ships from coming with cargoes from Fort Covington, warehousing them at Montreal (if even this is necessary), and then clearing them out for Lake Champlain.

These are the conclusions at which I have arrived from an examination of the Possessions Act, but as they are so much at variance with the view taken of the law by the parties who have the charge of enforcing it, as well as with the opinion said to have been given by the law officers, I feel much hesitation in advancing them. If no error is apparent in them, however, I would submit that a further reference should be made to the Customs in order to ascertain more precisely the nature of the impediments which they consider to lie in the way of the traffic referred to; as there may be some arising out of other branches of the law of which I know nothing.

2d Oct. 1846.

S. H. N.

(No. 464.)

To the Lords of the Committee of Privy Council for Trade.

Mr. Lefevre having, by his letter dated 12th June last, signified that he had been commanded by your Lordships to transmit to us, for our observations thereon, a copy of a despatch from the Governor-general of Canada, suggesting that it might be of advantage to the revenue of Canada, as well as to the tolls of the Chambly and St. Lawrence Canals, if permission were granted to the vessels of the United States to pass down the River St. Lawrence from Fort Covington, on the Salmon river, to Sorel, and thence up the River Richelieu to Lake Champlain; we report,

That as we were not in possession of sufficient local information to enable us to offer any observations upon the despatch of the Governor-general of Canada, we caused copies of Mr. Lefevre's letter and its enclosure to be transmitted for the special inquiry of the collector at Montreal.

That having recently received a report from that officer in return to our order of inquiry upon the subject, we beg to state that Fort Covington is situated on the line which divides the United States from Canada, about six miles up the Salmon river from its junction with the St. Lawrence, a situation which renders it peculiarly favourable for carrying on an illicit trade with the province of Canada, and it is, in fact, used as a depôt for goods intended to be smuggled into the British possessions.

That it was found necessary in the year 1844 to place a Customs establishment on the Salmon river by the provincial government, which has in some measure stopped the illicit trade which had theretofore been carried on; but there is great reason to believe that large quantities of goods are still smuggled into Canada from Fort Covington.

With regard to the export trade from Fort Covington, which the Governor-general refers to in his despatch as being a likely source of revenue to the province of Canada, if permitted to be carried on in the manner pointed out by his Excellency, it appears that the goods which would be exported therefrom would consist of "sawn lumber, pot and pearl ashes, and butter;" that the whole of the exports could be taken in 30 or 40 barge loads of about 50 tons each, the tolls upon which would not, it is supposed, yield more than from 100% to 150% per annum, a sum very small in amount, when compared with that which the province would be likely to sustain, from a way being opened by which quantities of goods might, and no doubt would, be introduced into the province without payment of duty. Your Lordships will perceive, on reference to the accompanying map, that it is upwards of 90 miles from Montreal round by the Richelieu river to Lake Champlain, and that this route passes through one of the most thickly-inhabited parts of the British territories in Canada, containing 15 large villages, which would afford great facilities for the introduction and sale of goods upon which duty had not been paid, there not being an individual in any way connected with the revenue stationed at any of those villages.

The Governor-general has, in bringing this subject under the consideration of Her Majesty's Government, adverted to the fact that American vessels are permitted to pass from one American port on the lakes to another, through the Welland Canal, but it is to be observed that the granting of this privilege has caused smuggling to be carried on all along the banks of the canal to such an extent as to induce the Commissioner who was appointed some time since to examine and report as to the state of the several provincial Customs establishments, to recommend that riding officers should be appointed to patrol the banks of the canal, with a view, if possible, of putting a stop to the illicit trade carried on there. With respect to the general question involved in the suggestion of the Governor-general as