

"that in future renewals of contracts, or the establishment of new ones, the Government may be able to obtain the services they require for payments fixed on the latter calculation rather than the former, and that it will not be necessary to extend the duration of the contracts for so long a period as has hitherto been generally considered necessary."

P. 7.

Ib.

In regard, again, to this matter of the period for which such contracts should be granted, this committee observed, that where no private communication existed, adequate to admit of a sufficiently speedy service, the contracts should be of such duration as to afford security to the undertakers, "that they will be allowed to continue the service long enough to reap some benefit from their undertaking;" holding it to be "fair, that on the first opening of a new line contracts should be made for such a length of time as may encourage the building of ships for the purpose, by affording a prospect of their employment for a considerable number of years."

"But" (the Report proceeds) "we see no sufficient reason for continually renewing such contracts for periods equally long, after the object has once been attained. A company which has received a liberal subsidy for 10 or 12 of the first years of its existence, ought to provide, by the establishment of a sinking fund, for the maintenance of its fleet of vessels, and may be fairly expected, after having been compensated for the original hazard, to continue the service by fresh contracts entered into either from year to year, or for a period not exceeding three years."

Another matter, also, had arisen in the year immediately preceding that of Messrs. Cunard & Co.'s application, which had an important bearing on the question as to the decision which should be given upon it.

A difference as to the mode of charging postage had occurred between the Canadian and the Imperial Governments. In the course of the correspondence which ensued, the views of the Canadian Government on the general question of the injury done, in their estimation, to the interests of Canada, by the Home Government giving a large bounty to a line running to United States ports, and so driving Canadian mails and traffic to those ports, and by the railways and canals of the United States, were strongly expressed; and in a despatch from the Governor General of Canada to the Secretary of State for the Colonies, of date 2d September 1856, enclosing a report from the Postmaster General of Canada on the subject of a proposal from the Home Government that Canada should pay a proportion of the subsidy to Mr. Cunard, the Governor General added, that many Canadians, including members of his own Council, were of opinion, that while they could not ask for any breach of faith towards the present contractors, they might "surely ask that no renewal of that arrangement should be made without hearing what Canada has to say when the opportunity occurs. We may hope that no course will be pursued adverse to the principles of free trade, by the continuance of a large bounty to the Boston and New York lines."

Parl. Paper,
No. 184, Sess. 2,
1859, pp. 13, 14.

Q. 165a.

No. 184, p. 15.

This correspondence having been laid before the Lords of the Treasury, they, on the 26th November 1856, adopted a Minute, in terms of which the Secretary for the Colonies, in a despatch to the Governor General of Canada, of the 3d December, intimated, that "their Lordships have apprized me that the existing arrangements with respect to the Canadian mail service will continue until the expiration of Mr. Cunard's contract, when they hope an arrangement may be effected more in conformity with what they would regard as an equitable consideration for the finances of this country."

Q. 4577.
Q. (1859) 5151
et seq.

The assurance thus given, though in immediate reference to a specific postal question, was held in Canada to constitute a pledge, on the part of the Home Government, that the system of subsidizing lines of packets running to United States ports would not, after the expiry of the subsisting Cunard contract, be continued, without at least giving the Government of Canada an opportunity of being heard.

In the meantime, the Canadian Government proceeded with extensive improvements in the means of internal communication through the territories of the colony, in which a very heavy public debt has been incurred, and they entered