

of Revenue, which would thus be caused, could be supplied, would be by an export duty on fish and oil. The amount of Revenue now derivable from duties on *articles of all kinds* imported from the United States is about £15,000 per annum; and on imports from the British North American Colonies about £12,000, making together £27,000. Assuming, however, an entire remission of these duties, the deficiency of Revenue to be supplied would, doubtless, from the consequent facilities for increased importation from the United States and North American Colonies, amount to not less than £30,000. But if the arrangement for Reciprocal Free Trade with the United States shall embrace only the staple produce of those countries, viz.:—Bread, Flour, Pork, Butter, Corn and Meal, to which alone it is the desire of the Assembly that it should be restricted (as will be seen on reference to their Resolutions, adopted on the 21st of April, 1852), and beyond which it certainly would not be politic to extend it as regards this Colony, the deficiency of Revenue from the remission of duty on the articles last mentioned, imported from the United States (which last year amounted to £8,416) would, probably, not exceed £10,000, and on the like articles imported from the North American Colonies (which last year amounted to £5,237 4s. 3d.) would not exceed £7,000.

14. Taking the average for the last three years, of the following staple articles of produce exported, viz.:—Dried and Pickled Fish, Oil and Seal Skins—duties levied on them at rates equivalent to about 5 per cent. of their value, (for instance, on dried Cod Fish 6d. per quintal—pickled Salmon, 2s. per barrel—herrings, 6d. per barrel, Seal and Cod Oil, 20s. per tun, and Seal Skins, 1½d. each), ought to yield from £35,000 to £40,000. Making allowance for difficulty of collection and other contingencies, the produce of these duties may reasonably be reckoned at from £25,000 to £30,000 per annum, which would more than compensate for the loss of Revenue on imports of staple produce from the United States, as well as the British American Colonies—the commerce with which cannot be placed on any different or less advantageous terms than that with the United States. From the best information I have been enabled to obtain, I have reason to believe that such a mode of raising a Revenue in return for a freedom from taxes on provisions, would not press unfavourably upon the credit or resources of the Colony; and it seems to be admitted on all sides as the obvious substitute for duties upon imports which it may be necessary to remit in the event of any alteration in our commercial system.

15. In the event, however, of Newfoundland being embraced in any treaty of reciprocity between the Colonies and the United States, it is most desirable that a stipulation be made that a duty equal to 6 per cent. ad valorem should, for the purposes of Revenue, be levied equally on *all imports*—an equivalent duty being levied in the United States on the produce of this Colony. Such an arrangement, which is also in accordance with the views of the Assembly, and is adverted to in my Despatch, No. 41, of the 28th June last, would be the most satisfactory to all parties here, and preserve our Revenue intact. Until the public debt is somewhat reduced, it is of great importance not to disturb our existing sources of Revenue. On the other hand, if American and consequently Canadian produce must be imported free, I see no means other than duties on exports by which the Revenue can be maintained at its requisite amount. Direct taxation in this Colony is quite out of the question.

I have the honour to be, my Lord Duke,

Your Grace's most obedient humble servant,

His Grace the Duke of NEWCASTLE, &c., &c., &c.

(Signed) KER. B. HAMILTON,