

*To His Excellency Sir Francis Bond Head, Knight Commander of the Royal Hanoverian Guelphic Order, Knight of the Prussian Military Order of Merit, Lieutenant Governor of the Province of Upper Canada, &c. &c. &c.*

MAY IT PLEASE YOUR EXCELLENCY.

In conformity with Your Excellency's commands conveyed to me by Mr. Secretary Joseph, in his letter, dated 13th October last, I lost no time in communicating to the Honorable Mr. Pothier of Montreal, the Arbitrator named on the part of Lower Canada, my appointment as Arbitrator for this Province; to determine in conjunction with him, and according to the provisions of the Imperial act 3rd Geo. chap. 119, the proportion to be paid to Upper Canada for the term of four years, next succeeding the 1st July 1836, of the duties levied in Lower Canada, on goods imported by sea, I also expressed my readiness to meet him at Montreal, at the earliest period which might suit his convenience.

Mr. Pothier having in his reply intimated his desire for an immediate meeting, I proceeded to Lower Canada as soon as I had provided myself with the returns of the provincial population, and other requisite documents, and had my first interview with that gentleman, at his own residence, on the 5th day of November. After the perusal of our respective commissions and a preliminary discussion of the matters referred to our arbitrament, I submitted the original returns of the population of Upper Canada, prepared by the clerks of the peace for the several districts upon the census for the present year, taken by the township assessors, with an abstract thereof, and estimate drawn up by myself shewing a total of 375,000 souls. I claimed for Upper Canada a new apportionment of Revenue for the current term, according to the actual numbers of the people in each Province, and requested a statement of the population of Lower Canada, as it might be shewn to have stood in the early part of the present year, in order that I might more precisely set forth our claim. Mr. Pothier observed that no census had been taken in Lower Canada since 1831, but that he would, nevertheless, consider the subject, and probably prepare an estimate for my examination at our next meeting.

On the 7th instant I again saw the Honorable Arbitrator for Lower Canada, and received from him a memorandum, according to which, the population of the Lower Province at the commencement of the present year, was estimated at 600,827 souls.

The Arbitrators then entered fully into an investigation of the general questions connected with the apportionment of the Revenue.

The Arbitrator for Lower Canada adverted at this interview to the particular grounds, on which, he had at a former period, strenuously, though in vain, contended, that while comparative population formed the best general basis for calculating the consumption of dutiable articles in each Province, special circumstances affecting such consumption were known to exist, which demanded some modifications in the estimate favourable to Lower Canada. On this I observed, that I could not possibly concur in any mode of establishing a new proportion of duties for Upper Canada, which did not proceed simply and entirely upon an enumeration of the inhabitants in each Province—that by no other mode, than comparative population (a mode established since 1817) could a result be now arrived at, in any respect equitable, or satisfactory to Upper Canada—that it was not practicable, by any means that could be devised, to ascertain the exact consumption within this Province, of the several descriptions of merchandise, subject to ad valorem, and specific duties and, that as uncertainty and conjecture to some extent, would necessarily embarrass every attempt to ascertain the precise character and amount of the rapidly augmenting importations through, or from, the Lower, into the Upper, Province no better measure of their respective consumption seemed at the present time to offer than the ratio, which the population of the one might be found to bear to that of the other.

After some further discussion of this matter at subsequent meetings, and due deliberation, the Honorable Mr. Pothier said that he would on this occasion, consent to an award founded solely on comparative population.

The fundamental principle on which the arbitration was to rest, having been thus adjusted, the amount of the population of each Province was next to be ascertained to our mutual satisfaction. The official returns, already adverted to, had warranted my estimate for Upper Canada of 375,000 souls; similar means were not to be found for authenticating an estimate for Lower Canada. After careful enquiry and calculation, I at last thought myself justified in agreeing with Mr. Pothier to compute the population of that Province at 600,000 souls. The documents marked F will explain this estimate.

Taking then 375,000 as the enumeration for the Upper, and 600,000 as the enumeration for the Lower Province, the proportion of duties for each would be as follows:

For Upper Canada.....	38 $\frac{1}{2}$ per cent.
For Lower Canada.....	61 $\frac{1}{2}$ per cent.

The exact apportionment to Upper Canada, eventually agreed on, was 38  $\frac{1}{2}$  per cent. but in order to render an award for this amount valid, I conceived that the Arbitrators in the first place named for the