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NAVIGATION LAWS (CANADA).

COPY of a DESPATCH from the Governor-General of *Canada*, transmitting MEMORANDUMS from his Executive Council, and the Inspector-General of *Canada*, on the Operation of the Navigation Laws upon the Province of *Canada*.

(*Mr. Haues.*)

Ordered, by The House of Commons, to be Printed,
9 June 1848.

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Under 1 oz.

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NAVIGATION LAWS (CANADA).

RETURN to an Address of the Honourable The House of Commons,
dated 1 June 1848;—for,

“ COPY of a DESPATCH from the Governor-General of *Canada*, transmitting a MEMORANDUM from his Executive Council upon the Operation of the NAVIGATION LAWS upon the Province of *Canada*.”

Colonial Office, Downing-street, }
9 June 1848.

B. HAWES.

(No. 54.)

COPY of a DESPATCH from Governor-General the Right Honourable
the Earl of *Elgin* to Earl *Grey*.

Government House, Montreal,
12 May 1848.

My Lord,

THE Memorandum of my Executive Council on the subject of the Navigation Laws, as affecting the trade of the St. Lawrence, which I have the honour to enclose herewith, was this day placed in my hands. As the subject to which it relates is of much importance, I transmit it without delay, being fully assured that the statements which it contains will receive your Lordship's best consideration.

I have, &c.
(signed) *Elgin & Kincardine*.

To his Excellency the Right Honourable the Earl of *Elgin*, Governor-General of
British North America, &c. &c.

May it please your Excellency,

THE Committee of the Executive Council feeling great anxiety on the subject of contemplated proposals for the amelioration of the Navigation Laws, as applicable to this colony, and also respecting the navigation of the St. Lawrence River, proposed to be thrown open to American vessels, both which subjects have received careful consideration of the Legislative Assembly, and on which a great unanimity of opinion appears to prevail in this colony, are desirous of expressing their views to your Excellency for the consideration of Her Majesty's Government.

So long as it was a part of the policy of the empire to give a preference to colonial products in the markets of the United Kingdom, the monopoly of the carrying-trade was with great consistency and justice given to British shipping. The advantage to the colonists in the British market, afforded by means of protecting duties, generally enabled them to overlook the disadvantage of having the markets of the United States closed to them by duties levied in that country in favour of native productions; of having all competition in the import and export carrying-trade excluded from their ports; of being forced to employ British ships, making a voyage from England without freight, in carrying the heavy exports of the country to market, the voyage to England, necessarily bearing the expense of the voyage to Canada; while foreign vessels which might have resorted to the ports of Canada, were excluded from taking the products of the country to the British market, and consequently had only the profits of one voyage to pay the expenses of two. The advantage and disadvantage of this system of protection and monopoly alternated according to circumstances, but on the whole, the colony, while her products were protected in the British market, did not complain of the monopoly in favour of British shipping, which seemed to be an essential point in the policy of the trade of the empire.

The country of Canada at all times laboured under a disadvantage, as compared with the more southern portions of America, in having her ports closed by the ice during a considerable part of the year. The shipping ports are also at a great distance from the open sea, and the navigation, after entering the Gulf of St. Lawrence, was liable to be tedious, and at the early and late periods of the season dangerous. Freights and insurances were thereby enhanced, and it was not always that the high protecting duties of the British Corn Laws placed Canadians on as favourable a footing as their American neighbours.

To counterbalance these natural disadvantages, the River St. Lawrence afforded a splendid inland navigation from the interior, superior to that by the Mississippi, because of the climate

through which the articles of export had to pass, and superior to the long and comparatively narrow navigation of the Erie Canal, unavoidably tedious and expensive.

The enterprize and energies of the colony have been for a long time almost exclusively directed to the important objects of improving the internal navigation of the St. Lawrence from Lake Erie to Quebec, so as to place it in a state of cheapness and efficiency which would make that route to a port of embarkation for a sea voyage advantageous beyond all comparison with the internal communications of the United States, and by that means to counterbalance the more difficult and expensive sea navigation. The Government and Legislature of the colony have also endeavoured to make the navigation below Quebec safe and easy by means of numerous lighthouses well and expensively kept up. These efforts, though beyond the means and resources of a small and new community, have been successful. The Welland Canal, between Lakes Erie and Ontario, has been put in full operation, though not quite completed, at an expense of nearly 1,500,000*l.* The works on the St. Lawrence between Kingston and Montreal, have likewise been opened, forming a series of magnificent canals, by means of which the rapids of the Great River are conquered at the expense of nearly 1,500,000*l.*, and thus, steam-boats and vessels of great burden are enabled to pass up and down the river cheaply, safely and rapidly. Sixty-five thousand pounds has been expended in an endeavour to deepen Lake St. Peter, between Montreal and Quebec, for the purpose of enabling the largest ships to proceed to the former port; and thus by a series of undertakings which would do honour to the enterprize and industry of a nation, it was hoped for the colony that she would have been enabled, not merely to rival, but to surpass the enterprising and active people of the neighbouring States, and to create amongst her inhabitants a corresponding degree of commercial greatness and prosperity.

This, in the view of the projectors of the public works in Canada, as well as in the opinion of men of the best judgment in the northern states of America, was far from being a question of merely theoretical rivalry. It was always considered questionable whether the import and export trade of Canada would in itself make the tolls arising from the canals sufficient to remunerate the public treasury for the great expenditure. But while it was manifestly essential to the agricultural and mercantile prosperity of the country, that the means of access to the sea should be improved, it was supposed that the superiority of the line of communication would induce the passage of American trade down and up our canals so as to make them remunerative and profitable.

This supposition has been realized in the case of the Welland Canal. Since the opening of that work, the Americans have been permitted the free navigation of the canal through the Canadian territory, and as that canal is a short communication between the two great lakes, admitting the passage of large vessels, and as it has the effect of substituting a hundred miles of lake navigation in these vessels for boat navigation on the Erie Canal, the Welland is used extensively for the American trade, which instead of entering the American Erie Canal at Buffalo, proceeds down Lake Ontario to Oswego, and there is transferred to the boat navigation of the Erie Canal for transport to New York. Thus a large portion of the revenue from the Welland Canal is paid by the American trade, arising from a free navigation of a part of the internal waters of Canada, and thus the western portion of Canada enjoys the inestimable benefit of a navigation supported to a great extent by foreign commerce.

The superiority of the Canadian over the American line of communication, may be exemplified by the following rate of cost of transport from Cleveland in the State of Ohio on Lake Erie to New York, taking the cheapest line through the Canadian Welland Canal, and the rate of transport to Montreal from the same port on Lake Erie down the St. Lawrence.

	<i>s.</i>	<i>d.</i>
The rate to New York being on each barrel of flour, in currency	4	6
To Montreal	2	9
	<hr/>	<hr/>
	1	9

This difference being in favour of the Canadian inland navigation over the American.

If the products of the western country of the United States could be transported to the sea more cheaply through Canada than through the American territory, there can be no question but the Canadian route would be preferred, and the Canadian canals would engross the carrying-trade of the north-western States of America. The possession of even a portion of this trade would place this country in a state of financial prosperity.

But if, on the other hand, the advantage of this perfect inland navigation is more than counterbalanced by the rate of freight from Quebec and Montreal, the people of Western Canada having no protection in the English market, by using the Canadian line of communication, will send their whole produce by way of New York, as well as import all foreign articles of consumption by the same route, and thus, not only will the vast expenditure upon the internal navigation of Canada be wasted, and the debt incurred thereby become a hopeless burden, but the trade of the commercial cities of Montreal and Quebec, which was rapidly rising into importance, must be completely ruined.

While the province enjoyed protection in the British market, this unhappy result could not have arrived, because the protection was generally sufficient to prevent the owners from divesting the Canadian produce of its British character, and it could not become available for the home market of America unless upon payment of heavy duty. Even with regard to American produce, the provision in the Corn Law which enabled American wheat and flour to enjoy the same protection as Canadian upon being exported through Canada, on pay-
ment

ment of 3 s. sterling per quarter duty in the province, was, at most times, a sufficient inducement for many Americans to make shipments to Montreal, as well as for Canadians to make purchases in the United States; but the protection being now removed, the question is one of mere cheapness of transport, and, taking the average of the last four years, the cheapness of freights will be found very much in favour of New York over Montreal. The freight on a barrel of flour from New York and Montreal respectively to Liverpool in these years, may be stated as follows—

		MONTREAL.		NEW YORK.	
		s.	d.	s.	d.
1844	- - - - -	4	6	1	8
1845	- - - - -	4	8	2	-
1846	- - - - -	5	1½	2	6½
1847	- - - - -	6	-	2	-
Average - - -		5	1	2	1

Showing an advantage to New York of 3 s. sterling per barrel, and if there be deducted from this the advantage which Canada enjoys in internal navigation, amounting to 1 s. 6 d. sterling, there will still remain in favour of New York 1 s. 6 d. on each barrel of flour, quite sufficient to turn the whole export trade into that channel.

As the United States now admit the transit of Canadian produce through their territory, the only disadvantage it encounters at New York, is the necessity which arises under the Imperial Act 8 & 9 Vict., c. 88, s. 4, which would seem to forbid its being imported into England in foreign ships; but as freight in British from New York to England is no higher than the freight in American ships, this restriction would seem to have no appreciable influence on the question of transmission through Canada or the United States.

The consequence of this state of circumstances is no longer a matter of apprehension; its reality is severely felt in Montreal and the eastern portions of Canada. For some time past the import trade of Western Canada, which by means of protecting duties in favour of British ships and British goods, was forced to come by the St. Lawrence, has been changing its direction, and Montreal, which supplied the whole western country, is being deserted by the western merchants. The new Customs Law of the Province, while it equalizes duties and thus enables the consumer to purchase in the cheapest market, vastly increases the evil to the former importing cities, and a very large proportion of the export trade of Canada has this year taken the direction of New York. Hence arises the present suffering, and a feeling of serious apprehension for the future, lest the great public works of the St. Lawrence should be unused and unprofitable, and the commercial connexion which existed for so many years between Western and Eastern Canada should be altogether cut off.

The people of Canada are not inclined, by a system of protection, to force their own trade in any particular channel; following the example of the mother country, they have been compelled, in a great measure, to adopt the maxims of free trade, which have lately prevailed in England. As regards the carrying-trade of the North-western American States, the Canadians can have no means of obtaining its passage through their territory, but by superior advantages in the way of cheapness of transit. They have done everything for this purpose which great enterprize and expenditure could do. They have succeeded, so far as their means could succeed, and they possess now a line of communication more rapid and more cheap from the interior to the sea-port, than any existing in the United States. The whole question then is confined to the comparative advantages of shipment from Quebec or Montreal, or New York. If these ports can be nearly equalized in respect to freights to England, Canada will have succeeded; if the disparity continues as it now exists, all the efforts of Canada will have been unavailing.

It is represented that the high rate of freight between Montreal and the United Kingdom, is owing to the limited number of ships employed in the import trade of Canada. In the spring and in the latter end of the summer, the ships composing what are called the spring and fall fleets arrive; these are good ships, and so long as they are in port wanting freight the rate is comparatively moderate; but in the interval, being the middle of summer, when most of the western produce arrives for shipment, an inferior class of ships only offer, which not only deliver their cargoes in bad condition, but charge exorbitant freights, according to the quantity of produce for shipment. The rate of freight is represented to have fluctuated in Montreal in the same season, between 3 s. 6 d. and 7 s. 6 d. per barrel; and it is said also, that the higher rate, that is to say, from 6 s. to 7 s. 6 d. per barrel, has been paid in Montreal, at the same time that freight has been offered to be borne by foreign ships at New York as low as from 1 s. to 1 s. 6 d. per barrel; at this time, an offer of 1 s. 6 d. per barrel extra would have brought any number of ships round from the American sea-ports, but the Navigation Laws interposed to the ruin of the owners of the produce. This fluctuation and extravagant rate of freight, and the employment of inferior vessels, could not have occurred were the Canadian merchant able to look for ships amongst those in the American ports seeking freight to Europe; the latter having made their outward profitable voyage could afford to

carry Canadian produce at a lower rate than ships which came out in ballast, and there would be no opportunity of exacting extortionate freights from the shipper, who now is without remedy.

During the temporary suspension of the Navigation Laws last year, 22 ships arrived from Bremen, at the port of Montreal, loaded with emigrants intended for the United States, who chose the route through Canada for its greater facility and cheapness. These ships were enabled to take cargoes for the United Kingdom; and were the same facilities continued, there can be no doubt but the great German emigration to the United States would be directed through Canada. The number of passengers from Bremen to New York last year was 67,142. If 200 ships employed in the same trade were to come to the Canadian ports, it is easy to see what an effect their coming would have upon the rate of freights to England. This is but one instance of many which might be expected, were foreign vessels permitted to resort to the Canadian ports. These ships are admirably adapted to the carriage of wheat and flour, and the competition produced by their presence would not only tend to equalize the freights from Canada to those from the United States, but the ships would deliver their cargoes in good condition, and the shippers would avoid the damages occasioned by the use of inferior vessels, which are thought not to be over-estimated at five per cent. in the average on shipments of produce from Canada.

The American merchants of the West are no doubt anxious to avail themselves of the facilities afforded by the River St. Lawrence. Were their vessels permitted to come down to Montreal and Quebec, there to meet American or foreign ships to take their freight to Europe or elsewhere, it is thought that a most extensive and profitable commerce through Canada would immediately follow. The American vessels now confined to the navigation of the lakes and upper part of the river, would then be enabled to come to a port of embarkation for sea, without transhipment of cargo. It is confidently anticipated that a great portion of the importations for the North-western portion of the United States would take place through the same channel; and thus, instead of the lower ports of Canada being deserted, they would at once assume the position, as commercial depôts, to which their location upon the great river outlet of Northern America seems to entitle them. The great works of the St. Lawrence, instead of being idle and unproductive, through the means of protective regulations which produce no benefit in any quarter, would then become a means of enriching a country which the expense of their construction has now exhausted.

Connected with this subject of the free navigation of the St. Lawrence west of Quebec, which the Americans are desirous to procure, is a corresponding desire on the part of the Canadian farmers to avail themselves of the American home market, whenever it affords superior prices to those derived from exportation to Europe. The price of wheat and flour in the Eastern States intended for home consumption, is often much higher than the price in Canada for exportation; when this happens to be the case, it would be an immense advantage to the Canadian agriculturist, could he export his produce for consumption in the United States. This, however, he is prevented from doing, by a protecting duty of a quarter of a dollar a bushel upon wheat. Efforts have been made in the United States to abolish this duty, but the advocates of its abolition have been defeated by the cry for protection on the part of American farmers, and met also by a difficulty as to the "most favoured nation clause," in treaties with foreign powers, which might make a relaxation in favour of Canada, require a like favour to all nations with whom such treaties existed. It is thought, that if the free navigation of the St. Lawrence were offered to the American Government, in return for the abolition of the protecting duty, the one measure to be co-existent with the other, the American Legislature, upon that consideration, would be induced to abolish the protective duty; while the abolishment being a matter of reciprocal treaty, all difficulty arising from the arrangement as to the commercial relations of the United States with foreign countries might be avoided. Thus, two objects in which Canada is deeply interested might be obtained at once, through the interest which Americans feel in one; and there is reason to believe that this is not a mere supposition, but that it has been the opinion of leading men in the United States, who are the advocates of free trade principles, and who think that popular objections to the admission of Canadian wheat on the same terms that American wheat is admitted into England, would be obviated by permitting to American vessels the free navigation of the River St. Lawrence above Quebec. The present advisers of your Excellency in the government of this colony, have in their places in the Provincial Parliament, and amongst their fellow subjects generally, expressed the views above set-forth. The Legislature has been almost unanimous in entertaining them; and the steps supposed to be in contemplation by Her Majesty's Government relating to trade and navigation in Canada, are expected with great hope of important beneficial results by Her Majesty's Canadian subjects; seeing that Her Majesty's Government propose to introduce changes in the law, which perhaps may be already considered and settled by Her Majesty's Ministers, it may be thought unnecessary and superfluous for the present Executive Council to make any further representation. The memorandum drawn up by the Inspector-general with the approval of his colleagues, and transmitted by your Excellency, has shown to Her Majesty's Government, that the present Executive Council concur in the opinions expressed by the Legislature; and this representation is made to your Excellency more with the view of obviating any possible objections arising from the absence of such a document, than in the notion that at this time the measures in progress can for the present occasion be materially modified by renewed importunity on the part of the colony. It is not improbable, however, that in the progress of any measures proposed by Her Majesty's Government, opposition will be made by those who think themselves interested in preserving the remnant of protection afforded by the Navigation Laws; and it may be satisfactory to the Government

to have the assurance that this protection is merely nominal for any beneficial purpose, and to know that to Canada its effects is found already to be practically and extensively mischievous. If the trade is to continue to be drawn from Canadian waters to the canals and ports of the United States, British shipowners will have to compete with foreigners in the ports of that country; if they can do this successfully there, they can do so in the Canadian ports; if not, it is evident that under present circumstances the trade of Canada cannot afford to maintain a monopoly produced by law; and if the supposed protection is only to operate to the desertion of the cities and sea-ports of this country, without serving the interests of the shipowners of England, it is hoped that the useless restrictions, so irreconcilable with the withdrawal of protective duties in favour of Canadian produce, will be at once removed.

That a great portion of the exportable produce of Western Canada, probably by far the greater part, is at this moment on its way to the ports of the United States; that little is expected in Montreal; that the canals constructed on the St. Lawrence are almost idle; that the importing ships coming to Montreal this season are without their usual full freights; that the principal importations into Western Canada are now through the United States; that the trade of the city of Montreal is, in consequence, rapidly decreasing, notwithstanding a rapid increase in the consumption and importation into Canada of the articles formerly imported altogether through that port; and that the opening of the Canadian sea-ports to the vessels of all nations, permitting the produce of the colony to be sent to the United Kingdom in these vessels without distinction, and the permitting the use of the River St. Lawrence above Quebec to Americans, would probably not only restore trade to its original channel, but cause an increase in the commerce and revenues of Canada beyond former precedent,—are facts which the Executive Council of Canada wish to present to the consideration of Her Majesty's Ministers, in the hope of strengthening their hands in bringing about the expected changes. The Committee of Council beg to be understood as not recommending to Her Majesty's Government changes in the law relating to the navigation of the River St. Lawrence above Quebec, which would give any right to foreigners to the use of the waters of Canada, but rather that Her Majesty's Government may obtain from Parliament the power of negotiating from time to time on the subject, and of making the use of the navigation a matter of treaty and regulation; preserving the sovereignty of the territory and the power to resume its exclusive use at the conclusion of any agreement, and the power of putting an end to any agreement on the subject upon convenient notice perfectly unimpaired.

The Committee, in coming to these conclusions on the present comparison of advantages between the means of transit from the interior of this continent to Europe, have not thought it necessary to prepare more elaborate statistical details. The average rates of transport and freight have been furnished by Mr. William Bristow, a merchant of this city, a gentleman of great intelligence, and well acquainted with the subject; his views may be said to represent fairly those of the mercantile body of Canada generally. The Committee have endeavoured in this Minute to embody the opinions entertained in this country, in which they concur, in the confidence that Her Majesty's Government only desire to know what is for the benefit of the colony, as a sufficient ground for any reasonable concession which may be claimed by Her Majesty's subjects here; a confidence which it is their dutiful endeavour to preserve as widely prevailing throughout America as Her Majesty's dominion happily extends.

Your Excellency will perceive, that in mentioning the export trade of Canada, the Committee have not included the timber exportation, as that trade, though extensive, is neither materially affected, nor does it materially influence the commerce thought to depend upon the proposed ameliorations; under any circumstances, the Committee suppose the great export of timber from Quebec will probably be carried on in British ships specially employed in that branch of trade. In the way of furnishing ships, which would produce competition in freights outward from Canada, the timber trade has hitherto only provided upon emergency vessels not employed in the import trade, and not fit for any export but that of timber, and this often at exorbitant rates, consequent upon change of purpose in their voyages; these voyages being, from the character of the ships, in almost all cases single; that is to say, the vessels coming out in ballast, and bearing the whole expense of the outward voyage upon the freight to the ports in the United Kingdom which these ships are intended to supply with Canadian timber.

(signed) *J. Leslie, P. C.*

MEMORANDUM.

THE Inspector-general respectfully submits to the Governor-general, that it is advisable that his Excellency should communicate with Her Majesty's Government on the subject of reciprocal free trade between Canada and the United States of America. The Imperial Parliament has adopted the principle of free trade in corn and other products of the soil; the effect of this policy will be, that in future the manufacturing districts in the Eastern States of the American Union will frequently be the best market for the agricultural products of Canada. It cannot be desired by any friend to British connexion, that the Canadian people should find themselves excluded from the best market for their products, by the operation of high if not prohibitory duties. There is good reason to believe that some influential American statesmen are strongly in favour of admitting the products of the

Canadian soil free of duty, provided the Provincial Legislature is prepared to admit the products of the United States on the same terms. In Canada, public opinion is decidedly in favour of the adoption of such a policy, but as no diplomatic relations exist between the two countries, it is necessary that the negotiation for carrying it into effect should be conducted by Her Majesty's Imperial Government. As no injury can be inflicted on British interests by such an arrangement, it may be hoped that Her Majesty's Government will endeavour to carry out the wishes of the entire Canadian population; and as an equally strong opinion is entertained, that for the interests of Canada, and with a view of preserving the trade by the St. Lawrence, it is necessary that the navigation of that river should be thrown open to all nations; and as such a policy would be not less advantageous to the United States than to Canada, it seems highly probable that a most advantageous commercial treaty could be effected between the two countries. The basis of such a treaty should be the free navigation of the St. Lawrence, and the reciprocal free admission of all articles of food into Canada and the United States. The importance of giving immediate attention to this subject cannot be over-estimated. The Canadian Legislature confidently expects that the Administration will be able to show, at the next session, that no exertions have been spared on their part to effect an object so much desired by the people. Should Her Majesty's Government see fit to empower the Minister at Washington to open negotiations with a view of giving effect to the measures herein recommended, it is most respectfully suggested, that the Minister might be empowered to communicate freely with the Governor-general of Canada on the subject, which is the more necessary, as the consent of the Canadian Parliament to any measures determined on would be required.

The Inspector-general would respectfully state, in conclusion, that great dissatisfaction will be felt in Canada, unless the Administration is prepared to show, at the next session of the Provincial Parliament, that it has used its best endeavours to obtain the concurrence of the Imperial Government and of the United States, to measures which are universally desired by the Canadian people.
