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2nd Session, 6th Parliament, 22 Victoria, 1859.

R E P O R T

OF THE

Select Committee on Trade & Commerce.

Printed by order of the Committee.

TORONTO :

PRINTED BY JOHN LOVELL, YONGE STREET.

R E P O R T .

COMMITTEE ROOM,

Legislative Assembly.

The Select Committee appointed to enquire into and report from time to time on the Trade and Commerce of this Province, with power to send for persons, papers and records,

BEG LEAVE TO REPORT:

That the attention of your Committee has been directed to the various subjects recommended by them at the close of last session.

I.—POSTAL SUBSIDY.

During the past Session of the Legislature, the Committee on Trade and Commerce submitted to the Legislature an address to Her Majesty, praying that the same amount of postal subsidy would be granted by the Imperial Government to a line of steamers between Liverpool and Quebec, as had been paid to a similar line between Liverpool and New York, and although the address had the unanimous approval of both Houses, time did not admit of its being formally adopted.

During the present session the Provincial Government submitted an address, praying for the same amount of subsidy to Quebec as is paid to other colonies. (Appendix No. 1.)

Your Committee are informed that a subsidy has been granted by the Imperial Government to another line of steamers, running from Galway, in Ireland, to St. John's, Newfoundland, and thence to New York, during the present year.

The payment of these subsidies by the Government has already been the main cause of reducing the price of ocean freights from Liverpool to New York, and if this system is continued, it will be in vain for the Provincial Government or Her Majesty's subjects in Canada to attempt to regain the trade of the west, or seek to derive any return from the large capital expended in canals and railways originally undertaken under the encouragement of Her Majesty's Government, because it will be entirely diverted from its natural outlet to the ocean by the St. Lawrence.

Your Committee, therefore, most earnestly urge the Provincial Government to continue to press upon the consideration of the Imperial Government, the importance of extending the same amount of postal subsidy to steamers plying from any part of Great Britain to Quebec, as may now or hereafter be paid to any other line of steamers from any port in Great Britain to New York.

II.—RECIPROCITY.

The Committee of last Session pointed out restrictions recently imposed on the commercial intercourse between the United States and Canada, and suggested that measures should be taken for their removal.

Since then His Excellency the Governor General has been pleased to transmit for the information of the Legislative Assembly, copies of the correspondence be-

tween the Provincial Government and Her Majesty's Minister at Washington on the subject, and these having been referred to your Committee, will be found in the Appendix attached to this Report, (App. Nos. 2 to 6.)

The Committee are still of opinion that the provisions of the treaty should receive a liberal construction in both countries, and regret much that the satisfactory working of so beneficial a measure should have been, as they conceive, improperly interfered with by the imposition of

Consular Fees.

After careful consideration of the matter, your Committee have come to the conclusion that these fees are illegal, and that there is no authority for the appointment of such officials at these ports.

The authority alleged by the American Secretary of the Treasury to give the necessary power for the exaction of these fees, is an Act of Congress passed in 1823 which authorized the Consul or Commercial Agent of the U. S. to receive a fee of \$2 for each certificate issued. But this Act was superseded by the Act of Congress passed on the 2nd March, 1831, entitled "An Act to regulate the foreign and coasting trade on the northern, north-eastern, and north-western frontiers of the United States, and for other purposes." (Appendix No. 9; evidence of Hon. W. H. Merritt.)

The appointment of a Consul General for British America at Quebec is authorised by the Act of Congress passed in 1856, but it does not extend to the appointment of Consuls, or the collection of fees, in the interior ports of Canada.

In this view your Committee do not concur, and while they are convinced that there is no authority for the appointment of these American Consuls, they are aware of no law which permits of the exaction of fees by them, unless it may be an Act of the Congress of last Session, which it is said authorises a fee of half-a-dollar on certificates granted by them.

Your Committee regret to state that since the report of 1857, the British Consul at New York has authorized the appointment of consuls at the different ports in the United States, who impose a fee of \$3 on all Colonial vessels trading at these ports. (Appendix No. 7.) This is claimed to be done under the authority of the Imperial Act 6 Geo. IV. c. 87, passed in 1825, and of the Order in Council of the 1st May, 1855, which authorises the Privy Council to make out, and alter from time to time, a schedule of fees under the provisions of former Acts. The British Consul also refers, as does the British Consul at Chicago (Appendix No. 8) to the Act of Congress of the 3rd of March, 1817, requiring captains and masters of vessels from foreign nations to deposit their papers with the Consul of the nation to which they belong, until again cleared, under pain of a heavy penalty.

Your Committee have examined these and find that neither the Act, Order in Council nor Act of Congress have any reference whatever to the inland ports either of Canada or the United States, their operation being exclusively confined to the sea board, as the preamble of the respective Acts, 6 Geo. 4, caps. 87 and 114, passed in 1825, "Regulating the trade of the British possessions abroad," clearly shew. (Appendix No. 9.)

The evidence of the Hon. W. Hamilton Merritt explains the practical operation of the Imperial Act of 1825 and the Act of Congress of 1831, under succeeding Governments, which removed all fees on vessels trading between the two countries. (Appendix No. 9.)

Your Committee, being of opinion that these consular fees, whether British or American, as well as the appointments themselves, are illegal.

The reason assigned by the Secretary of the Treasury of the United States for the appointment of these consuls, were declared to be for the protection of the revenue

and to admit foreign goods being introduced into the United States from Canada ; and adds that he feels confident that the legitimate interests of the commerce between the two countries will be promoted by a rigid enforcement of the new regulations. (App. No. 5). On reference to the trade and navigation returns of Canada for 1858 (p. 215), it will be seen that the value of goods from sea passing through Canada for consumption in the United States amounts to only \$26,916, while the value of goods from sea passing through the United States for consumption in Canada amounts to \$17,348,928. (Appendix No. 10, Statement 4.)

From these returns, and the course of trade as hereafter pointed out, it is apparent that no foreign merchandize has been or is likely to be introduced into the United States from Canada to any extent.

The relative position of the United States and Canada afford sound reasons for the distinction drawn by the respective Governments between the Sea Coast and the Inland Lake Coast. Consular fees and restrictions may be requisite for trade between distant nations and the United States *via* the sea board, but as the facilities for intercourse between Canada and the States are so great, and the long frontier line of boundary is so easily traversed, such restrictions are in this case only pernicious and useless. The distinction, therefore, which was recognized to exist between the commercial intercourse by the sea board and by way of the inland boundary, which is now attempted to be set aside, was a sound one, and was an evidence of the wisdom on the part of the Governments of Great Britain and the United States.

Your Committee earnestly recommend to the Executive Government to represent to the Imperial authorities the unsatisfactory state of the Trade between the United States and Canada during the past year, and also to take an early opportunity of placing a clear and distinct representation of the facts of the case before the Government of the United States, as they confidently believe that the removal of all existing restrictions will be promptly brought about.

III. COMMERCE.

Your Committee have also directed their attention to the respective tariffs or Customs duties between the United States and Canada, and the effect produced by them on the trade of the two countries.

The Canadian tariff during the present session has been based on the *ad valorem* principle, first introduced into notice by the Hon. Robert Walker, Secretary of the Treasury of the United States in 1846.

The increase of revenue over the receipts of 1858, under the tariff of 1857, is estimated by the Inspector General at \$1,831,843 (Estimates 1859, p. 9), while the loss of revenue in the United States by the tariff of 1857, under the preceding tariff of 1846, was \$2,189,321 (Appendix 10, Stat. No. 2), showing a difference in the increase and decrease in the respective tariffs of \$4,124,164.

Taking the amount of revenue collected and the relative population of the two countries, the amount of duties paid per head in Canada is about \$1 35c., and in the United States about \$1 43c.

The tariff of Canada ranges from 10 to 25 per cent. on general goods, and 100 per cent. on liquors ; while that of the United States ranges from 4 to 30 per cent.

Those articles in general use, such as tea, coffee, molasses, are admitted free ; while in Canada they are subject to a duty of from 20 to 24 per cent., with a decreasing scale (Appendix No. 10, Statement 2).

The consumer in the United States pays no duty on articles manufactured there ; whereas, in Canada, he is subject to a duty of from 15 to 30 per cent.

The effect produced on foreign imports is equally striking; last year the value of foreign goods, first imported into the United States and then purchased for consumption in Canada, was \$3,847,762 (Appendix 10, Statement 3), upon which the consumer in Canada paid a *double* duty; while not a single article first imported into Canada from beyond sea, paying duty, was afterwards exported to the United States; it is therefore quite clear that (without including excise) the inhabitants of Canada pay far higher duties per head than the people of the United States.

Your Committee have also examined the operation of the trade of the United States and Canada with foreign countries.

In 1858, the value of the foreign trade of the United States amounted to \$607,257,571, and the foreign trade of Canada the same year was \$50,364,452, averaging \$20 21 and \$20 15 per head respectively (Appendix No. 10, Statements 4 and 5).

The value of the trade of the United States with Great Britain and her dependencies amounted to \$332,684,764, and the trade of Canada \$21,826,278, averaging per head \$11 89 to \$8 73 (Appendix No. 10, Statement 4 and 5).

In 1854, the value of imports into Canada from Great Britain was \$23,963,328; from the United States, \$15,553,296 (Appendix No. 10, Statement 6)—making a difference in favor of Great Britain of \$7,410,032.

In 1858, the imports from Great Britain to Canada were \$12,287,053, and those from the United States were \$15,635,565, leaving a difference in favor of the United States of \$3,348,512 (Appendix 10, Statement 4)—showing a gain in the imports from the United States over those from Great Britain in the four years of \$11,758,744; the same year the amount of revenue collected in Canada on imports from the United States was \$1,381,389; from Great Britain, \$1,855,552; and, from the rest of the world, \$144,448 (Appendix 10, Statement 7).

From the above figures, it is clearly shewn that the trade of Great Britain with the United States, under the tariff of that country, has increased in a far greater ratio than it has with Canada, under her former tariff, and also that the trade between Canada and the United States has increased in a greater ratio than that with Great Britain. This result is to be attributed to the Reciprocity Treaty of 1854.

In view of the beneficial effects anticipated under that treaty, the Committee on Commerce in 1855, recommended the principle of reciprocity to be extended to manufactures, the shipping interest, the coasting trade, and every other branch of commerce between the United States and this Province, and also to extend the same to all the British American Colonies, in which the Committee on Trade and Commerce in 1858 concurred.

In view also of the results since produced under the operation of that treaty, it is worthy of consideration whether it would not promote the general interests of Great Britain, the United States and Canada to adopt the tariff of the United States; remove all Customs establishments between them, which would effect a saving of a very large expenditure; (App. No. 12;) collect the duties for Canada at the port of Quebec only, and for the United States at the different ports bordering on the Atlantic, and divide the entire revenue in proportion to the population of the two countries. This could be effected without any political change, and without injury to any existing interest in either country, simply by adopting the same principles as exist between the different independent German States of Europe.

This German Commercial Union (or *Zolverienne*) was commenced in 1818, and progressively extended, until it comprised more than three-fourths of the German States, with a population of thirty millions of people in 1851. It is based upon the principle of reciprocity, and has done more to promote the industry and prosperity of the people than any other measure which could have been adopted.

It is simple and economical in its operation, and has removed hundreds of custom houses, thousands of customs officers, and has reduced the cost of collection to a mere trifle. (App. No. 11.)

Under the commercial policy of the United States, the duties on imports are so adjusted as to produce a sufficient revenue for the support of the Government from articles which come into competition with their manufactures. Under this policy, capitalists have been induced to build up manufactories producing every description of the coarser fabrics, not only at less prices than they can be imported from any other country, but also furnishing them at less cost than from any part of Great Britain, while in Canada duties are imposed for revenue purposes alone on all articles alike.

The manufactures imported from Great Britain into the United States and Canada are of the finer materials, and are subject to higher duties; still, under the operations of the respective tariffs, such goods are furnished in the United States at lower rates than in Canada; therefore, so far from the proposed change operating against the trade of Great Britain, it would remove all useless restrictions, and open the shortest and cheapest route to the millions of people residing in the interior, and materially increase the demand for British manufactures.

The trade between the United States and Canada would still continue to increase, inasmuch as the manufacturing, shipping interest, coasting trade, and every other branch of commerce would be placed upon the same footing; and all the natural advantages of their respective internal communication would be opened alike to all.

Under the present system almost the entire trade of the Lakes has been diverted from Canada through the United States.

The operation of the present coasting trade is prejudicial to the shipping interest; manufactories cannot be established or supported, and restrictions on trade continue to exist from year to year, while almost every article consumed is furnished at less prices in the United States than on the Canadian side of the boundary; it is therefore indispensable that these restrictions should be removed and an equality of prices established.

Your Committee earnestly recommend for the consideration of the Provincial Government, the adoption of some permanent commercial policy as soon as practicable by which that object may be attained.

All of which is most respectfully submitted.