

*Extracts from the Journals of the Legislative Council,  
1st March, 1849.*

The Honorable Mr. Hazen, by command of His Excellency the Lieutenant Governor, lays before the House copies of the Correspondence between His Excellency the Lieutenant Governor and His Excellency the Governor General, in regard to Inter-Colonial Trade; also, a copy of the Report of the Inspector General of Canada on the same subject.

(Copy)

*Government House, Montreal, May 20, 1848.*

SIR,—I have the honor to transmit, for the consideration of Your Excellency and your Executive Council, the enclosed copy of a Memorandum presented to me by the Inspector General of Accounts, on the subject of the Inter-Colonial Trade between Canada and the Sister Provinces of Nova Scotia and New Brunswick, and I shall be obliged by your favouring me with your views on the points which are raised in it.

I have the honor, &c.

(Signed)

ELGIN & KINCARDINE.

His Excellency Sir Edmund Head, &c. &c. &c.

(Copy)

*Government House, May 26, 1848.*

MY LORD,—I have the honor to acknowledge the receipt of Your Lordship's communication of the 20th instant, enclosing a copy of a Memorandum from the Inspector General of Accounts.

I will not fail to lay the Memorial before the Executive Council at their next meeting, and I shall have the honor of communicating again with Your Lordship on the subject. I have, &c.

(Signed)

EDMUND HEAD.

The Hon. the Earl of Elgin and Kincardine,  
K. T., &c. &c. &c.

(Copy)

*Government House, Fredericton, May 30, 1848.*

MY LORD,—I have the honor to inform Your Lordship that I brought your letter of the 20th instant, together with its enclosures, before my Executive Council at their meeting yesterday, when the Memorandum of the Inspector General of Accounts was fully considered. The Council were unanimously of opinion that Free Trade between the Provinces of British North America was most desirable, and they agreed in thinking that no apprehension need be entertained of those consequences to the Revenue of Canada which the Inspector of Accounts appears to fear. Practically there is neither capital nor labour in this Province or in Nova Scotia such as is likely to produce the effects contemplated by Mr. Hincks; such effects moreover could not develop themselves rapidly. The course of trade in any given article of large consumption cannot be diverted at once, and ample time would in any case be given for such measures as the Government of Canada might feel to be essential for their own protection. I need not observe that the cost of carriage from New Brunswick or from Nova Scotia must form a material element in the calculation of the profits to arise from any article manufactured in either Province, for consumption in Canada, even if such an application of capital and labour were probable. I am informed that large quantities of Canadian Flour are shipped, or about to be shipped, for Saint John, N. B.: I should much regret to find that the importation of this article is to be fettered by a Duty, and I feel that the northern portions of this Province especially must suffer from the absence of free intercourse with the Canadian markets. I have, &c.

(Signed)

EDMUND HEAD.

His Excellency the Governor General of Canada,  
&c. &c. &c.

(Copy)

The Inspector General of Public Accounts humbly submits to the Governor General the following observations on the subject of the Inter-Colonial Trade

between Canada and the Sister Provinces of Nova Scotia and New Brunswick.

The Inspector General has had communication of a Proclamation issued by the Lieutenant Governor of Nova Scotia, in which the Act of the Canadian Legislature 10 and 11 Victoria, cap. 31, is recited, as an Act whereby the native produce and manufactures of all or any such of the other British North American Provinces as shall admit the native produce and manufactures of Canada free of Duty, shall be entitled to exemption from Duty under the said Act, with the exception of Spirituous Liquors.

The Proclamation further recites, "and whereas the said Act is now in full force and effect;" and in pursuance of the authority vested in the Lieutenant Governor of Nova Scotia, with the advice of the Executive Council, His Excellency the Lieutenant Governor, by the Proclamation, appoints the first day of May next, upon, from and after which day, all articles, the growth, produce or manufacture of the Province of Canada, (except Spirituous Liquors) shall be admitted into Nova Scotia free of Duty.

The Inspector General is of opinion that the Government of Nova Scotia has been premature in issuing the Proclamation, and in considering the provisions of the Canada Customs Act to bear the meaning given to it as quoted in that document, and also in declaring the Canadian Act as being in full force to the effect recited.

The third Section of the Canadian Act 10 and 11 Vict. cap. 31, contains the following proviso:—

"Provided also, that if in any British North American Colony all articles, (except Spirits or Strong Waters) being the growth, produce or manufacture of this Province, shall be exempt from Duty on importation into that Colony, then the Governor in Council may exempt from Duty on importation into this Province, all articles, (except Spirits or Strong Waters) being the growth, produce or manufacture of such Colony, and imported directly therefrom."

At the end of the Table of Exemptions appended to the Act, the following paragraph or note, between brackets, is to be found:—

[The native products or manufactures of all or any such of the other British North American Colonies as shall admit the native produce and manufactures of Canada free of Duty, shall be entitled to exemption from Duties under this Act, with the exception of Spirituous Liquors.]

After much consideration, and after taking the best advice within his reach, the Inspector General is of opinion that the Act must be construed as giving a discretionary power to the Governor of this Province, in Council, to exempt from Duty all articles, the growth, produce or manufacture of any of the British Colonies of North America, which shall give a reciprocal freedom from Duty to all articles, the growth, produce or manufacture of Canada.

It is well known that many articles not the growth or produce of a Country may, by a slight process of change in the way of manufacture, become the manufacture of that Country, under the meaning given to the expression "manufactures of," in Acts relating to the Customs.

For example, on the article of Sugar, large Duties are imposed by the Canadian Act in question, and a large portion of the Revenue of the Province is derived from this very onerous impost. Should the Governor in Council exempt the article of refined Sugar from Duty, the consequence would seem to follow, that Sugar imported in the raw state into Nova Scotia, and refined there, would be entitled to be imported into Canada free of Duty; a process which would have the effect of surrendering the most important branch of the Canadian Revenue to Nova Scotia, supposing Duties on the Sugar to be levied there, or if the raw Sugar were imported