a business man, the approximate cost of these railroad enterprises before completed and put on a paying basis. It is to prevent the beginning of similar costly mistakes that the greatest care should be taken now in coming to a decision. Otherwise, twenty years hence, we shall be regretting once more our lack of foresight, this time, in the year 1917. The country cannot afford to allow the government to make an error of judgment at this time.

The recent expert report on the Canadian Northern Railway has found that the project is sound and that it will cost $86,000,000 to place the system on a paying basis in five years. It is suggested in the report, which was prepared for New York bankers, that the United States market must be depended upon for funds to finance the road in future. Does this suggest that our railroad corporations must now solve their own problems or accept nationalization? If public ownership of the roads can be proved a businesslike undertaking under present circumstances and at a cost involving an additional debt of $1,000,000,000, then that appears to be the solution of the problem. If the railroads are to be continued as private corporations then some way may have to be found to do that without government assistance as in the past. What have the railroads to say? Can they stand on their own feet?

NEXT WAR LOAN

The proceeds of the $150,000,000 Canadian war loan, issued in March, will enable the government to finance itself and the Imperial treasury, in respect of expenditure in Canada, until June. Then, the finance minister proposes to arrange for an issue of notes or treasury bills. If conditions are favorable, he will issue another war loan in the early fall. The impression has gone abroad that this loan may be made in the United States through the medium of the large loan being issued there to the Allied nations. This suggestion is based upon the advantage of being able to finance at 3½ per cent. rather than at 5 or 5½ per cent.

It is true that the United States Allied loan is open to the overseas Dominions, but there is an important condition attached to these loans, namely that the money handed over shall be spent in the United States. This will almost, if not altogether, prevent any Canadian participation. Most of Canada's war requirements are being obtained in Canada or in Great Britain and are being financed in these two countries. The Canadian federal and provincial governments, municipalities, railroads and industrial corporations will probably require this year about $250,000,000 from the United States. That amount will be for ordinary purposes; it will not represent war loans. It will probably be placed through the usual channels in the United States at the prevailing rates of interest. With the next war loan in Canada and the necessity for financing Allied purchases here, the imperative need for thrift continues.

CANADIAN NORTHERN RAILWAY

The report on the Canadian Northern Railway, prepared by two United States experts, appears to be a clear analysis of the position of the road, and what must be done to put it on a paying basis. It does not attempt to solve what is now known as Canada's railroad problem, but it offers the Canadian citizen, and also the United States money market, which must be depended upon for the future financing of the road, a logical statement of the position of the Canadian Northern Railway. The report, which was made at the suggestion of New York bankers, finds that the money put into the Canadian Northern was obtained cheaply; that good value was obtained for the money spent; that the system could not to-day be duplicated for anything like the original cost; that it is well laid out, and that the main line is substantially constructed; and that it can be made to yield large profits.

To obtain proper returns, more motive power and rolling stock are required; then more extensive repair and construction shops; also a branch line to the Niagara frontier and car ferries across Lake Ontario, to facilitate the exchange of traffic with United States roads; increased terminal accommodation; branch line extensions; and a considerable amount of miscellaneous improvements and betterments. There is need also for additional working capital to take care of the increased traffic which would result from these betterments.

To put the system on a secure paying basis in three years would cost $54,000,000, or a maximum development would take five years to complete and would cost $86,000,000. With the three-year programme completed it is estimated the fixed capital liability of the system will be $462,000,000, and at the end of the five-year programme $496,000,000. When the five-year programme of improvement is carried out it is calculated that the road will meet all operating tax and interest charges and still have a surplus of $4,615,000. The report is a valuable contribution to the facts and figures regarding our railroad problem.

PREFERENTIAL TARIFFS

Preferential trade tariffs between the different parts of the British Empire have been endorsed by the Imperial War Conference, according to a statement made in the House of Commons last week by Chancellor of the Exchequer A. Bonar Law. Mr. Law said that the conference had unanimously accepted the principle that each part of the Empire, "having due regard to the interests of our Allies, shall give specially favorable terms and facilities to the product and manufactures of other parts of the Empire."

The endorsation of this principle will be welcomed throughout the Empire. It is one of many ways of harmonizing the interests of the various Empire units. It would be a mistake, however, to assume that such a trade preference solves the practical problems of Empire organization and development. Transportation, for example, has on trade an effect equally as important as tariffs. Preferential tariffs, while having a useful function, are not a magic element which does away with the practical problems of the manufacturer, the exporter and the citizen generally.

An Empire tariff system should be considered in conjunction with the problems of inland and overseas transportation, telegraphic communication, production and control of natural resources, and so on. Mr. Law said there was no intention of making any change during the war. This gives the dominions an opportunity to prepare data with which to discuss intelligently the proposed tariff preference and its allied subjects. This Dominion at least, it is safe to say, has no portfolio of the necessary facts and figures to present at a preferential tariff conference.