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THE WHITE PASS & YUKON CORPORATION LIMITED

ANNUAL REPORT

for the year ended December 31st, 1955

THE WHITE PASS AND YUKON CORPORATION LIMITED

DIRECTORS

RALPH D. BAKER
Vancouver, B.C.

GEORGE C. BATEMAN, C.M.G.
Montreal, Quebec

FRANK H. BROWN, C.B.E.
Vancouver, B.C.

NORMAN F. W. H. D'ARCY
London, England

HERBERT L. FAULKNER
Juneau, Alaska

SIDNEY HOGG
Vancouver, B.C.

E. M. C. McLORG
Vancouver, B.C.

CLIFFORD J. ROGERS
Vancouver, B.C.

OFFICERS

FRANK H. BROWN, C.B.E.
President

CLIFFORD J. ROGERS
Managing Director

ALBERT P. FRIESEN, C.A.
Secretary

REGISTRAR AND TRANSFER AGENT (COMMON STOCK)

THE ROYAL TRUST COMPANY,
Vancouver and Toronto

PRESIDENT'S REPORT . . .

TO THE SHAREHOLDERS

We present the fifth Annual Report of the Company and its wholly-owned subsidiaries for the year ended December 31, 1955, embodying the Consolidated Balance Sheet and statement of Consolidated Profit and Loss.

FINANCIAL STATEMENTS

The consolidated net profit, including capital gains and adjustments arising out of operations of prior years, was \$420,018. This compares with \$339,612 for the year 1954. The profit for 1955 is equivalent to 62c per share of issued capital, which is the highest per share earning since the Company was incorporated in 1951. This is after absorbing a substantial loss in the Ocean Division for the first two and a half months of its operation, including the delivery voyage from Montreal to Vancouver, and a considerable part of the adverse effects of disturbed labour conditions in the last part of the year.

The Balance Sheet shows working capital at the end of the year 1955 of \$556,588 compared with \$1,881,718 in 1954, a reduction of \$1,325,130. This reduction is largely the result of capital expenditures amounting to \$2,012,705. The largest items were for the new ocean freighter, M/V "Clifford J. Rogers", and for 500 steel cargo containers. Working capital as at 31st May, 1956, had risen to \$732,580.

NEW SHIP AND CARGO CONTAINERS

The year 1955 was marked by the inauguration of our revolutionary coastal freight service between Vancouver and Skagway and thence to Whitehorse using new steel cargo containers. This operation was described in the Annual Report for 1954.

Unexpected delays in completion and delivery of the "Clifford J. Rogers" and subsequent mechanical difficulties with engines and propellers have adversely affected our expected earnings from the new service but we have had enough experience to be satisfied that our

original estimates of the economics were sound. The vessel is now running smoothly and with a large volume of freight in sight at this time we are confident that it will add materially to our earnings.

Concurrently with the commencement of the new service, a new tariff was put into effect embodying a number of freight rate reductions made possible by operating economies. The result has been to strengthen our competitive position. The new service has been received with enthusiasm by the public and the companies have started to recapture some traffic which had drifted away to truck operators on the highways.

RAILWAY

The first diesel locomotives which were purchased in 1954 continue to prove up to expectations in both summer and winter operations. Accordingly, additional diesel locomotives have been ordered for delivery about November, 1956. These additional units will enable complete dieselization of the regular main line operations, except for the rotary snowplows in winter. When fully dieselized it will be possible to reduce operating costs still further, particularly in the summer season when traffic is heaviest.

The programme of rail re-laying was continued during the year, with approximately ten miles completed. Track straightening and improvement has also been actively pursued. The work will be carried along this year also, although labour is in such short supply that less may be done than originally planned.

OTHER OPERATIONS

The Highway Division had a good year and continued to provide an extensive and efficient freight service at reasonable rates.

The Petroleum Division also produced a satisfactory operating result. Profit margins were distinctly on the low side, however, and the modest gain in profits was due to an increase in volume of sales.

In 1955, only two passenger-carrying stern wheel steamers were operated, one on the Yukon River and one on Lake Tagish. Both of these vessels have been laid up this year

THE WHITE PASS AND YUKON CORPORATION LIMITED

and the outlook for resumption of their service is not promising.

MINING DEVELOPMENTS

Although no new mines of major consequence were proved up in the exceptionally short working season of 1955, a number of interesting finds were made. What appears to be a large copper deposit was located close to Watson Lake near the Yukon-B.C. border which will be the subject of extensive investigation this summer. Many of the large mining exploration companies in Canada will have at least one team of geologists and prospectors at work in the field, and it appears that 1956 will see exploration and development work continued fully as actively as in previous years.

The exploration for oil in the Peel Plateau, some 400 miles northeast of Whitehorse, goes on at a steady pace under first class auspices.

British Yukon Exploration Company Limited continued to carry out its geological survey work on the same limited scale as in the previous year under the direction of Mr. F. V. C. Hewett who, having recently been elected President of McIntyre Porcupine Mines Ltd., has felt obliged to resign. Dr. Desmond F. Kidd, a former President of the Canadian Institute of Mining and Metallurgy and one of the country's most distinguished geologists, has consented to serve in his place.

HYDRO-ELECTRIC POWER DEVELOPMENT

Frobisher Ltd. is still as actively engaged as ever on engineering studies for a large scale hydro - electric power development on the Yukon River and in Northwestern British

Columbia. The high level discussions which are to take place between Canada and the United States on the whole problem of international water and power developments necessarily include the Frobisher proposals and further delays may occur. However, the need for large blocks of hydro-electric power is ever-growing and we have little doubt that the huge potential of the Yukon River watershed will be utilized in due course, possibly at an earlier date than sometimes seems likely. When this happens, it should afford a decidedly powerful stimulus for the Yukon Territory and to your Company's earning capacity.

DIRECTORATE

We report with regret the resignation early in 1956 of Mr. Ivor J. Crosthwaite, D.S.O. The Board appointed Mr. George C. Bateman, C.M.G., of Montreal, one of Canada's outstanding mining engineers, to fill the vacancy on the Board until the annual meeting of this year. He is eligible for election at that meeting.

CONCLUSION

The outlook for your Company continues favourable. We look to see a steady growth in earnings as the Company receives the full benefit of the various steps taken for modernization and improved efficiency and as the Territory opens up.

Unusual burdens fell upon our employees in nearly all fields of activity as a result of an exceptionally cold winter, differences about rates of pay which unfortunately led to a prolonged strike, and the introduction of improved types of equipment and new methods. The Directors are indeed appreciative of their loyalty and co-operation.

Respectfully submitted,
on behalf of the Board of Directors,

Frank H. Brown

FRANK H. BROWN

President.

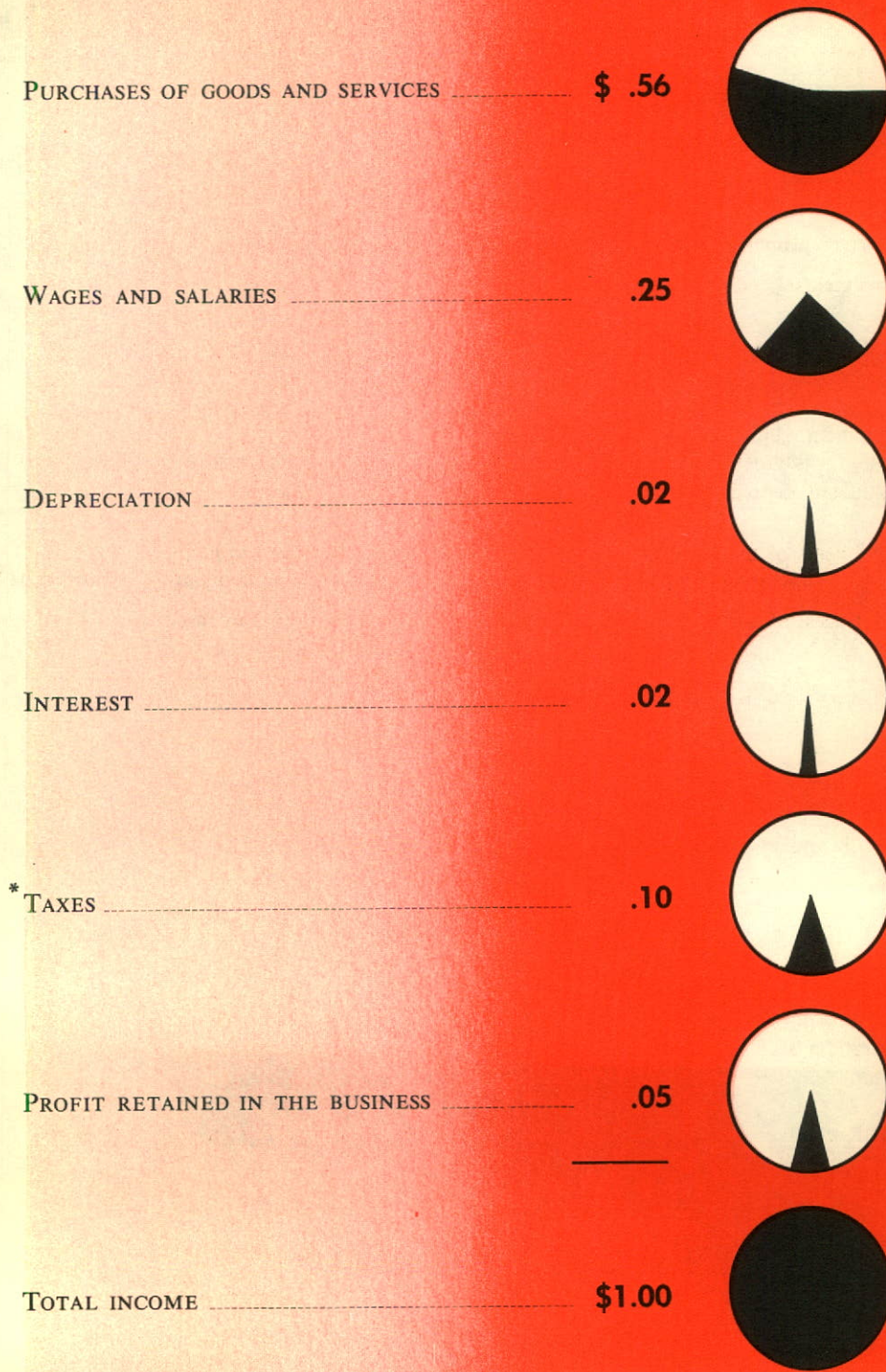
June 15, 1956



M.V. "Clifford J. Rogers" passing under Lions' Gate Bridge, Vancouver, bound for Skagway, Alaska.

THE WHITE PASS AND YUKON CORPORATION LIMITED

DISPOSITION OF 1955 INCOME DOLLAR:



* NOTE Taxes absorbed 10 per cent of the income dollar and were *twice* as high as the net profit retained in the business. In other words taxation took two-thirds of what remained after all expenditures for materials, wages, salaries and fixed expenses.



THE WHITE PASS AND YUKON
(Incorporated under the laws of the State of Alaska)
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(with comparative figures as of December 31, 1954)

ASSETS

| | 1955 | 1954 |
|---|---------------------|--------------|
| FIXED ASSETS: | | |
| Original railway and river property (Notes 2 and 3)..... | \$ 8,880,912 | \$ 8,880,912 |
| Additions and improvements: | | |
| Land—cost | 35,414 | 34,676 |
| Trackage—cost (Note 3)..... | 197,625 | 173,591 |
| | <hr/> | <hr/> |
| | \$ 9,113,951 | \$ 9,089,179 |
| Movable railway equipment, ships, freight containers, motor vehicles, buildings and other equipment | 6,093,710 | 3,986,339 |
| Less accumulated depreciation | 1,997,939 | 1,797,737 |
| | <hr/> | <hr/> |
| | \$13,209,722 | \$11,277,781 |
| INVESTMENTS IN BONDS AND SHARES, ADVANCES TO OTHER COMPANIES AND MORTGAGES RECEIVABLE | \$ 347,222 | \$ 270,839 |
| FUNDS HELD IN ESCROW FOR PAYMENT ON NEW VESSEL..... | \$ 51,248 | \$ 326,343 |
| | <hr/> | <hr/> |
| CURRENT ASSETS: | | |
| Cash on hand, in transit and in banks | \$ 23,061 | \$ 634,030 |
| Bonds of and guaranteed by the Government of Canada at cost (market value \$213,818) | 216,921 | 216,921 |
| Accounts receivable (less allowance for doubtful accounts \$10,000)..... | 1,091,756 | 1,002,741 |
| Inventories as determined and certified by the management and valued at the lower of cost or market— | | |
| Petroleum products | \$266,228 | |
| Materials and supplies | 583,234 | |
| | <hr/> | |
| Prepaid insurance and rentals | 45,625 | 46,015 |
| | <hr/> | <hr/> |
| | \$ 2,226,825 | \$ 2,826,641 |
| ORGANIZATION EXPENSE AND DISCOUNT AND ISSUE EXPENSE OF DEBENTURE AND UNSECURED LOAN STOCK LESS AMOUNTS WRITTEN OFF (Note 5)..... | \$ 386,159 | \$ 398,417 |
| | <hr/> | <hr/> |
| | \$16,221,176 | \$15,100,021 |
| | <hr/> <hr/> | <hr/> <hr/> |

The notes attached hereto are an integral part of the above financial statements.

ON CORPORATION LIMITED

(Incorporated under the laws of Canada)

SUBSIDIARIES



STATEMENT OF FINANCIAL POSITION, DECEMBER 31, 1955

(Balance Sheet as at December 31, 1954)

LIABILITIES

| | 1955 | 1954 |
|---|---------------------|---------------------|
| CAPITAL AND SURPLUS: | | |
| Capital: | | |
| Authorized: | | |
| 800,000 common shares of no par value | | |
| Issued and fully paid: | | |
| 674,675 common shares (Notes 6 and 8) | \$ 1,582,250 | \$ 1,577,900 |
| Consolidated earned surplus | 1,187,564 | 767,546 |
| | <u>\$ 2,769,814</u> | <u>\$ 2,345,446</u> |
| RESERVES: | | |
| Excess of the value of assets as carried in the books of the subsidiary operating companies over the effective cost to the parent company | \$ 7,836,017 | \$ 7,836,017 |
| Excess of par value of 4½ % first debenture stock 1961/76 purchased and held over purchase price thereof | 60,158 | 60,035 |
| | <u>\$ 7,896,175</u> | <u>\$ 7,896,052</u> |
| LOAN CAPITAL (Note 7) | <u>\$ 3,884,950</u> | <u>\$ 3,913,600</u> |
| CURRENT LIABILITIES: | | |
| Bank—loan | \$300,000 | |
| —overdraft | 56,315 | |
| | <u>\$ 356,315</u> | \$ ----- |
| Accounts payable and accrued charges | 860,983 | 464,278 |
| Accrued salaries and wages | 83,248 | 67,559 |
| Sundry taxes due and accrued | 84,546 | 40,696 |
| Accrued interest on debenture stock | 32,983 | 33,056 |
| Income taxes payable (Note 9) | 252,162 | 339,334 |
| | <u>\$ 1,670,237</u> | <u>\$ 944,923</u> |
| Approved on behalf of the Board. | | |
| ● F. H. BROWN, Director. | | |
| ● C. J. ROGERS, Director. | | |
| | <u>\$16,221,176</u> | <u>\$15,100,021</u> |

This balance sheet and should be read in conjunction therewith.

THE WHITE PASS AND YUKON CORPORATION LIMITED
(Incorporated under the laws of Canada)
 AND ITS SUBSIDIARIES

STATEMENT OF CONSOLIDATED PROFIT AND LOSS

FOR YEAR ENDED DECEMBER 31, 1955

(with comparative figures for the year ended December 31, 1954)

| | 1955 | 1954 |
|---|--------------|--------------|
| Combined earnings from operations, rentals and investment income before the following | \$ 1,042,724 | \$ 1,109,797 |
| Deduct: | | |
| Provision for depreciation (Note 3) | \$ 211,206 | \$ 189,557 |
| Interest on loan capital | 192,650 | 185,126 |
| Amortization of expenses of stock issues | 14,572 | 12,824 |
| | \$ 418,428 | \$ 387,507 |
| Net profit before provision for taxes on income | \$ 624,296 | \$ 722,290 |
| Provision for taxes on income (Note 9) | 277,400 | 382,700 |
| | \$ 346,896 | \$ 339,590 |
| Capital gains (net) | 49,954 | 15,568 |
| Net profit for year | \$ 396,850 | \$ 355,158 |
| Adjustments re prior years | 18,491 | 15,546 |
| Net profit on purchase of 4½% first debenture stock 1961/76..... | 4,677 | ----- |
| | \$ 420,018 | \$ 339,612 |
| | \$ 420,018 | \$ 339,612 |
| The following charges were incurred during 1955: | | |
| Fees and remuneration to directors, exclusive of those holding salaried employment | \$ 6,000 | |
| Remuneration of executive officers and legal fees | 42,554 | |

STATEMENT OF CONSOLIDATED EARNED SURPLUS

FOR YEAR ENDED DECEMBER 31, 1955

(with comparative figures for the year ended December 31, 1954)

| | 1955 | 1954 |
|---|--------------|------------|
| Earned surplus at beginning of year | \$ 767,546 | \$ 427,934 |
| Balance transferred from statement of consolidated profit and loss..... | 420,018 | 339,612 |
| Earned surplus at end of year | \$ 1,187,564 | \$ 767,546 |
| | \$ 1,187,564 | \$ 767,546 |

The notes attached hereto are an integral part of the above statements of consolidated profit and loss and earned surplus and should be read in conjunction therewith.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1955**

- ① Current assets and liabilities originating in United States funds are included at the rate of exchange prevailing at December 31, 1955. The companies have no current assets or liabilities (other than internal indebtedness) originating in any other foreign currency.
- ② The original railway and river properties aggregating \$8,880,912 are carried in the accounts of the subsidiary operating companies at their cost which was paid for by the issue at par of shares and mortgage bonds, less disposals at estimated cost or sale price.
- ③ In accordance with the companies' usual accounting practice (which until recent years was the customary practice with railroads in Canada and the United States), no depreciation has been provided on the original railway and river properties (\$8,880,912) nor the trackage (\$197,625), and the cost of replacements and renewals has been charged against profit and loss.

The White Pass and Yukon Corporation Limited acquired the mortgage bonds and shares of the subsidiary companies at a cost of \$7,836,017 less than the book value of the net assets of these companies and this amount is considered to provide an ample reserve in the consolidated statements against the aforementioned non-depreciable assets.

- ④ The companies have outstanding commitments for the purchase of capital assets in the amount of \$510,000.
- ⑤ Discount and issue expenses of the debenture and loan stock are being amortized over the life of the respective issues.
- ⑥ 1,305 common shares of no par value were issue during the year under the conversion privileges attached to the 5% convertible debenture stock 1961/76 wherein 50% of the original stock is convertible on the basis of 15 common shares per \$50 debenture.

- ⑦ Loan capital is comprised as follows:

| | December 31, 1955 | December 31, 1954 |
|--|----------------------|----------------------|
| 4½ % First Debenture Stock 1961/76 | | |
| Authorized and issued | \$2,000,000 | |
| Less purchased to date (including \$85,800 transferred to sinking fund and cancelled).... | 332,800 | \$1,667,200 |
| | <hr/> | <hr/> |
| 5% Convertible Debenture Stock 1961/76 | | |
| Authorized and issued | \$1,700,000 | |
| Less converted to common shares | 582,250 | 1,117,750 |
| | <hr/> | <hr/> |
| 5½ % Unsecured Loan Stock 1963/78 | | |
| Authorized | \$1,500,000 | |
| | <hr/> | |
| Issued and outstanding | 1,100,000 | 1,100,000 |
| | <hr/> | <hr/> |
| | \$3,884,950 | \$3,913,600 |

- ⑧ The 5½ % unsecured loan stock 1963/78 (Note 7) carries the right to subscribe to three common shares for each \$100 of loan stock at prices varying from \$16 to \$20 per share over the period from January 1, 1956 to September 30, 1961.

- ⑨ For income tax purposes the company is permitted to claim depreciation for 1955 in excess of the normal amount provided in its accounts. The company is claiming additional depreciation in this year of \$103,400, and has thereby reduced income taxes otherwise payable for the year by \$48,600 and increased net profit by a like amount.



AUDITORS' REPORT

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

MONTREAL, TORONTO, HAMILTON
LONDON, WINNIPEG, REGINA
CALGARY, VANCOUVER

Clarkson, Gordon & Co.
Chartered Accountants

510 WEST HASTINGS STREET

Vancouver 2
CANADA

AUDITORS' REPORT


To the Shareholders
The White Pass and Yukon Corporation
Limited and its Subsidiaries:

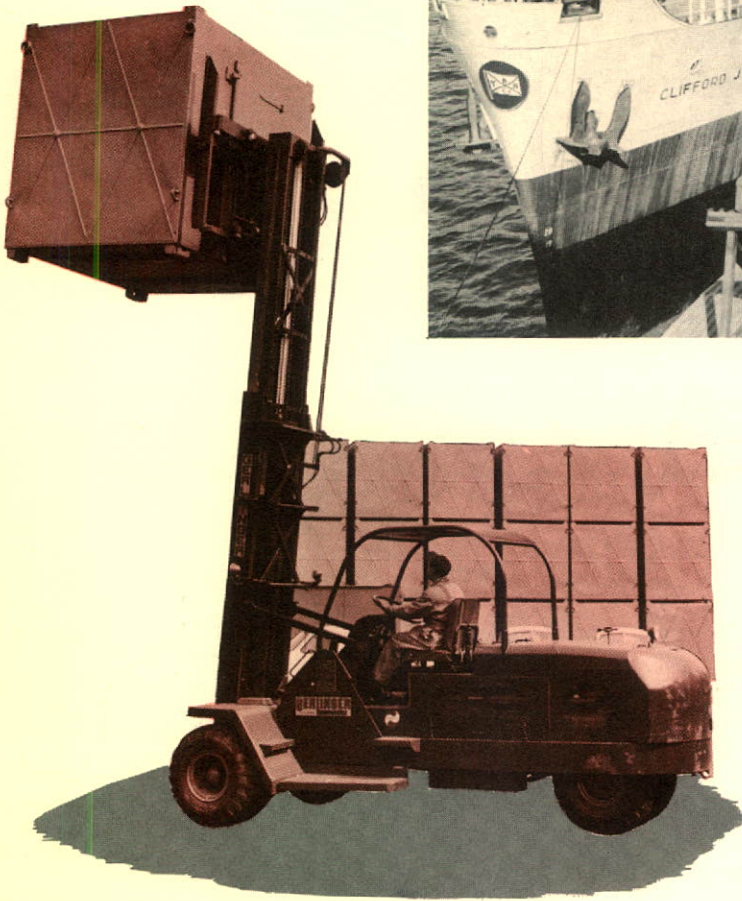
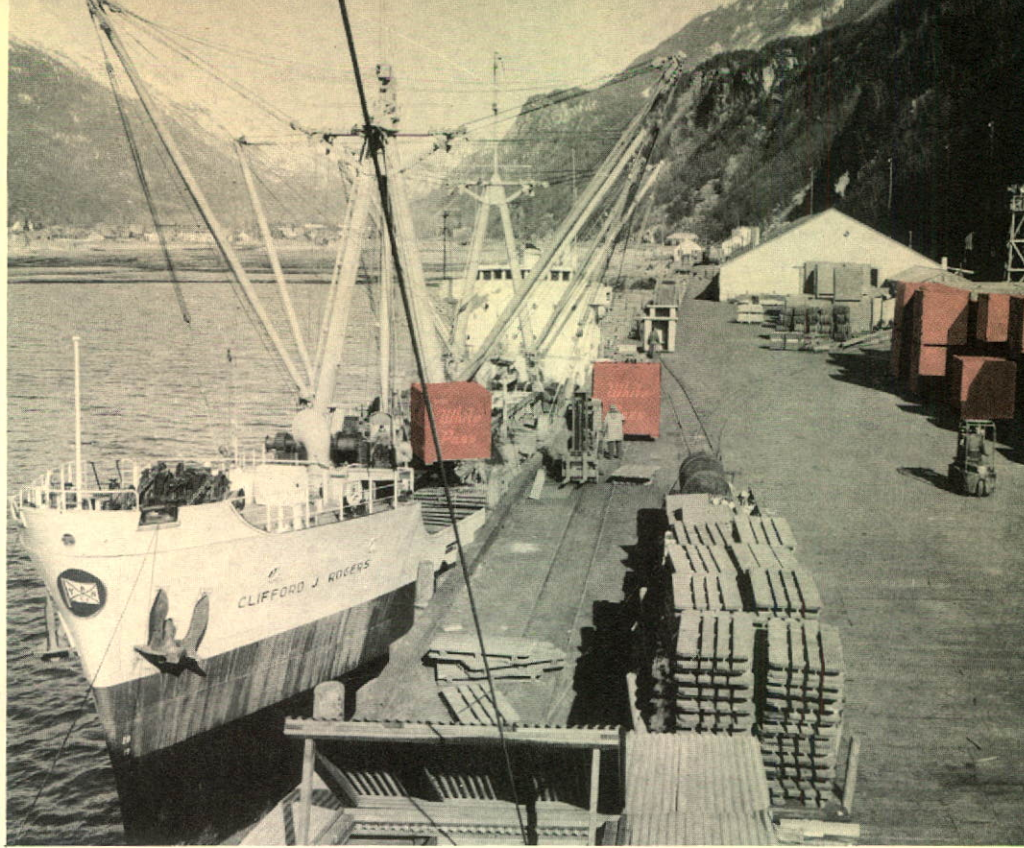
We have examined the consolidated balance sheet of the White Pass and Yukon Corporation Limited and its subsidiaries as at December 31, 1955 and the statements of consolidated profit and loss and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we have considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1955 and the results of their operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Clarkson Gordon & Co.
Chartered Accountants

Vancouver, Canada
March 5, 1956

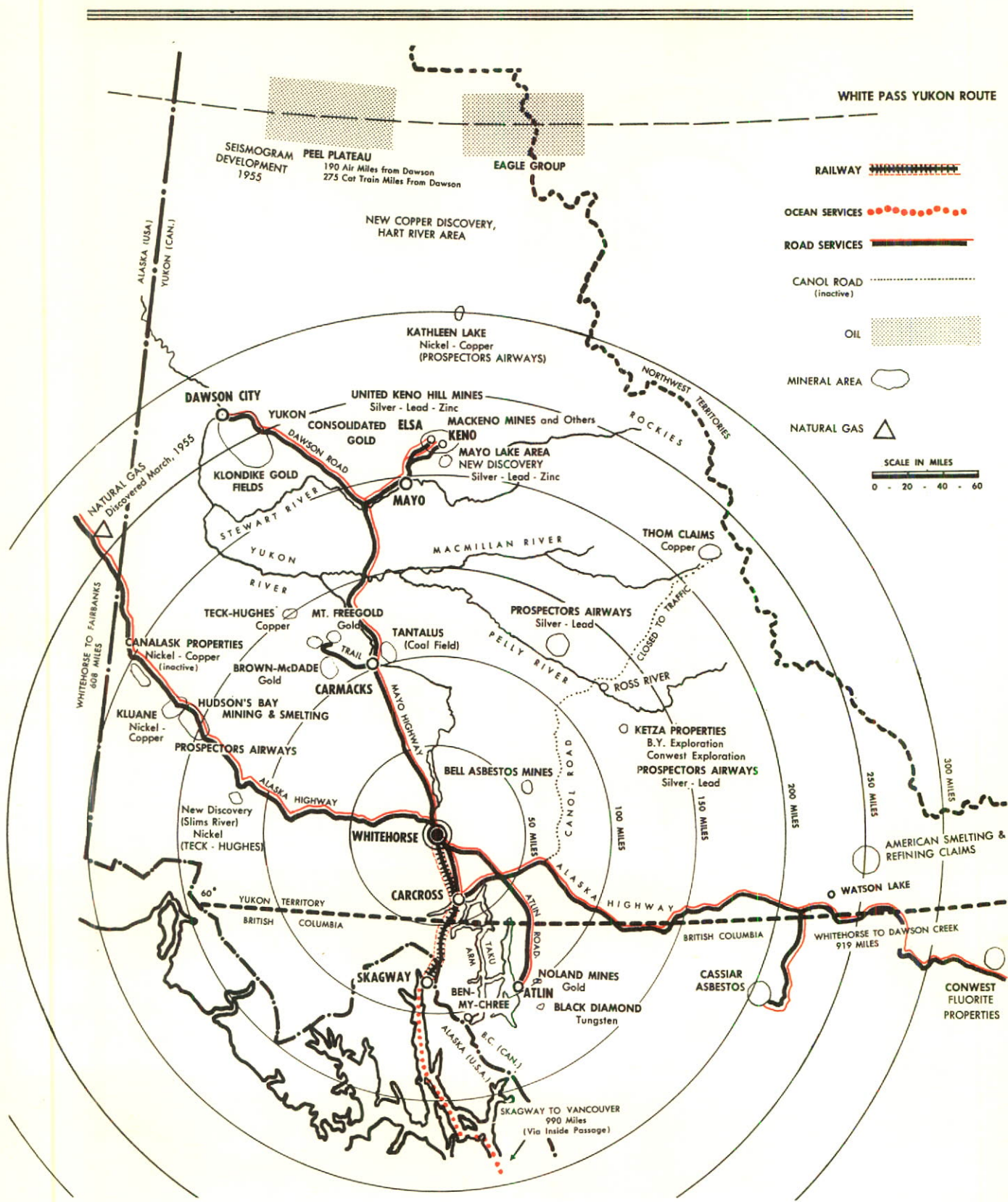
M.V. "Clifford J. Rogers" unloading steel cargo containers at Skagway wharf. 



 Heavy-duty lift truck stacking cargo containers.

Tanker-trailer unit used in delivering petroleum products to Highway points — spherical storage tanks in background.





Map of Yukon Territory and bordering area