

THE WHITE PASS AND YUKON
CORPORATION LIMITED



ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31st, 1954

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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

THE WHITE PASS AND YUKON CORPORATION LIMITED

Report of the President

Herewith are the Balance Sheet and the Profit and Loss Statements of the Corporation and its wholly owned subsidiaries in consolidated form as at 31st December 1954.

Earnings:

The net profit for the year after provision for depreciation, other reserves and taxes and adjustments applicable to prior years, amounted to \$339,612 as compared with \$200,952 in 1953. Recent earnings are at the rate of 50c on 673,370 common shares outstanding at the end of the year.

Total tonnage carried over the rail line increased 28.3% from 1953. Business was buoyant in all sections of our operations except as to tourist and other passenger traffic, which is suffering increasingly from the growth in air transport.

Balance Sheet:

The principal changes in our statement from 1953 are the issue and sale of \$1,100,000 in Unsecured Loan Stock and an increase in working capital from this source, less capital expenditures.

We show a surplus of Current Assets over Current Liabilities of \$1,881,718 which is temporarily at a much higher level than needed for operating purposes pending implementation of our development programme which now includes the building of an ocean freighter.

A new item in the Balance Sheet, "Funds in Escrow" at \$326,343 is a cash item available for part of the financing of that ship.

Capital expenditures of all kinds in the year totalled \$665,024, principally for the purchase of diesel locomotives, rolling stock, highway vehicles and the first instalment on the cost of our new ship.

Rail Division:

We took delivery of our first two diesel loco-

motives, purchased 43 new 30-foot flat and tank cars, moved and remodeled the roundhouse at Whitehorse, re-laid 10 miles of rails and made numerous minor improvements.

After a series of minor adjustments, our diesel locomotives are now measuring up fully to our expectations, even under severe operating conditions.

Track improvements and rail re-laying will continue, perhaps at an accelerated pace.

Snowfall at White Pass was not abnormal at 29 feet and our service was maintained regularly except that one train was completely snowed in for 38 hours in a freak storm in March. The crews were utterly exhausted when rescued.

River Division:

Last year we turned our best river boat, the "Klondike", into an attractive pleasure steamer and operated her for ten trips on the Yukon River between Whitehorse and Dawson City under arrangements with Canadian Pacific Air Lines, who flew the passengers up to Whitehorse from Vancouver. The accommodations, cuisine and provisions for entertainment and personal attention were up to a high standard. With warm long days and quiet nights this is a tour to be remembered. It is being repeated this year and we hope to see it develop as a permanent and profitable part of our activities. However, the outlook for the Division as a whole is not promising.

Highway Division:

This part of our operations while making continuous and heavy demands for new equipment is now on a profitable basis. Tonnage carried increased 34.4%.

Petroleum Division:

The demand for petroleum products grew in keeping with increased activity in the area so that this Division also had a satisfactory year.

Mining Developments:

The activity of mining exploration in the Yukon Territory last summer was impressive. A number of discoveries of importance were made, including asbestos, copper, and nickel. Late in the season a rich silver-lead showing at Ketz River, 200 miles north east of Whitehorse, was found under the auspices of Conwest Exploration Company Limited.

Prospectors Airways Limited announced that it had confirmed a large flat-lying deposit of ore in the Pelly River area estimated to run about 3% lead, 5% zinc, 1.75 oz. silver per ton and some trace values. This deposit may run 25 million tons. The drilling programme is being continued this year.

The Hudson Bay Mining & Smelting Company Ltd. have proved up about 500,000 tons of ore in the Kluane Lake area running 2.1% nickel, 1.3% copper and some minor values.

Mines are never made overnight, especially in northern territories where, for prospecting and evaluation, the working season is indeed short.

British Yukon Exploration Company Limited continued its limited scale geological work last summer and now has claims near those of Prospectors Airways at Pelly River and near those of Conwest in the Ketz River area. The results obtained so far justify another year's work, again on a limited scale. The question of making a public offering of stock in this company remains in abeyance. Mr. F. V. C. Hewett continues as the President of the Company and his advice and direction have been invaluable.

Hydro-Electric Power Development:

As shareholders may know, the British Columbia Government, and later the Dominion Government, last summer approved an application from

a subsidiary of Frobisher Limited for a Conditional Water License which may eventually lead to construction of a \$700,000,000 British Columbia-Yukon hydro-electric power and metallurgical development. Plans as announced call for commencement of construction late this year of the first phase involving an expenditure of \$270,000,000 and an installed capacity by 1962 of 880,000 H.P.

Many obstacles must be overcome before this project becomes a reality, but it has brilliant possibilities in which your enterprise would certainly participate.

Development Programme:

Here is the most vital part of your Board's report. After long and anxious study, it was concluded that our programme for the future could only be carried out by our having a new ship built to our own special needs. In the result, late this summer we expect to commence the operation on a regular semi-monthly service between Vancouver and Skagway of a brand new 4000-ton, 12 knot, diesel engined freight ship specially designed to carry 168 van containers and 2500 tons of palletized or unitized cargo per trip. In all, 500 steel van containers, 8' x 8' x 7', some refrigerated and some heated, will be in use and capable of carrying any kind of cargo under all weather conditions.

The sealed vans, on loading at Vancouver with groceries, perishable foodstuffs, clothing and general supplies, will proceed on truck chassis to ship's side, will be loaded in prepared positions in the holds by ship's gear, unloaded 1000 miles north at Skagway onto railway flat cars and, on arrival at Whitehorse, trucked to consignees' premises. Handling costs, damage claims, pilferage and split shipments should be at a minimum.

Southbound, the van containers will be loaded with asbestos in 100-lb. bags and the handling will be the reverse of the northbound trip. A balanced movement is to be expected.

Pallet boards will be used to carry goods which are not suited to carriage by containers. Northbound, the pallet boards will be used for certain

types of general cargo and, southbound, they will be loaded with sacked ore and concentrates which will be strapped to the boards with steel bands. This strapping will be done at the mine so that the package will make the complete trip from mine to Vancouver as a unit.

The ship will cost in the order of \$1,500,000, which should be covered fully in about four years from earnings — under the provisions of the Canadian Vessel Construction Assistance Act the earnings from an approved ship are all available before income taxes to amortize relative construction costs.

The containers will cost in the order of \$500,000.

The completion of these plans will mark the end of the first stage in the re-organization of the Company's physical operations. Your Board be-

lieves that it will make your undertaking one of the most modern of its kind on the North American Continent. Once the re-organization is in full operation, your Board looks forward to a substantial rise in earnings.

Mr. E. M. C. McLorg, a prominent Vancouver lawyer, was appointed to your Board during the year and is eligible for re-election.

Again we have pleasure in expressing appreciation of the devotion to duty of our employees, sometimes under extreme weather conditions.

Respectfully submitted,
on behalf of the Board,

FRANK H. BROWN,
President.

June 10, 1955

THE WHITE PASS AND YUKON

(Incorporated under

AND ITS SUBSIDIARIES)

Consolidated Balance Sheet

(With comparative figures)

ASSETS	December 31, 1954	December 31, 1953
FIXED ASSETS:		
Original railway and river property (Notes 2 and 3)	\$ 8,880,912	\$ 8,880,912
Additions and improvements:		
Land at cost	34,676	34,960
Trackage at cost (Note 3)	173,591	148,511
	<u>9,089,179</u>	<u>9,064,383</u>
Movable railway equipment, steamers, motor vehicles, buildings and other equipment (Note 3)	3,986,339	3,742,109
Less accumulated depreciation	1,797,737	1,864,761
	<u>\$11,277,781</u>	<u>\$10,941,731</u>
 INVESTMENTS IN BONDS AND SHARES, ADVANCES TO OTHER COMPANIES AND MORTGAGES RECEIVABLE	 \$ 270,839	 \$ 112,690
 FUNDS HELD IN ESCROW FOR CONSTRUCTION OF NEW VESSEL (Note 4)	 \$ 326,343	 \$ —
 CURRENT ASSETS:		
Cash on hand, in transit and in banks	\$ 634,030	\$ 311,041
Bonds of and guaranteed by the Government of Canada at cost (market value \$217,123)	216,921	233,981
Accounts receivable (less allowance for doubtful accounts \$10,000)	1,002,741	959,476
Inventories as determined and certified by the management and valued at the lower of cost or market:		
Petroleum products	\$420,651	
Materials and supplies	506,283	988,247
	<u>926,934</u>	<u>988,247</u>
Prepaid insurance and rentals	46,015	61,624
	<u>\$ 2,826,641</u>	<u>\$ 2,554,369</u>
 ORGANIZATION, DEBENTURE AND UNSECURED LOAN STOCK ISSUE AND CONVERSION EXPENSES, LESS AMOUNTS WRITTEN OFF (Note 5)	 \$ 398,417	 \$ 235,960
	<u>\$15,100,021</u>	<u>\$13,844,750</u>

The notes attached hereto are an integral part of the above

ON CORPORATION LIMITED

(Incorporated under the laws of Canada)

SUBSIDIARIES

Statement as at December 31, 1954

(Statement as at December 31, 1953)

LIABILITIES

	December 31, 1954	December 31, 1953
CAPITAL AND SURPLUS:		
Capital:		
Authorized:		
800,000 common shares of no par value		
Issued and fully paid:		
673,370 common shares (Note 6 and 8)	\$ 1,577,900	\$ 1,497,700
Consolidated earned surplus	767,546	427,934
	<u>\$ 2,345,446</u>	<u>\$ 1,925,634</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	60,035	60,035
	<u>\$ 7,896,052</u>	<u>\$ 7,896,052</u>
LOAN CAPITAL (Note 7)	<u>\$ 3,913,600</u>	<u>\$ 2,893,800</u>
CURRENT LIABILITIES:		
Accounts payable and accrued charges	\$ 464,278	\$ 737,916
Accrued salaries and wages	67,559	64,052
Sundry taxes due and accrued	40,696	35,043
Accrued interest on Debenture Stock	33,056	34,058
Income taxes payable	339,334	258,195
	<u>\$ 944,923</u>	<u>\$ 1,129,264</u>
	<u><u>\$15,100,021</u></u>	<u><u>\$13,844,750</u></u>

Approved on behalf of the Board.

F. H. BROWN, Director.

C. J. ROGERS, Director.

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

*Statement of Consolidated Profit and Loss
For The Year Ended December 31, 1954*

(With comparative figures for the year ended December 31, 1953)

	<u>Dec. 31, 1954</u>	<u>Dec. 31, 1953</u>
Combined earnings from operations, rentals and investment income before the following	\$1,109,797	\$688,618
Deduct:		
Provision for depreciation (Note 3)	\$ 189,557	\$183,624
Interest on loan capital	185,126	138,820
Amortization of expenses of stock issues	12,824	7,553
	<u>\$ 387,507</u>	<u>\$329,997</u>
Net profit before provision for taxes on income	\$ 722,290	\$358,621
Provision for taxes on income	382,700	220,338
Profit from operations	\$ 339,590	\$138,283
Capital gains (net)	15,568	31,324
Net profit for year	\$ 355,158	\$169,607
Adjustments re prior years	(15,546)	20,236
Net profit on purchase of 4½% First Debenture Stock 1961/76	—	11,109
Balance transferred to earned surplus	<u>\$ 339,612</u>	<u>\$200,952</u>
 The following charges were incurred during 1954:		
Fees and remuneration to directors, exclusive of those holding salaried employment	\$ 6,000	
Remuneration of executive officers and legal fees	\$ 29,616	

*Statement of Consolidated Earned Surplus
For The Year Ended December 31, 1954*

(With comparative figures for the year ended December 31, 1953)

	<u>Dec. 31, 1954</u>	<u>Dec. 31, 1953</u>
Earned surplus at beginning of year	\$ 427,934	\$226,982
Balance transferred from statement of consolidated profit and loss	339,612	200,952
Earned surplus at end of year	<u>\$ 767,546</u>	<u>\$427,934</u>

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

1. Current assets and liabilities originating in United States funds are included at the rate of exchange prevailing at December 31, 1954. 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 (\$173,591), and the cost of replacements and renewals has been charged against profit and loss.

Prior to January 1, 1953 a similar accounting practice was followed with respect to certain equipment, buildings, etc., carried at a cost of \$678,832. In the year ended December 31, 1953 this policy was changed and depreciation of \$18,914 and \$17,885 was provided on these assets in the 1953 and 1954 years respectively.

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. Subsequent to December 31, 1954 a subsidiary company incurred a commitment of \$1,337,954 for the purchase of a new vessel.
5. Debenture and Loan Stock issue expenses are being amortized over the life of the respective issues.
6. 24,060 common shares of no par value were issued 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:

		<u>December 31, 1954</u>	<u>December 31, 1953</u>
4½% First Debenture Stock 1961/76			
Authorized and issued	\$2,000,000		
Less purchased to date (including \$60,800 transferred to sinking fund and cancelled)	308,500	\$1,691,500	\$1,691,500
5% Convertible Debenture Stock 1961/76			
Authorized and issued	\$1,700,000		
Less converted to common shares	577,900	1,122,100	1,202,300
5½% Unsecured Loan Stock 1963/78			
Authorized	<u>\$1,500,000</u>		
Issued and outstanding		1,100,000	—
		<u>\$3,913,600</u>	<u>\$2,893,800</u>

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, 1955 to September 30, 1961.

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, 1954 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, 1954 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.

Vancouver, Canada,
April 19, 1955.

CLARKSON, GORDON & CO.,
Chartered Accountants

SERVICES OF THE WHITE PASS AND YUKON ROUTE

OCEAN AND RAIL FREIGHT

A through service jointly with the Canadian Pacific Railway is provided between Vancouver, B.C., and Whitehorse, Y.T. (See also President's Report on Development Programme.)

The first thousand miles by sea from Vancouver to Skagway, Alaska, inside the long chain of islands off the British Columbian and Alaskan Coasts is traversed in ships owned or controlled by the C.P.R., augmented late this summer by a new ship controlled by the Corporation. From Skagway to Whitehorse the route follows a difficult but spectacular piece of mountain country. In the summer a place of beauty, it is subject for more than half the year to extremes of cold, wind, snow and ice. Winds of 100 miles an hour or more and snowdrifts twenty-five or more feet deep are experienced at some time almost every year.

A daily rail service for passengers as well as freight is provided in each direction in all seasons of the year.

HIGHWAY

The Route offers a comprehensive and modern trucking and bus service on a regular schedule all over the highways fanning out from Whitehorse. Mining machinery, equipment, petroleum products and supplies are transported into the mines and metal concentrates and asbestos handled on the reverse movement.

The service extends from Dawson Creek in British Columbia all the way along the Alaska Highway to Fairbanks, over distances in the summer, when all the roads are open, of approximately 2,000 miles one way.

PASSENGER

The scenic majesty of the rail route is world famous. Trains of observation cars meet incoming steamers to afford tourists excellent opportunities for sightseeing and photography. They connect at Carcross with the Route's S.S. "Tutshi" affording comfortable overnight accommodation on quiet mountain lakes to the lovely flower gardens at Ben-My-Chree within sight of perpetual mountain glaciers.

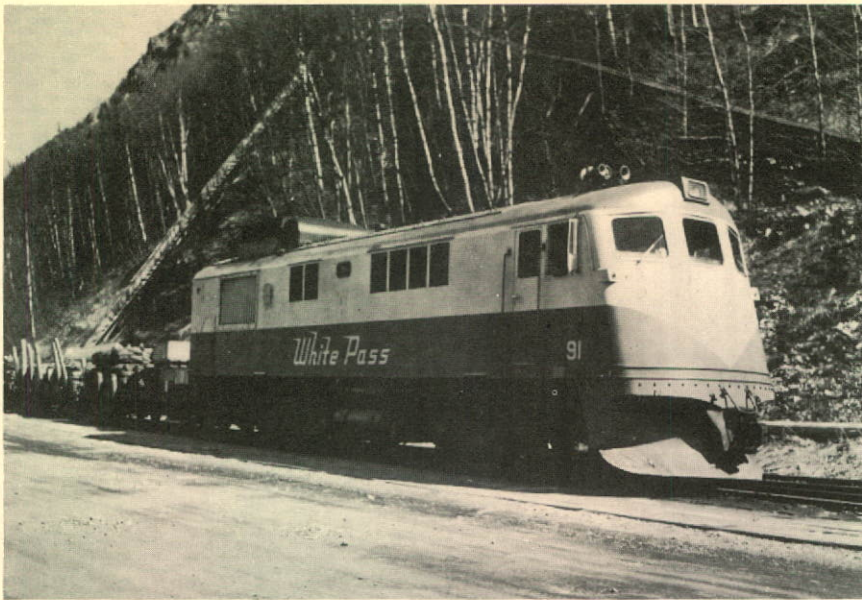
From Whitehorse, the S.S. "Klondike", a modern stern-wheeler, provides an extraordinary tourist trip four hundred miles down river to Dawson City and return through scenery of unique beauty, with stops for fishing, picnics, etc. A wide variety of recreational activities is provided.

PETROLEUM DISTRIBUTION

Through a leased pipeline from Skagway to Whitehorse and by tank cars over the rail line, the Route imports aviation and motor gasolines, fuel oils, diesel oils, lubricants, etc. on a large scale. It operates a tank farm at Whitehorse, storage tanks at other points and its tank trucks deliver gasoline and diesel oils several hundred miles in various directions throughout the Yukon Territory. It serves in full degree every phase of the economy of the Yukon — heating, power and transportation — and is equipped to keep pace step by step with all the growth of the area.

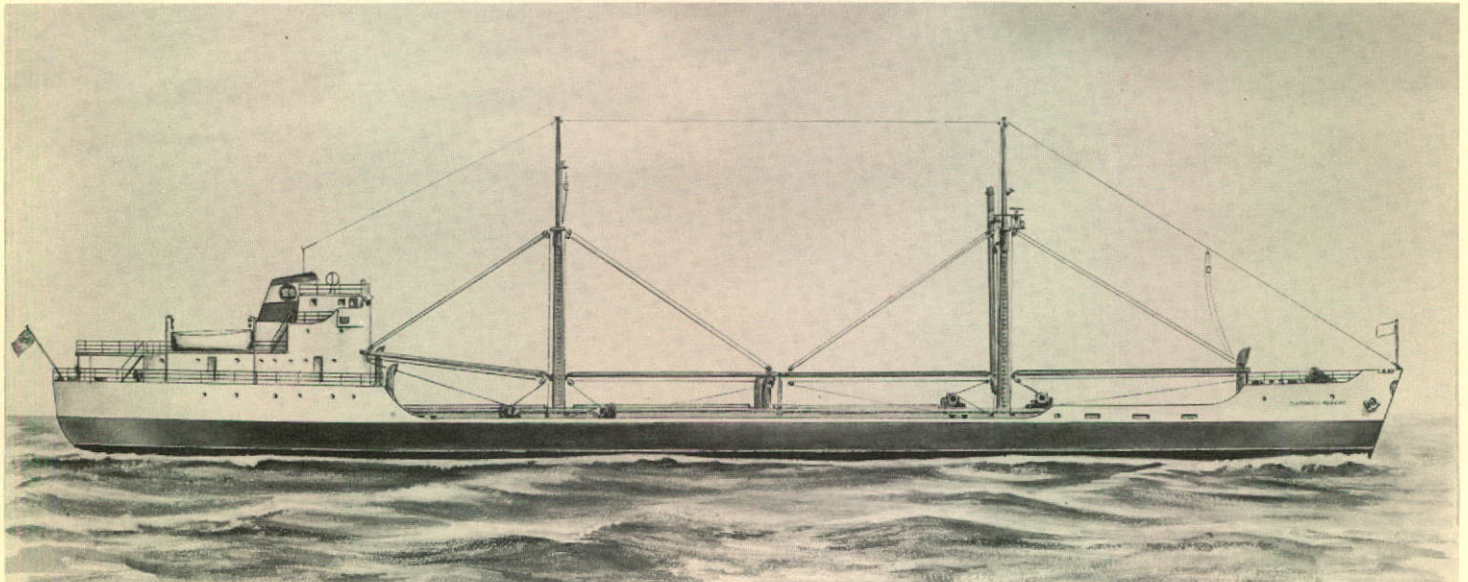
RATES

It is obvious that operating in a far northern territory in rough and mountainous terrain under exceptionally difficult conditions in the winter is costly but it has been the objective of the Company to quote rates which are strictly competitive and will induce full development of the resources of the Territory.

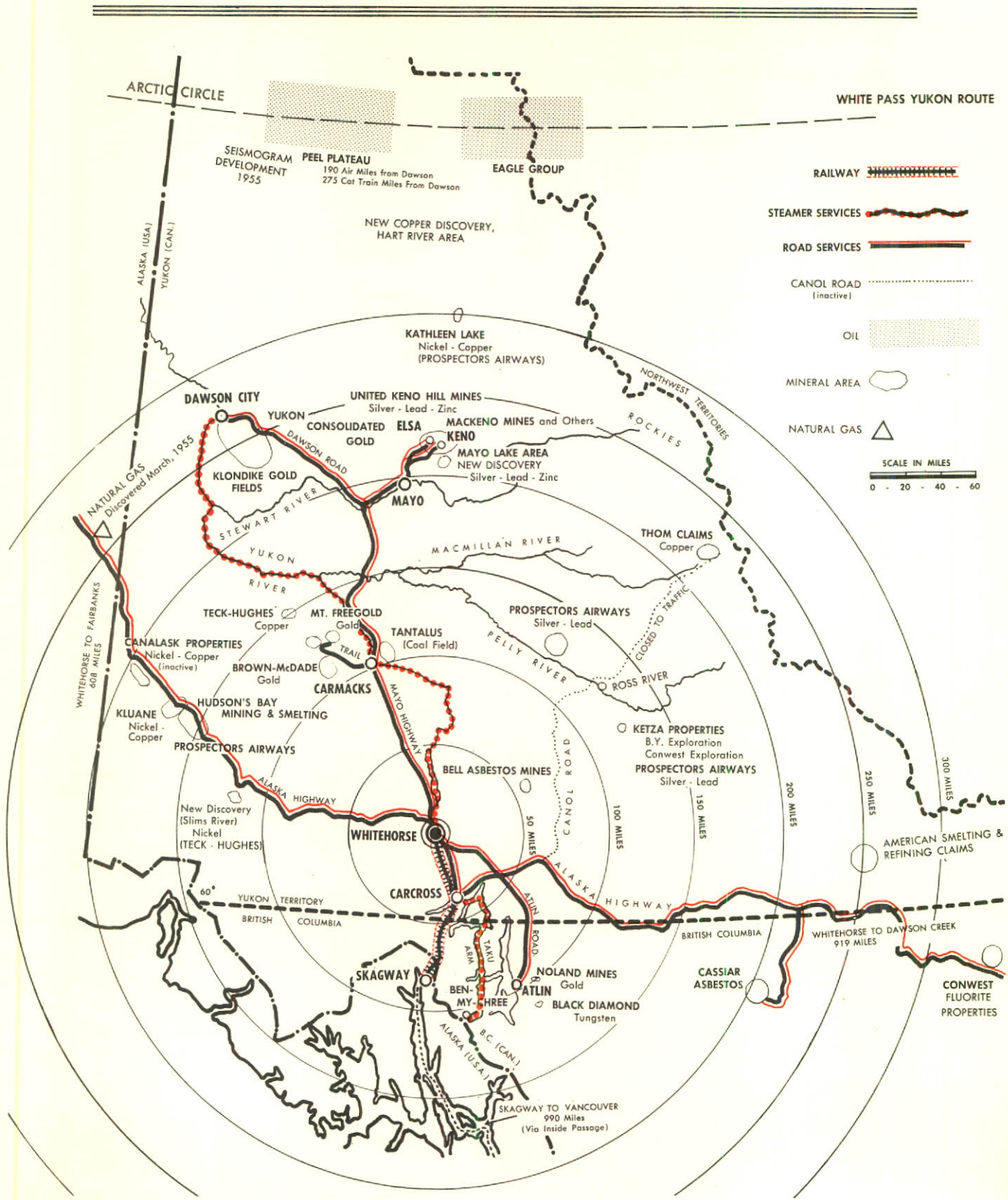


A new diesel locomotive put into service in 1954.

M.V. "Clifford J. Rogers" which will begin operating between Vancouver and Skagway, Alaska, in the fall of 1955.



A diesel powered tractor-trailer operated on the Alaska Highway.



Map of Yukon Territory and bordering area