

Whitehorse, Y. T.,
May 22nd 1946.

Sir George Hamilton,
Chairman, White Pass and Yukon Railway Co. Ltd.,
55 Bishopsgate,
London, E. C. 2.

Dear Sir George:-

Referring to my letter of May 11th enclosing for signature Supplemental Agreement No. 6 this is the following letter that I advised you would be sent covering the changes and our final settlement from that contemplated in the Brisbane report. The writing of it has been delayed about a week principally on account of an educational trip of a group of Canadian Pacific Railway officials headed by the Assistant Vice President from Winnipeg and the Manager of the Pacific Coast steamer lines which serve us for freight and passengers including tourists at Skagway. They made an extended tour of our whole area and services including the highway service.

The Brisbane report showed an amount which would be due the Government of \$431,000.00. The figures of the present settlement are that we owe the Army 303,500.00 and they owe us 29,600.00 a net of 273,900.00 about 157,000.00 difference.

The main items making up the reduction are a reduction		
in Store Stock from 126,000.00 to 89,400.00		36,600.00
Reduction in coal purchased 60,000 to 11,500		48,500.00
Reduction in locomotives purchased 100,000 to 30,000		70,000.00
Reduction in car purchase 40,000 to 14,520		25,480.00
Reduction in relay rail 3,550 to 1,775		1,775.00
Reduction price in crawler crane 7,500 to 4,500		3,000.00
		<u>185,355.00</u>

This is reduced by new purchases made in the final settlement and not included in the Brisbane:-

Caboose 857, Tank Cars 23,24,25, Coach 932 and 20 ton switcher		11,575.00
Cargo handling equipment for the docks Fork lifts and Jitney		7,155.00
Automotive items: Truck, Trailer and passenger auto		2,077.00
Shop Tools		
Crane Hyster	1620.00	
Compressor	1133.00	
Hyd. Wheel Press	4304.00	
Wheel Drop Pit	5281.00	
Shop Tools	7256.00	
		19,594.00
Office Machines & Furniture		2,492.00
Refrigerators and light plants		9,000.00
		<u>51,893.00</u>

Sir George Hamilton

2.

Less credits on Schedule B of 29,600.00	
less 6,600.00 locomotive credit allowed in Brisbane	23,000.00
Net decrease	<u>28,893.00</u>
	158,462.00

Dealing with these matters in detail.

When the Army took over the railway it was intended that an inventory should be taken. However between the time that they arrived September 15th 1942 and October 1st 1942 the commencement date, they had removed so much material without records that we refused at that late date to accept an inventory and insisted on settlement on our book value. At the termination of the lease it was provided that an inventory should be taken with both parties present. It very quickly became apparent that their stock record was very much less than the actual stock and we found that their storekeeping accounting had been very slack, much material not having been taken up on their books and when material from a job had been returned no credits to the job and debits to the store had been made. The further we got with a physical inventory the more this over run in the stock became apparent. The Army fearing trouble with their people in explaining why, if they attempted now to pick up a lot of material asked us if we would accept book value which we did. We feel there is a hidden value here of something near 20,000.00.

Their stock of coal on their books was very large but we did not feel the figures were correct. The coal, some of which was not too good to start with, had all been on the ground since Spring of 1943 and had deteriorated a great deal. Instead of an engine running round trip from Skagway to Whitehorse on a tender tank of coal it was necessary to put five to seven tons in each at Whitehorse to get the train back to Skagway. Last fall we had coal in our bunkers afire twice. If we lost the bunker through fire it would materially increase our cost of handling at Skagway. We therefore agreed to take only the coal in the bunkers at the section houses along the line and enough to do us until our coal got in. We will of course have to spend money for the coal we get from our old source but it will well repay us in quality which is really the only benefit in this reduction.

Regarding the locomotives, when we assumed the management of the operation we really came into a position of being able to appraise the 190 class Army engines. They weigh quite a bit more than our old engines, 60, 61 and 62 but on account of their 48" diameter driver we have never been able to handle more than 92 tons up our grade from Skagway to the Summit where as these other locomotives could handle 115 tons for the first two and 130 for the last one. 80 and 81 which we bought from the Sumpter Valley in 1940 will haul 160 tons and 70 and 71, 170 tons. The Army engines are also quite light built and as time goes by we have more repairs. When the Army came in we were in need of new tenders on our two rotaries and on tow of our old engines. For the last two years the Army has used two of their tenders on our rotaries and the fact that three of our old engines had been taken out of service took care of the situation on their tenders.

Sir George Hamilton

3.

We spent quite a time discussing this motive power matter and finally came to the conclusion that we would be making a grave mistake if we bought the three engines we had decided on in the Brisbane report and that we would be a lot better for the long pull to buy two new engines of the 70 class which were engineered for our railway. We did however need two of the Army tenders for our rotaries. We were quoted a tentative price by Baldwin locomotive works of 66,800.00 per engine with tenders or 7,000.00 less without tenders. Delivery on the Baldwins could not be made until next spring which would leave us with too few engines to operate this summer and next winter. We endeavored to lease the engines for a year and also to buy only tenders but were unable to. We therefore offered to buy two engines complete with tenders and two extra tenders for 30,000.00. This a little less than the four tenders we needed would cost us at Baldwin's 7,000.00 price is at Philadelphia.

After the War Assets Department of the United States had some experience with how much they could get out of these second hand light engines they agreed. We have also ordered the two Baldwins for delivery next March.

Our comparative power situation before the war, now and next spring is as follows:-

	<u>1941</u>	<u>1946</u>	<u>1947</u>
Locomotive Number	60	--	--
	61	--	--
	62	--	--
	66	66	66
	69	69	69
	70	70	70
	71	71	71
	80	80	80
	81	81	81
		192	192
		196	196
		4	72
			73
			4
Total	<u>9</u>	<u>9</u>	<u>11</u>

Number 4 is a very small engine we bought in Dawson in 1942 for 2,000.00 from the Klondike Mines Railway and is only suitable for a yard switch engine or a standby at Whitehorse. We do not usually use a switch engine at either terminal as that would require an extra crew and it is cheaper to use the road crew for an hour or so overtime at each terminal. We are going to be short until we get the new Baldwins particularly this winter when 70, 71, 80 and 81 are assigned to the two rotary fleets. It only leaves 192 and 196 for road engines with 66 as the only helper. 69 is the heavy pusher but her cylinders are so wide that she fouls in the snow cuts made by the Rotary and is not adaptable to winter use. In 1947 we will be back to a little better position than we were in 1941, 11 engines against 9, although when it is considered that engine 66 is 46 years old, engine 4 is not usable as a road engine

and 192 and 196 definitely have their tonnage limitations, it does not look to be much improvement. The betterment is in the fact that in 1948 we will have 7 heavy powerful engines in 69, 4 of 70 class and 2 of the 80 class as against 5 of these engines in 1941. We all feel that our solution of the engine problem was by far the best and even if the war had not intervened we could not still be operating the 46 year old engines on the first of the 1941 list.

Under the Brisbane we were to take 50 freight cars and pay for them less the value of 22 of ours destroyed. Our cars are of course the originals of 1900. We decided we did not need the cars as much as the new locomotives and reduced the quantity to the same number that had been destroyed. We did get refrigerator cars instead of ordinary box cars. The increased population in Whitehorse in the winter requires more of these as they are also used for heated cars. We bettered our former deal considerably. For the last year and a half we have been busily rehabilitating all of our cars, passenger and freight, at the Army expense. We had difficulty getting help and had not completed 30 box cars. The Army agreed to give us 30 of theirs in lieu of this rehabilitation. We still of course have our own cars which can rehabilitate or not as we see fit or use the parts as needed in other cars. This was a distinct betterment.

Reduction in relay rail. You will notice in Schedule B we are given credit for 15,409 for rehabilitation of trackage mile post 21 to 35. All of the 56 pound rail that was ear marked for our purchase is being used in this job. We also have acquired quite a lot of rail in sidings which becomes ours for taking it up.

Revaluation of the Crawler crane is a fair reduction in appraisal after we had an opportunity to operate it.

We purchased several oil cars and other necessary or useful pieces of automotive and railway equipment as set out.

Our cargo handling equipment on the wharf we found to be considerably less efficient than their type of equipment so we purchased what we will need and received credit for ours they had worn out. We will make important labour savings there. For the same reason we purchased all of the shop tools and equipment they had imported where we felt there would be a labour saving. Same is true of office machines and furniture. A great deal of our equipment in the above lines was over forty years old and past efficient usefulness. All prices we paid were at the factory price without freight added. In many of the shop tools installation was costly but we did not pay it. The wheel drop pit cost a total of 15,000.00, cost and installation. We felt it worth while under this price arrangement versus rising prices in United States to fit ourselves out for the future where we could see labour savings.

The army placed small electric light plants at each section house and also refrigerators. It would have created a condition inimical to good labour conditions if we had removed the light plants. They used Kerosene lamps before the war. The refrigerators

Sir George Hamilton

5.

we intend to place on the boats next season except the one at Bennett and the one at Carcross. We have had poor conditions of ice refrigeration at all these places and the savings will soon pay for these boxes.

Regarding the credits in Schedule B, these represent cash except for the 15,409 in the rail rehabilitation job but it looks now as though it will cost us less by about 3,000.00 to do this job. With this job on the track done our roadbed will be in better condition than when the government took it. We had quite a battle to make them do it.

The terms of payment are approximately as per the Brisbane arrangement except for the value of the coal which we did not buy which would have been cash. The payment for the locomotives from Baldwin will be spread through this year and next spring only instead of over 5 years as they would have been through the Brisbane.

I appreciate there is a lot of detail in these things but I have tried to clarify it as fully as I could without getting too minute. If there is anything not understood please let me know and I will attempt to clarify.

With my kindest regards to you, Marty and Mr. Robertson,

Very truly yours,

President & General Manager.