

1914.  
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VICTORIA.

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# REPORT

FROM THE

## COMMITTEE OF PUBLIC ACCOUNTS

(RAILWAYS ADVANCES BILL.—HEAVIER RAILS).

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*Ordered by the Legislative Assembly to be printed, 21st October, 1914.*

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THURSDAY, 9TH JULY, 1914.

12. PUBLIC ACCOUNTS COMMITTEE.—Sir Alexander Peacock moved, pursuant to notice, That the following Members form the Committee of Public Accounts during the present Session:—Mr. Campbell, Mr. Keast, Mr. Mackey, Mr. Membrey,\* Mr. Prendergast, Mr. Toutcher, and Mr. Tunnecliffe; and that the Committee have leave to sit on days on which the House does not meet; three to be the quorum.

Debate ensued.

Question—put and resolved in the affirmative.

\*Mr. Membrey resigned from the Committee on 21st July, 1914.

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TUESDAY, 1st SEPTEMBER, 1914.

4. PUBLIC ACCOUNTS COMMITTEE—MEMBER APPOINTED.—Sir Alexander Peacock moved, pursuant to notice, That Mr. Menzies be a member of the Committee of Public Accounts.

Debate ensued.

Question—put and resolved in the affirmative.

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# REPORT.

THE COMMITTEE OF PUBLIC ACCOUNTS, to which the Legislative Assembly referred the proposals contained in the Railways Advances Bill, has the honour to report to your Honorable House as follows :—

## FORMER RAILWAYS ADVANCES ACTS.

1. In 1910 Parliament passed the *Railways Advances Act* 1910, No. 2268, authorizing a sum not exceeding £200,000 to be applied temporarily out of The Public Account for the purpose of substituting heavy rails for light ones on lines of the Victorian Railways. Such advances were to be paid back by the Victorian Railways Commissioners from railway revenue in four instalments, extending over the four financial years, commencing on 1st July, 1910. The sums so advanced were to bear interest at  $3\frac{1}{2}$  per cent. In 1912 a similar Act, No. 2432, was passed authorizing a further advance of £200,000 out of The Public Account for a like purpose and carrying the same rate of interest. The repayments in this case were to be made from railway income in four annual instalments, the first having to be made during the year commencing 1st July, 1913. As, however, two annual instalments of £50,000 each in connexion with the refunding of these advances would fall due in the same year, making a total repayment of £100,000 for that twelve months, a further Act (the *Railways Advances Act* 1914, No. 2501) was passed a few months ago permitting £25,000 to be repaid in 1914–15 on account of the advances made under the first (1910) Act, No. 2268, and £25,000 to be refunded in 1914–15 in respect of the advances made under the second (1912) Act, No. 2432, or a total repayment of £50,000 for the year. In 1915–16 similar repayments are to be made. By the end of 1915–16 the first advance of £200,000 will have been paid back into The Public Account unless the Railways Commissioners refund the money at an earlier date.

2. According to the statement of Mr. T. F. Brennan, Chief Accountant of the Railway Department, who gave evidence before the Committee on behalf of the Railways Commissioners, the sums which have been advanced under the authority of the Railways Advances Acts, Nos. 2268 and 2432, the sums repaid, and the interest on the amounts advanced are shown hereunder :—

Act.	Amount Authorized.	Year.	Expenditure.	Repayments.	Interest.
	£		£	£	£
2268 .. .. .	200,000	1910-11	98,519	50,000	346
		1911-12	99,244	50,000	3,209
		1912-13	2,237	50,000	2,581
		1913-14	..	..	1,750
			200,000	150,000	7,886
2432 .. .. .	200,000	1912-13	82,458	..	973
		1913-14	117,542	..	4,324
			200,000	..	5,297

## THE BILL UNDER CONSIDERATION.

3. The Bill now before the Legislative Assembly is to authorize a further advance of £200,000 out of The Public Account to permit more heavy rails to be substituted for light ones on the Victorian railways, making a total advance of £600,000 of which £150,000 has already been repaid. It is provided in the Bill that this proposed advance should be refunded out of railway revenue in eight instalments of £25,000 each, the first annual repayment to be made during the year 1914–15. The rate of interest in this case is to be also  $3\frac{1}{2}$  per cent.

4. It is to be noted that the Railways Commissioners obtained by Act No. 2501 an extension of the time during which they were to repay the instalments falling due under the terms of the *Railways Advances Act 1910* and the *Railways Advances Act 1912*.

#### RE-LAYING LINES WITH HEAVIER RAILS.

5. Two reasons were urged for proceeding with the work of removing 60-lb. and 66-lb. steel rails from our principal lines and re-laying them with 75-lb. and 80-lb. rails. In the first place, the growing traffic calls for greater speed and also the employment of heavier rolling-stock, so that larger loads may be hauled and so secure economy in the transport of passengers, goods, and live stock. In the next place, Parliament has during each of the past five years sanctioned the construction of a number of country lines for which 60-lb. and 66-lb. rails are required. The quantity of new rails of those weights in stock is but 6 or 7 miles. New rails of 60 lbs. and 66 lbs. cannot at present be obtained from makers in the Commonwealth, who are already very much behind in their deliveries under existing contracts, so that the necessary supplies would have to be obtained from abroad, and that would under present circumstances—and even in normal times—take several months, as tenders would have to be invited and a contract entered into and space obtained in ships to bring the rails to Victoria. Therefore, it would considerably delay railway construction in this State if supplies had to be brought from abroad. There are supplies of 75-lb. and 80-lb. rails in stock. But it would be uneconomical and a needless extravagance in material to use these heavier rails for branch lines when 60-lb. and 66-lb. rails will meet their requirements, as a high speed is not necessary on such country lines, and heavy loads are improbable for many years. For some time the Construction Branch of the Railway Department has been obtaining from the Commissioners serviceable second-hand 60-lb. and 66-lb. rails at a cost of £700 per mile of track. If new rails of that weight had to be imported they would cost £1,000 per mile, including duty, so that the Construction Branch is thus able to make a saving of £300 per mile by using the lighter serviceable rails released from the main lines, and so reduce the annual interest charges in connexion with new country lines. In a line of 30 miles this saving would represent a lessened capital outlay of £9,000, the interest on which at 4 per cent. would be £360. Mr. H. O. Sheeran, Chief Engineer for Railway Construction, stated that the probable life of the serviceable second-hand rails now being used in the building of branch lines will be from 20 to 30 years, according to the traffic.

6. It was explained on behalf of the Railways Commissioners that while the relaying of the lines in question with heavier rails had become in all cases very desirable, and in some essential, to provide efficiently for the increasing traffic, this work would not in the ordinary course of maintenance be undertaken for some years to come. Even if, however, in order to cope with the traffic, it were put in hand earlier than would otherwise be necessary, the cost involved in substituting heavy rails for light ones would have to be spread over several years, as the Commissioners considered it would be unreasonable and inequitable to debit the whole of the expenditure to the working expenses of the year or years in which the re-laying was carried out, especially when the Construction Branch was making application for light rails so that the completion of new lines might not be retarded.

7. Unless, therefore, the Bill now under the consideration of the House were passed by Parliament sanctioning the advance asked for, and extending the repayments over several years as provided in the Bill, it might be necessary to slacken off the replacing of light rails by heavy ones, and so curtail the mileage of 60-lb. and 66-lb. rails available for new lines. The light rails on the lines on which traffic has developed and is developing do not admit, it was stated, of the best results being obtained in handling that increasing traffic. If they were replaced by rails of 75 lbs. or 80 lbs. they could, being still serviceable for a number of years, be used to advantage on the new branch lines, and, moreover, had the substantial merit of being considerably cheaper than new rails of the same weight. Finally, the Commissioners urged that the proposal contained in the Bill was both an economical and a satisfactory one from the point of view of the interests of the Railway Department and of the State.

### PROPORTION CHARGED TO WORKING EXPENSES.

8. Each year a Railway Loan Application Act is passed by Parliament. Among the items of expenditure authorized by that Act is a sum (£90,000 in 1913-1914 and £66,375 in 1912) towards re-laying various lines with heavier rails and putting in additional sleepers and ballast to strengthen the tracks. The Committee was informed that where 80-lb. rails were laid in substitution of 60-lb. rails and the former cost, say, £1,200 per mile of track, one-fourth of that outlay, namely, £300 per mile, would be charged to capital account, and be paid out of funds available under the Loan Application Act, because the new rails were 20 lbs. per yard heavier, and consequently the track was so much stronger and a better asset. The 60-lb. serviceable rails so released were then sold to the Construction Branch at a price varying from time to time according to the state of the market for steel rails, and the balance of the cost of the heavier rails was charged to working expenses.

### THE PUBLIC ACCOUNT.

9. This account consists of revenue moneys, loan moneys, and trust funds. As revenue moneys are practically all required as they come in to carry on the expenses of government, and as the loan moneys are needed to enable various public works, such as railway construction, water works, &c., to be proceeded with, the £200,000 required under the Railways Advances Bill will practically have to be withdrawn from the Trust Funds. Mr. M. Minogue, Under-Treasurer, who gave evidence before the Committee, assured it that the sum stated could safely be issued from those funds for the period mentioned in the Bill, and that the withdrawal would not later on cause embarrassment to the Government.

### RATE OF INTEREST.

10. The Bill provides that the Railways Commissioners shall pay  $3\frac{1}{2}$  per cent. interest on this advance. If the Trust Funds, from which the money is to be practically obtained, remained in the banks in ordinary account the interest rate on the daily balance would be 1 per cent. If those moneys were lodged in the banks for a fixed term by the Trust Funds Trustees the interest under the existing agreement with the banks would be 3 per cent. Speaking generally, the moneys, if they remained in the Trust Funds, would earn partly 1 per cent. and partly 3 per cent.

11. Mr. Minogue was asked if, in view of the existing condition of the money market, the Commissioners should not be charged a higher rate of interest than  $3\frac{1}{2}$  per cent. His reply was that, while under the present abnormal times a higher rate might be thought justifiable, it is hoped that such conditions will not prevail for long, and to fix a higher rate, which would be operative during the next eight years, that being the period of the advance, would be unfair to the Commissioners. When questioned regarding an increase in the rate of interest, the Commissioners stated that if the rate were raised they would have to reconsider the question of re-laying lines with heavier rails to determine whether it would then be advantageous to the Department to proceed as rapidly with the work as the Construction Branch desired so that serviceable second-hand rails may be made available for new lines.

### RECOMMENDATION OF THE COMMITTEE.

12. The Committee, after hearing the evidence and views of those immediately concerned, came to the following conclusions:—

That the work of substituting heavy rails for light ones on the principal railway lines of Victoria should be continued at the rate intended by the Railways Commissioners.

Such work is essential, first, for the economical handling of the increasing traffic in passengers, goods, and live stock over such lines, and, next, to make serviceable second-hand 60-lb. and 66-lb. rails, having a life of from 20 to 30 years, available for the construction of branch railways at a price about £300 per mile of track less than the cost of new rails of that weight.

If these second-hand rails do not become available, then either the completion of country branch lines will have to be delayed—as the mileage of new 60-lb. rails in stock is very small—or new 75-lb. or 80-lb. rails, be used. As the weight of the latter rails is much in excess of the traffic requirements of the branch lines it would be a needless expense and an extravagant use of material to lay them on such lines.

The Public Account has on former occasions been drawn on for purposes similar to that contained in the Bill under the consideration of the House.

Practically the money desired (£200,000) is to be obtained from the Trust Funds, which, the Under-Treasurer said, could be safely drawn on to the amount stated and for the period mentioned in the Bill.

The Railways Commissioners will pay a higher rate of interest for the advance than would be earned by placing the money on fixed deposit with the banks under the agreement with them.

Although under present abnormal times a higher rate of interest than  $3\frac{1}{2}$  per cent. might be expected from the Commissioners, it must not be overlooked that the period of the advance is to be eight years, and it is hoped that long before then better conditions will prevail in the money market. In normal times a rate of  $3\frac{1}{2}$  or 4 per cent. would be reasonable. The transaction is between two branches of the Government Service, the Treasury and Railway Department, and it therefore cannot be said that the State as a whole is much affected. Nevertheless, it is desirable that in all financial dealings between Departments business conditions should prevail. As the re-laying of railway lines with heavier rails is essential for the economical handling of the increasing traffic, and also to allow the work of constructing country railways to be proceeded with without delay, the Committee thinks the rate of interest stated in the Bill is, under the circumstances, a reasonable one.

J. E. MACKEY,  
Chairman.

State Parliament House,  
Melbourne, 21st October, 1914.