

1917.

VICTORIA.

R E P O R T

FROM

**THE PARLIAMENTARY STANDING COMMITTEE
ON RAILWAYS**

ON THE

**FINANCIAL RESULTS OF THE GHERINGHAP
TO MAROONA RAILWAY,**

AND OF THE

TOCUMWAL EXTENSION.

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RAILWAYS STANDING COMMITTEE REPORT No. 5.—[6d.]—11370.

EXTRACTED FROM THE VOTES AND PROCEEDINGS OF THE
LEGISLATIVE ASSEMBLY.

THURSDAY, 21ST DECEMBER, 1916.

19. RAILWAY LINES—FINANCIAL RESULTS COMPARED WITH ESTIMATES OF REVENUE AND WORKING EXPENSES SUBMITTED BY RAILWAYS COMMISSIONERS.—Sir Alexander Peacock moved, pursuant to *amended* notice, That the question of the financial results of the following railways for each year since the date of their respective opening, as compared with the estimates of revenue and working expenses submitted by the Railways Commissioners, be referred to the Parliamentary Standing Committee on Railways for inquiry and report, namely:—

Beech Forest to Crowe's,
Gheringhap to Maroona,
Eltham to Hurst's Bridge,
Tocumwal Extension,
Alexandra-road to Alexandra, and
Any other Lines referred by the Governor in Council.

Debate ensued.

Question—put and resolved in the affirmative.

MEMBERS OF THE PARLIAMENTARY STANDING COMMITTEE ON RAILWAYS.

(*Eleventh Committee.*)

S. BARNES, Esq., M.L.A., Chairman ;

The Hon. J. W. Billson, M.L.A.,
The Hon. A. Hicks, M.L.C.,
The Hon. D. Melville, M.L.C.
(Vice-Chairman),

R. H. Solly, Esq., M.L.A.,
R. F. Toutcher, Esq., M.L.A.

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REPORT.

THE PARLIAMENTARY STANDING COMMITTEE ON RAILWAYS, to which the Legislative Assembly referred for inquiry the question of the financial results for each year since the date of opening of the Gheringhap to Maroona Railway, and of the Tocumwal Extension, as compared with the estimates of revenue and working expenses submitted by the Railways Commissioners to the Committee, has the honour to report as follows :—

GHERINGHAP TO MAROONA RAILWAY.

1. In 1909 the Committee had before it for consideration the question of constructing a broad-gauge railway across the Western Plains *viâ* Lismore to serve the country which had been for upwards of 50 years used for grazing purposes, and held during the greater part of that period in large estates. About ten years ago many thousands of acres of these privately-owned lands were subdivided, and either sold to farmers or made available to cultivators as tenants or on the share-farming system. It was considered that a lightly-constructed railway from Gheringhap through Inverleigh, Cressy, and Lismore to Parupa (now known as Westmere), on the east side of Lake Bolac, would meet the local requirements. It was estimated that this line, which would be $81\frac{1}{4}$ miles in length, could be built for £296,953, and that the rolling-stock required for the local traffic would cost £6,890 extra. The Traffic Officers of the Railway Department, who visited the district to estimate the revenue and working expenses of the proposed railway, stated that if the line obtained the usual passenger, parcels, and local live-stock traffic, and also had 7,500 tons of goods inwards, and 36,510 tons outwards, mostly agricultural produce, it would in the first year of operation show a profit of £51, provided "local" railway rates were charged for all passengers, goods, and live stock carried over the line. The total annual revenue, including £1,685, representing 40 per cent. of the freight paid for the carriage of new traffic over the old lines, was set down at £22,715, and the interest charges and working expenses were estimated at £22,664. (In 1914-15 the revenue actually derived from local traffic was £24,396, the outwards goods traffic that year being 32,704 tons, and the inwards 14,843 tons.)

2. When the Committee was considering this proposal Sir Thomas Tait, the then Chairman of the Railways Commissioners, came before it. He urged that the line be carried 20 miles beyond Parupa to Maroona, so as to make it a connecting line with the Ararat and Hamilton railway, and be built with heavy rails instead of a light railway, as the Commissioners desired to bring the wheat traffic from the Southern Mallee and Wimmera districts to the seaboard at Geelong or Melbourne by way of the Western Plains, in place of *viâ* Ballarat as hitherto. He pointed out that Ararat was only 1,028 feet above sea-level, whilst the summit of Warrenheip bank close to Ballarat was 1,723 feet. Not only would this unnecessary haul of goods up an elevation of 700 feet be saved, there being a continuous easy down grade from Ararat through Lismore and Cressy to Geelong, but the load of a standard locomotive was limited on sections of the Ballarat route to 270 tons, whilst on the Maroona-Gheringhap line the same engine could pull 500 tons. It was computed by the Department that about 500,000 tons (including the weight of the trucks), or about 300,000 freight-paying tons, would be transferred each year from the Ballarat to the Maroona-Gheringhap line if the proposal of the Railways Commissioners to make it a heavy main line instead of a light local railway was given effect to.

3. Mr. M. E. Kernot, Chief Engineer for Railway Construction, estimated that the Gheringhap-Maroon railway, if made a through line to carry heavy traffic, would cost £418,270, it being $100\frac{3}{4}$ miles in length. Against this increased expenditure of

£121,317, compared with the estimated cost of a light line from Gheringhap to Parupa to serve local requirements only, Sir Thomas Tait informed the Committee that if the connexion were not made with Maroona the Commissioners would have to incur a large outlay in enlarging the Ballarat station-yard, so as to accommodate the increasing grain and live-stock traffic from the Southern Mallee and Wimmera districts, and in providing more siding accommodation for crossing trains at other stations on the Ararat-Ballararat-Geelong line, and ultimately part of the railway between Ararat and Ballarat would have to be duplicated at considerable expense.

4. In consequence of these representations of the Railways Commissioners, and particularly their statement that they would each year divert 250,000 or 300,000 tons of paying freight from the Ballarat line to the Maroona-Gheringhap railway, the Committee recommended the construction of the latter connexion as a heavy line to carry the grain and live-stock traffic from the Southern Mallee and Wimmera districts to the seaboard at Geelong or Melbourne. It assumed the diversion of such a large tonnage meant that the Western Plains line would be credited with the revenue earned from the haulage of that traffic over it. Parliament indorsed that recommendation, authorizing towards the close of 1909 the construction of the Gheringhap to Maroona railway, at a cost of £418,270. The line was opened on 8th August, 1913, having cost £415,597.

FINANCIAL RESULTS OF THE GHERINGHAP TO MAROONA LINE.

5. Towards the end of 1915 the Railways Commissioners issued a balance-sheet of non-paying lines for the year 1914-15. Included in it was the Gheringhap to Maroona railway, which was represented as having caused a loss of £21,675 for that year. The members of the Railways Standing Committee considered there was something amiss with these figures, and on seeking further information were informed that the revenue credited to the line totalled £34,764, whilst the working expenses came to £39,540, leaving a loss of £4,776. When the interest charge, £16,899, was added the loss of £21,675, as stated by the Commissioners, was obtained.

6. As this financial result was so contrary to what the Committee had been led to expect from the estimates submitted in 1909 by the railways officers and from the evidence of Sir Thomas Tait given in that year, the members of the Committee brought the matter before the Legislative Assembly in 1916, and the House directed the Committee to investigate the causes of the large deficiency set forth in the balance-sheet for 1914-15, no statement of accounts for this line having been taken out by the Department for 1915-16.

7. The result of these inquiries showed the necessity for such an investigation, as it was found that the figures contained in the balance-sheet for 1914-15 were prepared on a wrong basis, the line being debited with its full working expenses, including the cost of haulage over it of the through traffic from the Southern Mallee and Wimmera districts, whilst it had not been credited with any share of the revenue arising from such traffic, the money being credited to the Ararat-Ballararat line, over which the grain, &c., never passed.

8. With regard to this unbusinesslike procedure the Department said:—"The apparent loss was due to the fact that it was not reasonably practicable to credit the line with the greater portion of the revenue due to it for the carriage of 'through' traffic. In explanation of the circumstances just mentioned, it may be said that it is the general practice to compute freight charges on the mileage for the shortest route by which goods can be hauled, and this practice was adopted in apportioning credit for 'through' traffic to the new line, *i.e.*, in cases where the distance *via* the new line was shorter (as from the Hamilton district to Geelong) the new line was credited with its mileage proportion of the revenue, but in cases where the mileage by another route was shorter (as from the Southern Mallee and Wimmera districts *via* Ballarat to Melbourne or Geelong) no credit was given to the new line, although the goods were hauled over it."

9. The Department further stated that "the bulk of the through traffic consisted of wheat, and it is known that the average haul of wheat from the Wimmera district was 200 miles, and the average rate 10s. 6d. per ton. The new line, therefore, on the tolled mileage basis (100 miles from Maroona to Gheringhap) would be entitled to be

credited with one-half of the revenue derived from all traffic carried over it, and as the rate for wheat is comparatively low it is safe to assume that after allowing for the comparatively small amount of 'through' revenue already credited to the line, a further credit based on, say, 100,000 tons at 5s. per ton, or £25,000, should be allowed. If this had been done the position would have been as follows:—

| | 1914-15. |
|--|----------|
| Revenue derived from local traffic | £24,396 |
| Revenue credited for a portion of 'through' traffic .. | 10,368 |
| Approximate revenue for 'through' traffic not credited | 25,000 |
| Total | £59,764 |
| Interest and working expenses | 56,439 |
| Gain | £3,325 " |

10. The Department added:—"The foregoing financial statement indicates that the Gheringhap-Maroonna line is a favorable proposition, and it might be added that if it had been reasonably practicable to give it credit for all the traffic hauled over it (both through and local) it is safe to assume that it would not have appeared in the list of non-paying lines." The Committee considers that if it were reasonably practicable to make an estimate in 1917 of the value of the through traffic from the Wimmera district passing over the line the same could have been done in 1915, when the balance-sheet of non-paying lines was issued by the Department. If this common-sense step had been taken the financial results of the Gheringhap-Maroonna railway would not have been misrepresented in 1915. The Committee is of opinion that as a line to meet local requirements this railway has been a profitable undertaking, and as a through connexion it has been more valuable to the Department than can be gathered from the now-admitted profit of £3,325 a year.

TOCUMWAL EXTENSION.

11. In 1904 the Railways Standing Committee recommended the construction of a railway $10\frac{1}{2}$ miles in length from Strathmerton to Tocumwal, a township on the New South Wales side of the River Murray. Owing to a delay in getting authority from the New South Wales Parliament to carry the railway across the river into Tocumwal that short extension of 2 miles was not built till 1908, and was opened for traffic on 9th July of that year. The main object of this line was to induce traffic from that portion of Riverina to find its way by rail to Melbourne, which is its geographical market and port, Tocumwal being but 156 miles from Melbourne, as compared with 465 from Sydney. It was also considered that this railway would enable Melbourne merchants to send their goods into that part of Riverina. When this short railway was recommended there was a line from Sydney, *via* Junee, Narrandera, and Jerilderie, to Finley—which is but 12 miles from Tocumwal—and it was foreseen that before long this line would also be extended to Tocumwal, thus linking up the New South Wales and Victorian railways and giving an alternative connexion between Sydney and Melbourne; the other route being by way of Albury. However, it was not till the 28th July, 1914, that the Finley-Tocumwal line was opened and this connexion of the two railway systems completed.

12. It was estimated at the time that the line from Strathmerton into Tocumwal township would cost £41,216, including the strengthening of the road bridge so as to carry the train. But as New South Wales was to contribute £10,864 towards that outlay, the cost of the railway to Victoria would be £30,351. On these figures the line was expected, if the ordinary railway rates and not "local" rates were charged, to show a profit of £470 a year, the revenue being put down at £3,024, including 40 per cent. from the carriage of new traffic over the old lines, whilst the interest charge and working expenses totalled £2,554, leaving a surplus of £470, which would be sufficient at 4 per cent. to cover the interest charge on the £10,864 outlay by New South Wales. The actual cost of this line to Victoria was £33,500, exclusive of rolling-stock but including half the sum paid for land for railway purposes at Tocumwal township.

FINANCIAL RESULTS OF THE TOCUMWAL EXTENSION.

13. Towards the end of 1915 the Railways Commissioners issued a balance-sheet showing that the Tocumwal extension had during 1914-15 resulted in a loss of £2,435, the revenue being only £776, whilst the working expenses and interest charges (exclusive of interest on £12,959 contributed by New South Wales) came to £3,211. It was also set forth in that balance-sheet that the other section of the line—Strathmerton towards Tocumwal—had also caused a loss of £1,103 in 1914-15. Here again the figures contained in that document differed so widely from the estimates of revenue and working expenses submitted by the Department when this connexion was under consideration in 1904 that the members of the Railways Standing Committee challenged their accuracy, especially as they knew that the linking up of the New South Wales and Victorian railways at Tocumwal in July, 1914, had largely increased the goods traffic, both outwards and inwards, over this connecting line. This caused the Legislative Assembly in 1916 to agree to a motion directing the Committee to inquire into the financial results of the Tocumwal extension. In February, 1917, the Department forwarded to the Committee a list of non-paying lines for 1915-16, in which the Tocumwal extension was represented as having caused a loss of £1,203 for that year.

14. The investigation has shown that although the Department in framing its estimate of revenue for the Tocumwal line in 1904 proposed to credit this extension with the net revenue arising from the carriage of any new traffic brought by it to old lines, and although the Secretary for Railways on the 27th August, 1906, forwarded to the Committee the financial results of the line between Strathmerton and Tocumwal for the year ended 30th June, 1906, in which the railway was credited with £3,200, being its share of the revenue from the new traffic it had brought to other railways, the Commissioners towards the close of 1908 directed that the Tocumwal line was not to be so credited in future. In this way a railway which had been officially reported to be a profitable undertaking was converted into an apparently losing concern. The Commissioners' reason for giving this direction was, so far as the Committee could ascertain, that the Act authorizing the Tocumwal railway stated that "local" railway rates were not to be charged on that line; and, consequently, the direction contained in section 4 of the *Railway Local Rates Act 1900* (No. 1695) that every new line was to be credited with the net revenue arising from the carriage over old lines of all new traffic brought to them by such new railway did not apply in this case.

15. Against this contention, which from a strictly legal aspect may be a correct ruling, the facts are that Mr. Charles Macaw, Traffic Officer, Victorian Railways, when giving evidence before the Committee in 1904 said:—"In view of the competition (New South Wales railway from Tocumwal to Sydney) likely to arise, I think that local rates should not be made to apply on this line, and I have based my statement (of revenue) on the 'through' rates in every instance." His statement of revenue was as follows:—"Estimated Annual Revenue—on the new line, £664; on other lines from new traffic from new line, £2,361." He was asked—"Are all your figures on the basis that the line goes across the bridge?" His reply was—"Yes; right into Tocumwal." The letter of the Secretary for Railways referred to in the preceding paragraph of this Report sent in 1906 by direction of the then Chairman of the Railways Commissioners contained this item of revenue:—

"Revenue credited to line in respect of traffic brought to other lines, *vide* section 4 of Act No. 1695—£3,200."

16. Moreover, the Act (No. 1958) authorizing the construction of the railway from Strathmerton towards Tocumwal allowed the Railways Commissioners to fix "special rates of fares for passengers and charges for the carriage of goods and live stock, in order to prevent a loss accruing to the Commissioners from the working of the said line"; and the Act (No. 2078) ratifying the agreement with New South Wales under which the line was extended across the Murray River into Tocumwal township contained a similar section. It is evident, therefore, that the Railways Commissioners were empowered to charge any rate they chose in excess of the ordinary through rate. They had the necessary legal authority to impose the usual "local" rate, or a higher rate

still if they thought fit. Clause 8 of the agreement said the Victorian Railway Commissioners "will have power to impose special rates between Tocumwal railway station and the south bank of the Murray." This was surely authority to charge a "local" rate.

17. Apart, however, from the legal aspect of the direction of the Commissioners, it is evident that the Department led Parliament and the Committee in 1904 to believe that the line would be credited with its fair share of the traffic it brought to the old lines, and this practice was followed until 1908, the railway during that period being shown by the Department to be a paying one. But from 1908 onwards, owing to the instructions given by the Commissioners in that year and carried out up to the present, the line has been represented to have caused an annual loss to the Department, notwithstanding the growth of traffic consequent on the linking up of the railway systems of the two States at Tocumwal.

18. In a statement recently forwarded by direction of the Railways Commissioners to the Committee it is shown that the Tocumwal extension was made to appear, through the omission of the credit for the carriage of its traffic over old lines, to have incurred the following losses :—

| | | |
|-----------|-----------|----------|
| 1913-14. | 1914-15. | 1915-16. |
| £1,493 .. | £2,436 .. | £1,203 |

But had the line been so credited it would have shown the following profits :—

| | | |
|------------|-----------|----------|
| 1913-14. | 1914-15. | 1915-16. |
| £10,340 .. | £8,509 .. | £7,513 |

19. The concluding paragraph in the statement summed up the position in these words :—"It seems to be clear that had the position in regard to the 40 per cent. credit (section 4, Act No. 1695) been understood, it is hardly likely that the Tocumwal extension would have been included in the list of lines the working of which was to be specially investigated." The Committee regards this as an admission that the line is a paying one.

20. In future, however, the Tocumwal extension should give even better financial results, as recently stock-trucking yards facilitating the removal of live stock from one railway system to the other have been erected at Tocumwal. This great convenience, including a good supply of water for the live stock whilst passing through the yards, cannot but have its effect on the revenue obtained from that traffic. Users of the railway assured the Committee that if steps were also taken to improve the means at that station for transferring goods from one gauge to the other the working expenses would be lessened, and larger loads, especially of wool, could then be placed on the Victorian trucks, thus causing less rolling-stock to be used for the same freight and reducing haulage costs.

VIEWS OF THE COMMITTEE.

21. The readiness with which the Railway Department supplied the Committee with information concerning the traffic over the foregoing lines and the peculiar book-keeping system adopted prevented any feeling being entertained that the Department had purposely misled Parliament regarding the true financial results of these railways. But, nevertheless, its action in issuing in 1915, without any accompanying explanation such as it has now given, a balance-sheet showing that the Gheringhap and Maroona railway and the Tocumwal extension had during 1914-15 caused large losses to the Victorian railway system had the effect of unjustly prejudicing those lines and also the work of the Committee in the eyes of the public.

22. Another wrong proceeding on the part of the Department was issuing a balance-sheet of non-paying lines covering the drought year of 1914-15, and ceasing with that abnormal season to give the annual financial results of such railways. In that year, owing to there being no harvest, there was practically no traffic over the Mallee and Northern Plains lines. But, in pursuance of the policy adopted by the Government in the early months of the war, trains were run as usual in those districts, so as "to keep the wheels of industry moving" and prevent the people becoming depressed. Since that failure of the crops there have been two bountiful seasons, which must

have converted many of the lines shown in the balance-sheet of 1914-15 as heavy losing undertakings into profitable railways, or nearly so. If this fact is borne in mind, and if the Gheringhap and Maroona line and the Tocumwal extension are removed from the list of non-paying lines—in which they ought never to have been placed—it will be found that the new railways are in reality a very small factor in the annual railway deficits, and that the main causes of our railways not paying their way must be sought in other directions than the new lines.

23. Neither must it be overlooked that these new lines have, on the recommendation of the Railways Commissioners, been deprived annually since July, 1914, of about £15,000 of revenue through the abolition of railway "local" rates, and that the Commissioners some years before 1914 insisted on charging broad-gauge rates for carriage of passengers, goods, and live stock over narrow-gauge lines, although the loads which can be hauled on the two gauges differ so largely.

24. It is safe to assume that if the £35,000 or £40,000 of revenue arising from the sale of Crown lands (most of which have been enhanced in value by the construction of railways) and each year placed to the credit of the Developmental Railways Account were handed over to the Railways Commissioners, as was promised by the Honorable the Treasurer in his Budget Speech in 1915, it would fully cover any annual losses resulting from the construction and operation of all the lines built on the recommendation of the Committee during the past 25 years.

SAMUEL BARNES,
Chairman.

Railways Standing Committee Room,
State Parliament House,
Melbourne, 11th September, 1917.