

1920.

VICTORIA.

ANNUAL REPORT OF THE GENERAL
MANAGER OF STATE COAL MINES

TO

THE HONORABLE S. BARNES, M.P.,
MINISTER FOR RAILWAYS FOR VICTORIA;

INCLUDING

THE STATE COAL MINES BALANCE-SHEET, AND STATEMENT OF
ACCOUNTS DULY AUDITED, ETC.,

FOR THE

YEAR 1919-20.

PRESENTED TO BOTH HOUSES OF PARLIAMENT IN PURSUANCE OF SECTION 93 OF THE COAL
MINES REGULATION ACT 1915.

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STATE COAL MINES, WONTHAGGI.

Wonthaggi, 19th October, 1920.

SIR,

In conformity with the provisions of the Coal Mines Regulation Act, No. 2630, I have the honour to submit to you, for presentation to Parliament, my Annual Report, together with the balance-sheet and statement of accounts covering the operations of the State Coal Mine at Wonthaggi, for the year ended 30th June, 1920.

FINANCIAL.

The working of the Mine for the year, excluding transactions which pertain to previous years, resulted in—

Revenue from coal won in 1919-20	£399,837	8	8
Working Expenses	£360,303	7	3
Interest on Capital	8,803	14	0
	369,107	1	3
Surplus, exclusive of provision for Sinking Fund and depreciation of assets	£30,730	7	5
Contribution to Sinking Fund	£6,236	0	0
Depreciation of assets (£30,000) less interest earned on investments in Depreciation Fund (£1,186 2s. 8d.)	28,813	17	4
	35,049	17	4
Loss in respect of the year 1919-20, after making the necessary provision as above	4,319	9	11

It will be seen by reference to the Profit and Loss Account that an amount of £25,382 was received in 1919-20 in respect of coal sold in former years, owing to an adjustment of the prices paid for such coal. When the management of the Mine was taken over by the Victorian Railways Commissioners, the principle was established that the payment for the coal sold to the Railway Department should be made on the basis of its equated value by comparison with the value of best Maitland coal, plus a preference for Victorian coal. During the years 1912-13 and 1913-14, the price paid for the State Mine coal was less than its value as ascertained in accordance with the principle above-mentioned, and as a loss of £20,083 had been brought forward from the previous year, and it was apparent that a loss would be incurred in respect of last year's working, the Commissioners, on my application, agreed to pay to the Mine the arrears due to it in respect of the coal supplied to the Railways and paid for at less than its equated value. This resulted in the payment of the sum of £25,382 above-mentioned, and including that payment, the financial position of the Mine at the 30th June, 1920, was that, after allowing ample provision for Sinking Fund and for Depreciation that had accrued up to that date, and after recouping the Consolidated Revenue an amount of £24,160, representing the emergency expenditure incurred in opening up the Mine, the operations to date show a credit balance of £979 18s. 11d., as under :—

Loss brought forward from previous years, as shown in the balance-sheet for 1918-19	£20,082	11	2
Loss for 1919-20, as above	4,319	9	11
	£24,402	1	1
Receipts in 1919-20 in respect of coal sold in former years, owing to an adjustment of the prices paid for such coal	25,382	0	0
Profit earned during the period from the opening of the Mine to 30th June, 1920, after allowing for contribution to the Sinking Fund, and all depreciation accrued to that date	£979	18	11

DEPRECIATION.

Including the provision for Depreciation for the financial year 1919-20, as above-mentioned, I estimate that the depreciation of the assets for the whole period from the opening of the Mine to the 30th June, 1920, is £237,954. This estimate, in my opinion, makes ample allowance for the whole of the depreciation which has accrued up to the 30th June, 1920, and such amount, less interest earned on investments in Depreciation Fund, has been provided by cash transferred from Mine Income Account to the credit of the Depreciation Fund.

SINKING FUND.

In accordance with the basis explained in my Report for the financial year ended 30th June, 1917, a contribution to the Sinking Fund of £6,236 is necessary in respect of the year 1919-20, to cover the provision required up to the 30th June last, and such provision has been made by transferring cash to that amount from the Mine Income Account to the credit of the Sinking Fund.

The amount of the "net surplus profits" arrived at on the basis prescribed by the Act has been allocated to the Sinking and Depreciation Funds as directed by the Act.

STATISTICAL.

The gross output for the year was 424,984 tons 13 cwt. 0 qrs., and the quantity disposed of was 401,537 tons 19 cwt. 3 qrs., the difference being accounted for by—

- (a) Local consumption, including coal sold to miners ;
(b) Allowances and waste.

The monthly consignments were as follows :—

1919.						tons	cwt.	qrs.
June, 19-30	..	..	..	..	..	13,318	16	3
July	..	..	..	..	..	31,352	8	3
August	..	..	..	..	..	31,015	10	3
September	..	..	..	..	..	32,846	19	2
October	..	..	..	..	..	34,280	13	1
November	..	..	..	..	..	35,593	18	0
December	..	..	..	..	..	26,590	1	2
1920.								
January	..	..	..	..	..	28,247	5	3
February	..	..	..	..	..	31,348	10	0
March	..	..	..	..	..	37,168	17	0
April	..	..	..	..	..	29,145	0	1
May	..	..	..	..	..	37,205	3	0
June	..	..	..	..	..	33,424	15	1
						401,537	19	3

The coal was disposed of in the following grades :—

Screened	..	..	..	..	..	236,808	10	1
Run-of-mine	..	..	..	..	..	7,389	17	3
Slack	..	..	..	..	..	157,339	11	3
						401,537	19	3

and sales were made as under :—

—	Screened.			Run-of-mine.			Slack.			Total.		
	tons	cwt.	qrs.	tons	cwt.	qrs.	tons	cwt.	qrs.	tons	cwt.	qrs.
Sold to Railway Department	197,052	13	2	7,389	17	3	49,850	18	1	254,293	9	2
Sold to Railway Department from thin seams	24,610	16	0	..	..	..	..	..	..	24,610	16	0
Sold to Public Departments	14,878	16	1	..	..	..	1,147	0	1	16,025	16	2
Sold to the General Public	266	4	2	..	..	..	106,341	13	1	106,607	17	3
	236,808	10	1	7,389	17	3	157,339	11	3	401,537	19	3

After carefully considering the factors likely to influence the output in the year under review, I estimated that an output of 490,000 tons would be obtained between the 1st July, 1919, and the 30th June, 1920, but the yield fell short of my estimate by 65,015 tons, though the actual output was 81,667 tons more than the quantity mined in the previous year.

The deficiency in the output, as compared with the estimate, is accounted for principally by the undermentioned causes :—

	Approximate effect, loss of output. Tons.
Strikes and the like	21,000
Reduction in output owing to "darg"	1,200
Loss of four days in connexion with three fatal accidents ..	7,000
Peace Day, and holiday celebrating arrival of His Royal Highness the Prince of Wales—two days	3,300
Time lost owing to breakages of machinery	3,500
Flooding of the Mine	1,600
Stoppages occasioned by shortage of railway waggons ..	3,900
Reduction in output per miner per shift, No. 3 bench, McBride Tunnel	5,200
Reduction in output per miner per shift, North Shaft Seam, No. 10 pit	3,700
	50,400

The output was also affected by variations in mining conditions, unforeseen difficulties in working, and a continued scarcity of efficient mine labour.

Absenteeism, occasioned by an epidemic of colds, was also not without its effect upon the output.

The average number of employees throughout the year was 1,390, comprising :—

Coal miners	537
Wheelers	155
Others below ground	344
Surface men	354
	1,390

The additional labour employed below ground was chiefly the result of the further development which enabled us to increase our complement of miners.

The increased output necessitated an increase in the number of employees engaged on the surface, and this number was augmented by the fact that the sinking of No. 14 Air Shaft was undertaken, and erection and equipment at the Station Area and Eastern Area pits was expedited.

I regret to report the occurrence of three fatal accidents during the year.

SELLING PRICE OF COAL.

The prices received at the Mine for coal supplied for the financial year ended 30th June 1920, were as under :—

	Screened.	Screened from thin Seams.	Run-of-Mine.	Slack.
	Per ton. <i>s. d.</i>	Per ton. <i>s. d.</i>	Per ton. <i>s. d.</i>	Per ton. <i>s. d.</i>
To Railway Department	18 4	21 8	17 8	16 8
To other Public Departments	21 8	..	..	19 6
To the General Public	21 8	..	..	19 6

During the year under review, screened coal was not available for sale to the general public, but 266 tons approximately were sold in Wonthaggi.

The Railway Department continued to find it profitable to take the whole of the output of screened coal, and to pay for that portion mined from the thin seams at a rate based upon the cost of extraction; as in the absence of shipping, the Department was forced to continue the overlanding of coal from New South Wales, and it was found to be more economical to purchase State Mine thin seam coal at 21s. 8d. per ton than to allow the quantity available from the thin seams to be supplied to the general public, and for the Department to obtain an equal quantity overland from New South Wales.

The prices paid by the Railway Department for screened (exclusive of thin seam coal), run-of-mine coal, and slack coal supplied to it by the State Coal Mine, were again fixed on the basis explained in my Report for the year ended 30th June, 1918.

LABOUR.

The order of the Acting Prime Minister (*Commonwealth Gazette* No. 77, 19th June, 1919), as applied to the working agreement of 6th March, 1916, operated throughout the year, and the wages and piece work rates of all employees were governed by such Order, which was to have continued in force up to and inclusive of the 30th December, 1920, but which was varied in September of the present year in the circumstances hereinafter mentioned.

Net earnings of contract miners, after deducting the cost of explosives :—

Financial year 1913-14	..	..	..	..	13s. 11.49d.
Financial year 1914-15	..	..	..	..	13s. 11.64d.
Financial year 1915-16	..	..	..	..	14s. 6.16d.
Financial year 1916-17	..	..	..	..	16s. 2.10d.
Financial year 1917-18	..	..	..	..	17s. 7.56d.
Financial year 1918-19	..	..	..	..	17s. 10.01d.
Financial year 1919-20	..	..	..	..	20s. 5.19d.

The averages quoted above have been taken over the whole of the employees employed, and include those who worked one or two shifts only. The net average earnings of contract miners who worked throughout the year (after deducting the cost of explosives) was 22s. 11d. per shift.

The amounts paid in wages during the past seven years are shown hereunder :—

Financial year 1913-14	..	..	..	£158,812	0	10
Financial year 1914-15	..	..	..	178,049	3	10
Financial year 1915-16	..	..	..	159,026	18	7
Financial year 1916-17	..	..	..	197,694	4	9
Financial year 1917-18	..	..	..	228,506	6	8
Financial year 1918-19	..	..	..	242,530	9	8
Financial year 1919-20	..	..	..	322,563	4	4

The Mine lost thirteen days owing to strikes and the like, and the employees absented themselves for four days in connexion with the three fatal accidents previously referred to.

BORING.

During the year three boring plants have been constantly at work. Fifty-eight bores were completed and three were in progress at the 30th June, and an aggregate of 28,000 feet of boring was accomplished. Two of the bores were put down at the instance of the Mines Department for testing the Powlett North Woolamai Company's lease.

McBride Tunnel Area.—Seventeen bores were put down for the purpose of closer boring, two for pumping purposes; and one in connexion with the sinking of the Air Shaft to No. 4 bench.

Northern Area.—Thirteen bores were put down in the district between the Northern limit of the McBride Tunnel Area and the Powlett River. These bores proved the existence of coal of payable thickness, but the area appears to be dislocated by several large faults. Boring with two plants is still in progress.

Eastern Area.—Six bores were put down in the northern part of this area, but in each case broken ground necessitated abandoning the bores before definite results were obtained.

Thirteen bores have been sunk to determine the southern limit of Nos. 3 and 4 benches; six to locate a suitable site for the proposed shaft to No. 4 bench; and one (which was in progress at 30th June, 1920) in connexion with the sinking of the Air Shaft to No. 3 bench.

Summarizing the results of the boring operations for the year, I have come to the conclusion that I am not warranted in making any material alteration in last year's estimate. I then estimated that in the State Mine Area there remained about 16,150,000 tons available for extraction. The output for the year amounted to approximately 425,000 tons; thus, on the basis of my last year's estimate, there would still remain for extraction 15,725,000 tons.

I have during the year prepared very careful estimates of the gross tonnage of coal in the three principal areas of the Mine, viz.: the Central, McBride Tunnel, and Eastern Areas, and I now estimate the reserve of coal in the State Mine Area at 15,600,000 tons. In this estimate I have not included either the Western Area or the Northern Area, as each of these areas would require separate workings, and owing to the nature of the seam and to the existence of heavy faults, it is doubtful if, in present circumstances, these areas could be profitably worked.

NOS. 9 AND 10 PITS.

The output from these pits is about 500 tons per day, as against 650 tons per day last year. The decrease is due chiefly to the work of pillar extraction in No. 9 pit having been practically completed.

A connexion was made between Nos. 9 and 10 shafts, and the coal from No. 9 is now being drawn through No. 10 shaft. A stone drive was driven from the extension dip section to a new area, which gives promise of satisfactory results.

The overhead gear at No. 9 shaft has been dismantled, and removed to McBride Tunnel Air Shaft.

The total output drawn from No. 9 pit before its amalgamation was 975,896 tons.

MCBRIDÉ TUNNEL.

The output from this pit is now about 870 tons per day. Operations in No. 3 bench are making good progress. A 60-foot fault on the west side of this bench has been cut, and working places are being opened out on the opposite side in good coal. The development of No. 4 bench was retarded somewhat, owing to ventilation difficulties.

The Air Shaft referred to in my last report is now being sunk to ventilate both Nos. 3 and 4 benches, and is within 50 feet of No. 3 bench. On the completion of this shaft, and the erection of the necessary ventilating plant, there will be a considerable increase in the output from these sections.

Two endless jigs have been installed in No. 3 bench. The stone drive back heading connecting Nos. 3 and 4 benches has been completed.

The output from No. 2 bench has slightly decreased on account of the fact that the extraction of pillars is nearing completion.

The output per miner per shift at No. 1 bench has been unsatisfactory, but it now shows signs of improvement.

EASTERN AREA.

The development of the No. 3 bench has proceeded satisfactorily, and coal is being mined on the longwall system, with good results. The main headings which were pushed ahead with all speed are now within a few chains of the new air shaft site. The output is approximately 350 tons per day, and this will be largely increased when the new shaft (preparations for the sinking of which are now in progress) is completed.

A branch main and tail rope haulage system has been installed.

On the surface new and commodious change rooms, drying rooms and bath rooms have been erected for the use and convenience of employees.

STATION AREA.

This area has continued to give good results, and is developing satisfactorily.

The output has now reached the maximum per day for which the plant and workings were designed, viz. :—200 tons.

The main heading has reached a fault running across the area, and a stone drive is being driven to the coal beyond.

During the year a new fan was installed at this pit.

ELECTRICAL PLANT.

The main generating station and the sub-stations have continued in successful operation throughout the year.

The output from the Power House was approximately $4\frac{3}{4}$ million units, as against $4\frac{1}{4}$ million units the previous year.

WORKSHOPS.

During the year the whole of the repair work has been carried out in the Mine workshops. A considerable amount of new work was also successfully performed, viz. : the construction of winches, pumps, fans, and a large number of coal skips. At present there is under construction a haulage-engine of 120 horse-power, which is to be installed at the Eastern Area.

COAL-CUTTING MACHINES.

Though I hoped to utilize these machines at the Eastern Area, further development has shown that they are unnecessary, owing to the free-getting nature of the coal. As a consequence, the machines have been withdrawn, and there are now no machines in operation upon the Mine.

GENERAL.

As hereinbefore mentioned, the wages of all employees were increased as from the 5th June, 1919, by 15 per cent. under the provisions of the Order of the Acting Prime Minister, issued by authority of the War Precautions (Coal) Regulations, and this increase in wages was the principal factor in the increase amounting to 1s. 10d. in the cost per ton for extraction.

During recent years the prices charged for coal sold have not kept pace with the increased cost of extraction, and consequently the Mine has operated at a loss, which, in the financial year covered by this Report, amounted to £4,319 9s. 11d.

As I have explained in previous reports, the prices paid by the Railway Department for screened (exclusive of thin seam coal) and run-of-mine coal are based on the relative value of State Mine coal compared with first grade Maitland coal sea-borne, plus a preference for Victorian coal. In certain years prior to 1st July, 1917, the price paid was, as is mentioned hereinbefore, less than that which should have been paid on the basis referred to above, but an adjustment has been made in this year's accounts, and an amount of £25,382, representing the arrears due on that account was received from the Railway Department, and the financial result of the operations to date is a credit balance of £979 18s. 11d. These results demonstrate that the State Mine is a payable commercial enterprise, and that in it the State possesses a valuable asset.

It will have been observed that industrial disputes occurred during the year, and on this account thirteen days were lost, and the output was affected to the extent of 21,000 tons; and as overhead expenses are not reducible in proportion to output, it is obvious that the loss in output from this cause again had the effect of increasing the cost of production.

The total quantity of coal produced at the State Coal Mine since its inception some eleven years ago, amounts to approximately 4,500,000 tons, and this has affected the prosperity of Victoria by keeping cash to the extent of about £2,650,000 sterling for circulation within this State which would otherwise have been paid away in support of industries outside the State.

Although the wages of all employees were increased in June last, in the circumstances mentioned above, and the Order granting such increases was intended to have effect up to and inclusive of the 31st December, 1920, the representatives of the employees approached the Prime Minister in July last, and intimated that there was a prospect of further industrial turmoil in the coal mining industry unless substantial increases in wages and piece-work rates were immediately granted.

After considerable negotiation, a tribunal was established under the provisions of the *Industrial Peace Act 1920*. This tribunal granted, as far as Victoria is concerned, an increase of 30 per cent. in the minimum wage for adult offhand labour, and ordered that all other wage margins should be maintained. It also increased the piece-work rates by 17½ per cent., both increases to operate from 27th September, 1920.

The increases in wages and piece work rates have had the effect of increasing the minimum wage for offhand labour by 95 per cent., and piece-work rates by approximately 80 per cent., as compared with wages and piece-work rates paid as at the 1st July, 1914.

The minimum rate of wage is now 16s. 6d. per day in the coal mines of Australia, but prior to the issue of this last Award, the minimum wage was 12s. 9d. per day in Victoria, as against 13s. 6d. per day in New South Wales, the difference being accounted for by the fact that, while employment in the coal mines of New South Wales was intermittent, it was continuous in Victoria. The Australasian Coal and Shale Employees' Federation pressed for a uniform minimum wage for Australia, and as the intermittent nature of employment in coal mines in New South Wales was taken into consideration by the Chairman of the Coal Industry Special Tribunal in fixing a minimum wage of 16s. 6d. per day, Victorian mines were penalized on account of conditions of trade existing in New South Wales but absent here.

I have the honour to be,

Sir,

Your obedient servant,

GEO. H. BROOME,
General Manager.

The Honorable S. Barnes,
Minister for Railways, Melbourne.

STATE COAL MINE, WONTHAGGI.

WORKING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1920.

1920.	£	s.	d.	£	s.	d.	1920.	£	s.	d.
June 30.							June 30.			
To Working Expenses, including Salaries of £300 and over	359,475	4	11				By Sale of Coal	396,359	14	10
Interest	8,803	14	0				Sundry Receipts	3,477	13	10
Owners' Contribution to Accident Fund	828	2	4							
				369,107	1	3				
Balance carried to Profit and Loss Account				30,730	7	5				
				<u>£399,837</u>	<u>8</u>	<u>8</u>				<u>£399,837</u>
										<u>8</u>

PROFIT AND LOSS ACCOUNT.

1920.	£	s.	d.	£	s.	d.	1920.	£	s.	d.
June 30.							June 30.			
To Balance (loss) brought forward from previous year				20,082	11	2	By Balance from Working Account	30,730	7	5
Sinking Fund Account				6,236	0	0	Receipts in 1919-20 in respect of coal sold in former years. owing to an adjustment of the prices paid for such coal	25,382	0	0
Depreciation accrued for year	30,000	0	0							
Less Interest earned during the year on the investments of the Depreciation Fund	1,186	2	8							
				28,813	17	4				
Depreciation Fund Account				979	18	11				
				<u>£56,112</u>	<u>7</u>	<u>5</u>				<u>£56,112</u>
										<u>7</u>
										<u>5</u>

The Accounts have been examined with the books with which they agree. The balance-sheet is a correct statement of the position of the mine at the 30th June, 1920. The certificate of the General Manager has been accepted for the stores on hand.

GEO. FALLOON,
Accountant, State Coal Mine,
27th October, 1920

J. A. NORRIS,
Auditor-General,
27th October, 1920.

GEO. H. BROOME,
General Manager, State Coal Mines,
27th October, 1920.

