

1931.

VICTORIA.

REPORT

FROM

THE PARLIAMENTARY STANDING COMMITTEE
ON RAILWAYS

ON THE

COLAC—CROWES NON-PAYING RAILWAY LINE;

TOGETHER WITH

MINUTES OF EVIDENCE AND MAP.

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RAILWAYS STANDING COMMITTEE REPORT NO. 3.—[1s.]—4723.

REPORT.

THE PARLIAMENTARY STANDING COMMITTEE ON RAILWAYS, to which the Legislative Assembly referred the matter of inquiring into any changes that might with advantage be made in connexion with the operation of the non-paying railway line from Colac to Crowes, has the honour to report as follows :—

DESCRIPTION OF DISTRICT.

1. The Beech Forest and Crowes narrow-gauge railway line junctions with the main broad-gauge system at Colac, 95½ miles from Melbourne. The line was opened from Colac to Beech Forest, 29½ miles, on 1st March, 1902, and from there to Crowes, a further 14½ miles, on 20th June, 1911. Beech Forest is the principal township along the line, having a population of about 300 people, mostly engaged in timber-cutting or mixed farming. The soil is of a heavy nature and good quality, and though the climate is cold in winter the district produces excellent crops of potatoes and provides good returns from dairying. The cream was until recently conveyed to the Colac Butter Factory almost wholly by train, but consequent upon a reduced time-table, an average quantity of nearly 2 tons of cream is now despatched weekly by road from the section between Beech Forest and Crowes. In the past there has been much activity in connexion with the supply of timber for piles, poles and posts, and for general building purposes. Latterly, however, owing to the combined causes of the timber areas becoming cut out, and the general industrial depression, the falling off in the timber traffic has been very marked.

2. There has also within the last year or two been a movement to reserve certain portions of the Otway Ranges from settlement, using the area as a watershed and storage for supplying water to the more important Western District towns, commencing at Geelong. This has created a feeling of uncertainty as to the actual territory likely to be so required, and resulted in a less area being placed under cultivation than would otherwise be the case.

RECOMMENDATION FOR THE CONSTRUCTION OF THE LINE.

3. In 1898 the Railways Standing Committee recommended the construction of this narrow-gauge (2 ft. 6 in.) line from Colac to Beech Forest at a cost not exceeding £60,000, . . . "and provided further that special rates be charged on the railway until the annual revenue is sufficient to cover the working expenses and interest at 3½ per cent. per annum on the cost of construction." These "special" rates, which were in excess of the "local" railway rates, then in operation on new lines, were, however, never imposed, "local" rates only being charged by direction of the then Railways Commissioner. After the line had been opened a few months the ordinary broad-gauge rates were substituted for "local" rates in respect to timber and firewood, resulting in a lessened revenue from this traffic.

4. The line was recommended as a narrow-gauge proposal, because of the hilly nature of the country, especially beyond Gellibrand, rendering broad-gauge construction exceedingly costly, the estimate for a broad-gauge line in 1890 being £252,000, as compared with the actual cost of £69,000 in 1898 for the narrow-gauge line to Beech Forest. In a previous report of the Committee on this matter it is stated that—

"Sir Thomas Tait, when giving evidence before a South Australian Commission at Melbourne on 29th June, 1909, on the question of narrow-gauge railways, said he considered a narrow-gauge line to Beech Forest was justified. Mr. C. E. Norman, Chairman of the Victorian Railways Commissioners, when appearing recently before this Commission said—'My opinion is that there are very few places in a State like Victoria where narrow-gauge lines would be justified, but the Beech Forest to Crowes district is one where such a line is justified.'"

RESULTS OF WORKING SINCE OPENING.

5. The financial results arising from the operation of the Colac-Beech Forest section for the period 1903 to 1911 were as under, viz. :—

Year.					Amount of Loss.
					£
Year ended 30th June, 1903	..	..	..	..	3,645
" " 1904	..	..	..	..	3,252
" " 1905	..	..	..	..	2,153
" " 1906	..	..	..	..	2,196
" " 1907	..	..	..	..	2,340
" " 1908	..	..	..	..	2,051
" " 1909	..	..	..	..	2,209
" " 1910	..	..	..	..	1,744
" " 1911	..	..	..	..	1,658

In 1911 the line was opened through to Crowes, and for the whole section, Colac to Crowes, the losses since then have been—

Year.					Amount of Loss.
					£
Year ended 30th June, 1912	..	..	..	..	6,190
" " 1913	..	..	..	..	7,632
" " 1914	..	..	..	..	7,578
" " 1915	..	..	..	..	10,785
" " 1916	..	..	..	..	8,918
" " 1917	..	..	..	..	10,247
Eight months ended 28th February, 1918	..	..	..	..	5,218
Year ended 28th February, 1919	..	..	..	..	6,311
" " 1920	..	..	..	..	7,904
" " 1921	..	..	..	..	8,274
" " 1922	..	..	..	..	11,440
" " 1923	..	..	..	..	11,858
" " 1924	..	..	..	..	13,058
" " 1925	..	..	..	..	13,261
" " 1926	..	..	..	..	17,119
" " 1927	..	..	..	..	14,373
" " 1928	..	..	..	..	15,267
" " 1929	..	..	..	..	13,320
" " 1930	..	..	..	..	11,258

6. The first claim of the Commissioners upon the Treasury for a reimbursement of losses in connexion with non-paying lines was made in 1918, and the detailed figures as to revenue, working expenses, &c., since that time on the full section from Colac to Crowes are as follow, viz. :—

Line.	Period Ending 28th February—	Loss.	Revenue.	Working Expenses.	Interest Charge.	Traffic Train Miles.
Colac-Crowes : 43.56 miles. Construction Cost per mile, £2,848 ; total, £124,061. Estimated Loss first year of operation, £3,016.						
		£	£	£	£	
	*1918	5,218	9,782	10,696	4,304	32,301
	1919	6,311	16,536	16,388	6,459	53,783
	1920	7,904	16,790	18,232	6,462	54,347
	1921	8,274	22,990	24,795	6,469	42,351
	1922	11,440	23,082	28,030	6,492	52,097
	1923	11,858	23,877	29,196	6,539	53,475
	1924	13,058	24,888	31,337	6,559	57,727
	1925	13,261	24,587	31,288	6,560	56,678
	1926	17,119	23,943	34,401	6,661	64,232
	1927	14,373	23,285	30,990	6,668	49,920
	1928	15,267	23,027	31,623	6,671	54,207
	1929	13,320	18,207	24,857	6,670	35,793
	1930	11,258	16,436	19,825	7,869	29,551
	Total for period	148,661	267,480	331,708	84,383	636,462
	† Annual average	11,953	21,470	26,751	6,673	50,347

* For 1918 the period was eight months only ; in each other case the period was twelve months.

† The annual average is calculated on the complete years only, excluding the commencing period of less than twelve months.

VARIATIONS IN OPERATING COSTS.

7. The working expenses of the line have varied to only a slight extent since 1922, when they were £28,030, the fluctuations being mainly due to the rise and fall of train miles run. For instance, there was a rise of £3,113 in 1925-6, as compared with the previous year, concurrently with an increase of 7,554 train miles, and a reduction of £6,766 in 1928-9, with a decline of 18,414 train miles. For 1929-30 there was a further fall of £5,032 in working expenses, and of 6,242 in the number of train miles run.

8. With a view to effecting a reduction in the number of train miles, the Railways Commissioners imported and put into operation on 1st June, 1926, a Garratt type of locomotive which, being constructed with the boiler suspended between two tenders, allows for a material increase in the size of the boiler as compared with the ordinary type of engine, and consequently in the hauling capacity of the locomotive. The goods train load schedule for the section from Colac to Gellibrand, for instance, is 85 tons for the ordinary narrow-gauge engine, but 200 tons for the Garratt engine. The number of vehicles permitted on the train is also increased from fourteen to twenty. Similarly on the section Gellibrand-Beech Forest the goods loading for the narrow-gauge engine is 70 tons, as compared with 140 tons for the Garratt type. The load hauled is on the average a little more than doubled with the newer locomotive. The operating results, however, have not been as good as could be desired, principally because sufficient loading has not been available to enable full advantage to be taken of the stronger locomotives.

9. The following statement shows the extent of the reduction in the train mileage since the introduction of the Garratt engine, viz. :—

Year.	Ton Mileage.	+ Increase or - Decrease as compared with 1925-26.	Train Miles Run.	Decrease as compared with 1925-26.
		%		%
1925-26	4,787,908	..	64,232	..
1926-27	4,621,280	3·5 —	49,920	22·3
1927-28	4,917,035	2·7 +	54,207	15·6
1928-29	3,096,619	35·3 —	35,793	44·3
1929-30	2,491,033	48·0 —	29,551	53·9

An analysis of the traffic in November, 1930 (which is typical of the present traffic) showed that a total of 2,053 gross tons was hauled in the "Up" or ruling grade direction between Beech Forest and Colac by the Garratt engine in eleven trips, and 745 tons from Crowes to Beech Forest in four trips. With the narrow-gauge engines nineteen trips between Beech Forest and Colac and seven between Crowes and Beech Forest would have been necessary to clear the loading.

10. Of the two Garratt engines imported in 1926, one was placed in use on the Moe-Walhalla line, and the other on the Colac-Crowes line. The Railways Commissioners state that the savings brought about by the Garratt engines employed on these lines have been as follow, viz. :—

Period.	Net Annual Saving, Crowes Line.	Net Annual Saving, Walhalla Line.
	£	£
Nine-monthly period, 1926-27	3,390	2,010
Twelve-monthly period, 1927-28	4,945	2,620
" " " 1928-29	3,380	2,640
" " " 1929-30	1,760	1,610
Total net savings	13,475	8,880

11. The lesser saving in recent years is accounted for by the decline in traffic and the consequent difficulty in obtaining full train loads. The superiority of the Garratt locomotive over the older type is its greater hauling capacity, and obviously on partial train loads there is not the scope for savings that there is with a large volume of traffic. During the month of November, 1930, however, despite a serious falling off in traffic within the last twelve months, the load hauled by the Garratt locomotive was greater than that which could have been hauled by the narrow-gauge engine on 20 out of the 22 trips run between Colac and Beech Forest, and on all the trips run (eight) between Beech Forest and Crowes.

12. The average cost per train mile for the Garratt engine was 9s. 11d. as compared with 7s. 3d. for narrow-gauge engines; but, owing to the much greater load with the Garratt train, the cost per 100 ton-miles was only 7s. 3d. with the Garratt engine as compared with 10s. 3d. with the narrow-gauge engine. Incidentally the relatively high costs of operating these narrow-gauge lines will be appreciated when it is remembered that the cost per train mile for the Sydney Express is only 8s. 2d. Passenger trains on such a run as that between Melbourne and Ballarat average only 5s. 2d. per train mile. On the Gembrook line, with ordinary narrow-gauge engines, the average cost per train mile for all services is 8s. 8d.

13. Other important variations in working expenses were brought about by savings in Transportation Branch costs, there being a reduction due to the lessening of staff employed on the line from £6,580 in 1925-6 to £2,202 for 1929-30. This item is further dealt with under the heading of "Recent and Proposed Economies." The stationmasters were withdrawn from Gellibrand and from Beech Forest in October, 1929, and also a caretaker from Crowes, the terminus of the line. The Rolling Stock Branch expenditure also decreased from £17,645 in 1927-8 to £12,522 for the succeeding year, and to £10,292 last year. This Branch, however, showed a material advance in expenditure in comparison with earlier years, the figures for 1919-20 being £9,056 and for 1920-21 £12,886. These rising costs were stated by the Commissioners to be due to a wage increase of 2s. 9d. per day as from 1st July, 1919, and a further 1s. 9d. from 1st January, 1921. In addition, the price of coal increased from 27s. 7d. per ton in 1919-20 to 33s. 4d. in 1921-22.

14. The Way and Works Branch expenditure fell in 1929-30 from £8,450 to £6,688, the decrease being mainly due to a reduction in the track force by two gangers and two repairers, consequent upon the motorization of the lengths. There was also less relaying and re-sleeping carried out in the latter year, and less expenditure on culverts and bridges. The decreases in the number of train miles have usually been concurrent with reductions in Rolling-stock Branch expenditure, and also with the total expenditure on the line.

REVENUE FLUCTUATIONS.

15. The revenue of the line is made up of its mileage proportion of outward and inward freights and fares, plus 40 per cent. of the mileage proportion allotted to other lines in respect of outward traffic only originating on this line. There was an increase of £6,200 from 1920 to 1921, making the total for the latter year £22,990. This figure remained about the average revenue for each year then until 1929, when it fell to £18,207, and 1930, when there was a further decline to £16,436. This substantial increase during the period 1921 to 1928, in comparison with 1920, was due partly to increases in fares and rates (for example, 15 per cent. on 17th May, 1920, 18 per cent. on 1st January, 1921, and 30 per cent. on road metal, &c., on 15th September, 1926), and partly to an increase in the volume of goods traffic.

16. During the last few years, however, there has been a steady decline in the timber industry of the district. In 1922, for instance, there were twelve timber mills working full time between Beech Forest and Crowes, while at the present time there are only three working to a limited extent. The general depression has, of course, resulted in a very serious diminution in orders for building and other timbers, and it is difficult to forecast when an improvement may be expected in this traffic. The following are some typical instances of the decline in revenue from stations on the line, the cause in each instance being the cutting out of the timber supplies. Comparing the years ending 28th February, 1926, and 1930, at Wyelangta the revenue fell from £4,566 to £745, Kincaid from £1,990 to £24, and Macknott from £2,110 to £311.

17. For the period 1926 to 1930 also there was a substantial traffic in road metal, which is carried at very low rates. The following table shows the quantity conveyed from Colac to the Crowes line (mainly to Beech Forest, Ferguson, Weeaprounah, and Lavers Hill), viz. :—

Year ended 30th June,					Tons.
1926	..	..	..	..	14,500
"	"	1927	..	..	8,000
"	"	1928	..	..	14,000
"	"	1929	..	..	500
"	"	1930	..	..	1,750

Prior to 1926 the rate on road metal from Colac to Beech Forest (29½ miles) was 2s. 6d. per ton, and to Lavers Hill (42 miles), 2s. 9d. per ton, an increase of 3d. per ton for an additional 12½ miles. The latter rate was raised from 2s. 9d. to 3s. 7d. between 15th September, 1926, and 7th March, 1928, when it was further increased to the present rate of 5s. 10d. per ton.

18. With respect also to the traffic in piles, the Commissioners stated in evidence that, having regard to the special trucks required and the limited loading possible, it was considered that this traffic would not be remunerative to the Department. Beech Forest is $124\frac{3}{4}$ miles from Melbourne, and the freight per ton on ordinary hardwood in truck loads is 13s. 8d. per ton, plus 7d. per ton transfer charge at Colac, this freight representing approximately $1\frac{1}{3}$ d. per ton mile.

RECENT AND PROPOSED ECONOMIES.

19. Prior to 21st October, 1929, the service on the line consisted of a daily mixed train between Colac and Beech Forest, and a train on four days a week between Beech Forest and Crowes. From October, 1929, until September, 1930, the train service consisted of three mixed trains weekly in each direction between Colac and Crowes, and one goods train with car attached weekly between Colac and Gellibrand. On the latter date the service between Beech Forest and Crowes was reduced to two mixed trains weekly, and on 20th October, 1930, to one mixed train weekly. The reduction to three trains weekly made a substantial saving in train mileage, while that effected in September, 1930, will be reflected in later figures not yet available. The train mileage run since 1926 has been as under :—

Year ended 30th June, 1926	..	..	..	..	64,232
" " 1927	..	..	..	..	49,920
" " 1928	..	..	..	..	54,207
" " 1929	..	..	..	..	35,793
" " 1930	..	..	..	..	29,551

20. Substantial savings have been effected in the Transportation Branch costs, which were £6,580 in 1926, £4,173 in 1928, and £2,202 in 1930. It was explained by the Commissioners that the amount of £6,580 included £2,005 for the cost of transfer work at Colac. In subsequent years the transfer charges have been excluded from the non-paying line statements. Apart from this alteration of practice, there were reductions in the staff employed on the line to the following extent, viz. :—

Barongarook	..	Operating porter withdrawn	..	..	24.1.27
Wyelangta]	..	Operating porter replaced by caretaker	..	..	1.3.27
" "	..	Caretaker withdrawn	..	..	11.6.28
Crowes ..	..	Operating porter withdrawn	..	..	24.12.28
" "	..	Caretaker withdrawn	..	..	21.10.29
Beech Forest	..	Goods guard withdrawn	..	..	14.5.28
" "	..	Stationmaster withdrawn	..	..	21.10.29
Gellibrand	..	Stationmaster replaced by a caretaker	..	..	21.10.29
Colac ..	..	Less running done by guards on Crowes line	..	..	21.10.29

21. The value of the economies recently effected under the reduced time-table introduced on 15th September, 1930, was approximately £470 per annum, and this was increased to approximately £1,170 annually through the further curtailment which took place on 20th October, 1930.

TRANSFER HANDICAP.

22. The necessity for transferring passengers and goods at Colac from the narrow-gauge line to the broad-gauge line and vice versa is, of course, a permanent disadvantage to the line, and in the case of goods there is a charge imposed for the double handling involved. It was formerly the practice to debit the narrow-gauge line with the cost of the transfer work at Colac and credit it with the charges collected, but recently the Department made a change in this practice and the narrow-gauge line now is neither debited nor credited with respect to this work. Tenders are invited periodically for carrying out the transfer work, and the revenue received is approximately equal to the expenditure involved.

23. So far as passengers are concerned, it is probable that even with a broad-gauge line a transfer from the branch line train to the main western line trains would still be necessary at Colac, and, apart from the fact that the present layout of the station and yard involves some inconvenience in passenger transfers, especially in wet weather, the position is no worse than if the Beech Forest line were broad gauge. In the case of a broad-gauge line, however, the passengers could, of course, be brought in to the broad-gauge platform, being thus afforded immediate shelter from the weather and a minimum of inconvenience in connexion with the transfer. Under the existing conditions this is impracticable with the narrow gauge. Plans have for some time been prepared for an improvement of the transfer and general railway business at Colac, but it is not likely that any expenditure will be incurred in this respect for some considerable time to come.

LOCAL REPRESENTATIONS.

24. The Committee heard evidence at Beech Forest and Colac in order to afford residents an opportunity of making suggestions respecting the service or any other matters affecting the financial position of the line. On the matter of the train service the local feeling was that, instead of the train terminating at Beech Forest (except on Mondays), it should run through to Crowes, and that two through trains weekly would suffice, the train leaving Colac and running through to Crowes on Mondays and Fridays and returning from Crowes on Tuesdays and Saturdays. It was considered that, owing to the action of the Department in thus curtailing the service between Beech Forest and Crowes from two trains to one train weekly, the cream traffic from that section of line had been lost to the Railway Department, because of the Colac Butter Factory now running a wagon right through from Lavers Hill to Colac. That cream wagon on the return journey brought out a number of parcels, thus again lessening the railway revenue, while in addition the Postal Department had arranged for the carriage of mails over that section by road instead of rail.

25. With respect to the conduct of the line generally, it was considered by witnesses that for the last twelve months much more efficiency had been shown than was previously the case. It was further contended that, against the loss on the line from the Railway Department's point of view, there should be considered the large amount paid to the Government in the shape of royalties collected by the Forests Commission on the timber sent away from the line. The fact that no improvement was shown in the financial position of the line following upon the advent of the Garratt locomotive was considered to be due largely to the quantity of road metal being conveyed at cheap rates, frequently in special trains, from 1926 onward. With the passing of the prevailing depression and a revival of the timber trade to its hitherto normal condition, it was thought that the timber traffic would represent about 90 to 100 trucks per week for approximately eight years. The timber to be railed was mostly messmate, the blackbutt areas being mostly cut out.

26. Other witnesses stated that, owing to the bad roads in the district, dairying has in the past been preferred to potato growing, because it involved less heavy cartage, but with the improved grades and surfaces on a number of the district roads and the completion of a new road by the Country Roads Board from Chapple Vale to Lavers Hill, a much greater volume would be brought to the line of agricultural produce, mainly in the shape of potatoes.

27. From the Wimba Progress Association the Committee received a petition signed by 49 residents of the district asking that a Thursday morning train should be run from Gellibrand to Colac to convey live stock and produce to the Colac Market on that day, returning the same evening as far as Gellibrand.

28. Following upon a meeting held at Lavers Hill, Mr. J. Knox, of Weeaprounah, submitted to the Railways Commissioners, on behalf of the residents of the district, an offer to pay a surcharge of 1s. per ton on agricultural produce and sawn and split timber (except firewood) on the Beech Forest-Crowes line to reimburse the Department for the cost of providing an increased train service. Mr. H. W. Clapp, Chairman of Commissioners, wrote Mr. Knox in November last, however, to the effect that the Commissioners could not see their way to accept this offer.

LAND SETTLEMENT v. LAND RESERVATION.

29. A very serious matter relating to the future of this line is that of the possible extension of settlement in the Beech Forest and Crowes district, or the withholding of land from agricultural production in order to form a watershed area or forest reservation. The evidence of a number of local people was to the effect that the development of their holdings was being retarded on account of the uncertainty as to whether settlement was to be permitted to continue in the hill country. The settlers felt that if their properties were to be resumed for either forestry purposes or to form a watershed area, they would not receive full compensation for the improvements effected. They hesitated therefore to clear any further land or to take steps towards materially improving their properties. It was contended that if increased production were to be expected, and increased areas cultivated, there must be an authoritative announcement from the Government as to the future of the district. Failing that, it would be a difficult matter to obtain any increase in agricultural production throughout the area, or any increased freight to better the financial results on the narrow-gauge railway line.

30. The Committee heard evidence in Melbourne from representatives of the Country Roads Board, the Lands Department, the State Rivers and Water Supply Commission, the Forests Commission, and the Department of Agriculture on this matter. The present position is that no further blocks are being made available within a certain area of approximately 132 square miles, which the State Rivers and Water Supply Commission has requested should be reserved for watershed purposes. This area commences near Banool $3\frac{3}{4}$ miles south of Gellibrand, and, with the railway line running along the top of the ridge as a rough centre, extends for about 5 miles on each side of the line to just beyond the terminus at Crowes.

31. It should be made clear that the State Rivers and Water Supply Commission is not now asking for the immediate definite resumption of the whole of this area. On 23rd January, 1929, the Chairman of the State Rivers and Water Supply Commission forwarded to the Honorable the Minister for Lands a plan showing "the area lying to the west of Mount Sabine which is essential for the protection of water supply interests, especially those of the Western District towns and rural areas." The letter states also—"It is considered that further selection of Crown lands or of allotments which may be abandoned in the area coloured pink and red should be prohibited, and that any further settlement undertaken in the Otway Ranges should be confined to the more or less coastal country." Comparatively small reservations, much less in extent than those now proposed by the Commission, were shown on the plan referred to. No definite action appears to have been taken at that time.

32. On 12th February, 1930, a deputation comprising representatives of municipalities and water trusts in the portion of the Western District dependent on the Otway Ranges for its water supply waited upon the Honorable the Minister for Lands and Water Supply, Mr. H. S. Bailey; Mr. Cattanach, Chairman of the Water Commission, being also present. The Honorable the Minister promised to visit the district with a view of bringing the matter of a proposed watershed reservation before Cabinet, but assured the deputation that "in the meantime there would be no further alienation of Crown lands in this area until the policy of the Government was stated, and any blocks abandoned would be withdrawn from settlement." As a result of this assurance, the Chief Clerk of the Lands Department issued an instruction on 6th March, 1930, for all unalienated Crown lands to be withheld from settlement until further notified.

33. On 21st April, 1931, the Chairman of the State Rivers and Water Supply Commission submitted to the Honorable the Minister for Lands and Water Supply a plan showing a very much larger proposed watershed reservation than that of 23rd January, 1929, comprising practically all land over 500 feet above sea level on the north side of the main range, and over 1,000 feet above sea level on the south side of the range, and recommended that "all Crown lands within the red border as approximately shown be definitely reserved for water supply purposes." This area consists of approximately 132 square miles, of which, roughly, 84 square miles are selected lands, 25 square miles are Forest and other reserves, and 23 square miles represent abandoned allotments, now Crown land. Of the 84 square miles selected about 25 per cent. is stated to be wholly or partially cleared.

34. Mr. Commissioner Shaw was asked in evidence—"Do you contemplate the resumption, either now or at a future date, of the existing properties within this watershed area?" and stated in reply—"No resumption is at present contemplated, although the Commission considers that some effort in this direction should be made in the interests of the State, and particularly in the interests of the comparatively poorly watered Western District."

35. Mr. W. Dempster, Secretary for Lands and Director of Closer Settlement, informed the Committee that the total payments made by settlers along the route of the railway amounted to £11,369, and that there was in arrears a sum of £2,307. These figures were regarded by the Closer Settlement Board as most satisfactory. Mr. Dempster stated that, judged by the accounts of the settlers, it would appear that the average settler is doing comparatively well, and that the district appeared to offer fair prospects of success to newcomers.

36. The Chairman of the Forests Commission, Mr. A. V. Galbraith, submitted particulars of the steps being taken respecting afforestation in this area, and of the requirements of the Commission for future needs. He claimed that the combination of rainfall, soil, and temperature made this district one of the most suitable in Australia for forestry purposes.

37. Representatives from the Department of Agriculture quoted instances of exceptionally heavy yields of potatoes grown in the district, ranging up to an average of 10 tons 2 cwt. 2 qrs. in respect of 50 crops entered for the 1931 district competition. In 1930, with 30 entries, the

average of those particular crops was 9 tons 18 cwt. 2 qrs. Statistics submitted by the Government Statist show a general average for 1929-30 throughout the whole district of approximately 4 tons per acre, the area under crop being 514 acres as compared with 493 acres in 1928-9 and 411 acres the previous year.

38. Mr. Fricke, a member of the Country Roads Board, explained the steps that had been taken by the Board to provide roads for settlers in the Beech Forest and Crowes district, and informed the Committee that the capital cost of the roads in the area "proposed to be withheld from further settlement in the Beech Forest and Crowes district at the request of the State Rivers and Water Supply Commission is £129,518." The views of the Committee on this matter in its relation to the provision of freight for the railway line are expressed in paragraphs Nos. 48 to 51 of this Report.

VIEWS OF THE COMMITTEE.

39. The Committee, in addition to hearing local evidence, examined the Chairman of the Railways Commissioners, Mr. H. W. Clapp, on various aspects of this non-paying line. One of the very material increases on the debit side of the line last year was that of interest on the capital cost, which increased from £6,670 to £7,869. This represents an increase of £1,199, or 16.79 per cent. It appears that prior to 1930 it was the practice of the Department to charge interest at 4 per cent. on the capital cost of non-paying lines constructed before 1922. Last year, however, the Commissioners decided that the rate to be adopted in future should be the average interest rate on the loan liability of the Department. For the year ended 30th June, 1929, the average rate was 4.72 per cent., and that rate was applied to the Crowes line in respect to the year ending 28th February, 1930, resulting in an increase, as stated, of £1,199. Questioned by the Committee as to whether the Commissioners had conferred with the Honorable the Treasurer on this matter, Mr. Clapp stated that they had not done so, but that they had consulted with the Crown Solicitor, and that their endeavour was to arrive at a rate of interest that would be fair to all lines, whether they were on the paying list or not.

40. The Committee cannot help feeling, however, that where lines have been recommended on estimates based on an interest charge of, say, 4 per cent., it is unreasonable to expect satisfactory returns at a higher rate. At the same time it cannot be overlooked that as loans fall due it has only been possible within recent years to renew them at constantly and gradually increasing interest rates, and in the absence of any fund created by the Department or the Government to meet this increased cost it is difficult to avoid debiting the individual lines with the higher rates being paid. There may, of course, be instances where a line was built with money from a particular loan at, say, 4 per cent., the loan falling due many years later; but from an account-keeping point of view it would lead to serious inconvenience and confusion to have neighbouring lines, or perhaps different sections of the same line, charged with varying interest rates. In the circumstances there does not seem to the Committee to be much warrant for cavilling at the practice now adopted by the Commissioners. There is also, of course, the factor that the rate of 4.72 per cent. is uniform in its application for the particular year under review, and though there have been two or three lines constructed recently on money borrowed at rates higher than 4.72 per cent., the claim upon the Treasury will be based upon that standard rate. This figure will be varied from time to time, but it will represent the average rate on the loan liability of the Department.

41. The introduction of the Garratt type of locomotive was expected to lead to considerable economies, and if the traffic had been maintained at the level it reached four or five years ago it is probable that this anticipation would have been realized. This engine cost £12,225 delivered on the rails at Colac, and the Commissioners claim that up till 30th June, 1930, it resulted in economies to the extent of £13,475. The saving during the last two years would, of course, have been substantially greater if the marked decline in the traffic on the line had not taken place. Better results could be shown to-day if full loads were more frequently available, but this could only be brought about by making fewer trips, which would result in serious inconvenience to the residents of the district. With a return of normal conditions throughout the State generally, the traffic on this line will increase to an extent that will permit of material increase in the savings due to the operation of the Garratt locomotive.

42. In connexion also with the timber traffic, the point should not be lost sight of that apart from the railway aspect there is a material benefit to the State in the shape of royalties received by the Forests Commission. A return supplied by that body indicates that since 1915

a sum of £51,317 has been collected in royalties for timber despatched over this railway line, the details being as under, viz. :—

				Royalties Collected.		
				£	s.	d.
Year ending 30th June, 1915	..	..	..	2,046	1	1
" " 1916	..	..	..	1,440	4	11
" " 1917	..	..	..	1,720	15	11
" " 1918	..	..	..	1,635	3	11
" " 1919	..	..	..	1,820	2	6
" " 1920	..	..	..	2,680	7	5
" " 1921	..	..	..	4,114	3	11
" " 1922	..	..	..	3,420	13	11
" " 1923	..	..	..	4,875	13	9
" " 1924	..	..	..	5,855	5	1
" " 1925	..	..	..	4,772	19	5
" " 1926	..	..	..	4,167	0	0
" " 1927	..	..	..	5,563	0	0
" " 1928	..	..	..	2,705	10	3
" " 1929	..	..	..	2,199	11	7
" " 1930	..	..	..	2,300	19	3
				<hr/>		
				51,317	12	11
				<hr/>		

43. The marked preponderance of low-rate traffic such as road metal, agricultural produce, and timber is to a great extent responsible for the heavy deficits that have occurred. The inward supplies of stores and general goods at higher rates form a smaller proportion of the total traffic carried and do not bring up the average rate to any marked extent. The Commissioners gave evidence as to the road metal traffic, which was very heavy in 1926 (14,500 tons), and in 1928, when 14,000 tons were carried. Mr. Clapp, Chairman of Commissioners, was asked in this connexion whether this traffic would prove remunerative or whether it would add to the loss on the line. He replied—

“ In view of the low freight rates charged, and the very small loads which could be hauled on the ‘down’ journey, and of the fact that the bulk of the metal was conveyed by special trains, involving a considerable amount of empty haulage, it is considered that the traffic was conducted at a loss.”

The Committee is in agreement with this view, and finds it difficult to imagine that the low rates charged for the conveyance of road metal were intended to cover the service of special trains provided for much of this traffic, especially with the restricted load limit of this narrow-gauge line.

44. The timber traffic is likewise charged on a low basis, and, owing to the limited loading possible, special trains were frequently necessary for piles, logs, &c. The Chairman of Commissioners was asked in evidence—

“ Having regard to the special trucks required and the limited loading possible with such traffic, would you consider that the rates fixed are remunerative, or that they would lead to increased loss on the narrow-gauge line ? ”

His reply was—

“ It is considered that such traffic would not be remunerative.”

Further evidence was tendered as under :—

“ Q. Is it a fact that, owing to the marked preponderance of low class freight on the Beech Forest line, the bulk of the traffic is carried at a loss, and that therefore it is a case of the greater the traffic the greater the loss ?—(Ans.) Owing to the fact that the bulk of the traffic is low grade it is considered that even if full loads for the Garratt engine, together with a substantial increase in the passenger traffic were obtained on this line, its operation would result in a loss.”

45. It will thus be seen that, on the existing freight rates, the Department is set an exceedingly difficult task to make this line pay, the position being akin to that on the Fern-tree Gully-Gembrook line of the greater the traffic the greater the loss. The Colac-Crowes line has the advantage of the Garratt locomotive, but even that factor is insufficient to put the line on the paying list at the present freights and fares.

46. The limited load that can be hauled on the narrow-gauge lines, with a cost of service as high as with broad-gauge lines, might be considered an argument for raising freights and fares on the 2 ft. 6 in. lines in order to make the revenue more nearly meet the expenditure. This can hardly be hoped for on any of the narrow-gauge lines where the ordinary broad-gauge freights and fares are charged. Despite this fact, however, the Committee is strongly opposed to any differential rating throughout the system, and does not recommend any change from the existing practice. Many years ago higher or special rates were charged on this line, but they were abolished in favour of applying uniformly throughout the system one scale of freights and fares. The position is unfortunate from a financial point of view, but it would be manifestly unfair to penalize settlers in districts served by narrow-gauge lines. They might, with perhaps equal justice, claim that they should receive a reduction in freights and fares because of the slow speeds and limited loads, and in the circumstances it would appear that the only help to the line revenue, apart from an increased volume of higher-rate traffic, would be that which might be brought about by any general raising of freights and fares uniformly throughout the State. If the rates on timber, road metal, and agricultural produce are satisfactory to the Railways Commissioners now in their general application throughout the system, there is, of course, insufficient justification for a general raising of those rates merely in order to benefit one particular line. While road competition might be created by the raising of some class rates, it is not likely that it would be encouraged in the case of the three commodities that have been mostly carried on this line, viz., timber, road metal, and agricultural produce.

47. The action of the Commissioners in reducing the service on the Beech Forest-Crowes section to such an extent as to cause the loss of the cream traffic, and the contract with the Postal Department for the carriage of mails, appears to have been justified from the financial point of view, though not from that of convenience to the residents. For instance, the suggestion tendered by Mr. J. Knox, of Weeaprouah, on behalf of the district users of the railway that a surcharge of 1s. per ton be made was found on investigation to mean that running a train through to Crowes from Beech Forest on Friday evening, returning on Saturday morning, would produce about 15s. additional revenue, whilst the cost of making the trip would be approximately £8.

48. The Committee has given consideration to the matter of the possible extension of settlement in the Otway Ranges, solely from the point of view of providing additional freight for the railway line. It has investigated the dispute between the various departments only to the extent of finding out what the exact position is to-day, and what the probabilities are of an extension of settlement. Because of the embargo placed by the Honorable the Minister for Lands and Water Supply upon the further alienation of land within the watershed area, it is not practicable at the moment to have further allotments made available (either of abandoned blocks or virgin land) tributary to the line.

49. As to whether this is the best course to be followed in the interests of the State considered separately from the revenue-earning interests of the Railway Department, the Committee cannot venture an opinion on the limited evidence heard on this matter; but there are two or three outstanding features which should receive consideration in connexion with the whole matter. These are, firstly, that the State has spent £129,518 in the provision of roads within the area proposed to be reserved for water supply purposes; the Railway Department has spent £124,061 in providing the narrow-gauge railway line from Colac via Beech Forest to Crowes; and on those two items alone, disregarding schools and other public buildings, there is interest to be paid on a capital expenditure of over a quarter of a million pounds.

50. The Country Roads Board wants more settlement so that more use may be made of the roads. The Railway Department needs more revenue, and more settlement would provide it. It may be cheaper from a number of points of view for the State to make no further blocks available for settlement within this area, and eventually resume all present holdings and convert the area to a watershed reservation and forest reserves. The Committee is certainly not now recommending the adoption of such a plan. It is, however, of opinion that the best course to be pursued can only be determined by a thorough and systematic examination of the whole problem by a disinterested commission of inquiry. Evidence and assistance should be obtained from the experts in each of the interested departments; the views should be ascertained of municipal councils, water supply trusts, and public bodies, as well as those of individual settlers; the locality should be thoroughly inspected, soil surveys obtained, and an analysis made of the individual and collective financial soundness of the present settlers and the causes of the failure of those who have abandoned their blocks. Nothing less than this will, in the opinion of the Committee, be satisfactory. A restriction is in force to-day, but it is a departmental order, and brings only dissatisfaction to the departments not suited. Any decision by the Minister of a department is open to this objection, and the only permanent remedy therefore appears to be a comprehensive and immediate inquiry of the nature suggested by the Committee.

51. Failing this, the position of the settlers can only be described as desperate. They are continuing to-day, but they are seriously handicapped by reason of the uncertainty as to the future; their success is jeopardized, and the whole development of the district is held back. This has obviously most harmful results on the narrow-gauge railway. Even with the best of conditions as to progress in the district, and departmental co-operation, the line-operating results will not be very favorable, but with arrested development in the district and departmental chaos the prospect of any financial improvement is hopeless.

52. There is one disturbing factor in connexion with the proposals for gaining more revenue, whether through increased settlement or otherwise, and it is that a greater traffic may result in a greater loss. The logical solution of this difficulty would be to adopt the extreme course of carrying no traffic at all, thus limiting the annual loss, which averages £11,953, to the interest charge only, which last year was £7,869, a prima facie saving of £4,084. The Committee feels, however, that it is far better in such cases as this, where settlers are wholly dependent upon the railway for the transport of their timber and agricultural produce at cheap rates, to lose approximately £12,000 annually and provide a train service for the district than to lose £8,000 annually and provide no train service. The factor of the greater the traffic the greater the loss is mainly brought about by the carriage of a large amount of goods classified at low rates, and applies because of the preponderance at the present time of that class of traffic. With increased settlement and further development of the whole district, there will be increased passenger traffic and increased quantities of general goods, mostly inward, carried at rates which will prove remunerative. The Committee therefore considers that every effort should be made to gain additional traffic and revenue for the line.

53. The economies made by the Railways Commissioners in the operation of the line since the Committee had this matter referred to it by Parliament will amount to approximately £1,170 per annum. Figures just received from the Railways Commissioners indicate that the working of the line for the financial year ending 28th February, 1931, will result in a loss of £12,156. There was a revenue decline of £5,626, but, in the face of this adverse circumstance, the various economies effected have resulted in the net loss being only £898 greater than that for the previous year.

54. Summarizing the position generally, there does not appear to be much at fault at the present time in connexion with the working of the line. The staff has been substantially reduced, and the train service is as reasonable as can be expected in view of the heavy falling off in traffic. The residents of the district naturally prefer a better train service, but, in view of the present heavy losses, it does not appear advisable to schedule any additional trains at the present time. An increase in the passenger business and in the volume of general goods carried at rates higher than those for timber and produce will improve the financial position. This, however, is not likely to occur until a permanent and binding agreement is arrived at respecting the delimitation of areas in the Otway Ranges for forestry, watershed, or settlement purposes. Even if no additional areas are made available for settlement, a substantial impetus will be given to production from existing blocks when settlers feel that they can confidently extend the cultivation on their present holdings without the fear, ever present to-day, that there may be compulsory resumption with inadequate compensation.

A. A. DUNSTAN,
Chairman.

Railways Standing Committee Room,
Parliament House, Melbourne,
16th July, 1931.

[Minutes of Evidence and Map are not printed.]