

1935.
—
VICTORIA.

ANNUAL REPORT OF THE GENERAL
MANAGER OF STATE COAL MINE,

INCLUDING

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

FOR THE

YEAR 1934-35.

PRESENTED TO BOTH HOUSES OF PARLIAMENT IN PURSUANCE OF SECTION 93 OF THE COAL MINES
REGULATION ACT 1928.

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STATE COAL MINE, WONTHAGGI.

State Coal Mine,
Wonthaggi,

31st August, 1935.

GENTLEMEN,

I have the honour to submit to you 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, 1935.

FINANCIAL.

The financial result of the operations of the Mine was as follows :—

	£	s.	d.	£	s.	d.
Revenue				240,131	2	10
Working Expenses (including coal purchased) ..	315,474	4	0			
Interest on Capital	2,179	10	4			
				317,653	14	4
Deficit, exclusive of depreciation of assets ..				77,522	11	6
Depreciation of assets	10,000	0	0			
Loan redemption	7,820	9	8			
				17,820	9	8
Loss for year 1934–35 after providing for Loan redemption and making the necessary allowance for depreciation				95,343	1	2

The financial position of the Mine, as at 30th June, 1935, may be summarized as follows :—

Assets.

	£	£
Depreciation Fund—Government Stock at Cost and Cash at Treasury	185,795	
Cash and Securities held as deposits on contracts	1,112	
Stores on hand at book values	20,888	
Coal on hand	1,270	
Sundry Debtors	7,760	
Works, machinery, and plant at book values	126,910	
		343,735

Liabilities.

Capital—Balance of Loan Liability	46,667	
Due to Treasury for Stores Advance	18,481	
Sundry Creditors	3,562	
Due to Consolidated Revenue in respect of losses on working	£ 285,770	
Less amount of State Mine income appropriated to Consolidated Revenue in 1929–30	50,000	
	235,770	
		304,480
Surplus of assets over liabilities		39,255

The assets may be considered as practically liquid, with the exception of the item “ Works, machinery, and plant ”. If the property were sold as a going concern, the value of its fixed assets would exceed the book value of £126,910.

The book value of the fixed assets is arrived at as follows :—

					£
Original Capital Expenditure (<i>see</i> Capital Account, page 10)	..	..	..	..	249,398
Expenditure from Depreciation Fund	..	..	..	..	618,091
					<hr/> 867,489
Amount written off for depreciation of assets	..	..	..	..	740,579
					<hr/> 126,910
Book value of fixed assets at 30th June, 1935	..	..	..	..	<hr/>126,910

DEPRECIATION.

Including depreciation allowed for in the accounts for the financial year 1934–35 (£10,000), ample allowance has been made for the whole of the depreciation which has accrued up to the 30th June, 1935.

SINKING FUND.

The loan liability of £54,487 18s. 2d. at 30th June, 1934, has been reduced to £46,667 8s. 6d. by the provision in the accounts in the year under review of an amount of £7,820 9s. 8d.

OUTPUT AND SALES.

The quantity of coal “braced” during the year was 384,777 tons 12 cwt. 3 quarters, while the saleable output, exclusive of local consumption, miners’ household coal, allowances and waste, was 364,220 tons 11 cwt.

The periodical consignments were as follow :—

	<i>Period.</i>					tons.	cwt.	qrs.
1934—								
28th June to 25th July	271	11	0
26th July to 22nd August	31,851	11	0
23rd August to 19th September	39,829	7	0
20th September to 17th October	30,691	5	0
18th October to 14th November	36,751	19	2
15th November to 12th December	29,734	1	0
13th December to 9th January, 1935	11,888	11	2
1935—								
10th January to 2nd February	27,464	5	3
3rd February to 6th March	34,009	7	1
7th March to 3rd April	31,790	5	2
4th April to 1st May	29,339	17	2
2nd May to 29th May	31,003	0	3
30th May to 26th June	29,595	8	1
						<hr/> 364,220	11	0

The coal was disposed of in the following grades :—

					tons.	cwt.	qrs.
Screened	..	..	..	..	207,105	8	3
Run-of-mine	..	..	..	..	12,289	15	1
Slack	..	..	..	..	144,825	7	0
					<hr/> 364,220	11	0

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
Sold to Public Departments
Sold to General Public
Totals

During the period of the strike 1,408 tons of coal were purchased after Mine stocks became exhausted.

LABOUR.

Wages, piece-work rates and conditions of employment are governed by awards of the State Coal Mine Industrial Tribunal, established on 19th June, 1932, Act No. 4030.

Awards issued during the year included the following :—

1. Award No. 8 of 5th December, 1934, had the effect of reducing the hours of work of certain grades from 92 to 86 per fortnight, and of other grades from 96 to 92 per fortnight.
2. Award No. 12 of 17th June, 1935, determined the rates of pay for persons engaged in shaft sinking.
3. Award No. 11, which was issued by the Tribunal on the 29th May, 1935, provided increased margins for certain grades of employees included in Part II. of the Schedule to the Act.

The Tribunal also dealt with several other minor matters during the year.

The net average earnings, per shift, of the contract miners, after deducting the cost of explosives, were 20s. 5·55d. The average wage of adults, other than contract miners, employed below ground was 17s. 4d. per shift. The total amount disbursed in wages was £246,972.

Operations were suspended for nineteen days in the present financial year on account of a strike which commenced on 5th March, 1934, and is referred to in my Report for that year ; on account of stop-work meetings for sixteen days, and for one day on account of dislocations due to the disastrous storm of 29th November, 1934, or a total of 36 days. In the preceding year the loss of time from strikes and stop-work meetings was 102 days.

Although there was an improvement in the industrial position in the year under review as compared with preceding years, strikes and stop-work meetings are still an unnecessary economic waste, resulting in loss of wages to the employees and in a substantial decrease in output, with an increase in the cost of production. Because of the adverse circumstances under which the State Mine operates, the financial position should not be aggravated by any action involving a suspension of operations.

The number of persons employed at the 30th June was 1,100 ; at a similar date last year the number was 1,330.

The reduction in staff is due to delayed development referred to elsewhere in this Report.

BORING.

Two drills were in operation throughout the year. No. 1 Drill was engaged for the whole of the time, and No. 2 Drill for part of the year, in proving the possibility of an extension of the No. 18 Shaft Section of the Eastern Area. No. 2 Drill was also engaged in check boring in the Western Area and in the deepening of three bores for the purpose of proving the bottom seam in the Northern Area. In all nine bores, totalling 13,429 feet, were sunk.

Gross Tonnage of Coal Reserves in State Mine Area :—

			Tons.	Tons.
Estimate, Annual Report, 1933-34	..	..	..	12,497,686
Extracted during year	..	..	384,778	
Allow for working loss	..	..	86,574	
			—————	471,352
				12,026,334
Add bottom seam, Northern Area	..	..	..	975,000
				—————
Estimated total gross tonnage, State Mine Area	..	..	..	13,001,334
				—————

McBRIDE TUNNEL.

On account of exhaustion of the coal measures, this pit—the development of which was commenced in 1914—will cease to operate before the end of the present calendar year. The buildings, machinery, and plant are being dismantled and will be used largely in connexion with the opening up of the Western Area.

The present output is 150 tons per day, compared with an output of 350 tons per day at 30th June, 1934.

EASTERN AREA.

Considerable faulting has occurred in the No. 2 South District, the No. 2 North District, and the East District. The fault referred to in my Report of last year eliminated the coal seam in the North-eastern portion of No. 2 South District. The fault was negotiated and the coal proved on the other side of it is being developed. A downthrow fault of 127 feet displacement was struck by the No. 2 South Heading and the area ahead will be proved by boring for the purpose of setting out the plan of development.

Arrangements are being made to develop a section to the East of the headings which have been driven towards the Kirrak Area.

The output, obtained chiefly from the No. 18 Shaft Section is about 700 tons per day. At the 30th June, 1934, the output was 860 tons per day.

DUDLEY AREA.

The output from this pit is diminishing. At the 30th June, 1934, it was 500 tons per day; it is now 325 tons per day, and will probably average about 270 tons per day in the present financial year.

NORTHERN AREA.

As indicated in my last Report, steps were taken to augment the output from this pit which, at 30th June, 1934, was 250 tons per day, and is now 450 tons per day.

Operations have commenced for the development of the bottom seam, but further augmentation of output from this source will not take place for approximately nine months.

DEVELOPMENT.

The development of the Western Area, the opening up of which was recommended in previous reports, has now commenced, as has also the development of a lower or "bottom" seam in the Northern Area pit. This development, however, is now being undertaken too late to arrest the cumulative decline in output forecast in my last Report. The output has declined from 1,960 tons per day at 30th June, 1934, to 1,625 tons per day.

The desired output of approximately 500,000 tons per annum cannot now be regained before July, 1937, and if this is to be maintained the development of the Kirrak Area must be commenced as soon as the Western Area shafts have been sunk to the coal seam.

ELECTRICAL PLANT.

The two water tube boilers of the Kidwell type, which replaced the eight Lancashire boilers, are now in operation, but have not been finally taken over from the Contractor.

The number of units generated was 9,777,000, compared with 7,074,660 in the previous year—in which, however, production was affected by a lengthy cessation of coal-getting operations caused by a strike.

WORKSHOPS.

The whole of the Workshops plant has been maintained in good order and condition. Sundry plant has been manufactured and practically the whole of the repair work has been carried out in our own shops.

RESCUE STATION.

In 1928 a Rescue Station was established and equipped with apparatus and staffed with properly trained men for the purpose of dealing expeditiously with the situation which would arise if an underground fire occurred.

Owing to reductions in staff involving the displacement of trained men, the Rescue Brigade at present consists of 20 competent men, 2 partially trained men, and 2 recruits.

Practices are regularly held, and the brigade will presently consist of 24 competent and fully trained men.

The whole of the equipment has been maintained in an efficient state, ready for any emergency that may arise.

GENERAL.

Although every practicable step has been taken to limit the loss in working, no material improvement in the financial result of operations can be expected at present price levels.

The world over, the capacity to produce exceeds the marketable output, and in New South Wales this depression is accentuated by cut-throat competition between the different coal interests of that State. In the meantime the State Coal Mine's finances are suffering, and those of the Railways Department and other coal consumers are benefitting by this state of affairs.

Prices are 50 per cent. lower than they were in 1930-31 and are still declining. This position has been only partially met by a slight decrease in the cost of stores and materials, and a 20 per cent. reduction in wages ; but freight rates remain unaltered.

Although a loss of £95,343 was incurred in the financial year, such loss is more nominal than real. In this connexion I quote from the Report of 28th April, 1934, of Mr. Robert Lee, A.O.S.M., M.I.M.M., Consulting Mining Engineer of New Zealand, who conducted a special investigation of the Mine :—

“ While I am firmly of the opinion that the method of ascertaining the ‘ equated ’ price of State Mine coal is fair and reasonable, I wish to point out that, to an extent which it is difficult to estimate, the method itself reacts to the detriment of the State Mine. For example : The ability of the Mine to supply such a large part of Victoria's coal requirements has, as I mention elsewhere in this Report, had a stabilizing effect upon the New South Wales price, which price in turn controls the ‘ equated ’ price.

This detriment is exemplified in the case of slack coal. The demand for slack in New South Wales is such that an excess of large coal must be mined to produce sufficient slack to meet it. Customers who can take, say, two parts of large coal to one of slack are enabled to obtain slack at a lower price than can those whose requirements are in the reverse proportion. In this connexion, it may be stated that the New South Wales Railways pay only 2d. per ton (now 1s. 3d. per ton) more for large coal than for slack. The Victorian Railways obtain nearly all their slack coal from the State Mine and are thus able to take full advantage of the present state of the New South Wales market, with the result that they obtain slack at a price which is 4s. 6d. per ton less than that of large coal.

Unfortunately, however, for the State Coal Mine, this low price, for which they are entirely responsible, is the basis upon which the price of their slack is fixed.”

The foregoing indicates that the saving to the Railways Department by the use of State Mine coal (especially slack coal) is considerable.

My contention (supported by Mr. Lee) that the policy of development should not be determined by financial considerations alone was recognized by the Commissioners and the Government and, as indicated, a commencement has been made with the development of the coal measures in the Western Area and in the bottom seam of the Northern Area.

The Balance-sheet and Statement of Accounts for the year, and a general comparative statement of the results of the working of the Mine since its inception, are embodied in Appendices Nos. 1 and 2 attached.

I have the honour to be,

Sirs,

Your obedient servant,

J. McLEISH,

General Manager.

The Victorian Railways Commissioners,
Melbourne.

APPENDIX NO. I.

STATE COAL MINE, WONTHAGGI.
BALANCE-SHEET AS AT 30TH JUNE, 1935.

LIABILITIES.		£	s.	d.	£	s.	d.	ASSETS.	
Treasurer of Victoria—					Works, Machinery, and Plant as per Balance-sheet				
For Loans .. .. .	..	250,000	0	0	at 30th June, 1934	116,127	1	3	
Less redeemed from Sinking Fund .. .. .	..	203,332	11	6	Expended during current year	20,683	4	1	
For Advances from Consolidated Revenue (to be	..	46,667	8	6	Less Depreciation written off	136,810	5	4	
recouped) .. .. .	..				9,900	0	0		126,910
For Advances for the purchase of Stores .. .. .	..	285,770	5	10	Stores on hand	20,987	15	2	
Sundry Creditors—	..	18,480	13	5	Less Depreciation written off	100	0	0	
On Stores Account .. .. .	..	2,413	13	1	Coal on hand				20,887
Sundries .. .. .	..	1,148	1	11	Sundry Debtors—				1,270
					For Coal	4,789	16	4	
Sinking Fund—	..	3,561	15	0	For Sundries	2,970	12	3	
Balance at 30th June, 1934 .. .. .	..	195,512	1	10	Cash	582	2	0	
Contribution 1934-35 .. .. .	..	7,820	9	8	Deposits held on Contracts	530	1	1	
					Depreciation Fund—				1,112
Reconciliation—	..	203,332	11	6	Government Stocks at Cost	140,000	0	0	
Advances from Consolidated Revenue as per	..				Cash	45,794	14	4	
Treasury Accounts at 30th June, 1935 .. .. .	..	283,872	13	9	Profit and Loss—				185,794
Add Net total of accounts in course at 30th	..	1,897	12	1	Balance at 30th June, 1934	118,734	1	2	
June, 1934, and 30th June, 1935 .. .. .	..	285,770	5	10	Less interest earned in Depre-	95,343	1	2	
Total as above .. .. .	..				ciation Fund Investments,				
					1934-35	5,425	0	0	
					Loss for current year				214,077
					Balance on Profit and Loss at 30th June, 1935				2
									4
									557,812
									14
									3

T. F. BRENNAN,
Comptroller of Accounts.
7th September, 1935.

J. A. NORRIS,
Auditor-General.
20th September, 1935.

J. McLEISH,
General Manager, State Coal Mine.
5th September, 1935.

APPENDIX No. 1—continued.

STATE COAL MINE, WONTHAGGI.

WORKING ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1935.

1935.		1935.		1935.	
June 30.		June 30.		June 30.	
To Working Expenses, including Salaries of £300 and over...	£ 313,995 14 2	By Sale of Coal ..	£ 229,485 2 4	..	..
Owners' Contribution to Accident Fund ..	542 15 2	Sundry Receipts ..	10,646 0 6	..	..
Coal purchased ..	935 14 8			..	..
		Balance carried to Profit and Loss ..	240,131 2 10	..	..
			75,343 1 2		
	<u>315,474 4 0</u>		<u>315,474 4 0</u>		

PROFIT AND LOSS ACCOUNT FOR THE YEAR 1934-35.

1935.		1935.	
June 30.		June 30.	
To Balance transferred from Working Account ..	£ 75,343 1 2	By Balance (Loss for year) ..	£ 95,343 1 2
Sinking Fund ..	7,820 9 8		
Interest on Loans ..	2,179 10 4		
Depreciation for the year ..	10,000 0 0		
	<u>95,343 1 2</u>		<u>95,343 1 2</u>

T. F. BRENNAN,

Comptroller of Accounts.

7th September, 1935.

J. A. NORRIS,

Auditor-General.

20th September, 1935.

J. McLEISH,

General Manager, State Coal Mine.

5th September, 1935.

APPENDIX No. 1—*continued.*

STATE COAL MINE, WONTHAGGI.

CAPITAL ACCOUNT.

Statement showing Receipts and Expenditure on Capital Account from the commencement of the Mine to 30th June, 1935.

RECEIPTS.		EXPENDITURE.	
	£	s.	d.
Stock issued under the provisions of Act 2630	..	*150,000	0 0
Stock issued under the provisions of Act 2429	..	†100,000	0 0
		250,000	0 0
Deduct Expenses of Flotation	..	601	8 2
		249,398	11 10
		£	s. d.
	..	4,127	9 4
	..	84,780	7 4
	..	25,035	18 4
	..	36,554	2 0
	..	53,245	16 6
	..	42,219	10 2
	..	2,115	16 4
	..	1,319	11 10
		249,398	11 10

* This amount has been redeemed from Sinking Fund.

† Of this amount £53,332 11s. 6d. has been redeemed from Sinking Fund.

T. F. BRENNAN,

Comptroller of Accounts.

7th September, 1935.

J. A. NORRIS,

Auditor-General.

20th September, 1935.

J. McLEISH,

General Manager, State Coal Mine.

5th September, 1935.

APPENDIX No. 2.

STATE COAL MINE, WONTHAGGI.

GENERAL COMPARATIVE STATEMENT FROM THE COMMENCEMENT OF THE MINE TO THE 30TH JUNE, 1935.

1 Year.	2 Capital Raised.	3 Capital Expended.	4 Coal Raised.	5 Revenue Receipts. (h)	6 Revenue Expenditure.	7 Surplus.	8 Deficit.	9 Provision included in Expenditure as per Column 6, for		11 Amount at Credit of Sinking Fund after allowing for interest on Investments and for Repayments of Capital.	12 Wages Paid.	13 Interest paid on Capital.	14 No. of Employees.	15 Miners, net average earnings per Shift.	16 Estimated Coal Reserves.	
								Depreciation.	Sinking Fund.							
	£	£	Tons.	£	£	£	£	£	£	£	£	£		s. d.	Million tons.	
1909-10	36,000	35,906	41,274	24,861	46,695	..	21,834	..	7,050	..	37,112	..	900	14	4.00	20
1910-11	141,000	95,730	396,042	171,766	160,459	11,307	..	5,745	7,050	7,050	145,407	2,468	946	13	1.00	20
1911-12	161,605 ^d	167,701	470,261	198,762	207,579	..	8,817	10,709	6,046	6,046	175,274	4,303	1,191	13	8.00	26
1912-13	203,866	203,956	462,559	213,174	205,980	7,194	..	25,546	16,962	16,962	145,419	6,107	939	13	5.51	28
1913-14	225,141	220,316	510,490	239,298	237,599	1,699	..	33,000	26,953	26,953	158,812	6,332	1,011	13	11.49	28
1914-15	250,000	241,356	567,057	268,105	256,629	11,476	..	33,000	38,535	38,535	178,086	8,436	1,130	13	11.64	28
1915-16	250,000	241,084	452,798	246,000	243,224	2,776	..	30,954	50,490	50,490	159,027	8,804	1,015	14	6.16	28
1916-17	250,000	240,816	372,007	242,918	263,548	..	20,630	25,000	52,274	52,274	197,694	8,803	1,161	16	2.10	19
1917-18	250,000	240,653	382,867	294,538	289,379	5,159	..	25,000	54,235	54,235	228,506	8,804	1,226	17	7.56	16
1918-19	250,000	240,239	343,318	285,099	293,510	..	8,411	27,000	56,446	56,446	242,530	8,804	1,255	17	10.01	16
1919-20	250,000	240,218	368,239	426,659	405,343	21,062	..	30,000	64,798	64,798	319,224	8,804	1,193	24	3.64	15
1920-21	250,000	240,033	504,165	567,404	549,017	18,387	..	36,000	73,469	73,469	420,632	8,804	1,554	26	2.64	18
1921-22	250,000	240,033	424,126	461,978	467,290	..	5,312	30,000	88,786	88,786	362,464	8,804	1,566	25	7.30	19
1922-23	250,000	240,033	489,630	558,572	554,617	3,955 ^b	..	30,000	102,350	102,350	446,786	8,956	1,596	25	10.20	21
1923-24	250,000	250,000	405,695	499,043	498,775	268 ^d	..	30,000	112,302	112,302	429,254	9,148	1,688	26	11.3	17
1924-25	250,000	250,000	495,864	540,295	539,754	541 ^e	..	34,000	123,749	123,749	474,861	9,667	1,821	27	2.91	16 ^{1/2}
1925-26	250,000	250,000	612,269	687,365	678,591	8,774	..	56,000	141,452	141,452	479,195	9,671	1,540	26	6.03	15 ^{1/2}
1926-27	250,000	250,000	596,032	735,750	720,697	15,053	..	55,000	147,467	147,467	490,950	9,674	1,543	27	11.56	16 ^{1/2}
1928-29	250,000	250,000	635,103	812,969	782,394	30,575	..	55,000	..	..	498,961	3,820	1,615	27	3.75	15 ^{1/2}
1929-30	250,000	250,000	662,159	849,808	773,603	76,205 ^f	..	35,000	..	..	546,111	3,572	1,776	27	0.73	14 ^{1/2}
1930-31	250,000	250,000	565,444	558,781	580,106	..	21,325	30,000	..	..	447,551	3,315	1,774	24	9.85	14
1931-32	250,000	250,000	526,278	421,233	509,347	..	88,114	30,000	..	..	376,728	3,048	1,668	24	9.98	13 ^{1/2}
1932-33	250,000	250,000	320,675	225,536	315,390	..	89,854	30,000	..	..	210,857	2,770	1,328 ^g	20	6.00	13
1933-34	250,000	250,000	316,526	211,339	288,473	..	77,134	10,000	..	..	204,407	2,480	1,330 ^g	20	9.00	12 ^{1/2}
1934-35	250,000	250,000	384,778	245,556	335,474	..	89,918	10,000	..	..	246,972	2,180	1,100 ^g	20	5.55	13
			11,730,641	10,413,214	10,627,291	217,272	..	740,954	..	..	7,945,336	166,378				
				Deficit to date ..		214,077	..									
						431,349	431,349									

(a) £7,050 repaid from Sinking Fund. (b) Inclusive of a subsidy of £35,625 (of which the sum of £1,040 14s. 6d. was repaid in 1927-28, and the balance in 1928-29) made to the Mine by the Railway Department and exclusive of which there was a loss in working of £31,670. (c) Inclusive of £25,382 to adjust short payments to the Mine in former years. (d) Inclusive of a subsidy of £5,000 (of which the sum of £37,367 14s. 10d. was repaid in 1926-27, and the balance in 1927-28), made to the Mine by the Railway Department and exclusive of which there was a loss in working of £70,732, including £37,000 spent towards re-lining the Mabley Tunnel. (e) Inclusive of a subsidy of £25,000 (repaid in 1928-29) made to the Mine by the Railway Department and exclusive of which there was a loss in working of £24,468. (f) Exclusive of £30,000 appropriated to Consolidated Revenue by Act No. 3838, see Annual Reports 1929-30 and 1932-33. (g) Prior to the 30th June, 1932, the number shown is the average number of employees for the year. Since that date the number given is the number of persons employed on the last day of the financial year. (h) Includes interest earned on Depreciation Fund investments.