

VICTORIAN RAILWAYS FINANCE

A Constructive Plan to Enable Freight and Fare Reductions

The Victorian Railways, with 4,748 miles of tracks radiating from Melbourne, are the principal means of transport over the State. An electrified system in the suburban area serves 173 route miles. During the year ended 30th June, 1946, they carried 196,117,567 passengers and an estimated 7,229,025 tons of goods and livestock.

Railways are a public utility and hardly any appreciable area of arable, pastoral or non-mountainous land is more than eight miles from a railway.

The cost of construction of these lines, including rolling stock, stores and materials, has been £79,049,000. For the fifty-two years ended 30th June, 1936, railway revenue exceeded working expenses (including maintenance) by approximately £93,331,000, but this excess of net revenue was less than the interest charges, etc., which aggregated approximately £107,433,000, leaving a net deficit for that period of approximately £14,103,000. By Railways Finances Adjustment Act, 1936 (No. 4429), the ledger values of these capital assets were written down by £30,000,000, but not retired from sinking funds, and the indebtedness of the State's General account written up by £30,000,000, while the interest charges on this sum were met by taxation.

The reduced loan liability at 30th June, 1946, was £46,236,325, and the service of this debt required for interest charges and expenses, exchange on interest payments and sinking fund the sum of £2,215,163.

Railways Revenue

For the year ended 30th June, 1946, the gross revenue was £14,768,321, working expenses were £12,615,558, and the net revenue £2,152,763, which, being less than the sum required for service of debt, leaves a deficit of £62,400. To this may be added the interest charge (estimated 3½%) on £30,000,000 transferred to general State account (but not retired), viz., £1,050,000. From the State Treasury standpoint the deficit was over £1,112,000.

For the year ended 30th June, 1947, press reports of Railway estimates place that deficit at £1,500,000, which, with £1,050,000 (as above), makes £2,550,000 for this year's State Treasury deficit on Railways. This is a serious matter.

Reverting to the last annual report (June 30th, 1946), items are:—

Total Interest, Exchange, etc.	£2,215,163
Maintenance of Permanent Way and Works	2,466,595
Total	£4,681,758

This sum is 31.7% of the gross revenue—
£14,768,321.

By an extension of the 1936 Act No. 4429 this amount may be constituted a charge on the Consolidated Revenue, while at the same time railway fares and freights could be reduced by 31.7%. At the present time it is proposed to raise railway fares and freights because the railways are "not paying."

In the Arbitration Court proceedings (21.5.47, page 7480), Judge A. W. Foster said, "It is of very great significance in some respects, it seems to me, because we are told regularly that our Railways are a losing proposition. I have always asserted that the Railways was the most profitably run institution this country has ever had, and, far from being a losing proposition, it is making very handsome returns indeed, and no adequate balance sheet ever took into consideration the accretion of land values in this State as a result of it. If you put the land value increase on the credit side of your balance sheet, instead of owing £30,000,000 worth of capital you will have a credit of perhaps £100,000,000.

As an illustration of the words of the learned judge, it may be noted that for the original Howey Estate in Collins and Swanston Streets the sum of £140 was paid to the Public Treasury, but that its unimproved site value in 1935 was £1,052,000. Part of this increase was due to the construction of railways which terminate in Melbourne and centralise the purchasing power of an increasing population. Had most of the railways terminated at other seaports a large portion of this increase would not have occurred in Melbourne.

Land Valuations

For the State of Victoria as a whole the valuations for State Land Tax have been as follows:—

Year	Unimproved Capital Value
1930	£249,877,170
1931	262,731,897
1932	252,557,652
1933	246,787,493
1934	242,980,860
1935	241,242,265
1936	239,022,192
1937	238,829,620
1938	239,270,330

Year	Unimproved Capital Value
1939	£238,523,354
1940	247,596,712
1941	247,933,255
1942	240,857,533
1943	169,935,830
1944	183,361,823
1945	190,125,475

The difference for years 1942 and 1943 is £70,921,703 and is the result of legislation by the Dunstan government to exempt, up to £3,000 U.C.V., lands devoted to primary production. To ascertain the total of U.C.V. for the State this sum must be added to the figure quoted for the year 1945, giving £261,047,178.

Analysis of operations shows the following:—

Assessments on U.C.V.

Range	Proportion
Nil - £250	Nil
£251 - 500	52.27%
501 - 1,000	23.66%
1,001 - 2,000	11.73%
2,001 - 5,000	7.48%
5,001 - Upwards	4.86%

It will be observed that approximately 52% lie within the range £251-£500, i.e., assessed U.C.V. in that range is £98,865,000 approximately after the statutory exemption is allowed. There is a complete exemption up to £250 which declines £1 for £1 to disappear at £500. Without exemption the proportion (52%) would be larger.

An exemption up to £250 U.C.V. excludes all suburban and country town allotments on land worth £8 a foot up to 31 ft. frontage, on land worth £5 a foot up to 50 ft. frontage, on land worth £4 a foot up to 62 ft. frontage, and so on. It excludes all township blocks up to half acre on land of any value up to £500 an acre or quarter acre blocks on land of any value up to £1,000 an acre. Likewise, all country properties up to 5 acres on land having a value (unimproved) up to £50 an acre.

The number excluded is obviously large and although the U.C.V. of each unit is small the aggregate value of all below £250 may be reasonably estimated as being one-third of that in the equivalent range above £250, that is, one-third of £98,865,000, which is £32,900,000 approximately. This sum is to be added to £261,047,000, giving £293,947,000 as the minimum estimate of the capital value of unimproved land in Victoria.

On this basis a railway rate of 3d. in the £1 would yield £4,899,000 per annum, which is ample for meeting the proposed commitment of £4,682,000 to give a reduction of all freights and fares of 31.7%.

Cash Savings

Illustrations of the cash savings to be secured by railway patrons are exemplified below. From one house there are often two, sometimes three or more, railway travellers. From the total family savings there should be deducted the amount of the railway rate at 3d. in the £1 of unimproved site-value. For a house on 40 ft. frontage of land worth £5 a foot, that would be £2/10/- p.a.

The second column of Table I. shows the current fares (30.6.47) for second class yearly tickets from the specified station to Melbourne, and the third column shows the savings due to 31.7% reduction.

With first class fares the reduction will be a larger amount, and the probable site-value of the railway traveller's home larger also.

Goods Traffic

In addition to the direct payments made by citizens for railway service, there are indirect payments in the case of manufactured articles, which are like threads woven unobtrusively into the fabric of its total cost.

A manufactured article usually includes a number of components, each of which is produced elsewhere than at the place where it is finally combined with the others; each component may itself be made up of other sub-components which have to be collected from different sources of supply. The manufacture of a man's fur felt hat thus required 32 separate transport operations with corresponding charges. Machinery, tools, fuel and other aids to manufacture include an amount for all transport charges in the production of their sub-components, components and complete assemblies.

Transport costs in manufacture must represent an appreciable portion of the turnover of the community, and a reduction by 31.7% of the portion due to railway charges would benefit all sections of the community.

Allocation of Railway Rate

Segregation of receipts for State Land Tax, according to locality, shows that 18% is derived from the one square mile of Melbourne City bounded by Flinders Street, Spring Street, Spencer Street, thence by La-Trobe and William Streets to Victoria Street. All the suburbs contribute 43%, so Metro. Melbourne provides 61%—a figure which compares with its population, which is 58.8% of the whole State.

Bendigo, Ballarat, Geelong, with all country towns and townships, are responsible for 9%. Broad acres, that is, all pastoral, farming and primary producing areas of the State, contribute 30% of State Land Tax receipts.

The incidence of a Railway Rate on all land values would conform to a similar pattern.

Remembering that the primary producer pays freight inland on his purchases, and has freight to market deducted from the sale proceeds of his produce, it is obvious that, after paying the railway rate on the value of unimproved land, the substantial savings in both inward and outward freights would bring the farmer a considerable cash advantage.

Decentralised country factories would also benefit from this reform.

Revive the Railways

There are complaints of competition from motor transport being severe on the railways.

Motor transport uses expensive fuel. Taking all costs for journeys of 20,000 miles per annum, a competent authority has estimated the cost of a petrol 4-wheeler, carrying three-ton loads, to be 8.6d. per ton mile, and a diesel 4-wheeler, with four-ton loads, to be 5.65d. per ton mile.

Compare this with last column of Table II., where it is noted that the railways carry wheat from Ouyen at 0.67d. per ton mile.

Reduction of railway freights by 31% would hold present traffic which is slipping, and would bring back some classes of goods traffic which is over the border line.

Further copies of this Study may be obtained from L. F. Bawden, Hon. Secretary, Land Values Research Group, 52 Guildford Road, Surrey Hills, at 2/- per dozen, plus postage. The following Research Group Studies are also available:—

Rural No. 1—Shire of Rosedale (4d. each).
Urban No. 2—City of Oakleigh (3d. each).
Rural No. 2—Town of Hamilton (4d. each).
Interstate—Public Charges on Land Values (6d.).
Book—"Social Effects of Municipal Rating" (2/6).
Reduced rates for dozen lots.

The Ruskin Press, 123 Latrobe St., Melb.

Table I.—Typical Passenger Fare Reductions

Station From	2nd Class Yearly Fare	31.7% Reduction	Station From	2nd Class Yearly Fare	31.7% Reduction
Dandenong	£ 13 5 0	£ 4 4 4	Ringwood	£ 12 4 6	£ 3 17 6
Oakleigh	9 15 0	3 1 10	Blackburn	10 9 6	3 6 5
Frankston	17 14 0	5 12 3	Box Hill	9 15 0	3 1 10
Chelsea	13 16 0	4 7 6	Eltham	12 10 6	3 19 5
Mordialloc	12 10 6	3 19 5	Heidelberg	9 11 0	3 0 7
Mentone	11 10 0	3 12 11	Preston	8 5 0	2 12 4
Glenhuntly	9 11 0	3 0 7	Fawkner	9 11 0	3 0 7
Sandringham	10 14 6	3 8 0	Coburg	7 4 6	2 5 10
N. Brighton	9 11 0	3 0 7	Glenroy	9 15 0	3 1 10
Glen Waverley	11 0 6	3 9 11	Essendon	8 10 6	2 14 1
E. Malvern	9 11 0	3 0 0	Moonee Ponds	7 10 0	2 7 7
Ashburton	9 15 0	3 1 10	Sunshine	9 11 0	3 0 7
Lilydale	16 8 0	5 4 0	Footscray	6 15 6	2 2 11
Boronia	13 16 0	4 7 6	Williamstown	9 15 0	3 1 10

Table II.—Typical Freight Reductions

Commodity	Station From	Station To	Mileage	Truck Load	Per Ton Mile	Freight	31.7% Reduction
Dried Fruit	Mildura	Melbourne	351	2 tons	d. 1.32	£ 3 17 4	£ 1 4 6
Canned Fruit	Shepparton	Melbourne	113	2 tons	2.14	2 0 4	3 5 6
Flour	Nhill	Portland	190	15.2 tons	0.86	10 6 8	3 13 11
Wheat	Ouyen	Geelong	273	15.2 tons	0.67	11 13 1	2 3 6
Briquettes	Yallourn	Melbourne	89	14 tons	1.32	6 17 4	2 9 9
Mallee Roots	Robinvale	Melbourne	293	10 tons	0.64	7 16 10	2 2 5
Lambs	Tallangatta	Melbourne	213	120 No.	—	7 2 0	