

From H/s File 33/3/119

Reconstruction of Ballarat & Bendigo Tramways.

Having taken account of the

March, 1933 - The Commission reviewed the transport provisions of Ballarat and Bendigo in the light of their condition at the time approaching their final acquisition by the Commission from the Electric Supply Company of Victoria. The tramways had been taken over very much against the wishes of the Commission as part of the consideration for the acquisition of the electric supply undertakings in those cities, and it was well known to all concerned that the existing tramway assets were practically worn out; consequently, existing services were in a relatively low state of efficiency. Further, it was well understood that any expenditure on tramway reconstruction could result only in operating losses which would have to be borne by the consumers of electricity in the cities concerned.)

With these facts in mind the position was examined to ascertain by what means reasonable street transport facilities could be afforded and continued with the least possible burden on the electric supply undertakings.) Reports were prepared by the late Mr. G. F. Cole, General Manager of the Electric Supply Company of Victoria, and the Commission's Construction Engineer, Mr. C. H. Kernot. These envisaged capital expenditure of £336,000 to reconstruct the services up to the most modern standard of construction and equipment, and this figure, together with the estimated operating charges, made it obvious that, even if otherwise justified, re-establishment of the fixed tramway systems on the highest standard would effectually prevent the proper development of the electric supply undertakings and deny to the consumers any benefit accruing from the inherent profit-earning capacities of the undertakings.)

In the light of these figures, it became clear that, unless some more suitable alternative could be found, serious consideration would need to be given to the possibility of complete abandonment of the transport systems under public ownership.) At this stage a re-examination of the position was made and attention directed to evaluating the comparative merits of all possible available alternatives, including the continuance of a fixed tramway system in both cities on the basis of a shorter life (15 years) than the life of 25 years provided in the original scheme. This ultimately was recommended to the Commission as follows :- "That the Commission adopt as its policy in carrying out its agreements with the Councils :-

- (1) The continuance of the fixed tramways in both cities at an estimated capital cost for reconstruction of -
in Ballarat - £98,000; in Bendigo - £66,175".

These estimates were exclusive of overheads and interest during construction, and they allowed, as a result of a later discussion with Messrs. Jobbins and Cole, £26,000 for about 1/3 new rails in the two cities, thus giving a completely satisfactory 15 year life to both systems.

This report was considered by the Commission at meetings of 30th March, 1933, and 19th April, 1933, when the Manager's recommendations were adopted on the recommendation of a committee appointed by the Commission and consisting of the Chairman and Mr. Commissioner D. J. McClelland. This committee, in its report dated 19th April, 1933, under the heading "Soundness of Recommended Scheme", stated -

"On the important question of the life of any new investment, your committee concurs in a 15 year life as the basis, for the following reasons :-

- (i) The Consultants advise a 15 year life for the more modern alternative of the trolley bus and only 8 years as the life of the petrol bus system; hence neither available alternative offers a more permanent solution than that already recommended to the Commission, and either will place still greater burdens on the consumer of electricity.
- (ii) The Consultants apprehend the possibility of material developments in the next 15 years in respect of street transport and are unable to suggest a more economic permanent solution. It must not be overlooked that the estimated revenues for each alternative are based upon the present-day revenues from the tramways; this assumption could be substantially and quickly vitiated by later developments in street transport practice, particularly for centres such as Ballarat and Bendigo.
- (iii) The Commission would be justified in allowing, say, a 25 year life to the tramways only if an expenditure of over £300,000 approx. is now incurred (compared with £170,000 as proposed). But the capital charges for this alternative would be at least £21,000 per annum (compared with £16,200 in the recommended scheme). This would increase the already heavy burden on the electricity consumers from £14,200 to £19,000 per annum and would make no allowance for obsolescence".

After dealing with the various aspects to be considered in relation to the transport systems in the two provincial cities and the reactions of the two Councils concerned, the committee stated that, from the point of view of the State and the electricity consumer, the following emerged :-

- "(a) A 15 year life tramways system is the best available alternative to meet the State's commitment. The additional burden on electricity supply consumers alone precludes consideration of any greater period of investment.
- (b) This means that at the end of 15 years the State has to again face probably substantial expenditure on some form of street transport provision.

- (c)
- (d)
- (e) "

The committee recommended :-

- "(i)
- (ii)
- (iii) That the question of limitation of the period of the State's commitment and/or some proposal for securing the release of the State on payment of compensation be further considered when the extent of the financial assistance from the Government is known, so that a policy can be framed paying full regard to the nature of the obligations which the State undertook in respect of street transport.
- (iv) That if finally the Councils persist in having the reconstruction of the tramways (15 year life) they must be placed in the position of taking full public responsibility for the burden thus placed upon local electricity consumers.

(v)

In some undated and unsigned notes on the file which could quite possibly have been notes used for discussion with the Ballarat and Bendigo Councils, reference is made to the background of the tramway movement and the financial arrangements which were to be made to finance the reconstruction works. It was stated therein :-

"The municipalities mentioned should also agree that, at the end of the 15 years, which is probably the life given to the tramways by the reconditioning, the matter of traction in their areas will again be taken up by them with the Electricity Commission, with a view to determining, without reference to the Government, which will be free of obligation, what is the most effective and useful course to be pursued in regard to local transportation".

11th November, 1933 - The Manager reported to the Chairman the result of discussions and deliberations between a Sub-Committee of Cabinet and representatives of the two municipalities at a conference presided over by Colonel Harold Cohen, at which the latter summed up the financial position broadly as follows :-

- "(1) That the State had a responsibility in the matter arising out of Mr. Hogan's letter of 16th December, 1927.
- (2) That, in the light of the agreements entered into with the Councils by the Electricity Commission, the electricity consumers also must expect to bear a substantial portion of the financial burden, and electricity tariffs must be maintained at a level sufficient to bear that burden.
- (3) That whatever means were now taken by the State and the Electricity Commission to renew the assets must be accepted by the municipalities as complete fulfilment of the obligations referred to in (1) and (2)".

This was noted by the Commission at its meeting on 22nd November, 1933.

Subsequent negotiations between the Commission and the Government resulted, in 1934, in a decision by the Government to make available an amount of £100,000 from Unemployment Relief moneys, interest free for the first two years and thereafter 4% per annum for 15 years when the whole amount was to be repaid by the Commission; in addition, the provision of £50,000 by the State Government free of interest or repayment, and the provision of £20,000 by the Commission - interest and sinking fund on this amount to be provided from the revenue of the electricity undertakings. These moneys were made available conditionally upon the municipal councils of Bendigo, Ballarat, Eaglehawk and Sebastopol expressly agreeing :-

- "(1) That the Government of Victoria is absolved of any further responsibility in this matter, now or hereafter.
- (2) That it is understood that any losses incurred on the operation of the tramway systems, including capital charges, must be a charge on the electrical undertakings in the two cities and to that extent will influence the downward direction of electricity tariffs".

Copy/ICS
11/11/52.

W.H. DOOLEY LL.B
Solicitor, Etc.

Broken Hill Chambers,
31 Queen Street,
MELBOURNE. C.1.

12th June, 1936.

The Secretary,
State Electricity Commission of Victoria,
22 - 32 William Street,
MELBOURNE. C.1.

Dear Sir,

BALLARAT TRAMWAY EXTENSIONS

I am consulted as to a proposal that the Commission should decide, in relation to expected requests by the Ballarat City Council for extensions of the local tramway system, to announce that it disclaims responsibility for the said system as after 1949; and that in consequence (inter alia) the capital cost and operating losses of any extensions carried out before that date should be guaranteed from funds other than those of the Commission.

In my opinion the Commission is bound by its present agreement with the Councils to carry out and (to an indefinite degree) to operate extensions where the Councils agree to pay the costs (the difference between revenue and expenditure on the particular line after providing for interest, sinking fund and depreciation). The obligation to operate is very nebulous, and as I think it would be discharged by, e.g., running a tram once a day on each line, its enforcement is not of any great value to the Councils. Consequently, although the Commission can be forced to carry out an extension, it could render the extension valueless to the community. This position can I think be altered -

- (a) by amendment of the agreement with the Councils, or
- (b) by legislation to the effect that the Commission shall not, without further Parliamentary authority, carry on tramways in the municipal areas concerned after a given date, in which case the Commission would be justified under clause 22 (e) of the agreement in insisting that any Council requiring an extension would have to guarantee the writing off of

the capital by the date so fixed. Failing such legislation I do not think that the Commission under its present agreements with the Councils would be justified in assuming one arbitrary date of cessation of the useful "life" of every tramway extension, for example, that such useful life would expire in all cases in 1949 no matter when the extension was effected.

The Crown Solicitor has, I understand, given an opinion that the Commission may abandon tramways with the consent of the Governor-in-Council by reason of Section 19 of Act No. 3845 irrespective of any agreement which the Commission may have with the Council concerned. If this were the legal position the Commission could at once get authority to abandon the tramways in 1949 in all provincial areas, and thereby without legislation or further agreements with the Councils, it would be entitled to require the Ballarat Council, for example, to guarantee the writing off of any extensions by 1949.

I do not know whether the Crown Solicitor's opinion goes so far as this, as I have never read it, but if it does, the Governor in Council and the Ministry would probably be guided by it. In consequence, if the Commission were to decide now that it will wish in 1949 absolutely to abandon any tramways or all tramways, it could recommend to the Government that the procedure laid down by section 19 of Act 3845 be now put in motion to authorize such abandonment. If such authority were thus obtained it is not likely that any objection would be taken later as to the validity of the abandonment or the propriety of the Commission's action in insisting that the capital cost of extensions be written off by 1949. And even if, at some later date such questions were raised, it would be an important fact that in the process of obtaining the authority the proposal for abandonment had been placed before both Houses of Parliament and no objections raised, and legislation to place the validity of the abandonment beyond doubt might be fairly readily passed.

(Signed) W.H. DOOLEY