

OFFICES OF THE MELBOURNE TRAMWAYS TRUST

Commercial Bank Chambers,
339 Collins Street,
Melbourne.
17th June 1914.

Memorandum by Chairman

Alderman Sir Henry Weedon.

Re Working of Tramways

Two Bills have been introduced into Parliament (viz.- The Metropolitan Council Bill and The Municipal Tramways Bill) either of which, if passed into law, will abolish this Trust. But in case Parliament should not, during the present session, pass either of these Bills, there is no reason why this Trust should not take such preliminary steps as may be necessary for taking over and working the Tramways when the leases expire in 1916, leaving the task of completing the arrangements to any body that may supersede it.

2. Act 765 (Sec. 12 of 4th Schedule) gives the Trust power over "Maintenance, use and working" of the Tramways. This power was delegated to the Melbourne Tramway & Omnibus Company Ltd. for a term of 32 years, expiring on 1st July 1916. At the end of this term the Tramways revert to the Trust, who being a body with perpetual succession (Sec. 5 of 4th Schedule) has its original powers unimpaired.

3. But the machinery for carrying this out is absolutely unprovided for. The Trust has no power to borrow money for purchase of rolling stock, car sheds, etc., and the authority of Parliament is necessary for this purpose.

4. The question of the electrification of the cable trams need not affect this consideration in any way. A radical change of this kind will take some years to complete, and in the meantime the requirements of the travelling public must be provided for. I do not know, by the way, whether that public has realized the fact that the main streets of the city in which the trams run will have these latter taken up for a period of six months at least, while the change of system is being carried out.

5. We require then, power to negotiate with the T. & C. Company for the acquisition of the rolling stock, and such of their Car sheds and repairing shops as may be necessary for the efficient working of the tramways, and in this connection Sec. 24 of Act 765 requires consideration. It gives the local Authorities (now represented by the Trust) power to purchase all these items. I do not know whether this power is abrogated by the Fourth Schedule or not.

6. The first thing to be done is to form an approximate estimate of what money has to be borrowed to carry on the work. No doubt, on the acquisition of the Tramways by a Municipal body the clamour for penny sections will be irresistible. This will require a considerable increase in the staff and number of cars, while the decrease of receipts through penny sections is estimated by the Traffic Commission at £192,000 for the first year.

7. ROLLING STOCK. This stood on the Company's books in the Balance Sheet for 1913 at £166,465 (including bell punches, etc.) There were in November 1910 (See Minutes of evidence Traffic Commission p.54), 498 Cars and 460 dummies in work, the cost of which was £201,563, we may assume therefore, (allowing for the increase in cars already mentioned) that £200,000 will not be an excessive amount to allow for this item.

8. CAR SHEDS & REPAIR SHOPS. At p.34 of Traffic Commission's Report (question 338) the amount of the Freeholds required for Tramway purposes is stated to be -

Book Values	£189,145
Municipal Valuation	<u>132,000</u>

Leaseholds are taken at £9,662.
It would not be safe to estimate these at less than £160,000.

9. EXTRA ENGINE POWER. It was calculated (v. p. 30 of Report) that the cost of this item would be £27,350 - Allowing for penny sections I put this at say £30,000

10. This makes a total of -

Rolling Stock	£200,000
Buildings	160,000
Extra Engine power	30,000
Contingencies, say	<u>20,000</u>
Total	<u>£410,000</u>

We should therefore not, in any case, require borrowing powers for over £500,000, and it would probably not all be required.

11. I think the Debentures might be redeemed yearly out of profits so as to extinguish the loan in ten years or even less.

12. ANNUAL EXPENSES. This is a very difficult item to make even a tentative estimate of.

The Company's Balance Sheet for 1913, shows:-

		<u>My estimate</u>
Fuel	£19,896	£21,000 (Extra power)
Repairs and Maintenance	70,485	80,000
Office Expenses (No rent)	4,814	6,000
Salaries	24,372	25,000
Wages	<u>252,269</u>	<u>275,000</u>
	£371,836	£407,000
Interest on Debentures 4%		20,000
Re-purchases do 10%		<u>50,000</u>
Total Expenditure		<u>£477,000</u>

13. Repairs and Maintenance will tend to increase slightly; in wages there is likely to be a substantial increase as a Municipal body will not work as cheaply as the T. & C. Company.

14. RECEIPTS. The traffic receipts for year ending
30th June 1914 were £765,148

We have to allow for reduction as said above for penny sections	...	<u>192,000</u>
	Balance	£573,148
Deduct expenses as above		<u>477,000</u>
Balance Net Profit		<u>£96,148</u> =====

15. It must be repeated that this is a very approximate estimate and would require to be carefully checked, at the same time I think it is a safe one and that we might calculate on the first year's net profit being about £100,000 with a prospect of increase, which amount could be set aside for renewals necessary after the expiry of the ten years, or as a nucleus for the cost of electrifying.

Copy forwarded to -

By order,

Secretary.