

1979

VICTORIA

VICTORIAN RAILWAYS

REPORT

OF THE

VICTORIAN RAILWAYS BOARD

FOR THE

YEAR ENDED JUNE 30, 1979

PRESENTED TO BOTH HOUSES OF PARLIAMENT PURSUANT TO THE RAILWAYS ACT 1958, NO. 6355

By Authority:

VICTORIAN RAILWAYS BOARD

| | |
|-----------------------------|----------|
| A. G. GIBBS, A. O. | Chairman |
| I. G. HODGES | Member |
| J. J. BROWN | Member |
| R. W. ELLIS | Member |
| L. M. PERROTT, O.B.E. | Member |
| F. R. G. STRICKLAND, O.B.E. | Member |
| J. G. W. URBAHNS | Member |
| N. G. WILSON, C. M. G | Member |

September 26, 1979

The Honorable Robert Maclellan, M.P.

Minister of Transport,

Dear Mr. Minister,

In accordance with Section 105 of the Railways Act, the Report of the Victorian Railways Board for the year ended June 30, 1979 is submitted to Parliament.

Yours sincerely,

A. G. Gibbs,
Chairman, Victorian Railways Board.

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REPORT OF THE VICTORIAN RAILWAYS BOARD FOR THE YEAR ENDED JUNE 30, 1979

ON THE RIGHT TRACK

The financial outcome of Victorian Railways operations in 1978-79 confirmed the effectiveness of the strategies which are being pursued towards the ultimate objective of providing the State with an efficient, total transport service in which each land transport mode - rail, road and pipeline - is utilised to its best advantage.

For the second year in succession, not only was an increase in freight traffic recorded but the financial target set for the Board - in effect, the amount by which the Board contracted to provide transport services for the State at prices agreed to by the Government - was not only met but bettered.

For the third year in succession, the amount of this annual contract payment, or revenue supplement from the Government, was lower when expressed in terms of constant money values.

These results reflect the combined influence of a number of factors: improved organisation and information systems, leading to more effective management; the rationalisation of both freight and passenger operations to reduce the utilisation of the rail mode in applications where road transport is more economical; greater emphasis on the vital importance of a market-oriented approach throughout the organisation; the more effective utilisation of manpower, including the application of long-range manpower planning; and the benefits of capital investment in modern technology, improved facilities and new rolling stock with consequent cost reduction and improved market penetration.

Whilst it is not possible to isolate the influence of the various factors listed, two are worthy of further comment.

The first of these is rationalisation of operations.

As outlined elsewhere in this report, at the close of the year 33 of the planned network of 35 Regional Freight Centres had been brought into operation, and further progress was made during the year in the programme of substituting road coaches for branch line rail car services. In spite of the extremely satisfactory results that have been achieved by these developments and by the closure of redundant lines and reduction in the number of small stations, there is still a considerable lack of public understanding as to the economic role of the rail mode in an efficient land transport network.

This lack of understanding, and consequent public opposition to change, tends to be further emphasised by confusion as to relative fuel economies arising from the current situation in regard to the availability and price of oil-based fuels. The fact that is often overlooked is that while rail is by far the most efficient user of fuel for high-volume land transport operations, this is not the case in respect of low volume tasks such as branch line passenger services, or the local pickup and delivery function for which road is now being utilised by VicRail through Regional Freight Centres.

Accordingly, while the continued operation of large numbers of road vehicles for long-distance interstate haulage represents an excessive consumption of fuel compared with the alternative of moving the same tonnage in maximum-size trainloads, it is equally wasteful to keep open a poorly-utilised railway line on which a high-capacity locomotive has no more than a few wagons to haul.

Similarly, on routes where the demand for passenger transport on a particular scheduled service is within the capacity of a standard road coach, the utilisation of such a vehicle represents a substantial saving in fuel compared with a rail car or train.

Since the inception of the Board in 1973, 292 km of rail route have been closed in Victoria, and a further 335 km are under investigation for closure. Nevertheless, the scope for rationalising the use of rail and road modes in Victoria in the interests of fuel and other economies is by no means exhausted, and further such measures, either in respect of entire low-density lines or of particular services on higher-density routes, must be introduced if inefficient operating and waste of resources are to be avoided.

The second factor of vital importance for continued improvement in the financial results of railway operations is the availability of adequate capital funds for three primary purposes:

- to replace assets which have become outworn or obsolete because of inadequate past investment;
- to exploit available technological improvements so as to reduce costs; and
- to increase net earnings by enabling the Board to provide services of the volume, standard and degree of reliability demanded by the market.

Many forms of investment contribute to all three of these purposes. (A good example is the recent placing of an order, at a cost of over \$100 million, for a further 50 modern airconditioned stainless steel suburban trains which are planned to replace all obsolete wooden-bodied trains). However, the most pressing need for additional capital investment is to ensure that the railways have the capacity to cope efficiently with the increasing demand for both passenger and freight transport that must inevitably arise as the fuel cost of road operations, both commercial and private, increases.

Apart from the cost factor, the possibility must now be faced that actual shortages of oil-based fuels could develop within the foreseeable future. Having regard to the long lead times involved in expanding the capacity of railway tracks or signalling, or in procuring additional rolling stock, this makes it even more important that the railways be supplied with the funds now to prepare for the greatly increased task that will then be thrust upon them as a matter of absolute necessity.

Both the rate at which the rationalisation of railway operations proceeds in future, and the level of capital investment, are matters requiring Government involvement and support.

It is equally important that Governments recognise the close interrelationship between land use planning and the efficient utilisation of the community's investment in fixed rail transport systems. If the electrified suburban rail network is to yield its full potential benefits by way of energy conservation, both the dispersal of population in suburban areas and the location of major commercial and office developments must be planned so as to give ready access to public transport to enable the maximum number of people to be served.

Similarly, available industrial land adjoining rail routes should be reserved for those types of industries that can most economically utilise direct rail connections.

It is further emphasised that the one factor, above all others, that governs the magnitude of the annual revenue supplement necessary to sustain acceptable railway services, is the "cost recovery rate"—the extent to which the Government requires actual railway users to meet the costs of railway services directly through fare and freight charges.

A table showing the cost recovery rate achieved in 1978–79 in respect of each of the five categories of railway service appears in the "Finance" section of this report.

It is now generally accepted in heavily motorised communities throughout the world that if passengers are to be induced to use public transport in preference to the private car, charges cannot be set at a level that will yield a cost recovery rate better than about 50 per cent; the average cost recovery rate recorded by 63 urban passenger undertakings which are Members of the International Union of Public Transport was 55 per cent in 1976, after declining steadily for the preceding eight years. The current Victorian figure of 49 per cent is accordingly consistent with World experience.

However, there is no such general acceptance of a low cost recovery rate for freight services, and the figure of 56.7 per cent recorded in respect of Victorian freight operations in 1978–79 must accordingly raise serious questions as to whether some freight charges are being held down to an extent greater than would be really acceptable to the market.

FINANCE

The Year's Results

The operating result for the year, compared with Budget and showing a similar comparison for 1977-78, was as follows:-

| | 1977/78 \$ | 1978/79 \$ |
|----------------------------------|---------------|---------------|
| Operating Expenditure | 332,839,927 | 348,640,683 |
| Receipts | 180,545,809 | 188,816,573 |
| Revenue Supplement in Budget | 152,630,000 | 160,522,212 |
| Total Income | 333,175,809 | 349,338,785 |
| Surplus after Revenue Supplement | 335,882 | 698,102 |

The improvement of \$698,000 over the revenue supplement target of \$160,522,000 set in the 1978-79 Budget was achieved in spite of the fact that additional costs, amounting to some \$10 million, were incurred during the year for wage awards and higher material prices (including fuel) not provided for in the Budget. (In 1979-80 the Treasury has agreed to include a more realistic provision for these factors in the Budget estimates).

Compared with 1977-78, receipts increased by \$8.3 million or 4.6 per cent. (Passenger earnings rose by \$3.8 million or 6.9 per cent, whilst revenue from freight rose by \$8.1 million or 8.5 per cent due to a record grain harvest, increased general traffic, and higher charges imposed in September 1978 for less than wagon-load freight.) Expenditure rose by \$15.8 million or 4.7 per cent, due mainly to the effects of wage indexation awards and higher material and fuel prices. These increasing factors were partly offset by staff savings and other economies.

The fact that expenditure increased only 4.7 per cent for a comparable work load, during a year in which the consumer price index rose by 8.2 per cent, reflects a productivity gain to the order of 3 per cent.

Categories of Service

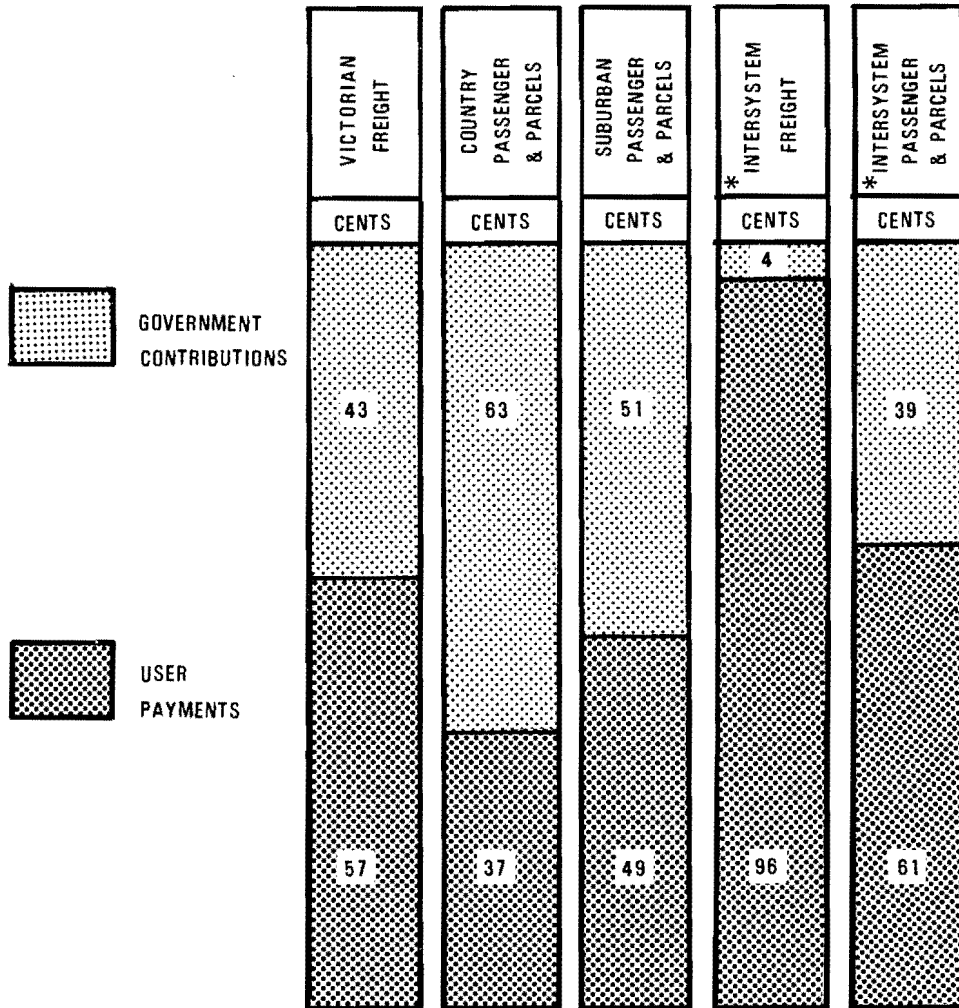
The following is an analysis of the year's results into the main categories into which railway services can usefully be subdivided.

| | Receipts | Expenditure | Revenue Supplement |
|---------------------------------|----------|-------------|--------------------|
| | \$M | \$M | \$M |
| Victorian freight | 79.9 | 141.0 | - 61.1 |
| Country passenger & parcels | 22.4 | 60.2 | - 37.8 |
| Suburban passenger & parcels | 52.4 | 105.9 | - 53.5 |
| Intersystem freight | 24.1 | 25.0 | - 0.9 |
| Intersystem passenger & parcels | 10.0 | 16.5 | - 6.5 |
| TOTAL | 188.8 | 348.6 | - 159.8 |

The revenue supplements shown in this table can be regarded as contract payments to the Board from the Government. The Government accepts that it is in the community interest that rail services be supplied at charges which directly meet only a portion of the costs involved, and the Board contracts to the Government to supply these services for the specific amounts shown.

Further important information derived from the foregoing analysis is the "cost recovery rate", which measures the extent to which the costs entailed in each particular category of service are shared between rail-users and the Government. Variations in the cost recovery rate between the different categories of service are illustrated graphically below.

SOURCE OF EACH \$ OF EXPENDITURE



* TRAFFIC ORIGINATING AND/OR TERMINATING OUTSIDE VICTORIA

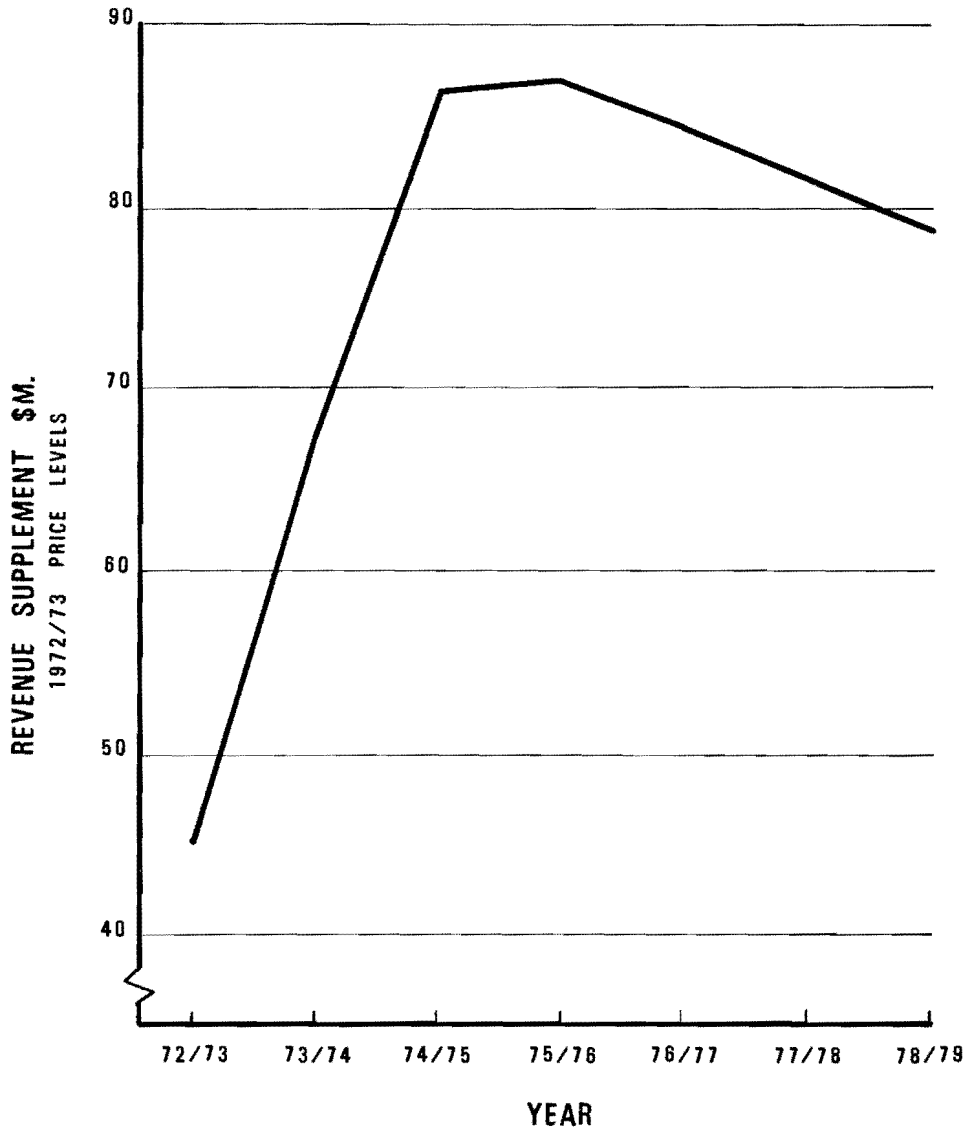
As in the past two financial years, the total revenue supplement paid by the Government to the Board declined when expressed in terms of constant money values. This is illustrated by the graph on the following page.

By eliminating the inflation factor, this graph clearly demonstrates the success of the course being pursued by the Board to rationalise railway operations and increase the effectiveness of management at all levels.

THE MARKET

Ongoing development of the marketing role within VicRail continued during the year with the strengthening of the Marketing Branch by the establishment of three new Marketing positions for Managers, whose function is to develop specific freight and passenger traffic groups and liaise and negotiate with major shippers.

ANNUAL REVENUE SUPPLEMENT
EXPRESSED IN TERMS OF CONSTANT
MONEY VALUES
(1972/73 PRICE LEVELS)



The Marketing Planning area was strengthened and the Sales section reorganised. Four resident positions for Sales Representatives were established at Bendigo, Morwell, Wangaratta and Warrnambool, and a further position at Geelong was approved.

Freight Traffic Task

In the freight transport field, the year was again one of fierce competition with operators struggling to maintain and improve their share in a market showing little real growth. The current over-capacity in the road transport sector presents problems not only for road transport but for rail, as it is a major factor in keeping intercapital freight rates at depressed levels.

In these circumstances the Board takes satisfaction in reporting a small growth in the total freight transport task performed, particularly as the growth was due to factors other than the carriage of grain following the year's record harvest. Net freight tonne-km performed for the year totalled 3,145 million, compared with 3,109 million in 1977-78, an increase of 1.2 per cent.

Early in the year it became evident that, barring abnormal weather conditions, the combined harvest of wheat and other grains would exceed the previous record by a considerable margin and would place a severe strain on the Board's resources. The challenge was met by the preparation, in close co-operation with the Grain Elevators Board and the Transport Regulation Board, of a fully documented operating plan to cover the rail movement of grain with road transport to be utilised to supplement rail operations where necessary.

Vital elements of the plan were the operation of high-capacity unit trains to the maximum extent practicable and the Board's acceptance of full responsibility for co-ordination of the combined rail/road movement. In the event, it was found necessary to utilise road transport only to a very minor extent.

The manner in which one of the greatest single transport tasks ever faced by VicRail was carried out was a tribute not only to the soundness of the initial planning but to the expertise of the railway staff in the field, and the Board places on record its acknowledgement of the devoted and thoroughly professional way in which the officers and employees concerned went about their work. As the result of their efforts it soon became evident that the only real factor constraining the ability of the Railways to move the grain was the capacity of the terminals and storages to discharge the wagons and return them for further loads.

Private Sidings

In order to encourage industries with a potential to generate wagonload or multiple wagonload traffic to locate adjacent to rail lines with a connection to the system, the Board has adopted a commercially-oriented policy towards contributing to the cost of private sidings.

Potential siding owners will also be encouraged to seek assistance already available, in appropriate circumstances, from the Development Fund administered by the Minister of State Development, Decentralization and Tourism, or the Transport Fund administered by the Minister of Transport, towards the cost of private sidings.

Regional Freight Centres

During the year Regional Freight Centres were opened at Korumburra, Shepparton, Orbost, Echuca, Bendigo, Kerang, Swan Hill, Mildura, Castlemaine, Donald, Maryborough, Ouyen, Warragul, Traralgon, Morwell and Moe.

At the close of the year 33 Freight Centres had been brought into operation and only those at Ballarat and Geelong remained to be introduced to complete the planned network of 35 centres.

The freight centre concept continues to be generally well received in country areas and to achieve its overall objective of improved service at lower cost, with a general overall gain in market penetration; an analysis covering seven centres which had been operating for a sufficient period to make a valid comparison revealed an average increase in tonnage of 20 per cent. Total traffic through the Dynon Freight Terminal during the same period increased by 25 per cent.

At the same time the Board considers it imperative to point out that a premature lifting of controls on road transport, leaving road operators free to "pick the cream" of the traffic, could jeopardise the future stability of this carefully planned rail/road network without any real compensating benefits to the people of the State.

Principal Operating Statistics

As shown in the table and graphs which follow, new records were established in nearly all the principal indices of freight train performance, once again demonstrating the impact upon operating efficiency of the rationalisation of rail and road functions largely made possible by the extension of the regional Freight Centre system.

The further scrapping of low-capacity, over-age freight wagons, and the detailed planning which preceded the record grain harvest, leading to maximisation of the use of high-capacity unit trains, were also important factors contributing to the outstanding results achieved.

| | <u>1976-77</u> | <u>1977-78</u> | <u>1978-79</u> |
|---|----------------|----------------|----------------|
| Average kilometres per wagon per day | 60.44 | 66.21 | 72.16 |
| Average daily wagon output (net tonne kilometres) | 700 | 798 | 938 |
| Average net wagon load (tonnes) | 17.56 | 18.74 | 20.35 |
| Average net tonne kilometres per goods train hour | 7074 | 7470 | 8005 |
| Average net train load (tonnes) | 307 | 313 | 327 |
| Standing time (hours) per 1000 train kilometres | 6.06 | 5.94 | 5.47 |

Variations in Freight Charges

As from September 11, 1978, Victorian goods tariff rates for less than wagonload traffic were increased by a weighted average of 9 per cent, while livestock charges were increased by 33 1/3 per cent. No increase was applied to wagonload rates other than livestock, or to traffic carried at special rates.

Concurrently with the rate increase, further progress was achieved with the process of rate simplification and rationalisation which has been in course for some years.

Railways of Australia intersystem tariff rates were increased by 3 per cent on September 1, 1978, and by a further 5 per cent on March 1, 1979.

Intersystem freight contract charges were increased by 3 per cent, with some exceptions related to market conditions, as from September 1, 1978. A further increase, ranging from 2 to 5 per cent, was applied as from March 1, 1979, with the exception of traffic between Melbourne and Perth.

Passenger Operations—Metropolitan

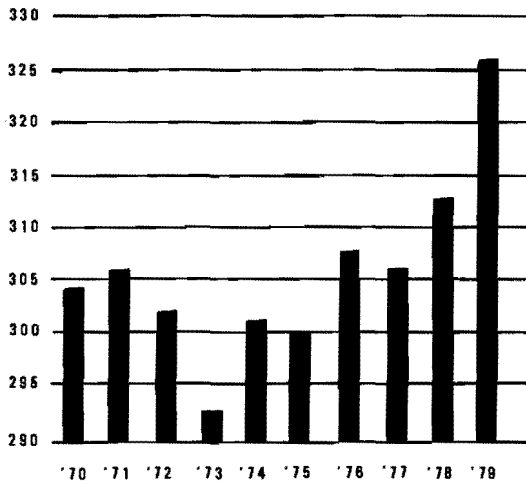
No general change in the frequency of suburban passenger services or in fare scales took place during the year. However, in response to a market analysis of off peak suburban travel leading to the conclusion that a small reduction in fares would be likely to yield a net increase in revenue, as from April 4, 1979, suburban off peak day return fares were reduced from ordinary return fare less 25 per cent to ordinary return fare less 33 per cent.

At the close of the year it was too soon to establish whether this initiative had been successful in stimulating off peak travel to the predicted extent. However, the latest returns available at the date of printing this Report disclose a 6.7 cent increase in revenue overall from suburban travel compared with 1977-78.

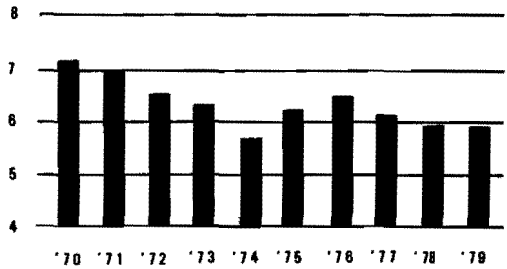
Development of a market-oriented index of suburban train performance, referred to in the 1977-78 Annual Report, proceeded during the year and the results revealed are being utilised to identify problem areas with a view to rectification of unsatisfactory performance. While useful results are being achieved, this analysis has also highlighted the extent to which failure to attain acceptable standards of punctuality and reliability is due to fundamental deficiencies which can be corrected only in the longer term. In particular, the elimination of such basic causes of poor performance as mechanical failures and breakdowns is inseparable from the provision of adequate capital funds for new facilities and equipment.

FREIGHT OPERATING STATISTICS

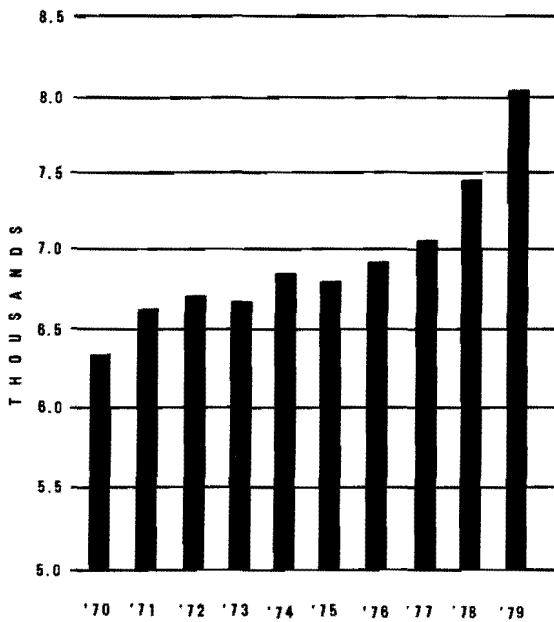
(YEARS ENDING JUNE 30)



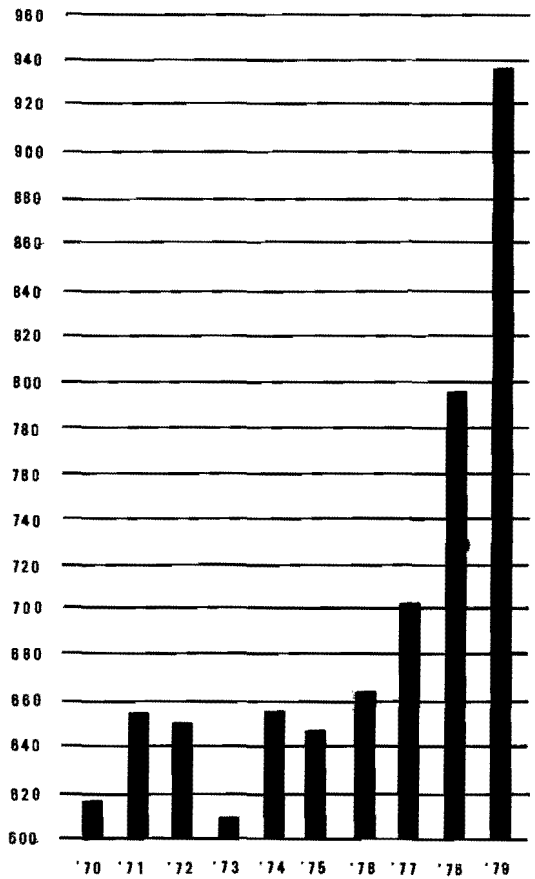
AVERAGE NET TRAIN LOAD (tonnes)



STANDING TIME PER 1,000 TRAIN km (HOURS)



AVERAGE HOURLY TRAIN OUTPUT NET (tonne/km)



AVERAGE DAILY WAGON OUTPUT NET (tonne/km)

Apart from the age and condition of the wooden-bodied Tait trains which still comprise 25 per cent of the fleet, the reliability of suburban services is severely constrained by inadequate communications and the complex and inefficient intermingling of trains and crews which takes place at Flinders Street.

Projects (including the city underground loop system) to overcome these deficiencies are in hand, but the magnitude of the problems is such that progressive improvement is a more realistic objective than a radical overnight upsurge in performance standards.

Passenger Operations—Country and Intersystem

No general change in country fare scales took place during the year, but from February 5, 1979, off peak fares were extended from Geelong to South Geelong.

A programme was approved for the building of 36 modern airconditioned carriages in departmental workshops, for use on the Geelong and Ballarat lines, and construction will commence in 1979–80.

As shown by the graph on page 11, the VicRail Package Tour programme continued the steady growth pattern displayed in recent years. In 1978–79 both sales and revenue exceeded the targets set for the year, and recorded increases over the previous year of 13.8 and 21.3 per cent respectively.

In pursuance of the programme of replacing country branch line rail cars by contract road buses, the services between Bendigo and Deniliquin, and between Bendigo and Cohuna, were converted to road on June 11, 1979. In addition, a road bus replaced the daily rail car between Horsham and Serviceton, for a twelve months' trial period, on December 4, 1978.

A MotoRail service for the carriage of passengers' cars on "The Overland" express in each direction between Melbourne and Adelaide was inaugurated on November 6, 1978. Patronage has been encouraging.

No change took place during the year in interstate fares on the Melbourne–Adelaide or Melbourne–Sydney routes. Patronage of interstate passenger trains increased by 3.5 per cent, compared with the previous year.

Public Relations, Promotions and Advertising

During the year that portion of the Public Relations Division dealing with advertising and sales promotion was transferred to the Marketing Branch in order to provide a more integrated and effective promotion of rail services.

Other aspects of public relations activities, including contact with the media, remain with the Public Relations Division of the Secretary's Branch.

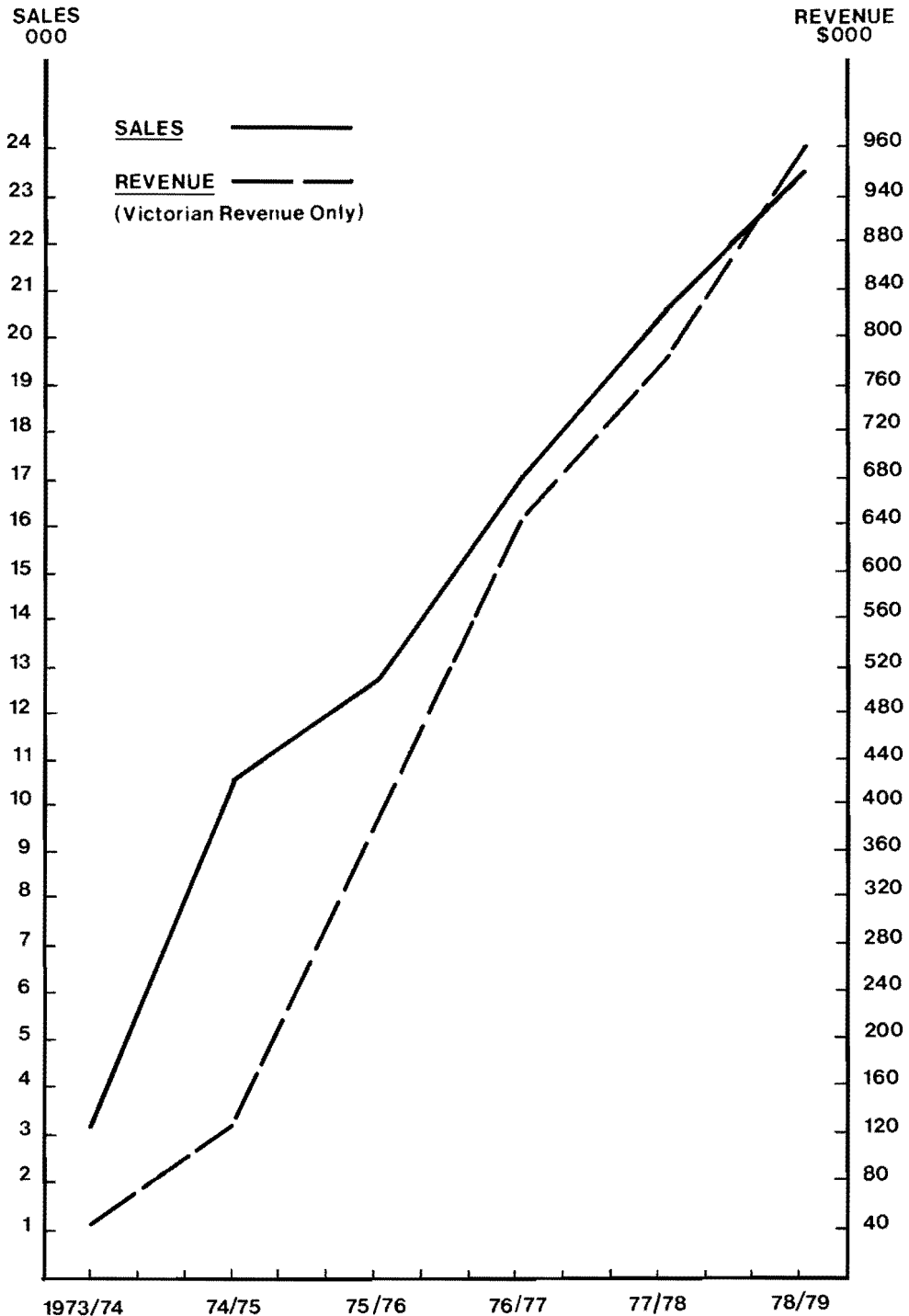
During the year greater emphasis was placed on internal communication, and to this end a series of "Inside VicRail" brochures, explaining VicRail management policies, were produced and delivered to all staff individually.

To improve external communications to the general public, a number of publications have been produced and a significant number of displays and exhibitions have been mounted.

With the co-operation of the media the Public Relations Division initiated a much improved information service to the public on commuter train running at morning and evening peak hours. This has resulted in a considerable lessening of the number of individual enquiries directed to Train Control and other areas in the organisation.

GROWTH OF VicRail TOUR SALES 1973/74 TO 1978/79

Including Package Tours, Pensioner Tours, Day School Tours



PLANNING AND RESEARCH

Planning

The Planning Branch provides information and advice to Management, both in the area of corporate planning and in regard to external changes occurring or those that could impinge upon VicRail's performance.

The Planning Branch also represents the Board to co-ordinate VicRail activities with Railways of Australia, Australian Railway Research and Development Organisation and planning bodies at federal, state, regional and municipal levels. Particular emphasis is placed on the integration of land use and transport planning.

Evaluation of projects is undertaken to ensure that proper consideration of alternative options precedes major investment commitments.

Research

Research work, jointly funded by the Commonwealth and State Governments under the Transport Planning and Research (Financial Assistance) Act 1977, covers a wide range of technical, operational and marketing areas. The Branch administers work under this Act to promote a co-ordinated approach.

Data Processing

During the year the Data Processing Section of the Planning Branch was restructured into two functional sections, Computing Development and Computing Services. The Computing Development Section is responsible for the long range analysis and development of new EDP applications. The Computing Services Section is responsible for scheduling and allocating system development resources, monitoring and appraising existing standards and system performances.

The central processing unit at present leased by the Board will be replaced in March 1980 with a later model processor to enable more sophisticated work to be handled.

ORGANISATION, SYSTEMS AND CONTROLS

ORGANISATION

Since its inception the Board has been pursuing a course of progressively modifying and improving the organisation of VicRail in line with the latest overseas practices. These changes are designed to increase efficiency and develop a more commercial and competitive structure, appropriate for a modern business undertaking.

Earlier steps in this continuing reorganisation have been described in previous Annual Reports. During 1978-79 the organisational arrangements covering the operating and workshop functions were reviewed in depth and as a result it has been decided to make the following changes:

- The existing Traffic Branch will be divided into two separate Branches: an Operations Branch covering all staff concerned with the operation of trains (suburban, country and interstate) and a Transportation Branch to control all station staff involved in the movement of passengers and parcels throughout the network. (Freight terminal staff will continue to come under the control of the existing Freight Branch).
- A General Workshops Branch will be formed to rationalise the workshops functions at present performed in the Rolling Stock, Electrical and Way and Works Branches. The new Branch will be responsible for all workshops repair, rebuilding and manufacturing activities, as distinct from running and field maintenance which will remain under the present control.

- Because of the complexity of modern day electrical and electronic technology in the field of signalling and communication, it has been decided to transfer the Signals and Communications Division from the Way and Works Branch to the Electrical Branch.

SYSTEMS AND CONTROLS

Internal Audit

In order to investigate, co-ordinate, evaluate and report on the effectiveness of financial and related controls, an internal audit branch has been established under a Chief Internal Auditor, reporting directly to the General Manager.

Management Information System

Based on the satisfactory results achieved with the computer-based Responsibility and Management Accounting System which was introduced on July 1, 1975, action was initiated to review the total management information needs of VicRail and develop a co-ordinated family of computerised systems designed to –

- (i) meet the needs of management for on-going control of costs;
- (ii) provide data to facilitate decision-making in the areas of policy, planning and pricing;
- (iii) facilitate corporate planning and management by objectives; and
- (iv) assist oversight by top management.

The review, which is being carried out with the assistance of consultants, will be completed during 1979-80 and it is planned to introduce the first stages of the new comprehensive system from July 1, 1980.

Financial and Accounting System

Associated with the review of the management information system is a complete review of the existing accounting system with the objective of applying commercial accounting principles appropriate to a business undertaking – a step which was recommended by the Parliamentary Public Accounts Committee in 1972. Much work has been done in this regard in recent years, but progress has been constrained by the requirement to adhere to the Treasury Cash Estimates system which applies to Administrative Departments as well as to VicRail (but not to other major statutory business undertakings such as the State Electricity Commission and the Gas and Fuel Corporation).

Action was also initiated to develop detailed proposals for financial arrangements comparable with those applicable to the other Statutory Authorities. These proposed arrangements, which would require amendments to the Railways Act, would among many benefits facilitate internal financial controls and the management of resources; provide the Parliament, the Government and the public with more comprehensive and meaningful information on the implications of Railways' policies, plans and programmes; and emphasise to all concerned the inseparable relationship between revenue and expenditure.

Towards the eventual introduction of new financial arrangements as outlined, action has been taken internally to revalue rolling stock assets, review depreciation rates and develop plans for a computerised asset register. These steps will result in a more realistic valuation of the assets concerned, permit a more detailed classification and provide improved information on capital charges for calculation of costs of specific tasks or categories of service.

Passenger Audit and Information Systems

Further progress was made, with the assistance of consultants, towards introduction by the scheduled date of January 1, 1980, of the computerised passenger audit and information system referred to in previous Annual Reports.

Interstate Freight Traffic Documentation and Statistics

The present manual accounting arrangements governing adjustments of revenue between Systems in respect of interstate freight traffic are not only costly but impose a severe constraint on the ability of each System to promptly process freight traffic statistics generally.

To overcome this situation agreement has been reached in principle with the other Australian Railway Systems to simplify documentation and to develop a computerised method of processing statistical data in respect of all interstate freight transactions throughout the Commonwealth.

A steering committee, under the chairmanship of the Victorian representative, has been appointed to guide the implementation of this proposal, which will also have the advantage of facilitating revenue adjustments between Systems.

IMPROVEMENTS AND MAINTENANCE

New Works, Improvements and Replacements

Expenditure on investments and fixed assets during the year was \$55.7 million, allocated as follows:

| | Rolling Stock | Other | Total |
|--|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ |
| Investments in VicRail Pipelines Pty. Ltd. | – | 1,704,000 | 1,704,000 |
| New Works/Improvements | – | 22,138,829 | 22,138,829 |
| Renewals/Replacements | 27,784,759 | 4,022,611 | 31,807,370 |
| TOTAL | 27,784,759 | 27,865,440 | 55,650,199 |

Of the total expenditure of \$55,650,199, the Commonwealth contributed \$10,962,960 under the urban public transport programme.

URBAN WORKS

No major works were completed and brought into service during the year, but at the close of the year the Macleod-Greensborough duplication project was nearing completion and awaiting only the final commissioning of the signalling.

Reconstruction of the station buildings was completed at Altona, Dennis, Ferntree Gully, Seaford and Jewell ('down' side).

Major urban works in hand at the close of the year were the provision of a third track between Caulfield and Mordialloc; duplication of tracks between Ringwood-Bayswater and Ringwood-Croydon; amalgamation of signal boxes in the central area (in conjunction with the underground project); electrification of the Altona Junction-Werribee section of the Geelong line; and the provision of grade separation at Ashley Street, Tottenham.

Reconstruction of suburban station buildings was in hand at Alphington, Aspendale, Bonbeach, Darling, Eaglemont ('down' side), Edithvale, North Richmond and Pascoe Vale.

Underground Connections

Construction by the Board of ramps and box tunnels within existing railway boundaries on behalf of the Melbourne Underground Rail Loop Authority continued during the year and is now 90 per cent completed.

The new Spencer Street No. 2 Signal Box, an entrance-exit route setting installation, was completed, as was commissioning of automatic signalling on the new two track overpass, opened to traffic in December, 1978, which connects Spencer Street to Flinders Street.

Further stage work carried out in the Flinders Street area included the power signalling of the Port Melbourne and St. Kilda lines, and the commissioning of the Flinders Street 'A' Box relay room and the connections to the new overpass.

The Metrol Building

Work continued throughout the year on the Metrol building, redesigned at the direction of the Government to a lower profile as previously reported.

Negotiations were still proceeding at the close of the year for settlement of outstanding claims, for work performed and compensation, from the firm of Prentice Builders Pty. Ltd., whose contract was terminated to permit the redesign of the building.

The question of responsibility for the additional costs entailed in the cancellation of the contract and completion of the building to a new design was also unresolved. Prompt settlement of this matter will be essential if a further delay in bringing the underground loop system into service is to be avoided.

Station Car Parks

Six hundred and ninety additional commuter car parking spaces were provided as a result of the extension and/or redevelopment of car parks at 25 locations.

At the close of the year 16,674 spaces were available at 142 locations.

Ticket Vending Machines

On November 23, 1977, tenders were invited for the provision of 113 automatic ticket vending machines for installation on the 'down' side platforms at 111 suburban stations.

Following evaluation of the offers received and a visit overseas by a senior officer of the Electrical Engineering Branch to inspect the manufacture and service performance of certain machines, a proposal was prepared for the purchase of a particular make of machine, but at the close of the year Government authority to enter into this contract had not been received.

Replacement of Suburban Trains

As indicated in our last Annual Report, during 1977-78 the Government approved the purchase of the equivalent of 9 additional stainless steel electric suburban trains to bridge the gap between the first contract for 50 of these trains and the second order for which tenders were invited during that year.

At the close of the year 54 of the new trains were in operation. The remaining 5 are expected to be in service by the end of 1979.

On April 19, 1979, an Order in Council was approved authorising the Board to enter into a contract with Commonwealth Engineering (Victoria) Pty. Ltd. for the supply of a further 50 6-carriage stainless steel electric suburban trains at a cost of over \$100 million. These trains will be of the most modern design and will incorporate airconditioning of crew and passenger compartments. Each train will comprise two self-contained 3-carriage units which can be used for off peak operations and will incorporate multi-function automatic couplers to facilitate recombining into 6-carriage sets for peak traffic.

First deliveries under this contract are scheduled by October, 1980, and completion of the 50 trains is due by mid-1986.

A further six obsolete wooden-bodied suburban trains were withdrawn from service and scrapped, leaving 36 of these trains still in operation at the close of the year. These will all be replaced as the new trains come to hand.

NON-URBAN WORKS

Geelong Line Duplication

In connection with duplication of the remaining single track section of the Geelong line between Little River and Corio, earthworks and drainage works have been completed, and ballast has been spread and rolled between Lara and Little River.

Reconstruction of the Duck Ponds Creek bridge at Lara for the second track has also been completed.

Depots, Terminals, etc.

Erection of an amenities building at Seymour locomotive depot and the upgrading of canteen facilities at the Ballarat North Workshops were completed. Extension of the wheel shop, including provision of an office and amenities block, at Newport Workshops, and the provision of new district offices at Seymour, were put in hand.

Necessary works for the provision of covered areas, office and amenities blocks, and hard standing areas at Regional Freight Centres were carried out at a cost of \$1.3 million, to meet the programme for opening additional Centres during the year.

Mt. Buffalo Chalet

Installation and commissioning of a new sewage treatment plant at Mt. Buffalo were completed. Rearrangement and renovation of the kitchen area and installation of a fire suppression system were commenced.

Locomotives and Rolling Stock

The final unit of an order for 10 'C' class 3,000 h.p. diesel-electric locomotives was delivered during the year.

The following new bogie freight wagons were completed in departmental workshops:

| | |
|----------------------------------|-------|
| JBF Hopper wagons | 5 |
| JAF Hopper wagons | 5 |
| JSF Hopper wagons | 5 |
| VFTY Timber wagons | 29 |
| VHGY Bulk grain wagons | 6* |
| VFNX Mechanically sheeted wagons | 50 |
| VOCX Open wagons | 70 |
| | <hr/> |
| | 170 |

* Part of an order for 30 wagons financed from the Transport Fund. The remaining 24 wagons have since been delivered.

One thousand seven hundred and sixty-seven obsolete freight wagons and 90 unserviceable brake vans were withdrawn from service and scrapped.

Altona-Somerton Pipeline

As reported in our 1977-78 Annual Report, construction of the Altona-Somerton liquid fuels pipeline by the joint venture in which the Board's wholly-owned subsidiary company, VicRail Pipelines Pty. Ltd. is a participant, was commenced during that year.

Work continued on the pipeline throughout 1978-79 and a certificate of completion was issued by the construction contractor on June 28, 1979.

An operating permit for the pipeline, as required under Section 35 of the Pipelines Act 1976, was issued by the Minister for Minerals and Energy on June 29, 1979.

With the consent of the Treasurer a further amount of \$1,704,000 was loaned by the Board to VicRail Pipelines Pty. Ltd. to meet the Company's contribution to the joint venture during the year, making a total of loans to the Company of \$3,000,754.

Main Line Upgrading

Under the National Railway Network (Financial Assistance) Act 1979, the Commonwealth has provided an amount of \$70 million for loans to those States which operate their own railway systems. This amount is to be made available over the period 1978-79 to 1982-83 for projects designed to upgrade the national main line railway network, and is subject to finalisation of agreements with the States.

The following works have been nominated to be carried out under the agreement –

- Ararat-Serviceton: Lengthening of crossing loops, provision of additional loops, and installation of centralised traffic control
- South Dynon: New container terminal

At the close of the year the agreement with the Commonwealth embodying these works had not been finalised, and consequently no funds were made available during 1978-79.

Maintenance

During the year 64 km of track was relaid with new rail and a further 61 km with serviceable rail, while points and crossings were renewed as required at various locations.

A total of 1,030 km of track was maintained by mechanical means and 220,000 sleepers, representing 64 per cent of the total number of sleepers replaced during the year, were installed by fully mechanised gangs.

Reconstruction of bridges was completed at Mt. Dandenong Road, Croydon; Sunshine Street, Gowrie; Church Street and Main Street, Greensborough; Victoria Street, Middle Footscray; Durrant Street, North Brighton; and Clarendon Street, South Melbourne. Major bridge works were in hand at Dandenong Creek, Bayswater; Hammond Road, Dandenong; Elgin Street, Hawthorn; Mordialloc Creek, Mordialloc; Cowies Creek, North Shore; Wantirna Road, Ringwood; Kananook Creek, Seaford; Stratford Road, Stratford; and Dudley Street, West Melbourne.

Contracts to provide for in-track testing for internal defects in rails by ultrasonic means have been adopted on an annual basis, and during the year a total of 1,850 km of track, including 700 km in the metropolitan area, was tested.

New plant and equipment was provided, at a cost of approximately \$600,000, in the departmental workshops at Newport, North Melbourne (including the Bogie Exchange area), Jolimont, Ballarat and Bendigo to facilitate the maintenance of rolling stock.

The departmental laboratory at Newport devoted attention to problems of the transportation of dangerous goods (for which the Railways of Australia Code has now been published), and increased its involvement in environmental matters and industrial hygiene. The laboratory also furthered the development of ultrasonic testing of welds in lieu of radiography, with consequent time and cost savings.

PERSONNEL AND ADMINISTRATION

The Board wishes to acknowledge the loyalty, dedication and efforts of its staff in helping to achieve the year's results and in working to provide a solid foundation for the future, as VicRail progresses towards its goal in providing a total transport system.

At June 30, 1979, the total staff (including casual labour equivalent to 68 men working full time) was 22,846 compared with 23,408 at the end of last year.

Salary and wage increases and varied working conditions granted during the year by the Australian Conciliation and Arbitration Commission were estimated to cost \$19.6 million in a full year.

In December, 1978, payments under the State Incremental Payments Scheme were also increased and these are estimated to cost an additional \$1.8 million in a full year.

The average annual payment, including overtime and penalty payments to all staff was \$10,799 compared with \$10,005 the previous year—an increase of 7.9 per cent.

VicRail operations were disrupted or brought to a halt on numerous occasions during the year by the actions of the unions in support of their claim for parity with their counterparts in New South Wales.

Staff development programmes continued throughout the year and consequent on the establishment of a Human Resource Division more development and subsequent implementation of human resource strategies, policies and procedures in line with Corporate needs will be introduced.

Higher management courses conducted by the Institute of Management, New South Wales, and the Australian Administrative Staff College at Mt. Eliza were again undertaken by officers in management positions.

On November 25, 1978, the Board promoted Mr. P. E. Stuart, Director, Management Controls, to the position of Director, Personnel, following the retirement of Mr. V. A. Winter. Consequent on this appointment, Mr. J. H. Thompson was appointed to the position of Director, Management Controls.

The Board also decided that in order to better serve the future needs of VicRail, the Personnel Branch should be re-structured into five Divisions, namely—Personnel Administration, Manpower Studies, Human Resource Development, Employee Relations and Medical Services. The re-structuring anticipates the demands that will be placed on staff in the future and which will involve changes in attitudes, skills and knowledge, which will need to take place alongside the re-orientation of personnel policies and practices.

As indicated elsewhere in this Report, the Board also decided, in line with modern management principles, to strengthen VicRail's financial controls by creating an Internal Audit Branch. Mr. P. J. Stow, Assistant Comptroller of Accounts, was promoted to the position of Chief Internal Auditor on June 25, 1979.

In the latter part of 1978, the General Manager, Mr. I. G. Hodges, undertook an overseas study tour visiting Austria, the Netherlands, France, United Kingdom, U.S.A., Canada and Japan, to study the applicability to and benefit for VicRail of world developments in the general railway area. Main areas to which particular attention was given were the developments taking place in rolling stock design, particularly for suburban use, the changes in railway system operating organisation and control and the practices being adopted in regard to Government financing of railways.

The Deputy General Manager, Mr. L. A. McCallum, also travelled overseas as a member of the Grain Elevators Board in company with the Chairman and the General Manager of that Board to the U.S.A. and Canada, to study current overseas developments in the handling and transport of grain.

BOARD MEMBERSHIP

No changes took place in Board Membership during the year.

MANAGEMENT

| | |
|---|-----------------|
| General Manager | I. G. Hodges |
| Deputy General Manager | L. A. McCallum |
| Assistant General Manager (Finance & Administration) | N. H. Rashleigh |
| Assistant General Manager (Operations) | A. J. Nicholson |

HEADS OF BRANCHES

| | |
|-------------------------------|------------------|
| Chief Traffic Manager | M. W. B. Ronald |
| Chief Civil Engineer | D. D. Wade |
| Chief Mechanical Engineer | S. F. Keane |
| Chief Electrical Engineer | A. J. Firth |
| Chief Freight Manager | L. A. Krausgrill |
| Director of Personnel | P. E. Stuart |
| Comptroller of Accounts | J. K. McGowan |
| Secretary for Railways | A. Augustine |
| Chief Marketing Manager | A. W. Weeks |
| Comptroller of Stores | M. L. McKenzie |
| Manager, Trading & Catering | K. J. Feltscheer |
| Director of Planning | R. J. Gallacher |
| Director, Management Controls | J. H. Thompson |
| Chief Internal Auditor | P. J. Stow |

Appendices

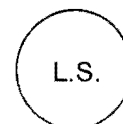
A statement of assets and liabilities as at June 30, 1979, and various accounts, statements and other information are embodied in the appendices, a list of which appears at the front of this report.

Victorian Railways Board

The Common Seal of the Victorian Railways Board was hereto affixed in the presence of

A. G. Gibbs Member

I. J. Reiher Secretary



September 26, 1979

STATEMENT OF ASSETS & LIABILITIES AS AT JUNE 30, 1979 (Note 1)

| 1978 | 1978 | | 1979 | 1979 |
|---------|---------|--|---------|---------|
| \$M | \$M | | \$M | \$M |
| | | FUNDS PROVIDED (NOTE 2) | | |
| 595.677 | | State – from Loans | 632.805 | |
| 36.844 | 632.521 | Other | 41.507 | 674.312 |
| | 76.466 | Commonwealth | | 87.429 |
| | 708.987 | | | 761.741 |
| | 217.650 | LESS Depreciation not provided by Cash Appropriations (Notes 1 and 3) | | 230.246 |
| | 491.337 | | | 531.495 |
| | 23.907 | ADD Asset Revaluation Reserve (Note 4) | | 20.293 |
| | 515.244 | NET WORTH on EXISTING BASIS (Note 5) | | 551.788 |
| | 13.216 | REPRESENTED BY | | |
| | | Special Funds held by State Treasurer (Note 6) | | 13.032 |
| 32.384 | | Current Assets | 37.607 | |
| 31.870 | | Current Liabilities | 37.835 | |
| | | | | |
| | .514 | Current Assets less Current Liabilities | | (,228) |
| | 1.297 | Investments in VicRail Pipelines Pty. Ltd. (Debentures and Shares) | | 3.001 |
| | | FIXED ASSETS (NOTE 8) | | |
| 275.240 | | Track | 290.968 | |
| 338.535 | | Rolling Stock | 360.428 | |
| 41.991 | | Machinery and Plant | 44.512 | |
| 5.805 | | Land | 5.890 | |
| 82.811 | | Buildings | 89.628 | |
| 8.072 | | Other Assets | 9.790 | |
| 752.454 | | TOTAL – FIXED ASSETS | 801.216 | |
| 252.237 | 500.217 | LESS Depreciation | 265.233 | 535.983 |
| | 515.244 | NET ASSETS | | 551.788 |

NOTES TO STATEMENT OF ASSETS AND LIABILITIES

NOTE 1 – ACCOUNTING POLICY AND PRACTICE

The following is an outline of the accounting policies followed by the Board, together with comments on terminology used.

(i) Accounting Basis

Section 105 of the Railways Act, 1958, requires the Board to "prepare an annual report of its proceedings and an account of all moneys received and expended during the preceding year".

Certain fixed assets were revalued as at July 1, 1975. Apart from this, the financial statements have been prepared on the basis of historical costs in accordance with accepted Accounting Standards. Other assets are currently being revalued, in particular rolling stock of relatively modern construction, heavily utilised and likely to be replaced by units of similar types.

Consideration is also being given to review of land values. Although the process of revaluation would be complex, it is most desirable, especially where land is leased, proposed for sale or associated with discontinued facilities.

(ii) Fixed Assets

Fixed Asset Accounts are debited with expenditure on additions and improvements, and on replacement of assets other than those not subject to depreciation. They reflect depreciation and adjustments for assets written out or revalued.

(iii) Depreciation

Depreciation is charged on fixed assets other than Track and Land at annual rates based on the estimated working life of each type of asset with due allowance for residual value at the expiration of the period. A review of depreciation rates applicable to rolling stock is in progress.

Depreciation is not charged on Track assets, the reason being that the infrastructure is maintained at full effectiveness, with damage or deterioration made good as it occurs.

Of \$265.233 million depreciation up to June 30, 1979, only \$34.987 million has been provided by cash appropriations. In consequence, considerable expenditure on replacement of assets has been financed from Loan funds. To arrive at Net Worth (see Note 5), an adjustment to Funds Provided equal to the difference (\$230.246 million) has therefore been made.

(iv) Stores

Stores in stock consist of materials and supplies for construction, maintenance and operations. Appropriate values are assigned to stock purchases and to manufactured and reconditioned items.

NOTE 2 – FUNDS PROVIDED

The amount of \$632.805 million represents advances for Capital Purposes from Loans raised on behalf of the State.

The State of Victoria has an equity of \$114.614 million in the National Debt Sinking Fund in respect of the State Loans provided for the Railways. This arises from Sinking Fund Repayments by the State on behalf of the Railways.

Other State Fund provided relate to –

| | \$M |
|--|--------|
| Transport Fund | 9.779 |
| Boom Barriers | .740 |
| Level Crossings Fund | 10.889 |
| Funds from Public Account | 3.001 |
| Sundry Special Funds | 13.892 |
| Working Capital for Manufacturing Work in Progress and Trading and Catering | 3.206 |
| | 41.507 |

Transport Fund Advances relate to expenditure on Flashing Lights, Pedestrian Crossings, Car Parks, Freight Centres and Boom Barriers (not covered by specific acts).

The last advance from the Level Crossings Fund was in 1973–74. Since then, funds for these purposes have been provided through the Transport Fund.

Funds from Public Account relate to advances to purchase Shares and Debentures in VicRail Pipelines Pty. Ltd. (\$3.001 million).

Sundry Special Funds were provided in previous years from proceeds of Sales of State lands and also for such purposes as Drought Relief Grant, Unemployment Relief Works and Defence Works.

Commonwealth Funds (\$87.429 million) relate to:–

| | \$M |
|--|--------|
| Commonwealth Grants – Urban Public Transport | 55.829 |
| Uniform Railway Gauge Trust Fund | 31.600 |
| | 87.429 |

The Grants for Urban Public Transport include \$10.963 million provided in 1978–79.

Under the Railway Standardisation Agreement, Victorian Railways were required to meet 15 per cent of the cost of the construction of the Melbourne–Albury standard gauge railway through repayments to the Commonwealth over a period of 50 years, with interest at 5 per cent per annum. Up to June 30, 1979, the State of Victoria has made repayments of principal totalling \$1.733 million.

NOTE 3 – DEPRECIATION

Total depreciation to June 30, 1979, was \$265.233 million, of which only \$34.987 million was provided by cash appropriations. The under-provision is therefore \$230.246 million.

Depreciation in 1978–79 was \$12.996 million (cash appropriations \$0.400 million) as indicated under Note 1, revaluation of certain assets and a review of depreciation rates is in progress. No depreciation was applied to Fixed Assets constituting the Track, that is, the infrastructure (see also Note 1 (iii)).

NOTE 4 – ASSET REVALUATION RESERVE

The balance of \$23.907 million in the Reserve as at June 30, 1978, reflected an adjustment to the net value of Fixed Assets as at June 30, 1976, resulting from the revaluation of certain assets, in particular, passenger cars and wagons. In 1978–79, the following asset values were written out:–

| | \$M |
|---|-------|
| Passenger cars | 0.411 |
| Wagons | 2.406 |
| Lines closed (excluding residual land values) | 0.797 |
| | <hr/> |
| | 3.614 |

The overall effect of the action taken was to reduce the Asset Valuation Reserve by \$3.614 million to \$20.293 million with an equivalent reduction in the value of Fixed Assets. (See also Table in Note 8).

NOTE 5 – NET WORTH

The Net Worth on the Existing Basis represents the total advances to the Railways for capital purposes from Loans and Special Funds after adjusting for:–

Adjustments to values of certain assets (see Note 4)

Depreciation not provided for by cash appropriations (see Note 3)

NOTE 6 – SPECIAL FUNDS HELD BY STATE TREASURER

The balances as at June 30, 1979, in the Special Funds held by the State Treasurer were:–

| | \$M | \$M |
|--|-------|--------|
| Railway Accident & Fire Insurance Fund | 0.200 | |
| Less Reserve | 0.200 | – |
| | | <hr/> |
| Railways Stores Suspense Account | | .006 |
| Railways Repayment Account | | .021 |
| Treasury Trust Funds – | | |
| Salaries and Wages (Due but not paid by June 30) | | 12.435 |
| Railway Agency Works | | .570 |
| | | <hr/> |
| | | 13.032 |

The amount of \$6,000 shown under Railways Stores Suspense Account represents the unused portion of a total advance of \$9 million provided to finance stock holdings.

The Railways Repayment Account represents cash held at Treasury on behalf of railway clients who lodge deposits pending the completion of certain work.

Treasury Trust Funds are amounts held in the Treasury equivalent to Railway Liabilities for certain items as at June 30, 1979.

The amount of \$570,000 for Railway Agency Works represents monies paid in advance by clients for whom work is to be undertaken by VicRail.

NOTE 7 – CURRENT ASSETS AND LIABILITIES

Current assets at June 30, 1979, were:–

| | \$M |
|---|--------|
| Cash Advances | 2.065 |
| Advance payments for periodical tickets | .980 |
| Revenue Cash in transit | .223 |
| Debtors: | |
| Revenue | 13.526 |
| Other | 1.141 |
| Stocks of Stores and Materials | 10.550 |
| Railway Manufacturing and Trading and Catering Account: | |
| Manufacturing – Work in Progress | 3.046 |
| Trading and Catering | 1.257 |
| Securities Held in Trust | 4.819 |
| | <hr/> |
| | 37.607 |

Cash Advances represent monies held by Stationmasters, Accounting Offices and the Agent-General.

The \$1.141 million for Other Debtors includes amounts due in respect of Agency Works and sales of land and materials.

The reconciliation between the Value of Stocks and Stores and Materials (\$10.550 million) and the Funds provided for purchase of such Stores and Materials (\$9 million) is:-

| | \$M |
|------------------------------------|--------------|
| Value of Stocks | 10.550 |
| ADD: Debtors | .093 |
| Advance to Agent-General | .101 |
| Unexpended Balance (see Note 6) | .006 |
| | 10.750 |
| DEDUCT: Creditors | 1.750 |
| | 9.000 |
| FUNDS | 9.000 |

Securities Held in Trust represent securities deposited by contractors.

Current Liabilities as at June 30, 1979, were :-

| | \$M |
|----------------------------|--------|
| Trade Creditors | 18.335 |
| Treasury – Current Account | 14.660 |
| Trust – Creditors | 4.840 |
| | 37.835 |

Trade Creditors comprise :-

| | \$M |
|--|--------|
| Salaries and Wages due but not paid | 8.516 |
| Payroll Tax | 1.231 |
| Payroll Deductions | 3.919 |
| Stores and Services Creditors | 2.623 |
| Trading and Catering Creditors | .226 |
| Bank Overdraft | .076 |
| Rebates of Fares and Freights | .193 |
| Advance payments by Customers and Agencies | 1.551 |
| | 18.335 |

Treasury – Current Account represents advances to cover Railway revenue earned but not received, and for payment of salaries and wages.

The amount of \$4.840 million for Trust Creditors is the contra of Securities Held in Trust (\$4.819 million), with the balance of \$21,000 held in the Railways Repayment Account (see Note 6).

NOTE 8 – FIXED ASSETS

Expenditure on Fixed Assets, including Renewals and Replacements, to June 30, 1979, was \$535.983 million, including \$52.376 million spent in 1978–79.

The value of assets no longer in use and written out during the year was \$3.614 million. Asset values have been adjusted for this and also for depreciation of \$12.996 million in 1978–79 including \$12.596 million not provided for by cash appropriation.

Details of transactions in 1978–79 affecting Fixed Assets are given in the Table below:-

Summary of Transactions Affecting Fixed Assets 1978-79

| Class of Fixed Asset | Value at 30.6.78—net of Depreciation | Additions in Year | Total | Written off in Year | Value at 30.6.79 Before Depreciation | Depreciation 1978-79 | Value at 30.6.79 After Depreciation |
|----------------------|--------------------------------------|-------------------|----------------|---------------------|--------------------------------------|----------------------|-------------------------------------|
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| Track | 195.295 | 16.319 | 211.614 | .591 | 211.023 | Nil | 211.023 |
| Rolling Stock | 191.964 | 24.710 | 216.674 | 2.817 | 213.857 | 10.497 | 203.360 |
| Machinery and Plant | 34.725 | 2.521 | 37.246 | Nil | 37.246 | 2.083 | 35.163 |
| Land | 5.805 | .085(a) | 5.890 | Nil | 5.890 | Nil | 5.890 |
| Buildings | 66.036 | 6.954 | 72.990 | .137 | 72.853 | .363 | 72.490 |
| Other Assets | 6.392 | 1.787 | 8.179 | .069 | 8.110 | .053 | 8.057 |
| TOTAL | 500.217 | 52.376 | 552.593 | 3.614 | 548.979 | 12.996 | 535.983 |

(a) This is a net figure resulting from purchases of land (\$1.215 million) and sales of land (\$1.130 million).

**SUMMARY OF RECEIPTS AND EXPENDITURE
1978/79**

| <u>OPERATING</u> | | | |
|--|--------------------|--------------------|------------------------------------|
| | Year 1977/78 | Year 1978/79 | Increase (+) or Decrease (-) |
| | \$ | \$ | \$ |
| RECEIPTS | 180,545,809 | 188,816,574 | + 8,270,765 |
| BUDGET REVENUE SUPPLEMENT (a) | 152,630,000 | 160,522,212 | + 7,892,212 |
| TOTAL | 333,175,809 | 349,338,786 | + 16,162,977 |
| OPERATING EXPENDITURE (a) | 332,839,927 | 348,640,683 | + 15,800,756 |
| OPERATING SURPLUS AFTER BUDGET REVENUE SUPPLEMENT | 335,882 | 698,103 | + 362,221 |
| (a) Includes interest (\$161,224) and repayment of principal (\$95,837) to the Commonwealth in respect of funds provided under the Railways Standardisation Agreement. | | | |
| <u>CAPITAL</u> | | | |
| | \$ | \$ | \$ |
| EXPENDITURE ON FIXED ASSETS | 43,806,122 | 53,946,199 | + 10,140,177 |
| INVESTMENTS IN VICRAIL PIPELINES PTY. LTD. | 1,296,754 | 1,704,000 | + 407,246 |
| | 45,102,876 | 55,650,199 | + 10,547,323 |
| LESS — PROCEEDS FROM SALES OF ASSETS, AND DEPRECIATION PROVIDED BY CASH APPROPRIATIONS | 3,350,046 | 1,570,068 | - 1,779,978 |
| NET EXPENDITURE | 41,752,830 | 54,080,131 | + 12,327,302 |
| <u>OTHER PAYMENTS BY TREASURY</u> | | | |
| | \$ | \$ | \$ |
| INTEREST AND EXCHANGE | 20,809,696 | 22,855,753 | + 2,049,057 |
| SINKING FUND CONTRIBUTION | 630,297 | 682,380 | + 52,083 |

ADJUSTMENT OF TREASURY (CASH) FIGURES RELATING TO RECEIPTS AND OPERATING EXPENDITURE TO TAKE ACCOUNT OF ACTUAL REVENUE EARNED AND EXPENSES INCURRED BY RAILWAYS IN 1978-79

| REVENUE | |
|--|--------------------|
| | \$ |
| Receipts-Treasury | 188,816,574 |
| ADD | |
| Revenue collected by Railways in 1978-79 but not brought to account by Treasury at June 30, 1979 | 1,016,453 |
| Revenue debtors at June 30, 1979-not included in Treasury Receipts for that year | 13,748,282(a) |
| Sundry Revenue creditors at June 30, 1978 | 709,792 |
| | <u>204,291,101</u> |
| DEDUCT | |
| Revenue collected by Railways in 1977-78 included in Treasury Receipts for 1978-79 | 1,392,809 |
| Revenue debtors at June 30, 1978-included in Treasury Receipts for 1978-79 | 11,597,316 |
| Sundry Revenue creditors at June 30, 1979 | 193,179 |
| | <u>13,183,304</u> |
| REVENUE-RAILWAYS | <u>191,107,797</u> |

| OPERATING EXPENSES | |
|--|--------------------|
| Expenditure-Treasury | 348,640,683 |
| ADD | |
| Amounts charged to operating expenses by Railways in 1978-79 but not included in Treasury expenditure for that year | 1,037,280 |
| | <u>349,677,963</u> |
| DEDUCT | |
| Amounts charged to operating expenses by Railways in 1977-78 but included in Treasury expenditure for 1978-79 | 1,476,834 |
| EXPENSES-RAILWAYS | <u>348,201,129</u> |
| (a) The difference between this figure and the \$13.526 million shown for Revenue Debtors in Note 7 to the Accounts comprises Revenue cash in transit. | |

NEW LINES UNDER CONSTRUCTION AT JUNE 30, 1979

| Section | Kilometres |
|---------------------------------------|------------|
| Caulfield to Mordialloc: Third track | 15.91 |
| Macleod to Greensborough: Duplication | 5.23 |
| Melbourne Underground Loop | 3.22 |
| Ringwood to Bayswater: Duplication | 5.09 |
| Ringwood to Croydon: Duplication | 5.28 |
| Little River to Corio: Duplication | 12.63 |

LINES CLOSED FOR TRAFFIC DURING THE YEAR ENDED JUNE 30, 1979.

| Section | Kilometres | Date closed |
|--------------------------------------|------------|-------------|
| Carlsruhe to Daylesford | 36.56 | 3.7.78 |
| Terang to Mortlake | 19.54 | 1.8.78 |
| Tallarook to Mansfield and Alexandra | 73.74 | 8.11.78 |
| Nyora to Wonthaggi | 49.26 | 21.11.78 |

LENGTH OF RAILWAYS AND TRACKS

Kilometres open for Traffic at June 30

| | | Tracks | | | Railways | | | | | | | | Total | |
|--|---------------|---------|---------|---------|------------|--------------|--------------|------------|-------------|--------------|------------|-----------|---------|---------|
| | | Tracks | Sidings | Total | Ten tracks | Eight tracks | Seven tracks | Six tracks | Four tracks | Three tracks | Two tracks | One track | | |
| YEAR 1978-79 | 1600 mm gauge | 6906.99 | 1407.40 | 8314.39 | } | .61 | 2.16 | 1.42 | 3.22 | 28.86 | 103.48 | 724.77 | 5319.86 | 6184.38 |
| | 1435 mm gauge | 332.27 | 64.29 | 396.56 | | | | | | | | | | |
| | Dual gauge | 8.59 | 5.13 | 13.72 | | | | | | | | | | |
| | Total | 7247.85 | 1476.82 | 8724.67 | .61 | 2.16 | 1.42 | 3.22 | 28.86 | 103.48 | 724.77 | 5319.86 | 6184.38 | |
| YEAR 1977-78 | 1600 mm gauge | 7085.02 | 1448.13 | 8533.15 | } | .61 | 2.16 | 1.42 | 2.49 | 29.58 | 103.48 | 724.77 | 5499.33 | 6363.84 |
| | 1435 mm gauge | 332.27 | 64.40 | 396.67 | | | | | | | | | | |
| | Dual gauge | 8.59 | 5.13 | 13.72 | | | | | | | | | | |
| | Total | 7425.88 | 1517.66 | 8943.54 | .61 | 2.16 | 1.42 | 2.49 | 29.58 | 103.48 | 724.77 | 5499.33 | 6363.84 | |
| Average Kilometres open for traffic during the year. | | | | | | | | | | | | | | |
| | | Tracks | | | Railways | | | | | | | | Total | |
| | | Tracks | Sidings | Total | Ten tracks | Eight tracks | Seven tracks | Six tracks | Four tracks | Three tracks | Two tracks | One track | | |
| YEAR 1978-79 | 1600 mm gauge | 7022.88 | 1431.25 | 8454.13 | } | .61 | 2.16 | 1.42 | 2.90 | 28.00 | 103.37 | 723.87 | 5441.42 | 6303.75 |
| | 1435 mm gauge | 332.27 | 63.78 | 396.05 | | | | | | | | | | |
| | Dual gauge | 8.59 | 4.91 | 13.50 | | | | | | | | | | |
| | Total | 7363.74 | 1499.94 | 8863.68 | .61 | 2.16 | 1.42 | 2.90 | 28.00 | 103.37 | 723.87 | 5441.42 | 6303.75 | |
| YEAR 1977-78 | 1600 mm gauge | 7153.82 | 1459.62 | 8613.44 | } | .61 | 2.16 | 1.42 | 2.49 | 28.40 | 103.37 | 723.87 | 5573.17 | 6435.49 |
| | 1435 mm gauge | 332.27 | 63.81 | 396.08 | | | | | | | | | | |
| | Dual gauge | 8.59 | 4.91 | 13.50 | | | | | | | | | | |
| | Total | 7494.68 | 1528.34 | 9023.02 | .61 | 2.16 | 1.42 | 2.49 | 28.40 | 103.37 | 723.87 | 5573.17 | 6435.49 | |

RAILWAYS STORES SUSPENSE ACCOUNT

| | \$ | \$ | | \$ | \$ |
|--|-----------|------------|--|----------------------|----------------------------|
| Funds provided at the date of the authorization of the Stores Suspense Account (June 30, 1896) | 1,118,882 | | Stores and materials on hand— Railways Less Equalization Account | 10,618,018 67,672 | 10,550,346 |
| Less expended on special and deferred repairs in accordance with Section 3 of Act 1820 | 100,000 | 1,018,882 | Sundry debtors Cash in Treasury at June 30, 1979 Advances with Agent General | | 92,907 6,064 101,347 |
| Advances from Loan Account subsequent to June 30, 1896 | | 7,981,118 | | | |
| Total funds provided | | 9,000,000 | | | |
| Sundry creditors | | 1,750,664 | | | |
| | | 10,750,664 | | | 10,750,664 |

RAILWAY RENEWALS AND REPLACEMENTS FUND

| Nature and Source of Funds | | | Disposal of Funds | | |
|---|-------------------------------------|--------------------------------------|---------------------------|-------------------------------------|---------------------------------------|
| | During the year ended June 30, 1979 | Period July 1 1937, to June 30, 1979 | | During the year ended June 30, 1979 | Period July 1, 1937, to June 30, 1979 |
| | \$ | \$ | | \$ | \$ |
| Balance at June 30, 1978 | - | - | Renewals and replacements | - | 486,132 |
| Funds specially appropriated under Act No. 6355 | 400,000 | 16,800,000 | Traffic | - | 117,741,841 |
| Additional funds authorised by Parliament | - | 11,500,000 | Rolling Stock | 970,972 | 47,201,628 |
| Rail motor and road motor, &c. depreciation | - | 4,592,253 | Way and Works | 599,096 | 6,441,154 |
| Sundry sales, abolitions, &c. | 1,170,068 | 18,378,735 | Electrical Engineering | - | |
| Interest on investments | - | 1,406,583 | | | |
| Amount charged Item 5 Loan Acts | - | 119,193,184 | | | |
| | 1,570,068 | 171,870,755 | | 1,570,068 | 171,870,755 |

DEPRECIATION-PROVISION AND ACCRUAL

| | Cash Provision | | | Accrual | |
|--|-------------------------------------|---------------------------------------|--|-------------------------------------|---------------------------------------|
| | During the year ended June 30, 1979 | Period July 1, 1937, to June 30, 1979 | | During the year ended June 30, 1979 | Period July 1, 1937, to June 30, 1979 |
| | \$ | \$ | | \$ | \$ |
| Special appropriations | 400,000 | 16,800,000 | Normal depreciation— Way, works, buildings, &c. | 2,258,083 | 108,790,698 |
| Additional funds authorised by Parliament | - | 11,500,000 | Rolling stock (including machinery and equipment in Rolling Stock Workshops) | 10,497,369 | 141,084,911 |
| Sundry depreciation provided in working expenses | - | 4,592,253 | Electrical Engineering plant and equipment | 240,662 | 10,864,406 |
| Provision from sundry sales &c., included as additional depreciation | - | 687,993 | Rail motors and road motors | - | 4,493,337 |
| Interest on investments | - | 1,406,583 | | | |
| Balance at June 30, 1979 amount short provided | 12,596,114 | 230,246,523 | | | |
| | 12,996,114 | 265,233,352 | | 12,996,114 | 265,233,352 |

STATEMENT OF CAPITAL EXPENDITURE

| | Year ended June 30, 1978 | Year ended June 30, 1979 |
|--|-----------------------------|-----------------------------|
| | \$ | \$ |
| New lines and surveys– Gross expenditure | 1,318,145 | 1,217,743 |
| Credits | – | – |
| Net expenditure | 1,318,145 | 1,217,743 |
| Additions and improvements on existing lines– Gross expenditure | 18,795,836 | 23,569,764 |
| Credits | 2,167,692 | 599,096 |
| Net expenditure | 16,628,144 | 22,970,668 |
| Rolling stock– Gross expenditure | 22,606,403 | 27,784,759 |
| Credits | 1,182,354 | 970,972 |
| Net expenditure | 21,424,049 | 26,813,787 |
| Electrification of Melbourne suburban lines– Gross expenditure | 1,085,738 | 1,373,933 |
| Credits | – | – |
| Net expenditure | 1,085,738 | 1,373,933 |
| Sub Total Gross expenditure | 43,806,122 | 53,946,199 |
| Credits | 3,350,046 | 1,570,068 |
| Net expenditure | 40,456,076 | 52,376,131 |
| Investments in VicRail Pipelines P/L– Gross expenditure | 1,296,754 | 1,704,000 |
| Credits | – | – |
| Net expenditure | 1,296,754 | 1,704,000 |
| Total– Gross expenditure | 45,102,876 | 55,650,199 |
| Credits | 3,350,046 | 1,570,068 |
| Net expenditure | 41,752,830 | 54,080,131 |

Credits represent proceeds from sale of assets, plus depreciation provided by cash appropriations.