

1980

VICTORIA

VICTORIAN RAILWAYS

REPORT

OF THE

VICTORIAN RAILWAYS BOARD

FOR THE

YEAR ENDED JUNE 30, 1980

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

VICTORIAN RAILWAYS BOARD

A. S. REIHER	Chairman
I. G. HODGES	Deputy Chairman
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 29, 1980

The Honourable 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, 1980 is submitted to Parliament.

Yours sincerely,

A. S. Reiher,
Chairman, Victorian Railways Board.

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REPORT OF THE VICTORIAN RAILWAYS BOARD FOR THE YEAR ENDED JUNE 30, 1980

CAPITAL IS THE KEY

During 1979-80 the Board achieved further substantial progress towards its objective of providing the State with transport services of the highest capacity and standard attainable within the very restrictive financial constraints laid down by the Government.

The financial target set the Board for the year by the Government was a revenue supplement of \$159.8 million. This was the same in money terms as the result recorded in 1978-79, and because of inflationary effects represented a substantial reduction in the supplement in real terms. The fact that the actual result achieved in 1979-80 came within 1 per cent of meeting this tight target is further demonstration of the effective management and financial control that has been established over recent years.

This result was achieved notwithstanding an abnormal incidence of industrial disputes affecting services, and heavy increases in wages costs and material prices (particularly fuel oil) in excess of the amounts provided in the original Budget estimates.

This achievement of a continued steady reduction in the real value of the annual revenue supplement, which is illustrated in the graph on page 3, reflects the success of the policies initiated by the Board in the following vital areas:

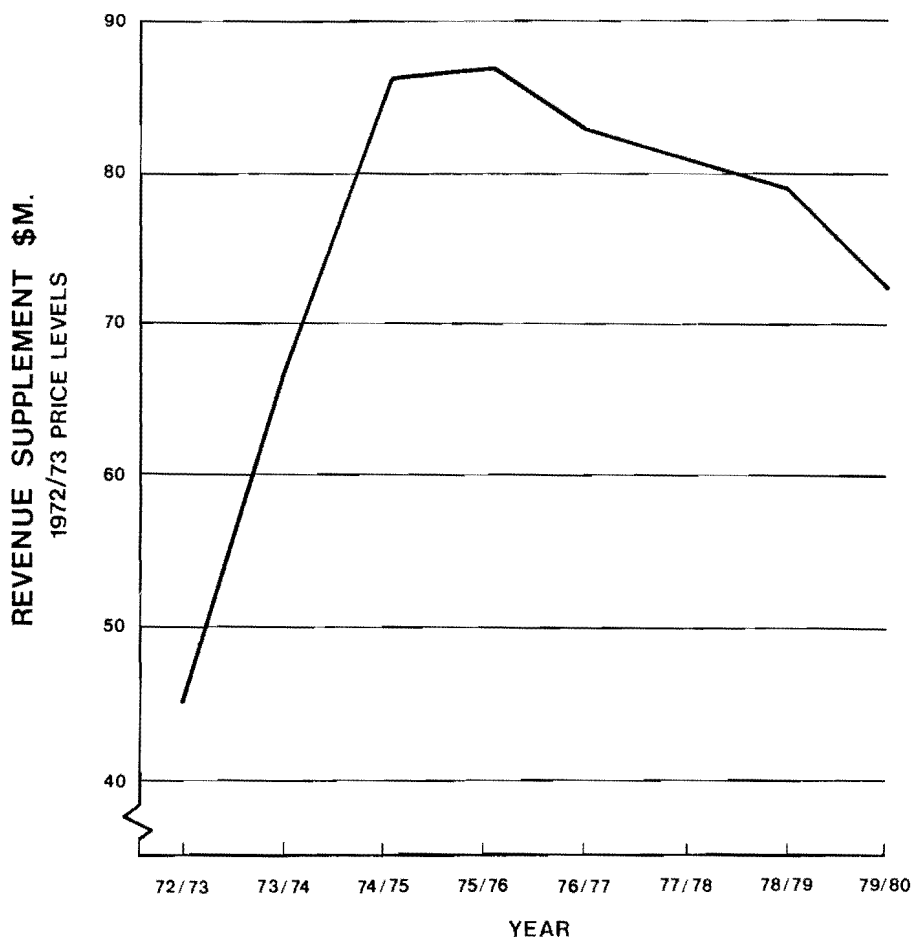
- (1) Conversion of the Railways to a more commercial organisation.
- (2) The introduction of improved management information and staff promotion systems.
- (3) Rationalisation of railway operations to avoid or minimise the performance by rail of tasks that can be more economically performed by road or by an effective combination of rail and road. In this connection the 35 regional freight centres for distributing and collecting less than wagonload freight throughout the State are now fully operational.

While it is not possible to quantify the separate influences of these three factors, the contribution made in 1979-80 by the degree of service rationalisation that has now been reached cannot be over-emphasised. Without the substantial increases in productivity brought about by the introduction of freight centres, the closure of uneconomic lines and stations, and the replacement of branch line rail services by road buses, VicRail would have been unable to meet the challenge of the year's record grain harvest and earn additional revenue which assisted in offsetting the year's unexpected and unavoidable increases in fuel and other costs.

Although a great deal of progress has been achieved along the path towards rationalisation of the network, the process is far from complete. In particular, although development of the regional freight centre system has eliminated much of the uneconomic rail delivery of less than wagonload consignments to a multitude of small stations, much remains to be done to further refine this system and reduce the number of stations at which goods are handled in occasional wagonload lots. The retention of these stations is extremely costly in terms of the maintenance and replacement of their facilities, and also in terms of the loss of productivity of locomotives, wagons and train crews with all the train making and breaking and all the shunting involved in setting down or picking up one or two wagons.

ANNUAL REVENUE SUPPLEMENT EXPRESSED IN TERMS OF CONSTANT MONEY VALUES

(1972/73 PRICE LEVELS)



Further substantial increases in freight train productivity will accordingly be very much dependent upon—

- (1) wagonload, as well as less than wagonload traffic, being concentrated on a minimum number of centres capable of attracting traffic in trainload or near trainload volume; and
- (2) funds being available to acquire an adequate fleet of modern bogie wagons to enable those centres to be served economically and efficiently.

There also appears to be a strong case for further extending the use of relatively low cost modern road coaches for lightly-patronised country rail passenger services, with substantial improvement of amenity to the travelling public.

As pointed out above, the capacity and standard of the services provided by the Board is critically dependent upon the financial guidelines laid down by the Government. This applies not only to the annual revenue supplement specified, but, equally importantly, to the capital funds made available to the Board.

Again and again, in annual reports and other submissions, the Board has emphasised the vital importance of an adequate flow of capital funds as an essential pre-requisite to an improvement in both service standards and annual financial results. Substantially more capital funds are needed urgently to bring the metropolitan passenger services and the long distance consolidated and bulk freight traffic to a satisfactory level of performance and efficiency.

The Railways is a business undertaking, operating in the market-place, and the market-place will not condone poor service brought about by inadequate or obsolete facilities or equipment. This proposition is in no way invalidated by the fact that the Government, as a matter of policy, elects to pay the Railways an annual revenue supplement in recognition of the extent to which railway services are utilised to fulfil the Government's social obligations and objectives.

Nowhere is the inseparable relationship between service standards and the availability of capital funds better illustrated than in the case of the suburban passenger system, which is currently the subject of severe public and Press criticism arising mainly from its poor record of operating reliability. This lack of operating reliability in turn stems from three principal causes:

- (1) industrial disputes causing cessation or disruption of train services;
- (2) the failure rate of the obsolete wooden-bodied Tait trains;
- (3) the lack of any reserve capacity in the central terminal system.

Of these the third is both the least amenable to management control and the most disruptive, as it results in even minor interruptions to peak period service patterns being accentuated into delays that all too quickly reach intolerable proportions.

This problem of unsuitable and inadequate terminal facilities results from the fact that capital allocations during the 1950's and 1960's were insufficient to enable the capacity of the inner terminal system to be raised concurrently with the increased capacity that was then being built into the main suburban lines.

Completion of the city underground loop system by 1982 will overcome this problem, but at the same time will give rise to the reverse situation. Again because of lack of funds, insufficient line capacity will then be available on the busiest routes to enable the Board to run the number of trains that the terminal system will be able to handle efficiently. This will unavoidably lead to loss of potential traffic until the situation can be corrected by the provision of additional tracks. The fact is that third track construction on the Caulfield-Mordialloc line, and second track construction between Ringwood-Bayswater and Ringwood-Croydon, has had to be brought to a standstill, and there is no prospect of these works being completed in the foreseeable future without a considerable increase in capital funds. In the meantime, no benefit can be obtained from the heavy expenditure already incurred on these works.

The irony of this situation is that railways are the **only** form of transport serving the central business district that have the inherent ability to match terminal with route capacity so as to provide a congestion- and frustration-free service for passengers in peak periods. Failure to exploit this unique potential is not due to any lack of foresight or planning on the Board's part, but basically to the shortage of capital funds which is preventing the plans from being implemented in a rational, efficient and co-ordinated manner.

The notoriously poor timekeeping performance of the Melbourne-Adelaide "Overland" expresses can similarly be traced to lack of capital funds for the provision of suitable track improvements on the Melbourne-Serviceton line—a situation which is only now starting to be corrected, with the aid of special Commonwealth loans. The inadequacy of the Serviceton line has even more serious implications in that it is preventing the Board from providing the standards of service necessary to enable the Railways to compete effectively for the important Melbourne-Adelaide freight traffic.

These are only two of the many examples of the way in which the inadequacy of capital allocations not only reflects on the Board's standing and its ability to improve the financial results of railway operations, but places in jeopardy the very future of the Railways as an effective transport operation.

Unless this deficiency is soon corrected, the best efforts of the Board and Management to improve the efficiency and productivity of railway operations will be largely negated. The seriousness of the situation that would then arise cannot be over-emphasised.

FINANCE

THE YEAR'S RESULTS

The operating result for the year, compared with Budget and showing a similar comparison for 1978-79, was as follows:

	1978/79	1979/80
Operating Expenditure	\$ 348,640,683	\$ 390,115,506
Receipts	188,816,573	228,704,481
Revenue Supplement in Budget	160,522,212	159,800,000
Total Income	349,338,785	388,504,481
Surplus after Revenue Supplement	698,102	-
Deficit after Revenue Supplement	-	1,611,025

Having regard to the continued impact of monetary inflation, the revenue supplement of \$159.8 million prescribed in the Budget (which provided for no increase over the figure achieved in the previous year) was the most stringent financial target set the Board since its inception.

The actual result, which came within 1 per cent of meeting this target, must accordingly be regarded as most satisfactory in the circumstances. Additional costs amounting to over \$10 million were incurred during the year for wage awards and higher material prices (particularly fuel) not provided for in the Budget, but because of the progressive gains being made in operating efficiency the Board was able to offset these costs by additional earnings, mainly from grain.

Compared with 1978-79, receipts increased by \$39.9 million or 21 per cent, made up as follows:

	\$
Passengers & parcels	6.6
Freight	31.9
Other	1.4
	39.9

Of the total increase of \$39.9 million, \$17.2 million is estimated to be due to the higher fares and freight charges introduced in August and September, 1979.

Expenditure compared with 1978-79 rose by \$41.5 million or 11.9 per cent, due mainly to the effects of wage awards and higher fuel and material prices. These increasing factors were partly offset by staff savings and other economies.

Categories of Service

An analysis of the year's results into the main categories into which railway operations are subdivided is shown next page:

ACTUAL RESULTS 1979-80

	Receipts	Expenditure	Revenue Supplement
	\$M	\$M	\$M
Victorian freight	105.8	162.3	-56.5
Country passenger & parcels	23.6	66.1	-42.5
Suburban passenger & parcels	58.4	115.4	-57.0
Intersystem freight	30.6	28.9	+1.7
Intersystem passenger & parcels	10.3	17.4	-7.1
TOTAL	228.7	390.1	-161.4

During the year the basis on which this subdivision of results is made was reviewed. It has become increasingly apparent in recent years that the category "Country passenger and parcels" in fact comprises two distinct markets, viz.,

- (1) "Commuter" type daily travel to Melbourne from places, such as Geelong, outside the sphere of normal suburban operations.
- (2) The "country" market, represented by passengers who travel to or from country stations on a non-patterned basis.

Arrangements have accordingly been made, commencing in the 1980-81 financial year, to subdivide the country passenger results into these two separate market segments. The new category will be known as "Inter-urban passenger".

A graph showing the relationship between user payments and Government contributions for each of the five categories of service recorded in 1979-80 appears opposite.

THE MARKET

Marketing and Sales Performance

The action plan for the Marketing Branch is the annual Marketing Plan which covers a rolling two year period. This plan sets one and two year quantified objectives in both freight and passenger areas.

During 1979-80 the greater than usual number of industrial disputes affecting rail services, combined with the pressure placed on the system's resources by the record grain harvest, made it difficult to meet targets in specific areas, but overall the freight task of 3888 million net tonne-km performed was an all-time record, exceeding the previous record set in 1970-71 by 12 per cent.

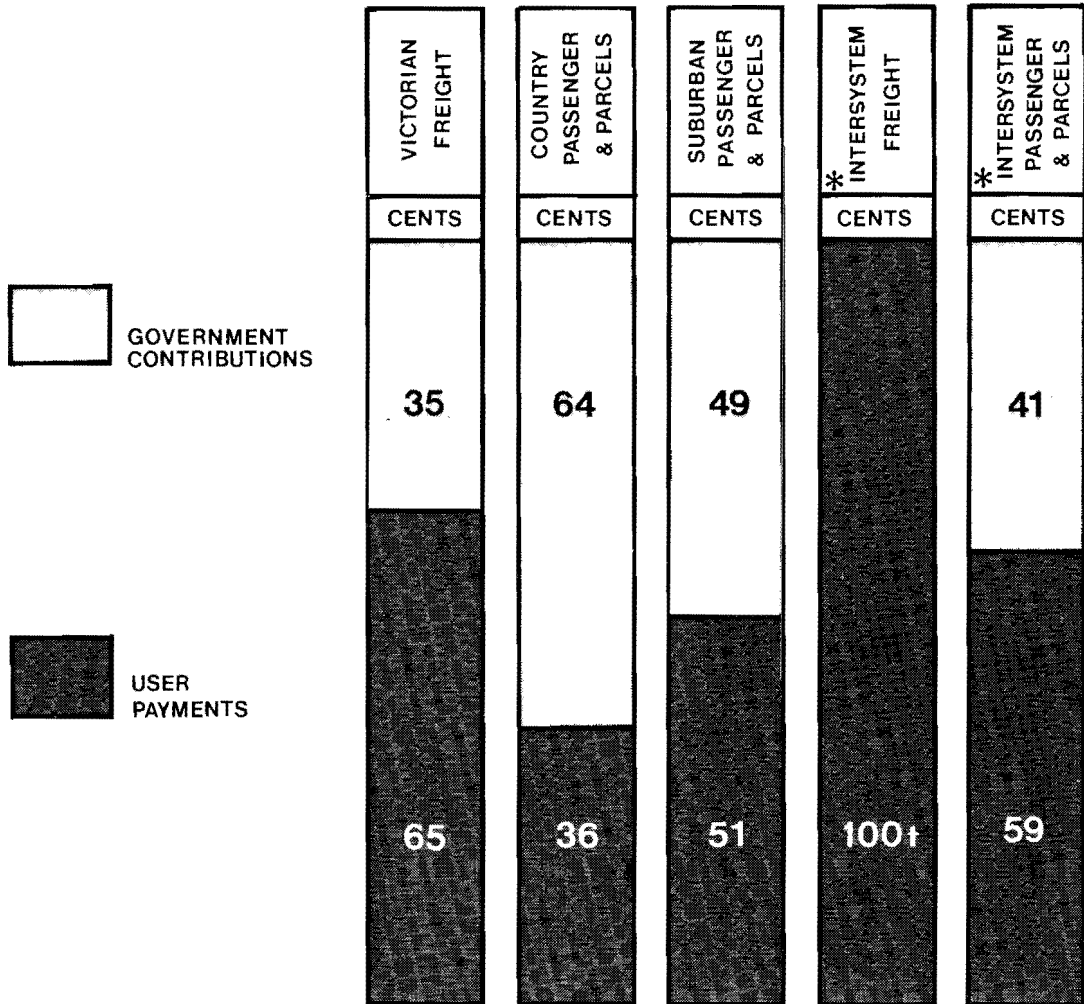
A graph showing the net tonne-km handled in each of the past 10 financial years appears on page 9.

The manufacturing sector of the economy showed little growth and certain industries, notably automobile manufacturing and sawmilling, were distinctly depressed.

Doubtless affected by the current reduced level of activity in the building industry, cement traffic also declined compared with 1978-79. However, increases were recorded in movements of steel, briquettes and crushed rock.

Since the Government announced its decision in April 1976 to progressively eliminate the control of road transport of freight in Victoria, the Transport Regulation Board has been continually subjected to requests from road operators for authority to carry general goods, and in particular groceries, throughout the State.

SOURCE OF EACH \$1 OF EXPENDITURE



*TRAFFIC ORIGINATING AND/OR TERMINATING OUTSIDE VICTORIA

†PROFIT MARGIN 6 CENTS PER DOLLAR OF EXPENDITURE

During the last year the Transport Regulation Board conducted numerous public hearings to consider applications for these road rights. On May 20, 1980, the Board handed down its decision refusing to licence road operators to carry groceries and other goods from Melbourne, but determined that permits would be issued to country based operators for the road movement of groceries from warehouses in Melbourne to places outside an 80km radius from the G.P.O.

This decision of the Transport Regulation Board, which has effectively de-regulated the transport of groceries without legislative amendment, is resulting in a considerable loss of Railway revenue without reducing the standard or frequency of service this Board is expected to provide to country areas.

VicRail's network of 35 regional freight centres throughout the State is now fully operational, and is providing an essential service to country communities based on the utilisation of resident carriers for road delivery and collection of general freight. The implications for the future stability of this network of the action already taken by the Transport Regulation Board, and likely further de-regulation of road transport in line with the Government's announced policy, must not be overlooked.

In the passenger marketing area package tours again showed solid growth and, while falling 2 per cent short of the year's target (due mainly to disruptions in day tours to Cowes following sinking of the Cowes ferry), sales were 14.9 per cent up on the previous year. The number of accredited agents selling rail travel and tours increased from 45, at the close of the previous year, to 80.

The continued growth in sales and revenue from package tours is illustrated in the graph on page 11.

Marketing targets are also set in respect of the Mt. Buffalo Chalet. Responsibility for the marketing and sales of Mt. Buffalo accommodation and tours (previously the province of the Victorian Government Travel Authority) was assumed by VicRail in 1975, and since that year the average bed occupancy rate at the Chalet has increased from 56.1 to 78.0 per cent. This figure compares favourably with any accommodation house in Australia.

The Grain Harvest

The wheat harvest for the 1979-80 season was 3,705,000 tonnes, compared with 3,462,000 tonnes for the 1978-79 season.

As in 1978-79 prior to the harvest, a detailed operations plan was drawn up, in conjunction with the Grain Elevators Board and the Transport Regulation Board, to meet the challenge of a grain harvest which already promised to reach a new record level.

However, owing to the late movement out of the country silos of wheat remaining from the previous year's harvest (due to a lack of shipping during the early months of 1979) the Railways faced a much more difficult situation at the commencement of the harvest than in 1978, when 2,000 wagons were stored ready for the commencement of the harvest.

In 1979, the late movement of the old season's wheat kept all wagons in service up to the commencement of the new harvest, giving no opportunity to withdraw wagons for necessary attention to grain proofing and other repairs before the harvest commenced.

This situation was further compounded by the need to hold a considerable number of wagons in the workshops so that 400 four-wheeled wagons could be modified for bottom discharge, and by the fact that at the commencement of harvesting approximately 2,000 wagons were still under load at Geelong and Portland awaiting discharge of the previous season's wheat.

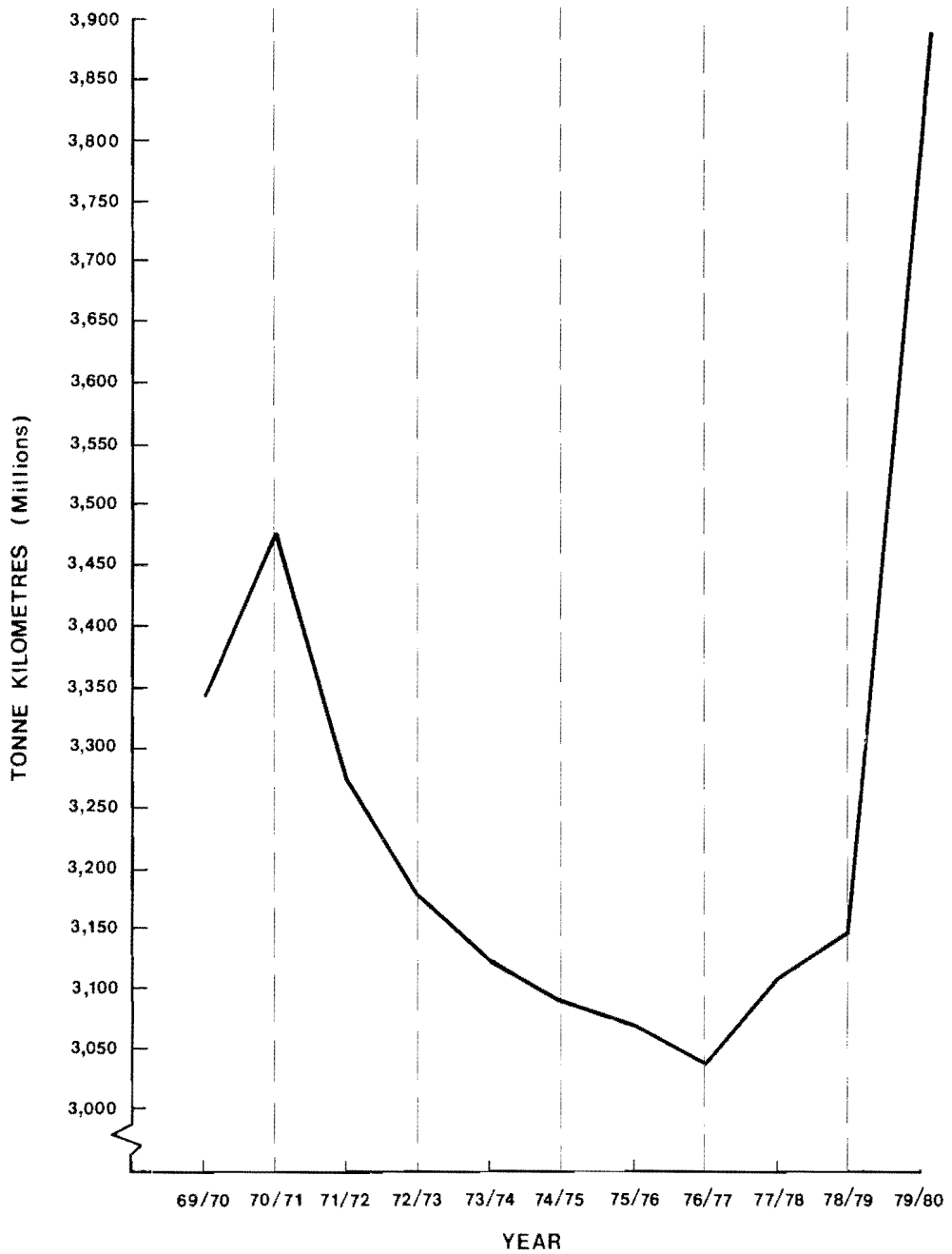
During the early weeks of the harvest, problems of communication with the Grain Elevators Board led to such departures from the plan as over-ordering of wagons for some locations, failure to provide destinations for unloading, and late placing of orders. The end result was failure to fully utilise available wagon capacity at this stage.

Similar early problems led to the breaking up of trains which had been planned to operate in blocks, with a resultant loss of some weeks in reassembling the blocks to obtain maximum wagon utilisation.

Whilst these early problems were overcome, throughout the harvest period available rail capacity could not be fully utilised because of the inability of the Grain Elevators Board to maintain planned discharge rates at terminals. This resulted in 20,000 wagons less than the planned discharge rate being achieved up till the end of January, 1980.

However, notwithstanding these problems, the planned movement operated effectively, and with only one minor exception all shipping requirements were met. By the end of the year VicRail had carried 138,488 equivalent 4-wheeled wagonloads of the new season's grain, representing 18,941 wagons more than in the same period of the previous year. For the full year 191,256 wagon loads were carried, compared with 128,660 wagons in 1978-79.

TOTAL FREIGHT TRAFFIC TASK IN TONNE KMS.
1969/70 TO 1979/80



Variations in Freight Charges

As from August 17, 1979, Victorian freight rates and charges were increased by varying percentages, representing a weighted average of 18 per cent for wagonload traffic and a weighted average of 10 per cent for goods in the less than wagonload category. Parcels rates were increased by approximately 18 per cent.

Railways of Australia tariff rates were increased by approximately 5 per cent as from September 1, 1979, and by a further 15 per cent as from March 1, 1980. Intercapital parcels rates were increased by 5 per cent on each occasion.

Intersystem contract rates were increased by between 5 and 17 per cent as from September 1, 1979, and by a further amount from 3.5 to 8 per cent as from March 1, 1980.

Passenger Operations—Suburban

While no changes were made during the year to the general frequency of suburban services, a new timetable was introduced on the Clifton Hill group of lines on September 3, 1979, in connection with commissioning of the duplicated track between Macleod and Greensborough.

On June 29, 1980, the complete metropolitan timetable was re-issued to coincide with a further stage of track rearrangement between Flinders Street and Spencer Street designed towards introduction of partial city loop operations towards the end of 1980.

In conjunction with the new timetable the routing of trains through platforms at Flinders Street was rearranged into the pattern that will apply to future operations with the city loop in commission.

While full-year statistics were not available at the time of printing this report, progressive figures disclosed a decline of 5.3% in journeys compared with the corresponding period of 1978/79. At the same time revenue from suburban travel had increased by 4.7%, reflecting the influence of higher fares effective from September 16, 1979.

As from that date a basic increase of 16 per cent was applied in conjunction with a reduction in the number of charging sections from 13 to 8, resulting in actual increases ranging from nil to 28.5 per cent. Weekly ticket fares were adjusted to a maximum of four day return fares, and monthly periodical tickets, for which very little demand existed, were abolished except for the calculation of certain concession fares.

To meet the requirements of passengers who travel frequently but not daily, "flexi-fare" vouchers were introduced. These vouchers are sold in booklets of 20 and are exchangeable at booking offices on the basis of one voucher for a single ticket or two for a day return. They embody a moderate concession compared with normal daily fares.

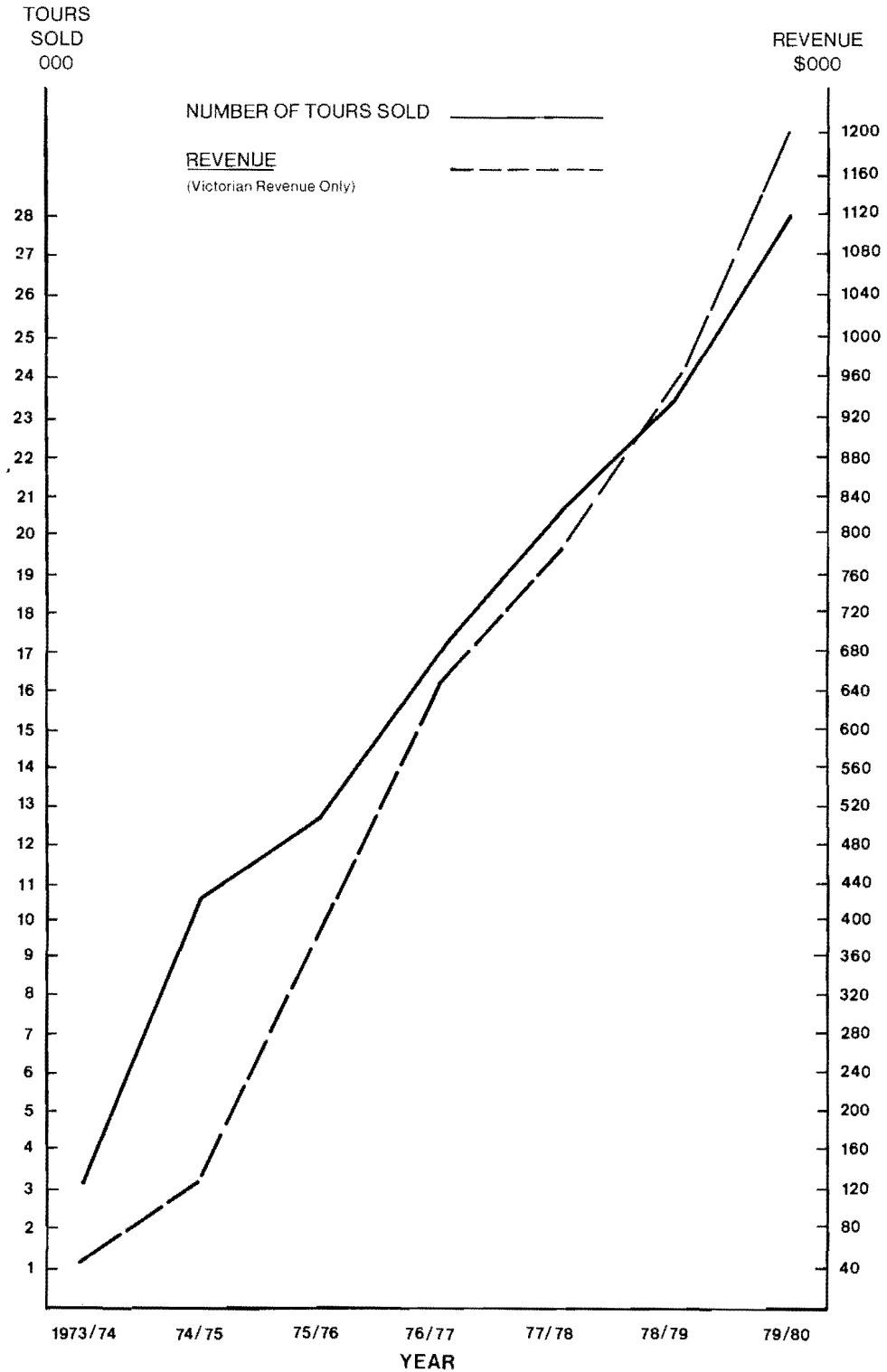
As from January 1, 1980, the basis of calculating concession periodical ticket fares (including school concession fares) was varied, resulting in increases ranging up to 51 per cent.

Passenger Operations—Country and Intersystem

Figures available up to the time of printing this report indicate a decline in country patronage of some 1.5 per cent, which is lower than the decline that has been experienced in recent years. Under the influence of higher fares, revenue had increased by 12.7 per cent.

The road bus introduced for a twelve months' trial period in December, 1978, to replace the daily rail car between Horsham and Serviceton proved satisfactory and was confirmed during the year as a regular arrangement.

GROWTH OF VicRail TOUR SALES 1973/74 TO 1979/80
Including Package Tours, Pensioner Tours, Day School Tours



As from September 16, 1979, country fares were increased by an average of 16 per cent. The special reduced fares applicable at certain border stations were increased by 20 per cent.

Intersystem passenger travel was much more severely affected by industrial disputes, in Victoria and other States, in 1979-80 than in the previous year, and the number of train trips lost from this cause increased by 42 per cent. Notwithstanding this factor, the number of passengers carried declined by only 0.7 per cent.

As from September 1, 1979, the economy single fare (which forms the basis for all other fares) was increased as follows:

Melbourne-Adelaide: from 2.6 cents to 2.9 cents per km.

Melbourne-Sydney: from 2.5 cents to 3.1 cents per km.

Further increases were applied from March 1, 1980 as follows:

Melbourne-Adelaide: from 2.9 cents to 3.2 cents per km.

Melbourne-Sydney: from 3.1 cents to 3.3 cents per km.

Sleeping berth charges were increased from \$12.00 to \$16.00 on each route.

Public Relations, Promotion and Advertising

The improved information service on commuter train running, introduced during 1978-79, continued to operate satisfactorily with the co-operation of the media. Information concerning train cancellations or other operating problems is telephoned to radio stations from 6 a.m. onwards, and is broadcast at frequent intervals to help passengers to adjust their travel arrangements to suit.

Occasions during the year to which the Public Relations Division made a contribution were—

- The Premier's Melbourne Pageant on Australia Day
- Victoria Week display in Parliament House
- Combined VicRail/"The Age" 125th Anniversary celebrations, September 1979
- Dedication of the Rail Transit Terminal at the Melbourne Wholesale Fruit and Vegetable Market, Footscray

In collaboration with the Melbourne Underground Rail Loop Authority, a series of publications is in course of preparation in order to give both staff and the public an understanding of the operations and objectives of the City Loop.

An important step planned in the public relations area is the setting up of a Freight Inquiry Centre, to be located at the Melbourne Freight Terminal, which will enable customers and potential customers to satisfy any enquiry regarding rail freight by making a single telephone call. Staff to man this centre are being given a suitable training course at the Board's Education Centre.

PERFORMANCE AND PRODUCTIVITY

As pointed out in the introductory section of this Report, without the substantial increases in physical productivity that have been achieved during 1979-80 and previous years it would not have been possible, with the resources (particularly the locomotives and rolling stock) available to carry an all time record freight traffic and earn the additional revenue necessary to offset the year's unavoidable increases in fuel and other charges.

The gains recorded in the productivity of freight train operations are illustrated in the following figures and the accompanying graphs:

	1977-78	1978-79	1979-80
Average km per wagon/day	66.21	72.16	88.02
Average daily wagon output (net tonne km)	798	938	1249
Average net wagonload (tonnes)	18.74	20.35	22.75
Average net tonne km per goods train hour	7470	8005	8575
Average net train load (tonnes)	313	327	369
Standing time (hours) per 1000 train km	5.94	5.47	5.94

These gains reflect the influence of two basic processes:

- (1) The progressive abandonment or rationalisation of tasks not suited to the economics of rail transport.
- (2) The application of improved organisation, methods and management.

The main aspects of the first of these processes, details of which are set out in previous Reports, are—

- Introduction of the Regional Freight Centre system of less than wagonload freight distribution and collection.
- The consequent operation of branch lines for wagonload traffic only, either full time or on a seasonal basis.
- The closure of those branch lines which do not generate wagonload traffic in sufficient volume to warrant retention.
- The closure of many small stations on lines which remain open to traffic.
- The substitution of contract road buses for lightly patronised country passenger services.

As well as the scope that exists for further extension of the foregoing measures, future considerable gains in productivity will flow from the "regionalisation" of wagonload as well as less than wagonload traffic. Fertiliser, which must be widely distributed throughout the State from a single loading point at Geelong, lends itself particularly to the quest for better wagon utilisation by concentrating the unloading on those stations which can attract multiple-wagonload or even trainload volumes.

The gains in productivity which flow almost automatically from the rationalisation of operations are being strongly reinforced by better management of the available locomotive, rolling stock and manpower resources. This management effort is being concentrated mainly in two directions:

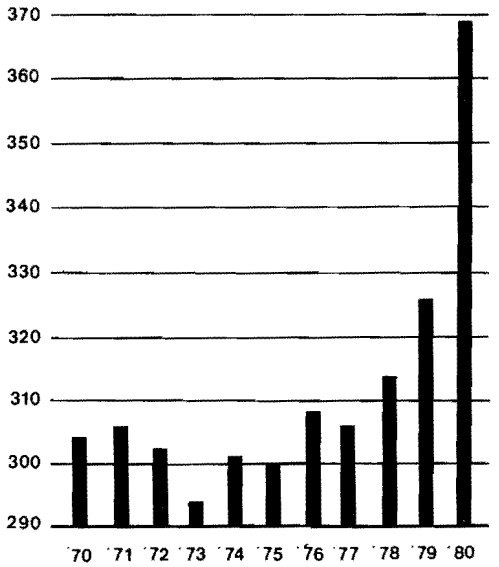
- (1) Adjusting freight train services to reduce the number of trains run and thereby achieve a substantial increase in the average train load.
- (2) Maximising the operation of block trains to improve locomotive and wagon turnaround.

Action already taken under the first heading has resulted in a reduction of some 214,000 train kilometres annually. This, combined with the re-timing of other trains to secure quicker transit, has released locomotive power that has been used in turn to increase the loads of bulk grain trains – with a secondary saving in train kilometres. Yet a further benefit from reducing the number of trains is that each train run is less susceptible to delays through conflicts with other traffic for the available line capacity.

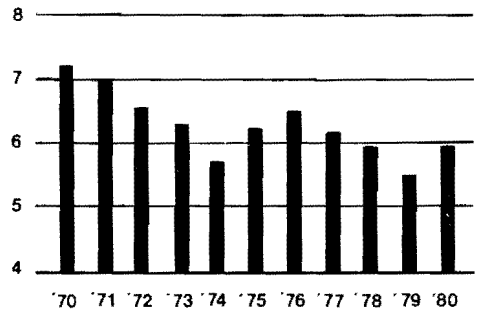
So far as the operation of block trains is concerned, it is unfortunate that the scope for this very efficient type of operation is limited by the nature of the traffic task in Victoria.

FREIGHT OPERATING STATISTICS

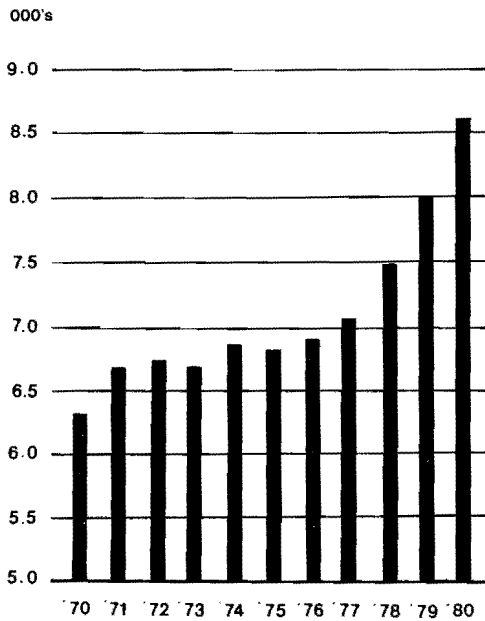
(YEARS ENDING JUNE 30)



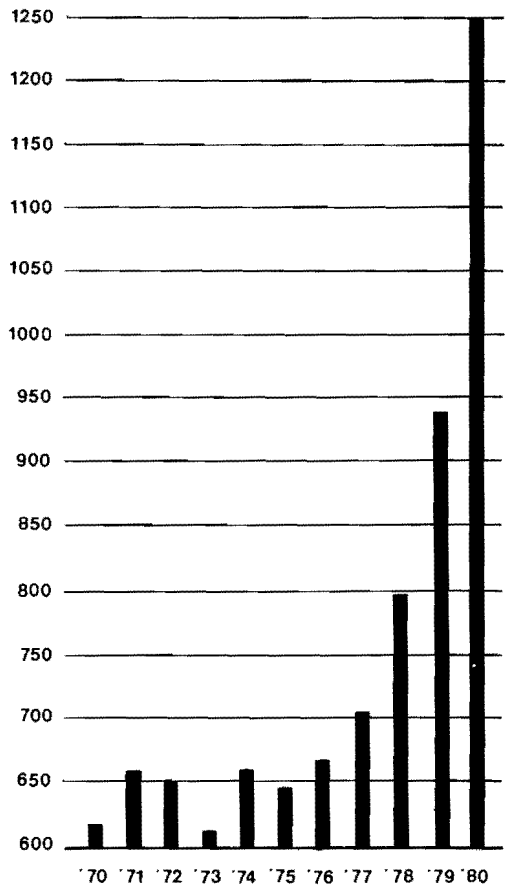
AVERAGE NET TRAIN LOAD (tonnes)



STANDING TIME PER 1,000 TRAIN km
(HOURS)



AVERAGE HOURLY TRAIN OUTPUT
NET (tonne/km)



AVERAGE DAILY WAGON OUTPUT
NET (tonne/km)

Even grain, because of the multitude of country silos from which it must be gathered, is conducive to block train movement over only part of the journey to the ports at Geelong and Portland. However, extensive works planned at those two terminals, in conjunction with special Terminal Handling Authorities that have been set up for the purpose, will greatly increase the efficiency of the overall grain transport operation by enabling block trains to be quickly unloaded and returned to service.

Further increases in the efficiency of grain handling will be dependent upon a rationalisation of the grain collection system in the grain-growing areas, and particularly on a reduction in the number of locations at which grain is loaded on rail. These must be regarded as medium to long-term objectives.

To further improve vehicle utilisation and increase customer satisfaction, an appointment has been made within the Operations Branch of a Manager, Freight Vehicle Distribution, with three supporting Assistant Managers to cover general traffic, bulk products and interstate traffic. The effectiveness of these appointments will be reinforced by the planned introduction of a computerised wagon location reporting system.

In the freight handling area, a further increase in productivity was recorded when a staff reduction of 137 was achieved, through natural wastage, without any significant change in the task performed. This result is attributable to improved handling techniques, rationalisation of positions and re-organisation of duties. The elimination of casual labour, which has resulted in a more stable and better trained workforce, has also contributed to the improved performance.

Apart from the foregoing major area of activity, attention was directed throughout the organisation to the application of modern management techniques and the introduction of improved methods. This endeavour was actively fostered by the support functions provided by the Planning and Management Controls Branches.

ORGANISATION, SYSTEMS AND CONTROLS

ORGANISATION

Senior Management Structure

In order to further the Board's objective of creating a commercially-oriented management structure with each major function controlled by an Assistant General Manager, an additional position of Assistant General Manager (Marketing and Planning) was created on July 10, 1979.

This change provided for a redistribution of work load in that the transfer of the marketing and planning functions to the new position gave the Assistant General Manager (Operations) greater opportunity to concentrate on operational productivity and the improvement of service standards.

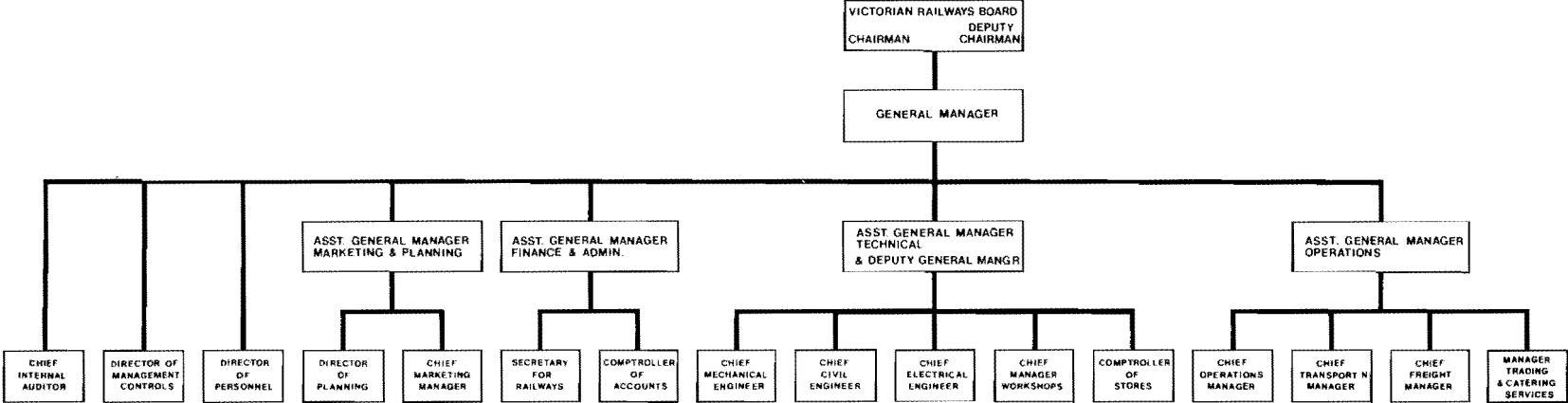
Branch Structure

As foreshadowed in our last Annual Report, important changes to Branch organisation were carried out during the year in order to increase efficiency and develop a more commercial and competitive structure, appropriate for a modern business undertaking.

- On November 18, 1979, the Signals and Communications Division of the Way & Works Branch was transferred to the Electrical Engineering Branch. This change recognises the growing importance and complexity of modern day electric and electronic technology in the field of signalling and communication.

VICTORIAN RAILWAYS FUNCTIONAL ORGANISATION
 AT JUNE 30, 1980

16



- On November 19, 1979, the Workshops Branch was brought into existence under the control of the Chief Manager, Workshops, with responsibility for control of workshops formerly controlled by the Rolling Stock Branch at Newport, Ballarat and Bendigo; the Way & Works Branch at Spotswood; and the Electrical Engineering Branch at Spencer Street. The function of the Workshops Branch is to manufacture new rolling stock, and other items and components not readily available for purchase; and to undertake major overhaul and repair of rolling stock and other equipment used in the operation of the VicRail system.
- On February 11, 1980, the Traffic Branch ceased to exist and was replaced by the newly created Operations and Transportation Branches.
The Operations Branch is responsible for all functions involved in the safe and economic operation of trains. This involves functions previously exercised by the Traffic and Rolling Stock Branches.
The Transportation Branch is responsible for all those functions, including station operations, necessary to ensure an effective interface with the public in providing passenger services. The Branch also acts as an agent for the Freight Branch at locations, handling less than wagonload freight, at which there is no Freight Branch representation.
- On March 17, 1980, control of the Lost Property Store, Spencer Street, was transferred from the Chief Marketing Manager to the Comptroller of Stores. This has unified the responsibility for disposal of and accounting for materials available for sale, whether arising from the Board's operating functions or from its internal manufacturing and maintenance activities.

A chart depicting the organisation of VicRail at June 30, 1980, at Board, Senior Management and Head of Branch level appears opposite.

SYSTEMS AND CONTROLS

Internal Audit

The Internal Audit Branch, set up during the previous financial year, during 1979-80 filled its allocated staff positions, defined objectives and established short and long term audit plans. An internal audit manual is in course of preparation in which the nature of the Branch functions has been defined under the following categories:

- Systems audits
- System development audits
- Post implementation audits
- Financial audits
- Special investigation audits
- E.D.P. general controls review

Because of the number and complexity of the existing financial and accounting systems in use within VicRail it is the intention that the Internal Audit Branch pursues a policy of systems review and documentation to ensure that each system contains effective and operational internal controls, rather than attempt to review the efficiency of the procedures within each system.

Management Controls

The basic objective of the Management Controls Branch is to assist Management to improve all operations in a co-ordinated and systematic way. In pursuance of this role the Branch has adopted a supportive and educative role designed to encourage managers to use the most effective control techniques in their own situations, with a specific aim of first identifying those areas where the need for control systems is most immediate.

Techniques such as quantification of objectives and value analysis are being applied to show managers how their productivity can be improved.

The Branch's Management Control Analysts, who represent a range of disciplines, adopt a participatory role and encouraging results are being achieved in a number of areas.

Management Information System

In pursuance of the review of the total management information needs of VicRail outlined in our last Annual Report, work during 1979-80 was concentrated, with the assistance of consultants, on modifications designed to increase the effectiveness of the Responsibility and Management Accounting System introduced in 1975.

These modifications, brought into effect on July 1, 1980, are designed to provide management at all levels with more detailed information to—

- facilitate the matching of income with expenditure;
- increase the accuracy of estimating;
- increase the effectiveness of budgetary control;
- increase the accuracy of cost allocation to the various categories of service, employing direct costing to a much greater extent than formerly and thereby reducing the necessity to allocate costs on an estimated basis.

Necessary changes to defined areas of expenditure responsibility, brought about by the organisational changes outlined above, have been incorporated in the course of the review. Further improvements to RAMAS are planned for implementation during 1980-81.

Passenger Audit and Information Systems

The final stages of development of the computerised Passenger Accounting System were completed during the year, and the system was implemented progressively during February and March, 1980. The full benefits of the system, by way of more efficient accounting accompanied by more meaningful and timely information for management, will not be achieved until the 1980-81 financial year.

Interstate Freight Traffic Documentation and Statistics

During the year the preliminary design stage was reached with this system, which is being developed (with the assistance of consultants) by a working group with representation from all States. Implementation of the system is expected to take place during 1980-81.

Control of Systems Development

In order to overcome the dual problems of priority determination and user dissatisfaction with new systems, a project management control system was purchased and implemented during the year.

Under this system, two priority setting groups have been established:

- Systems Review Board—a senior executive management group which meets every two months to review and establish priorities on proposed large systems projects, based on Management's view of their relative importance having regard to overall corporate objectives.
- Small Projects Priority Committee—a middle management group which meets monthly to review and set priorities on small projects and maintenance work, using the same criteria as the Systems Review Board.

Apart from systematising the process of priority setting, the new methodology incorporates inbuilt processes of documentation, review and control that will ensure that system development resources are effectively utilised, that costs of system development are constantly monitored and that systems fully meet user requirements.

PLANNING AND RESEARCH

PLANNING

During the year a comprehensive review was undertaken of the functions, organisation and staffing of the Planning Branch in the light of changed requirements and, in particular, the need to progress the development of corporate planning processes throughout VicRail.

As a result a major restructuring of the Branch took effect from February 11, 1980, with a reorganisation of the former Planning and Development and Management Services Divisions into three new Divisions, each under the control of an Assistant Director, as follows:

- Corporate Planning Services
- Productivity and Administrative Services
- Management Information Services.

The effect of the changes was to create a structure providing more effective support for General Management in the areas of corporate planning, economic studies, strategic and special studies, and urban and regional studies.

Corporate Planning Services

An experienced Manager has been appointed to head the Corporate Planning Support Section, which was involved during the year in a wide-ranging corporate review as a further step in the implementation of new corporate planning processes.

The Corporate Planning Division also carries out financial and economic studies covering the complete range of VicRail operations, with particular reference to the economic analysis of investment proposals and the preparation of long-range investment plans.

Productivity and Administrative Services

The Productivity and Administrative Services Division provides internal consultancy services in areas of operations research and work study. During the year such studies covered a wide range including matters such as—

- Locomotive fuel efficiency
- Implementation of word processing units
- Control of pallets
- Parcels handling in the metropolitan area.

Officers of this Division also provide general liaison regarding planning matters with external groups, and represent VicRail on various groups and committees.

Management Information Services

The Management Information Services Division is responsible for all data processing activities within VicRail.

During the year the central data processing unit leased by the Board was replaced by a later model processor, to increase capacity to accommodate future systems and

reduce development time and costs. Some conversion problems were encountered due to the age of many of the original programmes in use.

A step in productivity improvement was made during the year by the further implementation of on-line interactive programming using video terminals.

RESEARCH

Apart from continuation of the research work in technical, operational and marketing areas, jointly funded by the Commonwealth and State Governments under the Transport Planning and Research (Financial Assistance) Act 1977, VicRail staff have been actively engaged during the year on the Railways of Australia vehicle-track interaction research project.

Broadly, the objective of this project is to obtain greater knowledge of vehicle track interactions, under Australian conditions, to assist in future vehicle design and in the selection of optimum suspension systems for negotiating the types of tracks which are normally encountered.

The project involves field testing carried out with the aid of highly sophisticated testing equipment at sites in New South Wales and Western Australia and is being carried out in conjunction with the University of Adelaide. Results are expected by the end of 1980.

IMPROVEMENTS AND MAINTENANCE

New Works, Improvements and Replacements

Expenditure on investments and fixed assets during the year was \$54.0 million, allocated as follows:-

	Rolling Stock	Other	Total
	\$	\$	\$
Investments in VicRail Pipelines Pty. Ltd.	-	185,500	185,500
New Works/Improvements	-	29,265,223	29,265,223
Renewals/Replacements	22,705,080	1,849,216	24,554,296
TOTAL	22,705,080	31,299,939	54,005,019

Of the total expenditure of \$54,005,019, the Commonwealth contributed \$8,664,533 under the urban public transport programme and \$2,498,163 under the main line upgrading programme.

Urban Works

The major urban improvement project completed during the year was the duplication work between Macleod and Greensborough, which was brought into service on September 3, 1979.

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; the provision of grade separation at Ashley Street, Tottenham; and the provision of train terminating facilities at Blackburn. Progress on the two first-mentioned of these projects was severely limited due to lack of funds.

Minor works completed were the installation and commissioning of a complete fire detection and suppression system in the Flinders Street Station buildings, and the reconstruction of station buildings at Alphington, Darling and Pascoe Vale, and of the "down" side buildings at Brighton Beach, Eaglemont, Moonee Ponds and Moreland. Reconstruction of station buildings was in hand at Aspendale, Balaclava, Bonbeach, Edithvale, North Richmond, and Seddon ("up" side). New station buildings were in course of construction at Blackburn in conjunction with the provision of train terminating facilities.

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, and during the year a commencement was made at Flinders Street and Dudley Street on box tunnel sections at each end of the Northern Loop.

Re-signalling for two-way operations on the four viaduct tracks between Flinders Street and Spencer Street which will become part of the four city loops was completed, and signalling work on the Burnley and Caulfield loops was well advanced at the end of the year.

Preparations for the commencement of train operations through the first sections of the Loop, programmed for late in 1980, proceeded at an accelerated rate during the year, and embraced planning to cover a wide range of relevant matters including staff training; preparation of an operating and emergency procedures manual; arrangements for an emergency exercise involving police, fire and ambulance services; equipment operating instructions and procedures; and marketing and public relations.

The Metrol Building

Work continued throughout the year on the Metrol Building, and shortly before the close of the year agreement was reached with the Melbourne Underground Rail Loop Authority on the question of responsibility for the additional costs entailed in cancelling the original contract and completing the building to a lower profile as directed by the Government.

Station Car Parks

Nine hundred and ninety nine additional car parking spaces were provided as a result of the extension, redevelopment or reassessment of car parks at 34 locations.

At the close of the year 17,673 spaces were available at 142 locations.

Ticket Vending Machines

During the year Government approval was received for purchase of the 113 automatic ticket vending machines referred to in our last Annual Report, and a contract was entered into. However, none of the machines had been delivered by the close of the year.

Replacement of Suburban Trains

The first order for stainless steel electric suburban trains comprises 59 trains, including 9 additional trains approved by the Government during 1977-78 to bridge the gap between that order and the second order for 50 trains approved during that year.

During 1979-80, thirtysix motor carriages were delivered under the extended order and, at the close of the year the equivalent of 56 complete trains had been received. However, because of Union bans only 43 of these trains were actually in service.

The problems leading to these bans have since been resolved, and it is expected that the whole of the 59 trains under the contract will be available for service by the end of 1980.

The contract for 50 new generation airconditioned, stainless steel suburban trains was proceeding satisfactorily at the close of the year.

Owing to Union bans on the overhaul of carriages with limpet asbestos insulation, a deterioration has taken place in the condition of the blue "Harris" suburban trains, and the Unions concerned have indicated continued opposition to working on these carriages even if special facilities were to be provided to remove the asbestos.

Moreover, partly because of the deterioration and partly because they no longer represent the latest in design features it is most desirable that these carriages – the bodies of which are fit for at least another 20 years' service – be given a complete refurbishing, including airconditioning of crew and passenger compartments, to bring them up to the standard of the modern trains now on order.

Tenders were accordingly called for this work, and at the close of the year were still under consideration.

Twentyfive obsolete wooden-bodied suburban carriages were removed from the register during the year.

At June 30, 1980, the following numbers of equivalent trains were in service:

Stainless steel (6 carriages)	43
Blue ("Harris") (7 or 8 carriages)	58
Red ("Tait") (7 or 8 carriages)	37
	<hr/>
	138
	<hr/>

NON-URBAN WORKS

Geelong Line Duplication

Work carried out on duplication of the remaining single track section of the Geelong line, between Little River and Corio, was directed towards the objective of completing the project by mid-1981.

All earthworks, drainage and bridge works had been completed by the close of the year, and trackwork and signalling will be carried out during 1980-81.

Main Line Upgrading

In order to facilitate the handling of grain traffic on the Portland line, a new crossing loop was provided between Condah and Heywood.

An agreement between the Commonwealth and Victorian Governments pursuant to the National Railway Network (Financial Assistance) Act 1979 was signed on May 28, 1980.

By the terms of this agreement the Commonwealth will provide an amount of \$13.4 million by June 30, 1983, for the following works:

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

Owing to the late date of the signing of the agreement only limited expenditure was practicable on these projects during 1979-80, but during 1980-81 it is expected to complete the container terminal project and make substantial progress between Ararat and Serviceton.

Depots, Terminals, etc.

New district offices at Seymour; installation of a sprinkler system at the Ballarat carriage shed; improvements to No. 2 Shed at the Melbourne Freight Terminal; provision of a sewerage system to the goods yard and workshops area at North Melbourne; and alterations to trackwork at the South Dynon refuelling depot were completed.

Provision of sewerage facilities and a trade waste treatment plant at the South Dynon locomotive maintenance depot, and extensions and provision of an office and amenities block at the Wheel Shop, Newport Workshops, were in hand at the close of the year.

Major works for the provision of covered areas, office and amenities blocks, and hard standing areas at Regional Freight Centres were completed at all locations except Mildura, where the necessary works are programmed for completion during 1980-81. At some locations minor works remain to be carried out.

MT. BUFFALO CHALET

Rearrangement and upgrading of the kitchen and staff meal quarters, and installation of an automatic fire detection and suppression system were completed.

LOCOMOTIVES AND ROLLING STOCK

No purchases of locomotives took place during the year.

However one steam locomotive was returned to the register after extensive repairs, and two such locomotives are now available for special excursions.

The following new bogie freight wagons were completed in the Board's workshops:

VQFX Skeletal container wagons	. .	75
VQCX Container flat wagons	. .	75
VHGY Bulk grain hopper wagons	. .	24
		174

In addition, 292 open four-wheeled wagons were converted to bottom-discharge hopper type (making 400 in all), while 30 bogie open wagons were fitted with cradles for coil steel traffic.

The following obsolete vehicles were removed from the register:

Guards' vans	67
Carriages and rail motors	38
Wagons.	807

Altona-Somerton Pipeline

As reported in our last Annual Report, a certificate of completion for the Altona-Somerton liquid fuels pipeline was issued by the Minister for Minerals and Energy on June 29, 1979.

However, operation of the pipeline was severely delayed by industrial and technical problems, and full commissioning procedures did not commence until February, 1980. Completion of these procedures was then prevented by computer control problems, and

it was eventually agreed by the Participants to operate the pipeline commercially on a manual control basis pending a solution being found to these problems. By mid-June, 1980, over 90 per cent of the jet fuel to Tullamarine Airport was going through the pipeline.

In mid-June, following disciplinary action taken against two operators involved in a jet fuel spill at Tullamarine, a Union black ban was placed on the pipeline suspending all operations until full computer control was introduced. This situation applied at the close of the year.

With the consent of the Treasurer a further amount of \$185,500 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 \$3,186,254.

Maintenance

During the year 43km of track was relaid with new rail and a further 61km with serviceable rail, while points and crossings were renewed, using new or serviceable material as required, at various locations.

A total of 1,316km of track was maintained by mechanical means and 268,000 sleepers, representing 70 per cent of the total number of sleepers replaced during the year, were installed by fully mechanised gangs.

Reconstruction of bridges was completed at Wool Pack Road, Bacchus Marsh; Bright Street, Campbellfield; Queens Avenue, Caulfield; Hammond Road, Dandenong; McNab Avenue, Footscray; Duck Ponds Creek, Lara; Dandenong Road and Finlayson Street, Malvern; Cowies Creek, North Shore; Wantirna Road, Ringwood; Princes Highway, Stratford; and Dudley Street, West Melbourne, while a new footbridge was provided to replace the previous level crossing at William Street, Greensborough.

Major bridge works were in hand at Dandenong Creek, Bayswater; Smith Street, Caulfield; Eumemmering Creek and Dandenong Creek, Dandenong; Nepean Highway, Gardenvale; Elgin Street, Hawthorn; Explosives Road, Laverton; Mordialloc Creek, Mordialloc; North Melbourne Flyover; and Kananook Creek, Seaford. Strengthening by concrete infill of the supports of the Swanston Street bridge, City, was also proceeding.

New equipment and methods were introduced in the Board's workshops at Newport, Spencer Street, Ballarat and Bendigo to facilitate and increase productivity in the maintenance of rolling stock. Progress was also made towards the closure of Spotswood Workshops and the transfer of activities to other locations, again in the interests of productivity.

THE VICTORIAN TRANSPORT STUDY

In June, 1979, the Parliament carried a motion indicating that the Government "should institute a study into all freight and passenger transport within Victoria and to and from Victoria, in order to produce a co-ordinated transport system capable of meeting the needs of all residents of Victoria, having particular regard to the effect of transport on the balanced development of the State".

In pursuance of this motion the Government appointed a Study Group under the leadership of Mr. W. M. Lonie, an ex-executive of The Broken Hill Proprietary Company Ltd.

To assist the study the Board made a series of formal submissions covering the following subjects:

- The "Contract Payment" Concept
- Recommended Financial Arrangements for VicRail
- "Forward Look" Investment plan 1980-81 to 1984-85
- Implications of Government Plans for Deregulation of Road Transport

- Streamlining VicRail's Infrastructure and Operations to Meet the Transport Needs of the 1980's and Beyond
- Distribution of Petroleum Products in Victoria – a Rail Oriented View
- Changes in VicRail Since the Bland Report
- VicRail Corporate Structure 1972–80
- VicRail Freight Pricing Practices & Policy

In addition, a large amount of information was furnished in response to specific questions and requests from the Study Group.

Generally, the Board submissions have been based on the philosophy that –

- (i) the Railways should not continue to perform, by rail, functions that can be carried out at lower community cost by other means;
- (ii) the basic need of the State, a need that is specifically spelt out in the Parliamentary motion, is for a co-ordinated transport system;
- (iii) the Victorian Railways Board is the body best equipped to provide or organise this co-ordinated system, utilising whatever transport method or combination of methods is most appropriate to each particular task.

RAILWAY LAND AND HOUSING

By the Railway Construction and Property Board Act 1979 (No. 9345) the former Railway Construction Board was re-named the Railway Construction and Property Board and given an important role in relation to Railway land and housing.

Part IV of the Act sets up procedures by which Railway land which "could be put to better use" may be vested in the new Board for redevelopment purposes. During the year action was initiated to have several areas of land vested in the Railway Construction and Property Board pursuant to this Part, and at the end of the year investigations were in hand in connection with a number of other areas. The VicRail Board has co-operated actively in all these moves.

With regard to Railway housing, Part V of Act 9345 provides that the Victorian Railways Board may by resolution determine that houses that are or have been used as Railway residences should be transferred to the Railway Construction and Property Board, and at the end of the year 248 houses had been so transferred. The houses concerned are not required for Railway operating purposes but are occupied by non-operating grades, non-Railway employees (for example, widows of ex-employees), or are vacant.

The Act also provides, inter alia, that the Railway Construction and Property Board shall, to the extent that it is reasonably able to do so, provide dwelling houses in accordance with the requirements of the Victorian Railways Board from time to time. No such houses were required to be supplied during the year under review.

PERSONNEL AND ADMINISTRATION

Acknowledgment

Perhaps more than the majority of organisations, a railway system is dependent upon the loyalty, dedication and initiative of its people. No set of rules and instructions can ever embrace the complexity of the problems that railway people in the field must and do cope with daily, often remote from close supervision. Those who do so deserve better than the uninformed and uncomprehending criticism so often levelled at them. The Board acknowledges their efforts.

Personnel Branch

The restructuring of the Personnel Branch, carried out during 1978–79, has been designed to place emphasis on the development of management and personnel administration skills. Steady progress towards this objective was achieved during the year, in the course of which most senior officers of the Branch attended management seminars designed to impart the knowledge and skills required to make managers more effective and professional in their approach.

Staff Training

Staff development programmes continued throughout the year and new courses were introduced to meet specific needs. Principal among these were –

- A Customer Relations Course which has been developed to enable staff who have contact with the public – nearly 8,000 in number – to better sell the VicRail product. This is the largest training package ever undertaken by the Board.
- A City Loop Training Programme for all staff who will be involved in the operation of the Loop. A number of representatives from Victoria Police, Metropolitan Fire Brigade, Ambulance Service and Health Authorities, as well as VicRail Safety, Medical and Investigation Officers have also taken part in specialised city loop training in respect of emergency procedures.

Industrial Disputes

As in previous years, a significant number of man hours was lost by staff involved in strikes and stoppages. Figures for the last five financial years appear below:

	Man Hours Lost by Staff Directly Involved in Strikes/Stoppages
1975–76	96,433
1976–77	9,284
1977–78	66,984
1978–79	40,189
1979–80	82,308

Staff Numbers

At June 30, 1980, the total staff (including casual labour equivalent to 56 men working full time) was 22,600 compared with 22,846 at the end of last year.

Salary and Wage Awards

Salary and wage increases and varied working conditions granted during the year by the Australian Conciliation and Arbitration Commission were estimated to cost \$33.3 million in a full year. Increased payments under the State Incremental Payments Scheme were estimated to cost an additional \$2.7 million in a full year.

Average Payment

The average annual payment, including overtime and penalty payments, to all staff was \$11,834 compared with \$10,799 the previous year, an increase of 9.6 per cent.

Changes in Senior Positions

On September 1, 1979, Mr I. J. Reiher, Solicitor for Railways, was promoted to the position of Secretary for Railways following the retirement of Mr. A. Augustine.

Consequent upon the appointment of Mr. R. J. Gallacher to the new position of Assistant General Manager (Marketing and Planning), Mr. J. Brodie was promoted as from October 10, 1979, to the position of Director of Planning.

On June 1, 1980, Mr. L. A. Krausgrill, Chief Freight Manager, was appointed to the position of Assistant General Manager (Operations) following the retirement of Mr. A. J. Nicholson. Consequent upon this appointment Mr. J. S. Bell was promoted to the position of Chief Freight Manager.

Consequent upon the retirement of Mr. K. J. Feltscheer, Manager, Trading and Catering, Mr. G. V. Watts was appointed to this position on April 14, 1980. Mr. Watts brings with him a wide experience in catering management in the private sector both in Australia and in the United Kingdom.

Overseas Visits

Messrs. L. A. Brown, Acting Substation Design Engineer and P. J. Kelly, Testing Division Investigations Engineer, Electrical Engineering Branch, visited Milan, Italy in July, 1979, to conduct short circuit tests of circuit breakers. This is the location of the only test station in the world with suitable capacity for VicRail's purposes.

Messrs. P. G. Gardner, Design Engineer; L. G. Andrews, Design Engineer; and K. B. Hurley, Project Engineer, Electrical Engineering Branch, visited the U.K. and Europe between August and October, 1979, to undertake training courses and visit installations in connection with the design and implementation of the computerised Train Describer and Remote Control System for the suburban network, to be installed in the Metrol Control Centre.

Mr. N. J. Grady, Assistant Overhead Engineer, Electrical Engineering Branch, visited Japan, the United Kingdom and Europe between April and June, 1980, in company with an Engineer of the Public Transport Commission of New South Wales to investigate modern methods of overhead contact wire renewal.

Mr. A. Firth, Chief Electrical Engineer, visited the United Kingdom and Europe in May and June, 1980, to inspect the progress of manufacture and testing of the electrical equipment for the second order of 50 stainless steel suburban electric trains.

Mr. M. W. B. Ronald, Chief Marketing Manager Elect, visited the U.S.A. between May and August, 1980, to obtain practical marketing experience with the Southern Pacific Transportation Company.

Messrs. W. R. Horman, Senior Technical Officer and D. P. Rowe, Professional Engineer, Electrical Engineering Branch, visited the United Kingdom and Europe in May and June, 1980, to attend the 45th General Meeting of the International Electrotechnical Commission and to conduct other relevant studies.

BOARD MEMBERSHIP

On February 12, 1980, Mr. I. G. Hodges, Board Member and General Manager, was appointed to the newly created position of Deputy Chairman of the Board. Mr. Hodges continued to perform the functions of General Manager until the appointment of Mr. R. J. Gallacher to that position on June 24, 1980.

Consequent upon the impending retirement of Mr. A. G. Gibbs as Chairman of the Board, Mr. A. S. Reiher was selected by the Government as Chairman Elect. Mr. Reiher was appointed to the Board on June 4, 1980, and took up the position of Chairman on July 1, 1980.

Mr. A. G. Gibbs, who retired on June 30, had held the position of Board Chairman for seven years, almost since its inception. He brought to the task a wealth of experience in industrial management, and to him must go the credit for charting the course of re-organisation of VicRail along commercial lines that has now been completed. The Board acknowledges the debt it owes to him.

MANAGEMENT

General Manager	R. J. Gallacher
Deputy General Manager	L. A. McCallum
Assistant General Manager (Finance & Administration)	N. H. Rashleigh
Assistant General Manager (Operations)	L. A. Krausgrill

HEADS OF BRANCHES

Chief Civil Engineer	D. D. Wade
Chief Mechanical Engineer	L. C. Rolls
Chief Electrical Engineer	A. Firth
Chief Freight Manager	J. S. Bell
Chief Operations Manager	R. J. Barden
Chief Transportation Manager	J. L. Draper
Director of Personnel	P. E. Stuart
Comptroller of Accounts	J. K. McGowan
Secretary for Railways	I. J. Reiher
Chief Marketing Manager	A. W. Weeks
Comptroller of Stores	M. L. McKenzie
Manager, Trading & Catering	G. V. Watts
Director of Planning	J. K. Brodie
Director, Management Controls	J. H. Thompson
Chief Internal Auditor	P. J. Stow
Chief Manager, Workshops	G. A. Swift

Appendices

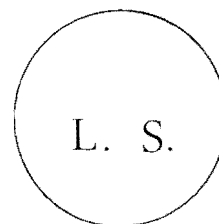
A statement of assets and liabilities as at June 30, 1980, and various accounts, statements and other information are embodied in the appendices, a list of which appears at the front of this report.

Victorian Railways Board

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

A. S. Reiher Member

I. J. Reiher Secretary



September 29, 1980.

VICTORIAN RAILWAYS
STATEMENT OF ASSETS & LIABILITIES AS AT JUNE 30, 1980 (Note 1)

1979	1979		1980	1980
\$M	\$M		\$M	\$M
		FUNDS PROVIDED (Note 2)		
632.805		State -- From Loans	666.676	
<u>41.507</u>	674.312	Other	<u>48.908</u>	715.584
	<u>87.429</u>	Commonwealth		<u>98.592</u>
	761.741			814.176
	<u>230.246</u>	LESS under provision for Depreciation (Note 3)		<u>242.559</u>
	531.495			571.617
	<u>20.293</u>	ADD Asset Revaluation Reserve (Note 4)		<u>21.439</u>
	<u>551.788</u>	NET WORTH ON EXISTING BASIS (Note 5)		<u>593.056</u>
		REPRESENTED BY		
	13.032	Special Funds held by State Treasurer (Note 6)		13.072
37.607		Current Assets (Note 7)	39.454	
<u>37.835</u>		LESS Current Liabilities (Note 7)	<u>39.720</u>	
	(,228)	Excess of Current Assets over Current Liabilities		(,266)
	3.001	Investments in Vic Rail Pipelines Pty. Ltd. (Debentures and Shares)		3.186
		FIXED ASSETS (Note 8)		
290.968		Track	313.120	
360.428		Rolling Stock	381.181	
44.512		Machinery and Plant	45.319	
5.890		Land	7.266	
89.628		Buildings	97.424	
<u>9.790</u>		Other Assets	<u>10.700</u>	
801.216		TOTAL - FIXED ASSETS	855.010	
<u>265.233</u>	<u>535.983</u>	Less Depreciation	<u>277.946</u>	<u>577.064</u>
	<u>551.788</u>	Net Assets		<u>593.056</u>

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 monies received and expended during the preceding year".

Certain fixed assets were revalued as at July 1, 1975. 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. Apart from this, the financial statements have been prepared on the basis of historical costs in accordance with accepted Accounting Standards.

Consideration is also being given to review of land values, and certain land was revalued at June 30, 1980 - See Note 4. Although the process of revaluation is 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 \$277.946 million depreciation up to June 30, 1980, only \$35.387 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 (\$242.559 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 \$666.676 million represents advances for Capital Purposes from Loans raised on behalf of the State.

The State of Victoria has an equity of \$122.447 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 Funds Provided relate to –

	\$M
Transport Fund	16.995
Boom Barriers	.740
Level Crossings Fund	10.889
Funds from Public Account	3.186
Sundry Special Funds	13.892
Working Capital for Manufacturing Work in Progress and Trading and Catering	3.206
	<u>48.908</u>

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. (\$3.186 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 (\$98.592 million) relate to:–

	\$M
Commonwealth Grants – Urban Public Transport	64.494
Uniform Railway Gauge Trust Fund	31.600
National Network (Financial Assistance) Loans	2.498
	<u>98.592</u>

The Grants for Urban Public Transport include \$8.665 million provided in 1979–80. 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, 1980, the State of Victoria has made repayments of principal totalling \$1.829 million.

NOTE 3—DEPRECIATION

Total depreciation to June 30, 1980, was \$277.946 million, of which only \$35.387 million was provided by cash appropriations. The under provision is therefore \$242.559 million. Depreciation in 1979–80 was \$12.713 million (cash appropriation \$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 \$20.293 million in the Reserve as at June 30, 1979, reflected an adjustment to the net value of Fixed Assets as at June 30, 1978, resulting from the revaluation of certain assets, in particular – passenger cars and wagons. In 1979–80, the following asset values were written out:–

	\$M
Passenger cars	.033
Wagons	.647
Locomotives	.012
Rail cars and Tractors	.021
	<u>.748</u>

Land values have been increased by \$1.894 million through a limited revaluation of land on certain lines where land has been disposed of in recent years.

The overall effect of the action taken was to increase the Asset Revaluation Reserve by \$1.146 million to \$21.439 million with an equivalent increase 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, 1980, in the Special Funds held by the State Treasurer were:–

	\$M	\$M
Railway Accident & Fire Insurance Fund	0.200	
Less Reserve	0.200	–
		<hr/>
Manufacturing & Trading & Catering Account		.189
Railways Repayment Account		.062
Treasury Trust Funds		12.821
		<hr/>
		13.072

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 salaries and wages and payroll deductions as at June 30, 1980.

NOTE 7–CURRENT ASSETS AND LIABILITIES

Current assets at June 30, 1980, were:–

	\$M
Cash Advances	3.221
Revenue Cash in transit	.417
Debtors:	
Revenue	13.747
Other	1.400
Stocks of Stores and Materials	11.511
Manufacturing – Work in Progress	2.127
Trading and Catering Stock and Equipment	.302
Securities Held in Trust	5.729
	<hr/>
	39.454

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

The \$1.324 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 (\$11.511 million) and the Funds provided for purchase of such Stores and Materials (\$9 million) is:–

	\$M
Value of Stocks	11.511
Add:	
Advance to Agent-General	.088
	<hr/>
	11.599
Deduct: Creditors	2.599
	<hr/>
Funds	9.000

Securities Held in Trust represent securities deposited by contractors, the contra being Trust Creditors.

Current Liabilities as at June 30, 1980, were :–

	\$M
Trade Creditors	18.799
Treasury – Current Account	15.130
Trust Creditors	5.791
	<hr/>
	39.720

Trade Creditors comprise :-

	\$M
Salaries and Wages due but not paid	8.706
Payroll Deductions	4.115
Payroll Tax	1.226
Stores and Services Creditors	2.939
Trading and Catering Creditors	.413
Bank Overdraft	.186
Rebates of Fares and Freights	.195
Advance payments by Customers and Agencies	1.019
	18.799

Treasury – Current Account represents advances to cover Railway revenue earned but not received.

The amount of \$5.791 million for Trust Creditors is the contra of Securities Held in Trust (\$5.729 million), with the balance of \$62,000 held in the Railways Repayment Account (see Note 6).

NOTE 8-FIXED ASSETS

Expenditure on Fixed Assets, including Renewals and Replacements, in 1979-80 was \$52.648 million.

The value of assets no longer in use and written out during the year was \$.748 million, and land values were increased by \$1.894 million. Asset values have been adjusted accordingly. Depreciation amounted to \$12.713 million in 1979-80, including \$12.313 million not provided for by cash appropriation.

The net value of fixed assets at June 30, 1980, was \$577.064 million (\$535.983 million at 30.6.79).

Details of transactions in 1979-80 affecting Fixed Assets are given in the table below:

Summary of Transactions Affecting Fixed Assets 1979-80

Class of Fixed Asset	Value at 30.6.79— net of Depreciation	Additions in Year	Total	Assets Revalued (+) or Written off (-)	Value at 30.6.80 Before Depreciation	Depreciation 1979-80	Value at 30.6.80 After Depreciation
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Track	211.023	22.152	233.175		233.175		233.175
Rolling Stock	203.360	21.501	224.861	-.748	224.113	9.965	214.148
Machinery and Plant	35.163	.807	35.970		35.970	.954	35.016
Land	5.890	cr. .518(a)	5.372	1.894(b)	7.266		7.266
Buildings	72.490	7.796	80.286		80.286	.494	79.792
Other Assets	8.057	.910	8.967		8.967	1.300	7.667
Total	535.983	52.648	588.631	1.146	589.777	12.713	577.064

(a) This is a net figure resulting from the difference between purchases of land (\$.006 million) and the book value of sales of land (\$.524 million).

(b) Adjustment of land values – see also Note 4.

**SUMMARY OF RECEIPTS AND EXPENDITURE
1979/80**

OPERATING			
	Year 1978/79	Year 1979/80	Increase (+) or Decrease (-)
	\$m	\$m	\$m
RECEIPTS	188.817	228.705	+ 39.888
BUDGET REVENUE SUPPLEMENT	160.522	159.821	- .701
TOTAL	349.339	388.526	+ 39.187
OPERATING EXPENDITURE (a)	348.641	390.115	+ 41.474
OPERATING SURPLUS (DEFICIT) AFTER BUDGET REVENUE SUPPLEMENT	.698	(1.589)	- 2.287
<p>(a) Includes interest (\$.156 million) and repayment of Principal (\$.096 million) to the Commonwealth in respect of funds provided under the Railways Standardisation Agreement.</p>			
CAPITAL			
	\$m	\$m	\$m
EXPENDITURE ON FIXED ASSETS	53.946	53.820	- .126
INVESTMENTS IN VICRAIL PIPELINES PTY. LTD.	1.704	.185	- 1.519
	55.650	54.005	- 1.645
LESS PROCEEDS FROM SALE OF ASSETS AND DEPRECIATION PROVIDED BY CASH APPROPRIATIONS	1.570	1.172	- .398
NET EXPENDITURE	54.080	52.833	- 1.247
OTHER PAYMENTS BY TREASURY			
	\$m	\$m	\$m
INTEREST AND EXCHANGE	22.856	27.180	+ 4.324
SINKING FUND CONTRIBUTION	.682	.740	+ .058

ADJUSTMENT OF TREASURY (CASH) FIGURES RELATING TO RECEIPTS AND OPERATING EXPENDITURE TO TAKE ACCOUNT OF ACTUAL REVENUE EARNED AND EXPENSES INCURRED BY RAILWAYS IN 1979-80

Revenue		\$M
Receipts-Treasury		228.705
ADD	-Amounts Collected by Railways in 1979/80 but not Brought to Account by Treasury at June 30, 1980.	1.566
	Revenue Debtors at June 30, 1980-not included in Treasury Receipts for 1979/80.	14.164(a)
	Sundry Revenue Creditors at June 30, 1979.	1.158
		245.593
DEDUCT	-Amounts Collected by Railways in 1978/79 but included in Treasury Receipts for 1979/80.	1.017
	Revenue Debtors at June 30, 1979, included in Treasury Receipts for 1979/80	13.748
	Sundry Revenue Creditors at June 30, 1980	195
		14.960
REVENUE	-RAILWAYS	230.633

OPERATING EXPENSES

		\$M
Expenditure-Treasury		390.115
ADD	-Amounts charged to Operating Expenses by Railways in 1979/80 But not included in Treasury Expenditure for that year	3.932
		394.047
DEDUCT	-Amounts charged to Operating expenses by Railways in 1978/79 But included in Treasury Expenditure for 1979/80	1.037
EXPENSES	-RAILWAYS	393.010

(a) The difference between this figure and the \$13.747 million shown for Revenue Debtors in Note 7 to the Accounts comprises Revenue cash in transit.

NEW LINES UNDER CONSTRUCTION AT JUNE 30, 1980.

Section	Kilometres
Caulfield to Mordialloc: Third track	15.91
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, 1980.

Section	Kilometres	Date
Noradjuha to Hamilton	114.39	1.7.79

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 1979-80	1600 mm gauge	6799.00	1392.68	8191.68	0.61	2.16	1.42	3.22	28.86	103.48	731.49	5198.36	6069.60
	1435 mm gauge	332.27	64.29	396.56									
	Dual gauge	8.59	5.13	13.72									
	Total	7139.86	1462.10	8601.96									
YEAR 1978-79	1600 mm gauge	6906.99	1407.40	8314.39	0.61	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									
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 1979-80	1600 mm gauge	6912.32	1418.72	8331.04	0.61	2.16	1.42	2.90	28.00	103.37	729.28	5321.79	6189.53
	1435 mm gauge	332.27	63.78	396.05									
	Dual gauge	8.59	4.91	13.50									
	Total	7253.18	1487.41	8740.59									
YEAR 1978-79	1600 mm gauge	7022.88	1431.25	8454.13	0.61	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									

RAILWAYS STORES SUSPENSE ACCOUNT

	\$m	\$m		\$m	\$m
Funds provided at the date of the authorization of the Stores Suspense Account (June 30, 1896)	1.119		Stores and Materials on hand— Railways	11.511	11.511
Less expended on special and deferred repairs in accordance with Section 3 of Act 1820	.100	1.019	Sundry Debtors Advances with Agent General		.088
Advances from Loan Account subsequent to June 30, 1896		7.981			
Total Funds Provided		9.000			
Sundry Creditors		2.599			
		11.599			11.599

RAILWAY RENEWALS AND REPLACEMENTS FUND

Nature and Source of Funds			Disposal of Funds		
	During the year ended June 30, 1980	Period July 1, 1937, to June 30, 1980		During the year ended June 30, 1980	Period July 1, 1937, to June 30, 1980
	\$m	\$m		\$m	\$m
Balance at June 30, 1979	-	-	Renewals and Replacements		
Funds specially appropriated under Act No. 6355	.400	17.200	Traffic	-	.486
Additional funds authorised by Parliament	-	11.500	Rolling Stock	.537	118.279
Rail motor and road motor, &c. depreciation	-	4.592	Way and Works	.635	47.837
Sundry sales, abolitions, &c.	.772	19.151	Electrical Engineering	-	6.441
Interest on investments	-	1.407			
Amount charged Item 5 Loan Acts	-	119.193			
	1.172	173.043		1.172	173.043

DEPRECIATION-PROVISION AND ACCRUAL

	Cash Provision			Accrual	
	During the year ended June 30, 1980	Period July 1, 1937, to June 30, 1980		During the year ended June 30, 1980	Period July 1, 1937, to June 30, 1980
	\$m	\$m		\$m	\$m
Special appropriations	.400	17.200	Normal Description— Way, works, buildings, etc.	2.081	110.872
Additional funds authorised by Parliament	-	11.500	Rolling Stock (including machinery and equipment in Rolling Stock Workshops)	10.365	151.450
Sundry depreciation provided in working expenses	-	4.592	Electrical Engineering plant and equipment	.267	11.131
Provision from Sundry sales &c. included as additional depreciation	-	.688	Rail motors and road motors	-	4.493
Interest on investments	-	1.407			
Balance at June 30, 1980 amount short provided	12.313	242.559			
	12.713	277.946		12.713	277.946

STATEMENT OF CAPITAL EXPENDITURE

	Year ended June 30, 1979	Year ended June 30, 1980
	\$M	\$M
New lines and surveys--		
Gross expenditure	1,218	.353
Credits	-	-
Net expenditure	1,218	.353
Additions and improvements on existing lines--		
Gross expenditure	23,570	30,086
Credits	.599	.635
Net expenditure	22,971	29,451
Rolling stock--		
Gross expenditure	27,785	22,705
Credits	.971	.537
Net expenditure	26,814	22,168
Electrification of Melbourne suburban lines--		
Gross expenditure	1,374	.676
Credits	-	-
Net expenditure	1,374	.676
Sub Total--		
Gross expenditure	53,946	53,820
Credits	1,570	1,172
Net expenditure	52,376	52,648
Road motor public service (including garage accommodation)--		
Gross expenditure	-	-
Credits	-	-
Net Expenditure	-	-
Investments in VicRail Pipelines P/L--		
Gross expenditure	1,704	.185
Credits	-	-
Net expenditure	1,704	.185
Total--		
Gross expenditure	55,650	54,005
Credits	1,570	1,172
Net expenditure	54,080	52,833

