

1978

VICTORIA

VICTORIAN RAILWAYS

REPORT

OF THE

VICTORIAN RAILWAYS BOARD

FOR THE

YEAR ENDED JUNE 30, 1978

PRESENTED TO BOTH HOUSES OF PARLIAMENT PURSUANT TO ACT 7 ELIZABETH II. NO. 6355

By Authority:

F. D. ATKINSON, GOVERNMENT PRINTER, MELBOURNE.

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	Member
J. G. W. URBAHNS	Member
N. G. WILSON, C. M. G.	Member

September 27, 1978

The Honorable R. R. C. 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, 1978 is submitted to Parliament.

Yours sincerely,

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

CONTENTS

	PAGE
A Total Transport Service	2
Finance	4
The Market	6
Planning and Research	9
Organisation	11
Improvements and Maintenance	11
The Energy Conservation Factor in Transport	14
Personnel and Administration	14
Appendices—	
Statement of Assets and Liabilities	16
Summary of Receipts and Expenditure	19
Adjustment of Cash Figures	20
New Lines under Construction	20
Lines Closed for Traffic	20
Length of Railways and Tracks	20
Railways Stores Suspense Account	21
Railway Renewals and Replacements Fund	21
Depreciation—Provision and Accrual	21
Statement of Capital Expenditure	22

**REPORT OF THE
VICTORIAN RAILWAYS BOARD
FOR THE YEAR ENDED
JUNE 30, 1978**

A TOTAL TRANSPORT SERVICE

Events during 1977/78 did much to consolidate progress made in previous years towards rationalisation of the railway system, and to clarify the role of the Railways in the more competitive environment which, in pursuance of Government policy, will progressively come into effect in Victoria.

The keystone of the rationalisation process is the regional freight centre system of freight distribution, which has proved to be a major step forward by enabling the Railways to combine the economies of fast, full trainload movements from Melbourne to the main country centres with the knowledge and experience of local road contractors in each centre to meet the market demand for to-door delivery of consignments. A single freight charge is applied for this service, and incentives offered for traffic in pallet-loads not only benefit the user but assist materially in reducing railway handling costs and improving the utilisation of railway rolling stock. This is illustrated by the marked gains achieved in the relevant operating statistics, shown on page 6.

As detailed in the appropriate section of this Report, extension of the regional freight centre system throughout the State will be completed during the 1978/79 financial year. Rationalisation of country passenger operations, also detailed elsewhere, has proceeded at an equally satisfactory rate.

An innovation of particular significance during the year under review was the inclusion, in the Honorable the Treasurer's Budget speech to Parliament on September 7, 1977, of figures showing the estimated contribution of the various categories of railway service to the overall subsidy—the Board prefers the term "revenue supplement"—accepted by the Government as the amount necessary to sustain railway operations during the year.

Publication of these figures—approximate though they may be—has demonstrated to the community the multi-aspect nature of the railway role and the extent to which the costs of performing each segment of this role are not being met directly by users.

More significantly, the figures demonstrate acknowledgement of the Government's policy to provide, through the Railways, a comprehensive transport service at charges which, in the public interest, are not able to meet the full costs of operation, and to regard the consequent revenue supplement as a subsidy to the various sections of the community who benefit thereby, rather than as a "loss" incurred by the Railways.

As far as the Board is aware, no major passenger-handling railway system in the world operates profitably without a subsidy, and it is worth commenting here on the common fallacy that because the State Budget provides a figure of some \$150 million annually to support railway operations the community must forego other public or social services to the same value. This view is completely unrealistic, as it fails to take the argument to its logical conclusion, namely, that if railway services were to be withdrawn, some alternative would have to be provided, and this alternative will be equally or even more costly. In fact, because road transport is also subsidised by the provision of the road system and its associated traffic control and policing facilities at far below cost, the community would be very much worse off in the long run from the withdrawal of those rail services which represent true high-volume tasks.

It is a fact that, in the past, resistance to the rationalisation of railway services has resulted in the Railways being obliged to continue to perform tasks which could have been performed at lower resource cost by other modes. However, as described in this and previous Annual Reports, this situation is steadily being overcome in Victoria, and by the time greater freedom of road operations becomes a reality in this State the uneconomic utilisation of the rail mode, to the extent to which it still occurs today, will have been substantially eliminated.

It should be noted that withdrawal of the rail mode from uneconomic applications need not be, and in fact is not being accompanied by a contraction of the role of the Railways as a transport organisation. On the contrary, the Board clearly perceives its charter to be to provide a total transport service, by rail, road or pipeline, and utilising whichever mode or combination of modes is most appropriate and most economical for each particular task.

In acknowledging the Government's decision that, as soon as the Railways are in a position to offer competitive services, controls on road transport considered to be no longer appropriate will be lifted, the Board must place on record its apprehension that unless great care is exercised there is a danger that the process of deregulation may be undertaken too quickly and carried too far. The result would be a disastrous increase in the annual revenue supplement necessary to sustain railway operations, compounded by huge increases in road construction and maintenance costs.

These problems can be minimised only if—

- (i) the lifting of controls on road transport is carried out on a step-by-step basis over a transitional period of adequate duration; and
- (ii) positive action is taken, at least throughout the whole of this transitional period, to direct to rail those bulk traffics—grain, superphosphate, cement, solid and liquid fuels are typical examples—which rail can handle, provided that high volume movement is ensured, at a lower resource cost than any other mode.

Because of the relatively small size of the total transport market and the compactness of Victoria with consequent short hauls, it is extremely doubtful whether rail costs can be kept down to an acceptable level if the limited amount of bulk business has to be shared with road transport.

Other aspects of vital importance which must be resolved, in order to put the rail and road modes on an equal footing, before road freedoms are increased in Victoria are:

- (i) the determination of a workable and equitable method for ensuring that the operators of heavy transports meet their proper share of the additional road and other infrastructure costs brought about by their operations; and
- (ii) the extent to which it is appropriate that the rail mode also be relieved of existing constraints—particularly the common carrier obligation—and permitted to select those classes of traffic for which it will compete and abandon those for which road has a clear advantage in terms of resource costs.

Another common fallacy about the annual revenue supplement paid by the Treasury to support railway operations is that the portion of that payment attributable to the suburban passenger network represents a benefit only to the relatively modest proportion of Melbourne's population who actually travel by rail. In fact the benefit from the task performed by the rail system, particularly in peak periods, accrues to the whole community by reason of the resultant very great reduction in road congestion on the heavily-trafficked radial corridors. This benefit is reflected not only in less onerous conditions for private motorists but, because road vehicles engaged in freight pickup and delivery also incur additional costs as the result of road congestion, in a reduction in the final cost of consumer goods.

A development of great significance during the year was the decision by the Commonwealth Government to provide funds, during the five-year period commencing on July 1, 1978, towards the cost of non-urban rail works which had been investigated by the Bureau of Transport Economics and found to be economically justified. The availability of these funds will ensure that action is initiated to overcome the serious operating deficiencies of the Melbourne-Serviceton and, to a lesser extent, the Melbourne-Albury (standard gauge) lines—deficiencies which are preventing the Railways from competing effectively for big volumes of freight moving on the Melbourne-Adelaide and Melbourne-Sydney routes.

Apart from those projects which have already been approved, it is confidently anticipated that further research and economic analysis will establish justification for a continued long-term investment of funds in the upgrading of trunk rail routes of national importance. The task of carrying out such research, analysis and justification will be one of the functions of the Australian Railway Research and Development Organisation (ARRDO), referred to in our last Annual Report.

The governing body of ARRDO comprises the Chief Executives of the Australian Railway Systems under the initial Chairmanship of the Chairman of this Board. The organisation became operational on November 17, 1977, and Dr. P. Grimwood, previously Director of Management Services of the Western Australian Railways, was appointed as Executive Director on May 19, 1978. At the close of the year arrangements for the engagement of professional and administrative staff were in hand, and negotiations had been commenced for purchase of a suitable building to house the new organisation.

In the sphere of suburban passenger operations, progress during the year on the various track and signalling improvement works approved for Commonwealth financial support under the States (Urban Public Transport) Agreement of 1973 was limited by the necessity to divert most of the available funds to the suburban train replacement programme. The Board was, however, encouraged by the decision of the Commonwealth Government to legislate for further financial aid for urban rail transport, following expiry of the initial scheme on June 30, 1978, to cover the five-year period 1978/79 to 1982/83 inclusive. While the final effectiveness of the guaranteed Commonwealth grants will be reduced by the decision not to support cost escalation, simplified administrative procedures accompanying the grants will facilitate the execution of the various works.

During the year tenders for a further batch of up to 50 stainless steel 6-carriage suburban electric trains were received, and were being evaluated at the close of the year. The new trains will be similar in general layout and arrangement to the stainless steel trains currently being delivered, but will embody the latest proved technological developments contributing to efficiency, economy and comfort in operation.

The lead time in obtaining deliveries under an order of this magnitude is considerable, and in order to ensure continuity of flow of new rolling stock to replace the obsolete "Tait" wooden-bodied trains as early as practicable, the Government approved on April 4, 1978, of the existing contract being extended for the supply of an additional 54 motor carriages to the same design as the first series of stainless steel trains. The effect of this extension will be to increase the fleet from 50 trains of 3-motor, 3-trailer consist to 59 trains of the much more efficient and flexible 4-motor, 2-trailer consist which will be standard for all future trains. This will greatly facilitate the operation of short trains at times of minimum demand.

The financial results of the year's operations are outlined in the following section of this Report.

FINANCE

The Year's Results

In his Budget speech of September 7, 1977, the Honorable the Premier and Treasurer said:

"The Government has adopted a consistent policy of holding public transport fares and freights down, in order to prevent increases in the cost of living. The estimated total subsidy required for railway operations from the Consolidated Fund in 1977/78 is \$152.6 million."

This figure of \$152.6 million represents the extent to which the Government was prepared to supplement the Board's revenue in recognition of the acceptance of obligations imposed on the Board as a matter of public policy.

In the event, notwithstanding the fact that additional costs amounting to some \$14 million were incurred for wage awards and higher material prices which, in accordance with Treasury practice, were not provided for in the Budget, the Board records with satisfaction that this financial target set by the Government was not only met but bettered, as shown below:

	1976/77*	1977/78
Operating expenditure	305,617,958	332,839,927
Receipts	163,910,737	180,545,809
Revenue Supplement in Budget	129,945,000	152,630,000
Total income	293,855,737	333,175,809
Surplus (Deficit) after Revenue Supplement	(11,762,221)	335,882

*In order to introduce the concept of the Budget revenue supplement, the Treasury basis of presentation has been used in this statement. This differs from the basis used on page 4 of the 1976/77 Annual Report; a reconciliation appears on page 19 of that Report.

These results were achieved by the exercise of a stringent control over expenditure and reflect an overall productivity increase of the order of 2.5 per cent.

Compared with 1976/77, receipts increased by \$16.6 million or 10.1 per cent, due to higher charges and additional earnings from freight and miscellaneous sources. Expenditure rose by \$27.2 million or 8.9 per cent, under the influence of wage indexation awards, higher material prices and increased pension contributions, partly offset by staff reductions and other economies resulting in the productivity gain referred to above.

Categories of Service

During the year the progress of subdividing operating results into the various categories of rail service was further refined as the appropriate section of the computerised responsibility and management accounting system became operational. The following is an analysis of the year's results on the more accurate basis now available:

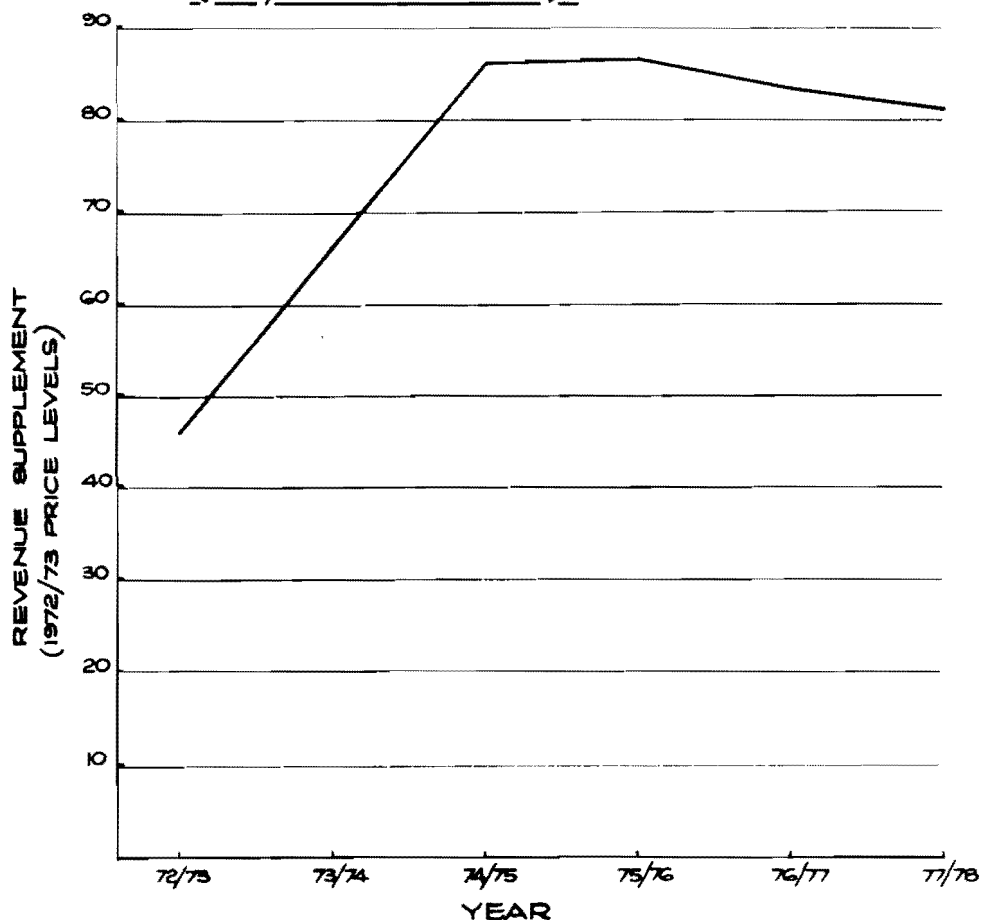
ACTUAL RESULTS 1977-78

Category of Service	Receipts	Expenditure	Revenue Supplement
	\$M	\$M	\$M
Victorian freight	77.3	139.8	- 62.5
Suburban passenger & parcels	49.0	100.6	- 51.6
Country passenger & parcels	20.4	56.8	- 36.4
Intersystem freight	20.7	21.4	- 0.7
Intersystem passenger & parcels	9.2	14.2	- 5.0
Non-operating activities (agency, etc. works)	3.9	-	+ 3.9
	180.5	332.8	- 152.3

Further refinement of this analysis will follow introduction of the computerised passenger audit and information system, referred to in our last Annual Report. In this area good progress was maintained throughout the year, with the assistance of Consultants, on the preparatory aspects of the scheme, and it is envisaged that the system will become operational by January, 1980.

A measure of the extent to which organisational changes and new systems and controls introduced into the Railways in recent years have paved the way for more effective management is obtained by comparing the annual revenue supplement over the past six years on the basis of constant money values, i.e. by eliminating the inflationary factor. The results of this analysis are illustrated in the graph on this page.

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



While the trend revealed by this graph is most encouraging, it must be borne in mind that with the annual cost of salaries and wages (including payroll tax) now running at \$242 million or 34 per cent more than earnings, the gap between receipts (excluding the revenue supplement) and total expenditure is now so wide that it is no longer practicable to contain the situation by productivity gains alone. Accordingly, while the objective of the Board is to maintain at least the current level of productivity improvement and to step up this rate if possible, some regular adjustment of charges, at least to the extent necessary to offset the inflationary factor, will be unavoidable if any significant reduction in the annual revenue supplement is to be achieved.

THE MARKET

The 1977/78 financial year was notable for the production of the first VicRail Marketing Plan. This document covers the two year period 1.7.1977 to 30.6.1979. It assesses the freight and passenger traffic tasks within the context of economic, political, socio-economic and environmental trends, the total transport market, and the Railways' relative strengths and weaknesses. Criteria for the assessment of opportunities have been determined, traffic opportunities identified and quantified, and marketing objectives set. The Plan will be updated annually to cover a rolling two year period.

Already the forward-looking attitude of the Marketing Branch has created a climate in which an increasing number of large-scale customers and prospective customers are using VicRail to assist in feasibility studies of projects involving physical distribution, and in some cases these studies have already resulted in significant traffic gains.

Freight Traffic Task

Difficult economic conditions throughout the year were accentuated by the dry season and the long and severe strike by employees of the State Electricity Commission. Under the influence of these factors, many industrial raw materials and primary products showed a declining trend, but this was offset by gains in mining and quarry products, manufactured products and containers, and by a substantial increase in wheat traffic due to the decision of the Australian Wheat Board to move higher than normal volumes of Victorian wheat to Geelong and Portland in the period between the end of harvesting and the close of the financial year.

The total freight traffic task, measured in tonne-kilometres increased by 2.2 per cent compared with the previous year. This gain reversed a declining trend that had persisted since 1970/71.

Regional Freight Centres

Regional freight centres were opened during the year at Bairnsdale (22.8.77); Sale (21.11.77); Benalla (6.2.78); Wangaratta (10.4.78); Wodonga (24.4.78); Yarram (2.5.78); and Woodend (26.6.78). In addition, town deliveries were introduced at Hamilton (22.5.78); Portland (12.6.78); and Warrnambool, Camperdown and Colac (19.6.78). These centres had been in operation at the beginning of the financial year.

The total number of freight centres required to cover the State is 35, and at the close of the year 17 centres were in operation. The location of the remaining 18 centres had been approved, and as indicated in the introductory section of this Report, these centres are planned to be brought into operation during the 1978/79 financial year.

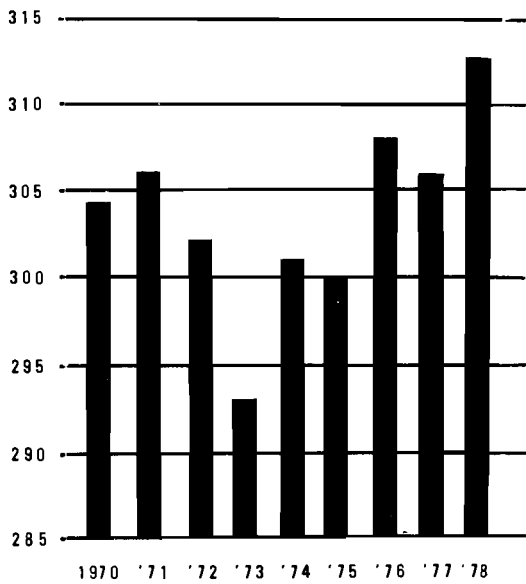
Principal Operating Statistics

The principal indices of freight train performance, which are shown below, disclose record levels of achievement in almost every instance. These results clearly demonstrate the impact on operating efficiency of the improved organisation and methods; opening of additional regional freight centres; the closing of branch lines and small stations on other lines; and the scrapping of low-capacity, over-age freight wagons.

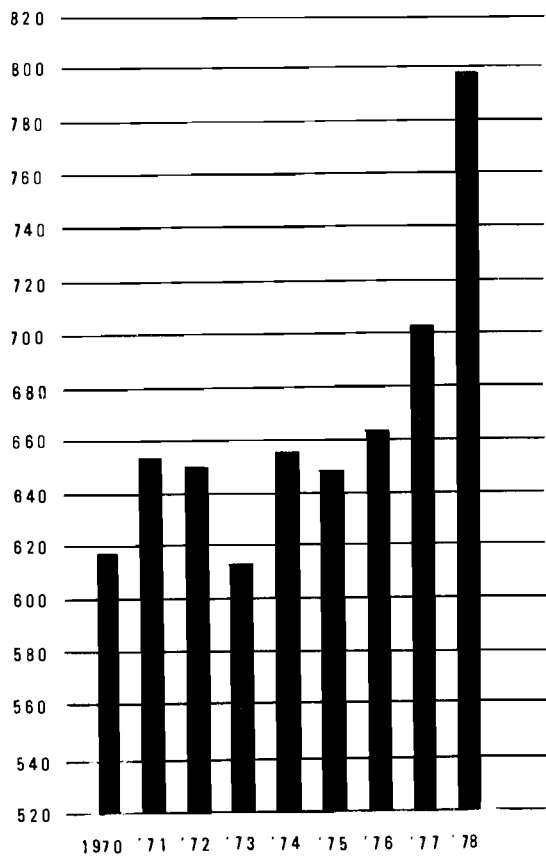
	<u>1975/76</u>	<u>1976/77</u>	<u>1977/78</u>
Average kilometres per wagon per day	57.86	60.44	66.21
Average daily wagon output (net tonne kilometres)	663	700	798
Average net wagon load (tonnes)	17.07	17.56	18.74
Average net tonne kilometres per goods train hour	6965	7074	7470
Average net train load (tonnes)	308	307	313
Standing time (hours) per 1000 train kilometres	6.43	6.06	5.94

FREIGHT OPERATING STATISTICS

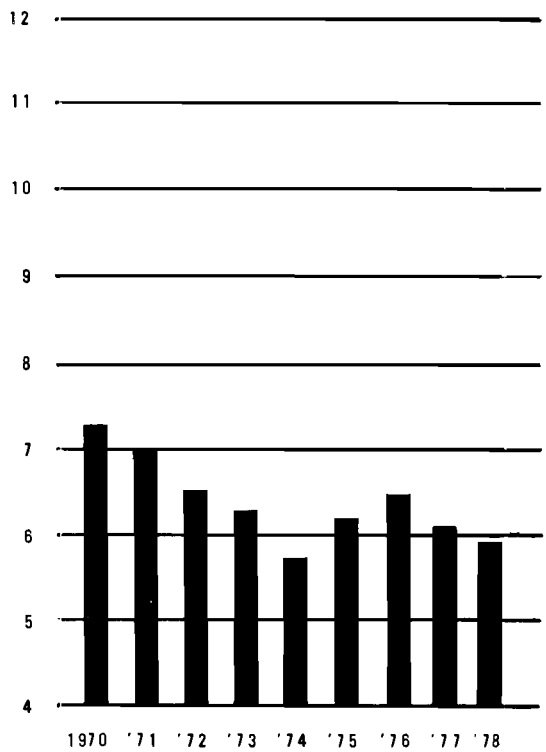
(YEARS ENDING JUNE 30)



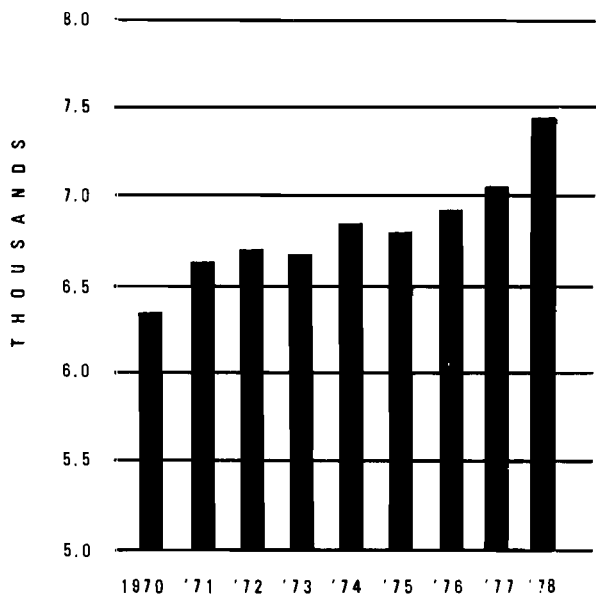
AVERAGE NET TRAIN LOAD (tonnes)



AVERAGE DAILY WAGON OUTPUT NET (tonne/km)



STANDING TIME PER 1,000 TRAIN km (HOURS)



AVERAGE HOURLY TRAIN OUTPUT NET (tonne/km)

Variations in Freight Charges

As from February 6, 1978, Victorian goods tariff rates were increased by a weighted average of 12.5 per cent, with the exception of petroleum products, cement and dried fruit which were increased by 10 per cent.

At the request of the Government no increase was applied to seasoned or unseasoned hardwood timber, but agreement was reached that the Board would receive from the same date, by way of Treasury reimbursement, an amount representing the effect of a 10 per cent increase on charges actually collected.

The total reimbursement received by the Board during the year by reason of this arrangement, and in relation to earlier non-commercial decisions in relation to grain, superphosphate and livestock, was \$1,400,000.

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 past.

Railways of Australia interstate tariff rates were increased by 5 per cent on August 29, 1977 and by a further 10 per cent on March 1, 1978.

Interstate contract freight charges over Eastern Seaboard routes were increased by 5 per cent with some exceptions related to market conditions, as from August 29, 1977. Contract rates to and from Western Australia were increased by 5 per cent on August 29, 1977 and by a further 5 per cent on March 1, 1978.

Passenger Operations—Metropolitan

Commencing on January 29, 1978, suburban fares were increased by an average of 12.5 per cent. At the same time the surcharge on suburban fares as a contribution towards the cost of the underground loop was increased from 2 cents to 3 cents per journey, and this had the effect of raising the overall rate of increase to 14.5 per cent.

Concurrently with the fare increase the method of computing single and day return fares between suburban stations and locations on the Sandringham-Beaumaris bus service was altered to the rail fare for the total through distance, instead of separate fares for the rail and bus sections of the journeys.

Suburban passenger travel was adversely affected during the year by service disruptions caused by the State Electricity Commission strike and the dispute concerning the asbestos lining in blue suburban carriages. Revenue increased by approximately 3 per cent, compared with last year, under the influence of the higher charges in effect during the latter part of 1977/78. However, because the statistical analysis of this aspect of our operations is not yet computerised, final passenger journey figures for the year were not available for inclusion in this Report.

Following the rationalisation of suburban fare scales, referred to in previous Annual Reports, which reduced the number of charging zones to Melbourne from 78 to 10 over a period of two years, a commencement was made during 1977/78 with the replacement of "destination" type suburban single and return tickets by "section" type tickets, showing the name of the selling station only. The consequent reduction in the number of ticket issues will result in substantial economies, and will also greatly facilitate the introduction of ticket vending machines.

As from February 26, 1978, the basic interval between Sunday trains was increased from 30 to 40 minutes, with services on most lines being operated by 3-carriage stainless steel trains. Commencing on May 8, 1978, the interval between trains after approximately 7.00 p.m. on weekdays and Saturdays was increased from 20 to 30 minutes.

Considerable attention has been devoted by the Board to the problem of improving suburban train performance. Because of the complexity of the suburban rail system and the wide variety of factors which can affect operating performance, it is almost impossible to obtain a meaningful picture from such statistics as number of trains late, number of cancellations, etc.

The proposal that is being investigated is the development of a "market performance index" which takes into account not only train operating statistics but also gives weight to the impact on passengers of each incident and the number of passengers affected. This index could be employed both as a measure of customer satisfaction and, by setting attainable standards, as a control measure for initiating appropriate action when the stipulated standards are not met.

At the close of the year development of the proposal was not sufficiently advanced to enable its effectiveness to be fully evaluated.

Passenger Operations—Country and Intersystem

Commencing on January 29, 1978, country fares were increased by an average of 12.5 per cent.

The VicRail Package Tour programme continued to yield most encouraging results, and both the number of tours sold and revenue earned increased by 21 per cent compared with the previous year. The rapidity of the gains achieved in this area since the programme was originated in 1973/74 is graphically illustrated on page 10. .

In pursuance of the programme outlined in our previous Annual Report, of replacing country branch line rail cars by contract road bus services, the following services were converted to road on the dates shown:

	<u>Distance</u>	<u>Date Converted</u>
	km	
Castlemaine-Maryborough	55	11.7.77
Warrnambool-Port Fairy	33	12.9.77
Woodend-Daylesford	43	23.9.77*
Dandenong-Wonthaggi-Inverloch	121	5.12.77
Ballarat-Maryborough	68	29.5.78
Bendigo-Ultima	194	5.6.78
Swan Hill-Robinvale	140	

*Original substitution due to reduction of line speed to 25 kph. This was converted to a regular contract bus service on May 29, 1978.

In every case the standard of service provided is equal to, or better than, the previous rail service.

On October 1, 1977, responsibility for the operation of "Puffing Billy" between Belgrave and Lakeside was assumed by the Emerald Tourist Railway Board pursuant to the Emerald Tourist Railway Authority Act of 1977.

On and after August 1, 1977, fares between Melbourne and Adelaide were increased by 4 per cent and sleeping berth charges were increased from \$8.00 to \$9.00.

There was no change in Melbourne-Sydney fares or berth charges during the year.

Patronage of intersystem passenger trains increased marginally compared with the previous year.

Public Relations, Promotions and Advertising

Advertising activity in relation to freight services was concentrated during the year mainly on informing customers and potential customers of the introduction of new freight centres, and on a campaign to promote awareness in the business community of the advantages of this new system of freight distribution.

The highlight of the year in the field of passenger promotion was the publication of a special VicRail Rail tours booklet, promoted to the tourist industry and the public under the theme "VicRail Packages Australia". This booklet, which was recognised by being awarded second prize in the domestic section of the competition held annually by the Australian Federation of Travel Agents to select the best literature supporting tour sales, played no small part in achievement of the rapid growth in package tour sales referred to above.

Strategies in relation to promotion of the Chalet, Mt. Buffalo National Park, were aimed at drawing patronage from as many segments of the holiday market as possible. The success of the approach adopted can be best judged by the bed occupancy rate of nearly 77 per cent achieved during the year. This is far above the industry average, as published by the Australian Bureau of Statistics.

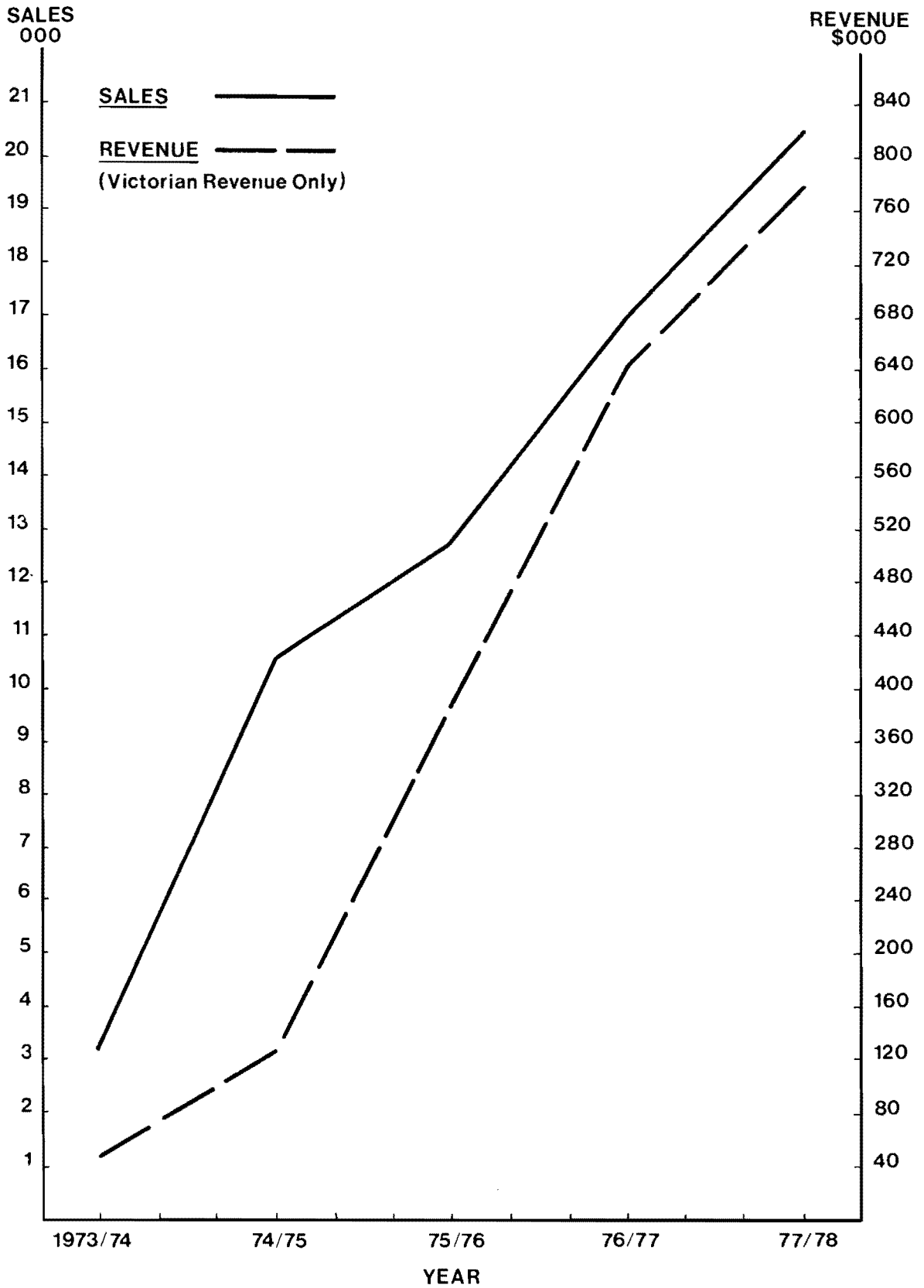
PLANNING AND RESEARCH

In previous Annual Reports attention has been drawn to the essential interaction between Railway planning and community planning generally, and to the way in which the Planning Branch exercises a dual role as the focus of internal planning and the point of contact with outside bodies whose activities closely interact with our own.

In pursuing this dual role during 1977/78, the Planning Branch extended its involvement to a wide range of subjects covering all aspects of railway operations and involving co-ordination both with other railway systems, and with statutory authorities and instrumentalities participating in the achievement of Government policies.

GROWTH OF VicRail TOUR SALES 1973/74 TO 1977/78

Including Package Tours, Pensioner Tours, Day School Tours



The Management Services Division (including the Data Processing Section) which comes under the control of the Planning Branch, continued to actively exercise its function of increasing efficiency and improving the effectiveness of management by the introduction of better methods or the development of new or improved systems.

Research continued, with some Commonwealth financial assistance, into a wide range of technical, operating and marketing subjects. In this area a close liaison is being developed, in appropriate areas of investigation, with the new Australian Railway Research and Development Organisation referred to in the introductory section of this Report.

ORGANISATION

As a further stage towards the reorganisation of the Railways to achieve a more appropriate corporate structure and improve the level of both operating and economic performance, an investigation was commenced during the year into the question of consolidating under one control the operating functions at present performed by more than one Branch.

A second phase of the review will investigate the question of grouping workshops functions, which are at present also divided over several Branches, into a single organisation which will operate as a separate cost centre.

IMPROVEMENTS AND MAINTENANCE

New Works, Improvements and Replacements

Expenditure on investments and fixed assets during the year was \$45.1 million, allocated as follows:-

	Investment In VicRail Pipelines Pty. Ltd.	New Works and Improvements	Renewals and Replacements	Total
	\$	\$	\$	\$
Rolling Stock	—	—	22,606,403	22,606,403
Other	1,296,754	17,232,846	3,966,873	22,496,473
	1,296,754	17,232,846	26,573,276	45,102,876

Of the total expenditure of \$45,102,876 the Commonwealth contributed \$7,050,000 under the urban public transport programme.

Urban Works

The major urban work completed during the year was the installation of automatic power signalling between Bayswater and Fern Tree Gully which was brought into service in December, 1977. Owing to the limited funds available, progress otherwise was confined mainly to the Macleod-Greensborough duplication project, which is scheduled for completion late in 1978/79.

Minor works completed were reconstruction of station buildings at Ashburton, Bayswater, Darebin, Glen Iris, Heathmont, Lalor, McKinnon, Tooronga and Williamstown Pier. New station buildings were constructed at Watsonia in the course of the Macleod-Greensborough duplication project.

Other major works in hand at the close of the year were — Caulfield-Mordialloc, third track; Ringwood-Bayswater and Ringwood-Croydon, duplication of tracks; amalgamation of signal boxes in the central area (in conjunction with the underground project); and amalgamation of signal boxes in the Newport area.

Underground Connections

Works continued in the Jolimont, Spencer Street and North Melbourne areas during the year in connection with construction of the Melbourne Underground Rail Loop.

At the close of the year, 80 per cent of the civil engineering works to be carried out by the Board within the existing railway boundaries in connection with the Loop project had been completed.

Signalling construction resources were concentrated on the new Spencer Street Box and the Flinders Street "A" relay room, both of which will be commissioned during 1978/79.

The Metrol Controversy

The Board was authorised by Order in Council on May 24, 1977, to enter into a contract with Prentice Builders Pty. Ltd. for the erection in Batman Avenue of a building to house the planned new Metropolitan Train Control Centre, now known as Metrol.

Public tenders had been invited and the recommended offer was the lowest of fifteen received.

Completion of the building and installation of its associated signalling, train describer and services monitoring equipment are essential pre-requisites to a commencement of train operations in the underground loop system.

The site chosen for the building was previously occupied by a number of dilapidated structures and for technical, operating and economic reasons is the most suitable for the new control centre. The project and the location of the building have been endorsed by the experts from London Transport and British Rail, as well as by the Melbourne Underground Rail Loop Authority.

Having regard to the reservation provided in the Melbourne Metropolitan Planning Scheme 1968 for the future southward extension of Russell Street to Batman Avenue it was necessary to site the project so as not to interfere with such an extension.

Reference to the Centre, describing its location as "Batman Avenue", together with an artist's impression of the building appear in the Board's annual Report for 1975/76. A complete set of drawings relating to the Metrol Centre was sent on June 3, 1976, to the Secretary of the Melbourne and Metropolitan Board of Works and on July 13, 1976, to the Town Clerk, City of Melbourne. (By a variation order dated January 16, 1969, under the Town and Country Planning Act, the Board of Works had delegated to the Melbourne City Council certain powers and responsibilities in respect to planning within the area embraced by the Melbourne Metropolitan Planning Scheme.)

On June 23, 1976, the Acting Assistant Secretary of the Melbourne and Metropolitan Board of Works wrote acknowledging the letter of June 3 but referring only to the sewerage and plumbing aspects. The Acting Town Clerk of the Melbourne City Council wrote on July 21, 1976, and said "We wish to advise you that no problem is envisaged regarding the proposal". The letter went on to ask that approval be sought for the footpath crossing and drainage works entailed in the project.

Erection of steel work for the Metrol Centre commenced on November 21, 1977, and by March, 1978 the building had advanced to the stage where its overall size and location could be seen by all passing the area or occupying buildings overlooking the yards. However, it was only after a letter was published in the "Age" on June 7 that the matter was taken up by the Press which published comments by the Chairman of the Melbourne City Council's Strategy and Planning Committee to the effect that "The Council had only become aware of the building when it had started to take shape". A further report in the Press said "VicRail is building the Centre without Board of Works or Melbourne City Council permission. Both bodies said yesterday 'VicRail had not asked for approval or even told them of the project'."

The facts are as outlined above.

On oral instructions from the Government work on the project was discontinued on June 9. At the close of the year work was proceeding, in accordance with the Government's instructions, on redesigning the building to occupy a larger ground area but of a uniform height of three storeys. The additional costs entailed in these changes, and the effect on timing for the running the first trains in the underground system, had not been assessed.

Station Car Parks

With the extension or redevelopment of car parks at a further 11 locations, at the close of the year 15,984 car parking spaces were available at 153 stations.

Replacement of Suburban Trains

Work proceeded during the year on the current order for 50 six-carriage stainless steel suburban electric trains, and at the close of the year 43 of the new trains were in service. As indicated in the introductory section of this Report, tenders were invited during the year for a further batch of up to 50 stainless steel trains, and to bridge the gap between the two orders the Government approved of the initial order being extended by the equivalent of an additional 9 trains.

During the year further obsolete wooden-bodied suburban carriages were withdrawn from service to be scrapped, and at the close of the year the number of obsolete trains still in service had fallen to 42, making them the smallest component of the suburban train fleet.

NON-URBAN WORKS

Geelong Line Duplication

Work proceeded on duplication of the Little River-Corio section of the Geelong line to the maximum extent practicable with the funds available. At the close of the year formation works had been almost completed and some ballast supplied.

Depots, Terminals, etc.

The erection of a new diesel locomotive maintenance depot at Ballarat was completed, and the erection of an amenities building at the Seymour locomotive depot was put in hand.

The new station buildings at Mildura were completed, and new signalling facilities consolidating signal controls to a panel in the new building were commissioned.

Rearrangement of trackwork and signalling at Stawell to provide a faster run for "up" goods trains was completed. This has permitted train loads to be increased.

In order to enable the Flash Butt Welding Depot, Spotswood, to step up output and handle the heavier rails required for future track strengthening on main trunk lines, a contract was let for the manufacture, supply, delivery and commissioning of an automatic rail welding machine.

In connection with the establishment of regional freight centres at various country locations, steel framed covered areas, prefabricated type office and amenities buildings and necessary site works and hard standing areas were provided as required.

Locomotives and Rolling Stock

During the year a further seven of an order for 10 "C" class 3,300 h.p. diesel electric locomotives were delivered, and only one unit of the order remained to be delivered in 1978/79.

Wagon construction in departmental workshops proceeded during the year within the limitations imposed by the funds available and by power restrictions consequent upon the extended strike of State Electricity Commission workers. The following new vehicles, 150 in all, were placed in service:

"BWF" Ford box vans	26
"JBF" Hopper wagons (briquettes)	9
"JSX" Hopper wagons (glass making sand)	5
"JSF" Hopper wagons (glass making sand)	10
"JAF" Hopper wagons (soda ash)	5
"JCF" Hopper wagons (cement)	15
"JPF" Hopper wagons (superphosphate)	10
"FQX" Container wagons	10
"QMX" Skeletal container wagons	60

Three thousand five hundred and ninety obsolete freight wagons and 115 unserviceable brake vans were withdrawn from service and scrapped.

Considerable scope exists for reduction in the cost of wagon maintenance—currently to the order of \$14 million per annum—if additional funds were to be made available to the Board to accelerate the construction of modern wagons and the scrapping of obsolete stock.

Altona-Somerton Pipeline

Following incorporation on August 8, 1977, as reported in our last Annual Report, of VicRail Pipelines Pty. Ltd. the Company joined with Mobil Oil Australia Ltd., Esso Australia Ltd., The Shell Company of Australia Ltd., and BP Australia Ltd., in a joint venture for construction of the Altona-Somerton pipeline.

With the consent of the Treasurer the Board loaned to VicRail Pipelines Pty. Ltd. the sum of \$1,296,754, which was the amount required to meet the Company's contribution to the joint venture during the year.

The Board agreed to grant the consortium a licence to build the pipeline on Railway land, and construction commenced during the year. At June 30, 1978, approximately 10km of the 34km pipeline had been completed.

MAINTENANCE

During the year 78 km of track were relaid with new rail and a further 36 km with serviceable rail, while points and crossings were renewed as required at various locations.

A total of approximately 1051 km of track was maintained by mechanical means and 244,000 sleepers, representing 67 per cent of the total number of sleepers replaced during the year, were installed by fully mechanised gangs.

Delivery was taken during the year of the Plasser 74 UHR ballast cleaner referred to in our previous report, and the machine has been put into service with good results on several sections of line in the suburban area.

Reconstruction of bridges at Sherbourne Road, Montmorency; Moonee Ponds Creek, West Melbourne; Carrum Creek, Carrum; Eastfield Road, Ringwood, and Ascot Vale Road, Ascot Vale was completed. Major bridge works were in hand at Mordialloc Creek, Mordialloc; Mt. Dandenong Road, Croydon; Church Street, Greensborough; Main Street, Greensborough; Dudley Street, West Melbourne; Sunshine Street, Gowrie and Durrant Street, North Brighton.

New plant and equipment was provided, at a cost in excess of \$400,000, in the departmental workshops at Newport, North Melbourne, Jolimont, Ballarat and Bendigo to facilitate the maintenance of rolling stock.

At the departmental laboratory at Newport, considerable time was devoted during the year to problems associated with the rail transport of dangerous goods.

In order to meet Environment Protection Authority requirements for discharge of wastes at country locations, action has been initiated by laboratory staff to examine cleaning methods and to devise simple test methods, apparatus and procedures to bring pollutants in the discharge below the specified level.

THE ENERGY CONSERVATION FACTOR IN TRANSPORT

In spite of the lack of unanimity as to the date at which world oil production will begin to decline, there does appear to be a general consensus that Australia will in the fairly near future face problems in the supply of petroleum products from both domestic and overseas sources.

To meet this situation the Board sees the need for development of both a National energy policy, and a contingency plan for implementation in case of interruption to oil supplies.

The Board would expect Railways, as the transport mode with the highest work output per unit of energy from petroleum products consumed, particularly when utilised on high-density tasks, to feature prominently in any such plans.

In this connection the Board emphasises the long lead time involved in any major improvement of railway infrastructure works—trackwork, signalling, etc.—highlighting the importance of such works as the upgrading of National trunk routes being planned and executed before any crisis arises.

PERSONNEL AND ADMINISTRATION

As preparations continue for VicRail to become truly competitive in a rapidly changing era, with rationalisation of services being effected and ongoing planning programmes being implemented to establish, revise and constantly review needs and objectives at all levels, the Board thanks all its people who have displayed their loyal dedication during the past year and to assure all that the future will be rewarding.

At June 30, 1978, the total staff (including casual labour equivalent to 304 men working full time) was 23,408 compared with 24,171 at the end of last year. This reduction was achieved by careful control of recruitment.

Salary and wage increases and varied working conditions granted during the year by the Australian Conciliation and Arbitration Commission were estimated to cost \$17.4 million in a full year.

The average annual payment, including overtime and penalty payments to all staff was \$10,005 compared with \$9,132 the previous year—an increase of 9.6 per cent.

Through improved training facilities, including the use of audio visual aids and updated teaching techniques, staff development programmes, involving training for staff from junior employees to senior management personnel, have been extended and existing programmes improved throughout the year.

Participation by officers in higher management courses conducted by the Institute of Management New South Wales and the Australian Administrative Staff College at Mt. Eliza continued throughout the year.

On October 3, 1977, following major organisational changes, Mr. A. J. Nicholson, who previously occupied the position of Chief Freight Manager, was appointed as Assistant General Manager (Operations). Mr. L. A. McCallum, Deputy General Manager, who had previously discharged this function, assumed the duties of Assistant General Manager (Technical).

Consequent upon the appointment of Mr. Nicholson as Assistant General Manager, Mr. L. A. Krausgrill was appointed from the same date as Chief Freight Manager.

Consequent upon the retirement of Mr. A. J. Fell on October 8, 1977, Mr. M. L. McKenzie was appointed to the position of Comptroller of Stores.

Mr. A. M. Hurse, Engineer of Maintenance, together with Mr. N. M. Donnelly, Engineer of Planning, visited Canada and the U.S.A. to study track support systems employed by the Toronto Transit Commission and the Washington Metropolitan Area Transit Authority.

The Engineer of Tests, Electrical, Mr. P. D. McColl, also travelled overseas to Switzerland, France and Germany to inspect and evaluate ticket vending systems.

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	V. A. Winter
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	P. E. Stuart

Appendices

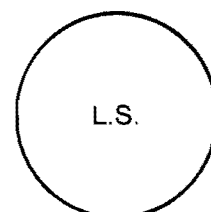
A statement of assets and liabilities as at June 30, 1978, and various accounts, statements and other information are embodied in the appendices, a list of which appears at the front of this Report.

Victorian Railways Board

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

A. G. Gibbs Member

A. Augustine Secretary



September 15, 1978.

VICTORIAN RAILWAYS
STATEMENT OF ASSETS & LIABILITIES AS AT JUNE 30, 1978 (Note 1)

1977	1977		1978	1978
\$M	\$M		\$M	\$M
		FUNDS PROVIDED (NOTE 2)		
560.992		State — from Loans	595.677	
34.461	595.453	Other	36.844	632.521
	69.416	Commonwealth		76.466
	664.869			708.987
	204.152	LESS Under Provision for Depreciation (Note 3)		217.650
	460.717			491.337
	40.145	ADD Asset Revaluation Reserve (Note 4)		23.907
	500.862	NETT WORTH on EXISTING BASIS (Note 5)		515.244
		REPRESENTED BY		
	10.628	Special Funds held by State Treasurer (Note 6)		13.216
35.806		Current Assets	32.384	
35.473		Less Current Liabilities	31.870	
) (NOTE 7)		
	.333	Excess of Current Assets over CURRENT LIABILITIES		514
		Investments in VicRail Pipelines Pty. Ltd. (Debentures and Shares)		1.297
		FIXED ASSETS (NOTE 8)		
264.001		Track	275.240	
334.334		Rolling Stock	338.535	
40.183		Machinery and Plant	41.991	
5.931		Land	5.805	
74.496		Buildings	82.811	
9.290		Other Assets	8.072	
728.235		TOTAL — FIXED ASSETS	752.454	
238.334	489.901	LESS Depreciation	252.237	500.217
	500.862	NET ASSETS		515.244

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 and in accordance with accepted Accounting standards.

(ii) Fixed Assets

Fixed Asset Accounts are debited with expenditure on additions and improvements to assets and on replacement of assets other than those not subject to depreciation. Apart from adjustments associated with revaluation of certain assets, in particular, cars over 35 years and wagons over 30 years of age, fixed asset values are related to historical cost.

Up to 1977/78, lines closed to traffic were written down to residual land values over a period of 7 years but those closed in 1977/78 have been written down in the one year. Corresponding adjustments, totalling \$0.466 million, have been made to values of Fixed Assets and to the Asset Revaluation Reserve.

(iii) Depreciation

The accounting system provides for depreciation to be 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. Depreciation is not charged on track (infrastructure) assets, the reason for this approach being that the infrastructure is, and indeed must be, maintained at full effectiveness, with damage or deterioration made good as it occurs. All costs associated with maintenance, renewals and replacements of infrastructure, other than expenditure on improvements and additions, are charged to maintenance.

(iv) Stores

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

NOTE 2 — FUNDS PROVIDED

The amount of \$595.677 million represents advances for Capital purposes from Loans raised on behalf of the State and specifically excludes from such Loans:—

	\$M
Loans for Renewals, Replacement and Maintenance Works not represented by assets	1.050
Discounts and Expenses on Loans	7.825
	8.875

The State of Victoria has an equity of \$107.309 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.

Advances from other State Funds relate to:—

	\$M
Transport Fund	6.865
Boom Barriers — Various Acts	.654
Level Crossings Fund	10.889
Funds from Public Account	1.338
Sundry Special Funds	13.892
Working Capital for Manufacturing Work in Progress and Trading & Catering Stock and Equipment	3.206
	36.844

Transport Fund Advances relate to expenditures 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 those made available from Treasurer's Advance pending later appropriation (\$0.041 million) and to an Advance to purchase shares and debentures in VicRail Pipelines Pty. Ltd. (\$1.297 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.

Advances for Working Capital for Manufacturing Work in Progress and Trading & Catering Stock and Equipment have been included under Funds Provided. In 1976/77, they were included in current liabilities.

Commonwealth Funds (\$76.466 million) relate to:—

	\$M
Commonwealth Grants — Urban Public Transport	44.866
Uniform Railway Gauge Trust Fund	31.600
	76.466

The Grants for Urban Public Transport include \$7.050 million provided in 1977-78. The total figure for Commonwealth Funds as at June 30, 1977 (\$69.416 million) is \$13.548 million higher than the \$55.868 million shown in the 1977 Statement of Assets and Liabilities. The revision is related to updated advice from Treasury in regard to Commonwealth Grants for Urban Public Transport. A corresponding adjustment has been made to State Funds.

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, 1978, the State of Victoria has made repayments of principal totalling \$1.637 million.

The figures shown under "Funds Provided" do not include amounts totalling \$1,010,917,167 as at June 30, 1978 (\$837,790,270 at June 30, 1977), which have been contributed from General Revenue as grants for special purposes, revenue supplements, interest and exchange on loans and repayment of debt.

The Board takes the view that these contributions are made through Annual Appropriations which do not constitute a continuing liability for the Railways and is seeking legal opinion on this aspect. The Statement of Assets and Liabilities does take into account any temporary advances made to the Railways to compensate for such matters as the difference between revenue earned and cash collected in a particular year.

NOTE 3 — DEPRECIATION

Total depreciation to June 30, 1978, was \$252.237 million, of which only \$34.587 million was provided by cash appropriations. The under provision is therefore \$217.650 million. As a result of this under-provision, expenditure on replacement of assets has been financed mainly from Loan funds.

Depreciation in 1977-78 was \$13.903 million (cash appropriations \$0.404 million). No depreciation was applied on Fixed Assets constituting the track, that is, the infrastructure (see also Note 1 (iii)).

NOTE 4 — ASSET REVALUATION RESERVE

The balance of \$40.145 million in the Reserve as at June 30, 1977, 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 1977-78, the following asset values were written out:—

	\$M
Passenger cars	3.447
Wagons	12.325
Lines closed (excluding residual land values)	0.466
	16.238

The overall effect of the action taken was to reduce the Asset Valuation Reserve by \$16.238 million to \$23.907 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 allowing 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, 1978, in the Special Funds held by the State Treasurer were:—

	\$M	\$M
Railway Accident & Fire Insurance Fund	0.200	
Less Reserve	0.200	—
Railways Stores Suspense Account		.777
Railways Repayment Account		.012
Manufacturing and Trading & Catering Suspense Account		.209
Treasury Trust Funds:		
Salaries and Wages — Due but not paid by June 30		11.646
Railway Agency Works		.572
		<u>13.216</u>

The amount of \$0.777 million 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 at Treasury equivalent to Railway liabilities for certain items as at June 30, 1978.

The amount of \$0.572 million for Railway Agency Works represents moneys 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, 1978 were:—

	\$M
Cash Advances	1.863
Revenue Cash in transit	.321
Debtors:	
Revenue	12.221
Other	2.581
Stocks of Stores and Materials	7.971
Work in Progress — Manufacturing	2.061
Trading & Catering Stock and Equipment	1.151
Securities Held in Trust	4.215
	<u>32.384</u>

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

The \$2.581 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 of Stores and Materials (\$7.971 million) and the Funds provided for purchase of such Stores and Materials (\$9 million) is:—

	\$M
Value of Stocks	7.971
ADD: Debtors	.234
Advance to Agent-General	.105
Unexpended Balance (see Note 6)	.777
	<u>9.087</u>
DEDUCT: Creditors	.087
	<u>FUNDS 9.000</u>

Securities Held in Trust represent securities deposited by contractors.

Current Liabilities as at June 30, 1977 were:—

	\$M
Trade Creditors	15.004
Treasury — Current Account	12.639
Trust — Creditors	4.227
	<u>31.870</u>

Trade Creditors comprise:—

	\$M
Salaries and Wages due but not paid	8.043
Payroll Tax	1.242
Payroll Deductions	3.603
Stores Creditors	.087
Trading & Catering Creditors	.215
Bank Overdraft	.107
Rebates of Fares and Freights	.191
Advance payments by Customers and Agencies	1.516
	<u>15.004</u>

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

The amount of \$4.227 million for Trust Creditors is the contra of Securities Held in Trust (\$4.215 million), with the balance of \$0.012 million held in the Railways Repayment Account (see Note 6).

NOTE 8 — FIXED ASSETS

Expenditure on Fixed Assets, including Renewals and Replacements, to June 30, 1978, was \$500.217 million, including \$40.457 million spent in 1977-78, after taking into account net credits for sale of land (\$0.128 million) and pipes for pipeline (\$1.351 million) and the value of assets written out (\$16.238 million).

Asset values have been adjusted for the value of assets no longer in use and written out during the year, and also for depreciation of \$13.903 million in 1977-78, including \$13.499 million not provided for by cash appropriation.

Details of transactions in 1977-78 affecting Fixed Assets are given in the Table below:—

SUMMARY OF TRANSACTIONS AFFECTING FIXED ASSETS 1977-78

Class of Fixed Asset	Value at 30.6.77 — net of Depreciation	Additions in Year	Total	Written off in Year	Value at 30.6.78 Before Depreciation	Depreciation 1977-78	Value at 30.6.78 After Depreciation
	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Track	184.447	11.243	195.690	.395	195.295	NIL	195.295
Rolling Stock	197.167	20.437	217.604	15.771	201.833	9.869	191.964
Machinery and Plant	36.580	1.808	38.388	NIL	38.388	3.663	34.725
Land	5.933	CR. 128(b)	5.805	NIL	5.805	NIL	5.805
Buildings	58.118	8.315	66.433	.048	66.385	.349	66.036
Other Assets	7.656(a)	CR. 1.218(c)	6.438	.024	6.414	.022	6.392
TOTAL	489.901	40.457	530.358	16.238	514.120	13.903	500.217

(a) Includes cost of acquiring pipes for the Altona/Somerton hydrocarbons pipeline included under Current Assets — (Stores and Materials) in the 1977 Statement.

(b) The credit is a net figure resulting from credits for sale of land (\$1.400 million) offset in part by purchases (\$1.272 million).

(c) The credit arises from the sale of pipes originally acquired for the Altona-Somerton hydrocarbons pipeline (\$1.351 million) offset in part by additions to other assets (\$0.133 million).

SUMMARY OF RECEIPTS AND EXPENDITURE 1977/78

	OPERATING		
	Year 1976/77	Year 1977/78	Increase (+) or Decrease (-)
	\$	\$	\$
RECEIPTS	163,910,737	180,545,809	+16,635,072
BUDGET REVENUE SUPPLEMENT (a)	129,945,000	152,630,000	+22,685,000
TOTAL	293,855,737	333,175,809	+39,320,072
OPERATING EXPENDITURE (a)	305,617,958	332,839,927	+27,221,969
OPERATING SURPLUS (DEFICIT) AFTER BUDGET REVENUE SUPPLEMENT	(11,762,221)	335,882	+12,098,103
(a) Includes interest (\$166,122) and repayment of principal (\$95,837) to the Commonwealth in respect of funds provided under the Railways Standardisation Agreement.			
	CAPITAL		
	\$	\$	\$
EXPENDITURE ON FIXED ASSETS	43,098,890	43,806,122	+ 707,232
INVESTMENTS IN VICRAIL PIPELINES PTY. LTD.	—	1,296,754	+1,296,754
CREDITS	43,098,890 1,197,953	45,102,876 3,350,046	+2,003,986 +2,152,093
NET EXPENDITURE	41,900,937	41,752,830	- 148,107

OTHER PAYMENTS BY TREASURY

	\$	\$	\$
INTEREST AND EXCHANGE	16,798,326	20,809,696	+4,011,370
SINKING FUND CONTRIBUTION	572,248	630,297	+ 58,049

ADJUSTMENT OF TREASURY (CASH) FIGURES RELATING TO RECEIPTS AND OPERATING EXPENDITURE TO TAKE ACCOUNT OF ACTUAL REVENUE EARNED AND EXPENSES INCURRED BY RAILWAYS IN 1977-78

REVENUE		\$
Receipts — Treasury		180,545,809
ADD		
Revenue collected by Railways in 1977-78 but not brought to account by Treasury at June 30, 1978		1,392,809
Revenue debtors at June 30, 1978 — not included in Treasury Receipts for that year		11,597,316(a)
		<u>193,535,934</u>
DEDUCT		
Revenue debtors at June 30, 1977 — included in Treasury Receipts for 1977-78		10,814,290
Railway Agency debtors at June 30, 1977 — included in Treasury Receipts for 1977-78		5,025,928
Amounts collected by Railways in 1976-77 but included in Treasury Receipts for 1977-78		1,052,057
		<u>16,892,275</u>
REVENUE — RAILWAYS		<u>176,643,659</u>
OPERATING EXPENSES		
Expenditure — Treasury		332,839,927
ADD		
Amounts charged to operating expenses by Railways in 1977-78 but not included in Treasury expenditure for that year		1,476,834
		<u>334,316,761</u>
DEDUCT		
Amounts charged to operating expenses by Railways in 1976-77 but included in Treasury expenditure for 1977-78		1,455,711
EXPENSES — RAILWAYS		<u>332,861,050</u>

(a) The difference between this figure and the \$12.221 million shown for Revenue Debtors in Note 7 to the Accounts is related principally to the treatment of Revenue cash in transit and advance payments for periodical tickets.

NEW LINES UNDER CONSTRUCTION AT JUNE 30, 1978

Section	Kilometres
Caulfield to Mordialloc: Third track	15.91
Little River to Corio: Duplication	12.63
Macleod to Greensborough: Duplication	5.23
Melbourne Underground Loop (4 tunnels)	3.22
Ringwood to Bayswater: Duplication	5.09
Ringwood to Croydon: Duplication	5.28

LINES CLOSED FOR TRAFFIC DURING THE YEAR ENDED JUNE 30, 1978

Section	Kilometres	Date closed
Branxholme to Casterton	53.53	} 12.9.77
Dennington to Port Fairy	28.20	
Hamilton to Coleraine	37.04	
Hamilton to Koroit	82.45	

Responsibility for the 15.15km section of line from Belgrave to Lakeside was transferred to the Emerald Tourist Railway Board on 1.10.77

LENGTH OF RAILWAYS AND TRACKS

		Kilometres open for traffic at June 30											
		Tracks	Sidings	Total	Ten Tracks	Eight Tracks	Seven Tracks	Six Tracks	Four Tracks	Three Tracks	Two Tracks	One Track	Total
YEAR 1977-1978	1600mm gauge	7085.02	1448.13	8533.16	} .61	2.16	1.42	2.49	29.58	103.48	724.77	5499.33	6363.84
	1435mm gauge	332.27	64.40	396.58									
	Dual gauge	8.59	5.13	13.72									
	Total	7425.88	1517.66	8943.46									
YEAR 1976-1977	1600mm gauge	7286.01	1471.05	8757.06	} .61	2.16	1.42	2.49	29.58	103.48	724.77	5700.32	6564.83
	1435mm gauge	332.27	64.31	396.58									
	Dual gauge	8.59	5.13	13.72									
	762mm gauge	13.65	1.50	15.15									
Total	7640.52	1541.99	9182.51								5713.97	6578.48	
		Average Kilometres open for traffic during the year											
YEAR 1977-1978	1600mm gauge	7153.82	1459.62	8589.45	} .61	2.16	1.42	2.49	28.40	103.37	723.87	5573.17	6435.49
	1435mm gauge	332.27	63.75	396.02									
	Dual gauge	8.59	4.91	13.50									
	Total	7494.68	1528.34	8998.97									
YEAR 1976-1977	1600mm gauge	7290.24	1466.08	8756.32	} .61	2.16	1.42	2.49	28.40	103.37	723.87	5733.58	6595.90
	1435mm gauge	332.27	63.75	396.02									
	Dual gauge	8.59	4.91	13.50									
	762mm gauge	13.65	1.50	15.15									
Total	7644.75	1536.24	9180.99								5747.23	6609.55	

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	8,025,997.63 54,884.17	7,971,113
Less expended on special and deferred repairs in accordance with Section 3 of Act 1820	100,000	1,018,882	Sundry debtors		233,538
Advances from Loan Account subsequent to June 30, 1896		7,981,118	Cash in Treasury at June 30, 1978		777,174
Total funds provided		9,000,000	Advances with Agent General		105,077
Sundry creditors		86,902			
		9,086,902			9,086,902

RAILWAY RENEWALS AND REPLACEMENTS FUND

Nature and source of funds	Nature and source of funds		Disposal of funds		
	During the year ended June 30, 1978	Period July 1, 1937, to June 30, 1978		During the year ended June 30, 1978	Period July 1, 1937, to June 30, 1978
Balance at June 30, 1977	\$ —	\$ —	Renewals and replacements	\$	\$
Funds specially appropriated under Act No. 6355	400,000	16,400,000			
Additional funds authorised by Parliament	—	11,500,000	Rolling Stock Other	1,182,354	116,770,869
Rail motor and road motor, &c. depreciation	4,356	4,592,253		2,167,693	53,529,817
Sundry sales, abolitions, &c.	2,945,691	17,208,667			
Interest on investments	—	1,406,583			
Amount charged Item 5 Loan Acts	—	119,193,183			
	3,350,047	170,300,686		3,350,047	170,300,686

DEPRECIATION — PROVISION AND ACCRUAL

	Cash Provision			Total Accrual	
	During the year ended June 30, 1978	Period July 1, 1937, to June 30, 1978		During the year ended June 30, 1978	Period July 1, 1937, to June 30, 1978
Special appropriations	\$ 400,000	\$ 16,400,000	Track	\$ Nil	\$ 79,945,863
Additional funds authorised by Parliament	—	11,500,000	Rolling Stock	9,868,727	146,571,525
Sundry depreciation provided in working expenses	4,356	4,592,252	Machinery and plant	3,662,842	7,266,507
Provision from sundry sales &c., included as additional depreciation	—	687,993	Buildings	348,941	16,774,549
Interest on investments	—	1,406,583	Other Assets	22,082	1,678,793
	404,356	34,586,828		13,902,592	252,237,237

STATEMENT OF CAPITAL EXPENDITURE

	Year ended June 30, 1977	Year ended June 30, 1978
	\$	\$
Fixed assets		
New lines and surveys — Gross expenditure Credits	1,645,501 —	1,318,145 —
Net expenditure	1,645,501	1,318,145
Additions and improvements on existing lines — Gross expenditure Credits	16,229,911 850,858	18,795,836 2,167,692
Net expenditure	15,379,053	16,628,144
Rolling stock — Gross expenditure Credits	24,839,576 347,095	22,606,403 1,182,354
Net expenditure	24,492,481	21,424,049
Electrification of lines — Gross expenditure Credits	383,902 —	1,085,738 —
Net expenditure	383,902	1,085,738
Total Fixed Assets Gross expenditure Credits	43,098,890 1,197,953	43,806,122 3,350,046
Net expenditure	41,900,937	40,456,076
Investments		
VicRail Pipelines Pty. Ltd. (Shares & Debentures) Gross expenditure Credits	— —	1,296,754 —
Net expenditure	—	1,296,754
Total		
Gross expenditure Credits	43,098,890 1,197,953	45,102,876 3,350,046
Net expenditure	41,900,937	41,752,830