

1920.

VICTORIA.

R E P O R T

OF THE

SELECT COMMITTEE

ON

ELECTRIC SUPPLY

(STATEMENTS CONTAINED IN THE LETTER FROM MR. A. G. M. MICHELL, READ TO
THE HOUSE BY THE HONORABLE MEMBER FOR BENAMBRA, MR. BEARDMORE);

TOGETHER WITH

MINUTES OF EVIDENCE AND APPENDIX.

Ordered by the Legislative Assembly to be printed, 16th December, 1920.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS.

WEDNESDAY, 15TH DECEMBER, 1920.

14. ELECTRICITY SUPPLY COMMITTEE.—Motion made, by leave, and question—That a Select Committee be appointed to inquire into and report upon the statements contained in the letter from Mr. A. G. M. Michell, read to the House by the Honorable Member for Benambra (Mr. Beardmore); such Committee to consist of Mr. Allan, Mr. Clough, Mr. Eggleston, Mr. McLeod, Mr. Rogers, Mr. Smith, and Mr. Webber, with power to sit during the sittings of the House, and on days on which the House does not meet; to send for persons, papers, and records, and to report the minutes of evidence from time to time; three to be the quorum (*Mr. Lawson*)—put and agreed to.

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REPORT.

THE SELECT COMMITTEE appointed to inquire into and report upon the Statements contained in the Letter from Mr. A. G. M. Michell, read to the House by the Honorable Member for Benambra (Mr. Beardmore), has the honour to report to your Honorable House as follows :—

The Statements contained in Mr. Michell's letter are shown in inverted commas, and were considered by the Committee *seriatim*, and the decisions arrived at are as follow :—

1. "The Table of Costs read by Sir John Monash does not fairly represent the relative positions of the Kiewa and Morwell Schemes"

It was admitted by Sir John Monash, in his address to the Members of both Houses last Tuesday evening, that the two schemes were not comparable in every respect, but that the comparison made fairly represented the relative value of the two schemes. The report and estimates of the Kiewa Scheme were prepared by Mr. Michell, and is the only report available. The Electricity Commissioners admit that the figures for that scheme are correct, and that the Kiewa or some other water scheme must ultimately be linked up with the Morwell Scheme, and they look upon the latter scheme as only the first portion of the scheme to be completed.

2. "I would like to make it clear that the comparison entirely misrepresents and makes misleading use of the figures of my Kiewa report. My Kiewa Scheme is, of course, a continuous load scheme (adapted to operate at 80 per cent. load factor), and is capable of supplying 270 million units at Melbourne in a drought year. The Morwell Scheme, for which the costs are given, is a scheme only adapted to supply at a low load factor a total Melbourne consumption of 170 million units."

The Kiewa Scheme is certainly designed as a continuous load scheme to operate at an 80 per cent. load factor to supply the units specified. It would be uneconomical to design the Kiewa Scheme for a less output, but as the demand in Melbourne is much less than that amount there is no warrant for that scheme at present. Mr. Michell admits this. On the other hand it is incorrect to say that the Morwell Scheme is only adapted to supply 170 million units at a low load factor. The full capacity for which it is designed would give a supply of about 370 million units, and the Electricity Commissioners state that the plant would work to that capacity. The present proposal is to work it at 42 per cent. load factor, because that is what will produce 170 million units now required. Mr. Michell states that if the full capacity were attempted there would be a danger of a break-down owing to insufficient stand-by provided. He is a power expert of great distinction and experience, and his opinion is entitled to weight. Mr. Harper, however, states that the stand-by is sufficient, and states there is additional stand-by at Newport, which gives extra security. The Committee might have had some difficulty in deciding as between two such experts as Mr. Michell and Mr. Harper, but each of the three Electricity Commissioners pledged his professional reputation that the plant would work up to an 80 per cent. load factor without increase of capital cost, and the Committee find this to be true.

3. "You are also aware that the Morwell costs were prepared in November, 1919, and that very considerable increases in prices of material and labour took place before my Kiewa report was presented in September this year."

Your Committee finds that the evidence indicates that there should not be any additional cost, in view of the falling cost of machinery and materials, but assuming that the cost of the Morwell Scheme would now be 25 per cent. more than the 1919 estimate, it would still leave the capital cost of the Morwell Scheme one and a half million pounds less than the Kiewa Scheme.

4. "The Morwell estimate also omits costs of opening the coal-field, costs of branch railway line, staff accommodation, &c., while the Kiewa estimates include all the corresponding charges."

The cost of opening the coal-fields is included in the cost of coal. The costs of branch railway line and staff accommodation are also included in the Morwell estimate, but the cost of housing the workers is not included, as the men will be charged rent, which covers interest and sinking fund on the cost of buildings.

5. "If my opinion were asked I would say that neither scheme should be undertaken at present, as immediate requirements can be more economically met by a power station in Melbourne. The Government has been advised to this effect quite recently on much better authority than mine."

Your Committee is satisfied that as the main Gippsland railway line would have to be duplicated to carry the traffic necessitated by the transport to Melbourne of 330,000 tons of brown coal to supply a power station in Melbourne, it would be more economical to have the principal power station at Morwell, with an auxiliary station at Newport, and recommends that the Morwell Scheme should be proceeded with immediately on the lines proposed by the Electricity Commission, viz. :—

A central generating station at Morwell, an auxiliary station in the Metropolis and the utilization of water-power at a subsequent stage when a fuller supply is required.

Mr. Michell stated the reference to another opinion was based upon extracts which he had seen of a confidential report to the Railway Department by Mr. Merz.

Sir John Monash explained that such report was directed to a different phase of the problem, and as Mr. Merz has in his report of 12th November, 1919, to the Electricity Commissioners stated that in his opinion the proposal to generate electric power at Morwell ought certainly to be proceeded with, the Committee is of opinion that Mr. Michell's reference to the confidential report is based on a misunderstanding.

Mr. Michell admitted that he was not conversant with the details of the Morwell Scheme.

Committee Room,
State Parliament House,
16th December, 1920.

[Minutes of Evidence are not printed.]

APPENDIX.

LETTER FROM MR. A. G. M. MICHELL.

P. J. Holdenson, Esq., Chairman,
Victorian Hydro-Electric Company, Melbourne.

Dear Mr. Holdenson,

Referring to your telephone inquiry this morning on the statement put before Parliament by Sir John Monash in connexion with my report on the Kiewa scheme, I wish to make it clear to you that, as you supposed, the table of costs read by Sir John Monash does not fairly represent the relative positions of the Kiewa and Morwell schemes. I understand that Sir John Monash is making a statement to the press to-day, repudiating responsibility for the inferences unfavorable to Kiewa, which would naturally be drawn from the table referred to. He tells me that he was careful to explain to Members that the capital costs of the two schemes were prepared on quite different bases, and should not be regarded as comparable. Unfortunately, this warning was not reported by the *Age* reporter.

Apart from Sir John's disclaimer, I would like to make it clear to you that the comparison entirely misrepresents and makes misleading use of the figures of my Kiewa report. My Kiewa scheme is, of course, a continuous load scheme (adapted to operate at 80 per cent. load factor), and is capable of supplying 270 million units at Melbourne in a drought year. The Morwell scheme, for which the costs are given, is a scheme only adapted to supply at a low load factor a total Melbourne consumption of 170 million units. To represent, as the table does, that the Morwell scheme might operate at 100 per cent. load factor is absolutely misleading, and the capital costs would have to be enormously increased to enable it to do so.

You are also aware that the Morwell costs were prepared in November, 1919, and that very considerable increases in prices of material and labour took place before my Kiewa report was presented in September this year. The Morwell estimate also omits costs of opening the coal-field, costs of branch railway line, staff accommodation, &c., while the Kiewa estimates include all the corresponding charges.

It is not my purpose to assert that the Kiewa scheme should be proceeded with by the Government at present in preference to Morwell. If my opinion were asked I would say that neither scheme should be undertaken at present, as immediate requirements can be more economically met by a power station in Melbourne. The Government has been advised to this effect quite recently on much better authority than mine.

Whatever is done at present Kiewa must be considered later for the supply of the constant portion of load, and in this connexion it will interest you to note that, even with the very high capital costs for which I have to allow on Kiewa on the assumption of immediate construction, the total annual costs (interest and operating charges included) would be not more than £336,000 for a supply of 272 million units, which work out at 0·296d. per unit. This is a lower figure than any other scheme constructed at the present time can show.

I have thought it only fair to give you these facts in view of the misleading nature of the statement above referred to, for which you might naturally hold me responsible—at least, to some extent.

Yours truly,

A. G. MICHELL, M.C.E.