

1922.

VICTORIA.

ELECTRICITY SUPPLY COMMITTEE.

MINUTES OF EVIDENCE

ON THE PROVISIONS OF THE

STATE ELECTRICITY COMMISSION BILL

AND THE PURCHASE OF THE

NORTH MELBOURNE ELECTRIC TRAMWAYS AND LIGHTING COMPANY'S WORKS AND UNDERTAKINGS

(TO THE DATE OF THE PRESENTATION OF THE PROGRESS REPORT).

Ordered by the Legislative Assembly to be printed, 26th October, 1922.

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EXTRACTED FROM THE VOTES AND PROCEEDINGS.

WEDNESDAY, 4TH OCTOBER, 1922.

7. ELECTRICITY SUPPLY COMMITTEE. -Motion made and question—That a Select Committee be appointed to inquire into and report upon—

- (a) the proposals contained in the State Electricity Commission Bill ;
- (b) the purchase of the works and undertakings of the North Melbourne Electric Tramways and Lighting Company Limited in the municipal district of the city of Melbourne and of the city of Essendon ;
- (c) the scheme for the supply of electricity to the South-Western District of Victoria ; and
- (d) the Sugarloaf scheme for the supply of electricity to the North-Eastern District of Victoria.

--(Mr. Lawson)—put and, after debate --

The House divided.

Ayes, 32.		Noes, 26.	
Mr. Angus	Mr. McDonald	Mr. Allan	Mr. Murphy
Dr. Argyle	Mr. McGregor	Mr. Bailey	Mr. Old
Mr. Baird	Mr. McLachlan	Mr. J. W. Billson	Mr. Prendergast
Mr. Barnes	Mr. McLeod	Colonel Bouchier	Mr. Rogers
Mr. Beardmore	Mr. McPherson	Mr. Bowser	Mr. Slater
Mr. A. A. Billson	Mr. Morley	Mr. Brownbill	Mr. Tunnecliffe
Mr. Cameron	Mr. Oman	Mr. Carlisle	Mr. Wallace
Mr. Deany	Sir Alexander Peacock	Mr. Clough	Mr. Warde
Mr. Downward	Mr. Robertson	Mr. Cotter	Mr. Weaver
Mr. Eggleston	Mr. Ryan	Mr. Dunstan	Mr. Wettenhall
Mr. Everard	Mr. Smith	Mr. Frost	
Mr. Farthing	Mr. Snowball	Mr. Hughes	<i>Tellers.</i>
Dr. Fetherston	Mr. West	Mr. Jewell	Mr. Cain
Mr. Gordon		Mr. Mackrell	Mr. Webber
Mr. Greenwood	<i>Tellers.</i>		
Mr. Lawson	Mr. Groves		
Mr. Lind	Mr. Pennington		

And so it was resolved in the affirmative.

THURSDAY, 12TH OCTOBER, 1922

5. ELECTRICITY SUPPLY COMMITTEE.--Motion made and question That the Select Committee on Electricity Supply consist of Mr. Beardmore, Mr. Deany, Mr. Eggleston, Mr. Farthing, Mr. Lind, Mr. McLeod, and Mr. Smith, 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, after debate --

The House divided.

Ayes, 25.		Noes, 22.	
Mr. Angus	Mr. McGregor	Mr. Allison	Mr. Prendergast
Dr. Argyle	Mr. McLeod	Mr. Bailey	Mr. Rogers
Mr. Baird	Mr. McPherson	Mr. J. W. Billson	Mr. Slater
Mr. Barnes	Mr. Morley	Mr. Brownbill	Mr. Thomas
Mr. Beardmore	Mr. Oman	Mr. Cain	Mr. Tunnecliffe
Mr. A. A. Billson	Sir Alexander Peacock	Mr. Clough	Mr. Wallace
Mr. Cameron	Mr. Robertson	Mr. Cotter	Mr. Warde
Mr. Deany	Mr. Touterher	Mr. Frost	Mr. Wettenhall
Mr. Eggleston	Mr. West	Mr. Hogan	
Mr. Everard		Mr. Hughes	<i>Tellers.</i>
Mr. Gordon		Mr. Jewell	Mr. Lemmon
Mr. Greenwood	<i>Tellers.</i>	Mr. Murphy	Mr. Webber
Mr. Lawson	Mr. Groves		
Mr. Lind	Mr. Pennington		

And so it was resolved in the affirmative.

THURSDAY, 26TH OCTOBER, 1922.

4. ELECTRICITY SUPPLY COMMITTEE. -Motion made, by leave, and question That the evidence taken before the Select Committee on Electricity Supply be printed from day to day (Mr. Lawson) -put and agreed to.

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LIST OF WITNESSES.

	Page
John Warren SWANSON, Lord Mayor of Melbourne	1
Frederick Emil THONEMANN, Chairman of the Electric Supply Committee of the Melbourne City Council	6, 56
Torrington George ELLERY, Town Clerk of Melbourne	9, 19, 77, 172
Lieut.-General Sir John MONASH, G.C.M.G., K.C.B., Chairman of the State Electricity Commission of Victoria	27, 36, 43, 66, 74, 92, 129, 174
Sir Thomas Ranken LYLE, Commissioner, State Electricity Commission of Victoria ...	35
Councillor Arthur Field SHOWERS, Essendon City Council	36
Arthur Douglas MURDOCH, Public Supply Engineer, late Manager, North Melbourne Tramways, &c.	38, 127
Roy LIDDELOW, Secretary of the State Electricity Commission of Victoria	40, 147
Herbert Reah HARPER, Chief Engineer of the State Electricity Commission of Victoria	41, 97, 135
Charles Snowden DEMAINE, A.M.I.E.E., consulting engineer	50
The Hon. George SWINBURNE, Commissioner, State Electricity Commission of Victoria	69
James CondeU LANE, Acting City Electrical Engineer of the City of Melbourne ...	74, 131
Councillor James Ritchie JOHNSON, Footscray City Council	83
John GENT, Town Clerk, Footscray	87
Councillor Reuben Edward THOMPSON, Shire of Yarrawonga	89
Ernest BATE, Electrical Engineer to the State Electricity Commission of Victoria ...	99
Gerald Bruce LINCOLNE, consulting engineer	101
Councillor Frederick Stephen BRYANT, Shire of Heidelberg	115
Councillor Charles Edward MERRETT, Mayor of the City of South Melbourne ...	118
John ROMANIS, Town Clerk, City of Prahran	120
Horace Edward LAWSON, Secretary of the Municipal Association of Victoria ...	122
Sir Robert GIBSON, Commissioner, State Electricity Commission of Victoria ...	124
Francis William CLEMENTS, Engineer and Manager of the Melbourne Electric Supply Company Limited	137
Councillor Burnett GRAY, Mayor of the City of St. Kilda	138
Councillor Noel MURRAY, consulting engineer, member of Caulfield City Council ...	147
William Evan DOWNING, Warrnambool	149
Councillor William Howard TURNER, Northcote City Council	156
Councillor Alexander Llewellyn WETTENHALL, Malvern City Council	157
Councillor John James LISTON, Mayor of the City of Williamstown	164
James Alfred CARMODY, Electrical Engineer to the City of Footscray	166
Frederick Pangbourn BIRD, Electrical Engineer to the Town of Preston	171

ELECTRICITY SUPPLY COMMITTEE.

MINUTES OF EVIDENCE.

MONDAY, 23RD OCTOBER, 1922.

Members Present:

Mr. McLEOD, in the Chair;

Mr. Beardmore,

Mr. Farthing,

Mr. Deany,

Mr. Lind.

Mr. Eggleston,

John Warren Swanson, Lord Mayor of the City of Melbourne, representing the City Council, examined

1. *By the Chairman.*—In regard to this inquiry, Mr. Lord Mayor, we have gone over the different statements that have appeared on behalf of the body that calls itself the Defence Committee, and some of them are, of course, legal questions, and some are not; some are mere general expressions of opinion. In the first place, we would like you to say, on behalf of the City Council, whether you consider there are any illegalities in the action of the Electricity Commissioners; will you, therefore, state at the outset what you consider are illegalities, and we can divide the subject into two headings—the illegalities first, and the general question later on?—I am afraid, Mr. Chairman, that we will have to take the subject generally. I, of course, have no connexion with whatever you call it the committee you refer to, the Defence Committee; I know nothing at all about the Defence Committee.

2. One of the questions referred to us is as to the purchase of the North Melbourne undertaking; well, that is what we are dealing with just now—that particular heading—and we want you to just state as briefly as possible what facts you rely upon, in the first place, in regard to illegality; if you think it is illegal, the reason why you think it is illegal; then the general reasons why you object to it outside the legal reasons?—We do not say there is anything illegal in the purchase by the Electricity Commissioners of the undertaking of the North Melbourne company, but we do say, and we propose to prove to you, that there has been a promise made to the City Council that they would be permitted to purchase the undertaking aforesaid, which affects the residents of the city of Melbourne.

3. Boiling down the thing, it means that you do not dispute the illegality of the action; it is a matter you consider of not acting fairly from an outside point of view?—That is so.

4. Well, now we know the lines we are working on; will you kindly state, then, the reasons why you consider the Electricity Commissioners are acting unfairly by you in regard to this matter?—Well, of course, I will have to introduce the matter as it appears to us, and it cannot be exceptionally short, inasmuch as I will have to show, by evidence, the leading up to the North Melbourne scheme, what we expected to get—what we anticipated. Therefore, I have got my evidence written down, so that it will be easier for you

to grasp and easier for me to deliver, and, if necessary, I can leave you this copy when I have finished with it:—

“The Bill under consideration (that is this new Bill that you are considering now) goes further than the Premier’s statement to me in his letter of the 12th July last. In order that this Select Committee may clearly understand the position, I may mention that on the 10th July last, I sent the following letter to the Premier:—

My Dear Premier,

In the *Herald* newspaper on Friday night there appeared the following paragraph:—

TO EXTEND COMMISSIONERS’ POWERS.

BILL TO BE INTRODUCED.

To enable the Electricity Commission to supply current direct to any area to which an electricity supply order has already been granted by the Executive Council is one of the aims of a Bill to be submitted by the State Government to Parliament this session. The measure also authorizes the Commission to take over existing undertakings, providing, however, that the Commission is not to control the tramways.

It is a fair assumption that this paragraph was inspired by the Electricity Commissioners. I desire, therefore, to inquire if it is intended to exempt the City Council’s electric supply undertaking from acquisition by the Commissioners.

Incidentally, I may mention that we have had the assurance of the Chairman of the Commissioners that they do not desire to interfere with the City Council’s undertaking, but in view of their recent change of front over the North Melbourne Tramways and Lighting Company’s undertaking—portion of which operates in Hope-town Ward—I am somewhat apprehensive.

I shall much esteem an early reply.

Yours very truly,

(Sgd.) J. W. SWANSON, Lord Mayor.

The Premier replied to my letter as follows:—

Premier’s Office, Melbourne,
12th July, 1922.

My Dear Lord Mayor,

The announcement made in the *Herald* newspaper on the 7th instant was incorrect, and incorrectly described the aims of the Bill about to be submitted to Parliament. Provisions of the nature of those described in the paragraph in question, but not identical in terms, will be included in the Bill for the control of rates for electric supply to the rural districts, but the operations of this Bill are expressly limited to areas more than 25 miles beyond the boundaries of the city of Melbourne. The city is, therefore, expressly excluded from the operations of any of the provisions of this Bill.

I may say that the paragraph in question was not inspired by the Electricity Commissioners.

Apart from the express exclusion of the metropolitan area from the operations of the Bill in question, I can give you the assurance that there is no intention whatever, on the part either of the Government or of the Electricity Commission, to compulsorily acquire the City Council’s electric supply undertakings, or any portion thereof, and that there never has been any such intention.

The assurance given by the Chairman of the Electricity Commission that the Commission does not desire to interfere with the City Council’s undertaking is confirmed by the Electricity Commission and by the Government.

You are in error in supposing that there has been any change of front in respect of the acquisition of the North Melbourne undertaking. The City Council does not possess

an Order in Council for this territory, and has never possessed one, and the position both of the council and the consumers within this territory will be in no respect altered by the transaction which has just been concluded. All that has happened is that there is a change of ownership of the Order in Council which applies to the territory in question.

Yours faithfully,
(Sgd.) H. S. W. LAWSON, Premier.

The Right Honorable
the Lord Mayor of Melbourne,
Town Hall, Melbourne.

In reply to which I sent the following letter:—

14th July, 1922.

My Dear Premier,

I have to acknowledge receipt of yours of the 18th instant, which reached me late last night, relative to the Bill to be submitted to Parliament by the Government on behalf of the Electricity Commissioners.

I am much obliged to you for the reply you have sent me and for the information that your letter contains.

It is very gratifying to find that the Commission does not desire to interfere with the City Council's electric supply undertaking, and that this attitude is confirmed by the Government.

The only statement in your letter to which I have to take any exception is where you say that I am in error in supposing that there has been any change of front in respect of the acquisition of the North Melbourne undertaking.

I am under no illusion in this respect. The files and papers in our possession make it clear beyond doubt that we were led to suppose by the Chairman of the Electricity Commissioners that no objection would be raised to the City Council acquiring the right of retail supply of electrical energy in the city portion of the North Melbourne Tramway and Lighting Company's undertaking, which is the Hopetoun Ward, and was originally the district of Flemington.

We were clearly told that the only condition was that the Commissioners would have to be recouped the price that they paid to the company, and that the price would probably be fairly high, because of the terms imposed by the Government in advancing the purchase money to the Electricity Commissioners.

When we made it clear to the Commissioners that the price would be no stumbling block, we were then told, much to our surprise and disappointment, that the Commissioners would refuse to sell. What other possible construction could any unbiased person put upon such action except that of getting in the thin end of the wedge by the Electricity Commissioners preparatory to compulsorily putting us out of existence in the near future in the larger area, and especially in the light of the fact, which was public property, that the Commissioners are about to have introduced into Parliament another Bill extending their already extensive powers?

Yours faithfully,

(Sgd.) J. W. SWANSON, Lord Mayor.

The Hon. H. S. W. Lawson,
The Premier, Melbourne.

Mr. Lawson did not reply to that letter. The Bill makes express reference to the fact that section 2 and all its sub-sections have no application to any area which is not more than 25 miles beyond the boundaries of the city of Melbourne, but section 3 applies to any area in the State, and even adjoining the city of Melbourne. Thus, you see that the contents of the Bill are not in accordance with the Premier's letter.

Sir John Monash.—That is not the Bill we are discussing to-day; the Lord Mayor is dealing with another Bill altogether.

The Witness.—We are dealing with the North Melbourne Bill, according to your notice.

Sir John Monash.—The Lord Mayor is quoting from another Bill altogether, which is not before the Committee.

The Chairman.—Well, the Bill is before the Committee.

The Witness.—I am quoting from the only Bill I know of.

The Chairman.—The Bill is one of the matters referred to us.

The Witness.—Yes.

Sir John Monash.—But has not the Committee ruled that it will deal only to-day with the North Melbourne undertaking?

The Chairman.—The provisions of the Bill is one of the matters referred to us.

Sir John Monash.—No, sir, that is another Bill altogether.

5. By the Chairman.—At any rate, I will say this at once—we have tried to put this inquiry into legitimate lines—within certain bounds—and we wanted to know, first of all, if the City Council disputed the legality of the action taken by the Electricity Commissioners in regard to this North Melbourne business, and, if so, to state why they did so. Well then, if they are satisfied, or they say they have no charge to make of illegality, then we can proceed with the other matter. That narrows the whole thing down. Otherwise, we will never get through the mass of stuff and the various things to be considered?—That is what I propose, but I object to Sir John Monash taking the duty out of the hands of the Committee which has been appointed to inquire into this matter.

6. Sir John Monash is like yourself, I suppose—he sticks up for his own side; we want to bring the full facts out so as to arrive at a strictly accurate conclusion?—So do I; but I must deal with it in this manner.

7. We do not want to deal with the provisions of the Bill at this stage; we do not want to travel over the whole ground?—But I do not see how I can bring my point home without dealing with some of the provisions of the Bill.

8. You can surely state why you think you have been badly used?—That is what I am leading up to.

9. But that is the present Bill?—I am just getting to that point where I say the Bill does ill-use us.

10. But that is only a Bill yet?—It may be passed though, like another Bill, and it will be too late to argue the point then over it.

11. It cannot be passed until we report on it. I do not want to interrupt your evidence, but if we do not keep our inquiry within certain defined limits we are never going to arrive at any conclusion. That is the reason why I told you at the outset that we wanted to know exactly where we were, and, I say now, in the first place, has the City Council any charge to make against the Electricity Commissioners of having done anything illegally or unjustly in connexion with the purchase of the North Melbourne undertaking, and, if so, wherein; have they acted unfairly to the City Council in any proposal to consult it that they have not accepted. Those are surely two narrow points?—I do not propose to discuss the legality or illegality of the procedure, because I know nothing about it, but I want to tell you what I do know about the transactions which have taken place between the Electricity Commissioners and the City Council. What I want to point out is that the Bill we are arguing about is "expressly limited to areas more than 25 miles beyond the boundaries of the city of Melbourne"—that is according to the Premier's letter. That is where we say the matter is unfairly dealt with.

12. You cannot say that the Commissioners have dealt unfairly with you, because they have not had the Bill in their hands. We will take the different things separately so that we will know where we are, otherwise one witness will bring at one moment an objection to one Bill and another witness with another objection to another Bill, and the Committee cannot concentrate attention on the matter before it?—Well, if that is your ruling I will have to skip most of my evidence and deal only with the North Melbourne aspect of the case.

13. That does not prevent you from coming up another time, because we expect we will have to recall some witnesses; we want now to deal with the North Melbourne question; that is a really tangible question to deal with?—Well, the most of my evidence would be

leading up to this matter and explaining why we reckon we are unfairly dealt with; it is dealing with the Bill as well as the North Melbourne undertaking.

14. But you can tell us what the negotiations with the Commission were and what the replies were without bringing in the Bill at all?—Well, I will go on from the present point.

15. We want, as far as possible, to keep the thing in hand; if we let it get adrift we will never get it finished?—We were given to understand by the Premier, in his letter, that I have just read, that the City Council's undertaking would not be interfered with, or anybody within 25 miles of the city of Melbourne. I do not know about the arguments that will be used by the Defence Committee; I am looking after the interests entirely of the City Council.

16. On the Bill, of course, we will have general evidence which will deal with the Bill as a whole, and you will have every opportunity then of coming again and giving evidence on the Bill itself, but you can understand that we must confine ourselves to the headings before us?—Then I want to strongly urge upon this Committee that it will see the wisdom and the justice of giving no powers to the Electricity Commission which would compel us to put all our eggs in one basket; in other words, to insure that we, in the metropolitan area at any rate, are not to be dependent wholly and solely upon the energy we buy in bulk from Morwell when it is available. In other words, we want it to remain clear, beyond doubt, that we can generate and use our own electric energy so long as it pays us to do so, and that would be only as long as it would be cheaper for us to do so, rather than to buy all our current from Morwell. I want to emphasize that point—that at any time we can produce electricity cheaper in our own works than we can purchase it for from Morwell we want our rights to be guarded under that particular Bill, and I think that is a very fair proposition to put up. I might point out that there are forty-three municipal councils holding orders for the supply of electricity; twenty-two public companies, and nine private firms and companies; they are supplying electricity at the present time.

17. But surely you can tell us briefly, at this stage, what negotiations you had with the Electricity Commissioners about the purchase of these North Melbourne works?—Yes.

18. And why do you think the Electricity Commissioners have not kept faith with you and not treated you as you think you should have been treated as a public body?—Well, then I must refer to Sir John Monash's report of March last, in which he said:—

One elementary consideration is to be borne in mind at the outset, and all the time. The Morwell scheme will not and cannot have a monopoly of the electric supply of this State. It is a scheme which must justify its existence by its own merits. It must be able to survive in the open market, against all competitors, both as to quality and price. These competitors are many, both in character and number. This applies to all the various uses of electricity, whether for lighting, for heating, for metallurgical processes, for traction, or for driving machinery. Gas is a powerful competitor in the domain of lighting; furnaces can only be electrically fired if the current can be supplied very cheaply indeed; there is no great margin between the power cost of a steam plant and of electric motors, while in the field of cooking and domestic heating, firewood, gas, and steam have so far held their own against electricity at the prices for which it can be sold to-day. Indeed, in all directions electricity has to fight commercially for its adoption and for the extension of its use. Its greater convenience and cleanliness would carry little weight unless the price were right. It has gained a footing because it can, under suitable conditions as to fuel resources and location, be supplied at prices cheaper than other methods. It is because the Morwell scheme holds a promise of a still further reduction of prices that a more intense competition against gas, and coal, and steam can be hoped for in the future, bringing about a more widely dispersed and a greater use of electricity than heretofore. A lowering of price is, however, an essential condition of the success of the scheme. But the Morwell scheme has competitors, not merely in gas, steam, and fuel. It has powerful rivals in its

own domain of electricity. The power-houses associated with the Morwell scheme will not be the only ones in the State, nor is the possibility of other new power-houses, owned by municipalities or by private concerns to be excluded. The margin between the generating cost of the Morwell scheme and that of such other large existing power-houses as those at Newport, Richmond, Spencer-street, or Geelong (to name only a few) is not so great that liberties dare be taken with the finances of the scheme of a nature which will artificially raise the cost of generation or distribution, or both.

It will thus be clearly seen that we are only asking the Commission to take their own medicine, and not to be permitted to attempt in any way, either now or in the future, to compel the city of Melbourne to be merely a very poor tail to Morwell's big dog. In other words, we do not want to be wholly dependent upon an undertaking whose charges are unlimited, and over whom no proper supervision can ever be exercised. We find that the Commission is continually asking for more power from Parliament. Therefore, we are suspicious of the Commission, and when I say "we" I mean the whole of the metropolitan area, and many of the country districts of Victoria. I need not quote Mr. Barnes' speech on the Bill because you have all read that. The Bill provides that the expenditure to which the Treasury can be called upon to contribute to make good the losses is not to exceed £10,000 in any one year. The Bill also provides that the Treasury subsidy will not continue in any one district, or for any one scheme for a longer period than ten years. The one-third share to be found by the district to be served has to be provided out of the municipal funds, or by a special rate. The measure now before the House gives the necessary authority to the municipal councils to impose whatever additional rate may be necessary to meet their one-third contribution of the annual loss. Finally, the contribution to be made by the Electricity Commission will come out of the pockets of all the electrical consumers of the State. That is to say, the Commission will have to surcharge for that purpose upon the rates of electrical supply. This may not be pleasant information for representatives of metropolitan constituencies, but it may be pleasant to those who are keen supporters of getting cheap electricity for country districts. Inasmuch as nine-tenths of the consumers would probably be in the metropolis, it is evident that the Commission's contribution really means a definite contribution on the part of the metropolitan consumers towards the cost of meeting the requirements of country consumers. That is one strong objection we have to the Bill.

19. *By Mr. Eggleston.*—That is to the Bill—not to the acquisition of the North Melbourne undertaking?—No, I am gradually getting to that. It is evident therefore that the metropolitan area (if this Bill passes into law) will have to carry the country on its back, and the Lord only knows what the cost of bulk electric energy in the city and suburbs will eventually reach. Even before the Commission has started operations their quotations for power in bulk have increased from 1919 to 1922 by no less than 25 per cent. By 1925 I am afraid that if the ambitions of the Commissioners are not checked by Parliament the cost will exceed the original quotation by at least 50 per cent., and the talk of cheap power in the manufacturing metropolitan centre will be simply moonshine. Incidentally, I may direct your attention to the fact that the liability of the State Treasury (section 2, subsection (6)) is limited to £10,000 in any one year, while the municipal liability is absolutely unlimited, and is at the mercy entirely of the Electricity Commission. Now, I propose to go right on to that part that affects North Melbourne, because at this stage you do not want to hear too much argument for or against the Bill.

20. *By the Chairman.*—I have already explained that our object is to narrow each point before the Committee, so that we may know what we are handling. We do not want to stop any evidence, but we want the evidence brought within proper limits?—Yes. I now

propose to give evidence relating to the North Melbourne Tramways and Lighting Company's undertaking, which the Electricity Commission recently acquired, and which means that the State Commission is now handling the retail supply business of electric light and power in the Hopetoun Ward of the city of Melbourne—in the Flemington and Kensington district. The full details of our case will be given in evidence to you by Mr. Ellery, the Town Clerk, who has handled our case all through, and has conducted all the negotiations with the Electricity Commissioners, but I personally want to emphasize our position in broad outline. Shortly put, the facts are—

1. The State Commission recently purchased the North Melbourne Electric Tramways and Lighting Company's undertaking, which includes the Hopetoun Ward of the city of Melbourne.

2. The State Commission, without any warrant or justification, has entered the field of retail electric supply in a portion of the city of Melbourne, *i.e.*, the Hopetoun Ward, recently acquired by the Commission as part of the North Melbourne Electric Tramways and Lighting Company's undertaking.

3. The City Council wants control in Hopetoun Ward in order to be master in its own house, but the Commission flatly refuses to consider any proposal, "at this juncture," whatever "at this juncture" may mean.

4. The City Council has intimated in plain and unmistakable terms that it will supply, and is anxious to supply, electric current for power and lighting in Hopetoun Ward (Flemington and Kensington) at a cheaper rate than the Commission proposes to do.

5. The City Council for over fifteen months past has conducted negotiations with the Chairman of the Electricity Commission for the right to supply electricity in the Hopetoun Ward, *i.e.*, Flemington and Kensington.

6. The Commissioners have objected to partition the area which they have lately acquired from the North Melbourne Company, which covers Flemington, Kensington, and Essendon. The Council has made it very clear, therefore, to the Commission that there is no need to partition the area, inasmuch as the Council is quite prepared to take over, at a price to be agreed upon, the whole of the area covered by the recent purchase of the Commission, *i.e.*, Flemington, Kensington, and Essendon, so far as light and power requirements are concerned.

7. All through the negotiations above referred to the City Council were led to believe by the Chairman of the Commission (Sir John Monash) that the area in question would be placed under the control of the Council, and the Council are very sore at the change of front recently displayed by the Commission.

8. The Commissioners have stated that Melbourne's rights to the area still exist, and that the Commissioners have done nothing more than step into the shoes of the company, and the Commissioners have stated that they inherit the company's obligations, one of which was to sell to the Melbourne City Council.

9. The attention of Parliament is particularly drawn to the fact that at an interview with the Chairman of the Commission (Sir John Monash) on the 10th November, 1921, Sir John Monash stated: So far as the future control of the supply of electricity in the Flemington area was concerned, it would be a matter for negotiation between the Electricity Commission and the Council, when the purchase from the company was completed.

10. At a later interview on the 6th April, 1922, Sir John Monash stated that if the Commissioners acquired the whole undertaking then the City Council would have to pay on the basis decided upon by the Government, which the Council is quite willing to do.

I want to emphasize that last clause—that whatever charge the Commission desires to put on that part of the undertaking at Flemington and Kensington—or Essendon, too, if you like, the City Council will pay the amount.

21. *By Mr. Eggleston.*—What were the exact words there?—The City Council will pay whatever charge the Electricity Commissioners like to put on that particular part of the undertaking; we will purchase it.

22. *By the Chairman.*—That is to say, you are prepared to pay them their price?—Pay them their price, and pay it immediately. Then my statement goes on—

11. At another interview on the 29th April, 1922, Sir John Monash stated that the Commissioners would not oppose the City Council obtaining the rights in the Flemington area if the City Council were prepared to pay the price, and Sir John Monash produced figures as a basis of negotiation at that particular interview.

12. Sir John Monash stated in the presence of his fellow Commissioners at an interview he had with the Commissioners on the 7th June last that the money advanced by the Government for the purchase of the area from the North Melbourne Company had to be repaid within twelve years, and that the burden committed the territory to pay higher rates, as compared with the Melbourne City Council's area. From figures worked out by the Council's electrical engineer, it has been ascertained that the difference between the company's tariff and the City Council's existing tariff would mean a saving to the ratepayers for private lighting and power—

- (a) In Flemington and Kensington (Hopetoun Ward) of £3,500 per annum;
- (b) In Essendon of £5,000 per annum.

New, Mr. Chairman, this is a technical matter, and Mr. Ellery will give you the details of that, but that is the proposition that we put up to the Commission, and we are willing to carry it out.

13. The City Council also directs the attention of Parliament to a statement made at Warrnambool by Sir John Monash that the Commission does not seek to control the work of retail supply of electric energy. Sir John Monash apparently possesses one mind in Warrnambool and another in Melbourne.

14. In conclusion, the City Council cannot see any justification or warrant for the Commission entering into the business of retail supply in a portion of the city of Melbourne.

Parliament is therefore confidently asked not to be a party to creating a huge State monopolistic concern dealing with retail electric supply, which can more expeditiously and economically be looked after by a highly organized staff such as the City Council possesses in an area which is economically sound for all purposes of retail supply work.

Early in September I had an interview with the Honorable Arthur Robinson, Attorney-General, and subsequently some correspondence passed between us, and in one of my letters I said—

"We have every desire to assist the Commission and to help the Government in the Morwell undertaking, which ought to, and will, mean so much to the State if it is properly handled. We feel that the Commission should endeavour to work in with the municipalities interested in electric supply, and particularly with the City Council, which is easily the largest and most important public undertaking in the whole State, and which will be the Commission's biggest public customer for electric energy in the near future.

I appreciate your statement that the question of the future of the electric supply services of the metropolitan area is one of first importance, and admitting—for the sake of argument—the correctness of your statement that the diversity of standards and methods in matters electrical in the metropolitan area are chaotic, and that they demand a comprehensive reform in the public interest, it is abundantly clear that the Council's offer to purchase part of the whole of the districts of Flemington, Kensington, and Essendon would bring about a first instalment in the reform that is aimed at, inasmuch as the City Council's system is what is known as three-phase, 50-cycle (which is the standard of the Electricity Commission). The system in the area in dispute is the direct current system, and this system could be changed over to the three-phase system by the City Council's staff in six months or even less, thus standardizing a fair-sized slice of the metropolitan area. The district could then have the benefit of the City Council's tariff, and the money advanced for the purchase by the Government could be repaid, not in twelve years, as now arranged for, but in twelve days, or even less."

That is to say, that if the Commissioners will accept our offer we will pay them the money within a week.

23. That is to say, that instead of waiting the twelve years provided for under the Act the City Council would find it profitable to pay £12,500 now?—And give a flat rate to the district, and if it is impossible to partition the areas, we will give the same concession to the Essendon people. We say that we will give the same flat rate that exists in the city of Melbourne to the users in Essendon, and save them £5,000 per annum in the cost of electric supply. A huge central Government Department cannot cater for local interests and will not foster local development in the same way that a body directly representing local interests invariably will. The Commissioners have no precedent for their action in the Flemington and Kensington territory. The invariable practice in schemes of power development, such as has been initiated by the Government of this State, is for the State authority to sell in bulk to a local authority for distribution to consumers. An exceedingly pertinent observation was made recently by

Mr. Bell, who wrote to the *Age* newspaper, and who said that in countries like Australia, where the management of great public utilities, transports, sanitation, power supply, and the like were centred in the Government, the question was, "Who is to watch the watchers?" Powerful State concerns which are supposed to guard the public interest deliberately fleece the public, and there is no check whatever upon them. The danger of adding further to the already formidable list of soulless Government monopolies, which exercise tyrannical sway over the defenceless citizens, is one of the things that has led to opposition being manifested to the extension of the powers and functions of the Electricity Commissioners. It is contended by the City Council that if it is allowed to stand between consumers and the Commission there will be far less danger of exploitation, for it will be directly answerable to the manufacturers and other users of electrical current, and any inefficiency or attempt at profiteering will be immediately detected. We feel very strongly on this matter. We have been misled by the Chairman of the Electricity Commission. We have received no support, and but scant courtesy from the Government, and we now appeal to Parliament, through this Committee, for some measure of fair play and justice. The area we seek to control is part and parcel of the city of Melbourne, and we urge that this Committee will recommend Parliament to include provision in the Bill for it to be handed over to us at the price which the Government paid for it. We would also urge that no additional powers be given to the Electricity Commission which would in any way prejudicially affect the rights of municipal undertakings. That is all I wish to say as regards the North Melbourne undertaking.

24. That covers all your ground; will you hand your statement in?—Yes.

Sir John Monash.—Will I be permitted to ask questions?

The Chairman.—No, all questions must be put through the Chairman, except those from members of the Committee; later on you will have your opportunity of dealing with all these statements.

Sir John Monash.—But the Lord Mayor has made a number of accusations against the Commissioners, and it is necessary that he should be cross-examined upon them.

The Chairman.—There will be a time for you to reply when you give your evidence.

Sir John Monash.—It is not a question of reply; it is a question of examining this witness.

The Chairman.—Well, our powers as a Select Committee are governed by the Standing Rules of Parliament.

Sir John Monash.—Very well.

25. *By Mr. Eggleston.*—I presume, Mr. Chairman, that if Sir John Monash gives you any questions, you will put them to the witness?

The Chairman (to Sir John Monash).—If you will put your questions in writing I will see if they are permissible.

Sir John Monash.—You can see that that is quite impracticable. The Lord Mayor has made a number of specific allegations which we deny *in toto*, and I wish to have an opportunity of cross-examining him.

The Chairman.—But you will have a chance; you will get a copy of the printed evidence, and have it all before you, and you can comment on it.

Sir John Monash.—Very well.

26. *By Mr. Farthing (to the witness).*—One of your statements, my Lord Mayor, was to the effect that one of the obligations of the North Melbourne company was to sell to the City Council?—That is so.

27. Would you elaborate that a little bit; can you explain exactly how that came to be one of the obligations?—Well, that is a technical matter, and the town clerk will give you all the correspondence necessary in connexion with that matter.

28. Well, now, in the latter part of your statement you said that the City Council had been misled by the Electricity Commissioners?—That is so.

29. Would you explain to us your reason for saying that?—I can read it to you from these letters.

30. *By the Chairman.*—I think you have already read those?—Yes.

31. *By Mr. Lind.*—Do you mean Mr. Lawson's letter also?—Yes.

32. *By Mr. Eggleston.*—Are those the promises you rely on?—Yes.

33. One from the Premier and one from Sir John Monash—can you give us the exact terms of the promise that you allege Sir John Monash made?—Yes, I think so. Sir John Monash, in a letter to Mr. Ellery on the 12th July, embodied the following:—

"This Bill, in express terms, will apply only to territories which are not less than 25 miles from the boundaries of the city of Melbourne,"

and, therefore, by clear implication, the whole of the metropolitan area is definitely excluded. We rely on that. That is a clear statement that we are excluded from the Bill.

34. Yes, but with regard to the North Melbourne undertaking?—We were told by Sir John Monash, in plain language, that it would be only a matter of price.

Sir John Monash.—I absolutely deny this.

The Witness.—We have it in writing.

Sir John Monash.—You have nothing of the kind; I do not like these statements; let them produce the writing.

Mr. Eggleston.—Yes, instead of giving us your conclusions you should hand in the documents themselves; we are the judges in this matter, not the witness.

The Witness.—These are matters that you cannot carry in your head, and it would be impossible for me to follow through all the correspondence and negotiations.

35. *By Mr. Eggleston.*—Have not you got copies?—I would prefer that the town clerk should produce them; these questions will be answered and cleared up before we leave here to-day.

Mr. Eggleston.—We have to judge these things, and we must look at the documents themselves.

Mr. Beardmore.—It is not hear-say evidence.

Mr. Lind.—I think it would be as well if the letters relating to these matters could be handed in at this stage.

The Witness.—The Town Clerk will give you all that information.

Mr. Lind.—I think it would be better if we received the letters at such time as reference is made to them; we cannot keep pace with them otherwise.

Mr. Ellery (Town Clerk).—I have all those details in my evidence to supplement the very broad outlined statement which the Lord Mayor has made here.

The Chairman.—Well, that will do as long as the same letters are produced.

36. *By Mr. Eggleston.*—Then you said you would inherit the rights of the company that was at the time the concession to the company terminated?—Well, the concession has not terminated now—at least, I do not suppose so.

37. And all that the Commission has done has been to buy the rights under the original concession?—Yes.

38. And whatever rights existed then with the City Council still exist?—We think so—yes.

39. *The Chairman.*—I want to put one question to you, and I want you to understand distinctly that any question put to you is not put in a hostile manner; we have no feeling in this matter, but we want to clear it up. Now, in connexion with the North Melbourne agreement, under that agreement you would have expected to exercise the right to purchase from the North Melbourne-Essendon Tramway Company had they run to the full term; would you expect to have the right to

purchase, therefore, at any time?—I think at the termination of the undertaking it became the property of the Council.

40. I know—at the termination, but would you have been disposed to purchase, or would you feel that the Essendon Council and the North Melbourne Company should sell to you as the City Council if you wanted to terminate that part of the agreement at any time?—We were negotiating with the Essendon Council for the purchase of the whole concern as a going concern, and then the Tramway Company came into the negotiations.

41. That was taking the whole concern over—tramway and all?—Yes, and at an interview with the Essendon people we offered to forego any claim we had on the tramway.

42. At any rate, did you recognise then that the Tramway Company had a legitimate right to the supply of electricity in their area as well as running the trams?—Yes, we thoroughly understood that.

43. It is better to clear up all these points as we go along?—Yes.

44. *By Mr. Eggleston.*—When do you say the concession passes in—the original concession?—Well, of course, I am not a lawyer, Mr. Eggleston, but they were inherited rights under an agreement, and we think those rights still exist.

45. *By The Chairman.*—It was twenty years, according to the agreement?—I think it had eight or ten years further to go.

46. *By Mr. Beardmore.*—You claim that you have legal rights?—We claim that we have moral rights, at all events, and legal rights, too, possibly.

47. *By Mr. Eggleston.*—Under clause 27 of the agreement with the original delegatee it is provided that the Council should have the right within one year after the 1st July, 1917, to give notice and purchase the undertaking at the actual cost price; if that is not exercised by July, 1917, then the Council has power to buy it at its then value at the expiration of twenty years; that is, in 1924, or five years after that they have the power to do it. If they do not exercise that power then they have the right to take it over in good working order under section 29 by paying the actual amount paid for it?—Yes.

The witness withdrew.

Frederick Emil Thonemann, Councillor of the city of Melbourne, and Chairman of the Electric Supply Committee, examined.

48. *By the Chairman.*—You heard the evidence given by the Lord Mayor?—Yes. I might say that it has been the desire of the Electric Supply Committee for some years past to obtain the right to supply electricity in the Hopetoun Ward of the city of Melbourne. Negotiations with this object in view were in progress, but I do not desire to refer to these at the present.

49. First of all, to ask you the same question as I asked the Lord Mayor, are you satisfied that the Electricity Commissioners are acting within their legal rights; you do not bring an accusation of illegality?—I have only had one interview with the Commissioners, but I have had several with Sir John Monash.

50. It is simply a matter that you say they are not delivering what you expect them to?—I might leave that over; certainly the Commissioners have not done anything illegal, as far as I know, because they would have the right under the original arrangement with the Morgans for the purchase of that undertaking in 1924, and then it falls into our hands in 1934.

Sir John Monash.—Will you ask the witness, Mr. Chairman, if the City Council can act alone, or do not they under the agreement have to act with the City of Essendon?

The Chairman. We will leave that until you are giving evidence.

Sir John Monash.—But if these statements are allowed to go unchallenged the Committee will get an altogether false idea of the situation.

The Chairman.—You will have ample opportunity later, and with the printed evidence before you you can reply to these statements; according to the rules of the Committee that is the course we must follow.

Sir John Monash.—I was only suggesting a question to you; I was not asking the witness myself.

The Witness.—It is a roundabout way. The Council is strongly of the opinion that the right to supply in this area should be sold to them for the following reasons:—

1. Hopetoun Ward is a portion of the city.
2. We have the rights to supply in the whole of the city, with the exception of this area. The Premier had already told us that the assurance given by the Chairman of the Electricity Commission that the Commission does not desire to interfere with the City Council's undertaking is confirmed by the Electricity Commission and by the Government.

51. *By Mr. Eggleston.*—We would like more details; we want to know when and where this happened?—It is all shown by correspondence, which will be handed in.

52. Well, your evidence is not very much good until we get the actual documents?—No. Continuing this statement the next point is—

3. We have, therefore, all the requisite organization and machinery to enable us to do so.

4. We claim that we can supply this area at a cheaper rate than the Commission is doing, and, thereby, save the ratepayers in this ward £3,500 per annum.

5. We would also save at least £700 a year in cost of street lighting.

53. That is in addition to the other figures?—Yes.

54. *By the Chairman.*—The question is this—as far as we are concerned it is not a question of what rate you can supply these different people at; the question is your relations with the Electricity Commissioners?—Well, if you will let me go through this I will be very short.

55. *By Mr. Farthing.*—You say you can effect a saving of £3,500, plus £700, a year for the present rates?—Yes, that £700 for lighting is in addition to the other. I will prove those figures. This statement goes on—

6. Our system of supply is the standard adapted by the Electricity Commission as the standard for Victoria, i.e., 3 phase 50 cycle.

7. We claim that our electric supply business has been ably and efficiently managed, and that the cost to the consumers is as low as in any similar city.

8. The Chairman of the Commission has stated that these rights will revert to the Melbourne City Council in 1934—free.

We say that we inherit all the rights and obligations that we had before. I do not think there is any objection to that, is there, Sir John?

Sir John Monash.—I am not under examination, Mr. Thonemann.

The Witness.—

9. We offered to purchase the right in Hopetoun Ward from the Commission at the price they paid to the North Melbourne Company, plus payment for severance, &c.

10. The North Melbourne Company sold 573,000 units in 1921.

The Melbourne City Council sold 45,000,000 units in 1921, and our average increase is 15 per cent. per annum. This year (1922) will be 65,000,000 units.

The North Melbourne Company sold 573,000 units in 1921 that is in the Hopetoun Ward in the same year. This means, therefore, that the Hopetoun Ward supply would only increase our present output by 12 per cent.

Now, I will just try to prove these figures to you. These figures as to the units have been given to us by the engineer of the North Melbourne Company.

56. *By Mr. Eggleston.*—Mr. Murdoch?—Yes, Mr. Murdoch. The average price per unit received by the Melbourne City Council is 2.12d. per unit.

57. *By Mr. Beardmore.*—In bulk?—No, retail for lighting. The average price received per unit sold

in the metropolitan area—that is the Hopetoun Ward—by a letter dated 28th July, 1922, was 3.57d.

58. *By Mr. Eggleston.*—You mean that you sold it for 2.12d., and they sold it for 3.57d.?—Yes, and we will have to sell at the same rate we are charging elsewhere. That is a saving to the consumers in pence per unit of 1.45. You have only to multiply that by 573,685, and it gives you £3,467. The same applies in Essendon.

59. *By the Chairman.*—Cannot you see that all that evidence you are giving now may have a bearing on any questions between the City Council and the Electricity Commissioners, which we are not inquiring into at the moment. We want just now to know exactly what the position is with regard to the North Melbourne undertaking.

Mr. Eggleston.—He is giving us the result as far as the individual consumers are concerned, and I think that is relevant.

The Witness.—Yes, more especially, as I have stated previously, when you consider that we can do it much cheaper than the Commissioners are doing it. I might give you Sir John Monash's words, or the effect of them, on this matter. He said that as they had to purchase this, and pay the money back by 1931, under heavy obligations to the Government, they would have to charge the consumers a tariff rate per unit of 5½d., and probably more.

Sir John Monash.—That is denied.

The Witness.—That is your own statement you saw the shorthand notes afterwards, and you agreed with them. Anyway, they are charging now the same rate. I will give you the tariffs. Our lighting rate is from 4d. to 2d., and the North Melbourne rate is 5½d., and they are charging that now.

Sir John Monash.—For how long has your rate been that?—It was 4d. quite recently; 4½d. was the maximum before, and that was put up about a year ago. As to the Essendon area, as it might embarrass the Government to have a severance, we can take that, and, as I say, save the consumers £5,885. These were our figures for 1921, but since then our average price is down nearly 10 per cent., viz., 9.21 per cent. I think I might bring this as evidence; I think I am entitled to do so. I have not the exact words, but Sir John Monash had a letter from the Essendon Council read to the effect that the Essendon Council would not ask for any reduction of the present tariff, and would not promote or support any movement in the district for that purpose, and yet our Council has definitely offered to buy this portion of the district, and give an immediate reduction in the tariff. I am not going into any discussion of what has taken place in the past independent of these negotiations, but I am certain that this Select Committee is amply justified in recommending to the Government to sell to us that area at the price indicated by Sir John Monash (and which also included the severance and other parts; I think it was somewhere under £30,000), so that our ratepayers will have equal rights throughout the whole area of the city, and not have one portion quartered out. I am only here for the benefit of the ratepayers. Why should not the ratepayers within the city area have the benefit of the lower tariff which we have shown we can do, and are prepared to give them? We are not here to-day and gone to-morrow. We have to go on for good, and I appeal to the Committee to do what they can for the benefit of the ratepayers within our city. We are big enough and strong enough to operate that part, and we will relieve the Government of their responsibility and pay them straight away. If there is anything that might embarrass the Government in regard to the severance they can add Essendon on, and we will carry out that also, and we will pay cash.

60. *By the Chairman.*—We have nothing to do with embarrassing the Government; we are here to inquire into this matter. Your evidence as far as it goes is purely and simply a matter of the advantage that would accrue to the Melbourne ratepayers by the acquisition of these works?—But I am proving it; these figures prove it. I was told that it was bosh by one member of the Government, and juggling with figures, but I challenge them to prove that the figures are wrong.

61. *By Mr. Beardmore.*—If the councils concerned recognise that they can make that saving, how do they accept that statement of yours. Do they agree with it?—Yes, absolutely, and the committee, too.

62. But I mean the Essendon Council and the North Melbourne Council?—North Melbourne is in our area; those are our ratepayers. Hopetoun Ward is one of the wards of the city of Melbourne, and that ward is part of the old North Melbourne Tramway and Electric Supply Department.

63. *By the Chairman.*—We will be hearing evidence later on from Essendon?—Yes.

64. *By Mr. Eggleston.*—Can you give me the rates for public lighting, private lighting and power for the last five years?—Well, I have not got them here.

65. I suppose there have been various changes?—There was an addition made last year early in the year. We had a strike, and I think we were some £5,000 or £6,000 behind, and then I got the committee and Council to make a slight increase in the rates to make up.

66. Can you give us a statement, or could the Town Clerk produce a statement afterwards showing the various changes in rates?—Yes, that is the only addition practically, and this year we reduced the power, and then again the power and the lighting. Those are the only changes in the last four years.

67. But that is all very vague; I would like the details?—Very well, we will send them up in detail.

68. How much were you prepared to pay for this undertaking?—Roughly speaking, I think it came to about £27,000, including the severance and the purchase of the Hopetoun Ward. One method proposed spending about £14,000 or £15,000 to bring it up to the three-phase 50 cycle.

69. Would that be £51,000 for Hopetoun Ward alone?—No, we would not have to give the Commissioners that.

70. But it would cost you £51,000?—Yes, and I think the purchase price of the Commissioners was £80,000 for the whole undertaking.

71. *By Mr. Lind.*—Was it not £110,000?—No, that was including trams.

72. *By Mr. Eggleston.*—Was it not £85,000 for the electricity undertaking and £26,000 for the trams?—I can only speak relatively.

73. It would cost you, roughly, £100,000?—Yes.

74. And you are willing to pay that amount within a week?—Yes.

75. Where would you get it from?—Our bankers, of course—we are not bung!

76. Whom would you charge with it?—The undertaking, certainly.

77. And yet you would not raise the rates?—No.

78. Then the whole of the people of Melbourne would be charged with the cost?—No, they would not; our electric supply is a separate undertaking, and it pays for itself; we allow for depreciation and a sinking fund and interest on the loans. All the City Council is doing is finding the money. The electric supply itself is paying for interest and depreciation and renewals out of revenue.

79. This would be a new purchase by the council, and yet you propose to charge the people from whom you purchase it the same rate as you would charge to the

rest of the consumers?—Because it will pay us to do it, and we not only will do that, but also accumulate our capital.

80. In other words, you are not loading the people?—No.

81. You are not loading these particular consumers?—No, certainly not.

82. Therefore, you are loading the whole area?—No, we are not.

83. *By Mr. Lind.*—But you must be?—No, certainly not.

84. *By Mr. Deany.*—The interest on that capital must be found somewhere?—It will be found out of the revenue.

85. That is from the whole of the consumers?—Certainly, within the area.

86. *By Mr. Eggleston.*—The difference between you and the Commission is this—the Commission intends to load this area, while you intend to throw it on to the whole of the ratepayers?—No, we do not; only on that area.

87. Do you mean to say that your profits will not be reduced?—No, and I will tell you further that on those rates that we will charge them—2.12d.—it will pay us.

88. How do you know?—Because we have worked it out, and we know it will.

89. Do you not think you might give us those figures?—Yes, if you wish to have them; I can show you the whole calculation.

90. In what way do you expect to do that?—It is a very small proportion of the undertaking—1½ per cent.

91. And it is going to be so profitable to supply that small area that it will pay for the whole undertaking?—No, it is no different to the main area. Assuming the price is £86,000 and the new works cost us £18,000, that would make a cost of £104,000 for the whole lot. Now, our revenue from that area will pay our interest, sinking fund, and depreciation for the twelve years, and we will have a good substantial surplus in addition.

92. Do you mean the addition of this area will make your whole undertaking pay in that way?—No.

93. Your statement involves this—that the addition of this area makes the whole of your undertaking so much the more profitable that you can afford to spend the whole amount?—No, certainly not. Our present spending by the City Council now is nearly £900,000 capital; the revenue from that area is paying our way, our interest, sinking fund, and depreciation, and leaving a little then for profit.

94. You are making £33,000 a year profit?—Leave that just now, the point I want to stress is this—that if we buy that for £27,000, plus the cost of changing the current, £14,000, we can charge them 2.1d. per unit, and for twelve years out of that we will make our sinking fund and our depreciation and our profit as well; that is out of that particular area.

95. Out of that particular area?—Yes.

96. While you are only making £33,000 on the whole of your area?—Yes, but we do not want any profit; there is only the interest and sinking fund and depreciation.

97. In other words, out of about one-tenth of your area you are going to make a rate of profit equal to a quarter of what you have sought in the past altogether?—Certainly not, I never said so.

98. But does it not come to that?—Certainly not.

99. Well, I must be very dense?—You can send your accountants down and I can prove it; it is absolutely certain. I cannot see how you want to say that we want to touch the £33,000 or any profit we make on the greater area. That has nothing to do with it. We have calculated that area on its own account, and charged up 10 per cent. more for distribution than in our own area.

The Chairman.—Well, time is going on, and while this is interesting, I do not know that it is altogether relevant.

Mr. Eggleston.—But this is a most important point.

Mr. Beardmore.—I think it is an important point.

The Witness.—It may be very hard to make you understand; are there any accountants on this Committee? The thing is clear. We pay £27,000, plus the other for that undertaking; now, that costs 4 per cent. or 5 per cent. interest; we charge that area with 4 per cent. depreciation and 1 per cent. sinking fund, and yet out of that price we will come with a surplus for the twelve years.

100. *By Mr. Eggleston.*—I would like to see the figures, because these assertions mean nothing to us if they are not supported by figures?—There are a number of units to be sold in that area.

101. The way you get your figures is to charge them the same flat rate as the rest of the area?—Yes, certainly.

102. Then you have to provide £100,000 for doing that, and the interest and mortisation on that £100,000 would mean at least £7,000 or £8,000 a year?—Yes, but many people forget that I am speaking of the whole twelve years, and our undertaking increases in its consumption every year by 15 per cent.; even if you put it at only 10 per cent. it soon adds up, because that district has been very much starved. We are not taking that into consideration at all, but you must allow an increase each year. That is a very important point. I have been told that I am talking bosh, and that I am juggling with figures, but my accountant will verify these figures.

103. I dare say you could bring an accountant to give evidence before us?—There is no necessity; I am showing it to you on those units; on the electricity we are now distributing we know what it costs, and we are making a profit.

104. Supposing you supplied 1,000,000 units and you make a profit of £33,000—that is a profit of .1d. per unit?—We do not make any profit like that.

105. You say that your cost is £100,000 on which you sell 700,000 or 800,000 units; allowing for a 15 per cent. increase, you have to assume that will make bigger profits on those units to pay for that capital cost than on the rest of your undertaking; that seems to me to be absurd?—It is absurd; take all our undertaking—the power, plant, and all that—that capital is not there.

106. But you have to pay £16,000 capital cost on this particular area?—Yes, but we take the charges on the other and add a little bit more. If a man makes one railway engine he may sell it at a loss, apparently, but it will increase his business. Here we have no capital charge for our generating plant, and we are buying now from the Electricity Commissioners. The quote in 1919 was £5 13s. 10d. per kilowatt, plus .063d. per unit on a 42 per cent. load factor, equalling .434d. per unit. Now we are taking 5,000 kilowatts from the Commissioners, and we are making arrangements for another 5,000 kilowatts, making 10,000 kilowatts, and that agreement is for five years. The quotation now is £7 per kilowatt, plus .09d. per unit, plus a surcharge for coal cost and moisture content; at 42 per cent. load factor that works out at .55d. per unit. That is an increase of 26 per cent. over the 1919 report. As long as we can go on buying from the Commissioners it is still .55d.

107. Well, now this Hopetoun Ward territory is very congested, is it not?—No, nothing like ours; ours is an ideal area—the best out.

108. The city of Essendon would not compare with it in ideality?—It is not quite as good.

109. And if the whole of the metropolitan area came in it would be different?—You must remember that we have all our organization; we do not have to pay any more rent for the Town Hall or for our officers;

a certain portion of the town clerk's salary is charged up; you might say that we are taking that out of the other area, but we are not. You might put it this way—we are running certain things and—

110. If I ask a question, I get a speech?—I cannot make you understand it, that is the trouble; if you were an accountant you would get it in two minutes. I know where you are getting your figures from, and they are absolutely wrong.

111. I am not getting my figures from anybody; I am getting them out of my poor head?—What further evidence do you want regarding our tariffs and calculations? Can you not see that with our organization it practically costs us nothing more—perhaps £300 or £400 per year—to run it.

112. Well the same thing would apply to the State Electricity Commission, would it not?—No, certainly not. I am running a hydraulic company, and I am chairman, and when we take another area in and put a lot more on we can run it out at the same price.

113. *By Mr. Deany.*—I think that is the best argument—that it would apply equally to the State Electricity Commission.

The Witness.—Is there anything further?

The Chairman.—No, that will do, thank you.

The witness withdrew.

Torrington George Ellery, Town Clerk, city of Melbourne, examined.

114. *By the Chairman.*—We want to bring the inquiry down into certain definite lines. One of the subjects handed to us to inquire into is that of the purchase of the North Melbourne undertaking, and we want to deal with that by itself as far as we can, so as to deal with one part of the matter; then witnesses may later on supplement their evidence in regard to any other portion required. We want, as far as we can, to limit the inquiry to that particular question just now. First of all, is there any question about the legality of this purchase by the Electricity Commission; if so, we will deal with it, but I understand there is no assertion that there has been any illegality. It is merely a question of want of consideration, if I may say that, for the City Council, you think?—We make no assertion in regard to any illegality. It is a question of negotiations which we considered bore a very favorable aspect to us and then took a very unfavorable one. That is the point we want to bring before this Select Committee. I have got a statement prepared filling in all the details of those negotiations which the Lord Mayor has sketched to you in broad outline, and I think it will save the time of the Committee if I proceed to read it, and you can stop me wherever you feel inclined.

115. This is a statement from one of the manifestos issued by somebody, and it says that the Electricity Commissioners have no business whatever to take over the business of the existing retail undertakings?—Where was that statement made?

116. *By Mr. Eggleston.*—By the City Council?—I do not think so. I would like to know the date of that, and where the statement was made.

117. *By Mr. Deany.*—This is one of the statements of the Defence Committee?—That is not the City Council.

118. It is taken from the *Age*?—An extract from the *Age* newspaper?

119. *By the Chairman.*—This mentions the name of Councillor W. E. Downing; he is part and parcel of it; it is issued by one of the Defence Committees?—I do not think the City Council has ever raised the question about the legality of the action of the Commission in purchasing this undertaking. I have no knowledge of it.

120. Well, you can understand we have to inquire into these things?—I am only too glad to help you in any replies I can make. We are anxious not to miss any point, but we want to confine ourselves as far as possible to the salient points.

121. *By Mr. Eggleston.*—I would suggest that this witness be asked to put in any original document as he refers to it. The legal rule is that the actual document itself should be produced, or the best authenticated copy. If there is a transaction of a municipal council, the minutes should be put in; if there is a report of a speech made or a statement made verbally, then the report made at the time should be put in. That is the legal rule, and I think all members will realize that, in this case, it is a very good rule for us to follow?—I think it is an excellent rule.

Sir John Monash.—Might I ask that the witness be asked to put in the whole of the negotiations, and not portions selected from them, otherwise the Committee will be confused. I would like to see the whole of the correspondence and the reports.

The Witness.—I have got, I think, the whole of it here; probably, if I miss anything, Sir John will be able to tell the Committee.

The Chairman (to Sir John Monash).—Each witness will be supplied with a copy of his evidence, so that there will be no opportunity for you to see if there is anything missing.

Sir John Monash.—It is quite all right for me, but I was thinking of the Committee. You do not want to hear one part of anything from one man and another part from another man.

The Witness.—I have to submit the following statement to the Select Committee to show in detail our negotiations with the city of Essendon, and subsequently with the Chairman of the Electricity Commission (Sir John Monash) in relation to the light and power undertaking of the North Melbourne Tramway and Lighting Company, which operated in Flemington and Kensington (the Hopetoun Ward of the city of Melbourne) and the adjoining district of Essendon. In July, 1919, the delegation from Essendon Council waited on the then Lord Mayor (Alderman Cabena) to discuss the question of the acquirement of the North Melbourne Electric Lighting and Tramways undertaking.

Sir John Monash.—Proposed purchase by them.

The Witness.—I am giving evidence just now, Sir John. This interview was followed by several others, until, in July, 1920, a draft agreement was drawn up between the City Council and Essendon Council for the purchase of the undertaking, and after consideration by representatives of both parties the agreement was amended in certain directions and submitted to Essendon Council for consideration. Towards the end of September, 1920, a request was received from Essendon that a simpler agreement be prepared, and, in October, a conference was held between representatives of Melbourne City Council, Essendon Council, the Tramways Board, and the North Melbourne Electric Lighting and Tramways Company, in order to crystallize the position of the Tramways Board.

122. *By Mr. Eggleston.*—I do not know whether it is important to produce those documents?—If it is desired by your Committee, I shall be pleased to send up extracts or the whole of those documents that I refer to.

123. That is the proposed agreement between the Melbourne City Council and the Essendon Council, in 1920?—Yes, it was never executed, but I can show you my original file if you desire to recall me.

124. *By the Chairman.*—Have you got it handy?—I have not got it here.

125. *By Mr. Eggleston.*—We could hold that over for the present, because it might not be important; what was the date of that Conference?—October, 1920. The matter then rested for a few weeks to allow the

Chairman of the Tramways Board to bring the various proposals before his colleagues. The next step was taken by Councillor Showers, of Essendon, who interviewed me in December, 1920, and urged that no further steps be taken by Melbourne City Council at that particular juncture, as negotiations were in progress between the Essendon Council and the Tramways Board, and as Essendon Council had a more urgent claim in regard to tramways to press than Melbourne City Council. This reasonable attitude was agreed to, and negotiations were continued by Essendon with the Tramways Board. Following this interview, nothing was heard from Councillor Showers until 11th February, 1921, when, in reply to a letter from me, he stated that his council were still negotiating with the Tramways Board with a view to reaching some finality. In March I again wrote to Councillor Showers, when a reply was received that he had been unable to get anything definite from the Tramways Board, but promised to write if any development was made. The position remained unchanged until early in May, when, on several occasions, I telephoned Councillor Showers (and wrote to him also) to ascertain what was being done, and if any developments had occurred, but was unable to get any information. A few days after that, I was astounded to learn from a member of the Tramways Board that developments had taken place, inasmuch as the Electricity Commission had been imported into the matter at the request of Essendon. I wish to emphasize the fact that this development was not conveyed to Melbourne City Council, or to myself either, by the Essendon Council or the Electricity Commission.

Sir John Monash.—Because it was not true.

The Witness (to the Chairman).—Am I to go on, sir?

126. *By the Chairman.*—Yes?—I shall probably ask to be recalled to rebutt that statement. I then waited on the Chairman of the Electricity Commission (Sir John Monash), in company with Alderman Stapley, and Sir John Monash stated that up to that time no action was being taken by the Commissioner, but that Councillor Showers had several times urged him to press forward the matter. There was a hitch even here, because Sir John Monash made it very clear that the Tramways Board had to say definitely whether it would come in or not. Before the Tramways Board made up its mind (in June, 1921), the Town Clerk of Essendon came to light with a letter requesting Melbourne City Council to join with his council in waiting on the Tramways Board in order to press the matter with the Board of acquiring the North Melbourne Electric Lighting and Tramway Company's undertaking, to which I replied on 12th July, 1922, that the City Council's representatives would join such a deputation as soon as a date was fixed. It is significant that nothing further was ever heard from Essendon concerning this deputation, although repeatedly telephoned to by my staff, until 13th September, when, in reply to a letter from me asking whether the matter had been forgotten, Essendon Town Clerk stated the delay in arranging the deputation had been caused through the Electricity Commission negotiating with the Tramways Board, and pointing out that his council was not desirous of doing anything at that time that would interfere with the negotiations. As far as the City Council is concerned, it then continued negotiations with Sir John Monash concerning its share in the matter, and is still continuing its negotiations with the Government at the present time. It is palpably absurd to charge the City Council with neglect or antagonism to Essendon, and it is regrettable, indeed, that such wilful misstatements should have been publicly made at a deputation to the Premier. It is equally regrettable to find that the Essendon representatives object to the City Council having control of the lighting and power in Hopetoun Ward, which

is part and parcel of Melbourne, and has nothing whatever to do with Essendon. The only reason why Melbourne City Council has stated that it is willing to take over the retail business of Essendon is because Essendon is not in a position to do so, and because the Melbourne Council's tariff is lower than the company's tariff. The difference would be, if the Melbourne City Council's tariff was allowed to operate in Essendon, a saving of £5,000 per annum (for private lighting and power) to the Essendon ratepayers on present prices. Melbourne does not seek to intrude upon Essendon, and simply made the suggestion to the Electricity Commission and the Premier in order to avoid what Sir John Monash has called "embarrassing the Government by any partitioning of the territory of the old North Melbourne Company." I put in printed copies of that statement just read as Exhibit "A." I have referred to the interview which Alderman Stapley and myself had with Sir John Monash on the 9th June, 1921, and I must now see that the Select Committee fully appreciate our position in the matter. I wish, therefore, to read to you the shorthand notes taken at that interview, which are as follow:—

The Town Clerk explained certain negotiations that had taken place up to date in connexion with the proposed acquirement of the undertaking.

Sir John Monash.—I would like you to understand that the Commission do not want to butt in. The Commission is here to discharge a public duty, and we would only intervene in the matter if we were requested to intervene, and then only if our intervention would be helpful. The more potential buyers, the bigger will be the price the company will ask. The Tramways Board asked us, in the event of the Board being willing to make a purchase, whether we would act as the "gentleman to pull the chestnuts out of the fire," and would we undertake negotiations in place of the Essendon Council, or any other possible purchaser. I told them that if it would be in the public's interest, we would ask the Government to authorize such a thing. From that date to this, I have been trying to get the Tramway Board to say whether they will come in; and, if so, at what figure. That is where we stand to-day. The Chairman of the Tramway Board saw me, and he said there were differences of opinion in the Board as to the proper policy. He, himself, announced the view that it would be a good thing, although it was not a paying proposition from the public interest point of view, to acquire the undertaking; he said he thought his Board would go a long way towards assisting in a joint purchase, or guaranteeing a contribution towards the joint purchase. Immediately after he saw me, I had a talk with Mr. Murdoch to feel the way, and I tackled Mr. Murdoch on these lines—"You have a perishing asset; we know for a fact that your shareholders get nothing, and your debenture-holders will barely get interest for the next thirteen years. Supposing that a purchaser came along and guaranteed you interest for the next thirteen years, you ought to be satisfied." I had not got far with that conversation when Mr. Cameron came up and again said, "I want you to understand that anything I have said does not bind my Board." I said, "You must tell me whether your Board means business or not." He promised me he would let me know, but the matter has been going on month after month without reaching any finality. The truth is, Mr. Strangward is utterly opposed to the thing, and there is a minority in the Board opposed to it, and they are sitting up late preparing a case against doing anything. I told Mr. Cameron we had only come into the matter at his request, that we had enough burden to carry. We feel it our duty to intervene if any public body wants us to, and I am waiting for him to tell me definitely what the Board is proposed to do. I said to him, "I want to know is the Tramway Board prepared to contribute to any purchase of the enterprise; if so, what is the maximum sum, and what would be the maximum proportion of the total purchase price." That is as far as we have gone.

The Town Clerk.—I was led to suppose by Mr. Showers that the Commissioners had come right in over everybody. I said to him, that is a remarkable position for them to take up, but if they have done so, there must be some good ground for it, with which I am unacquainted.

Sir John Monash.—Until quite recently I did not know that the City Council were negotiating in this matter. I heard it quite accidentally. Mr. Showers has seen me several times, though not very recently, and urged me to press forward the matter to finality, and I told him precisely what I have told you. There is one other remark I would like to make. I want to tell you that, in Canada, it is the proud boast of the Ontario Commission that they have never had a row with anybody, and have carried out their duties in perfect agree-

ment with all concerned, both public bodies and private individuals, and it is our ambition to do the same. I think you will find my colleagues and myself only too anxious to co-operate with existing institutions. If the Commissioners could help the public by acting in some capacity they would do so.

These notes I have quoted were corrected by Sir John Monash himself. On the 10th June I wrote to Sir John Monash as follows:—

I am enclosing herewith, as promised, copy of synopsis of the action taken by the City Council up to date in connexion with the proposed acquisition of the North Melbourne Electric Light and Tramway Company's undertaking, also copy of the shorthand notes taken at our interview on Thursday last. I will be glad if you will keep me posted as to the action being taken by the Electricity Commissioners, and I will be pleased to confer with you at any time in regard to the matter.

And on the 13th June, Sir John Monash replied as follows:—

I am returning herewith the transcript of the notes taken at our recent interview, with a few textual amendments to correct errors and to make the report conform better to what I intended to convey. If you will be good enough to have this re-typed with the corrections indicated, I shall be glad if you will send me the revised copy in substitution of the one now returned. Kindly have this addressed to me personally by name so that I can attach it to the file in its proper place. If it goes in through the usual official channels it may get astray on to another file. I have sent you an official acknowledgment of yours of the 10th instant.

The official acknowledgment referred to in the last line of Sir John's letter relates to a copy of the synopsis of the action taken by the City Council up to that time in connexion with the proposed acquisition of the North Melbourne Tramways and Lighting Company's undertaking. The Committee will notice that in my letter to Sir John Monash on the 10th June I requested him to keep me posted as to the action being taken from then onwards by the Electricity Commission, and a second letter from Sir John Monash of the 13th June, 1921, reads as follows:—

NORTH MELBOURNE ELECTRIC TRAMWAYS AND LIGHTING COMPANY'S UNDERTAKING.

I am in receipt of your letter of the 10th instant, forwarding synopsis of action taken by the City Council in connexion with the proposed acquisition of the above company. At the present time this Commission is taking no action in regard to any such negotiations, but should any developments take place, I shall bear in mind your request to be informed of same, and your readiness to confer with me in regard to the matter.

On the 23rd September, 1921, I again interviewed Sir John Monash in order to have the fullest information on the matter, when he stated that the Electricity Commissioners had continued negotiations with the Tramway Board since he had been seen in June last, and the Tramway Board had advised the Electricity Commissioners that if the whole undertaking of the North Melbourne Tramway and Lighting Company was acquired by the Electricity Commissioners the Tramway Board would take over the trams at an upset price, which had been agreed upon between the Electricity Commissioners and Tramway Board, but which was confidential at that time. The Electricity Commissioners had decided upon a price (which at present could not be divulged) for the whole of the undertaking—light and power and tramways—and if the Government approved they would go right ahead with their negotiations with the company. Assuming that the Government approved, and the Electricity Commissioners were successful in acquiring the undertaking of the North Melbourne Tramway and Lighting Company, the Melbourne City Council would be affected, inasmuch as the Electricity Commissioners would be the owners of a power-house on the Mount Alexander-road within the boundaries of the City of Melbourne, and the Electricity Commissioners would be the possessors of the rights of the company to supply lighting and power to private consumers in Flemington and Kensington, which are now part and parcel of the City of Melbourne. On the 11th November, 1921, Councillor Thonemann and myself interviewed Sir John

Monash, who stated that nothing affecting the North Melbourne Tramways and Lighting Company's undertaking which would in any way commit the authorities concerned would be done without consulting each of them, namely, the Tramway Board, the Essendon Council, and the Melbourne City Council, by letter, and that so far as the future control of the bulk supply or distribution of electricity in the North Melbourne area was concerned, that it would be a matter for negotiation between the Electricity Commissioners and the City Council in the event of the Electricity Commissioners deciding to purchase with the consent of the City Council the North Melbourne Electric Tramways and Lighting Company's undertaking. On the 1st March, 1922, the following letter was sent to Sir John Monash:—

I have just been informed that the Electricity Commissioners are likely to come to some understanding with the Tramways Board concerning the North Melbourne Tramway Undertaking. I should like to know if the information which has reached me is correct, and to remind you of the interview which Councillor Thonemann and I had with you in November last, when you courteously stated that nothing would be done which would be of a binding character unless and until the Melbourne City Council and other authorities had been consulted and duly approved of the proposition which might be submitted.

To which he replied on the 3rd March as follows:—

I have your letter of the 1st instant. The report which has reached you that this Commission is likely to come to some understanding with the Tramway Board concerning the North Melbourne Tramways Undertaking is correct, but the negotiations with the company are still in a nebulous condition, and it is still too early to say whether there is likely to be any satisfactory outcome from these prolonged negotiations. All that has happened so far is that an understanding has been reached with the Tramways Board as to the respective values of the tramways portion and the lighting and power portion of the undertaking, as a basis for making an offer to the North Melbourne Electric Tramways and Lighting Company. It is yet too early to say whether any joint offer which we are able to make will be acceptable to the company. I reiterate my assurance that nothing of a binding character will be done without communicating with you. It is likely to be six or eight weeks before any indication can be given whether such offer as it will ultimately be found possible to make would be accepted by the company.

On the 31st March, Sir John Monash wrote as follows:—

Re NORTH MELBOURNE ELECTRIC TRAMWAYS AND LIGHTING COMPANY.

In further reply to your letter of 1st March, on the above subject, I am now in a position to let you know that, acting with the approval and on behalf of the Government, this Commission has made a formal offer to Mr. Murdoch, the local representative of the above company, for the acquisition of the whole of the assets and interests of the company, for the sum of £110,000, together with certain contingent payments for stores and the like. Payment to be made, in greater part, in 6 per cent. Government debentures. At the same time, the Metropolitan Tramways Board has been approached, and has agreed that, in the event of this Commission so acquiring this undertaking, the Board will be prepared to take over the tramway portion of the assets and rights on the basis of a cash payment of £30,000, together with certain contingent payments for stores and the like. The matter is now in abeyance, while Mr. Murdoch is referring the offer to his London principals, and I shall, in due course, acquaint you with the nature of the reply received. In the meantime, I trust that this information will be treated by you as strictly confidential, as it is most desirable that the terms of the offer and the state of the negotiations should not be publicly disclosed.

On the 6th April I saw Sir John Monash personally at his office relative to the letter above quoted from Sir John, when he agreed that, although it was marked "confidential," he had no objection to it being discussed with the chairman of the Electric Supply Committee (Councillor Thonemann) and the city electrical engineer. Sir John Monash further stated that the Electricity Commissioners had not yet formulated any policy in regard to the lighting portion of the North Melbourne Company's undertaking when it passed into their hands, and assuming that the negotiations now in progress were brought to a successful conclusion, he thought, however, that the policy would be for the

Commissioners to attend to the lighting of the Essendon district, and if the City Council had any claims to make concerning the North Melbourne district he would be pleased to consider them at the proper time. He desired to point out, however, that splitting up the area now served for lighting purposes by the company, so that, in the event of the Commissioners ultimately doing the lighting work, the Essendon district would be run by the Commissioners and the North Melbourne district by the City Council, might not be profitable to either party. I stated that I felt pretty sure that strong claims would be made by the City Council to have the rights of North Melbourne for lighting purposes vested in the City Council. Sir John Monash replied that it was a matter for negotiation, and if the Council thought fit to operate North Melbourne, if the Commissioners acquired the whole district of North Melbourne and Essendon for lighting purposes, then the City Council would have to pay for it, and would have to pay on the basis decided upon by the Government in making the purchase money available to the Commissioners for the negotiations which were now in progress with the North Melbourne Electric Lighting and Tramway Company, which were that the debt had to be extinguished in about twelve years. On the 7th April, Sir John Monash wrote as follows:—

Further, to our interview of yesterday on the subject of the acquisition of the North Melbourne Tramways and Lighting Undertaking, developments have occurred sooner than I expected. I have just received through the Premier's office the following cablegram from the Agent-General:—

North Melbourne Tramway.—Resolution carried to-day by debenture-holders and shareholders accepting offer to purchase; subject to formal confirmation by shareholders on 24th April.

In view of this I feel I should release you in part from the obligation of secrecy to the extent that you should now feel yourself at liberty confidentially to inform those concerned of the nature and of the course of the negotiations, but not for publication in the press. I think you should take the steps which you had in mind to this and without delay, because there is always a danger of leakage to the press in these matters. Only last night, and before I was aware of the arrival of the above cablegram, I was rung up by the *Age* with the information that they had heard the matter had been settled, and wanting me to release the news. I declined to do this, as I had myself had no confirmation. Under the circumstances I cannot withhold publication in the press for long, and that is why I am suggesting to you to act immediately.

To which I replied the same day as follows:—

Yours of even date, just to hand, *re* North Melbourne Tramways and Lighting Undertaking. I am obliged to you for your letter and have carefully noted the contents. I trust, however, that you will withhold any communication to the press until, say, Tuesday next at the earliest, in order to enable me to communicate with the Lord Mayor and the members of the Electric Supply Committee, which Committee, by the way, meets on Monday next.

I want the Select Committee to carefully note here that although Sir John Monash stated at an interview which Councillor Thonemann (chairman of the Electric Supply Committee) and I had with him on 11th November last, that nothing would be done which would be of a binding character unless and until the Melbourne City Council were consulted and duly approved of the proposition, and although this promise of his was repeated to me, in reply to my letter to him of the 1st March, nothing was done beyond the bare communication that the matter had been finalized. We were thus shut right out in the cold, and the promise made to us was broken. On the 20th April, the following letter was written to me by the Chairman of the Electricity Commission (Sir John Monash) namely:—

I beg to inform you that this Commission, acting under the authority of the Government, has made an offer to the North Melbourne Electric Tramways and Lighting Company Limited for the acquisition of the whole of its rights, title, and interest, in and appertaining to the undertaking of the company. I am in receipt to-day of a letter from Mr. A. D. Murdoch, the attorney of the company, accepting this offer.

Prior to executing a formal agreement for the transfer of the assets and rights of the vendor company, steps are being taken to verify the authority of Mr. Murdoch to make an effective transfer on behalf of his principals. Under the terms of the contract entered into by the vendor company with your council and the Essendon City Council, it is provided that no such transfer to a purchaser may be made without the consent of the councils, but that such consent is not to be withheld in the case of a transfer to a responsible and solvent person, firm, or corporation. In view of this provision, I now request that you will be so good as to obtain and forward to me the formal consent of your council to this transaction. The Essendon City Council has expressed its consent. I shall further be obliged if you will kindly let me know, at your earliest convenience, whether your council has any claim against the vendor company in respect of anything done, or omitted to be done, under its Order in Council or agreement with your council; and, if so, the nature and amount of any such claim. My reason is that the Commission is reserving the right to pay you direct any moneys owing to you by the company in respect of the undertaking and claimed within a certain period.

On the 29th April, 1922, Councillor Thonemann, Messrs. McCall (deputy town clerk), and Lane (acting city electrical engineer) interviewed Sir John Monash, when Sir John stated that the Commission had offered £116,000 for the entire undertaking, but at the moment transaction was not completed owing to legal difficulties. The total purchase amount was made up as follows:—

These figures were supplied by Sir John Monash himself—

As a going concern	£110,000
Stores, &c.	6,000
	£116,000

This amount was further subdivided—

Tramways	
Lighting and power supply	50,000
Power-house	36,000
	£116,000

Re the Melbourne City Council area (Flemington and Kensington). On the basis of units sold, this area represented 37 per cent. of units sold, apart from tramways.

Total units—1,550,000
Flemington and Kensington—574,000 units.
Total price £50,000—37 per cent.—£18,500.

To this would be added the sum of £8,800 as this area's share of the power-house, the tramway bearing one-third of the total, and Flemington and Kensington 37 per cent. of the balance. This amount of £8,800 would require to be paid off by 1934. At 12 per cent. per annum this would approximate an annual payment of £1,000. Further, Sir John indicated that the Tramway Board would object to paying more than £25,000 if the Melbourne City Council came in, and in that event some £6,000 would have to be met by some one. Further, that if the Commission disposed of the Flemington and Kensington area to Melbourne City Council it might be necessary to revise these values, as the loss of this area might affect the value to them of the remainder. They were not desirous of selling their rights in the area, but would not oppose the Melbourne City Council if the latter were prepared to pay. He thought, however, that it would be a better policy for them to supply and develop the area, and let it revert to Melbourne City Council in 1934, as under the terms of the franchise. Sir John stated that Essendon had decided not to purchase its share, and had agreed not to take any action with a view to forcing the Commission to reduce the tariff during the next twelve years below what the Commission decided was necessary. The various figures quoted were not to be taken as definite terms of purchase, but only as approximately correct. Should Melbourne City Council desire to negotiate further, Sir John will arrange for a meeting with the Commission. *Re* Melbourne City Council's approval for the Commission's action, although the Commission would like to have same, they were of the opinion that they could act

without, but did not wish to adopt that attitude. On the 15th May a qualified consent by the Council was given to the transfer of the undertaking from the company to the Commission. On the 19th May, I wrote to Sir John Monash as follows:—

With reference to your letter of the 29th ultimo, intimating that arrangements have been made by the Commission to acquire the undertaking of the North Melbourne Tramway and Lighting Company Limited, and requesting, in accordance with the terms of the contract entered into by the company with the City Council and the Essendon Council, that the consent of the City Council be given to the transfer of the undertaking from the company to the Commission, I have to inform you that the council has consented to such transfer in accordance with the terms of the agreement above referred to. The agreement, as you are no doubt aware, further provides that on the giving of such consent the assignee shall enter into a direct covenant with the councils to observe and perform the terms, provisions, and conditions of the said orders, &c. As to this, I am arranging with the city solicitor to prepare the necessary covenant for execution by the Commission, and will communicate with you thereon at a later date.

On the 24th May Sir John Monash replied as follows:—

With reference to your letter of the 19th May herein, I have to thank you for your consent therein expressed to the assignment of the company's undertaking to the Commission. I have to state, however, that the Commission cannot enter into any covenant whereby its operation of the undertaking may be subject to the control of any council. Apart from the question of propriety and the fact that in the first instance the undertaking of the company will be definitely transferred to the Government of Victoria, it is at least questionable whether an undertaking of the Commission could be made subject to any agreement relating to the assignment of an order issued under the Electric Light and Power Act, as the Commission's Act of 1918, section 19, expressly provides that "No electrical undertaking of the Commission shall be subject to the provision of the Electric Light and Power Act." As regards the tramway portion of the undertaking, your council's control is obviously intended by the Melbourne and Metropolitan Tramways Board Act 1918 to be extinguished on acquisition by the Tramways Board. As to the contract which you ask the Commission to enter into, the agreement with the company to which you refer provides that the assignee should enter into one contract with the two councils concerned. However, the Essendon City Council has assured the Commission that it will not require the Commission to enter into such contract, and it would appear in consequence that your requirement is not strictly in order. The Commission feels, however, that it will not be necessary to rely upon any of the technical points raised in this letter, and that it might justifiably look forward to some mutually satisfactory arrangements being made, were your council's desires more definitely known. It is difficult to believe that your council would be desirous of interfering with the operations, either of the Government, the Commission, or the Tramways Board, and it is presumed that your own citizens, in so far as they are concerned, probably anticipate a better administration in the future than has heretofore obtained.

On the 25th May, I wrote to Sir John Monash as follows:—

The Chairman of the Electric Supply Committee (Cr. Thonemann) and myself are desirous of waiting on you at an early date for the purpose of discussing the question of the City Council acquiring from the Commission the Flemington and Kensington portion of the area about to be taken over by the Commission. If you can make it convenient to fix an early date for the interview, I shall be greatly obliged.

It has been urged, and particularly by the Honorable the Attorney-General, that my letter, which I have just read to you of the 26th May to Sir John Monash, disposed of any suggestion that the chairman or his fellow commissioners were disposed to sell the rights of the Flemington and Kensington districts of the North Melbourne Electric Tramway and Lighting Company's undertaking to us, and that that letter disposes of any ideas we may have entertained that we were likely to obtain such rights in the district which is the Hopetoun Ward of the city of Melbourne. Such an argument is manifestly absurd, and is merely special pleading to cover up the awkward position in which the Government finds itself placed by the Commission. I ask this Committee in all fairness to look at all the interviews and the promises made and implied, and the correspondence prior to the 25th May, together with

the purchase price figures submitted to us by Sir John Monash himself on the 29th April, and see what possible conclusion could the City Council representatives put upon the attitude which Sir John Monash had taken up in the interviews we have had with him during the past twelve months other than a desire to do business with us. The first definite intimation we had from Sir John Monash that the business we had been interviewing him about was coming to a conclusion by which the Commission would definitely acquire the North Melbourne Tramway and Lighting Company's undertaking was on the 31st March, 1922, conveyed in the letter already quoted to you. On the 6th April, I was permitted by Sir John Monash to disclose the contents of his letter (which up to then had to be kept rigidly confidential) to the Lord Mayor and the Chairman of the Committee. On the 7th April a little further latitude was given to me, and only on the 20th April was the ban of confidence removed by the letter already quoted to you from Sir John Monash. On the 29th April, as already mentioned to you, the Council's representatives saw Sir John Monash, and had a long interview with him, and at that interview Sir John supplied the figures himself for the negotiations which took place. These figures had then to be carefully considered by the Electric Supply Committee of the Council and the Council's engineer, and the Electric Supply Committee definitely decided to pay whatever price was asked. On the 25th May I was in a position, after consideration by my Committee of the figures, to write to Sir John Monash the letter already submitted to you. To my letter of the 25th May, Sir John Monash on the 30th May replied as follows:—

I must apologize for the delay in replying to your letter of the 25th instant. This delay was due to the disorganization resulting from the move of the Commission's staff to the new building in William-street. Regarding the interview which Councillor Thonemann and your good self are desirous of arranging, I think that the matter which you wish to discuss is of sufficient importance to be considered by the Electricity Commissioners themselves, and have, therefore, to suggest that the interview should be with the Commission, and I propose Wednesday afternoon, 7th June, at 3 p.m., in the Board Room, at this office. Please let me know if this time is convenient to Councillor Thonemann and yourself.

On 31st May I wrote Sir John Monash that the Chairman of the City Council's Electric Supply Committee (Councillor Thonemann), myself, and the acting city electrical engineer would wait on the Electricity Commissioners on 7th June, at 3 p.m. On the 7th June Councillor Thonemann, myself, and the acting city electrical engineer waited on the Electricity Commissioners, when the following shorthand notes were taken:—

DEPUTATION TO ELECTRICITY COMMISSIONERS,
7TH JUNE, 1922.

AS NORTH MELBOURNE ELECTRIC LIGHTING AND TRAMWAYS
COMPANY UNDERTAKING.

Councillor Thonemann, the town clerk, and Mr. Lane (acting city electrical engineer), represented the council.

Councillor Thonemann.—When we were last here we discussed the negotiations for the purchase, and you left us to see your Commission. I would just like to ask how the position stands so that we can go right into the matter. We have a map here showing the area of the company's undertaking within our principal area, and the Committee are desirous of knowing our position if we purchase, and the terms and conditions. Of course, we cannot make an offer now. We want to see what are your ideas of the price, &c.

Sir John Monash.—I will just briefly recount the tenor of the previous conversations we had, as I do not think the Commissioners are acquainted with the full details. I pointed out to Councillor Thonemann that this acquisition was not yet completed, and it will not be for some weeks. This is really an acquisition by the Minister, who will later on, under statutory authority, vest certain property in this Commission and in the Tramway Board. I pointed out to Councillor Thonemann that we were doing nothing more than stepping into the shoes of the present company, and whatever their rights and obligations were we inherit. I went on to say that at the end of the period that the company obtained the franchise for certain assets would automatically pass over to the councils of Essendon and Melbourne, unless either council

waive these rights. I may tell you, Councillor Thonemann, that since I saw you, Essendon have waived their rights, but Melbourne have not been asked to do so, nor have they done so. These rights, further, still exist. I then proceeded to explain to Councillor Thonemann this important underlying principle, that as the Government had stipulated that the whole cost of the acquisition must be discharged within twelve years, it followed that the whole territory had to carry that obligation, and that it was not possible for this Commission to divest itself, or any portion of the territory, of the obligation to repay the whole within twelve years. I then proceeded on assumed figures—I did not have the opportunity of consulting the Commission—of explaining to Councillor Thonemann exactly what it meant. The whole of the territory must continue to take supplies from that particular source until the termination of the twelve years, because the earning power over the whole territory is the only source of revenue by which the existing obligation can be paid. The figures so adduced were perfectly plain and logical, and, to my way of thinking, they were very formidable figures. Since then, I have discussed the matter with my colleagues to some extent, and I want to ask you and get you to tell us frankly this—what is the real objective of the City Council in precipitating matters by twelve years. They cannot urge, and I hope they will not urge, that they are able to serve the district and the consumers in the district better than the Electricity Commissioners could. What we wanted to see is what the underlying objective was, because, from a business point of view, the council would be obliged to shoulder a considerable burden that the territory would have to bear. The burden, in fact, commits the territory to pay higher rates than in the past, as compared with the Melbourne City Council area.

Councillor Thonemann.—The objective is this—We want to have our own area under our own control. It makes no difference whether you or we run it, from the sense of profit or loss to the consumer, as far as the ordinary consumer goes, but we have a strong feeling in regard to public lighting and street lighting. We light all the city, the council do that, and we would have to come to you to fix up an arrangement for extra lights, &c., every time we wished to put in additional street lights. We strike a rate all over the city of 2d. in the £1 for street lighting, and every week we are putting in new lights, and are continually adding to them, so you see we would have to be coming to you all the time for extra power; that is one reason why we feel it is far better to have this area under our control.

[Councillor Thonemann then explained the map showing the City Council's area, &c.]

Sir John Monash.—I hope no one gets it into their head that the situation as shown on the map has been of our creation. It has been going on for many years.

Councillor Thonemann.—We understand that. This part came to us from Flemington and Kensington. It was in existence before we got control of this area, but now it belongs in the city area; we go all round it. The Committee are willing for the purchase.

A Commissioner.—Why did you not do that at the first, then?

The Town Clerk.—It was too complicated.

Sir John Monash.—Kensington may be a big industrial area and we may get the better part of it.

Councillor Thonemann.—When you can run a tram line from that area to the city, it will be a far superior industrial area. When you can carry a tram line out of the city, it will be the best paying thing there. The Committee are unanimous in this matter, and I am pretty certain there will be no objection as far as the council is concerned.

The Town Clerk.—There are two points—(1) Will the Commission treat with us, and secondly, what are the terms?

A Commissioner.—On the basis of complete acquisition?

Councillor Thonemann.—Yes.

A Commissioner.—You would take over all the assets within the area?

Councillor Thonemann.—Within the area of the city of Melbourne, that is all we ask.

Sir John Monash.—You could make the middleman's profits of distribution, which would be taken away from us.

Councillor Thonemann.—We have to pay for that to compensate you for having a smaller area. It would be necessary that we charge the same rate as you are charging.

The Town Clerk.—You have the key of the position. We can only sell at what you say.

A Commissioner.—What is the extent of three-phase in that area?

Councillor Thonemann.—A lot would have to be converted.

Sir John Monash.—You would have to bear that cost. We are a great deal more here than a body of business men bartering for terms. We have to look at all aspects of the question from a point of public policy. After all, the final word in connexion with public policy with regard to electric supply rests with us. I ask the question, what is the objective of the City Council? So far the only clear thing is that it is on account of street lighting, that is a small matter.

Councillor Thonemann.—It will eventually revert back to us, why delay it for twelve years?

Sir John Monash.—Street lighting is only a small thing.

Councillor Thonemann.—The people there have been hardly treated in the past.

The Town Clerk.—There is a certain amount of sentiment connected with this matter.

A Commissioner.—I think the whole thing comes down to street lighting and sentiment.

Councillor Thonemann.—What difference does it make now whether we have it for twelve years or you?

Sir John Monash.—Do you think the City Council will be embarrassed in any way by this area being continued to be owned by the Electricity Commissioners? If you think so, I would like you to say so frankly.

Councillor Thonemann.—I do not think you would do us any damage—not a public body like you.

The Town Clerk.—Negotiations were started for the purchase of this undertaking, and they got a good way on, and but for the obstinacy of the Essendon Council and the Tramway Board, they would have been gone on with. The Electricity Commissioners came into this, and when we found they had the powers, we simply sat back when we knew we would have an opportunity of treating for this area. This is no new desire to get possession.

A Commissioner.—The difficulty is to parcel it out amongst the two or three people.

Councillor Thonemann.—I am satisfied that I can get the Committee to take the whole area of North Melbourne and Essendon if it is necessary to do so.

The Town Clerk.—If the Commission made it a *sine qua non* to have Essendon, we would take it.

Sir John Monash.—The terms it would be necessary to ask for to safeguard the financial soundness of the undertaking as a whole looks so formidable that we could not ask the City Council to pay them. Every aspect of this question has not been taken into consideration. Here is a district which is admittedly a better industrial district than any other part, that is the industrial area of the North Melbourne undertaking. If we agreed and stipulated, you will have to continue a customer of that power station as long as we retain control. We have the right to develop the district as we like, and one of our objects is to develop industries. We must do that; but if we gave you this area, you could do what you like.

Sir Robert Gibson.—Will you charge us for amortization the whole area of the city?

Councillor Thonemann.—No, for the smaller area.

Sir Robert Gibson.—As far as I understand, the position is that if the proposition is carried out, we can impose on you any conditions we like. What I mean is, you would be taking your power from us and we could impose what conditions we liked.

Sir John Monash.—For reasons largely sentimental—I do not think lighting is very important—the City Council is desirous of having the district embodied in the whole of this territory. Our concern is how we can concede this. I understand the City Council will agree to any terms we like to ask, within reason.

The Town Clerk.—Put it this way: We would have to charge whatever the Commission laid down.

Sir John Monash.—I think we understand your objective now. This interview will be taken into serious consideration from all aspects by the Commission, and I will let you hear our decision as early as I can.

A Commissioner.—You want us to say the terms under which we will sell.

Councillor Thonemann.—We cannot do otherwise. We cannot barter with you.

On the 3rd July, arising out of our interview of the 7th June, the following letter was received from the Secretary of the Electricity Commission:—

With reference to the interview with the State Electricity Commission on 7th June of the Chairman of the Electric Supply Committee of the Melbourne City Council and yourself, on the subject of the electric light and power undertaking proposed to be acquired by the Victorian Government from the North Melbourne Electric Tramways and Lighting Co. Ltd., and as to the disposal of that portion of the undertaking which lies within the municipal boundary of the city of Melbourne, I am to inform you that the Commission has taken into consideration the proposals discussed at that interview, but is unable, at the present juncture, to advise the Government that it would be either desirable or opportune to effect a partition of the undertaking. This conclusion rests partly upon the special circumstances connected with the acquisition, and partly on grounds of general public policy. It has been explained to you that the acquisition of this enterprise has been approved by the Government upon the express condition that the undertaking shall be so operated that the whole cost of acquisition shall be extinguished within a period of twelve years. Such a condition imposed upon this whole territory special obligations as to charges and tariffs for electric supply, and as to the cost of closing down the present direct current

generating plant and of converting the system of distribution. These obligations apply to the whole territory, and in the view of the Commission it would be next to impossible to affect a partition, during the ensuing period of twelve years, which would operate fairly and equitably as between the separate parts of the territory. The extent, nature, and distribution of future development of electric supply in this area cannot be foreseen, and a partition resting on some present arbitrary basis may in the future operate to the grave disadvantage of one or other of the separated areas. The Commission further consider that it would be most undesirable to create a situation under which it would be possible, as time goes on, for the rates and charges in one portion of the area to become differentiated from those applicable to the other portion. Such a differentiation would, in spite of attempted safeguards, be bound to ensue if two separate authorities were, in future, to control the respective separated portions. Even if methods could be devised for satisfactorily meeting the objections above stated, there still remains an important question of general policy. You are no doubt aware that, under existing legislation, the Commission is charged with the duty of advising the Government on the ultimate co-ordination and unification of electrical undertakings, and of their amalgamation and concentration. With these matters is bound up the question of the future of private franchises generally, and particularly the question of the renewal or extension, in the near future, of a private franchise covering a considerable portion of the metropolitan area. The Commission is of opinion that these grave and urgent questions cannot be properly dealt with piecemeal, and that no step should now be taken which would embarrass the Government in dealing comprehensively and on broad lines with the question of the future supply of electricity in the metropolis as a whole. The Commission considers that a transfer at the present juncture of a portion of the territory to be acquired by the State to the control of one of the existing metropolitan undertakers, viz., the City Council, would be inopportune, until the whole question of metropolitan supply has been dealt with. For all above reasons the Commission regrets that it finds itself unable to accede to the request of the City Council to formulate terms under which it would advise the Government to approve of a partition of the North Melbourne undertaking.

On 19th July I replied to the Electricity Commissioner's letter of 3rd July as follows:—

1. I have to acknowledge receipt of your letter dated 3rd July, with reference to the interview which the Chairman of the City Council's Electric Supply Committee (Cr. Thonemann) and myself had on 7th June last with the Electricity Commissioners at their offices, when we urged (following various calls upon your Chairman, Sir John Monash) that the Electricity Commissioners should sell to the City Council all that portion of the electric lighting and power undertaking which lies within the municipal boundary of the city of Melbourne, and which has recently been, or is about to be, acquired by the Electricity Commissioners.

2. Your reply that the Commissioners are unable "at this juncture" to accede to the request which we made on behalf of the Electric Supply Committee of the City Council is noted with regret.

3. I am now instructed to inquire whether the words quoted above from your letter—"at this juncture"—may be construed as meaning that at some time in the near future the decision of the Commissioners may be reversed?

4. I am also instructed to say that the decision of the Commissioners as conveyed in your letter under review occasioned very considerable surprise and disappointment, for the following reasons:—

(a) That at the interview with Sir John Monash on the 9th June, 1921 (at a time when negotiations were proceeding between the Essendon and Melbourne City Councils, with a view of purchasing the undertaking of the North Melbourne Electric Tramway and Lighting Company, and when it was clearly understood between these councils that the least the Melbourne City Council would be content with was the control of lighting and power in that portion of the undertaking within the municipal boundary of the city of Melbourne). Sir John Monash said that the Commissioners would only intervene if such intervention would be helpful. Helpful to whom? There is no escaping the import of these words, which form part of the shorthand notes taken at the interview, and which shorthand notes were subsequently corrected and returned to the writer by Sir John Monash himself.

(b) Knowing our views, and being told of the negotiations which were then proceeding between Melbourne and Essendon, Sir John Monash volunteered the following statement, taken from the same corrected notes referred to in paragraph (a):—"I want to tell you that in Canada it is the proud boast of the Ontario Commission that they have never had a row with

anybody, have carried out their duties in perfect agreement with all concerned, both public bodies and private individuals, and it is our ambition to do the same."

In the face of this statement, my Committee fittingly ask that the Commissioners might reconsider their decision not to sell, and thus live up to the statement spontaneously made by Sir John Monash, as Chairman, otherwise what reliance can be placed on a verbal statement which is followed by action so diametrically opposed to it? Furthermore, Sir John Monash said at the same interview, "I think you will find my colleagues and myself only too anxious to co-operate with existing institutions." My Committee, therefore, feel abundantly justified in pressing the Commissioners to give further consideration to the request made, and thus give some evidence of the Chairman's desire to co-operate with an existing institution by assisting it to attain its end, instead of opposing the very first request made on behalf of the citizens of Melbourne.

(c) At an interview which the Chairman of the City Council's Electric Supply Committee (Cr. Thonemann) and the writer had with Sir John Monash on the 10th November, 1921, Sir John Monash said that, so far as the future control of the bulk supply or distribution of electricity in the Flemington area was concerned, it would be a matter for negotiation between the Electricity Commissioners and the Council in the event of the Electricity Commissioners purchasing the North Melbourne Tramways and Lighting Company's undertaking.

(d) At a later interview, on the 6th April, 1922, which the Town Clerk had with Sir John Monash, he stated that the Electricity Commissioners had not yet formulated any policy, and if the City Council had any claims to make over the Flemington district, he would be pleased to consider them at the proper time. The Town Clerk stated that strong claims would be made by the City Council to have the electrical rights of Flemington vested in them. Sir John Monash replied that it would be a matter for negotiation, and he added these significant words: "If the Commissioners acquired the whole undertaking, then the City Council would have to pay on the basis decided upon by the Government in making the purchase money available."

(e) At the last interview with Sir John Monash, on the 29th April, 1922, at which Cr. Thonemann, the Deputy Town Clerk, and the Acting City Electrical Engineer were present, Sir John Monash stated that the Commissioners were not desirous of selling their rights in the Flemington area, but they would not oppose the City Council if the Council were prepared to pay. Sir John Monash added that he thought "it would be a better policy for the Electricity Commissioners to supply and develop the area, and let it revert to the Melbourne City Council in 1934, under the terms of the franchise granted by the company." The Council's representatives made it plain, however, that the Council desired to purchase the rights of the Flemington area now, and figures were discussed at the interview, which figures were actually supplied by Sir John Monash himself for the very purpose of the discussion.

5. In the light of all these negotiations, and the clear evidence we have of an apparent desire to do business with the City Council, which was accepted as *bonâ fide*, I am directed to inquire why the Commissioners suddenly and without reason "changed front," and refused to sell?

6. There is nothing new, and nothing that was not fully and clearly realized by us before we waited officially upon the Commissioners on the 6th June last, in the statement of your letter that:—

"The acquisition of this enterprise has been approved by the Government upon the express condition that the undertaking shall be so operated that the whole cost of acquisition shall be extinguished within a period of twelve years. Such a condition imposes upon this whole territory special obligations as to charges and tariffs for electric supply, and as to the cost of closing down the present direct current generating plant, and of converting the system of distribution,

and there does not appear to my Committee to be any insuperable difficulty in satisfactorily arranging the obligation with the City Council, and to the satisfaction of the Electricity Commissioners, in view of the very wide statutory powers already possessed by the Commissioners.

7. Your Commissioners are asked now to bear in mind this fact, that no question of partition need arise, as mentioned in your letter; the difficulty need not even remain one of your own making, inasmuch as the Chairman of the Electric Supply Committee (Cr. Thonemann) made it clear to Sir John Monash that the City Council are prepared to consider the advisableness, if necessary, of taking over the whole area recently acquired by the Commissioners (except, of course, the

tramways), covering the district of Flemington in Melbourne, and the adjoining suburban area of Essendon, and by so doing the Committee feel that they will be assisting the Commission to achieve the primary object for which the Commission was appointed, namely, the supply of cheap current.

Your Commissioners are reminded of the recent statement by Sir John Monash, which appeared in the *Age* and the *Argus* of the 12th July, 1922, when he said, "The laws of electricity knew no arbitrary municipal boundaries."

127. *By Mr. Farthing.*—On the 3rd July it was stated that when the Commission replied to you, practically refusing to sell to you, they said they would not sell at the present juncture. Did you get any definition of what was meant by "at the present juncture"? —Never. Tried to get it more than once.—[*Resumed reading.*]:—

Taking Sir John Monash's words as literal, and as a genuine expression of fact, my Committee feel that the Electricity Commissioners can well emulate the power of the Electricity Commissioners of Great Britain, New Zealand, and Canada, and at the same time achieve the object for which the Commission was appointed as above stated, by making it a condition that the Essendon district be added on to that of Flemington in any sale to the City Council.

Thus the business of retail supply could be efficiently and cheaply looked after, and the Commission could remain as bulk suppliers to the City Council with satisfaction to all parties, instead of the Commissioners entering a field of retail business for which there is neither warrant nor justification.

8. I would remind your Commissioners, also, that Sir John Monash stated at one interview, and repeated the statement at the meeting we had with the Commissioners on 7th June last, that the Commissioners were—

"Doing nothing more than stepping into the shoes of the present company, and whatever their rights and obligations were we inherit."

As one of the express obligations of the North Melbourne company compelled them to sell to Melbourne and Essendon on certain terms at a certain period, my Committee feel strongly that, unless Sir John Monash's words are to be regarded as merely meaningless verbiage, the Commissioners ought not to refuse to deal with Melbourne, because Essendon has for some occult reason waived its rights.

9. You mention in your letter that—

"Under existing legislation the Commission is charged with the duty of advising the Government on the ultimate co-ordination and unification of electrical undertakings, and of their amalgamation and concentration. With these matters is bound up the question of the future of private franchise generally, and particularly the question of renewal or extinction, in the near future, of a private franchise covering a considerable portion of the metropolitan area."

The Commission is of opinion that these grave and urgent questions cannot be properly dealt with piecemeal, and that no step should now be taken which would embarrass the Government in dealing comprehensively and on broad lines with the question of the future supply of electricity in the metropolis as a whole."

In reply to that statement, which can only be regarded as special pleading, and have no special relevancy to the council's request, I would draw your attention to the following extract from a letter to the Lord Mayor from the Honorable the Premier, expressly setting out the policy of the Commissioners and the policy of the Government of Victoria, whom the Commissioners represent, where the Premier says—

"Apart from the express exclusion from the metropolitan area from the operations of the Bill in question, I can give you the assurance that there is no intention whatever on the part either of the Government or of the Electricity Commission to compulsorily acquire the City Council's Electric Supply undertaking, or any portion thereof, and that there never has been any such intention."

The operations of this Bill are expressly limited to areas more than 25 miles beyond the boundaries of the city of Melbourne."

10. You will observe that your letter written on behalf of the Electricity Commissioners is dated 3rd July, whereas the letter from the Honorable the Premier to the Lord Mayor is dated 12th July, therefore it is clear that the action which we have asked the Commissioners to take could not possibly (I quote your very words) "embarrass the Government in dealing comprehensively and on broad lines with the question of the future supply of electricity in the metropolis as a whole."

11. The letter from the Honorable the Premier, in the opinion of my Committee, should conclusively allow further negotiations with the representatives of my Committee, and I am, therefore, instructed to ask that the request which we made on the 7th June last may be reconsidered.

On the 25th July I wrote to Sir John Monash as follows:—

"I have to acknowledge receipt of your letter of the 3rd instant, conveying the decision of the Commissioners in regard to the North Melbourne Electric Tramways and Lighting Company's undertaking, and in reply to inform you that the Council hereby formally withdraws the conditional consent to the transfer of the undertaking contained in my letter to you dated the 19th May last, the terms upon which such consent was tendered having been so definitely declined by the Commission."

On the 4th August the Secretary of the Electricity Commission replied to my letter of the 19th July as follows:—

I am directed to acknowledge your letter of 19th July to the Commission, and also yours of 20th July to the Chairman. These have been considered by the Commission, and I am instructed to reply in the following terms:—

The Commission cannot now accept your withdrawal of the consent given by your Council, in your letter of 19th May, seeing that such consent has been acted upon. Nor can the Commission agree that such consent was a conditional one, nor that the Commission has taken any action or made any communication to you which would entitle your Council either morally or legally to withdraw such consent. Moreover, you appear to overlook the fact that the consent of the Council cannot, under its agreements, be withheld in the case of such a purchaser as the Government.

The Commission can only conclude that this attempted withdrawal of a consent already formally given is conceived with the intention to embarrass the Commission and the Government as a consequence of the notification by this Commission that it finds itself unable to formulate terms under which it would advise the Government to approve of a partition of the North Melbourne undertaking. Further evidence of such intention has appeared in public utterances by representatives of your Council which amount to attacks upon this Commission of a totally unjustifiable character.

The desire of your council to acquire a portion of the undertaking recently purchased by the Government is one which could in no event be consummated except by co-operation between these two public bodies. But the Commission does not understand how action of the nature above referred to, having such a distinctly hostile complexion, can be reconciled with any desire on the part of your council to co-operate with this Commission in the public interest.

The grounds upon which this Commission has not favoured the proposal of your council to purchase a portion of this undertaking from the Government have already been fully set out in my letter of 3rd July. Nothing has occurred since that date to alter its opinion in the matter.

Those passages in my letter of 3rd July which referred to the ultimate co-ordination and unification of electrical undertakings have apparently been interpreted by you to mean that the Commission or the Government had in contemplation in some way to prejudice the rights of your council under its franchise.

This is not the case, but, as pointed out, questions concerning franchise covering a large portion of the metropolitan area will arise in the near future, and the problem of a co-ordinated or unified control of the electric supply of the whole metropolis must thereupon inevitably come under consideration. It is a problem whose solution does not necessarily involve the assumption of such control by this Commission, but it is, nevertheless, one in which the Commission, as well as your council and all the other public bodies concerned, are vitally interested. That some form of unified control must come about in order to terminate the present anomalous and chaotic state of things is axiomatic. When the time for consideration arrives, this Commission expects that your council should be prepared to lend its sympathetic aid to a constructive policy designed to serve the best interests of the metropolitan public.

In the meantime, the Commission adheres to its opinion that any partition of the North Melbourne undertaking at the present juncture is inexpedient, is not in the best interests of consumers as a whole, and is certain further to complicate a solution of the problem to which attention has been drawn.

On the 10th August I wrote to the Secretary of the Commission as follows:—

In the matter of the request of the Electricity Commission to sell its recently-acquired right of retail distribution of electric energy in the Hopetoun ward of the city of Melbourne and the adjoining area of Essendon.

The outstanding fact in your reply of the 4th August to my communication of the 19th July is the complete absence of explanation or of reference to the following statements and

questions which formed the essential portion of my communication, and which I am, therefore, forced to briefly recapitulate, viz.:—

- (a) The Commission's change of front in relation to the interview with your Chairman on the 9th June, 1921, when shorthand notes, corrected by Sir John Monash himself, passed between us.
- (b) Why Sir John Monash's desire, on behalf of himself and his colleagues, to co-operate with us had been departed from in such a glaring fashion, and in such strong contra-distinction to the work of the Canadian Commission in co-operating with and assisting local authorities, which Sir John Monash expressly quoted?
- (c) Why the Commission does not support Sir John Monash's attitude as quoted to you at the interview had with him on the 10th November, 1921, when he certainly stated in plain and unequivocal words that our desire to acquire the Flemington portion of the electrical undertakings from the Commission would be a matter of negotiation?
- (d) Why the Commissioners will not honour the expressed promise of the Chairman, which he made on his own behalf and theirs, that "if the Commissioners acquired the whole undertaking, then the City Council would have to pay on the basis decided upon by the Government," and which we are quite willing to do?
- (e) Why, at the interview on the 29th April last, Sir John Monash definitely and deliberately stated that the Commissioners would not oppose the City Council if the City Council were prepared to pay for the electrical rights in the Flemington area, and why he produced figures at that interview indicating the probable price that the Commission would expect from the council, and now, when the Commissioners are actually in possession of the area, the council is told that the Commission will not sell, thus distinctly dishonouring the promise made by its Chairman?

What possible construction can be put upon the attitude of the Commission other than a determination to unnecessarily and unjustifiably enter the field of retail supply of electrical energy as a preliminary movement to putting out of existence, if it can, in the near future, the electric supply undertaking owned and operated by the City Council?

128. *By the Chairman.*—We expect that all these letters you have referred to will be left here with the Committee?—Very well, I can let members have a copy of those letters.—[*Resumed reading*].—

Is this the reason for the tenacity of the Commission in holding on to the retail electricity business in this portion of the city of Melbourne, whose rights to the area, according to the words of the Chairman of the Commission, "still exist?"

In considering its reply to this question, the Commission should have regard to the fact that the additional cost per annum in the difference between the North Melbourne Company's tariff and the tariff of the Melbourne City Council will mean £3,500 per annum to the ratepayers of Flemington. It is understood, for the next twelve years at any rate, should the Commission persist in retaining possession for so long, that the Commission intends to perpetuate the company's tariff, thereby fining the ratepayer's of Flemington a sum of £3,500 per annum over and above what they would pay under the City Council's present tariff, if the City Council were given the rights which it seeks.

Is this a good thing for the ratepayers?

Is this a fair sample of what the people must expect from the operations of the Commission?

Is this the sort of "constructive policy" to which you refer in your letter that "the Commission expect the City Council to lend its sympathetic aid to?"

I repeat that the City Council is quite willing to consider a proposal from the Commission that it should operate the retail supply work, not only in Flemington, but in the adjoining district of Essendon, and thus save the Essendon people £5,000 per annum (the difference between the company's tariff and the Melbourne City Council tariff), as a beginning of that beatific state of affairs that you refer to as "axiomatic" in relation to unified control in the metropolis.

The City Council does not recede in the slightest from its attitude in regard to the withdrawal of its conditional consent in relation to the North Melbourne Tramway and Lighting Company's undertaking, as conveyed to you in my letter of 19th May last.

My Chairman, Councillor Thonemann, desires me particularly to direct your Chairman's attention to the fact that your Chairman gave his distinct assurance at the interview

had with him on the 29th April last, that formal consent, if given by the council, would not interfere with or prejudice in any way the negotiation then proceeding in relation to the acquirement by the council from the Commission of the Flemington area.

In any case, my council cannot be held responsible for the act of the Commission in proceeding upon a qualified consent, which, in view of the Commission's flat refusal to complete certain legal obligations, compelled its subsequent complete withdrawal by my council, especially in view of your Chairman's repeated statement that the Commissioners merely inherited the rights and obligations of the company from whom, without the consent of the City Council, it purchased the undertaking.

In conclusion, I am to say that my council regret extremely that the Commission should so definitely close and bar the door in relation to my council's very reasonable request to be allowed to control the retail supply of electrical energy in its own boundaries. Especially do my council regret it in view of Mr. Commissioner Swinburne's letter of the 22nd July last, when he wrote, "I trust we shall soon have any misunderstanding cleared up, the City Council and the Commission should have only one object in view, and that the public good." My council ventured to think that the saving to the ratepayers in the Flemington area of £3,500 per annum, ought to appeal to the Commission as something achieved for the public good, and my council feel, therefore, it is incumbent upon the Commission to let them do it.

On 17th August the following letter was received from the Secretary of the Electricity Commission:—

Your letter of the 10th instant was placed before the Electricity Commission at its meeting on the 16th instant, and in reply I am instructed to say—

- (a) The several statements and questions to which you make reference in your letter under reply were not referred to in previous letters from the Commission for the reason that the Commission considers that the matters raised by them are not relevant to the subject under discussion.
- (b) The Commission on its own behalf and on behalf of the Chairman now categorically repudiates the inferences which you apparently wish to draw from these and similar statements and questions to the effect that the Chairman of this Commission either did in fact commit himself or the Commission to a promise that he or the Commission would agree to a severance of the North Melbourne undertaking, and the transfer to your council of a portion of the same, or that anything said or done by the Commission or by the Chairman or any of its officers prior to the date of the first formal interview with the Commission on 7th June, 1922, amounted to anything but an exchange of views, and not in any way to any commitment whatsoever upon the question under discussion.
- (c) The Commission regards the interview which you and the Chairman of the Electric Supply Committee of your council had with the Commission on 7th June, 1922, as the beginning of any definite negotiations in this matter, as in fact it was. On that occasion the Commission undertook to give the question raised full consideration. It has done this, and has acquainted you with the result of that consideration. The Commission has, therefore, nothing further to add at the present juncture.

I put in as Exhibit "B" a reprint of the letters I have just read, and a typewritten copy of the last one from the Commission, also a printed memorandum containing the salient points in connexion with the North Melbourne Lighting and Tramway Company's undertaking.

On the 23rd August, the Lord Mayor, Councillor Thonemann, and myself interviewed the Honorable the Premier on the matter in dispute.

A copy of all the correspondence between the council and the Electricity Commissioners was left with the Premier, together with a typewritten sheet of salient points of the controversy.—[*Copy attached hereunder.*]

The Premier promised to give consideration to the request made by the Lord Mayor and the Chairman of the Committee that the City Council should be permitted to control the retail supply of electric current in Flemington and Kensington (Hopetoun ward). Also in Essendon, if necessary, if it was considered desirable by the Premier that the undertaking recently acquired by the Electricity Commissioners should not be partitioned.

The Premier suggested at the close of the interview with him that the Lord Mayor should interview the Hon. Arthur Robinson, M.L.C., as the Minister most closely in touch with the work of the Electricity Commission. The Lord Mayor promised to do this.

In accordance with the Premier's suggestion, the Lord Mayor on the 23rd August wrote to the Hon. A. Robinson as follows:—

I had an interview with the Honorable the Premier this morning concerning the controversy with the Electricity Commissioners over the retail electrical supply rights in Flemington and Kensington, which forms Hopetoun ward of the city of Melbourne.

The Premier promised to consider the facts which I put before him, and he suggests that I should arrange to have an interview with your good self.

Will you, therefore, name a time and place when I may call upon you, or fix a time, if you so prefer it, when I could see you at the Town Hall.

The matter at issue may be briefly set out as follows:—

The City Council is strongly desirous of acquiring retail electric supply rights in Hopetoun ward from the Electricity Commissioners at the price they paid the company. The Commission has stated that it cannot agree (without embarrassing the Government) to any partition of the territory it has recently acquired, which comprises Flemington and Kensington (Hopetoun ward), and Essendon. To avoid, therefore, any partition of the territory, and to avoid also embarrassing the Government, the City Council has definitely told the Commissioners that they will purchase the electrical rights of the whole territory at the price paid by the Commissioners on behalf of the Government. The Commissioners, however, still definitely refuse to sell the whole or any portion of their recent purchase.

I particularly want to discuss the matter with you before the Commissioners new Bill is introduced into Parliament, and more especially as the Premier wishes me to do so.

I trust I shall hear from you in the course of a day or two.

And on the 4th September the Hon. A. Robinson replied as follows:—

Extreme pressure of business has prevented me from writing you earlier with reference to your letter of the 23rd August. I am perfectly willing to have an interview on the matters mentioned in your letter.

If the interview is to be a public one in the sense that notes of what is said on either side are to be taken down, then I prefer the interview to take place at the Crown Law Offices. If, however, a personal interview is desired, it could take place at Collins House.

I suggest Thursday morning at 10.30 a.m.

On 5th September the Lord Mayor replied as follows:—

I am obliged to you for your note of yesterday's date in reply to my letter of the 23rd August.

As the interview desired deals with an important public matter, and as you and I are public men, I would prefer that shorthand notes be taken, and that the interview be held as suggested at the Crown Law Offices.

I would like the Chairman of the Electrical Supply Committee, Councillor Thonemann, and the Town Clerk, Mr. Ellery, to accompany me.

The time named by you, Thursday morning, at 10.30, will suit me.

On the same day the Hon. A. Robinson informed the Lord Mayor that he had no objection to Councillor Thonemann and the Town Clerk being present at the interview. On the 4th September the Lord Mayor wrote to the Premier as follows:—

I am anxious to hear from you on the subject of the interview I had with you on the 23rd August last in company with Councillor Thonemann, Chairman of the City Council's Electric Supply Committee, and the Town Clerk, when we discussed with you the necessity that exists for the City Council being permitted to undertake the retail supply of electric energy in the Flemington and Kensington district, which is the Hopetoun ward of the city of Melbourne, and if necessary, in the adjoining district of Essendon.

I wrote to the Hon. Arthur Robinson on the 23rd August asking for an interview (as suggested by you), but, so far, I have not received any reply from him.

That letter from the Lord Mayor to the Premier was sent on the 4th September, and the Hon. A. Robinson's letter was dated the same date; that is the one fixing the interview the Premier suggested he thought we should seek with the Hon. A. Robinson, to which the Premier, on the 5th September, replied as follows:—

I have your letter of the 4th instant and note the contents. I understand that the Attorney-General is to see you on Thursday next. I cannot, of course, give you a reply until there has been a full opportunity of discussing this matter with the Cabinet.

Nothing further was heard about any discussion by Cabinet. On 7th September the Lord Mayor, Councillor Thonemann, and myself waited on the Hon. A. Robinson, who was not at all sympathetic to our request.

On the 8th September the Lord Mayor wrote to the Premier as follows:—

I have your note of the 5th instant regarding electric supply in Hopetoun ward, and I note that you cannot give a reply until there has been a full opportunity of discussing this matter in Cabinet.

May I express the hope that that reply, even at this stage, will be favorable?

On the same day the Lord Mayor also wrote to the Hon. A. Robinson as follows:—

We did not get a plain answer to the main question that we discussed with you yesterday, viz., Why will the Commission not sell the North Melbourne Company's undertaking to the City Council, seeing that the City Council is quite willing to pay the price required?

Will you state definitely why the Commission will not sell, as there can be no possible question of embarrassing the Government.

Thanking you in anticipation of an early reply.

On 12th September the following reply was received from the Hon. A. Robinson:—

In reply to your letter of the 5th instant, I venture to affirm that the reasons which govern the attitude of the Government and the Commission in regard to the North Melbourne undertaking have already been very plainly given to you on more than one occasion.

The question of the future of the electric supply services of the metropolitan area is one of the first importance. The existing chaotic condition of diversity of standards and methods demands, in the public interest, a comprehensive reform, and involves problems which extend far beyond the limits of the city of Melbourne. The expiration in the not distant future of the franchise granted to a large private company, and covering a very large part of the metropolitan territory, necessitates a full and careful consideration of several alternative proposals for the better co-ordination of metropolitan electric services and the methods of their control.

It must be obvious that it would be creating unnecessary financial embarrassments for the private company referred to if the question of the extinction or renewal of its present franchise were to be prematurely publicly discussed, as also the questions involved in the modernizing of the several diverse systems of electrical distribution, and how and by whom the cost of such measures is to be borne.

For these reasons, I think you should be satisfied with the plain and simple statement that the Government is not prepared at present to agree to any alteration in the *status quo*, or to assent to the enlargement of the territory or the franchise of any one of the present metropolitan undertakers until such time as a comprehensive scheme for the future metropolitan service has been considered and adopted.

The acquisition by the Electricity Commissioners and the Tramways Board, with the consent of the Government, of the North Melbourne undertakings has been merely a measure of present urgency in order to effect a pressing reform under favorable financial conditions which are not likely to recur. It is in no sense a commitment, as you seem to apprehend, to any policy of ultimate encroachment by the Electricity Commission, or any other body, upon the existing rights and franchises of your Council.

In conclusion, I think I might point out that there is little or no likelihood of Parliament sanctioning a proposal such as mentioned in your letter.

Yours faithfully,

(Sgd.) ARTHUR ROBINSON.

To this the Lord Mayor replied on the 14th September as follows:—

I am in receipt of your letter of the 12th September, in reply to mine of the 8th instant, and I am obliged to you for the trouble you have taken in specifically replying to my question concerning the North Melbourne Company's electrical undertaking. I was unaware before the receipt of your letter as to what the reasons were which moved the Government in the matter of our desired acquisition of the part (or the whole) of the territory covered by the company's franchise. The Commission's reasons were expressed in one sentence in the correspondence with us, viz., the desire not to embarrass the Government; but this reason was so manifestly ridiculous, in the light of the City Council's offer to pay the price at which the undertaking was acquired from the company, that it could not be taken seriously.

I thank you for your assurance, corroborating the Premier's letter to me of the 13th July, that no ultimate encroachment is contemplated by the Electricity Commission, or any other body, upon the existing rights and franchises of the City Council.

I appreciate your statement that the question of the future of the electric supply services of the metropolitan area is one of the first importance, and admitting—for the sake of argument—the correctness of your statement that the diversity of standards and methods in matters electrical in the metropolitan area are chaotic, and that they demand a comprehensive reform in the public interest, it is abundantly clear that the Council's offer to purchase part or the whole of the districts of Flemington, Kensington, and Essendon would bring about a first instalment in the reform that is aimed at, inasmuch as the City Council's system is what is known as 3-phase 50-cycle (which is the standard of the Electricity Commission). The system in the area in dispute is the direct current system, and this system could be "changed" over to the 3-phase system by the City Council's staff in six months, or even less, thus standardizing a fair-sized slice of the metropolitan area. The district could then have the benefit of the City Council's tariff, and the money advanced for the purchase by the Government could be repaid, not in twelve years, as now arranged for, but in twelve days, or even less.

We have every desire to assist the Commission and to help the Government in the Morwell undertaking, which ought to, and will, mean so much to the State if it is properly handled. We feel that the Commission should endeavour to work in with the municipalities interested in electric supply, and particularly with the City Council, which is easily the largest and most important public undertaking in the whole State, and which will be the Commission's biggest public customer for electric energy in the near future.

I cannot agree with you when you say that we should accept the situation as it is at present by letting matters remain as they are. On the contrary, I consider that the Government should compel the Electricity Commission, without further loss of time, to accept the City Council's offer, and thus make a solid start to remove the chaotic condition of affairs you refer to in the second paragraph of your letter.

On the 12th September the Hon. A. Robinson wrote to the Lord Mayor as follows:—

I had intended replying to your letter of 14th instant and dealing with some of the impossible contentions, inaccurate statements, and erroneous inferences made and/or drawn on behalf of the Melbourne City Council.

In view, however, of the publication by the City Council of a garbled and misleading reference to the interview which its representatives had with me on 7th instant, and of my suggestion at that interview, I must decline further correspondence.

In not one single sentence does the Attorney-General indicate where the contention of the City Council is impossible, where any of its statements are incorrect, or its inferences are erroneous. He shelters himself behind a paragraph which appeared in the *Age*, for which the City Council was in no way responsible, and declined further correspondence. I understand it is the desire of the Committee to keep things closely on the one line. I am now dealing entirely with the negotiations.

129. *By the Chairman.*—That is so?—I do not want to burden you with figures, but I have some figures here which Councillor Thonemann gave.

130. Will you hand that statement in?—Yes, and the figures are there attached.

131. You can hand that statement, including the figures, to the reporter and he will embody them in the report of the proceedings?—Very well.—[*Witness handed in statement.*]—[*Statement containing figures set out hereunder.*] :—

Reference was made by the Lord Mayor to the fact that we can save this area, by employing our tariff, a sum of over £3,000 per annum in Flemington and Kensington, and over £5,000 per annum in Essendon. I submit the following figures in proof of that assertion:—

ESTIMATE OF SAVING TO FLEMINGTON, KENSINGTON, AND ESSENDON CONSUMERS UNDER M.C.C. TARIFF.	
	Pence.
Average price received per unit sold for power and lighting during 1921 by M.C.C.	2.12
Average price received per unit sold for power and lighting during 1921 by North Melbourne E.T. & L. Co. (See company's letter of 28/7/22.) . . .	3.37
Saving to consumers in pence per unit	1.45

FLEMINGTON AND KENSINGTON.

Approximate number of units sold in Flemington and Kensington during 1921. (See company's letter 22/4/22.)	573,685
Actual saving to Flemington and Kensington consumers—573,685 units at 1.45d.	£3,467

ESSENDON.

Approximate number of units sold in Essendon during year 1921. (Company's letter 28/7/22.)	
Total number of units sold by North Melbourne E.T. & L. Co.	2,365,413
Less units sold for traction	817,602
	1,547,811
Less units sold in Flemington and Kensington	573,685
	974,126

Actual saving to Essendon consumers—974,126 units at 1.45d.	£5,885
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The tariff now in force in the city of Melbourne is a 9.21 per cent. reduction on tariff existing at the end of 1921, on which the above figures are based: consequently, the above savings will be increased by 9.21 per cent.

132. *By the Chairman.*—You will also submit to the Committee those letters you have referred to?—They are all here. We have also taken it as the desire of the Committee that our Accountant and Engineer shall come up to be cross-examined on the figures by the Committee, and by Mr. Eggleston, in particular.

The Chairman.—We will consider that later on.

133. *By Mr. Farthing.*—How much longer will the statement you were reading take you?—A good while. I want to get on to the question of bulk supply. It has an important bearing on the matter.

134. *By Mr. Eggleston.*—Is that bearing on the North Melbourne case?—Yes.

135. *By the Chairman.*—It is getting late, and I think this is a suitable time to adjourn. We will meet again to-morrow morning at 11.30.

The witness withdrew.

Committee adjourned until to-morrow.

TUESDAY, 24TH OCTOBER, 1922.

Members present:

Mr. McLEOD, in the Chair;	
Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

Torrington George Ellery, Town Clerk of the City of Melbourne, further examined.

136. *By the Chairman.*—All right, Mr. Ellery, you can proceed with your statement now?—[*Continuing*]—

Sir, and gentlemen, my remarks of yesterday in reference to the North Melbourne purchase—I wish to refer again to the fact that Sir John Monash stated at the interview Alderman Stapley and myself had with him, and which I have already quoted to you, on the 9th June, 1921, that until quite recently he did not know that the City Council were negotiating in this matter. I want this Select Committee to kindly note that even when Sir John Monash did know we were negotiating in this matter of the purchase of the North Melbourne Company's undertaking that Sir John Monash did not advise us—on the contrary, we had to go to him to ascertain what was actually being done by himself or the Commission, notwithstanding that we were one of the principal parties to the original agreement with the private company.

Sir John had previously stated at the same interview that the Commission did not want to "butt in," but we contend that the Commission did "butt in" in the first instance inasmuch as we were not consulted. When we found that the Commission had "butted in," we considered in the interests of all parties concerned, and the public, that it was a wise and proper thing to allow the Commission to go ahead with the negotiations, especially as they had the Government of the

State at their back, and they had more likelihood of bringing the Tramways Board into line than we had, or than Essendon had. Consequently we sat back from then onwards, and did nothing more than keep in close touch with Sir John Monash, and make it clear to him over the period of fifteen months, already referred to by me, that we were desirous under any circumstances and at any cost of obtaining the rights of retail supply of electric energy in the Hopetoun ward, that is, in the Flemington and Kensington area of the company's undertaking, and I have quoted to you the purport of the several interviews we have had with Sir John Monash.

I want to emphasize this fact—that all the negotiations carried on appeared to the Lord Mayor, the chairman, and members of the Electric Supply Committee, and to myself, that we would receive fair and generous treatment from the Commission, especially as at the interview at the end of April of this year Sir John actually produced figures upon which negotiations as to purchase could be definitely based, and it was only when the Commission turned us down with a bang that we reckoned we had been sold, and had wasted our time in all the negotiations over the long period referred to.

To say that we were astounded was to put it mildly at the change of front which was suddenly adopted by the Chairman and his Commission.

I want you to note that Sir John Monash at the interview on the 9th June, 1921, said that until quite recently he did not know that the City Council were negotiating. If what Sir John Monash has stated is correct that he did not know until recently (at that time) of the negotiations in which the Melbourne City Council were the chief participants, Sir John must have been badly advised by his officers, inasmuch as notification of the negotiations proceeding between the Melbourne City Council and Essendon appeared in the following newspapers on the following dates:—

Argus, 21st April, 1920.

Argus, 2nd July, 1920.

Argus, 6th July, 1920.

Age, 6th July, 1920.

Age and Argus, 21st July, 1920.

Age, 28th October, 1920, and 9th May, 1921.

I can produce all those references in the newspapers to the Select Committee, as they are in proper date order in my office news cuttings books, and I think this Committee ought to see them.

The cuttings I have referred to, you will see, cover the period of 21st April, 1920, to 9th May, 1921, and Sir John Monash, according to the report of the Electricity Commissioners for 1921, took up the position of general manager of the Morwell concern on the 1st October, 1920.

We contend that the State Commission, without any warrant or justification, has entered the field of retail electric supply in a portion of the city of Melbourne, *i.e.*, the Hopetoun ward, recently acquired by the Commission as part of the North Melbourne Electric Tramways and Lighting Company's undertaking.

The City Council wants control in Hopetoun ward (and Essendon if necessary) in order to be master in its own house, but the Commission flatly refuses to consider any proposal "at this juncture," whatever "at this juncture" may mean.

The City Council has intimated in plain and unmistakable terms that it will supply, and is anxious to supply, electric current for power and lighting in Hopetoun ward (Flemington and Kensington) at a cheaper rate than the Commission proposes to do.

The City Council for over fifteen months conducted negotiations with the Chairman of the Electricity Commission for the right to supply electricity in the Hopetoun ward, *i.e.*, Flemington and Kensington.

The Commissioners have objected to partition the areas which they have lately acquired from the North Melbourne company, which covers Flemington, Kensington, and Essendon. The council has made it very clear, therefore, to the Commission that there is no need to partition the area, inasmuch as the council is quite prepared to take over, at a price to be agreed upon, the whole of the area covered by the recent purchase of the Commission, *i.e.*, Flemington, Kensington, and Essendon, so far as light and power requirements are concerned.

All through the negotiations above referred to the City Council were led to believe by the Chairman of the Commission, Sir John Monash, that the area in question would be placed under the control of the council, and the council are very sore at the change of front recently displayed by the Commission.

The Chairman of the Commissioners has stated that Melbourne's rights to the area still exist, and that the Commissioners have done nothing more than step into the shoes of the company, and the Chairman of Commissioners has stated that they inherit the company's obligations, one of which was to sell to the Melbourne City Council.

The attention of this Committee is particularly drawn to the fact that at an interview with the Chairman of the Commission, Sir John Monash, on the 10th November, 1921, Sir John Monash stated, "So far as the future control of the supply of electricity in the Flemington area was concerned, it would be a matter for negotiation between the Electricity Commission and the council, when the purchase from the company was completed."

At the interview with the Commissioners themselves on 7th June last Sir John Monash said, *inter alia*, in relation to the council's request, "Our concern is how we can concede this."

At an interview on the 6th April, 1922, Sir John Monash stated that if the Commissioners acquired the whole undertaking, then the City Council would have to pay on the basis decided upon by the Government, which the council is quite willing to do.

At another interview on the 29th April, 1922, Sir John Monash stated that the Commissioners would not oppose the City Council obtaining the rights in the Flemington area if the City Council were prepared to pay the price, and Sir John Monash actually produced figures as a basis of negotiation at that particular interview, and now Sir John Monash and his Commissioners categorically repudiate everything.

I desire to repeat and emphasize the following extract from a statement by Sir John Monash at an interview with the Electricity Commissioners on the 7th June last, when Sir John Monash said, *inter alia*:—

"I will just briefly recount the tenor of the previous conversations we had, as I do not think the Commissioners are acquainted with the full details. I pointed out to Councillor Thonemann that this acquisition was not yet completed, and it will not be for some weeks. This is really an acquisition by the Minister who will later on under statutory authority vest certain property in this Commission and in the Tramway Board. I pointed out to Councillor Thonemann that we were doing nothing more than stepping into the shoes of the present company, and whatever their rights and obligations were we inherit. I want to say that at the end of the period that the company obtained the franchise for, certain assets would automatically pass over to the councils of Essendon and Melbourne unless either council waived these rights. I may tell you, Councillor Thonemann, that since I saw you, Essendon have waived their rights, but Melbourne have not been asked to do so, nor have they done so. These rights further still exist. . . . The burden, in fact, commits the territory to pay higher rates than in the past as compared with the Melbourne City Council area."

I have ascertained that when the Commission started retail operations in Flemington and Kensington (the Hopetoun ward of the city of Melbourne) and in Essendon, on the 1st August last, they carried on the North Melbourne company's tariff, upon which the figures above quoted showing the savings as between the North Melbourne company's tariff and the City Council's tariff could be made, and I found out from actual inquiries made that the same tariff was in operation on the 5th October; consequently my figures quoted hold good.

I direct particular attention to Sir John Monash's words in the shorthand notes which he corrected himself at an interview on 9th June, 1921, where he said, "I told Mr. Cameron we had only come into the matter at his request, and that we had enough burden to carry."

Our desire, sir, is to relieve them of that burden. We want to relieve them, and we want as strongly as we can to urge upon you the justice of the case, and we ask, if it is a burden, why they so tenaciously stick to the retail work that we are ready and anxious to relieve them of.

I would urge with the Lord Mayor that this Committee will recommend Parliament to insert a clause in the Electricity Commission Bill now before the House to compel the Commission to sell the light and power rights of the whole undertaking to us, which they have recently acquired, in order that we may be masters in our own house, and for the reason that we shall develop the area as carefully and economically as the Commission can or will do. We have the staff and the equipment, and the liability with which they propose to saddle themselves for twelve years we can relieve them of in twelve days. We can bring the area forthwith up to the Electricity Commissioners' standard of 3 phase 50 cycle, and we can let the ratepayers of Flemington, Kensington, and Essendon have the benefit of our tariff, which the Electrical Engineer estimates will save them an amount of £3,500 per annum in Flemington and Kensington, and £5,000 in Essendon.

What better terms can the Government or the Electricity Commission possibly want than those we are offering? We trust that Parliament will not countenance such sheer obstinacy, and we ask, therefore, that our sensible and reasonable request be acceded to.

I have said that the reasons animating us in our request are that the Flemington and Kensington district is the Hopetoun

ward of the city of Melbourne, and that we desire to be masters in our own house. Sir John Monash characterizes that as "largely sentimental." Sir John's criticism is presumably made without knowledge or experience of the details of public municipal administration. Had he possessed such knowledge he would have known how undesirable and detrimental it is to multiply authorities in any area for local work such as retail electrical supply. There is perpetual irritation and perpetual bickering wherever it occurs, and I need only refer to the trouble we have with the Postmaster-General's Department in the destruction of street trees, the Metropolitan Board of Works in regard to damage to roads through bursts in water mains, and with the Tramway Board over overhead wires in streets.

As the road authority, we have not paramount rights. Other statutory authorities have equal rights for their special work. The result is as above described, and the condition of irritation is perpetual, not only to ourselves, but to our rate-payers; and to bring another authority, such as the Electricity Commission, into the Flopetown ward is lamentable, to say the least of it, and ought not to be tolerated under any circumstances.

It may be argued that we already have some one there—that the company has been there for years. I want to say that we inherited that disability when we took over the Flopetown ward from the local municipalities that previously looked after it, and it did seem to us a golden opportunity in connexion with its acquirement by the Commission and a chance, at any rate, for us to do away with what was certainly a drawback in administrative matters in that area.

Now, may I say something in regard to the Bill—not the Bill as affecting country districts, or not the Bill as to general criticism of the measure, but in regard to what appears to us to be some ambiguity in it, because we do not quite know where we are. My remarks are very brief, and I hope you will let me run through them.

Regarding the draftsmanship of this Bill, section 2 appears to be curiously worded, and, in the opinion of the legal advisers to the city, while it would operate to exclude the city of Melbourne and all municipalities any part of whose district is within 25 miles of Melbourne, it could be improved by being amended as follows:—

- (a) Sub-section (1) omitted altogether;
- (b) The word "such" before "municipality" in sub-section (2) deleted where it appears (twice);
- (c) At the end of the section (after renumbering) a new sub-section (11) added as follows:—

"(11) This section shall not apply to the city of Melbourne nor to any other municipality any part of whose municipal district is within 25 miles from the nearest point of the boundary of the city of Melbourne."

It may be a question of lawyers disagreeing, as lawyers and professional people often do; but the Bill was referred to the legal advisers of the city, and that was the report we got—boiled down very considerably.

Section 3 of the Bill appears to be wide enough in its terms to cover the recent purchase of the North Melbourne undertaking by the State Electricity Commission, but it may conceivably be held, as the Act does not purport to be retrospective in its operation, that it would not have the effect of ratifying or validating an agreement already entered into, although such an agreement was within its terms.

We are, therefore, in a quandary as to whether this Bill is really intended to cover the recent purchase by the Electricity Commission of the North Melbourne undertaking or not.

The ambiguity of the verbiage may be unintentional or otherwise, and that point we think should be made clear; and, in any case, we think we should be consulted in connexion with this proposed purchase instead of any legislation being attempted which would have the effect of ignoring us altogether.

I want this Select Committee to realize that we are not antagonistic to the Morwell scheme. We cannot be; we have no desire to be. As a matter of fact, the Chief Electrical Engineer (Mr. H. R. Harper) was our chief engineer for many years, and while in the City Council's service he was one of the experts chosen by the Government, some six years ago or thereabouts, to report upon the Morwell scheme, and his services were cheerfully lent by the City Council, which urged the Government to proceed with the Morwell scheme in the interests of cheap power in bulk, not only for the city of Melbourne and the metropolitan area, but for the benefit of Victoria, so far as it was economically suitable; and in a report to the council, a copy of which was forwarded to the Electricity Commissioners over two years ago, the following words occur (the report, by the way, is a review of metropolitan conditions):—

"The municipal districts supplied by the Melbourne Electric Supply Company can hardly be interfered with by the Electricity Commissioners before 1925. They will probably regard the aggregate area supplied by the Melbourne Electric Supply Company—except its bulk supply

areas—as a single entity, sufficiently large and satisfactory to be supplied by them economically with high tension current in bulk from the power house to be established at Morwell.

The City Council's business within the municipal boundaries of the city (both lighting and power) will undoubtedly be regarded as coming within the same category as the Melbourne Electric Supply Company's territory, but the council's bulk supply areas will probably either have to allow the City Council to supply all consumers therein direct at the same price as consumers in the city, or these suburban councils will find it essential to combine into one organization, in order to obtain high tension current in bulk from the Electricity Commissioners' power house at Morwell.

It is certain that the Electricity Commissioners will not attempt to supply all the existing small suburban distributing bodies separately, and it is already known that the Commissioners will supply high-tension electric energy to a limited number of sub-stations only, chosen, not with regard to any municipal boundaries, but because of their economic situation."

I quote this to show that we were endeavouring to realize that a change, even two or three years ago, was coming over the scheme in regard to the State Electricity Commissioners controlling the supply, and we looked forward, not with apprehension, but with a certain amount of pleasure, at the possibility of the State having this fine undertaking so handled that it would be a benefit to all concerned, and we have only differed from the Electricity Commissioners when we found that they were making an incursion without warrant, as we considered, into the domain of the retail supply.

In view of the changed conditions that have been created by the appointment of the Electricity Commissioners, it is incumbent upon the council as the pioneers of public electrical generation and distribution to definitely make its policy known.

The City Council has expended over a million and a half of money upon its electrical supply undertaking, and has brought it to a high state of efficiency, as is shown by the low price charged to consumers.

The area is self-contained, and the demand is sufficiently large to be economical from every point of view; it is compact, densely populated, and electric energy is not distributed beyond its own limits. Therefore, it is an ideal area.

The council will be able to distribute energy and power cheaper than other areas that are sparsely populated.

The undertaking is perfectly organized in all its branches, and is so equipped that it is capable of extending its operations without difficulty, and without any alteration in the existing system of management.

The council will therefore maintain in the strongest possible manner its undoubted right to retain distribution in its own territory.

That was part of a memorandum issued under the instructions of the Electric Supply Committee, which recommended the council to forward copies to the Electricity Commissioners for their information, and it was issued early in 1920, and copies were accordingly sent to the Commission.

In support of our contention to be left alone, I quote the very words of the Electricity Commissioners in their report to Parliament in March last, where they say, "One elementary consideration is to be borne in mind at the outset, and all the time. The Morwell scheme will not and cannot have a monopoly of the electric supply of the State. It is a scheme which must justify its existence by its own merits. It must be able to survive, in the open market, against all competitors both as to quality and price."

The Morwell scheme has competitors not merely in gas, steam, and fuel. It has powerful rivals in its own domain of electricity. The power-houses associated with the Morwell scheme will not be the only ones in the State, nor is the possibility of other new power-houses owned by municipalities or by private concerns to be excluded. The margin between the generating cost of the Morwell scheme and that of such other large existing power-houses as those at Newport, Richmond, Spencer-street, or Geelong (to name only a few), is not so great that liberties dare be taken with the finances of the scheme of a nature which will artificially raise the cost of generation or distribution or both."

One other matter I wish to stress before I conclude my evidence, and that is one fact in connexion with the apprehension we feel concerning what the ultimate costs of energy from Morwell will be.

In a letter addressed to the Hon. H. H. Smith, M.L.C., in September last, the Hon. Arthur Robinson, Attorney-General, made this statement:—

"It is unlikely that the costs of electrical energy delivered to the metropolitan area will be materially different from the estimates shown in the Electricity Commission's report of 1919."

You will notice that the Attorney-General considers it as unlikely that the costs will be different from the 1919 estimates in relation to the Morwell supply, whereas, as a matter of fact, the tariff set out in the 1919 report in comparison with the actual quotation for bulk energy from the Electricity Commissioners to the Melbourne City Council in March, 1922, it is found that the actual quotation exceeds the estimate by not less than 25 per cent. If an actual quotation can show such an alarming increase over an estimate in the short space of three years, what in the name of goodness is going to happen if the present suggested scheme of subsidies becomes law?

The City Council seeks to control the retail work in its own area, which includes the Hopetoun ward now controlled by the Commission. It could not profiteer even if it wanted to, because the Electricity Commission is in the possession of statutory powers to control prices.

The City Council fears the possibly building up of a huge State monopoly where every ratepayer would be absolutely at the mercy of political interference, and for the reason that it is quite possible that some day there may be a majority of members of Parliament in favour of a flat rate all over the State.

As was put recently in a leading article in the *Age* newspaper, the council cannot lose sight of the fact that the cost of running another large State Department might be accomplished with waste and inefficiency, because it is manifestly physically impossible to overlook a Department which would spread from Warrnambool to Albury, and from Mildura to Orbost, with that same close attention to detail as could be done and is done in a 10 square-mile area which the City Council has jurisdiction in.

With the waste that appears to be inevitable in such widely spread public undertakings, every prospect would be jeopardized that the public may have of getting cheap power, and, as the newspaper stated in the article I have referred to, the electricity undertaking may even become as the railways have become already, viz., a deficit-creating service.

I want to stress one other point, viz., in the Electricity Commission's report of 1919, these words occur:—

"A supply of cheap energy is as essential to industry as are labour and material."

And again in another portion of the same report, these words occur:—

"An ample supply of electrical energy at cheap rates is one of the most important factors to be considered by the manufacturer in arriving at a decision as to where an industry is to be established. Given a supply of cheap energy there is every reason to expect that Victoria will be looked upon with favour as an industrial centre, &c., &c."

In the 1920 report of the Commissioners, the following occurs:—

"The main endeavours of the Commissioners have been directed to the investigation of alternative schemes to provide an adequate supply of cheap power to the metropolitan area, &c."

The keynote, you will see, in the creation of the Morwell scheme, and in the reports of the Commissioners I have quoted to you, has been cheap energy. Power at cheap rates was the slogan of the men behind the scheme.

Contrast these utterances with the following words taken from a newspaper report of a speech by Sir Monash at Castlemaine:—

"People have made themselves quite warm on this subject of cheap power, which is being represented as a controlling factor in decentralization. It is nothing of the kind. It is only misleading people to say that the cost of power is a dominant factor in deciding where an industry is to be. It is the least factor of all. This question of price of power has been made to loom very large, but you have ample experience in other countries as well as this to say that what the manufacturer demands is power, never mind the price. Price is a secondary consideration."

In the Commissioners' report on the Kiewa hydro-electric scheme, in 1919, they state that—

"Rural needs can for many years to come be more adequately and economically met by well-designed and administered local heat-power schemes."

If the Bill is passed it will be the last nail in the coffin of cheap power.

"We view with alarm the ever-growing powers of the Commission, as was pointed out by Mr. Bowser, M.L.A., in the House on the 4th October last."

In every session of Parliament since 1918 legislation has been introduced further extending the powers of the Commission.

We feel, unless some protest is raised now to curb the ambitions of this autocratic body, that we shall be legislated out of existence in the near future.

What possible construction can be put on their tenacious hold on the North Melbourne Company's undertaking in the retention of the retail rights than that it is to be regarded as a means to an end?

We shall be the largest public customer of the Commission, but we shall keep our stand-by generating plant. We contend that the City Council's organization for retail distribution and generation should be allowed to stand between consumers and the Commission when we buy energy in bulk from them, thus assuring far less danger of exploitation, for we would be directly answerable to the manufacturers and users of electric energy, and any inefficiency or attempt to profiteer could be immediately detected and stopped by the powers of the Commission which it already holds."

There are Electric Commissions, as this Committee doubtless knows, in Canada, New Zealand, and in Great Britain, and they are bringing one into being in South Africa. In no single instance, so far as I am aware, do the State or Imperial authorities attempt in any shape or form to deal with the retail distribution work in a direct manner as this Commission is now doing in North Melbourne, and seeks power to do in other parts of the State.

It seems to me a pitiable spectacle to see a Government Commission, created to carry out a magnificent work for State development, the success of which depends on co-operation with the Local Government interests, at loggerheads with the representatives of the people.

The Morwell scheme was conceived with the idea of bulk supply to undertakers, and bulk supply only. One has only to read the Electricity Commission's Report of 1919 to be certain of this, and I direct this Committee's attention to the following:—

"On page 4, section (e), of the Electricity Commission's Report of 1919 it states distinctly, when dealing with the Morwell scheme, that any scheme entered upon must be able to furnish a bulk supply of electricity at a rate below which it is generated at the existing power-houses in Victoria."

The Committee will notice the words "bulk supply." Page 9 of the same report deals with the expenditure proposed in connexion with the creation of the scheme. Not a word is said dealing with the retail supply.

137. *By the Chairman.*—The Act has provided for a retail supply since then; what they may have contemplated then and what Parliament has done since are not in unison. There is no use in referring to a lot of matter that is already past the realm of practical politics?—I put this forward as an argument to show that if some brake is not put on this continual legislation session after session we shall be legislated out of existence.

138. *By Mr. Eggleston.*—Those powers appear in the Bill of 7th January, 1919?—What powers?

139. It says in that Bill—

"12. Subject to this Act the Electricity Commissioners may, on behalf of His Majesty—

(d) supply electricity to any person or body of persons corporate or unincorporate outside any area for which there is an Order in force at the commencement of this Act."

?—I know that quite well.

140. *By the Chairman.*—The evidence is that the electricity question has been growing, and Parliament, at the request of the Ministry, had decided that there must be co-ordination, and endeavoured to bring things into line?—We have no objection to co-ordination in any shape or form, but what we are fearful of is that with the continually added powers it may become a habit every session, and it is only a question of time when there will be one sweeping Act to provide for the Electricity Commissioners taking over the whole thing—lock, stock, and barrel.

141. *By Mr. Eggleston.*—You want to cure Parliament of its bad habits?—If it is possible.

142. *By the Chairman.*—There is one point prescribed in the 1919 Act as to the duty of the Commission. It states—

"11. Subject to this Act, the powers and duties of the Electricity Commissioners shall include the following:—

(a) To inquire into and report to the Minister, as soon as practicable, and from time to time, as to—

(i) The steps which in their opinion should be taken to secure the ultimate co-ordination or unification of all State or other electrical undertakings in Victoria. . . ."

Parliament is anything but ignorant of what the necessities are?—I do not suggest for a moment that Parliament is ignorant of the necessities of the case.

143. No; but it makes unnecessary some of that matter which you are reading?—My argument has been that we went into this scheme as strongly as we could, as I think I have shown, to help in every shape and form with the suggested creation of this great Morwell scheme. We were amongst the early strong supporters of it, inasmuch as we either had to be assured that the State would go on with this big scheme some six years ago, and go on producing, or we had to face the alternative of creating a new power-house ourselves.

144. You would have had to spend a large sum of money yourselves?—We would have had to create a new power-house, and the scheme in relation to Morwell was put so strongly and with such conspicuous ability by the then Chief Engineer, Mr. Harper, that the committee of the day of the Council agreed to strongly support the larger scheme, and abandon any idea of creating a new power-house, and we have on record long letters which passed between ourselves, as a Council, and the then Premier—I think it was Sir Alexander Peacock—and I am trying to show, and with respect to this Committee, that when we so strongly championed the Morwell scheme, it was only the bulk supply that was talked about—that is the reason. I could make that statement, as I have done, in two or three words, but I submit, with deference, that it would not carry the same weight as giving you the evidence in support of the statement, and that can only be done by quoting to you these references to “bulk supply,” “bulk supply,” and “bulk supply.” To crystallize the position in two or three words, I may say this—that had there been any idea that a Commission would have been brought into being that might in the course of its work have given rise to apprehensions in our mind that we might have been put out of existence, or had our backs to the wall fighting for a slippery existence, we should not have supported Morwell so strongly; that is a certainty. We pioneered our undertaking as a public utility.

145. Those quotations that you are reading now relate to a state of knowledge regarding electricity which has since been expended. Parliament has recognised that, and extended to the Commission the powers you deprecate at present, so that it is not a matter of anything unforeseen or unprovided for. We have to deal with matters as the law at present authorizes, and it authorizes the Commission. It will not save time to refer to arguments which took place in the past; as a Committee we cannot go behind the Act of Parliament?—I am not suggesting that you should for one moment; but I still say that I cannot support my main argument in my own way unless I am permitted to give these short quotations, which show why we supported strongly—very strongly—the creation of the Morwell scheme, and we want to support it.

146. I think we all agree with that without any argument at all—that at the time those statements were made the horizon was not sufficiently extended to cover the state of affairs existing since?—Or that the horizon was not sufficiently extended for us or the Commission's engineer to apprehend the present state of things.

147. I sympathize with your position, but if the necessities of the State caused Parliament to give the Commission much more extended powers throughout the State, do you think the city of Melbourne should stand out and block it because it was against its own interests?—We do not want to block it.

148. Well, that is the position you are getting into now?—No, sir; with much respect, we do not want to block it; we do not want to; we are simply putting up a fight for our existence.

149. Your argument was that if the City Council had known of this development it would not have supported the scheme?—We would have gone on with our power-house; I am perfectly frank, and I say it again; but the thing has developed far beyond what the

original Commission thought, and beyond what Parliament thought, otherwise a comprehensive Act of Parliament would have issued to fill the bill from 1918, and it would not have required so many amendments. Even the Commission's engineer—the Chief Engineer—did not apprehend it, because I have evidence here as part of my argument to show that, in 1917, in a presidential address to the Victorian Institute of Engineers, Mr. H. R. Harper said—“The production and the distribution in bulk of electricity would seem a reasonable activity of the State Government to undertake, allowing the retail distribution of electricity to remain in the hands of the local authorities, municipal or private, as the case may be.”

150. I just wish to confine the argument as closely as possible to the salient facts as we have them now, whatever may have been the opinion of the City Council, or Mr. Ellery, or anybody else?—Oh, well, as a public officer, Mr. Ellery has no opinions.

151. I do not think that is a proper remark to make?—Then I apologize; but, as a public officer, one has to carry out the policy laid down by the Council that employs one. You may not approve of the policy, but you have to do the thing whether you like it or not.

152. *By Mr. Eggleston.*—But when you are giving evidence before the Committee are you giving your own opinions or the opinions of the council?—These are the opinions of the Electric Supply Committee, adopted by the Council in broad outline; the details have been gone through by the Chairman of the Committee.

153. *By the Chairman.*—Will you kindly give us the remainder of your argument?—It deals with the question of bulk supply.

154. *By Mr. Eggleston.*—That comes under the other heading, and you may be repeating it?—Might I say, then, that so far as the North Melbourne undertaking is concerned, I have finished; the rest of this refers to bulk supply. Perhaps I might be permitted to elaborate this evidence at a later date, when you are dealing with the other matters.

155. *By the Chairmen.*—The bulk supply is a different matter altogether?—This might be admitted in general criticism of the Bill, but I am not instructed at present to give any evidence on the Bill, and it would necessitate my conferring with my Electric Supply Committee.

156. Very well; go on?—I have nothing further to add beyond the statement that the early history of this matter clearly showed why we went into it, and now we consider we are big enough and sufficiently well equipped to stand alone. We feel that the Government of the day and Parliament should set its face strongly against monopolistic power being vested in the State Commission to the exclusion of local authorities in regard to retail distribution work. Parliament has put safeguards round the building of railways, and doubtless the members of this Committee saw an article by Mr. Stone, of the Railways Department, in one of the newspapers a few days ago. We think that some safeguards of that nature should be put round the administrative acts and work of the Commission. [*Copy of newspaper article handed in.*] In practice monopolistic centralization of authority invariably spells exploitation. Economies may be achieved, but the consumers seldom or never get the benefit of them. The only way in which the consumers of power can be always assured of getting a cheap commodity is to see that representative bodies of the ratepayers are engaged in the business; such bodies will criticise the Commission just as the Commission will criticise them, and they must necessarily function continuously and efficiently, or else the Commission would be justified in asking Parliament to put them out of existence; but I repeat that, so far as the City Council is concerned, it occupies a unique position. It is economically big

enough to stand by itself. It has functioned for thirty years to the satisfaction of the ratepayers; and there is no reason why it should not continue its good work. It is capably managed by engineers as able and as efficient as those employed by the Commissioners, and its distribution organization is as near perfection as it is possible to get. There is no warrant or reason whatever, except the ambitions of the Electricity Commission, for seeking to disturb it; and while I realize that this present Bill does not propose to interfere with us, I want to raise a note of warning against such possibility in any future measure that may come before Parliament. That is practically all I have to say. I will hand in these printed copies of the facts I gave you yesterday in regard to our negotiations with Essendon, and also this reprint of the correspondence which we had with the Electricity Commission. Their last reply is the 17th August; the letter I read yesterday is typed and attached also. [*File of papers handed to Secretary of Committee.*]

157. *By Mr. Farthing.*—When the Electricity Commission, or the Chairman, commenced negotiations with the Tramway Trust, in 1921, in relation to the North Melbourne undertaking, did your Council break off negotiations with the Essendon Council?—Negotiations were never formally broken off, but there was a lull or a hiatus in the negotiations because we were requested by the Essendon people, prior to knowing anything about the Commission, to let them carry on with the Tramway Board, because they felt, and I think rightly so, too, that they had a more live interest in the tramway matter in their district than we had, and so we stood aside; and it was during that hiatus, so to speak, that we heard the Commission had come into it, and then after we had had sundry interviews with Sir John Monash our people decided to stand aside, as I mentioned this morning, in order that the Commission might act unhampered. We felt that the power they would wield with the Tramway Board, having the State Government at their back, would be more likely to prevail with the Tramway Board, which at that time seemed to be obstinate, to come into line with ourselves or Essendon, or both. We, therefore, stood aside for those reasons; but we always had the ideas in our heads—every one of us mixed up in this—that we would get fair and generous treatment from the Commission, and that if we were prepared to pay the price we would get what we were after when they made the purchase.

158. But what does your Council rely on for the sale to you of the whole or portion of the North Melbourne undertaking; will you give us the reasons that led your Council to believe that the sale of the North Melbourne portion should be made to the City Council?—Well, generally, Mr. Farthing, the tenor of the interviews with Sir John Monash, and in particular when Sir John Monash said they had no desire to “butt in”; well, when they “butted in” and started negotiations we thought they would just as cheerfully “butt out” when the time came. Then Sir John Monash told Mr. Cameron, of the Tramway Board, that he only came into the matter at his request and that the Commission had enough burden to carry. All that looked hopeful, and we were the people who were prepared later on to come in and relieve them of that burden. I think, in one of my letters sent by direction of my Committee to the Commissioners, I mentioned where Sir John said, on the 10th November, 1921, that our desire—

“To acquire the Flemington and Kensington portion of the undertaking would be a matter for negotiation.”

And, later on, when he said—

“If the Commissioners acquired the whole undertaking, then the City Council would have to pay on the basis decided upon by the Government.”

And we made it clear that we were willing to do that very soon afterwards. Then, on the 29th April of this

year, Sir John Monash brought forward some figures indicating the basis upon which negotiations would have to proceed. They were placed before my committee. That was at an interview which Mr. McColl, the deputy town clerk, in company with Mr. Thonemann and Mr. Lane, the acting city electrical engineer, had with Sir John at his office; I was away from Melbourne for a few days at the time. At that interview Sir John produced the figures I have already quoted to you in my evidence, and that gave us the first idea as to the price. That was supplemented by what had transpired previously over a considerable portion of time and at a number of interviews with both Councillor Thonemann and myself. The figures were produced to a body of gentlemen sitting round a table like you are, and you tell them: “Now, this is what we have got—now we are getting right up to it—you have to make up your minds quickly whether you will buy; this is what we will have to pay for Flemington and Kensington, and if there is any objection to partitioning the whole area you will have to pay so much more for Essendon as well.” The committee deliberated; I think there were two meetings held, and the committee decided unanimously to go ahead—to complete everything and pay the price asked. I think they are pretty solid grounds for thinking as we did.

159. In all those interviews with Sir John did you imagine he was speaking for himself or for the Commission?—Oh, for the Commission, undoubtedly, because a gentleman in a position as chairman of a body, or a board, or a Council—

160. But what were your reasons; did you imagine he could bind the Commission? What were your reasons for thinking he could bind the Commission?—We had no reason to think otherwise; if we had we should have regarded it as purely a waste of time in going and seeing him. If they were purely his own personal views what would be the good? That question never did arise, to my certain knowledge. Then, when we got down to the actual figures and we asked to go right ahead with the purchase, he said “Come along and see the Commission.” We thought that was simply to set the seal on what had transpired; but it was not so.

161. Can you tell me what proportion of the total supply of the electricity of Victoria at the present time is used by the City Council?—No, but I could get it for you.

162. Could you give me a rough idea now?—No, I could not.

163. *By Mr. Eggleston.*—If the City Council ran this area where would it get its power from?—Principally Morwell, I should say.

164. From the Commission?—Yes, undoubtedly.

165. Would it get it from this old power house in Spenceer-street?—Well, the Committee had probably better hear the acting city electrical engineer, Mr. Lane, if you want to pursue that. What Mr. Lane has said to me in chatting over it has been this: that we will have to take the maximum demand up to a certain quantity from the Commission and pay on that, and keep our generating plant there for what he calls peak load requirements. If you wish to go further into that matter he could explain it.

166. Would you not have to go to the power station at North Melbourne; is that what Sir John means where he says, on page 14 of the evidence—

“Here is a district which is admittedly a better industrial district than any other part—that is, the industrial area of the North Melbourne undertaking. If we agreed and stipulated you will have to continue a customer of that power station as long as we retain control.”

?—I do not think so. I think he was meaning Morwell. I am not clear about that.

167. I will read that through again. [*Extract repeated.*]?—I suppose that is the North Melbourne power station, but we supply a certain amount of current in bulk to that area now.

168. I take it that your general attitude to the Commission is that, as a result of certain statements made by them, you laid back and did not insist on the sale to you of the undertaking from the original owners?—That is quite true; that is so.

169. And you laid back on the faith of Sir John Monash's statement that he was not "butting in"?—On that and subsequent interviews.

170. Well, now, what were your rights prior to the Electricity Commission negotiating for the purchase of this; your legal rights were to get the undertaking in 1934 when the concession terminated?—The concession terminated in 1934, and we had certain purchase rights in 1917, 1919, 1924, and 1929.

171. I am not sure of the legal position, but is it not a fact that those rights of purchase could only be exercised by the two councils jointly?—I think that is so.

172. Therefore, one council could say, "I will take it," and the other could say, "I will not agree"?—I think you are right.

173. I do not know, though that applies to 1934?—I do not know; I have not looked into it.

174. You had the right of getting the undertaking in 1934?—Yes.

175. You still have that right, have you not?—Sir John Monash says the right still exists.

176. Has anything been done to remove whatever rights you have had?—Not that we have done; we have done nothing.

177. Your claim was to anticipate those rights?—At that time.

178. You wanted to anticipate those rights in 1922; your claim to purchase the undertaking in 1922 is a claim to anticipate those rights?—That is so.

179. But there was no moral obligation on any one in 1922 to sell to you then what you had the right to get in 1934?—No; no legal obligation. I would say, rather a moral obligation.

180. Apart from the economic question as to what was best for the people concerned, there was no obligation on any one to sell to you at all?—No, we do not come here and say that the Electricity Commissioners have done an illegal act; we do not say that at all.

181. You say that Sir John Monash or the Electricity Commissioners—I do not think there is any dispute that Sir John Monash had authority to bind the Commission according to the evidence so far—promised you that, instead of exercising your power in 1934, you could have it in 1922, when they got control of the undertaking?—Sir John Monash said, "What do you want to get it in 1922 for; why don't you let it revert to you in 1934?" or words to that effect. We hung on once before for tramways; did we get them?

182. You got something else instead?—We did; we got a liability of £100,000 a year.

183. I am not defending them; that is a side issue with a vengeance. Anyway you had the right to purchase in 1934?—No.

184. Well, the undertaking reverted to you in 1934?—Yes.

185. You say that Sir John Monash said that if he purchased the undertaking from the North Melbourne company that he would negotiate with you and sell to you in 1922 on terms which were left open?—That was the construction we put on all the negotiations; otherwise what was the good of going to see him at all?

186. I do not know; I would like to see where you have this promise. That was a definite promise, and you should have it. Then, I think the Committee would consider it very seriously; but if there is only

a vague assertion of possibilities I do not see that the Committee can pay any attention to it. Of course, that is just my own opinion?—What do you mean, Mr. Eggleston? What construction could we put on it when Sir John said it would be a matter for negotiation?

187. Yes, a matter for negotiation; negotiation is a commencement which may or may not lead up to a deal. It does not mean that the deal is going to be made?—But when you get figures, and we say, "Yes, we will pay that price"?

188. Yes, you might be willing to pay any price that was asked. In one part of your evidence you say that you would pay any price asked. You put it that if any negotiations started they would be sure to come to a termination because you would pay any price asked?—Exactly; we realized that we would have to pay a pretty stiff price, and we were quite prepared to foot the bill.

189. Take the interview of the 29th April, or rather when Mr. McColl and Mr. Thonemann interviewed Sir John Monash. You say that the impression left on the minds of the gentlemen then was that the Commission would be willing to sell?—Yes, a very strong intimation was conveyed to me by those officers.

190. On page 14 of this evidence Sir John Monash is shown as saying at an interview:—

"The terms it would be necessary to ask for to safeguard the financial soundness of the undertaking as a whole looks so formidable that we could not ask the City Council to pay them."

That was at that particular interview of the 7th June?—Yes.

191. No, that is 29th April, I would say. Is that consistent with giving an undertaking to sell to you—that was the 7th June?—That was the first time we got the cold douche. On 29th April we were all feeling quite good.

192. Well, take the 29th April interview; that is shown on page 12 of this evidence. It says the total purchase amount was made up as follows, and then it is set out. That gives the price paid; then he goes on to deal with the various sections. Then, on page 12, Sir John Monash states that Essendon had "decided not to purchase its share, and had agreed not to take any action with a view to forcing the Commission to reduce tariff during the next twelve years below what the Commission decided was necessary. The various figures quoted were not to be taken as definite terms of purchase, but only as approximately correct. Should Melbourne City Council desire to negotiate further, Sir John will arrange for a meeting with the Commission." That was only a promise to negotiate further?—Only a promise to negotiate—we were told also that it was a matter of price, and we said that we would pay the price.

193. You would pay any price that was asked?—Well, if they came along and said it was £1,500,000, we would have probably said No.

194. But if they wanted a profit of £50,000 would you have paid that?—Probably, Yes.

195. What about the people in the area?—You have a concern with an income of £1,000,000 a year, and your bank is not going to see you stuck.

195a. But what about loading the price?—If you want to go into that with me I will get the necessary statements from the books and you can re-call me, and I will bring the accountant along with me.

196. Well, now I would like to call your attention to some statements throughout this correspondence which seem to me to be inconsistent with a promise to do anything more than discuss the matter with you. Look at page 11 of the evidence. In your letter of the 10th June, to Sir John Monash, you say—

I will be glad if you will keep me posted as to the action being taken by the Electricity Commissioners, and I will be pleased to confer with you at any time in regard to the matter.

Where is the statement as to butting in?—I think that is on the 9th April, or 9th June, 1921—on the 9th June, 1921.

197. Yes, on page 10 it shows:—

Sir John Monash.—I would like you to understand that the Commission do not want to butt in. The Commission is here to discharge a public duty, and we would only intervene in the matter if we were requested to intervene, and then only if our intervention would be helpful. The more potential buyers, the bigger will be the price the company will ask.

After that I understood you to say that you laid back and let the Commission do the negotiations?—We did.

198. That was then your policy?—Yes; because we were going to deal with them when they had made their purchase. We relied on those words of Sir John—they gave us hope. He said that they did not want to butt in—that they had enough burden to carry.

199. Then, on page 10, you will find in Sir John Monash's statement—

I told Mr. Cameron we had only come into the matter at his request, that we had enough burden to carry. We feel it our duty to intervene if any public body wants us to.

That was not a definite statement that he would not intervene in the thing at all?—We did not mind him intervening then. We considered that the Tramway Board was apparently acting obstinately in the matter at that time, and we thought it would be a good thing for the Commission to go on and get it, and then parcel it out as it thought fit. That was why we asked Sir John, in a letter later on, not to do anything without acquainting us.

200. On page 11 you state that Sir John Monash told you—

The Electricity Commissioners had decided upon a price (which at present could not be divulged) for the whole of the undertaking—light, and power, and tramways—and if the Government approved they would go right ahead with their negotiations with the company. Assuming that the Government approved and the Electricity Commissioners were successful in acquiring the undertaking of the North Melbourne Tramway and Lighting Company, the Melbourne City Council would be affected, inasmuch as the Electricity Commissioners would be the owners of a power-house on the Mount Alexander-road within the boundaries of the city of Melbourne, and the Electricity Commissioners would be the possessors of the rights of the company to supply lighting and power to private consumers in Flemington and Kensington.

201. Then there is another statement lower down, viz.:—

On the 11th November, 1921, Councillor Thonemann and myself interviewed Sir John Monash, who stated that nothing affecting the North Melbourne Tramways and Lighting Company's undertaking which would in any way commit the authorities concerned would be done without consulting each of them, namely, the Tramway Board, the Essendon Council, and the Melbourne City Council, by letter; and that, so far as the future control of the bulk supply or distribution of electricity in the North Melbourne area was concerned, that it would be a matter for negotiation between the Electricity Commissioners and the City Council in the event of the Electricity Commissioners deciding to purchase, with the consent of the City Council, the North Melbourne Electric Tramways and Lighting Company's undertakings.

That is the furthest you could put the promise?—"It would be a matter for negotiation"—certainly, yes; but you have got to look at all the aspects of that matter for negotiation. We got a price later on upon which to base negotiations; and, if you are going to buy an article, and a man puts a price in front of you, and you say you are prepared to give that price, then you expect him to sell.

202. On page 11 there appears the following letter, which you sent to Sir John Monash on the 1st March, 1922:—

I have just been informed that the Electricity Commissioners are likely to come to some understanding with the Tramways Board concerning the North Melbourne tramway undertaking. I should like to know if the information which has reached me is correct, and to remind you of the interview which Councillor Thonemann and I had with you in November last, when you courteously stated that nothing would be done which would be of a binding character unless and until the Melbourne City Council and other authorities had been consulted and duly approved of the proposition which might be submitted.

Now, is there any authority for the words "duly approved," relating to that interview of 11th November, because you just agreed with what I said about that interview of the 11th November?—[*Witness looked through file of papers.*]—I am trying, Mr. Eggleston, to connect this shorthand transcript of these proceedings which I have just seen with the actual evidence which I have been soaking in, in order to give it to this Committee. This seems to be a sort of foreign document.

203. No, it is not; if this statement had been made by Sir John Monash—that he would do nothing unless you approved of the arrangement—then you would have a binding statement to go on; but is there any justification in your report of the interview of the 11th November for using the words "duly approved"?—Yes; on the 11th November, 1921, Councillor Thonemann and myself interviewed Sir John Monash, who stated that nothing affecting the Tramway Company's undertaking would be done which would in any way commit the authorities.

204. Well, that refers to committing the authorities?—Well, how can you be committed if you do not approve? I think that is merely playing with words.

205. No, I think it is not; I think it is you playing with words?—No, I did not say that you were; I say it appears to me that it is playing with words. To say that we approve of the action is quite inconsistent with these terms.

206. I do not think it is. Will you turn to page 11, where Sir John Monash says—

I reiterate my assurance that nothing of a binding character will be done without communicating with you.

There is no suggestion there that it should be submitted for your approval?—No, that is where he broke away from where we had him marked down at the interview of the 11th November, 1921.

207. But your evidence does not suggest that he had ever agreed to get your approval before doing anything?—Good Lord! We cannot be committed to anything if we do not approve of it.

208. But that is how you put it in your evidence. On page 11 it states—

... interviewed Sir John Monash, who stated that nothing affecting the North Melbourne Tramways and Lighting Company's undertaking which would in any way commit the authorities concerned would be done without consulting each of them.

The whole thing you are talking about is the action of the Commission in committing you without your knowledge?—No; we have to approve of a thing before doing it; we did not want to be dragooned into it; the whole thing was friendly negotiations.

209. But there was no object in asking them not to do anything behind your back without consulting you. That is how you are putting it now, it seems to me?—Exactly, that is what we meant—that nothing was to be done without our approval.

210. Well, now on page 11 you will see—

The matter is now in abeyance, while Mr. Murdoch is referring the offer to his London principals, and I shall in due course acquaint you with the nature of the reply received. Then, on the 6th April—

Sir John Monash further stated that the Electricity Commissioners had not yet formulated any policy in regard to the lighting portion of the North Melbourne Company's undertaking when it passed into their hands, and assuming that the negotiations now in progress were brought to a successful conclusion, he thought, however, that the policy would be for the Commissioners to attend to the lighting of the Essendon district and if the City Council had any claims to make concerning the North Melbourne district, he would be pleased to consider them at the proper time.

2—Yes, and so he did. He produced the figures at the proper time.

211. He considered that he did carry out all his undertaking to acquaint you?—No.

212. Where do you say he failed to carry out any specific promise?—If he had intended to sell, why could not he have told us at the jump, and say to us, "If we get this thing, you are out of it." Why lead us in for fifteen months to get nothing?

213. Of course, what you imagined is your own concern?—It is not only my concern.

214. You mean your council. It may be that you made a mistake?—At one point he says that nothing of a binding character will be done without communicating with me, but something is done, and the mere sending of a letter to me does not help me.

215. He informed you?—What is the good of informing us if we are not to be consulted.

216. But a consultation takes place in half-a-dozen interviews?—Yes, at least that number, and all the time we were led to believe by Sir John Monash that he would sell if we paid the price.

217. I would draw your attention to the words on page 12, where it states:—

He desired to point out, however, that splitting up the area now served for lighting purposes by the company so that, in the event of the Commissioners ultimately doing the lighting work, the Essendon district would be run by the Commissioners and the North Melbourne district by the City Council, might not be profitable to either party.

Does that look like any encouragement to you to think that you were going to get the whole or any portion of this?—That was merely an *obiter dictum*; it might or it might not have been profitable; it does not lead you any where. I countered it by saying that strong claims would be made by the council.

218. He did not say then that he would consult you?—No; but he said it previously, and it is on record.

219. It follows on on page 12 with:—

I stated that I felt pretty sure that strong claims would be made by the City Council to have the rights of North Melbourne for lighting purposes vested in the City Council. Sir John Monash replied that it was a matter for negotiation.

That is the real position; it was a matter for negotiation; neither party committed itself; he did not commit himself to consult you?—He did not absolutely commit himself, but he led us to suppose that he would consult us; because if it was going to embarrass the Government in 1922 it was going to equally embarrass them in 1921; the whole thing is quite plain.

220. Then he sent you that consent to be signed, and you signed it?—We did not; we sent a letter qualifying it.

221. In what way do you suggest it is qualified; I can see possibly what you mean—oh, I see the letter here on page 13?—Yes, if you are sticking to the text, I must do the same. The letter reads:—

With reference to your letter of the 28th ultimo, intimating that arrangements have been made by the Commission to acquire the undertaking of the North Melbourne Tramway and Lighting Company Limited, and requesting in accordance with the terms of the contract entered into by the company with the City Council and the Essendon Council, that the consent of the City Council be given to the transfer of the undertaking from the company to the Commission, I have to inform you that the council has consented to such transfer in accordance with the terms of the agreement above referred to. The agreement, as you are no doubt aware, further provided that on the giving of such consent the assignee shall enter into a direct covenant with the councils to observe and perform the terms, provisions, and conditions of the said orders, &c. As to this, I am arranging with the City solicitor to prepare the necessary covenant for execution by the Commission, and will communicate with you thereon at a later date.

222. What was in your mind was that you wanted to maintain your rights and get this concession at 1934?—And whatever other rights we might have had.

223. And not in 1922?—I will not say that.

224. Now your complaint is that you did not get the right to purchase it in 1922?—We did not get the right to purchase from the Commission that we thought we were going to get.

225. And the transfer in accordance with the terms of the agreement is a transfer subject to the terms of the original concession?—I am sticking to the fact that we say there that we would arrange for the necessary covenant for execution.

226. And that would be a covenant to carry out the terms of the concession?—I take it it would be.

227. It would carry out the terms relating to 1934 and the provision relating to the joint councils?—And any other terms the document might have embodied.

228. You were not very anxious to get the Essendon part of this undertaking?—No; not until we had a letter from the Commission stating that it would be inadvisable, or words to that effect, to partition the area, because we had no desire to butt in at Essendon.

229. Besides, the Essendon part would be the least profitable?—We have never considered that aspect of it.

230. But it would be so; it is a suburban area as against an industrial area?—I do not know anything about that aspect of it; that did not come within my purview at all.

The witness withdrew.

Lieut.-General Sir John Monash, G.C.M.G., K.C.B., Chairman of the State Electricity Commission of Victoria, examined.

231. *By the Chairman.*—We do not want to hamper any of the witnesses by a series of stereotyped questions; you will just state your case the same as the other witnesses have done. I would suggest that you first of all tell us the reasons that induced the purchase of the North Melbourne scheme, and then the reasons why the negotiations with the Melbourne City Council came to naught, as they are supposed to have done?—Am I permitted to traverse and comment on the evidence that has been given?

232. I think you have the right to do so?—I will be as brief as possible, and I think it will save the time of the Committee if you will just allow me to refer to the evidence.

233. We want to give you a free hand?—Yes; I would like to apologize for the absence of my colleagues, Sir Robert Gibson, and the Hon. G. Swinburne. Sir Robert Gibson is in Sydney, and the Hon. G. Swinburne is otherwise engaged on public business; but I hope to have them available at a later date, because they are material witnesses as regards an important aspect of the matter that has been raised.

234. Yes; there is one important matter we would like to hear you on later, and that is why the negotiations came to be broken off with the Melbourne City Council?—Yes, of course. We say there were no negotiations to come to naught. On that point the evidence of my two colleagues will be most important, and I would like permission for them to be here later on.

235. Yes; we would like to know that this matter was duly considered by the Electricity Commission?—Yes; Sir Thomas Lyle is in attendance, and will give evidence after I have finished. I want to explain why yesterday my attitude was that of some anxiety, because it was my duty to make the requests I did to be permitted to cross-examine witnesses, and to object to the evidence, because I put it very strongly, the Commission and the Government have had no opportunity of testing any of the evidence that has been given, and I also want to submit that very large quantities of what has been given is not evidence at all. For instance, the Lord Mayor read a long statement about matters of which he had absolutely no personal knowledge whatever.

236. *By Mr. Lind.*—I do not think that is fair comment?—We have been amply commented upon, and I also want to say we have been subjected to the most virulent propaganda, and that has all been introduced into the proceedings of this Commission, and has been presented to you and will be repeated in the report, and, therefore, I plead for latitude in dealing with it, because the Commission, individually and collectively,

has been held up to opprobrium on the subject, with the object of injuring its prestige and probity with Parliament and the public.

237. *By the Chairman.*—I recognise that, and that is the reason we have allowed the representatives of the Melbourne City Council the same latitude as we propose to allow you. A good deal is inferential, and we want the public at large to be able to judge for themselves, as well as the Committee to be able to judge for itself later on. That is why we have allowed this freedom?—The Lord Mayor has said that the council wants to be free to generate and sell electricity. I want to say right here that nobody objects in the slightest to that attitude, and nobody wants to stop them. They have had assurance after assurance, from the Commission and the Premier and the Attorney-General that there is no desire whatsoever to interfere with the City Council in its electricity enterprise. The Premier has given them a public assurance, dated the 12th July, and that assurance has been read here. I would like to draw special attention to that, and you will mark that that assurance given by him was asked for and given after the City Council had assented to the purchase of this undertaking by the Government, and the agitation to which I refer, the propaganda of the Electricity Defence Committee, did not start until after that consent had been given. It has also been said by the Lord Mayor and other witnesses that the Commission is plainly working for greater powers, that it is coming session after session and asking Parliament for further powers. I give that a most emphatic and express denial. The Commission has done nothing of the kind. The only powers in question here, or that have ever been in question, are the powers granted in the first Electricity Bill, before ever the Commission was appointed, and there have been no powers asked for since, and none are being asked for, which in the slightest degree affect the matters under issue. The only powers asked for are money powers—money Bills—and there has been no amendment of our original charter of any material character. That charter was prepared and passed by Parliament before the Commission was ever appointed. It has been frequently said, and consistently trumpeted about, that the Commission is a growing, grasping, rapacious body, asking for more and more powers. That is not the case. The Lord Mayor also said we entered without any warrant—entered what? Entered the city without any warrant? I say we entered a part of the city with the full knowledge and consent of the City Council, given in writing. As you desire to take the evidence in a certain order, I will first of all address myself to a brief history of this matter. Then I would afterwards like to comment on other aspects that have arisen. The original history of the matter is that a private company, called the North Melbourne Electric Tramways and Lighting Company obtained an Order in Council, with the consent of the then municipalities of Essendon and North Melbourne, to run tramways, generate and sell electricity in the areas of those two municipalities. There were certain covenants as to the observance of condition of the franchise, surrender of the franchise, and the various rights at various times of the joint municipalities until finally relinquished. There was a covenant to surrender the whole of the assets in 1934 without payment, except as to certain lands. Now, in due course, when the municipality of North Melbourne was abolished, the city of Melbourne which acquired the territory and inherited the rights of the North Melbourne Council, found itself with the company I have referred to operating within its territory. That particular territory has now become what is now known as the Hopetoun Ward; it was part of Flemington and Kensington. I might say that there is an area there still which is given neither by franchise to the city of Melbourne,

nor by franchise to the private company, yet the city of Melbourne is operating in that area to-day without any franchise whatever.

238. *By Mr. Eggleston.*—What portion is that?—I could get a map and show you; it is territory contiguous to the Hopetoun Ward. It is a territory that has never been given to either by franchise.

239. *By Mr. Farthing.*—Is it of considerable extent?—I do not know what is the acreage. I will get Mr. Harper, our engineer, to give you particulars of that. It has been said that I ought to have known about the negotiations that had been going on between the cities of Essendon and Melbourne and the private company as to acquisition. As a matter of fact, I did not know anything about those negotiations; they all occurred before I joined the Commission, and, from our point of view, they are not of the least importance. The point about them was, as subsequently transpired, that they were all utterly fruitless, for the simple reason that Parliament had taken away the right from either municipality to operate tramways, and inasmuch as neither municipality could operate tramways, and inasmuch as neither could purchase the undertakings without purchasing the tramways, all these negotiations were doomed to failure from the outset, unless either, or both, municipalities could persuade the Melbourne and Metropolitan Tramway Board to take over these tramways. That is to say, the powers of the municipalities were taken from the municipalities and transferred to the Tramways Board. The municipalities no longer have power to run tramways.

240. *By the Chairman.*—But do not these Essendon tramways run over the territory in dispute?—Yes.

241. That was a separate affair?—Yes, as I say, the negotiations between the two councils and the private company were doomed to failure unless the councils could persuade the Tramways Board to take over the tramways, because neither council would have authority to run, or use, these tramways. Now, the position of the Tramways Board was this: they said they had no power to take over the tramways from a private company. They said their Act did not permit of their buying these North Melbourne tramways from a private company. The Essendon and Melbourne councils said, "We cannot buy the whole undertaking unless somebody takes the tramways from us," and so the matter got into a complete deadlock; whether negotiations were formally broken off or not, they certainly had come to naught before the Commission intervened in the matter.

242. *By Mr. Lind.*—Did they not have till 1924 to exercise their rights?—They would have been in the same position then as they were at this time.

243. We do not know that?—I am stating they would be.

244. That is your own opinion?—It is not my own opinion. It is a question of law.

245. It is hard to see it?—I will put it again—the municipalities had no right to operate tramways.

246. But perhaps by that time they may have influenced somebody else to take over the trams?—That is precisely what I am saying, but without the Tramways Board the position would have been no different.

247. But, still, they always had the chance of getting the Tramways Board, or some one, to take over that undertaking?—Yes. The Tramways Board said they had no power to buy from that private company.

248. And that opportunity would have been there up till 1924?—If the law permitted it.

249. *By the Chairman.*—Do you mean by a change of the law?—Yes. It was at that stage—the date as near as I can fix it, was May, 1921—that I received a visit from the Chairman of the Melbourne and Metropolitan Tramways Board, Mr. Alex. Cameron. He put the whole position to me, just as I have put

it to you, and said that, in principle, the Tramways Board would like to take over those tramways. He said they had no legal power to do so, and asked the Commission whether the Commission could not act as purchaser, after purchase transferring the tramways to the Melbourne and Metropolitan Tramways Board, and otherwise disposing of the electric lighting portion of the undertaking. I told Mr. Cameron that, subject to the approval of the Government, and subject to the Tramways Board agreeing to make a proper contribution to such a purchase, and subject always to the company being willing to sell, the Commission would be prepared to consider such a matter. I talked it over with my colleagues, and we decided to wait for developments. Shortly after that Mr. Cameron saw me again and suggested a figure as the proper contribution by the Tramways Board; but he told me quite plainly that was simply his personal view, and he had not come to speak with authority for the Tramways Board. The figure mentioned as the contribution from the Tramways Board was about £40,000. That figure was since very considerably cut down by the Tramways Board. About the same time I received a call from Councillor Showers, of Essendon, who informed me that the Essendon and Melbourne Councils had been endeavouring for some years to come to terms as to the joint acquisition of this private company's undertaking, and that he, as representing Essendon, was particularly keen for such a transaction, because the service being rendered by the company, both as regards lighting and power, and tramways, was in the view of the citizens of Essendon, a very unsatisfactory service indeed. I shall have evidence produced to you later showing a mass of complaints from the users and consumers in Essendon, and Flemington, and Kensington. These have been pouring into the Commission for some time past, and, of course, under the law it is the duty of the Commission to intervene and insure that companies exercising franchises do give proper services to the public. These complaints, therefore, properly came to us, and they are very voluminous. We had this knowledge before Councillor Showers came to see me, but he pressed me very strongly, in the interests of efficient service, that the Commission should intervene, not merely as administrators of the Electric Light and Power Act, but also as outright purchasers of the undertaking. One reason he gave, and it was very fully discussed with the company itself, ran on these lines, that the company, as is well-known, was (I will not say in financial difficulties), but had no finances available, that is to say, the whole enterprise was in the hands of the debenture-holders, the shareholders had lost the whole of their investment, and there was no capital for extension or conversion of the service to bring it up to date, and as things then stood, the city of Essendon, and portions of Flemington and Kensington were doomed for another thirteen years to the minimum amount of service that the company could safely give under the law, keeping clear of the disciplinary supervision of the Electricity Commission. Councillor Showers saw me on several subsequent occasions, and at last I asked Mr. Murdoch, who was then manager of the private company, to call and see me, with a view to ascertaining whether his company was prepared to sell. Mr. Murdoch did see me, and informed me there had been so many inquirers in the field—so many potential purchasers—that his company was sick and tired of it, and they were not going to consider any offers to purchase unless they got a specific and categorical offer in writing, and there the matter ended. Nothing was done by the Commission in any shape or form until March, 1922. All those interviews of which Mr. Ellery has spoken, June, 1921, September, 1921, and November, 1921, occurred long before anything in the nature of any negotiation with the private company had taken place, and, indeed, long before the Tramway Board had given any definite indication of

its desire to co-operate, beyond what the Chairman himself had told me. It was as the result of the Tramway Board discussing this in March, 1922, that the Melbourne City Council became aware that the matter was being seriously discussed. Alderman Cabena is on both the Tramway Board and the Melbourne City Council. At any rate, it was not until March, 1922, that the Tramway Board intimated that it had fully considered the matter, and was prepared to co-operate in purchasing, provided they were expected to pay no more than £25,000 for the tramway assets. The Commission thereupon, for the first time, formally considered the proposition, and I was then authorized, subject to the approval of the Government and the Treasurer, to make an offer to the company, and I think my first authority went to £100,000, inclusive of the £25,000 the Tramway Board had then undertaken to contribute. On 6th March, 1922, I made my offer to the company in writing, or, rather, my letter was dated 6th March, but it was not sent until a day or two later, because I had to get the definite consent of the Treasurer, Mr. McPherson, and in pursuance of my promise to Mr. Ellery that I would inform him of anything that was done, I informed him of what I had done, and that letter has been put in. Now, the issue has been raised here to-day, that in the various negotiations with the City Council, I misled the City Council into believing that the Commission, in the event of purchase, would be definitely prepared to sell a portion of the undertaking to them. I give that statement a most emphatic and specific denial. I have already pointed out each of the interviews I had with Mr. Ellery in 1921, was long before the Commission had seriously entertained the matter at all. We did not know whether we were going to take it over, we did not even know if any offer we were making would be acceptable. We had not the wildest idea whether the company would put forward reasonable terms, or exorbitant terms; the whole thing was in the air. The moment I did make an offer I informed Mr. Ellery.

250. That is to say, March, 1922, was the first time the company would entertain an offer?—No. I was not aware until the end of April that the company would entertain the offer. In fact, I did not make an offer of any kind whatever until 6th March, but it was long after that I got the acceptance, and then only after further negotiations with the company did I get an acceptance and not of my original terms. Now, the whole of the correspondence between the Commission and the Melbourne City Council has been put in, and I want to submit to you that it is characterized on our side by the completest courtesy from the beginning to the end, and it cannot be challenged on the ground of our avoiding or evading any promises of any kind whatsoever made. There was no suggestion on the part of Mr. Ellery, or anybody else, that the Melbourne City Council should acquire the Hopetoun Ward until 29th April, 1922. There was no suggestion of any kind. In all the interviews (there are only three) that I had with Mr. Ellery before that, there were no references in any shape or form to the Melbourne City Council taking over the Hopetoun Ward. The only point was that, the Melbourne City Council, having inherited the rights and obligations of the North Melbourne Council, their consent would have to be obtained to the transfer. That, and that only, was under discussion, and I will ask you to search the correspondence and reported interviews minutely to see if you can find the slightest vestige of evidence that either they asked, or that I promised, anything in connexion with the acquisition by the City Council of the Hopetoun Ward. There never was such a suggestion, or any such suggestion, until April, and then it was not made by Mr. Ellery, it was made by the Chairman of the City Council Electric Supply Committee, Councillor Thonemann. He came to see me, accompanied by two of his officers, on 29th April, and formally asked whether the Commis-

sign would be prepared to sell the Hopetoun Ward portion of the undertaking to the City Council. I may say that that date, the 29th April, was, of course, after the date that I had notified the City Council that the company had accepted the offer, because, naturally, there were negotiations, and the final offer rose to £110,000, plus payment for stores. It is all set out in the agreement which will become a schedule to the Act, and a great many minor points had to be settled, in regard to the method of handing over, the date of handing over, the method of payment, and so on. That was all discussed between me and the company between 6th March and 20th April; but the moment I got a cablegram from London informing me that the directors of the company had notified acceptance of the formal offer, I notified Mr. Ellery, and nine days afterwards came this interview with Councillor Thonemann, who formally requested the transfer by the Commission of the Hopetoun Ward to the Melbourne City Council. Now, I think it has been entirely forgotten that, in addition to myself, the Secretary to the Commission was also present at that conference, and he took notes of what was said, and, therefore, my own recollection is fortified by what he will tell you, and I tell you most categorically that, before I uttered a word at that interview with Councillor Thonemann, that is, before the matter itself was discussed at all, I told him that this was a matter which must be discussed by the whole Commission, and that anything I would say was intended in no way whatsoever to bring the Commission to any undertaking as to the transfer of this property. I am prepared to answer any questions about that, and our own notes of that interview will entirely corroborate what I say, and not only did I say that, at the beginning of the interview, but repeated it at the end also. That is the interview at which I lengthily discussed the possible financial terms, not as set out in Mr. Ellery's evidence, but on a totally different statement, of which that is merely an extract, and I attempted to show on that occasion that any attempt to sever the enterprise would be ruinous, and that it could only be severed on financial terms which would be very burdensome to any buyer. In fact, the whole tenor of my remarks was to discourage Councillor Thonemann from his request. Far from agreeing, my attitude was that of strongly dissuading him from pressing his request, and he left saying he would submit what I said to the Electric Supply Committee; but he thought they would be prepared to press the matter still further. After that interview with Councillor Thonemann (and, as I say, I will have the corroboration of Mr. Liddelow, our secretary, who was present throughout)—a fortnight afterwards, we received from the City Council the formal written consent to our purchasing this property. This is the consent they were entitled to give under the covenants, and which they did give. In regard to the terms of it, it has been suggested that it was a qualified consent. Well, that is a matter for the lawyer; but, as far as it speaks of our complying with certain covenants—might I explain at this stage that these covenants referred to are merely the covenants of the agreements for the discharge of the obligations under the Order in Council, and as we ourselves, as a Commission, administer the Electric Light and Power Act, we could hardly enter into a covenant to obey our own orders—and no exception was taken to entering into the covenant, except in so far as we debated the matter with the City Council in our reply of 24th May, and we are still prepared to debate the matter with the City Council, and see in how far it is necessary in compliance with the covenants to enter into any further instruments at all. The point is that the consent of the City Council was definitely given on 19th May, and it was after that that Mr. Ellery wrote asking for an interview with the Commission, and I fixed the date of 7th June, and in due course a full meeting of the Commissioners at which all the Com-

missioners were present took place, and Councillor Thonemann, Mr. Ellery, and, I think, the City Council Electrical Engineer, waited on the Commission. I do not think anybody else waited on the Commission with them. This matter was lengthily discussed for upwards of an hour, perhaps, more. Now, Sir Thomas Lyle, who is here, and my other colleagues who will be presented to you to give evidence, will tell you most emphatically there was never any suggestion by those two gentlemen that they felt the Commission had been in any way committed, or any promise given. Their attitude was quite the reverse. They came ostensibly to overcome the objections which I had made to them at the previous interviews. They had come to argue the case to the Commission by way of appeal from me, and all the Commissioners will tell you, and so will the secretary, that these two gentlemen never for a moment suggested that the Council felt that the Commission was already committed to this sale. That is the answer I make to the allegation that I misled the City Council. It is an allegation that has been broad-casted throughout the length and breadth of the land, leaflets have been sent in all directions, in heavy type, placarding the fact that I misled the City Council; but I now say that the evidence I have given, and the evidence my colleagues and our secretary can give, and the evidence contained in the correspondence is a complete answer. The allegation is that I misled them, but on the contrary, the correspondence will show that the City Council, from the first to the last was treated with the greatest courtesy, and because the Electricity Commission, in the discharge of its high public function, has not seen its way to advise the Government to agree to this assignment, it finds itself heaped upon with obloquy, and I must be forgiven if I say that we feel very strongly about it, because it has been propaganda of the most virulent character.

Now, you very pertinently ask, why is it that we will not sell, and my answer is, that it is on the grounds of very high public policy. It is most necessary, even though it will take a little time to explain to this Committee what those reasons are. It is necessary, in the first place, to make you acquainted with the condition of affairs as regards electric supply and distribution in this metropolis. I venture to say it is without parallel in any part of the world in its chaos and inefficiency. Possibly, in the centre of the city of London there is a somewhat close analogy, because, in the city of London exactly the same influences have been brought to bear as are being attempted here to prevent reforms and modernization; but in no other city in the world, from the largest to the smallest, can you find a condition of affairs that parallels the conditions that exist in this metropolis as a whole. There are no less than fourteen different undertakers—fourteen different electrical concerns—in this one metropolis. If that were all, that would be a small evil, but in the manner of the generation and distribution of electricity by them there is a totally inefficient condition of affairs. Part of the Melbourne City Council's system is direct current, 230 volts, the rest of it is alternating current, 3 phase, 50 cycles, also 230 volts. The meaning of these terms will make their appearance later on. Then we have the Melbourne Electric Supply Company, dealing with a very large area of the metropolis; their system is alternating current, 200 volts (different), single phase (also different), but also 50 cycles. Then we have the railway generating plant which supplies, not only the railways and some of the tramways, but also considerable blocks of power to the Melbourne City Council and the Melbourne Electric Supply Company. They have alternating current, 240 volts (quite a different voltage), and 3 phase, 25 cycles (*i.e.*, half the frequency of the rest of the territory). Then we have the North Melbourne Company, now defunct, which had direct current. I might explain that direct current has a very limited range;

about 1 mile from the power-house is its utmost limit efficiency, and they have 230 volts. Then we have a number of different municipalities who buy from the main generators, the Melbourne City Council and the Melbourne Electric Supply Company, and Northcote, Brunswick, Coburg, and Port Melbourne are supplied by the Melbourne City Council. Preston, Heidelberg, and Nunawading are supplied by the Melbourne Electric Supply Company. Footscray buy from the City Council, but they have installed only a 1-phase system of distribution. I would like you to note particularly that in that part of the metropolis, viz., Footscray, which is destined to become the great industrial centre of Melbourne, they have a system of electricity which is wholly unsuited for industry. I would say that all the motors that are efficient at all are wound for 3-phase current, and that municipality is not able to supply 3-phase, but only 1-phase. Consequently, you have all over the metropolis confusion worse confounded. Not only is the service to the public wretchedly inefficient, but the whole electrical trades of the metropolis are disorganized, because of these differences in voltage, in phase (from 1 to 3), in frequency, and in the difference between direct and alternating current, and these differences affect all the motors, meters, house connexions, lamps, transformers, switches, and everything else. The result is that electrical fittings and apparatus, which will operate in the Melbourne City Council's area, will not operate in Richmond, and those that will operate in Essendon will not operate in Prahran, and the whole of the electrical trades are disorganized, because importers do not know what standard of fitting to import, which means, consequently, high prices, and all the rest of it. Other witnesses will bear me out that there is no area of the size of the metropolis of Melbourne whose electrical business is in such a chaotic and confused condition, and one of the duties of the Electricity Commission is to remedy that. The section of the Act dealing with this has already been quoted, but it will bear quoting again. It is section 11 of Act 2996—[*Reads*]:—"The Electricity Commission shall report to the Minister from time to time . . . amalgamation or concentration of such undertakings". I would like to point out that under the conditions which I have given you there is no possibility of an interchange of electricity, and there was not until we commenced this huge labour of reform. Now, that state of affairs is a crying evil that is almost as serious for the industries of this State as the break of railway gauge is to the prosperity of Australia as a whole, and it is one of the most important public questions that has to be settled in the next year or two, and Parliament has got to make up its mind what is going to be done in the metropolitan area. I say, "in the next year or two," because the franchise of a big private company, the Melbourne Electric Supply Company, expires in two years' time, and long before the expiry of these two years Parliament must make up its mind as to what it is going to happen in the metropolis. Now, if it is suggested, as has been suggested, that the Electricity Commission is itself ambitious to become the sole distributor of electricity in the metropolis, I give that an unqualified denial. If Parliament, in its wisdom, chooses to impose that duty on the Commission, the Commission is well equipped and able to discharge that duty, but the Commission has no desire to do that; but the Commission does say it is essential to the industries of the State and the metropolis that there shall be a unified control of electrical undertakings in the metropolis, and whether it is to come in twelve months or twelve years, it has got to come, otherwise we will industrially lag behind the rest of the world. What form that unified control will take, by whom it will be exercised, has not yet been formulated, and I am not in a position to commit either the Commission or the Government to any definite views upon the matter, but

I do say, and the Commission says, that it is its duty to press that question forward to an early settlement, and, in the meantime, to maintain the *status quo*, and in order to maintain the *status quo* we say further that it would be wrong while this question is under discussion, or until it is settled, to extend or alter the franchise of any particular undertaking in the metropolis—to grant anything, or take anything away. It is a particularly difficult question to discuss in public, and possibly the press will be a little indulgent in reporting this in detail—what I am now going to say. The Melbourne Electric Supply Company has two years more to run, and they have either to get an increase of franchise for another ten years, or be bought out. One of these two things must happen, but whichever of the two does happen, the system has to be converted to the 3-phase. It is only 1-phase now, and until it is converted, the industrial areas of Richmond, South Melbourne, and Collingwood will be left out in the cold. Therefore, conversion has to take place, and money has to be found to carry out that conversion; it may cost half a million pounds, and if it should prove to be the company that has to find that money, what chance have they of raising capital if it is publicly discussed that their franchise is going to be terminated in two years? That is why we do not want this thing publicly discussed. We do not want to injure the financial standing of the company. Half a million has to be found quickly to carry out this conversion. Morwell energy is 3-phase, and theirs is 1-phase.

251. It is very important they should know soon?—Yes. Therefore, if the City Council has any complaint at all, it may be a complaint of want of complete frankness in this matter. We have hinted as plainly as we can, that it is not desirable to discuss this question, in the interests of the public service. The position is that we are in the middle of negotiations with the company, we are having frequent conferences, and hope to reach finality any day as to whether we shall advise the Government to purchase or to extend the franchise for another term, and, in the meantime, money has to be found for conversion. Morwell is less than eighteen months off completion, and while these discussions are on, and until it has been settled how the metropolitan area is going to be controlled in the future, we say it would be wrong policy to embarrass the Commission and the Government. The cry of the Melbourne City Council is to extend its franchise, and it may be the Melbourne City Council will ultimately get what it is now asking for. It may prove to be the best thing; but we say it is premature to deal with it now, and that is my meaning in what Mr. Ellery has called the mysterious words, "the present juncture."

252. It is a very important point. Allow me to emphasize it. That is to say, the position as you put it is that the conditions of the various electrical affairs about Melbourne, especially the Melbourne Electric Supply Company, are such that there will have to be a change before very long?—Yes.

253. But you are not now in a position to advise the Government what policy should be pursued in the North Melbourne case until this matter has further developed?—Yes, I go further. We have been as explicit as we can be. The Premier's utterances, and my letters to the Melbourne City Council, all of which have been put in, all tell them in the clearest terms there is no desire whatever to trespass upon the Melbourne City Council's present undertaking, and when I talk as I do now of the future of electrical control in the metropolis, I do not want the City Council to imagine that somebody is going to gobble them up. It may be the best thing, and good business, to leave them to their own enterprise, within their own city limits. It has never been suggested that there should be any other course. If the Melbourne City Council wants to voluntarily come into the Greater Melbourne electrical business, that is

their affair. The Government, the Premier, and the Attorney-General have all pledged themselves there is nothing behind this in the nature of a covert attack on the City Council. I want to say that I think their enterprise is well managed and efficient. They have a densely-packed and compact area. Nobody can say anything else; but this question of the Hopetoun ward is totally disassociated from that. It is part of the whole question of the future of the metropolitan distribution.

254. Put it this way: in any alteration of the electrical system, the Government look to you to advise?—Yes.

255. And for that reason you are holding your hand until the time arrives?—Certainly. I want to call your attention to the law on the matter. The Melbourne City Council came here as if they had some legal right; but there is no such thing.

256. The duty of the Electricity Commission is laid down in the very first part of Act No. 2296?—Yes, but I would like to read you section 15 of Act No. 3104.—[*Read section 15.*] As regards this area, if we, in the discharge of our public duties, think it is premature to grant a franchise to the Melbourne City Council, we are only carrying out our duty in accordance with the law. We have to do so if we think so. In view of that explanation, I think you will agree that that throws light on, and illuminates, much of the correspondence. We have in our letters to the City Council considered the present juncture as inopportune. Now, may I say something else which may calm the fears of the City Council. They have said, on more than one occasion, that I have told them their rights under their agreements will exist at the end of twelve years from now, and the assets in this territory will pass over to them automatically.

257. *By Mr. Beardmore.*—You still say that?—Yes. How can I say anything else? If the Government and Parliament choose to make it anything different, then that is not the affair of the Commission; but as the matter stands, we have simply stepped into the property of a private company, and are carrying on as trustees for the time being. The position could not be more aptly stated than in the Attorney-General's letter, and in the light of what I have told you, I would like to read that letter again. The Attorney-General, writing to the Lord Mayor, says—

"In reply to your letter of the 8th instant, I venture to affirm that the reasons which govern the attitude of the Government and the Commission in regard to the North Melbourne undertaking have already been very plainly given to you on more than one occasion.

The question of the future of the electric supply services of the metropolitan area is one of the first importance. The existing chaotic condition of diversity of standards and methods demands, in the public interest, a comprehensive reform, and involves problems which extend far beyond the limits of the city of Melbourne. The expiration in the not distant future of the franchise granted to a large private company."

that is the confidential thing I was just telling you about.—[*Resumed reading.*]—

"and covering a very large part of the metropolitan territory, necessitates a full and careful consideration of several alternative proposals for the better co-ordination of metropolitan electric services and the methods of their control.

It must be obvious that it would be creating unnecessary financial embarrassments for the private company referred to if the question of the extinction or renewal of its present franchises were to be prematurely publicly discussed, as also the questions involved in the modernizing of the several diverse systems of electrical distribution, and how and by whom the cost of such measures is to be borne."

I want to comment on this. The Morwell scheme, hour by hour is arriving nearer completion, and a great part of the metropolis is not able to take the current, because it is not able to distribute it.—[*Resumed reading.*]—

"For these reasons, I think you should be satisfied with the plain and simple statement that the Government is not prepared at present to agree to any alteration in the *status quo*, or to assent to the enlargement of the territory or the franchise of any one of the present metropolitan undertakers until such time as a comprehensive scheme for the future metropolitan service has been considered and adopted.

The acquisition by the Electricity Commissioners and the Tramways Board, with the consent of the Government, of the North Melbourne undertakings has been merely a measure of present urgency, in order to effect a pressing reform under favorable financial conditions which are not likely to recur. It is in no sense a commitment, as you seem to apprehend, to any policy of ultimate encroachment by the Electricity Commission or any other body upon the existing rights and franchises of your council.

In conclusion, I think I might point out that there is little or no likelihood of Parliament sanctioning a proposal such as mentioned in your letter."

I venture to say a fairer letter could not possibly have been written, and it fully states the case.

258. *By The Chairman.*—Is it a fair summing up of the position?—Yes. There is another aspect of this matter you must permit me to state. I have had to sit here and hear the motives of the Commission imputed. I want to suggest to the Committee there may be motives on the other side. Mr. Ellery, and, I think, Councillor Thonemann, admitted, in cross-examination by members of the Committee here, that they had made a profit of £33,000 last year.

Mr. Ellery.—I did not say that.

Sir John Monash.—It was said in answer to Mr. Eggleston.

Mr. Eggleston.—Yes, that is so.

Sir John Monash.—Had I been permitted to cross-examine, I would have ascertained what the profits had been in the preceding years. I have a statement which I am prepared to put in, showing that the actual sums of money actually transferred—I do not mean the whole of the profit made, but the actual part of it transferred to the Town Fund in relief of rates for the last seventeen years—was £315,000.

259. *By Mr. Farthing.*—Where is that taken from?—From their own balance-sheets, of which I have one here for 1921, showing the amount transferred was £33,831.

260. *By Mr. Beardmore.*—On the electric undertakings alone?—Yes. It is transferred to the Town Fund. But that is not by any means all. You have been told more than once by their witnesses the cost of their enterprise was £1,500,000. That has been written down from £1,500,000 to £783,000. There is a sum of over £700,000 taken out of profits to write off capital, a perfectly proper proceeding, and added to that £700,000 is £300,000 transferred to the Town Fund. That makes a cool million sterling that has been taken out of the pockets of the consumers. Now, I do not say that was wrong under the conditions under which it was done; they had a monopoly and could charge what they liked, and had every right to do it; but they have no right to do it in the future. The State is not going to spend millions in a State generating scheme and allow a single council to profiteer through the exercise of its middleman functions. The City Council has already been told quite plainly that when they buy energy from the Morwell scheme profits of this kind will not be tolerated in the future, and that is where the shoe pinches; that is why the Commission has been getting the abuse it has. I am going to put in there

figures, and ask the Committee to call for the balance-sheets.—[*Handing in document set out hereunder*]:—

Melbourne City Council, 23rd October, 1922.

AMOUNTS TRANSFERRED FROM ELECTRIC SUPPLY
DEPARTMENT ACCOUNTS TO TOWN FUND, ETC.

Year.	Details.	Amounts.	Total.
		£	£
1904	Contribution to rates	1,000	1,000
1905	" "	1,000	1,000
1906	" "	1,500	1,500
1907	" "	3,000	3,000
1908	" "	5,000	5,000
1909	" "	7,000	7,000
1910	" "	9,500	9,500
1911	" "	10,000	10,000
1912	" "	8,750	8,750
1913	Town Fund contribution	15,000	15,000
1914	Town Fund contribution	15,000	
	Deficiency in lighting rate	2,895	
			17,895
1915	Town Fund contribution	26,800	
	Deficiency in lighting rate	2,200	
			29,000
1916	Town Fund contribution	34,000	
	Deficiency in lighting rate	2,000	
			26,000
1917	Town Fund contribution	29,000	
	Deficiency in lighting rate	2,840	
			31,840
1918	Town Fund contribution	32,386	
	Deficiency in lighting rate	3,026	
			35,412
1919	Town Fund contribution	27,691	
	Deficiency in lighting rate	2,800	
			30,491
1920	Town Fund contribution	36,253	
	Deficiency in lighting rate	2,723	
			38,976
1921	Town Fund contribution	31,153	
	Deficiency in lighting rate	2,678	
			33,831
	Grand total		£315,195

261. What about their claim that they can sell power at a cheaper rate than you?—I am going to deal with that later on. At any rate, here is my statement from their own documents. You will see that there has been £1,000,000 made as profit, of which £700,000 has very properly been used to write down capital, and £300,000 equally properly used to relieve the rates of the city of Melbourne. From an accountancy point of view that is right, but from a public policy point of view it is fundamentally wrong. When State electricity is sold it cannot be tolerated that they should increase their charges, or maintain high charges against electrical users so that their ratepayers should be relieved of rates.

262. *By Mr. Deany.*—Over what period are those figures you have quoted taken?—Seventeen years—from 1904 to 1921. Then there is their balance-sheet of 4th February, 1922. That could be obtained if you will call for it. I say the Committee should take this into consideration, because it does suggest a very strong motive for the Melbourne City Council desiring to increase its territory, because an increase of territory means an increased custom, and it means the Melbourne City Council wants to entrench itself more and more. May I also point this out? Several times during discussion before this Committee, and also before my Commission, they have said, "All right, if you do not want to divide up this enterprise, let us take over Essendon as well." That is the fine end of the wedge. They want not only to be masters in their own house, but also masters in their neighbour's house, without their neighbour's permission, because Essendon most strongly objects to having anything to do with the Melbourne City Council, and they will come here and tell you so. If it were known about the metropolis that the desire of the Melbourne City Council is to extend its sphere, you would be surprised at the outcry that would arise. As a matter of fact, the whole of the southern municipalities have waited upon the Commission and asked the

Commission to purchase the Melbourne Electric Supply undertaking, on behalf of the municipalities, and operate it on their behalf. Possibly that is news to Mr. Ellery, but it has happened.

263. What would the position be if the Melbourne City Council's request was acceded to, and it extended its operations to Essendon?—Essendon would very strongly object to the Melbourne City Council coming into Essendon; but you can see the temptation to them to extend their ambit, seeing what a profitable concern it has been. You asked me about the allegation that the Melbourne City Council could distribute electric current cheaper in the Hopetoun ward than the Electricity Commission.

264. That is the question?—I say it is nonsense, on the face of it, because the City Council, as they have admitted here, will have to buy energy from the Electricity Commission, and they will have to buy it at our price. How in the name of goodness can they retail at a less price than that at which they buy?

265. They could buy in bulk and distribute at a cheaper rate?—How can they distribute any cheaper than we can?

266. I do not know. They say they can?—They worked it out on a certain figure that it costs them in their generating station. They compared that with the figure which the old company has been charging for the last fifteen years. They do not know what we are going to charge.

267. They stated here specifically the sum you are going to charge?—How do they know what we are going to charge, either now or when Morwell comes into operation? We took this enterprise over in August, and the very last meters were read in September of this year. We cannot say what our rates will be. We will have to let three or four months go by to see how things work out; but the assumption that we are going to charge what the old company charged is ridiculous. The whole assumption is based upon taking that for granted. As to being able to distribute energy cheaper than the Commission, if they mean it would cost the Commission more to distribute energy in Essendon than in the city, I will admit that is so, because the city is a dense area, it is almost unique in its favorable conditions, whereas Essendon is a sparse area. Mr. Murdoch will give you the figures, but I think in Essendon the number of consumers as compared with Melbourne is about 3 per cent.; but the amount of current consumed is only 5 per cent, consequently the density of consumption in Essendon is only one-sixth that of Melbourne; consequently it would cost more to distribute in Essendon than in Melbourne. But if the allegation is that the Melbourne City Council can distribute cheaper in Essendon than the Commission, it is ridiculous, and for a very good reason. The city of Melbourne station is in Spencer-street, Melbourne, whereas the Commission's sub-station now being built is right in the heart of the territory owned by the former North Melbourne Company. There is a ring of sub-stations going right around the metropolis, and sub-station "D" is to come right in the heart of this area, and is put there for the purpose of giving cheap distribution to this area. If the Melbourne City Council were to operate there, they would have to come to that substation, and pay all the distribution charges on the sale of current. Mr. Harper and Mr. Murdoch will be able to tell you all about it; but it is a ridiculous statement to say they can sell more cheaply; it is merely legerdemain, and we repudiate it absolutely. As you can well gather, I could speak for a very long time, but I have great respect for the wishes of the Committee to cut this matter short. I have not taken anything like the time that Mr. Ellery has been given. I was going to suggest that it would be better if the members of the Committee would now suggest to me points on which I have not made myself clear, or on which I have failed to speak.

268. *By Mr. Lind.*—Do you claim that the City Council had no right in connexion with the North Melbourne scheme?—None whatever, except the remainder rights.

269. Is this correct?—There is a statement by Mr. Ellery to the effect that you, in reply to Councillor Thonemann on the 7th June, said, "That we were doing nothing more than stepping into the shoes of the present company, and whatever their rights and obligations were, we inherit. I went on to say that at the end of the period that the company obtained the franchise over certain assets would automatically pass over to the councils of Essendon and Melbourne unless either council waived their rights. I may tell you, Councillor Thonemann, that since I saw you, Essendon have waived their rights, but Melbourne have not been asked to do so, nor have they done so. Those rights, further, still exist?"—I have said so again at the table here.

270. You say they have no rights?—I said, "Except the remainder rights." Those rights do not arise for twelve years.

271. That is what I wanted you to make clear. You said they had no rights because they would not be in a position to exercise their claim till 1934?—No, I said they have no rights except the rights which arise in 1934. I have said that all along, and I stand by it.

272. You say they will be available to them then?—Certainly.

273. *By the Chairman.*—That is to say, unless there is any parliamentary interference in the meantime?—Yes, so far as the Commission is concerned. If we made any objection, they would have an action at law against us. It is all in the agreements. They have been told that quite plainly.

The Chairman.—I think the best plan would be that, as the matter is highly technical, we will require to have you before us again in connexion with these matters. We will have your evidence printed, and will ask you to come back at a later stage.

274. *By Mr. Deany.*—Have you the figures in connexion with the Footscray undertaking?—Yes, I have.

275. The amount of profits. That has been disputed?—Yes, I have got them. There is this difference between the case of the city of Melbourne and the cases of the city of Footscray and town of Preston that, inasmuch as the greater part of the money in the case of the city of Melbourne has been transferred to the town fund, only a small part in the case of Footscray has been transferred to the town fund, but the balance has been used in the business, and the amounts are as follow:—

Provided out of profits for fresh capital works ..	£34,690
Transferred to the municipal fund	6,090
Total	£40,780

That is to say, profits taken out of the pockets of consumers and used for other purposes.

276. *By Mr. Beardmore.*—Distributed over what term?—1916 to 1921.

277. *By Mr. Farthing.*—The £34,690 that you speak of, what became of that?—It went into capital works.

278. Capital works of what nature?—Electric capital works—extension of the works.

279. That £34,690 went back to electrical undertakings?—Yes, and £6,000 to the town fund.

280. Is it not right for us to assume that only £6,000 has been used for the municipalities, apart from electric?—Yes, that is quite so; but we say that the £34,000 transferred out of profits to capital works is not legitimate.

281. *By Mr. Deany.*—I want to find out the amount of profits?—The amount of profits is £40,000 for 1916, 1918, 1919, 1920, and 1921. That is a period of six years. The figures for 1917 are not here. Of course, I

am saying nothing to-day about all these other legislative matters that are referred to the Committee. May I have the privilege of looking through my notes and be permitted to mention it later if I have omitted anything?

282. *By Mr. Eggleston.*—With regard to this Hopetoun ward, is that not an area which would naturally fit in with the undertaking of the Melbourne City Council at present?—Quite the reverse, because the whole distribution has been designed the other way round. It would all have to be converted. There would be quite a serious constructional alteration necessary for that area to be served from the Melbourne City Council mains.

283. Geographically?—Yes.

284. And economically?—No, not in view of the new ring of sub-stations.

285. You mean it does not fit in so well with the Morwell undertaking?—No, it does not.

286. *By Mr. Farthing.*—Have the City Council been making any arrangements to supply the three-phase current in their own areas?—In their own areas, yes. We have been forcing every one to make ample preparations to take three-phase current. The North Melbourne company has been doing it, too. We are doing it now energetically. Every one is rushing as fast as he can to prepare for the Morwell three-phase current.

287. *By Mr. Eggleston.*—And the City Council would at the present time convert this particular area into a standard which would suit the Commission?—They could.

288. They have announced their intention of doing so?—The Hopetoun ward.

289. Yes?—No, they have not.

290. What has struck me is, would it not?—I want to get the information from you as to this—would not this acquisition of this area by the City Council round off their scheme into one economical unit and be satisfactory for the twelve years?—No, you have overlooked the fact that they are distributing and selling in bulk over a very wide area. Their electricity travels up to the north of Coburg, and to the uttermost limits of Williamstown. That is all Melbourne City Council current, and it is most uneconomical—these long transmissions.

291. That does not apply to that particular area, does it?—I should say the Hopetoun area would be nearer to the centre of gravity of the Essendon sub-station than it would be to the Spencer-street sub-station. I said the Hopetoun ward, whether it belongs to the City Council or not, should get its electricity from the sub-station "D."

292. What about the suggestion of the City Council that they could supply current cheaper?—I have answered that at considerable length. I put it this way, that if they mean that it costs more to distribute in Essendon than it does to distribute in Melbourne, I freely admit that, because Essendon is a dilute area, and Melbourne is a dense area. If they mean that it would cost us more to distribute in Essendon than for them to distribute in Essendon, I say that the statement is nonsense, because they have to buy their electricity from us.

293. At present you are selling a large amount of current yourselves as an undertaker?—A very large amount. We are selling, I do not know how many million units a year.

294. And this will hinge on to your undertaking just as well?—Yes. They made out to-day that they are the biggest undertaking.

295. *By Mr. Beardmore.*—You are not retailing?—We are not generating, but we are selling, both bulk and retail.

296. *By Mr. Lind.*—I understood Councillor Thonemann to say that in this particular area just now under discussion there would be a saving there of £5,000 per annum to the people?—Always assuming that we maintain the prices that the old company maintain.

297. *By Mr. Eggleston.*—They have not given evidence of it here, but have you given your prices?—No, we only took it over on 1st August, and the last meters were read by the old company on 15th August.

298. The tariff is not settled?—No, it will not be finally settled till the Newport energy is available in May.

299. *By Mr. Farthing.*—It was stated by other witnesses in evidence that you had stated that in order to make up the amount of money, that these rates during the twelve years would have to be higher?—I did not say anything of the kind. All I said was that the rates would have to be adjusted in view of that obligation—that, in other words, there would have to be a writing off of some 5 per cent. or 6 per cent. per annum, which would be written off whether or no. Don't you see that in twelve years we have to write off the whole of our capital investment of £85,000 as against this particular area. That is the Treasurer's dictum. After twelve years, however, all capital charges for the whole area will have been wholly written off.

300. *By Mr. Eggleston.*—The Council say they do not need to do that?—If they have to find £85,000 they have to write it off from somewhere.

301. They say they can write it off profits?—We won't allow them to make profits. We won't sell them Morwell energy to let them make a profit on it. If you spend £85,000, and write it off, some one has to pay for it. Either the consumers have to pay for it or the city chest. If the City Council can monkey with finance, the Electricity Committee can too, but we have no intention of doing so.

302. Has it entered into your mind as one of the motives, that it would give you an advantage in securing the general control of the metropolis?—You were not here when I said the Commission did not want the general control of the metropolis.

303. Councillor Thonemann said the City Council area was an ideal area. I understand from that that he meant that it was a congested area where there was a very large demand for power, and the outer areas do not have the same demand for power?—I quite confirm that statement.

304. Their idea does not favour in any way any sort of a flat rate for any larger section of the metropolitan area?—I believe some of them understand so little about it that they would go for a flat rate without knowing what the consequences to themselves would be. I have actually heard some city councillors argue in favour of a flat rate.

305. If you select a very small area in the centre of a large metropolis, and frame your tariff with regard to the demands of that area alone, it might be rather unjust to outer areas?—No, it would help outer areas.

306. How would it help them?—If they put the whole metropolis on a flat rate, it would have to be a rate higher than the present rate in the city of Melbourne, otherwise they would ruin their undertaking.

The witness withdrew.

Sir Thomas Ranken Lyle, Commissioner, State Electricity Commission of Victoria, examined.

307. *By the Chairman.*—The principal part of this that you are in touch with, I suppose, is the negotiations between the Melbourne City Council and the Commission about the part the Commissioners have had in the alleged breakdown of the negotiations?—Yes. I think the best way in which I can assist this Committee is to begin where I first came in contact with the City Council. That was at the meeting some time

in June—7th June, 1922. Councillor Thonemann, the city clerk, and the city engineer, I think, came to see the Commission, and my recollection, my very firm recollection, of the trend of the meeting—the details of the meeting I cannot tell you, but the general trend of the whole meeting is very clear, and that was this: They came to us to make a strong request, that we should sell to them a certain section of our purchase. There was a good deal of discussion, but at the finish of the discussion they said they were particularly anxious to get this portion of the purchase, and that they were prepared to pay heavily for it if necessary. Now, during that interview—I remember it distinctly—there was no suggestion in the slightest that the Commission or Sir John Monash or anybody else had made any promise to them. They came there as suppliants. The whole feeling of the meeting was that they came there to ask for something.

308. That would be in June?—Yes. I can also confirm Sir John Monash in the previous negotiations, if you might call them so. He discussed all the time with us, and there was never any intention in our mind, even before that time, to do anything but hold the whole area until the Government decided what to do with regard to the electrical control of the complete metropolitan area. The metropolitan area, as Sir John has put it to you very clearly, is electrically in great confusion. We had long ago decided to recommend the Government, when the right time came, that it should place the metropolitan area under the control of some central body. We did not want it. Very likely it would be far too big a thing to take on in addition to our present responsibilities, but we fully intended to recommend to the Government that some such body as the Melbourne Tramways Board would carry out the unification of the electrical supply in Melbourne, and it was on account of that that we decided not to part with this district, and so give the City Council a stronger entrenchment in the city in case the Government decided to take the control of electricity out of their hands. That is, I am simply now putting before you what was fully in my mind. I am stating what we had in our mind, although we did not speak of it publicly, and I think this is really all I can help the Committee with, because I would only take up their time repeating what Sir John Monash has already very clearly put. It is due to him, however, to very strongly deny the assertion that has been made, that he has broken faith with the City Council. I feel certain he made no promise. All our communications with him and all our discussions were absolutely in conformity with the statement he has made to you, and if you take the documentary evidence that has been put in by the other side, and read it in conjunction with his statement, you will find that the one thing fits in with the other in a quite satisfactory way. I think that is all I can assist you with, unless there are any questions that you might care to ask me, or if you desire to have me at any other time I would be very happy to help the Committee.

309. The position is that your memory is emphatic with regard to the interview which took place with the members of the City Council and Sir John Monash in June last?—Yes.

310. And do you agree with the reasons Sir John Monash has given as to why the Commission declined to entertain any proposals to purchase at this juncture?—Yes, those were the views, and the much earlier decision of the whole Commission that this big question of the unification of control has to come to the Government for decision. The Government must face it at some time or other, and the sooner the better.

311. The question of selling was inopportune?—We were simply holding that in trust for the Government till they made up their minds what they were going to do, and we had made our minds up anterior to this as to what we should recommend to the Government.

We were appointed four years ago, and as the scheme develops and different things arise, and as we get more experience of the nature of things about us, we see how to meet different emergencies and different contingencies. The necessity for some unification scheme for the whole metropolitan area was clear to us, and it was our duty under the original Bill to formulate such a scheme if we thought it desirable.

312. Then as we gathered from Sir John, the reason that actuated the Commission was that in view of some of the larger electrical undertakings expiring shortly, it necessitated a rearrangement of the whole of the business, and fresh powers being issued, that you objected to any alteration until you ascertained what the effect of these changes was going to be. That was the only thing that weighed with the Commission in refusing to negotiate further, and letting the matter drop so far as the City Council was concerned?—In two or three years the present franchise of the Melbourne Electric Supply Company would terminate. The future of this and of the other electrical undertakings in the metropolitan area will become a very vital question with the Government, in which unification of standards and controls and everything else will have to be dealt with, and it is in anticipation of this that we do not want to hand over this area, and, as it were, put an extra difficulty in the way of the Government when clearing the whole matter up by making the undertaking that is now strongly entrenched still more strongly entrenched.

313. I gather from Sir John's evidence that the Commission has never considered the question of who is to have the future control when there is any unification of powers—that that is a matter that is left altogether with the Commission, who are not anxious for that power, and leave that altogether in the hands of the Government?—I think the majority of the Commission wish sincerely that they may not have this responsibility added to their present ones. Though the Commission may think that it is its duty to recommend some unification scheme to the Government it has no desire to undertake the carrying out of such a scheme.

The witness withdrew.

Sir John Monash.—Mr. Mountain has asked me to correct a small misstatement in my evidence. I said that the Melbourne Company's franchise expires in 1924. He tells me it should be 1925.

Councillor Arthur Field Showers, representing the Essendon City Council, examined.

The Witness.—Would you like to know the reasons which actuated our council in agitating for the purchase of the North Melbourne undertaking?

314. *By the Chairman.*—Yes?—The reasons were that the Flemington and Kensington Council and the Essendon Council were partners in the agreement for running trams in Flemington, Kensington, and Essendon. The agreement at the time it was entered into was a good one, we thought, but as the municipalities grew it was a very bad one for our residents, more especially as the progress of tramway and lighting facilities in other suburbs was getting far ahead of us in our own district, and as the company only had a period of twelve years to run, though it was quite right from their point of view. They endeavoured to get as much money as they could out of the district, so as to meet their debentures at the end of twelve years, but by doing this they were penalizing the residents of Essendon, Flemington, and Kensington, as it was impossible to get any extensions of light, &c., and it got to such a stage that the council was compelled to endeavour to purchase the trams and the lighting. With that object in view we approached the City Council in March, 1919, who were our partners, and we could do nothing without them, asking them to

join with us in purchasing the trams and the lighting, and they on their part to take the Hopetoun Ward, and we on our part would take the Essendon lighting, and the tramway, if necessary. We as a council were prepared to do the whole of the negotiating—the whole of the work—providing they took over the lighting of the Hopetoun Ward. The price to be paid by them was a *pro ratâ* price in comparison to the amount to be paid for the undertaking. The negotiations, as I said, started in March. We had numbers and numbers of interviews, and numbers and numbers of conferences, and at the end the City Council prepared an agreement, a copy of which I have here, and it was mentioned by Mr. Ellery, which covers about five or six sheets of foolscap, in which they said they would consider the matter providing we were prepared to take lighting from them for ten years in bulk; that we would undertake to alter the line along Victoria-street from Racecourse-road to Mount Alexander-road, and there shall be substituted a line along Racecourse-road and Barwise-street to Boundary-road; that the existing fares and sections of such trams within the city of Melbourne shall not be altered, and one of the final clauses was that the Essendon Council shall pay the City Council all costs of preparation, perusal, and everything else. We on our part undertook for the benefit of residents of Flemington and Kensington and the city of Melbourne to acquire these tramways and the lighting, and they on their part put such obstacles in our way in this agreement and in other directions that we found it almost impossible to do anything in the matter. This thing went on until September, 1920, when my council wrote to the Melbourne City Council (letter attached, dated 22nd September, 1920), and informed them that we were prepared to purchase the whole of the undertaking; they to take over the Hopetoun Ward at a price to be fixed by their own engineer, and we would also like them to fix the price we should pay for the undertaking at Essendon, and the Tramway Board to fix a price at which they were prepared to take over the tramways. These three were to form the basis of the price to be offered the North Melbourne Tramway Company for the undertaking. That was plain in itself. The only reply we got was an order of the day, dated 29th October, 1920, copy attached, which was sent from the Electric Supply and the Public Works Committee of the City Council, stating that the matter was of so intricate a nature that it would require very careful consideration before they could make any recommendation to the council. That is the end of negotiations of eighteen months' standing, and I think the last proposition we made to the City Council that they take over the lighting of the Hopetoun Ward at a price to be fixed by their own engineer would not be put down as intricate in any shape or form. My council got so tired of all these negotiations, and I might point out that I did all the standing on the door mat of the town hall in connexion with these negotiations, which extended over eighteen months, without any effort being made by the City Council to give us any assistance at all, and when they pointed out in the order of the council that things were so intricate that it required further consideration, we merely asked them to take over the Hopetoun Ward lighting at their own price, my council got tired of the negotiations, and in January, 1921, if you remember, there was a Bill passed in Parliament to give the Electricity Commissioners power to acquire the undertakings and any agreements entered into by councils and private enterprise. That was passed in December, 1920. I approached Sir John Monash, and I asked him and pointed out the negotiations we had with the City Council were so unsatisfactory that we could make no progress with them, and our town was perishing for the want of proper tramway facilities and proper lighting facilities, and asked him to act in the powers

contained in that Act of Parliament, and purchase all lighting on behalf of themselves and the tramways on behalf of the Tramway Board. After three or four interviews with Sir John Monash he said he felt it was his duty, and the Commission felt it was their duty to do all they could to assist the municipalities to progress, and he undertook to negotiate with the Tramway Board for the purchase of the trams. After about nine or ten months that was completed, and you see to-day that the trams have been taken over by the Tramway Board, and the lighting has been taken over by the Electricity Commissioners, and I will say that if it had not been for Essendon City Council the Hopetoun Ward would have been left in the unsatisfactory position it was, until the end of 1934, because there was no effort made by the Melbourne City Council to take over or assist us to take over the undertaking of the North Melbourne Tramways. We wrote to them as late as March of this year, I think, 1922, in which we made a complaint to them—it might have been at the end of 1921—in which we made a complaint to them of the exorbitant charges being made by the North Melbourne Tramways in the extension of lighting the houses from their main. We asked the City Council as our partners to assist us in compelling the company to make a reasonable charge. They wrote back and informed us that as there was very little lighting in their territory it did not concern them, and they could not give us any assistance. That is the body that comes along and says they want to fight for the benefit of the Hopetoun Ward, and do all they can to assist them.

315. *By Mr. Eggleston.*—Have you got those letters?—Yes, I have them here. This letter is from Mr. Ellery—

7th June, 1921.

Dear Sir,—I have to acknowledge receipt of your letter of the 4th ultimo, bringing under notice of the Council the matter of the North Melbourne Electric Tramways and Lighting Company making exorbitant charges for the extension of electric lighting wires for private services, and to inform you that your letter was considered by the Public Works Committee of the Council at its last meeting. The Committee desire to point out, that while there may be just cause for complaint in regard to surrounding districts, there are practically no private services undertaken by the Company in Flemington or Kensington, which fact lends no particular interest to this Council. And the Committee have, therefore, decided to take no further action in the matter.

Yours faithfully,

(Signed) T. GEO. ELLERY.

Town Clerk.

The Town Clerk of Essendon,
Town Hall, Moonee Ponds.

That is written by the City Council as late as a few months ago. I merely relate that to show you that that is only in keeping with the assistance that we received as a council for the eighteen months previous. At the end of the negotiations, by which Sir John was able to make arrangements with the Tramway Board, whereby they were to take the tramway undertaking over for £30,000, and the balance between £30,000 and £115,000 was for lighting in city of Essendon and Hopetoun Ward. Sir John said that he had great difficulty with the Government in regard to the money required for the purchase of the tramways and lighting, namely, £115,000, and that after various interviews with the Treasurer he said the Treasurer would only grant the money on one condition, and that was that the whole of it had to be paid out of the proceeds of the electric lighting of the district within a period of twelve years. We did not like it, but after over three or four weeks we were forced into this position that we either had to take it or leave it. If we left it it meant this—that the probabilities are that the trams and the lighting would not have been purchased, because I will say here that had the City Council entered into an arrangement with us at the time that I approached them first there would have been £15,000 saved on the purchase of the lighting and the tramways for this reason, that at that time the

influenza epidemic was on—just about that time—and following on that there was the coal strike—and the company was a very sick company, and they would have been quite prepared to have sold at a very low price, but by the time the negotiations were completed by the Electricity Commissioners they were on the crest of the wave, and their profits, as I will show you here—their profits in the lighting were as follows:—

Year 1917	£5,220
Year 1918	£6,567
Year 1919	£8,357
Year 1920	£9,988

And I venture to say that in 1921, for which I have not the figures, it has increased by at least 20 per cent. So you can see that is the revenue from lighting only, irrespective of tramways, and the tramways were going up in the same proportion, so you can see that if the negotiation had not been completed at that time £115,000 or anything like it would not have bought this enterprise, and in the event of the price going up it would have meant that the company would have gone on till 1934. If it went on till 1934 the probability is that you would have the kangaroos wandering over Essendon again, for this reason that we could have got no better tramway system, and you would have the municipalities all on the south of the Yarra, and the north of us having the tramways running to our boundary and stopping, and you would have the electric light running to our boundary and stopping, whereas the North Melbourne would say we will keep within the four corners of our Act and go no further. So when Sir John said to us that we cannot get the money under any other conditions we were forced to the conclusion of accepting the payment of the whole of the money within a period of twelve years. That is, that we would undertake not to ask the Commission to reduce the charges for electricity below a price that would return interest and sinking account spread over a period of twelve years. Those are really the words. But I got an undertaking from Sir John that whatever the charges were, they were not to be greater than the price we are at present paying the North Melbourne tramways.

316. *By Mr. Lind.*—Is that not high?—No, it is not high, for this reason, that the Melbourne City Council and the Melbourne Electric Supply Company supply certain councils in bulk. Essendon is as low as any one of those councils, and some of them are higher. I understand that the lowest of them is 5½d. There may be one lower, and some are even up to 6d., whereas we are 5½d.

317. Fivepence three farthings Essendon, the evidence went to show?—Yes, I beg your pardon.

318. The City Council say they can supply it for 4d.?—The City Council could not supply any cheaper than our present rates for a period of twelve or eighteen months only by wiping out the sinking fund I take it. If this Commission feels that we have been unjustly dealt with by the Treasurer, to put it that way, they have only to make a recommendation to say that the amount of sinking fund should be wiped out and put to capital the same as it is in any other private or public concern, and the sinking fund goes away immediately, and we have merely to meet interest, and that would make the difference of the penny. It is not that they are making any great saving for us. It would mean they would capitalize the whole thing and put interest on it, whereas we are paying interest and sinking fund. The only difference is that the City Council loses sight of this fact, that the Morwell scheme will be here probably in eighteen months. In our municipality we have 3,000 meters that will have to be changed from direct current to alternating current. We have 700 horse-power of motors. We have in our engine-house a complete engine plant, and to drive the tramways from the current of the City Council the whole of the machinery will have to be taken out and

rotary motors put in to use the City Council current. You cannot change these motors over in the city of Essendon under twelve months. The City Council cannot dispute it, because I have their letter here. The City Council cannot change over the Hopetoun Ward within six months, and they cannot put rotary converters into that power-house under eighteen months, so of necessity the power-house has to run irrespective of lights the Essendon Council territory, so that at the end of twelve or eighteen months, which is the only period they could supply us cheaply, they could not do so because they would have to run our present power-house the same as the Electricity Commissioners have. The Morwell scheme will be right in our territory before eighteen months, and we will be getting the bulk in our territory as cheaply as the Melbourne people are getting it in the city of Melbourne, and it is only a question of whether the Electricity Commissioners can distribute as cheaply as the Melbourne City Council can. One has only to look to the organization behind the Electricity Commissioners, and he would not want to go any further to say, "The Electricity Commissioners every time in regard to distribution." We all know they have said that the city of Melbourne will let us have their current at a very low price. In Sydney they charge 5d. per unit for a current. The reason that it is 5d. is because they do not content themselves with the metropolitan area, but extend out to all the suburbs, and once you start your extensions into the suburbs then the charges go up. The City Council are all right now, because of the dense population, but once they get to Essendon the city ratepayer has to pay for it. We will not allow them to get there, because we will use gas first.

319. *By Mr. Deany.*—The charge for lighting in Coburg and Brunswick is 6d. and 6½d., procuring bulk supplies from the City Council?—For lighting the North Melbourne Electric Lighting Company charge you 5½d., and now the City Council people come along, and say they will save you £5,000, but why did they not go to Brunswick and Coburg who they are supplying in bulk, and offer to save them £5,000; the saving would be more to them, as their rates are higher. It is only a sop to turn us against the Electricity Commission.

320. *By Mr. Beardmore.*—You do not agree with them?—They cannot do it. They come along with a sop of £5,000 after we have bound ourselves to the Electricity Commissioners, and we are standing to them. They never mentioned anything about £5,000 before we entered into the agreement with the Electricity Commissioners.

321. *By Mr. Deany.*—The Melbourne City Council refused to operate in your area?—We never offered it to them.

322. You told us before that you have suffered that on your side for so long?—I was then referring to the fact that we had endeavoured to get them to join with us in purchasing the tramway and lighting from the North Melbourne Tramway and Lighting Company.

323. They were not anxious then?—No, we could not get them to move. There is no feeling in this matter between Mr. Ellery and myself. It is purely a municipal matter, and we are both fighting for our own districts. If you take Essendon, the question of price is a big one for us, but the question of supply is just as big because we are a progressive city. Whilst we may get current for 4½d. or 5d. per unit, our greatest consideration is the extension of light into streets where there are one or two houses. You take the extension of those wires into certain streets that probably only pay 4s., 5s., or 6s. per month, and it costs more to read the meter and collect the fees than what it is worth. You get into those streets in Essendon, of which we have a great number, and they are going to charge the same rate as in the city of Melbourne, and if they do there is no question that

the city ratepayer is going to pay for it. It is not a business deal, because I feel every municipality is bound up with good lighting, and we are anxious to get good lighting in our district. The Electricity Commissioners have been working in our city, and for the short time they have been there we have had entire satisfaction from them, and we desire to stay with them. Further, I would say that we would ask that you give no consideration at all to the division of the Hopetoun Ward in the city of Melbourne from the Essendon territory, because the two have always been bound up together, and if you divide the two it means more expenditure would be incurred in overhead and other expenses. The North Melbourne Company would have gone on till 1934 if it had not been for the Essendon Council, and they are much better under the Electricity Commissioners than they would have been under the North Melbourne Electric and Lighting Company.

324. *By the Chairman.*—You object to the city of Melbourne's distribution?—We strongly object to the city of Melbourne distributing in our territory at all, because we have got a lot of extensions to make, and we have dozens and dozens of streets in which the wires and poles have to be run, and unless we get proper facilities for these it is of no use to our city at all. We feel that once the current is supplied by the Morwell people the Electricity Commissioners can distribute that current as cheaply as any other body. In those circumstances we would ask that the Electricity Commission still go on supplying the city of Essendon. They have been entirely satisfactory up to date, and I think they can do it equally as well as the Melbourne City Council. If you think the question of a sinking fund referred to is not a fair thing for Essendon it could be put to capital, thereby putting us on the same footing as all other undertakings.

The witness withdrew.

Arthur Douglas Murdoch, Public Supply Engineer, and late manager of the North Melbourne Tramways and Electric Lighting Company Limited, examined.

325. *By the Chairman.*—What do you wish to say to the Commission, Mr. Murdoch?—I thought I may be able to give the Commission some indication of the procedure in the early transactions in regard to the sale of the company's property. I think it was about 1913 that I took a trip Home and saw my directors, and in view of the agreement between the company and the interested councils which provided for certain purchase and sale conditions and surrender of the property at the end of the franchise term, I suggested to them that I thought it would be prudent to sell their rights in Essendon, Flemington, and Kensington. Just after I returned to Australia the war started. One or two conversations did take place between myself and some of the Essendon councillors on the subject of extending the lines, more trams, cheaper fares, and a general condition of affairs which would have ruined the undertaking. I said to them that I thought the best thing for them to do would be to buy the undertaking, and although there was no formal suggestion of sale or negotiation, I told them that if at any time they desired to anticipate their rights of purchase they could do so.

326. *By Mr. Beardmore.*—What year was this?—I think it was about 1914 when it was first spoken of.

327. *By the Chairman.*—The war broke out in 1914?—Yes. In 1917, I think, the first period of purchase under the agreement came round. That, of course, provided for conditions of purchase which were extremely favorable to the company, and were put in the agreement, I should say, for the purpose of preventing the municipalities from acquiring the property at a time soon after the developing period. The next period of purchase was fixed for 1924, and about

1918 or 1919 Councillor Showers saw me and suggested it was high time something was done in the district. The cost of operating was increasing, and I suggested they give us the right to increase our fares and our charges for supply to permit of improvement, but the idea was not approved generally by the council. The alternative was to acquire the company's undertaking, and I suggested if they gave us a satisfactory firm offer I would submit it to my directors for their favorable consideration, and recommend acceptance of the offer, but I said to him, "There is no buyer; you cannot buy." He said, "We will get into touch with the Melbourne City Council, and probably they will help us to acquire it." That was just after the Tramways Board was created, and there is a provision in the Act that the consent of the Tramway Board is necessary for the purchase of the undertaking, notwithstanding the terms of agreement between the company and the councils. A third Richmond was in the field then. Councillor Showers again saw me, and suggested they would acquire the undertaking if the company was prepared to sell. I said, "There is still no buyer in the field; you have no power to buy." That was when several notices appeared in the press that preparations were being made for the acquisition of the North Melbourne Tramway and Lighting Company's plant. No preparations had been made by me at all. The discussions were among themselves. I was invited, I think, in October, 1920, to attend a meeting at the Melbourne Town Hall, convened by the Lord Mayor. This was the first and only official meeting with the company. Those present included the Tramway Board, the Essendon City Council, and myself. I was formally asked at that meeting if the company was prepared to sell the undertaking, and I replied I would recommend to my directors any offer that was made provided it was a favorable one, and did not make for the division of the property into lighting or tramway parts for sale purposes. From that date until I met Sir John Monash, I think about January, 1922, I never heard a word from the Melbourne City Council or any other body, save that some of their officers looked over the property.

328. *By Mr. Lind.*—What time in 1920 would that be?—About October.

329. It had run for about twenty months?—From that time until Sir John Monash met me and discussed the subject I never met any of the Melbourne City councillors. I do remember a conversation I had with the deputy town clerk about the time of that meeting. I said, "You can see what is going to happen in connexion with the distribution of electricity in the metropolitan area. The Electricity Commissioners are coming into the field, and things are so chaotic they will have to straighten the situation out. Here is a golden opportunity for your City Council. Why does not some one persuade them to take over this undertaking, and get in first and settle the metropolitan supply problem and unify the system, and they will have done the work required to be done, and secure the position? I am a seller; you can discount that, but it is worth while considering. Whether they considered it or not I do not know. If I had known they were such keen buyers as has been expressed to-day, you can rest assured I would have held off for a little longer. During the last two years the district has been improving, and returns have greatly increased."

330. I understand you made no secret of it as being for sale from 1914?—From 1914 it has been discussed between times, and there has been a little kite flying done in the press, but we were not parties to that. I did not hawk this around Melbourne. It was not my object to do so. There were practically only two or three possible buyers, and they were the councils as provided for by the agreement, and latterly the Electricity Commission, but the Melbourne City

Council, to put it in vulgar pleasantry, "missed the bus."

331. *By the Chairman.*—You were not in negotiations after that?—I never really negotiated with the Melbourne City Council. They were not negotiators with the company, although I attended that one meeting.

332. *By Mr. Deany.*—They did not endeavour to catch the "bus"?—No; they not only did not catch it, but did not endeavour to catch it. The company, in anticipation of the Morwell scheme, about 1919, I think, made preparations for supplying alternating current in the district. The power-house there is rather on the small side, generating direct current to serve a limited area, and as feeders were extended into the outer area of that district it was found necessary to consider the supply of alternating current, and that was done with the idea of Morwell coming into being in a few years. For the time being the company made arrangements with the Melbourne City Council for a bulk supply of electricity from their abattoirs sub-station, and extended that alternating current system into the outer areas of the district, and the conversion has been slowly proceeding. I can indicate on the map the district that has already been dealt with. This is the company's area bounded by the lines here [*indicating same.*] The company's power-house is located in that position—[*indicating same.*] The Flemington Council's area comes in this portion—[*indicating*]—and that is the Hopetoun Ward of the city of Melbourne—[*indicating.*] This alternating current supply comes from the abattoirs sub-station along the outer areas of the district to Essendon on the west side, and also along the east side towards North Essendon. The portion coloured green has been changed over from direct to alternating current. There is a small area in the Hopetoun Ward in the city of Melbourne also served with alternating current. This area here—[*indicating*]—is at present supplied by direct current. The Morwell D sub-section is located in practically the economic centre of the area. This was designed all apart from the Melbourne City Council by the company in the first place with the necessary re-arrangements by the Commission to meet their special needs. It will take at least eighteen months or thereabouts to change over from direct to alternating current. I do not think the City Council can do it any more quickly than the Commission can do it, and certainly no more cheaply. There are 3,000 consumers taking a direct current supply, and 2,000 have been changed over to the alternating current system. Mains have to be re-arranged, meters will have to be changed, and the 700 horse-power of consumers' motors will have to be altered, too. The cost of conversion will be, roughly, from £25,000 to £30,000. That does not in any way mean an improved return from any of those consumers now supplied by the alternating current. It will be displacing the direct current, and therefore it cannot be considered as a capital charge, and it will have to be written off one way or another. That must affect the price of the current to be supplied in the district, in addition to the other obligations. If the Melbourne City Council are going to supply current to the residents of Essendon in the Hopetoun Ward at the same price as they do in the city area, then there is only one conclusion I can come to, and that is, that they are going to make a present to the residents of Essendon and the consumers of the Hopetoun Ward of certain discharged obligations, obligations which in part account for the difference between the present charges and the charges of the Melbourne City Council.

333. *By Mr. Lind.*—They say they are going to effect a saving of £3,500?—Yes, in one and £5,000 in the other. In addition to the power-house supply, there is the supply for the tramway, and rotary converters will have to replace the power-house steam plant, and

that will take some months to do. The rotary converters will have to be provided by the Tramway Board for the supply of tramway current in the whole district, and for at least eighteen months they cannot complete this work. Apart from these facts one important matter in connexion with the district is that in Flemington and Kensington a day load is provided. That is in the area referred to a large number of motors is used, and in the northern area, *i.e.*, in Essendon, the load is practically all lighting, which provides an evening demand, and it would be an economic disadvantage if those two were separated in any way. I have developed this district for fourteen years, and I strongly urge this Commission not to consider the division of this district into two parts—that part which is in the city of Melbourne, and that which is in the Essendon area. From an economic stand-point it is absolutely imperative that the Commission do not subdivide the district. It has been developed as a whole, conceived as a whole, and its economic advantage can only be considered as a whole. It can be only for a short time that the Melbourne City Council could give a flat rate for the area, and it would be at the disadvantage of the consumers in the metropolitan section. I do not think there is any doubt about that, and I do not think it requires any figures to prove it. The Commission has not yet decided what shall be the rate in that area. These economic questions have first to be settled. Since the Electricity Commission has taken charge of the district it may be interesting to this Commission to see what has been done. Eight hundred and seventy-nine new consumers have been added to the service, 140 extensions of the main have been effected, 516 consumers have been changed from direct to alternating current, 94 public lamps have been changed, and 61 new public lamps erected. The total number of consumers taking the alternating current supply is 2,169, and the total number of consumers of direct current, 3,173; 376 public lamps are supplied from the alternating current, and 688 by the direct current system.

334. *By Mr. Beardmore.*—During how long?—Since March last.

335. *By the Chairman.*—Since the Commission took it over?—No; they took it over in August, but they had powers under the terms of the agreement to control certain works of the company between March and August. That gives an idea of what has been done during that period.

336. *By Mr. Beardmore.*—How do the prices charged by the Commission compare with your charges?—The charges for supply are the same as those ruling in the company's service, but they have just been continuing the system. As pointed out by Sir John Monash, the Commission took it over in August, and the meter readings, which were in favour of the company, extended to the 15th August, so it is practically from the 15th August, and they have not had time yet to consider the position, and until the Morwell power is available it does not seem a right thing to consider any revision of charges in the district, especially with the heavy responsibilities rendered necessary by the change over of consumers, those to be transferred from the direct to the alternating current, the scrapping of the power-house, the substitution of rotary converters for the supply of direct current for the present steam generating sets, and I say that with these things facing the Commission it does seem a prudent course to follow to wait until such time as the Morwell power is available.

337. *By Mr. Farthing.*—How long do you think that will be?—I am not in touch with that, but I suppose it would take eighteen months. The Melbourne City Council has merely made the statement that they can supply current at a cheaper rate than the Commission, but the Commission has not yet fixed its final rate, and

when the Commission has the bulk power available it surely can supply to itself at a cheaper rate than it can supply to the Melbourne City Council.

338. *By Mr. Lind.*—That area in the district and the sub-station, as indicated by that map shows, would you say that the Commission will be in a position to supply the cheaper rate than you do?—Yes, when the Morwell power is available.

339. Provided the area is not partitioned?—Yes, I think it would be a disaster to partition the area. I can speak from long experience in the district, and my judgment tells me that it is wrong, no matter what figures are brought before me, to subdivide the district into two parts.

The witness withdrew.

Roy Liddelow, Secretary of the State Electricity Commission of Victoria, examined.

340. *By the Acting Chairman (Mr. Eggleston).*—We shall be pleased to hear your evidence on the acquisition of the North Melbourne Tramway Company?—Yes. The main point that I wish to give evidence upon is the impression which the City Council has sought to establish that they were misled at certain interviews with the Chairman of the Commission, and with the Commission itself. As a matter of fact, I was present at the interview upon which they hinged their main evidence. That was the interview of the 29th April of this year. I want to say most emphatically that Sir John Monash was most careful to inform the City Council's representatives that they must not take anything said at that interview as in any way committing the Commission to any course of action whatever.

341. Have you the notes of that interview with you?—No, I have not my notes here, but my recollection is very clear on the subject. Sir John Monash, both at the start of the interview and, subsequently, at the finish, made that clear. In fact, all he said at that interview was designed to show the City Council how very difficult it would be for any such thing to take place. Following that particular interview came the interview with the Commission itself, on the 7th June, when the same impression was gained.

342. What was that impression?—That they came to make a request, and not for the fulfilment of promises. They simply gave no evidence whatever as to that; and, as a matter of fact, the town clerk himself, at the end of that interview with the Commission, summed up the situation when he said, "There are only two points underlying this—are you willing to sell, and for how much?"

343. What was the answer to that?—The answers have been given by other witnesses. They are also contained fully in the correspondence, but it would take some time to traverse them. They were practically the final words, and he was really answering himself.

344. Who made that statement?—Mr. Ellery.

345. Is there any other point you wish to bring forward?—There is one other point which has not been brought out very clearly in the evidence, and that is as to one of the reasons which induced the Commission really to interest itself in this matter at all—that is, the acquisition of the North Melbourne electrical undertaking. This reason was that as administrators of the Electric Light and Power Act, the Commission, during 1920 and 1921 received a great many complaints from residents of Essendon, Flemington, and Kensington to the effect that they could not get electrical service. The North Melbourne company, as a matter of fact, was operating under the agreement which you have before you, and this agreement did not enable them to do it, and this company simply could not spare the capital to enlarge their sphere of operations to an extent which would have met the demands of the residents for increased services which occurred during those years, and particularly in the Essendon area. It has

been already stated here that during the war years there was a very great expansion in the Essendon area and in the outlying areas in the direction of residential buildings. Those residences, while fully equipped and ready to be connected with the electric light, could not be connected. People went there, but immediately found, in a great many cases, that they could not get such connexion. The company, of course, was perfectly within its rights, and, in fact, it was the agreement itself under which they were working which prevented further extensions. The Electricity Commission, therefore, was faced with the position of not being able to bring pressure to bear on the company, and, at the same time, having no other real solution to offer to prevent this stagnation in the electrical development of that particular district. They, therefore came to the conclusion, eventually, that the only real solution lay in the acquisition of the undertaking, or of the various undertakings. This was one of the chief considerations in overcoming their reluctance to take an interest in the acquisition. It has been stated to you by the Chairman, and it has been said in evidence, that owing to the very huge nature of the works which the Commission had undertaken to do, they were reluctant and not at all anxious to take on further responsibilities. However, they found the public almost insisted that they should do it. I think all the other points which I had noted have been covered by other witnesses.

346. You say the Commission was reluctant to take on further responsibilities, but they knew at a certain period of these negotiations that some one else would take them on?—They were forced into the position of having to interest themselves. Their reluctance really was that they did not desire to be over-burdened with new works. I do not mean they were reluctant or less energetic when they had once decided to do it.

347. But at a certain period of negotiations they knew the City Council was anxious to take this over?—We only knew the City Council was anxious to do nothing, and, in fact, the evidence is they were at first antagonistic to it.

348. But at the interview on 29th April, or at the interview in June, they expressed their desire to take over the concern?—Yes, they expressed it at the interview in April for the first time, as far as I know.

349. *By Mr. Beardmore.*—It does not sound much like stagnation if a million of money was earned?—No, but I am referring to the Essendon and Flemington districts, and not to the City Council. The electric light inspector, who is the executive officer for the Electric Light and Power Act, was continually receiving complaints that residents could not get connexions.

350. *By the Acting Chairman.*—Was that in 1921?—Yes, during those years.

351. Did those complaints come to the Commission?—They came to the Commission as administrators of the Electric Light and Power Act, and as the executive officer concerned, I was continually faced with the duty of bringing these complaints before the Commission, but we could do nothing under the terms of the agreements.

The witness withdrew.

Herbert Reah Harper, Chief Engineer of the State Electricity Commission of Victoria, examined.

352. *By the Acting Chairman.*—What part of the question do you wish to address yourself to, Mr. Harper?—I want to make a few remarks on the technical considerations which arise out of the taking over of the North Melbourne company's undertaking, and the need of letting things remain as they are at present, until a proper scheme can be devised for re-organizing the utility throughout the metropolitan area. Sir John Monash has already explained how the utility in the metropolitan area to-day is in a more or less chaotic

condition, which probably is not equalled anywhere in the world outside London. During the last fifteen years there has been a tendency towards amalgamation of all electrical undertakings in one large area, and any number of cases can be quoted where amalgamations have taken place, resulting in improved efficiency. I think it would be imprudent to-day to make any alteration in the metropolitan area in the direction of separating undertakings, or of transferring undertakings from one authority to another until the Commission has had time to consider the whole problem of the electric supply of the metropolitan area and finalize its plans for the re-organization of same. Now, when the Morwell scheme was first conceived and plans were drafted, provision was made for the establishment in the Essendon area of a sub-station, as one of the new centres at which bulk supply energy was to be made available from Morwell or Newport to existing metropolitan distributors. It was planned to place one of these sub-stations right in the centre of the Essendon-Flemington area, as being the most economical centre of supply for that portion of the metropolitan area. I might say that this particular part of the metropolitan area stands by itself. It is bounded on both sides by creeks and waste places, which make it independent of any other part. It will undoubtedly be best served by having a sub-station to itself. This sub-station is being constructed at the present time. Within twelve months, energy will be available there, either from the Newport power station or from other stations. It will be available to the Commission or whatever undertaking may be managing the concern at the same price as it will be available in the city of Melbourne. There will be, no doubt, a difference in the cost of distribution from that sub-station, owing to the very scattered nature of the area. Therefore, the return on the capital expenditure on mains and other apparatus for distribution purposes will be smaller in a suburban area than it would be in a dense area like that of the city of Melbourne, whilst the distribution charges must be higher than in the centre of the city. If current is promised by the city in that area at city rates, then all I can say is that it can only be done by subsidizing the undertaking from outside sources. I presume that is what the council intend to do if they have the undertaking intrusted to them. That is to say, a reduction in the selling rates—the retail selling rates in that area—could only be brought about by subsidizing the undertaking from some outside source. I presume the outside source would be the profits that have arisen out of the development of the City Council's undertaking. Now, it would be impossible, technically, to separate the North Melbourne undertaking into two portions, and hand one over to the city, for it would lop off one side of the area which is designed to be served by the sub-station which the Commission has under construction in that area. The portion lopped off would, I presume, if the city had the property transferred, be served by feeders from the other centres in the city of Melbourne which will be used for supplying the city proper. This will involve a higher cost of distribution. Therefore, it would be imprudent, I think, to allow of any partition of the North Melbourne area. That area should remain as a homogeneous area, supplied from one station—the sub-station of the Commission.

[*The Chairman here took the chair.*]

353. *By Mr. Eggleston.*—You do not think there is any difficulty in the fact that it is within the City Council's municipal area?—No.

354. You do not think it comes naturally within the City Council's area at all, not even the Hopetoun Ward?—No.

355. And the only reason why it might be claimed by the City Council is because it is within its municipal area?—That is so.

356.—There is no other reason why it should be put in that area?—No other reason.

357. But there are a good many reasons against it?—Yes, there are a good many technical reasons against it.

358. I understand you to say that the Commission was formulating its policy, and that as that policy had not been determined upon, the matter should remain in *status quo*?—Yes.

359. I suppose that policy is being formulated?—It is going gradually developed.

360. Has it not been formulated to this extent, that when you place your sub-station in a certain position, that determines the policy?—Not necessarily. The sub-stations were placed in positions which it was thought would give the most economic supply to the areas, regardless of whether they were served by municipalities or by private company undertakings. They were placed regardless of municipal boundaries.

361. Does not that involve the position that the main policy is against municipal schemes?—Not necessarily, because although one might fix a location for a high-tension sub-station in one area, it might also supply other areas. The policy of low-tension reticulation has yet to be settled, that is, the retailing or distributing of the energy at a low voltage throughout the metropolitan area.

362. Of course, if you insist on this district being treated as one district, there would be a difficulty in that there is no one municipality to whom you can hand it over?—I do not follow that.

363. You have an area which you say, from an electrical engineer's point of view, must be treated as one?—Yes.

364. But that area is divided municipally between two councils?—Yes.

365. Then if you adhere to that policy I imagine you could not then hand over the supply to any particular municipal council?—I was only speaking from the point of view of energy being supplied in bulk from the sub-station. From that sub-station there will radiate various feeders for the whole area. If one-half of the area were lopped off, and the City Council was empowered to supply such area, the energy for that half would have to be transmitted from the city, although it could be more economically supplied from the sub-station within the area.

366. Well, having completed that sub-station within the area, would it be possible to arrange a retail distribution by two different councils in that particular area?—It is possible, but I do not think it would be economical.

367. You have practically decided the question of the municipal retail distribution there by the placing of your sub-station there, and arranging for the other system to be supplied from that sub-station?—Not necessarily. The sub-station has been placed there from the economical point of view, but it does not follow that the choice of sub-station site would settle which body or authority is to retail the supplies, so long as the energy for the whole area is taken from that sub-station. If other energy had to be transferred to half of the area from the City Council's economic centre, it would be done at a loss.

368. Then you say it would not matter whether it was distributed from the retail point of view by two councils operating that area?—Except this, that it is bound to increase the cost if there are two bodies, each handling a small area.

369. Well, if the Commission has formulated a policy on this point, I think the present time is the time to give it out, because it may affect the consideration of some of the matters referred to?—I know the policy is under consideration now, and one factor that operates in connexion with it is the large area now being supplied by the Melbourne Electric Supply Company. While the franchise of the company is not settled, I

think the policy with regard to the whole area will be held up. However, as far as it can be, the policy will be formulated very shortly.

370. We rather deprecate the idea that the present is not the time to interfere with the City Council, and in view of the remarks of the town clerk, we would like to know something about this, so that we may consider it in relation to this particular question?—I think the difficulty at present is in connexion with the Melbourne Electric Supply Company. Until the question is settled as to whether the company is to have an extension of the franchise or to be purchased, it will be difficult to finalize plans for the reorganization of the whole area.

371. *By Mr. Beardmore.*—Then you think the company's claims that they can supply cheaper electricity than the Commission are not correct?—I do not see how they can do so.

372. From what point of view do you say that?—I say they cannot, because the supply for that particular area at present is taken from a small power-house, which must be kept operating for at least twelve months until power from Morwell is available. We all know that this company was working on extremely economical lines up to the time the Commission took it over; in fact, it had a reputation for cheese-paring. I do not think the company could have been shown any points as to how to manage a concern of that size on most economical lines. These lines of operation are being continued by the Commission. When the time comes to change over to the Morwell current the City Council would then be on equal terms with the Commission, as far as the purchase in bulk is concerned. The retail cost of distribution is then a matter almost purely of area.

373. *By Mr. Eggleston.*—Has the City Council plant the capacity to supply all the current for this area?—The City Council's generating plant is of limited capacity, and is not, I take it, likely to be extended. It is now taking a supply from the Newport power-house in bulk, and to that extent is being augmented by the State scheme.

374. So to supply this area, to a very large extent, it would have to get the supply from your source?—Yes, and at the same bulk supply cost.

375. The only difference is the cost of distribution?—That is so.

376. The Treasurer says this £100,000 must be paid off in twelve years. That is rather a special loading for a scheme. Do you regard that as fair?—I am not competent to criticise a condition imposed by the Treasurer, but that means, at least, 8 per cent. for writing off, apart from interest on moneys invested.

377. That is, irrespective of the present value of the undertaking?—Yes, it is based on the purchase value.

378. The present value should be treated as a capital charge, I suppose. Is the £110,000 in excess of the present value?—It is probably about the present value.

379. *By the Chairman.*—It would be fair for the present value to be treated as the capital of the thing, and to have a sinking fund?—Yes, spread over a long period.

380. That would be the normal?—That would be the normal, but that is a condition over which the Commission had no control.

381. *By Mr. Farthing.*—In your report, you estimated that the total expenditure on the Morwell power scheme would be £2,500,000, roughly?—Yes.

382. Can you tell me what, approximately, is the expenditure to date?—I cannot tell you from memory. I would have to refer to my papers. I was not aware I would be asked this question to-day or I would have brought the information along, but it can be obtained, of course. You mean the cost to date?

383. Yes?—I will furnish it.

384. Has any power-house plant been delivered?—The first plants will arrive about the end of this year, or, say, January, of 1923. Already one plant has been delivered, and the second one is just arriving for our Newport "B" station, which station will be used to give, in the early stages, the supply of energy to the North Melbourne area. I hope that this supply will be available by the middle of next year.

385. Can you tell us the expenditure on that particular account to date?—I cannot tell you what it is to date, but it is estimated to cost about £850,000, that is Newport "B" station.

386. With regard to the transmission lines, is stock arriving for them?—Yes, the material has to a large extent been delivered, and the sites for the towers are being prepared. The building of the terminal station is nearly completed; the plant has arrived, and is in course of erection. We hope it will be partly in operation by the middle of next year.

387. Could you give us the expenditure on these items at some later date?—The expenditure to date?

388. Yes, up to the present date. Has a start been made on the Melbourne distribution cables and the sub-station?—Yes, the sub-station in the Essendon area has been started, also the sub-station in the City Council area, and one in the north of the city near Brunswick.

389. When this scheme is completed, will the whole scheme come within the estimate?—I do not think so, because it has been somewhat amended. We have proceeded with the Newport "B" station, which has increased the expenditure by £850,000 or thereabouts, but that, of course, has increased the capacity of the scheme correspondingly.

390. Will that £850,000 be the total extra money that will be required?—On Newport "B"?—In what way do you mean the total money?

391. On the whole scheme, what will be the extra money, the money over and above your estimate?—I will supply that information.

392. *By Mr. Eggleston.*—Was the Newport "B" station a necessary adjunct to the scheme?—It was. After the Morwell Bill was passed by the House in 1919 it was found that the railway requirements for power would be so pressing that unless the Newport station was extended at once there would be a serious shortage of power, and it was found that the Newport extension could be completed at an earlier date than the Morwell scheme could be brought into operation.

393. You relied on the original scheme in getting more power for Newport "A"?—No; we hoped Morwell would be in time for the industrial demands. Soon after the 1919 Bill was passed it was realized that there would be a serious shortage in 1922 or 1923, owing to railway electrification requirements, and it was not anticipated that the Morwell scheme could be brought into operation before 1924.

394. Is that only a temporary expedient, or has it relation to the whole scheme?—No, it is part of the whole scheme. Newport "B" is designed to take the peak loads. It will not be scrapped; it is a permanent and highly valuable addition to the scheme.

395. *By Mr. Farthing.*—If the expenditure exceeds the estimate the capital charges will have to be increased?—Undoubtedly.

396. And the cost of energy will increase in proportion?—Yes, approximately.

397. *By Mr. Deany.*—The consulting engineer for Warrnambool made a statement some time ago showing that the Commission's estimate for the Morwell scheme was £2,590,000, whereas in the figures allocated by Parliament it was already £4,000,000 odd, and he says the work is not finished yet.—[*Reads the statement.*] I cannot see any connexion between that and the truth. I have already explained that about £850,000 has been authorized by Parliament for the extension

of Newport "B," which must be added to the Morwell estimates, but I am not responsible for any of those figures Mr. Lincoln is using.

398. *By Mr. Eggleston.*—Do you mean that the cost per unit of power will be increased by 33 per cent.?—No, although the expenditure may have been increased the capacity of the scheme has been increased correspondingly.

399. *By Mr. Lind.*—Why was this station added to the original scheme?—It was added because it could be put into operation earlier than Morwell, and because the increase in the total capacity was justifiable. It could provide, say, another 15,000 or 20,000 kilowatts which it was considered would be easily absorbed with the power available from Morwell by, say, 1926 or 1927.

Sir John Monash, recalled, and further examined.

The total expenditure by the Commission for all purposes is £1,300,000. That includes briquetting, coal supply, Morwell scheme, and the Newport scheme. That is the total expenditure to date. As I explained in my evidence, the whole thing is bound up with the future of the Melbourne Electric Supply. If that is to get an extension of the franchise the policy will be totally different to what will be the case if they do not get an extension of that franchise. That is now under discussion with the company, and it will take weeks and weeks. Therefore, it is impossible to formulate a policy until the main issue has been settled. It is entirely a matter of negotiation, most delicate negotiation. These turmoils now taking place are not calculated to advance the interests of the public in the slightest degree.

The witness withdrew.

Committee adjourned until Thursday next.

THURSDAY, 26TH OCTOBER, 1922.

Members present:

Mr. McLEED, in the chair;	
Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

Lieut.-General Sir John Monash, G.C.M.G., K.C.B., Chairman of the State Electricity Commission of Victoria, recalled and further examined.

400. *By the Chairman.*—We are dealing to-day with the south-western scheme, and we would like you to first explain it briefly, so that the Committee will be able to follow what the Electricity Commission proposes to do?—Will I have an opportunity later on of replying to any criticism?

401. Yes, later on you will; you have not been officially notified of this, but we would like to have the details of the scheme from your point of view; then we will be able to understand more clearly what the position is when it is put forward, and you will have an opportunity of commenting on it?—Thank you. In a very few minutes a large map will arrive, and it will assist my explanation very much. I dare say the Committee would like me to explain the underlying policy which brought this scheme into existence. I would like to refer the Committee to Act No. 1304, section 18, where it says—

"Notwithstanding anything in any Act or in any order in force at the commencement of this Act, it shall not be lawful for any undertaker to establish any new or to extend any existing generating station or main transmission line without the consent of the Commission."

That, in plain language, means that no electrical undertaking in the State can be expanded or increased without the permission of the Electricity Commission. That is what Parliament has decided. Well, sir, the object of that legislation, I take it, was to prevent public expenditure under circumstances which would render it useless by the advent of electricity from the Morwell scheme. It is the policy of the Commission, therefore, to actively discourage the extensions of any existing undertakings in all parts of the State which can be economically reached by the Morwell scheme. To give you an illustration, that has been done, for example, in Lilydale, Frankston, Dandenong, and Mornington, in every one of which places the Commission refused permission for the erection or increase of existing generating plants, and the Commission itself has undertaken to supply all those places, and has, in fact, supplied them, and they are being supplied to-day. About the middle of 1921, it came under the notice of the Commission that the Hampden Shire, of which the principal town is Camperdown, contemplated largely extending its generating plant. Now, the policy which I have just indicated of the Commission refusing permission to increase plants the Commission is determined not to exercise harshly, and not to object to the establishment or increase of any generating plant unless the Commission itself had something as good, or better, to offer. For example, if the situation arose at Mildura or elsewhere beyond the range of the Morwell scheme, the Commission would not place any obstacles in the way of either the installation of a new plant or the increase of an existing plant, and it is, in fact, doing that and giving that permission at almost every meeting, but in a case like Hampden, which is well within the reach of the Morwell scheme, the Commission took the view that it should, if possible, obviate the large expenditure of public money to the extent of nearly £40,000, if it could be shown that that particular district could be at least as well if not better served by transmitting electricity from Morwell. In consequence of that view the Commission decided to invite the representatives, not merely of the Hampden Shire, but of the whole of the South-Western District of Victoria, to a preliminary conference at the Commission's office, in Melbourne, and such a conference was duly held on the 27th May, 1921, and there were present at that conference representatives of the shires of Hampden, Mortlake, Colac, Warrnambool, the city of Warrnambool, and the boroughs of Port Fairy and Koroit. At that conference, the position was plainly explained to the representatives, and they were asked whether they would be agreeable to refrain from any further action in regard to extending existing plants or putting in new ones, until such time as the Commission had had an opportunity of investigating the matter, with a view to seeing whether either the Morwell scheme or some other comprehensive State scheme could be devised which would better and more effectively serve the district. At that time the Commission had in mind more than one alternative; there was the possibility of a supply from Morwell; the possibility of erecting at one large centre, such as Warrnambool or Camperdown, one large generating station, large enough to serve the whole of the district, and there was also the possibility of water power from the Hopkins. None of those matters had been investigated, and that conference, on 27th May, was asked to say whether it was agreeable to postpone further action until an inquiry had been made. As the result of that conference every single municipality there represented agreed, in writing, to refrain from any further action until an investigation and report had been made. Thereupon the Electricity Commissioners instituted the inquiry promised. It was a lengthy one, involving a minute power survey of the whole district, extending from Geelong to Port Fairy. A power survey means an estimation of the

amount of power requirements; both present and prospective estimates were made. The details of various scheme were worked out, and ultimately a report (of which I think members have a copy) was prepared and presented to the Government, and, with the authority of the Government, was published. I think copies were laid on the table of the House. This report is before you, and I think at this stage it would be better for me to explain the works which the report describes.

402. *By the Chairman.*—Is that the same plan that is shown in the report?—No, the map I have sent for is much larger, and will enable you to see it more plainly, but for the time being I am afraid we will have to use the blue print attached to the report. Members of the Committee are aware, I think, that the main power-house of the Morwell scheme is situated at Yal-lourn, 75 miles, or thereabouts, east of Melbourne, and that there is a subsidiary power-house at Newport alongside the existing railway power-house, which for distinction, we call Newport 2 "A," the new one being described as Newport "B." Newport "B" is rapidly approaching completion and should be in operation within about six months from date. Now, in that vicinity; not at Newport, but at Yarraville, we are erecting a large terminal station; there were originally to be two terminal stations—one at Richmond and one at Yarraville—but the Commission decided that the Yarraville station was the much more urgent of the two, and the erection of it has been accelerated, while the erection of the station at Richmond has not yet been commenced. The large station at Yarraville will become the centre of distribution for the whole of the energy from the Morwell and Newport combined schemes, and the Commission directed its inquiries to seeing whether electricity could be transmitted from the Yarraville terminal, *via* Geelong, to the Western District economically, or as economically or more economically than it could be produced locally. Now, the needs of the South-Western District were pretty urgent. The principal towns are Colac, which had a plant of its own, but the demands on that plant were already excessive; Camperdown, which had a plant of its own, but the demands made on that plant were already excessive; Terang, which was in the same position; and Warrnambool, which had no plant at all, and the people were crying out for electricity. It was, therefore, at once obvious that the district could not wait until 1924 for the completion of the Morwell power-house, and there would be no justification in restraining the Hampden Shire from going on with its scheme, unless some efficient alternative could be provided. The Commission, therefore, investigated the following alternative, *viz.*, to purchase energy from the Geelong power-house, belonging to the private company—the Melbourne Electric Supply Company, which has a power-house at Geelong. The project was investigated of purchasing energy from that power-house and transmitting it to the Western District as a temporary measure, until such time as the connexion could be made between Yarraville terminal and Geelong. The scheme was then gone into and figures and estimates worked out on that basis, with the result that this report proposes that there should, in the first instance, be a transmission line run from Geelong, *via* Birregurra and Winchelsea, to Colac, Camperdown, Terang, and Warrnambool, with a possible extension to Koroit and Port Fairy, and with branch lines to such places as Cobden, Mortlake, Lismore, and so on; that that line should operate for two or three years by energy supplied by the Melbourne Electric Supply Company at Geelong; that on the completion of the Yarraville terminal, and on the completion of the Morwell power-house, and when the growing demands of the Western District justified it, then a connexion would be built between Yarraville and Geelong. The first scheme, the temporary scheme, is described in this report as alternative "B." I will tell you in a moment what

alternative "A" is. Will you be good enough to look at table 4 on page 9 of the report. The first column, alternative "B," is the line from Geelong only, and that means purchasing energy from the Geelong power-house. The second column, alternative "C," refers to the condition of things when the line from Yarraville—not Newport, as printed—has been built to Geelong, and takes up the supply. I do not think I need allude to alternative "CC" at present, because it is in the more remote future, when the Geelong demand has increased beyond the capacity of the Melbourne Electric Supply Company's Geelong power-house. That will not arise for five years, so it need not be considered yet. Alternative "A" refers to the alternative scheme of having a generating plant in the district itself. I may say now, to dismiss it, that the investigation showed conclusively that the scheme of transmission from Morwell would be cheaper and more efficient, more elastic, and in every way more desirable for the whole district than to attempt it with a small local power-house. I may explain, sir, that that power-house would have been a very small one—possibly a couple of thousand kilowatts—as the total demand in the whole district is not more than 1,000 kilowatts, and a small power-house is a very uneconomical proposition. The larger the power-house the cheaper the resulting energy, and the Commission felt that not only was a small power-house uneconomical, but that it did not offer an opportunity for indefinite expansion, such as would be offered by linking up with the Morwell scheme. That is why the Commission strongly recommended to those councils that there should be a linking up with the Morwell scheme. That is only one of many projects of a similar nature. When I get the map I will show the Committee the nature of the scheme of distribution throughout the State for linking up with Morwell and Newport, and in the future, with the Sugarloaf—and possible also the Kiewa—power-houses. They will all be linked up so that one power-house can render support to all the others and also receive support from all the others. In other words, I would like you to consider this scheme, not as a scheme apart, but as a part and parcel of the general system of transmission throughout the State. Now, will you be good enough to turn to table 1 on page 8 of the report, where it shows the estimated capital expenditure. The aggregate cost of the ultimate scheme under alternative "C" is £145,810, while in the case of alternative "B" it is £122,130. That is the total capital expenditure, and the details are shown in the table. Table 2 gives an estimate of the annual expenditure, that is to say, capital charges, supervision, operation, and administration, and it shows that under alternative "B" the annual charge will be £23,490, while under alternative "C" it will be £20,479.

403. The duty you refer to in this table would be the duty paid to the Customs Department?—Yes, at the time this report was written, the question of duty on aluminium conductors was under discussion. The aluminium conductors for the Morwell scheme were admitted on the lower duty, but in the meantime, the Port Kembla people showed that they were able, or said that they were able, to produce them, with the result that the Federal Customs Department has increased the duty to 45 per cent.; consequently, the larger of the figures given here are those that apply, and not the smaller figures based on the 10 per cent.

404. The estimates based on 45 per cent. are to be accepted now?—Yes, the Committee will notice that the annual operating charges under alternative "C" will be lower than under alternative "B." The reason is that under alternative "C" we will be getting energy from Morwell, whereas under alternative "B" we will have to buy it from a private company at Geelong, and there will be a very considerable saving in consequence of that change over. Table 3 shows the market that will be necessary to make this scheme

pay. That is to say, this scheme will not pay unless there is a maximum demand in the whole district of 1,050 kilowatts at any one moment of time, or until we can sell 1,475,000 units per annum. Now the Commission is satisfied that there is that demand existing in the district at present. The Commission considers that this estimate of the demand is a most conservative one. Of course, it cannot come on the very moment the scheme is ready; it will take some months—possibly a year or two—to make all the necessary connexions, and to instal all the necessary motors and other appliances. The Commission considers most definitely that that is a conservative estimate, and in this respect I would like to inform the Committee that in the previous cases I mentioned of Lilydale, Dandenong, Frankston, and Mornington in every single case the initial demand proved to be much better, and the increase in demand proved to be much more rapid than the Commission first anticipated. That is the almost universal experience—that the demand grows on what it feeds on; when the scheme starts everybody makes a rush to join up. However, that is the amount of demand that would be necessary to make the scheme pay, and upon the basis of that demand and upon the basis of the figures in tables 1 and 2, table 4 on page 9 has been worked out. It shows the average selling price at each of the main centres of population in the district. I will ask the Committee to disregard altogether those columns marked "10 per cent.," and refer only to those columns marked "45 per cent." It shows under alternative "B" that the average selling price for the district is 4.21d. per unit; under alternative "C" it will fall to 3.67d. per unit, and under the future conditions it will fall still more, but I wish to make it clear that these are the prices only so long as the demand does not exceed the amount of consumption in table 3. If that demand proves to be better, naturally those prices will fall.

405. *By Mr. Smith.*—If it is less?—As the demand increases the prices get less.

406. But if the demand happens to fall off?—How could it possibly fall off?

407. That is so, but you have to take the other side of the question into consideration?—In electrical economies you would never dream of putting a scheme into a district which might perish. It is unheard of—absolutely unheard of—for a demand to fall off; the demand always grows.

408. *By Mr. Lind.*—You claim that that is a very conservative estimate?—Very conservative. It is inconceivable that any one who has ever put electric light in will turn it out and go back to kerosene, or that a man putting in an electric motor will throw it out and put in a steam engine; it is the other way about. When you start a power supply you persuade many people to use electricity who have never previously done so; an illustration is the township of Morwell recently lighted by us.

409. *By the Chairman.*—In table 4 we are to drop out all the references to 10 per cent.?—Yes.

410. And confine ourselves to 45 per cent.?—Yes.

411. *By Mr. Eggleston.*—The "B" scheme is cheaper to start with, but its operating costs are more than the "C" scheme?—The capital cost is cheaper, for the simple reason that it omits that portion of the transmission line from Yarraville to Geelong; that is not included in alternative "B."

412. But the working expenses are less for "C" scheme?—I have explained that because the cost of power is less; the cost of energy is less.

413. *By Mr. Beardmore.*—One thousand and fifty kilowatts seems a small amount to be required for the

whole of the Western District?—Well, the position is set out as—

	Kilowatts.
Colac	200
Camperdown	150
Terang	100
Koroit	100
Port Fairy	100
Warrnambool	400
Total kilowatt hours ..	1,050

It will take a couple of years to realize that. It takes time to connect up houses and factories; you cannot do it all over night, and people will not start until they see electricity in the place. They will not become customers until the goods are there to deliver, and then it takes time. Now, here is the large map. This map shows the general scheme for distribution of electricity throughout the State. Here—[indicating]—is Yallourn, Newport, and Yarraville. The red lines on this map represent very high—super-high-tension transmission lines—that is to say, 66,000 volts and over. This main transmission line from Morwell around Melbourne and Yarraville is 132,000 volts; that is a very high tension line. These others are also high-tension lines. The blue lines represent also high-tension lines, but they are what we call sub-trunk lines, and carry voltages from 44,000 down to 6,600, but they are all of a very much higher voltage than any voltage which can be used industrially or domestically. Then from Yallourn power-house is a scheme for the supply of East Gippsland, from Traralgon, Maffra, Stratford, Sale, and right away to Bairnsdale; then there is this line in the north-west to Outtrim and Koroit. Now here is the south-western line to Warrnambool, with a possible extension to Koroit and Port Fairy. The only branch lines shown are one to Mortlake and one to Cobden. There is now under investigation a branch line from Geelong for the supply of Queenscliff Peninsula, serving Drysdale, Point Lonsdale, and other places. That will be a comprehensive scheme of its own. This—[pointing]—shows the site of the proposed Sugarloaf hydro-electric scheme, and this is the site of the Kiewa scheme. The Sugarloaf scheme, as I will explain later, will be connected up with the Yarraville terminal, so that there will be a definite connexion between the Sugarloaf power-houses (of which there will be five), and Yarraville, and Yallourn, so that there may be this interchange of which I spoke. The Sugarloaf energy can go to Yarraville and to the south-western district, if necessary, in the event of a breakdown at Yallourn.

414. *By the Chairman.*—Or in the event of the Sugarloaf energy running short owing to a drought, then you have the main supply?—Yes, that is with the two power-houses, but there will be no distinction in the electricity; it is all one pool, and a man will not know where his electricity is coming from. Various power-houses will pump electricity into the system, and it will be all distributed according to the needs of the moment. Now I want to show you the relationship between the south-western scheme which you are now discussing, and the whole of the rest of the scheme. I would like to repeat this—that alternative “B” scheme means transmission from Geelong to Warrnambool, while alternative “C” scheme means building this line from Yarraville to Geelong, which we do not recommend at present, but which will come on in two or three years’ time. For the time being it is proposed to purchase energy from the Melbourne Electric Supply Company at Geelong.

415. You do not propose to build the Yarraville-Geelong line until the Western District requires it?—Until the demand justifies it.

416. *By Mr. Beardmore.*—Until the Morwell scheme is in existence?—Yes, and not even then unless there is pressure, because what we are looking forward to is a very considerable growth of the demand in Geelong itself, and we expect that the Geelong company will itself have to come to us for more energy, and when they become a customer, as well as the Western District, it will more than justify making that connexion.

417. Is the Geelong company now getting sufficient power to meet the requirements?—Yes, I would like to tell you about that in detail. Upon the issue of this report in December, 1921, the Commission allowed the councils concerned some weeks to consider it, and then I called another conference, this time at Camperdown. The chief engineer and myself attended to explain this scheme, much in the same way as I have just explained it to you, and a number of gentlemen, some of whom are present here to-day, attended as representing the various councils, both as engineers and as councillors, and as a result the conference adopted the scheme in its entirety.

418. The Municipal Conference?—Yes, the Municipal Conference, and I have here a written acceptance from every one of the municipalities concerned. Those can be put in if the Committee wishes. I will read the Hampden one as an example. Mortlake was the only place which said it could not come in for the time being, but they have since said they can come in. This is the letter from the shire of Hampden—

Your letter of 13th March last was placed before the council at a special meeting, held on the 18th ult., and at the ordinary meeting, held on the 7th instant. After the matter had been discussed, it was resolved that the previous motion accepting the offer of a bulk supply of electricity from the Electricity Commission be rescinded, and the following motion was passed:—

“That this council has given full consideration to the scheme proposed by the Electricity Commission for the supply of electricity to the Western District; that it is of the opinion that it is the best scheme to bring about the full development of electricity supply for the Western District; that provided that electricity can be supplied in bulk at prices for maximum demand in kilowatt hours already furnished by the Commission, but not exceeding the average costs given on page 9 of the report, this council is prepared to contract with the Electricity Commission for the supply of its electricity requirements for all purposes in the district, and that the council is agreeable under such circumstances to refrain from installing any further electric generating plant within its territory other than that necessary to meet absolute requirements, until the supply can be furnished by the Commission. . . .”

Every one of the other municipalities replied in almost identical terms—in point of fact, the resolution was agreed to at the conference, although each council was allowed freedom of action. For instance, here is the Warrnambool reply:—

24th February, 1922.

Dear Sir,

Re South-Western District Electric Supply.

Referring to the report lodged with this council in December last, and to subsequent correspondence and conferences dealing with the above, I now have the honour to inform you that this council has given full consideration to the proposed scheme, and is of opinion that same is acceptable to and should fill the requirements of this municipality, conditionally that your Commission is prepared to undertake to supply electricity in bulk at the rates stated in your letter of the 24th, and not exceeding the average costs mentioned on page 9 of the report, this council is prepared to enter into a contract with the Commission for the supply of all its electrical requirements, and further undertakes not to install any electrical generating plant within its territory during the period of such contract.

It would only weary the Committee if I read the others. They all wrote in similar terms. Upon that, and with those acceptances, the whole proposal was submitted to the Government. The representation was also made to the Government that it was urgent to do something at once, because the Camperdown Shire had been restrained for some months from going on with their own enterprise; that it was not fair to leave them between Heaven and earth. It was also pointed out that

Warrnambool was urgently wanting electric supply, and that Colac had already reached the limits of its own power-house, and that the matter was most urgent. The Government said, "Well, make sure that you can make a proper contract with the Melbourne Electric Supply Company for it to supply you with the necessary energy." We said we had already done that, and we had the option of a contract for three years, with the option of extending it to five years, at very favorable rates. (I may say, in passing, that that contract has been since concluded, so that the supply of power is assured.) Upon those representations, the Government gave the Electricity Commission authority to proceed with this scheme, and the scheme is very nearly—is very well on the way. I was going to say, "Very nearly completed." What I mean is that, as regards commitments, it is very nearly completed; all the material has been ordered; all the poles have been distributed; the aluminium cable is already on the way, and the switch gear and material for the sub-stations is well advanced; the surveys are complete.

419. *By the Chairman.*—In your evidence, you rely upon the fact that the city of Melbourne electric supply will have their concession for power expire in a couple of years; does that apply to the Geelong company?—No; in the year 1931; it is much later. It is a different franchise, and for a different period. I would like to make it clear to the Committee that the works are well advanced. Although there is not much actually to be seen in the district beyond a lot of poles lying about, still the transformers, fighting arresters, cables, poles and pole caps have all been provided, and now, during the summer weather, they will be rapidly erected. It is expected that the supply will reach Colac in March or April, and the other places shortly afterwards, and all those towns are making preparation to receive it.

420. *By Mr. Eggleston.*—The retail distribution will be in the hands of the councils?—The retail distribution will be entirely in the hands of the councils. At a meeting which I attended of the Warrnambool Council, I was asked whether the Commission would be prepared to undertake the retail supply of Warrnambool, as Warrnambool had not then got an Order in Council, and my reply was that the Commission was not prepared to undertake in a piecemeal fashion the retail distribution in Warrnambool, and they would not do so until a definite policy in the matter had been determined upon by the Government and Parliament.

421. *By the Chairman.*—I wanted to be sure that foundations were laid securely when I asked about the supply?—Yes, we have the assurance of a supply; we have a definite contract, and that can be produced if necessary, and that contract is at a price which harmonizes with the estimates made on page 8 of this report, so the thing is absolutely assured from every point of view, as soon as the necessary works of transmission have been constructed. In my statement, up to now, I have endeavoured rigorously to refrain from any mention of any matter which might be regarded in any way as debatable, but while I am in the witness-box you may consider it convenient for me to explain, in advance, the nature of some of the issues which were raised in one single instance, viz., in Warrnambool. I wish to show that the Electricity Commission has from the first enjoyed, and still enjoys, the whole-hearted support of all those municipalities, except Warrnambool. The support from Warrnambool was only withheld for a very short time, and has now been as frankly and fully given as from the other municipalities, in spite of anything that the Committee may be told to the contrary. I would like to explain what the trouble was at Warrnambool. The Committee will see that this is a long transmission line of 170 miles ultimately, and that there is no provision, as far as the main line is concerned, for the smaller towns and settlements lying to one flank or the other, except only as

regards Mortlake and Cobden, but it very soon made itself evident that there was a very large potential market all along the line—Birregurra commenced, then Winchelsea, then Lorne, then the soldier settlement north of Colac, then Lismore, and a great many others. In fact they are all tumbling over each other demanding electric services, and it was very soon evident that it would be necessary to run a number of branch lines, and that those also, on account of their length, must be high-tension lines. Now, in the report itself, and I would like to call particular attention to this, on page 7, members of the Committee will see a paragraph which I will read, viz.:—

Reticulation of the Municipalities.

Should the transmission scheme recommended receive the support of the shires of the district, the question will next arise as to the best way to provide the necessary branch lines and sub-stations that will ultimately be required for a comprehensive development of the district. On the one hand, energy could be made available by the Commission at one or more points in each municipality, from which the council would take a bulk supply and retail it throughout its areas by means of high-tension overhead lines and apparatus to be installed and maintained by it. On the other hand, the Commission could provide these overhead lines and apparatus to convey the energy to the sub-centres of population in each shire to which a supply is economically possible, and at such centres the energy could be sold in bulk at low voltage to the council for house-to-house supply. The latter method is to be preferred, because a single authority, viz., the Commission, would be responsible for the installation and upkeep of all high-tension transmission lines and apparatus, leaving the council responsible only for the low-tension reticulation of each sub-centre in its area. The Commission would require, however, to be satisfied as to the economic soundness of every proposed extension.

422. That is to say, that in the event of the Commission only supplying it in bulk to the principal centre or central town of a district, you would be prepared to undertake extending it to other towns?—And supply in bulk there, but not retail.

423. The municipalities then would be only put to the expense of the breaking down?—No, we would do that. We would supply in bulk at a low voltage. They would be responsible for the low-tension reticulation and for the services, and for the operation of the low-tension distribution. In other words, the Commission said it was preferable that there should be a single authority for the whole high-tension system. Now that report, with that recommendation in it, was accepted by the councils without question. Long afterwards, when we commenced to make inquiries as to what high-tension branch lines they wanted, a gentleman from Warrnambool—ex-Councillor Downing, who was then a councillor—came along and said that he objected, that his council wanted to supply these high-tension branch lines themselves. We said that it was an astonishing attitude; we were prepared to foot the bill, to take the responsibility for the full care and maintenance, and that the council would not be prejudiced one way or the other. However, he took that ground, and said he thought it was interfering with the business of the council, and it will therefore be necessary for us to justify to you the reasons why the Commission says all high-tension transmission must be under their control.

424. Did he come on behalf of the shire or of his own volition?—He came at first on behalf of the council. I would like to reserve most of what I have to say until after those who criticise this have spoken, but I would like to point out this in the first place:—that with a complex system of high-tension transmission such as this, the failure of a link at any one place will not merely affect that place, but it will affect the whole system. It has happened so in the supply to Frankston and Mornington. It has frequently happened within the last few weeks that owing to short circuits at Frankston, Dandenong and Mornington have had to go without current. It is most necessary on technical grounds that there should not be divided

authority with regard to the high-tension transmission. It is very highly technical in voltage, as high as we are going to put in—the highest that have been used in this country—and it requires the highest technical skill, and it requires control of markets and access to markets for the supply of this material. With a single authority looking after the whole thing it can make contracts for insulators in bulk supplies, for switchgears, and other things, and also insure a perfectly uniform standard, and insist upon a high standard of efficiency. If it were to leave those matters—those high-tension branch lines—in the hands of 100 odd individual shires, there would be 100 odd individual standards which could not be possibly controlled, and there would be constant fights as between efficiency and a lower standard, to save money, and there would be the gravest danger of breakdowns. If the municipalities were in any way prejudiced by the Commission undertaking this responsibility there might be some argument in it, but the municipalities will be in a really better position. They will not find the money or take any responsibility in connexion with the service until the voltage is broken down at any point they desire for retail distribution.

425. That is to say, you would maintain the lines all alone?—Yes, certainly.

426. And deliver the current over at a point?—Yes.

427. And they incur all responsibility after delivery, but not before that point?—That is so. This matter will be fully elaborated. I understand that some witnesses are coming here to speak on that point, possibly. At any rate, until we hear what they have to say I have nothing further to add. I reserve leave, with the kind permission of the Committee, for myself and my technical staff to explain this matter more fully. There was another bone of contention with the Warrnambool Council which I ought to mention, but it has come to nought, because neither we nor the Warrnambool Council succeeded in getting the business—that was in connexion with the Warrnambool Woollen Mills. There was a dispute as to whether the Electricity Commissioners or the council should do it, but the upshot was that it is going to be handled by neither. I can speak as to that if you wish.

428. Would it be economical to separate the Warrnambool Woollen Mills from the rest of the supply for Warrnambool?—Yes, it is absolutely essential, because they would require twice as much current as all the rest of Warrnambool; they would require a separate circuit all the way from Geelong for themselves. It was a matter with which Warrnambool would have nothing to do; however, not only has the business not come along, but it is not likely to. I went to Warrnambool with the chief engineer to explain the situation to the councillors, and they ultimately accepted it. They have now applied for an Order in Council in the form that it is usual for the Commission to issue without any further question.

429. There is one point, and that is in regard to the question of the production of electricity—the economic feature of it being provided by a central body as compared with each municipality having its own plant; I should think it could be produced much more cheaply?—Yes, at any rate, within the limits shown on that map. In the Wimmera and Mallee, of course, it is different. It is a mixed question of distance and demand. Might I put it this way—probably somewhere here in the Wimmera you could generate electricity from a local plant cheaper than you could supply it from Morwell, but if you had a great city of 50,000 people there it would be a very different matter. It is a mixed question of distance and demand. If you have a big demand at the end of a long transmission line it will not only bring down the price at the terminus, but for everybody on the way, but in Victoria as you get out here—[indicating Mallee]—the settlements get smaller and smaller, and

when you get beyond such places as Stawell, Echuca, and Wangaratta a point is reached beyond which it would not pay you to transmit current.

430. But taking the ordinary position of affairs where you find towns within a reasonable distance of each other, say, 8 or 10 miles, it would be much more economical in your opinion for them to take their power from a central station than to establish works of their own?—Yes.

431. Besides all the cost of maintenance?—Yes, and the responsibility of raising the money, and so on. Well, I do not propose to add to that statement unless the Committee wishes me to.

432. *By Mr. Beardmore.*—What would be the retail cost of power to a consumer in, say, Warrnambool?—I cannot say; that is out of my hands. I do not know what the Warrnambool Council is going to do. We have nothing to do with that. We simply bind ourselves to supply at these bulk prices. I do not know what they would charge, but I should say it would be 8d. or 9d. for lighting and 2d. or 3d. for power.

433. *By Mr. Deany.*—They will not be allowed to make profits?—They will not be allowed to make profits.

434. *By Mr. Beardmore.*—Do you think it is an economical proposition to provide power for Warrnambool at, say, 3½d. in bulk?—That price that you are referring to is the average price—that is not the price for power—that is the whole misunderstanding. People imagine electricity is a commodity which can be sold at so much without regard to other things. It is a service, depending on the load factor. It is possible for a man in Warrnambool to get his power for a penny. If he has a 19 per cent. load factor that is the average of the town, whereas any man in Warrnambool who wants power for the 24 hours round will get it at less than a penny. There are people in Warrnambool who could get their power cheaper than in Melbourne if they can offer a bigger load factor.

435. It all depends on the consumption?—Yes, if a man used an electric motor for only two hours a day his price would be high, but if he used it for 24 hours down would go his price.

436. If you supply current in bulk to the council at 3½d., surely a man cannot get it for 1d. or 1½d?—Nevertheless it is so. I could give the Committee a lecture on electrical economics, but it would take quite a while.

437. *By Mr. Eggleston.*—They split it up?—Those who use a low amount pay higher for it; it is not an arithmetical average; those prices are worked out on an 18 per cent. load factor; the average taken of the whole district is only 18 per cent., but if an individual comes along with an 80 per cent. demand or a 60 per cent. demand he gets his electricity at less cost.

438. *By Mr. Beardmore.*—It requires a lot of education, I think?—I know it does. I will give you this analogy. It will take a little time, but as the question is asked I had better answer it. In point of fact, charges are not made by electrical undertakers to people in cities in the form of average prices. The quotation given is something in this form—so many pounds per kilowatt of maximum demand per annum, plus so much per unit, measured through a meter. It is just analogous to paying for your telephone. You pay the Postmaster-General £5 per annum, which is by way of rental and installation and the use of the instrument, and then on top of that you pay so much per call for the service. Now, if you use your telephone once a day only you will find the total cost works out pretty high per call, but if you use it 100 times a day you will find the cost per call is pretty low, and that is as near an analogy as I can give you. Is that clear, Mr. Eggleston?

439. *By Mr. Eggleston.*—Yes?—There are papers written on the subject, but you can gather that it is quite possible to charge a municipality an average price of 4d., and yet for some of them in the municipality to get current for 1d.

440. *By the Chairman.*—The Commission would supply electricity to the community—to a town—at a certain percentage such as is shown here, and the community itself would deal with the distribution charges?—Yes, certainly.

441. And it would rest with them to increase the price to those who used a little?—Yes.

442. *By Mr. Eggleston.*—But you would have to exercise control over the charges made to see that this distribution rate was somewhere around this average rate?—Well, that is just a sore point. I do not think it is possible to exercise control except on the basis of their annual balance-sheet. If the annual balance-sheet shows a profit we can say, "Next year you must reduce your prices by 10 per cent. or 15 per cent.," or what most often happens in this country, they come to us and ask for permission to increase the price because they are losing, and if we are satisfied we give permission, but I do not think it would be possible for the Electricity Commission to exercise control as regards the rates of their charges as between one class of customer and another.

443. You mean that because a Department is not efficient you could not correct it?—Not unless we step in and take charge. As a matter of fact, this is going on in the metropolitan area at the present time. Certain councils like Footscray and Port Melbourne are very harsh indeed upon industry and manufacturers, and they are making them pay through the nose. We have no means of controlling them. We cannot say yet, but at the end of the year we can say, "Your balance-sheet shows so much profit; you must reduce your charges." But as to whether they favour one class of customer more than another we cannot control that.

444. *By the Chairman.*—The Commission takes up the position that these works are established by the Government of the country for the sake of reducing the cost of electricity and making it available to every section of the community?—Yes.

445. And no one is allowed to make a profit?—That is the law, sir.

446. Yes, I am just stating how it works out. While you are prepared to supply it in bulk to people, you are not going to allow them to profiteer?—We are directed to do that by the law; that is a matter of an Act of Parliament.

447. But it is not generally understood that that is so?—Oh, that is the position; it is contained in Act No. 3104, section 16, sub-section 6.

448. *By Mr. Eggleston.*—I imagine it will be a matter of considerable difficulty in the future, especially where you have this retail distribution run by local councils. One big concern may be getting power at a very low rate, and that may be regarded as discrimination by the council, and there may be a good deal of talk and complaint by other people who are not getting the same rate?—That is so, and that is what we are liable to; these things are so technical that people do not understand them.

449. Were not some comments made on the fact that Kitchen and Sons were getting power at a cheaper rate than others?—That is a case in point; they are not getting it at a cheap rate, but at the proper rate. The Port Melbourne Council refused to supply Kitchen and Sons except at an exorbitant rate.

450. It was pretty well a flat rate with other customers, was it not?—Yes, and Kitchen said, "All right, if you charge that we will put in our own plant." They then came to us, and said, "What can you do for us?" and we said, "You happen to be in an area

in which Parliament has permitted us to supply retail, and we will supply you," and we supplied them at the proper rates.

451. Based on their load factor?—Yes, and I venture to say, without any aspersions at all, that there are very few municipal councillors who understand the meaning of the term "load factor," and that is why the question of the municipal distribution is a very serious one. I hesitate to say much about it, because I will have it thrown at me that we want to do it ourselves. We do not, but we say that there must be competent authorities created for the purpose, and we think that in the near future when public opinion is more enlightened districts like the south-western district will create a district Board to manage the whole of the system in that district, like the railways or the water supply or the telephone system.

452. *By Mr. Beardmore.*—By your agreement it is possible then for an industry to start in Warrnambool, and get power delivered at the rate of a penny or thereabouts?—Yes, with a 100 per cent. load factor, certainly.

453. *By Mr. Eggleston.*—With an industry running three shifts, for instance?—Yes, decidedly.

454. *By the Chairman.*—The concern with the constant requirements gets the benefit?—Yes—just consider for a moment what the system has to provide for—here is a gentleman with a four or five-roomed house; he sticks two or three lights in every room, and he claims the privilege of switching any or all of these lights on or off at any moment; he burns two or three lights in the evening for two or three hours, and that is all he expects to pay for. Now, how can you charge that man as low a rate as you would another man running his factory with a 100 horse-power motor going all day and night for six days a week all the year round?

455. *By Mr. Eggleston.*—You have to incur considerable expense too in wiring a small house, and he uses only a small portion of the current?—Yes. If a man has twenty lights he is entitled to demand sufficient current for the twenty lights, and a line has to be put up to supply him, and he pays for the current at the lighting rate, but as to arriving at the average rate, the electrical engineer goes into a centre, and he says, "The demand of this centre is 200 kilowatts; the load factor is 'x' per cent."—it may be 10 per cent., 20 per cent., 30 per cent., or 40 per cent. On that he calculates the average charge to that town, but when you come to supply the current you have to calculate the average charge for each customer and for each group of customers.

456. *By Mr. Beardmore.*—And it would work out on the average at Warrnambool at 3½d.?—Yes.

457. I am pleased to know that an industry could be started there with the possibility of getting its power at a penny—or, at any rate, at less than the average rate?—Yes, it would not be an average otherwise; that is the meaning of "average." However, I have my electrical engineers here, and they will be able to explain this matter very fully, and as Mr. Beardmore has raised the question of the cost of electricity in the country I would be very glad if the Committee would give me an opportunity during these proceedings of explaining the attitude of the Commission regarding industrial costs in the country. We think an altogether wrong view has been taken about the necessity of cutting down the cost to the last farthing. It will not make such a great difference.

458. *By the Chairman.*—We shall be very glad to receive that information; it will be probably dealt with when the Sugarloaf question is being considered.

459. *By Mr. Farthing.*—Why do you say it will not make a great difference?—Well, briefly, the lines of the argument are these: If you look up the *Year-Books* as to the cost of power and light for industry, you will find that it comes to about 1 per cent. of the cost of

the finished article. Now, we say this—that a small increase in the cost of power makes no difference in the competition of an industry, whether rural or metropolitan; that is to say, that if I am a manufacturer in the country and you are a manufacturer in the city, if I have to pay 30s. per cent. for my power, and you have to pay 20s. per cent., that is not going to make any difference in determining where I am going to place my factory.

460. *By Mr. Eggleston.*—It is not important enough?—No, the raw materials, labour, climatic and living conditions, transportation, closeness to the sea coast, are all matters which are paramount, and the mere fact of power costing either 20s. or 30s. per cent. is not going to drag an industry from a locality which is otherwise suitable to it. That is broadly the line of argument, and figures can be taken from the *Year-Books* to support it. Mr. Ellery, in his evidence yesterday, said that we were hedging. I do not want to discount the value of cheap power—of course, power has to be cheap—but I say that you can press the argument too far; you can make out that a saving of seven-tenths of a penny per unit is too important. I say it is not important. It is negligible in relation to other factors.

461. *By Mr. Deany.*—On the question of the estimated annual consumption of energy for Warrnambool, in the report it is shown as 670,000 kilowatt hours?—Yes.

462. You say that is a conservative estimate?—Yes.

463. Mr. Lincoln, consulting engineer for Warrnambool, advises the Warrnambool City Council in respect to these matters, and he makes the statement that while the Commission estimates the Warrnambool demands at 670,000 units per annum, in his opinion, that is excessive, and he puts it down at 378,000 units, plus 25 per cent?—Well, we are the responsible people, and we make that estimate with a full sense of our responsibility, and Mr. Harper and Mr. Bate are here to support that estimate if you wish to hear them. We cannot help it if people differ from our opinion; we are bound to exercise our discretion.

464. *By Mr. Lind.*—If you are out in your estimate and that of Mr. Lincoln is right, are you going to still stand by that estimated cost of 3.75d?—We must; we must; we are honorably bound by that.

465. *By Mr. Farthing.*—How would it be possible for you to do that; if you make a loss in that way, how will that loss be made up?—In two ways—either put it to a suspense account and make it up out of the gains in subsequent years, or to suspend the depreciation payments for a year of two.

466. *By Mr. Eggleston.*—It would come on the cost of power?—It would come on the cost of the system.

467. Or any other parts of the undertaking?—No, it is unthinkable; you can imagine a curve plotted for a rising demand year after year, but it is unthinkable that it would ever drop.

468. Warrnambool is an unexploited field, and you have to guess its demand?—No; we know exactly the horse-power of every engine in Warrnambool, and we estimate that we can get so much per cent. of that; we have made a proper power survey, which is as reliable as a proper population survey or census, of all the plants in existence there.

469. *By the Chairman.*—If you can judge from the reports, a good deal of the Warrnambool opposition arose from an imperfect knowledge of the facts?—Yes, the electrical statistics of a country can be as carefully compiled as the vital statistics. We can tell you quite definitely what is the reasonable expectation of consumption in kilowatt hours per head of the population in a town. Communities do not vary very much. If a town in Gippsland, for instance, can use 30 kilowatts per hour per head of the population per annum, it is perfectly safe to say that a town in the Western District will use somewhere about the same.

470. *By Mr. Deany.*—In regard to the Commission having control of the high-tension lines, I notice the following on page 6 of this manifesto issued by the Defence Committee, viz:—

Sub-clause (8) of clause 2 provides that all work at a pressure exceeding 450 volts is to be constructed and operated exclusively by the Commission. Such a proposal is fundamentally unsound.

Then ex-Councillor Downing, of Warrnambool, is reported in this paper as follows:—

In regard to the control of high tension lines, the Commission wanted to restrict them to the control of lines which would only transmit current half-a-mile.

I might say that has caused a lot of concern in Warrnambool, as to the carrying capacity of such a line. Ex-Councillor Downing says that it will only carry power half-a-mile?—You do not want me to accept ex-Councillor Downing's evidence on questions of electrical engineering, do you?

471. No; but I want to get this into the evidence?—Of course he is wrong—absolutely wrong.

The witness withdrew.

Charles Snowden Demaine, A.M.I.E.E., Consulting Engineer, examined.

472. *By the Chairman.*—Will you proceed with North Melbourne first?—Mr. Chairman, you ask me to deal with North Melbourne first. You remember yesterday you granted me permission that I might deal with the whole four subjects in one.

473. Will you not have them under different headings?—They are very closely associated right throughout my evidence, and I would like to put this point before the Committee, that the activities of the Commission are based on Acts of Parliament. I should like to refer, in dealing with the Bill, to the Acts of Parliament to show you the authorities that the Commission is acting under to perform its various functions. I should therefore like your permission to deal with those Acts first.

474. We have nothing to do with Acts of Parliament. We have only to deal with the Bill before Parliament. Of course, the Commissioners have to act under the Act. Go ahead, and we will pull you up if necessary?—Yes. I am a member of the firm of Lincoln, MacDougall, and Demaine. We are consulting engineers of Melbourne and Sydney. Our firm is essentially a professional one, and is not financially interested in any company, supply authority, or trading concern. We are, however, we believe, the oldest established firm of consulting engineers now practising and specializing in the electric supply to country towns and kindred matters, and we have acted or are acting for some thirty or forty supply undertakings. I am, therefore, speaking with a knowledge learned in the hard and difficult school of practical experience, extending over a period of twenty years. I want to tell you, Mr. Chairman, that I am leading up to a certain point. I want to emphasize the point that we are wholeheartedly behind the fine ideals of the State Electricity Commission. An impression is abroad that we are out to wreck this fine organization. We have no desires in this connexion. I should like to point out that for years past we have been working under grave disabilities. We, in common with other firms, have had to submit to a competition by unprofessional men with goods to sell, or who have acted in the dual position of contractor and consulting engineer, and also incompetent "poseurs"—excuse the word, I can think of no better—who have come and gone, leaving chaos behind them. It was, therefore, a source of great satisfaction to us to find, some years ago, the Government bring in the original Electricity Commission Bill, because this made provision for the prevention of abuses, in so far as the Commission was formed primarily to develop power resources, to make bulk power

available, to administer the Electric Light and Power Act 1915, and to co-ordinate supplies and standardize equipments. The whole State from end to end was shrieking for these facilities. We, therefore, as I told you before, welcomed the Commission with outstretched arms. I only refer to this matter to emphasize the fact that we have not now, nor did we ever have, any quarrel with the fine ideals of the State Electricity Commission. Before getting down to my evidence proper, Mr. Chairman and gentlemen, and by your leave, I should like to make a very brief statement—it will only take a minute or two—I think it is advisable and interesting to consider some of the reasons that are advanced as to why the Commission should have extended powers. Misconceptions abound in this connexion, and the public's knowledge is clouded. Electricity supply is rightly looked upon as a public utility, and one of the contentions put forward as a reason for the Commission to get extended powers is, for instance, that, because the railway system is a State concern, and as such is controlled and operated by a central authority, because of that fact the Electricity Commission should do likewise. The argument (a weak one) could, however, be put forward with limitations. The railway system is similar in effect to the Electricity Commission's main transmission line, in so far as these facilities (railways and transmission lines) are for the bulk handling of passengers and goods in the one case and electricity in the other—the argument stops there. Does the Railway Department attempt, or would it be advisable for it, to own, control, and operate the transportation of goods or passengers from the stations to the homes or stores, as the case may be, from the stations? This, sirs, is essentially a local function, as the distribution of electricity is. Then, again, Mr. Chairman and gentlemen, there is a Railways Standing Committee, which inquires into railway work and extensions, and wherever there is to be an expenditure of over £20,000 the matter has to go to Parliament. Now, under the new Bill, which I propose to discuss in detail very shortly, all the Electricity Commission has to do is to estimate that a scheme or schemes will pay, when, on the bare approval of the Governor in Council, it can spend millions. If the Electricity Commission should be like the railways, why not make it like them, and appoint electrical engineers as members of the Committees—Railways Commissioners are essentially railway men—men of standing and training in the profession they control? It is surely not necessary for me to say, Mr. Chairman and gentlemen, that I am not referring to persons in any shape or form. I, in common with the whole community, take off my hat to each and every member of the Commission. We know that the Electricity Commission consists of men of the greatest ability, but, sirs, are these men eminent in the profession of electrical engineering? The English Act provides that at least three of the five shall be electrical engineers eminent in their profession. Again, Mr. Chairman, it is urged that because the telephone and telegraph are a State monopoly, and are under one central control, that the Electricity Commission should be likewise. Are the Telephone and Telegraphic Departments such an excellent example that they should be used as a precedent? If so, a more fallacious argument could hardly be imagined. I submit, sirs, that telegraphic or telephonic communication is for mutual benefit between centres so connected, and that although profits or losses may be incurred in these services and extensions, the resulting benefit is mutual to all connected centres. It is, therefore, right that the profits or loss, as the case may be, should be pooled. Where, however, is there any common interest between electric light or power in country towns? A country town's electric light is essentially a local interest and a matter for local control, therefore, to put up the cost of

light in one town to pay losses in another is chaotic nonsense, and is legislated against in other parts of the world. I have reference in support of that contention, which I shall put in. That, however, is exactly what one unified central control would mean. I maintain that local control can and will serve the purpose infinitely better than the best-managed centralized control in existence.

475. *By the Chairman.*—Parliament has appointed a Commission to govern these matters. Parliament in its wisdom decided on a certain course of action, and we are here merely to listen to what you have to say as against the reasons you have to offer against proposals made by a body appointed by Parliament. We are not going to have a constitutional lecture on the question. You can understand, of course, that to discuss what Parliament has done here and what Parliament has done elsewhere is not our province, or to find fault with the fact that Parliament appointed a certain body to control it?—I bow to your decision in that matter.

476. Your own good sense will tell you that. We are appointed by Parliament to consider one particular phase of certain questions. The controlling body is here appointed by Parliament. Parliament has adopted a certain course of action, and we are simply acting in conformity with the desire of Parliament that we should report to them on certain phases of that action. We are not going to take a general disquisition on the whole parliamentary action for years past?—Mr. Chairman, my only desire was—I was referring to misconceptions that exist. I shall refrain from doing so.

477. *By Mr. Deany.*—I understood you to say that in your opinion it was the height of nonsense for one country town to make up the losses that might occur in another country centre?—Yes.

478. That being so, why did your firm recommend the Warrnambool City Council to adopt this scheme and the Hampden Council?—Because the losses in one section of the town in that report are not being made up to cover the losses in another. They are all being charged different prices throughout the schedule.

479. *By the Chairman.*—Go on, Mr. Denaine. You understand, of course, what our powers are?—Yes. I was going to refer to the scope of my evidence. Perhaps you would prefer that I should not do so, and get down immediately to the Bill. Is that your desire?

480. Get immediately to the business under consideration?—Yes. In order that this Bill, which is now before the House, may be appreciated, it is necessary to briefly examine the earlier Acts relating to the Electricity Commission. These earlier Acts, you will note, the Bill expressly states, are “to be read and construed as one with the present Bill.” What did these early Acts—particularly that of 1918—provide for? The intention is obvious. This is the dawn of the power age. Parliament is to be congratulated on arising so early in this dawn, but on looking through the Electricity Commissioners Act (No. 2996) 1918, it is obvious that it got up in the dark, and, therefore, was unable to see all that was being done. This, together with the Electric Light and Power and subsequent Acts, should be brought out into the light of day to examine the intentions, and compare those with the facts. The intention of the Act is plain, namely, to appoint Commissioners, subject to the Minister, to administer—

(a) This Act (2996) (and subsequent Acts).

(b) The Electric Light and Power Act 1915.

The Bill authorizes the Commission to prepare and submit a scheme, &c., for running an electrical undertaking at Morwell, and the distribution therefrom, also to report the result of inquiry regarding utilization of water-power. The scheme was to be submitted

by the Minister to some person or persons, apart from Commissioners, for examination and report.

481. *By Mr. Eggleston.*—Are you referring to the Bill now?—I am referring to Act No. 2996.

482. You are not reading from it?—No; I am just taking these extracts from it.

483. That was not the only proposal?—No, sir. I did not want to burden my evidence by reading that the whole way through. I am just reading these essential things. The scheme was to be submitted by the Minister to some persons or person, apart from Commissioners, for examination and report, and thirdly, it was to report steps to be taken to secure the ultimate co-ordination or unification of all State or other undertakings, and to adopt standards, &c. Subject to this Act, the Electricity Commission may, on behalf of His Majesty, do certain things. The point of contention is that the Commission's functions are that they—

- (a) shall administer;
- (b) shall investigate and submit schemes for power development and distribution;
- (c) shall submit these to outside authorities.

The powers and duties shall be to inquire and report steps which in their opinion should be taken to co-ordinate, standardize, &c.

Subject to the Act, the Electricity Commission may do certain things.

If the case is examined, it will be found that where the Act says "shall", the Commission please itself, but practically wherever it may do things, it has put an impetuous meaning on the word "may", namely, "must".

484. *By the Chairman.*—"May" very often in Parliament Bills means "shall"?—Yes; but the Act particularly discriminates between the "shall", "must", and "may" in this particular instance.

485. *By Mr. Eggleston.*—The point is that by the use of the word "may" it has power to, if in its discretion it thinks right, and if it is right, it is bound to exercise its discretion to do so?—I admit that; but I want to show further on in this Act what the intentions are.

486. *By Mr. Deany.*—You are trying to prove that they have acted illegally?—No; I am trying to show that the intentions of the Act were perfectly plain—that they were obvious.

487. *By Mr. Lind.*—Then you are suggesting that they are exceeding their functions?—I am suggesting that the Commission has exceeded its functions.

488. *By Mr. Deany.*—Then they are acting illegally?—I submit this evidence for your consideration.

489. *By the Chairman.*—You do not call that evidence. That is a matter of opinion. You constitute yourself now as the judge of Parliament—the wisdom of Parliament in passing that Act, and the wisdom of the Commissioners in carrying that out. If you make any suggestions regarding an amendment of the Act, we will be very glad to consider them in the proper place, but what we are here for is to hear evidence in regard to these particular points. We are not here philosophize with regard to the wisdom of Parliament or anything like that all. We are here to carry out the instructions of Parliament?—Yes, sir; this Bill, however, deals with the extension of the powers of the Commission—this new Bill that is before the House. It is, therefore, extremely difficult to deal with the extension of the powers without first of all considering what the powers are under the Act of which this forms an extension.

490. *By Mr. Eggleston.*—The powers are perfectly plain. It is outlined in section 12. The word "may" is used to give them the power and to give them the right to use it as they like. You are not an expert in the interpretation of Acts of Parliament?—I admit that; but, I think you will see, if you examine that Act and

go through it, that there is a definite intention all the way through that Bill, saying what the policy of the Commission is to be, and I want to bring out the fact that the action of the Commission is not in accordance with the general principle.

491. *By Mr. Deany.*—Section 10 says that the Electricity Commissioners shall do certain things, and so does section 11, and so does section 12, and so on?—Yes, and in other places it says that the Electricity Commission "may"—

492. *By Mr. Eggleston.*—Apparently you are unaware of the interpretation put by Parliament and the Courts on the word "may." "May" is used to give a person power which he may exercise or not, as he in his discretion thinks right and fit, and we impose that discretion on the Electricity Commissioners because we think they are fit persons to exercise that discretion. You consider that in certain circumstances they ought to exercise it, and in certain circumstances they ought not to exercise it?—I cannot speak on the legal side of the question, but the intention of an electrical engineer—and this is a technical matter, Mr. Chairman and gentlemen—the intention is plain right the way through. The Commission "shall" do certain acts, and it "may" do certain things.

493. *By the Chairman.*—So far as we are concerned, that Act to which you refer, three years afterwards, Parliament extended those powers, not only adopted what was done in the past, but gave the Commission further powers, recognising that they were discharging a public duty which required an extension of the powers. I will ask you now to consider, as a man of common sense—you are not competent, I submit, with all deference to you, to discuss an Act of Parliament, and I question very much whether you know what the effect has been under that Act of Parliament, and Parliament did not give us any such control. They gave to us certain specific questions, and we do not want to listen to essays, however much we may admire the wisdom of them. We want something practical. You are giving evidence to-day in regard to the scheme submitted by the Electricity Commission for further extensions at the Sugarloaf, the South-Western District, and North Melbourne, and the proposals in the new Bill. That is exactly what has been referred to us. That is within the scope of the electrical engineer, but I do not think that raising questions of law is exactly the *forte* of an electrical engineer, if I may say so, and it is wasting time for us. We are business men, and we have to do as much as we can in the time, and dealing as closely as we can with the matter submitted to us. We cannot make a recommendation to Parliament about a learned disquisition given by Mr. Demaine on an Electrical Act passed by Parliament. That would not be within the scope of our report. I just put it to you in all kindness to let you know our feeling in the matter?—Very well, Mr. Chairman, I will leave the previous Acts entirely and come immediately to the new Bill. Mr. Chairman, I want to point out, notwithstanding the huge powers that the Commission already have, and which I have referred to briefly, why I desire to refer to it at greater length. We now find, as has been anticipated, that the Commission is seeking still wider powers. It will be expressly noted that these wider powers are not asked in a direction to facilitate the Commission to administer or co-ordinate, but to enable the Commission to own, control, and operate the whole outfit to the ultimate exclusion of all others. If you examine the Bill you will see that wherever anything is to be done it is invariably the Commission itself that shall do everything. If you will refer to the Bill, sir, you will see that in every instance where anything is to be done it is invariably the Commission itself that have to do it. On page 2, in section 2, sub-clause (a), "Supply of electricity by the Commission in bulk shall be by the Commission," or (b) "The supply of electricity by the Commission."

Mr. Eggleston.—That does not carry out what you say.

The Chairman.—The Bill does not interfere with any private suppliers at this juncture at all. They are bound by their own Act.

Mr. Eggleston.—This gives the Commission the right to supply power to the councils, and supply it itself.

494. *By Mr. Lind.*—That application must be forthcoming first?—Yes. "The supply of electricity by the Commission in bulk." Supposing a municipality wanted to buy from any one else than the Commission?

Mr. Eggleston.—It would make the application under sub-section (2).

495. *By Mr. Smith.*—The councils referred to there are supposed to have no plants at all. They are applying to the Commission to do things for them?—Yes. However, gentlemen, I maintain if you see through that Bill there is no scope anywhere for any one else to do anything—any company than the Commission. I was just going to talk briefly on that. However, I will stick closely to my notes. I think, perhaps, that will be better. The Minister for Railways, in introducing the Bill, stated that its object was to enable the State Electricity Commission to make cheap power available in the country, to promote decentralization and to encourage industry in provincial districts. On the contrary, this Bill, if carried into effect, will not promote decentralization, but increase centralization. Instead of promoting the establishment of industry in the country it will increase the cost of electricity, not only in the provincial manufacturing centres, but also in the rural districts.

496. *By Mr. Lind.*—Do you intend to try to prove that?—I intend to bring that point out very prominently later on.

Mr. Eggleston.—Yes, but prove it.

497. *By Mr. Lind.*—Have you evidence to support that?—Yes.

498. *By Mr. Deany.*—There is some statement here that is practically the same thing?—It is not the same. It is somewhat similar. Section 2 of the Bill states that no municipal district, the boundary of which is within 25 miles of the boundary of the city of Melbourne, shall be affected. Why is this 25-mile limit fixed? Not many months ago certain municipalities began to realize the danger of the Commission's policy. They appealed to the city of Melbourne to call a meeting to consider the question.

499. Would you mind naming those municipalities?—I cannot name them immediately, but there are dozens of them, Mr. Chairman and gentlemen.

500. Name two or three?—The city of Camberwell, the city of Prahran, the city of Warrnambool—I will prepare a whole list. I cannot think of them offhand, but there are dozens of them.

501. They are metropolitan councils?—No, country councils.

502. You have only mentioned one?—Yarrawonga is a second one.

503. That is two?—I will give you a full list of those.

504. *By the Chairman.*—What did they object to?—They appealed to the City Council to call a meeting to consider this whole question—the question of this new Bill, and the question of the Commission's activities.

505. *By Mr. Deany.*—I want to see some proof, so far as the Warrnambool Council is concerned, that they appealed to the City Council?—I would suggest that the town clerk of Warrnambool should be called on the subject.

506. *By Mr. Lind.*—Would you deny that the initial steps were taken by the City Council?—Oh, certainly.

507. You say that the first move was made by the country municipalities?—Certainly. The Commission viewed the possible amalgamation of municipal interests with much alarm, and endeavoured at any cost to prevent the municipalities making common cause. The chairman of the Commission himself endeavoured to

prevent this co-operation, and when Melbourne made it plain that it was going to hear what the municipalities had to say the Premier, unsolicited, wrote to the City Council saying that the Council had nothing to fear as the amending Bill would not apply to any area within 25 miles of the city of Melbourne.

508. *By the Chairman.*—Who called this conference?—The city of Melbourne called the conference at the request of other municipalities.

Sir John Monash.—May I intervene on behalf of the Honorable the Premier? The witness says the Premier acted unsolicited. It is not in accordance with facts.

Mr. Lind.—The Premier will get his chance.

Mr. Eggleston.—I think it is as well to let the witness finish his statement. He has not touched a single thing so far on which he is competent to give evidence.

The Chairman.—My object is to try and keep the witness to the point so that we can take a note of it.

Mr. Eggleston.—I think it would be a saving of time if the witness just finished his statement.

The Chairman.—Very well, go ahead.

Mr. Lind.—We must not overlook the fact that we granted a certain request that was made by Mr. Demaine that he should deal in a general way. Now I think we are, perhaps, a little bit harsh in interjecting. I have been committing the offence myself.

The Chairman.—Do not let us forget this fact: that any interruption I make is because Mr. Demaine is not touching on electrical matters.

Mr. Eggleston.—The only remark I made was in the interests of saving time. It is obvious that the interruptions have lengthened the statement very considerably.

Mr. Deany.—My idea is that any statement should be backed up by evidence.

Mr. Eggleston.—If it is not backed up by evidence we will not take any notice of it.

509. *By the Chairman.*—Go ahead, Mr. Demaine?—Now, gentlemen, you perhaps were present when this Bill was introduced in the House. If so, you will remember hearing the Honorable the Minister for Railways explain certain of the technicalities. These were, no doubt, prepared by the Commission. Anyway, we have the Premier's assurance that the Bill is the result of careful deliberation by the Cabinet. It can, therefore, be assumed that the Minister knew what he was talking about. Well, he made the following statement in introducing the Bill:—"This Bill does not permit the Commission to do that, nor does it apply in any way within a radius of 25 miles of the boundaries of the city of Melbourne." (See *Hansard*, page 1374.) Was the Honorable the Minister badly coached, or was he ignorant of the contents of the Bill? We, of course, have no authority for believing that the Honorable the Minister for Railways was present when Cabinet so carefully considered the Bill as the Honorable the Premier states was the case. He said (see *Hansard*, page 1692)—"These proposals have not been foolishly or rashly accepted or indorsed by the Government . . . They had our constant consideration and attention during the whole of the recess." Subsequently, he said—"This Bill applies to areas 25 miles from the city, and does not touch the city at all." As a matter of fact, Mr. Chairman and gentlemen, this statement is absolutely misleading. Parliament has already used its executive authority to enable the Commission to go into the city area. The Commission is already doing all these things there that this 1922 amendment of the Act makes provision for outside the area, and every day is extending its activities within that area. Then, as a matter of fact, this 25-mile business only applies to section 2 of the Bill. There is no indication whatever on the Commission's part to keep outside this 25-mile boundary. On the other hand, it is holding tight to what it has within that area with a desperation that shows beyond all doubt that the Commission, moving through the executive actions of the Government, is deliberately accomplishing the very thing that this Act

now pretends to exclude. In view of this and other procedures is it any wonder that municipalities and taxpayers throughout the State are becoming alarmed? As I have stated above, this 25-mile business only applies to section 2 of the Act. A further perusal of the Bill will show—*notwithstanding this statement that the Commission will not touch the area within 25 miles of the city boundary—that under section 3 the Commission, to the exclusion of any municipal council or councils, may at any time enter into an agreement with an undertaker for the purchase by the Commission of the whole or any part of such an undertaking.* Under sub-section (4) of section 2 the Commission can inquire into the advisability of supplying electric light and power to any district outside the 25-mile area, and then make estimates. Assuming that this particular scheme is estimated to pay, the Act provides that if such recommendation is approved by the Governor in Council, the authorization shall become absolute. In other words, the Commission could inquire into the supply of electricity to Ballarat and Bendigo. If it came to the conclusion, or made estimates to show that this scheme would pay, the Commission could then and there recommend for the approval of the Governor in Council that the scheme be proceeded with. With the mere reservation that if the Governor in Council accepts such recommendation, this authority shall become absolute, and the Commission shall thereupon carry out such works. The Commission could spend a million without the matter appearing before Parliament until after the money was spent.

Mr. Deang.—That is not so. Sub-clause (4) of section 10, I think, settles that.

510. *By the Chairman.*—Go on, Mr. Dennainc.—This is a deliberate attempt on the part of the Commission to get powers to spend any amount of money without parliamentary authority, on the bare assumption that the estimates of the Commission show that a certain business is going to pay. Who—supposing the Commission's estimates are not justified—is going to carry the baby? A casual perusal of this Bill by a layman without any technical knowledge whatever is ample to condemn anything quite so preposterous. Sub-section (4) is surely an attempt to smother something. The Minister for Railways clearly stated, in bringing the Bill forward, that he and Parliament and the Commission knew, and knew only too well, that new systems could not pay in their early stages. It is not likely that any scheme, in fact, will pay for two or three years to come. It will, however, be the simplest thing in the world to prepare estimates to show that these schemes will pay. This Bill is playing with estimates and favorable assumptions. The Commission has a function of paramount importance to perform—to administer the Electric Light and Power Act. This Act is designed to protect the public, and provides against abuses in the direction of differentiation of charges for current. The Commission itself is exempt from this Act, and the opportunities are so huge for mistakes in estimates to be made, and the accountancy will be so involved that it is a moral certainty that no one will ever know which district or particular scheme or individual transmission line pays and which does not. Sub-sections (4) and (5) are designed in such a way that they facilitate the Commission in enlarging its sphere of operations without Parliamentary sanction in the case of schemes estimated to pay. Let it be assumed that the Commission, after investigating half-a-dozen schemes, two of which are "estimated to pay" and the other four of which "will have to be subsidized," recommends that the six schemes be proceeded with. The Governor in Council approves of the "estimated-to-pay" schemes and the Commission, with its absolute power, carries these out forthwith. The situation with the other four schemes is, however, very different. If the Commission and the municipalities agree to subsidize each of the schemes for ten years, the Commission recommends that the works be proceeded with, and

constructed (by the Commission). Then Parliament passes a Bill and the Commission proceeds with the non-paying schemes. You are, no doubt, aware that departmental estimates sometimes go wrong. Moreover, where similar work is proceeding largely by day labour under a central administration, in a number of different places, there is a huge opening for interchanging the expenditure. Honorable members are, no doubt, in a position to estimate what huge overhead charges will result from the endeavour to keep matters straight. On the other hand, Parliament may delay or may decline to pass the necessary Bill. That district has no redress and no power or authority to develop its own business. It has to await Parliamentary sanction. Furthermore, what country district will agree to being charged on any old subsidy basis under so lax a system, when another district is exempt. If this legislation is allowed to pass, there will be either no subsidies anywhere, or else, what is more likely, subsidies everywhere. The whole administration of the Bill depends upon the estimates for a start. The Commission "estimates" that a scheme will not pay—then the district served pays one-third of the loss, the Government pays one-third, and the Commission pays one-third. What is the incidence of this subsidy taxation proposal? District "A" is estimated to pay and does not require a subsidy; district "B" has to have a subsidy. "B" pays its one-third of the subsidy directly, by an increase in rates if necessary. It also pays indirectly its share of the one-third which the Government is supposed to be paying. District "A" which is a paying proposition, on its own account now has to pay its portion of the one-third which is the Government's quota. The Commission itself pays one-third. Now where on earth is the Commission going to get the money? It says that it will not make a profit. That is palpably obvious to everybody. It is a huge Government Department, and it is going to make huge losses. I want to show in this Bill that to pay this one-third, the only way it has got of doing that is to put up its charges in other districts where it is estimated to pay.

511. *By Mr. Deang.*—That is the very essence of the scheme?—Yes, I want to point it out. The Government is already carrying the baby by paying the interest on expenditure, but to pay this one-third it has got to put up the charges to every district that is estimated to pay. This may easily mean that district "A" actually pays half the subsidy. The result will be higher costs all round, and no cheap electricity anywhere. In other words, this system is just robbing Peter to pay Paul. It entails likewise the exploitation of both the electricity consumer and taxpayer. To enable Parliament the more readily to swallow the pill, however, the Bill makes provision to limit Parliament's share of its subsidy to £10,000 per annum. When the Government stands committed to a number of schemes, assuming the Commission's estimates are not borne out in actual experience, who is going to pay the loss exceeding the £10,000? £10,000 per annum is not going to provide cheap electricity anywhere. The Western District scheme alone to which the Government by its executive authority has committed the country, is going to cost £125,000 for a single line from Geelong to Warrnambool, and it will take thousands per annum to pay the losses on that line.

The Chairman.—To put the matter fairly, the £10,000 is divided over any number of schemes, and it is limited to ten years.

512. *By Mr. Eggleston.*—These things all impair the value of your evidence very much. It is only fair to you to point these matters out?—I think there is some mis-understanding of my point. Parliament's contribution under the Bill is limited to £10,000 per annum for ten years. A number of schemes may be proceeding at once,

513. *By the Chairman.*—Parliament can be trusted to look after itself in that way?—If the loss exceeds £30,000, who is going to pay that loss?

514. *By Mr. Deany.*—It is the function of Parliament. It is not for any private individual to worry about?—I want to point out that the losses may be more than £30,000, and I want to know then who is going to pay the losses.

515. *By Mr. Lind.*—I think he ought to be allowed to clear that point up?—Yes. The line will give Warrnambool the magnificent privilege of electricity in bulk at 3.6d. per unit, at the expense of the taxpayer, which is absolutely useless to encourage industry.

516. *By Mr. Deany.*—That is the scheme you recommended the council to adopt?—That is the average price. I venture to think there is a local company that could easily generate and sell current at much less than 3.6d. and still make a profit. Do you think the Commission would allow it to do so? Will you, Mr. Chairman, ask the Commissioners that question? The country districts almost throughout the State can and will do better for themselves if the Commission will only carry out its functions as a commission—effectively administer the Electric Light and Power Act to stop abuses, and provide for full and proper co-ordination. With this help, the municipalities will undertake the schemes for a fraction of the money that the State Electricity Commission will have to spend on its riotous transmission proposals. Sub-section (2) provides that all work at a pressure exceeding 450 volts is to be constructed and operated exclusively by the Commission. Such a proposal is fundamentally unsound. It will necessitate in the aggregate a huge Government expenditure which the municipalities are prepared to undertake. It will mean a huge central administrative staff, and a huge unworkable unwarranted confusion. It is well to ask the Commission why, and on what authority, and what its precedent is, for asking for this absurd power. In sub-section (9) the Commission seeks authority to extend the supply of electricity within any area, whether there is an Order in force at the commencement of the principal Act or not, provided that in any case where a council is an undertaker authorized to supply electricity, the Commission shall only do so subject to the prior consent of the council. What is going to happen if the council does not consent? This is the thin end of the wedge. We can expect at an early date a further amending Bill giving the Commission power to step in and pick the eyes out of any established business and any established undertaking, and thus “white ant” the whole, and, incidentally, give cheap power to the big consumer at the expense of the small.

517. *By Mr. Lind.*—When you made reference to the £10,000 that would be available to assist these municipalities to enable their scheme to be a payable one, you did not suggest then that an amending Bill be brought along to make further provision. You suggest now that an amending Bill may be brought along by Parliament in this case. I do not think you are quite fair in that?—Perhaps that is not quite fair. I see your point.

518. It is weakening your own evidence?—I ask you, Mr. Chairman and gentlemen, to particularly notice that all moneys payable by any municipality under section 2, sub-section 11, shall be paid out of the municipal fund, and the Council may, for the purpose of making any such payment, increase, if necessary, the general rates, notwithstanding any statutory limit for such rates. It is, therefore, further apparent that the Commission can come into a municipality and can tax it, and the municipality can have no control whatever over the operations of the Commission, which can act

without the authority of Parliament, merely on the authorization of the Governor in Council.

The Chairman.—The Act requires that the municipality in the first place shall apply, and agree.

519. *By Mr. Lind.*—Clause 3 says—“Upon receipt”?—Yes; but if the Commission estimates it to pay—that is the point. The Commission estimates the scheme is going to pay. Suppose it does not pay, then the Commission can tax the municipality, irrespective of the Statute of Limitations.

520. *By Mr. Deany.*—Then the Council would not accept the scheme unless they required it?—The Commission may assume, in all good faith, the scheme is going to pay.

521. *By the Chairman.*—What is the good of assuming that everything is going to go wrong?—The Commission and its officers will take good care to investigate the matter first and see if the scheme will pay.

Mr. Lind.—I do not think the witness has a very high opinion of the ability of the Commission to prepare an estimate.

The Witness.—I am going to deal with the question of expenditure and estimates very shortly.—[*Resumed reading*]:—“Section 3 is fraught with the gravest possible dangers. The Commission may, to the exclusion of any municipal council or councils at any time, enter into an agreement with any undertaker for the sale to the Commission of the whole or any part of the undertaking of such undertaker. This is robbing the municipalities of their existing rights.” The municipalities have the power, under the existing law, to purchase certain undertakings; but if the Commission can now negotiate and buy these up, and does so, and robs these municipalities of their rights—[*Resumed reading*]:—“This means that the Commission can enter into an agreement with any existing private company to purchase that company, with all its rights, to the exclusion of the municipalities. In other words, the Commission may buy out the Melbourne Electric Supply Company—(this is section 3)—I remind you the 25 miles business only applies to section 2)—to the absolute exclusion of the municipalities served by the company. The profit that can be made out of supplying the consumers within those areas can be used to pay the expenses of this huge autocratic, monopolistic State enterprise, and to support non-paying transmission lines throughout the country. If, by so doing, cheap power can be made available in the country, there may be some justification for the proposal. There is no indication that this cheap power can or will be made available. The probabilities are that the costs will be in the region of 3d. to 6d. per unit for bulk electricity, at the cost of the State, the district served and the Commission. Sub-section (2) of section 3 lays down that no agreement shall be entered into without the approval of the Governor in Council, or until such inquiries have been made as the Minister thinks fit. The Commission can, therefore, enter into these agreements to buy out the Melbourne Electric Supply Company for £4,000,000 or £5,000,000, with the approval of the Governor in Council, and every such agreement shall be merely subject to ratification by Parliament in such form as Parliament thinks fit.”

Mr. Eggleston.—You say “merely.”

The Witness.—[*Resumed reading*]:—“In other words, the action of the Commission in purchasing the North Melbourne Electric Supply undertaking without parliamentary sanction can be repeated, and the purchase of the Melbourne Electric Supply Company, the Geelong undertaking, and those of Ballarat and Bendigo may follow.”

522. *By the Chairman.*—Parliament has yet to sanction that?—Yes.

523. It is subject to ratification by Parliament. I do not think you should be so determinedly hostile without considering what the full section of the Act

means. It only means you represent things that you have to afterwards demolish?—My point is that the North Melbourne Electric Supply undertaking has been bought out.

524. Parliament has not yet ratified it?—It has been paid for—the money has been spent.

525. Parliament has not ratified it, and Parliament may refuse to ratify it. You cannot say what Parliament will do?—What will be the case if that money is actually paid over, and Parliament does not ratify the business?

The Chairman.—Somebody would be in a hole. We do not want to be in one.

526. *By Mr. Deany.*—The same thing applies to that section 3; but you have not given us sub-clause (2) of section 3, where it distinctly lays down that all these schemes have to come before Parliament. It is just as well to give us the whole?—Yes.

527. *By the Chairman.*—You must understand that the Commissioners are subject to the revision of Parliament in all their acts. The money is granted by Parliament, and they can soon be pulled up if Parliament considers they are doing something they ought not to do. You must suppose they are reasonably good business men?—So far as for the Bill itself, I will get away from it, and now get on to the aspect of the case it is proposed I should speak on. I now desire to show you how the economics of the Commission's activities can be affected by this Bill.—[*Resumed reading*]:—"In order that you may easily appreciate this phase of the question, I desire to refer you to the 1919 report of the Electricity Commission. This report is the foundation stone of the Morwell scheme. The whole structure is based on these estimates. Parliament sanctioned the scheme on the basis of the information contained in that report. These estimates disclose some staggering facts in the light of present-day impressions—facts that are hidden under a pile of optimistic statements regarding cheap power that should be carefully examined." I would like to here draw your attention to the effect. The Hon. the Premier stated that the very foundation of electrical economics is involved in the proposals of this Bill. That appears on page 1692 of *Hansard*.—[*Resumed reading*]:—"This 1919 report was most carefully drawn up after a full investigation. What does this report show? It shows in simple, plain, and unmistakable language that the price of electricity to the general public is not going to be reduced to any appreciable extent with the advent of Morwell current. It says, 'To remove any misconceptions on the part of the public, it should be pointed out that the reductions in the cost of supplying energy will have very little effect upon the charges at present in force to the average consumer for lighting purposes.' The price to the big consumer will be affected, of course.—[*Resumed reading*]:—"and then goes on to say, that the saving thereon is about 0.127d. per unit for a load factor of 42 per cent.

Now, sirs, I submit that the general public has been misled by the oft-repeated assertion that electricity is going to be so cheap when made available by the State Electricity Commission.

When considering the question of generation of electricity, it is always an extremely difficult matter to impress upon the layman the overriding influence of capital expenditure. It is difficult to make the laymen appreciate the fact that capital charges form, in many instances, the major portion of the cost. These figures are all clearly set out in this 1919 report. I would like you to consider them for a moment."

I have a diagram here, which I now produce, showing the estimated capital expenditure. This column [*indicating*] shows the estimated capital expenditure of the Commission on the Morwell scheme in the 1919 report. The red shows the capital expenditure, the blue the operating costs. From that you will see that capital charges form the major portion of the total

cost. I have shown here the hundreds of thousands of pounds per annum, and the price per unit in the inner column.—[*indicating*].

"The estimated expenditure for 1923 on account of the electrical project was to have been £2,516,000. The total annual costs were estimated to be £259,080 per annum. Of this total capital charges allowed are £178,950 per annum. In other words, of the total costs of production, capital charges amount to nearly 70 per cent. Now, sirs, we are always assured that the State Electricity Commission is being run on business lines. This being so, it can be assumed that the interest charges are being fully provided for. It can be assumed that the Government has not been able to get money at less than 5½ per cent. It will be an extremely unbusinesslike electrical undertaking that has not provided, at least, 2½ over all for depreciation and sinking fund, to say nothing of obsolescence, or a total with interest of 8 per cent. In its report on the Hydro-Electric Scheme, where far less depreciation is required, the Commission allowed 8 per cent to cover interest and sinking fund only.

That column on the other side of this diagram shows the expenditure on the basis of 8 per cent. interest, added on (the yellow) is the expenditure that has taken place on Newport B (taking that expenditure as £800,000), so the expenditure is there [*indicating*] not there [*indicating*] as per the estimates for the Morwell scheme. Thus, you will see there is a considerable increase."

Sir John McNash.—Do you not suppose that Newport is going to earn any revenue? That is what it looks like.

The Witness.—[*Resumed reading*]:—"Learned authorities state that the comparative fixed annual charges of steam and water power generating plants should be as follow:—

Vide Hutchinson, in Standard Handbook for Electrical Engineers, Section 10-83.

Item	Per cent. total investment.	
	Steam	Water
Taking interest at ...	5.5	5.5
„ Insurance ...	.5	—
„ Taxes ...	.5	.5
„ Depreciation ...	5.0	1.0
„ Obsolescence ...	5.0	1.5
Total ...	16.5	8.5

Whereas I do not maintain that these rates should apply to Morwell or Sugarloaf, they indicate a state of affairs vastly different to those adopted by the Commission. Capital charges are certainly greater with a steam plant than a hydro (that is so all over the world); yet the Commission allows 7.23 per cent. over all for Morwell and 8 per cent. over all for Kiewa.

I only mention this matter to show there are reasonable grounds to question the Commission's basis of estimating capital charges, and consider that this particular side of the economics of the question is worthy of your consideration and inquiry.

Now, gentlemen, 8 per cent. on £2,516,000 equals £201,280, yet only £178,950 is provided for capital charges, and the total costs, capital and operating, are only estimated to be £259,080. If 8 per cent. be allowed, this leaves only £58,000 for operating expenses, as against £80,130 estimated by the Commission.

Mr. Chairman, and gentlemen.—You may ask what has this to do with the Bill now before the House. I venture to think this state of affairs that I have referred to shows that subsidies are an imperative necessity, not only to make cheap power available in the country, but to make power available at any acceptable price even in the paying areas. I venture to think that it is an intimate knowledge of the above facts that is actuating the Commission in a desire to get legislative power to buy out the paying business of

the Melbourne Electric Supply Company, &c., and embarrass all paying supply authorities so that they will fall into the Commission's net.

I, therefore, claim that these figures and this 1919 report by the Commission are essentially relevant to the present Bill. I trust other witnesses will deal in detail with this extraordinary feature of the case, viz., the inadequate, unbusinesslike provision for capital charges. This matter is a connecting link in my argument to emphasize the overwhelming effect of capital expenditure, and that this Bill makes it easy for the Commission to spend millions.

So far for estimates, let us consider facts. The position is bad enough on the estimates; but what is the actual expenditure the Commission is committed to, apart from brown coal development to date?—

Morwell (Attorney-General's statement to House)	£2,917,000
Newport B (Budget statement) ...	800,000
Purchase of North Melb. E.S. & Tramway Co., approx. (after deducting refund from Tramways Bd. (thereabouts))	83,000
Western District	125,000
Administrative offices and land (Attorney-General's statement) ...	105,000
Mornington Peninsula, &c., say ...	30,000
	£4,060,000
It is safe to say a further £1,000,000 at least will be required to complete the Morwell scheme ...	1,000,000
Sugarloaf	962,000
	£6,022,000

It is apparent that this at least will be the expenditure incurred by the Commission inside the next few years.

It is apparent that with the huge expenditure that is being incurred, there is the gravest danger that this huge scheme cannot pay working and capital charges unless the price is put up, or, alternatively, that the scheme will be run at a huge loss. I therefore view with the gravest alarm the advent of this Bill, which, as I have shown above, is making it easy and yet easier for the Commission to spend huge amounts of money. These figures (without, I hope, unduly burdening my evidence) show how the Bill may damagingly affect the economics of the question.

SUGARLOAF.—The Sugarloaf proposal is bound up firmly with the economics of the question. In this connexion I desire to refer you to the excellent statement to Parliament by the Commission on the subject of the "flat rate." This statement, together with the 1919 report, shows in an emphatic manner the influence of the load factor on costs.

Commission's Statement on Tariff to the House.

"The true method of calculating electric tariffs is based upon the principle of asking each customer to pay in exact accordance with the total cost of giving him the particular supply which he requires. It has regard, not merely to the total number of units recorded by his meter, but also to the character of the supply, and the relationship which his average demand bears to his maximum demand, in other words, to his load factor.

The 1919 report shows:—

Costs Terminal Station, Richmond, with 100% load factor	188d. per unit
Do., 42% load factor	416d. " "

It is, therefore, unnecessary for me to further emphasize the importance of a high load factor. Sufficient it is to point out that the whole success of Morwell depends on this. The Commission has stressed this very pointedly, and has spent, or will spend, practically a million pounds to give Morwell this privilege (I refer to Newport "B" power house.) This is one of the "extras" on the scheme costing £800,000.

There are, however, two main reasons why this power house has been built. They are —

- (1) To enable the Commission to fulfil its obligations, viz., to give the various existing undertakings bulk power as promised, as it has prevented the undertakings from installing new plant on their own initiative, and it is apparent that Morwell will not be ready in time. Who is paying the interest on the money spent in the meantime? If the Commission, there is no provision in the Estimates.
- (2) The justification for this expenditure is largely in its ability to carry the peak load in order to enable Morwell to reap the benefits of a high load factor.

These are the recorded facts. It is, therefore, a veritable thunderbolt to now find the Commission advising the expenditure of another million (£962,000) on a plant that is only justified on an assumed load factor of 68 per cent. If this plant (Sugarloaf) is going to operate at this load factor, it will have to supply approximately 94,000,000 units per annum, and with this plant competing with Morwell, estimated output 180,280,800, the load factor on the latter must be seriously reduced, thus increasing the costs of Morwell current.

I hope abler men who have been associated more closely with this business will come forward to tell you the intimate and intricate facts in this connexion. My endeavour has been and is, in this connexion, to show the inconsistency of the Commission.

After exhaustive inquiries into the relative merits of hydro power and Morwell, the Commission has reported in favour of Morwell, and Parliament has adopted this principle. The Commission advised (see Kiewa Report, p. 4), "It is necessary to the economic soundness of every hydro-electric scheme, comprising extensive hydraulic works and transmission lines, that the demand for, and supply of, power should be approximately continuous and uniform. Otherwise, the hydro-electric scheme cannot compete with heat-power generated at the point of consumption." It has advised that electricity generated by a hydro-electric plant to generate 37,000 K.W. with a 100 per cent. load factor will cost £9 per K.W. per annum, and goes on to say that "it has no hesitation in arriving at the conclusion that there is no present justification for embarking on this scheme," &c.

It is, therefore, apparent that the 1920 (Kiewa) report is wrong, or that the 1922 (Sugarloaf) report is wrong. In any case, being committed to Morwell and Newport heat-generation systems, Morwell for generation at high-load factor, Newport at low-load factor, Sugarloaf (assuming estimates are correct, and only being justified with a high-load factor) must decrease the load factor on Morwell, and hence increase the costs.

I have here another diagram, which I now produce, which I think will clearly show you what load factor is. This is a typical daily load curve, an industrial load curve, of the metropolis. The blue represents the current that would be supplied by Sugarloaf. Now, that shows diagrammatically the definition of load factor. The load factor on Sugarloaf is that portion coloured blue in relation to the total rectangle, A.P.C.D. [indicating]. You see that is a very great portion, and a very high load factor, which means reduced cost of current. Now, suppose Morwell were to generate the whole of this, you would come up to a line E.F. [indicating]. The load factor of Morwell would be the portion coloured yellow, and the portion coloured blue in relation to the rectangle E.F.C.D. [indicating]. But when you take that blue portion out, as you will with Sugarloaf in operation, you will find that the yellow proportion of rectangle E.F.A.B. [indicating] much smaller than the yellow and blue of E.F.C.D.

[indicating]. You will see at once the load factor of Morwell is reduced by bringing Sugarloaf in. I have already shown you the costs are dependent on load factor.—[Resumed reading]:—“This, however, is incidental. The Sugarloaf report on page 8 shows that energy from that source will cost .28d. per K.W. hour and that Morwell extension only costs .205d., so that there is an increase in cost per unit of .075d. Sugarloaf will deliver 94,000,000 units per annum to Melbourne at 68 per cent. load factor, so that the extra cost to Melbourne of this hydro power will be £29,375 per annum.”

Those are the figures of the Commission. (See p. 8 Sugarloaf Report.) They show the extra cost by running Sugarloaf.—[Resumed reading]:—“By taking into consideration the decrease in load factor on Morwell due to Sugarloaf, this may bring the increase in cost of energy in Melbourne up to anything from £40,000 to £70,000 per annum.”

Gentlemen, in the name of all that is sane, assuming these estimates are correct, why—why this expenditure?

Look at it, sirs, an estimated expenditure of £962,000 (surely you know what that means) resulting in increase in costs of energy at Melbourne of £29,375 per annum. What for? To give the North-Eastern district current at .79d. per unit, provided the scheme is subsidized for ten years, and assuming, on top of that, a load factor of 30 per cent.—the city of Melbourne is only 32 per cent.—and a demand of 5,000 K.W.

I venture to think, gentlemen, that were a private consulting engineer to submit any such proposal to any community of business men, that he would be looked upon as a danger to the community.

If you will look at the 1918 Act 2996, you will see that the Commission shall prepare and submit a scheme for Morwell and report results of inquiry regarding utilization of water power. The schemes were to be submitted by the Minister to some person or persons outside the Commission for report. This has been done regarding Morwell, and my contention is that to comply with the Act the Sugarloaf proposals, in conjunction with Morwell, should be so referred. There is sufficient confusion and uncertainty in this direction to warrant this action, unless Parliament rejects the proposal.

I now want to submit this diagram I now produce, showing what the new Bill may possibly mean in expenditure. This portion coloured yellow at the bottom shows the amount of money that is authorized by the Government to-day. This portion coloured blue shows the expenditure on the Executive action of the Government. There may be some slight confusion between these figures, which may have to be corrected; but they are the best I could do from the information I was able to obtain. This is the amount of expenditure which the Commission could spend under the powers given in the new Bill. I put those three documents in.—[Three diagrams handed in.]

528. *By Mr. Eggleston.*—Before you leave this North-Eastern district question, you are assuming that the energy for constant demand will be brought from Sugarloaf at present, before there is any demand for it?—No, I am assuming there is a demand for it.

529-30. Yes; but your criticism of the scheme assumes this load of power from the Sugarloaf will be brought to Melbourne before there is any demand for it?—No. The suggestion is that it shall be brought to Melbourne in 1928, when there is a demand for it.

531. *By Mr. Lind.*—I think your proposition is that the Sugarloaf is such a weak thing that it will have to be brought up for all time on Morwell, is that so?—No, if you see page 8 of the Commission's report, you will see that the Commission has stated when the whole thing is working, when Morwell is working, and Sugarloaf is working also, the cost of Sugarloaf energy will be .28d. per unit, and that the costs of Morwell extension would be down to .205d. per unit.

532. It was said that when Morwell is working with Sugarloaf there will be a loss of £30,000?—I ask you to work it out for yourselves.

533. *By Mr. Eggleston.*—That intermittency has to be met in any case?—Yes, but it could be met by Morwell extension, to cost .205d. per unit.

534. It could be met cheaper by the Morwell scheme than by the Sugarloaf?—The report says so particularly. I do not want to read the report; but I want you to read the conclusions in this report, particularly the last three paragraphs relating to conclusions on page 9. I am referring to the Sugarloaf report. I refer to the last three paragraphs occurring before the heading ‘Service of Rural Districts Prior to Scheme Coming into Operation.’ I want those to be taken into account particularly with the figures on page 8, showing the Sugarloaf-Rubicon costs, the Morwell costs, and the Morwell extension costs.

535. *By Mr. Beardmore.*—You infer that the Sugarloaf is not an economical proposition?—The country is committed by the State to Morwell for a heat power generating station, and that heat power generating station can transmit current to Melbourne at .205d. per unit.

536. But can it transmit it up country for the same. I mean to the North-East—Shepparton and Benalla. With the Sugarloaf installed and harnessed, cannot they supply power cheaper to those places than they could with power from Morwell taken there?—I can hardly answer that question, but this is what I maintain: They are expending £962,000 on this scheme—a million—and the effect of the expenditure is to put up the cost of current in Melbourne by £30,000 a year, directly. That is the first thing, and that is to enable these towns in the North-East, Shepparton and Benalla, to get the current at .78d., on the basis of 30 per cent. load factor, and on the basis of a demand for 5,000 K.W. They could do very much better for themselves with an infinitely smaller expenditure, and Melbourne would not be penalized to the extent of £30,000 per annum.

537. You mean that if they could get some local scheme into the district?—Certainly, some local scheme in the district. With regard to the Western District scheme, that has been referred to at length, and we would like to ask the permission of the Committee to rebut certain evidence given this morning in that connexion. We cannot do so at this particular stage, because we have not the shorthand notes before us. I hope we may be given an opportunity to do so subsequently.—[Resumed reading.]

WESTERN DISTRICT.—I only propose to refer to the broad and general principles involved in co-relation with the evidence that I have so far given, and insofar as the further evidence will apply.

What was the position then, and why did the Commission undertake the Western District scheme? Camperdown and Terang (hereinafter referred to as Hampden) were two of the comparatively early country towns in the State which installed electric lighting schemes. Everything progressed satisfactorily until about 1918, when the batteries failed. Then, and subsequently, all costs leapt. Plant costs, labour and fuel increased enormously. In addition, the demand for power had increased, the existing plant was wearing, and fully loaded. My firm was intrusted to report on the proposals. There were two alternatives. These were:—

(a) To extend each of the plants, duplicating standby machines in each town (14 miles apart) and continuing with the two separate staffs. These plants are, however, direct current, and with this system it is impossible to extend outside certain limited boundaries; and

(b) To install a new modern steam-driven central station to generate alternating current electricity in accordance with the standards of the State Electricity

Commission. This meant one standby plant only; and one staff of engineers to operate for both towns, and, also, by means of the alternating current, electricity would be available throughout the shire. These proposals were given to the State Electricity Commission which at that time never intimated it would butt in, other than to see that the schemes complied with standards, &c. It was distinctly sympathetic.

These two schemes were fully reported on and considered by the Hampden Council. Much interest was aroused by these proposals, and neighboring councils began to ask whether they could or could not get a supply from this scheme. The City of Warrnambool being a most active agent.

The point then arose as to whether if a central station were to be installed, this station would be installed in Hampden or Warrnambool? After much discussion it was found that Warrnambool could not readily finance the proposal without an extension of its powers, so Hampden decided to go on. An agreement was prepared by Hampden's solicitors and submitted to counsel regarding the supply of bulk power to its neighbours.

At this time, however, Warrnambool thought with all good faith, that a station at Warrnambool would better serve the general purpose than one in Hampden, Warrnambool rightly saying that they should get seaborne coal. As, however, they could not finance, as above referred to, and as the Hampden scheme could stand on its own merits, and Hampden could easily finance, the Hampden Council instructed us to proceed with the plans and specifications, which were duly prepared, issued, and tenders received. The actual tenders for the complete works being within the estimates.

Prior to the tenders being received, however, Warrnambool thought that they should endeavour to get the station in Warrnambool. Simultaneously in the early part of 1921 there was considerable discussion regarding the Commission, the view being put forward that as the credit of the State was being pledged, the State as a whole should benefit. It was urged at the time that the money being spent at Morwell was for the City's benefit. The Government was having rather a rocky time at this period. Well, the Western District was a convenient scapegoat. The Commission called a conference of municipalities concerned. At that conference the Commission offered to inquire into the whole question of a bulk supply for the district, the various councils agreeing not to do anything pending the result of the inquiry.

The Commission's report on this proposal was issued in December, 1921, and it was seriously put forward by the Commission and recommended for acceptance by the councils.

This report of the Commission's had no merits, and had no earthly chance of being accepted by any of the councils because it was obvious that considerable losses would have to be incurred by each of the participating councils until the load was built up.

This was pointed out to the Commission. Things "held fire" until a conference was held in Camperdown in February of this year. At that conference the chairman forced the Commission's scheme through to acceptance by stating that he was authorized by the Government to state that the Commission would supply electricity at the costs stated in the schedule, and that the Government would bear the loss in so doing.

Gentlemen, we advised our clients to accept this proposal, as—whereas they were getting no benefit actually—the Government was going to free them of all financial obligations regarding generating plant.

The Commission is now going on with this scheme, on the Executive action of the Government without parliamentary sanction. The work is proceeding at a cost of £135,000 for a start. What this means will be set out in detail by other witnesses.

538. *By Mr. Deany.*—Why did Hampden abandon their scheme?—It freed Hampden of the expenditure of putting in its own generating station.

539. In other words, they made a better deal?—No; there was no direct benefit to them in any way at all.

540. Then why did they accept it?—Simply because it freed them of certain of their liabilities.

541. That is a benefit, is it not—a considerable benefit?—Well, it may be.—[*Resumed reading.*]—"There is absolutely no reference to any proposal such as this in the 1919 report of the Commission. There is no reference to such works in the Act 2997. The action of the Commission is not administrative, nor is it co-ordination or standardization. It is autocratic, domineering, and coercive unification.

As matters stand, up to this point, they are bad enough, but what has subsequently happened? The Commission entered into an agreement with the various parties, but after a breathing space, what did it do? The Commission imposed conditions on the parties.

Whereas the report on this Western District scheme sets out that it was optional for the municipalities or the Commission to erect high-tension distribution lines, the Commission, without any reference to the parties concerned, stated that it, and it only, was going to erect, own, and control all high-tension lines.

Sir John Monash read that paragraph out to you this morning, stating distinctly that it was optional for the municipalities or the Commission to erect high-tension transmission lines. The Commission certainly said it favoured doing the work itself, but certainly it was optional.

Sir John Monash.—I do not think the witness should be allowed to misquote. The word "optional" was not used at all.

542. *By Mr. Eggleston (to witness).*—Do you give evidence yourself of the word "optional" being used?—I want to read from page 7 of this Western District report, "Reticulation of the Municipalities." It says—"On the one hand, energy could be made available by the Commission at one or more points in each municipality, from which the council would take a bulk supply, and retail it throughout its areas by means of high-tension overhead lines and apparatus to be installed and maintained by it. On the other hand, the Commission could provide these overhead lines and apparatus to convey the energy to the sub-centres of population in each shire, to which a supply is commercially possible, and at such centres the energy could be sold in bulk at low voltage to the council for house-to-house supply. The latter method is to be preferred, because a single authority, viz., the Commission, would be responsible for the installation and upkeep of all high-tension transmission lines and apparatus, leaving the council responsible only for the low-tension reticulation." Now, I maintain there that it was certainly optional for the council or the Commission to do the work.

543. The high-tension work?—The high-tension work.

544. *By the Chairman.*—There is no question about that being purely optional for the council?—You agree with the point?

The Chairman.—There is no question about that being purely optional for the council?—You agree with the point?

The Chairman.—It states it for itself. It is optional, on the face of it.

Mr. Ellery.—Sir John said it was not.

Sir John Monash.—I said the word "optional" was not used.

545. *By the Chairman (to witness).*—That does not bear out your argument about the council being practically compelled to do it—in the way you spoke of it?—

The interpretation of that section there is that it was optional for the council or the Commission to do it.

546. I think we may call it optional, if you like, but one statement was preferred to the other. The council had a perfectly free hand to accept or not, as they liked?—Yes, but my point is that the Commission, without any reference to the parties concerned, stated it, and it only, was going to erect and control the high-tension lines.

547. *By Mr. Deany.*—Yes, and that statement was made at that conference?—No.

548. Oh, but yes?—No; there was no agreement at that conference. Now, I want to show you what this means.

549. *The Chairman.*—We can interpret the meaning of it ourselves. We want to get on?—Yes. The running of high-tension lines through the area means it is going to sell the same power twice and thrice over.—[*Resumed reading*]—“I refer to the Commission's stated policy that “it is the only body that can avail itself of the diversity factor.” On top of that, it informed Warrnambool that it would sell direct to any big customer it so desired. In other words, it gives the district the right to supply, then takes the best customers. Why? In order that it could sell portion of its maximum demand twice over, thus making more profit, and putting up the cost to the consumers in so doing.”

550. *By Mr. Deany.*—Who is the “best customer.” It is just as well to have the name referred to?—The conditions imposed on the councils say they shall have the right of supply to the individual consumer.

551. But you do not say that. You say they take the right to sell to the best consumers?—No; it informed Warrnambool it would sell to any big customer it so desired.

552. *By Mr. Eggleston.*—Where is the letter in which it informed them?—I can submit that.

553. *By the Chairman.*—I would point out it is not fair that you should talk about compulsion, when it appears from the paragraph they can do this or that. You are starting off with the assumption that it is a compulsory matter?—We will submit letters from Warrnambool.—[*Witness produced letters.*]

554. *By Mr. Deany.*—What is the date of that letter?—The 17th March, 1922.

555. This conference was held in February?—This is dealing with electric supply to the South-western District. It is from the Commission to the Town Clerk, Warrnambool. It says—

“*Re Electric Supply to South-western District.*”

The Government, having approved of the above scheme, and having made funds available, I beg to notify you that the Electricity Commission will proceed forthwith with all steps necessary to bringing the scheme into existence.

The works in immediate contemplation are those referred to in the printed report of the Commission, promulgated to you last December. It is intended to proceed with the main transmission line from Geelong, *via* Colac, Camperdown, and Terang to Warrnambool, with branch lines from Camperdown to Cobden, and from Terang to Mortlake. It is not intended, for the time being, to carry out any work westward of Warrnambool. Sub-stations will be erected at the following centres, *viz.*, Geelong, Colac, Camperdown, Terang, Warrnambool, Cobden, and Mortlake.

The question now arises as to further high-tension branch lines likely to be required within, say, the next five years, from any of the sub-stations named, to the more outlying districts, to smaller centres, or to special consumers. This question is really an urgent one, and in the interests of economy provision should be made, from the outset, in the sub-stations for the accommodation of these additional services.

Your council may desire to have the views of the Commission on the question whether such high-voltage branch lines should be constructed, maintained, and operated by the council, or by the Commission. The Commission holds the view that it is more desirable and will prove more efficient that all high-tension lines and sub-stations should be under its authority. Otherwise difficulties will often be encountered where one shire must traverse the territory of another in order to tap the source of supply on the trunk line.

The Commission is prepared to undertake such work, and is also prepared to finance same, provided that it is satisfied in each individual case, that the further capital to be expended is justified by the prospects of business upon such a branch line. Such an arrangement would, however, not interfere with the freedom of action of the council to carry out, if it so desires, all low-tension distribution (400 volts) and to retail electricity at low tension within their territory.

The policy which is to govern the future construction of these branch lines is, however, a question which may be left over for discussion for the time being. The important and urgent question now is what lines of this nature are likely to be required in the near future, so that proper provision may be made for them from the outset.

Will you be so good, therefore, as to have this matter looked into at once, and furnish this Commission, at your very earliest convenience, with particulars of outlying centres, or large industrial establishments, or station homesteads, and the like, in connexion with which high-tension branch lines may be required within the next five years.

The Commission will then have each proposal investigated, and will make provision for the necessary accommodation in the sub-stations in respect of those proposals which seem financially feasible.

The particulars required in each case are:—

1. The name, position and character of locality to be served.
2. Approximate distance from the nearest sub-station.
3. Anticipating demand on branch line, in kilowatts of maximum demand and in units per annum.

A map indicating the proposed lines would be a convenience.”

Mr. Eggleston.—That does not support your construction, it is directly contrary to your construction.

556. *By the Chairman.*—You imply the councils were forced into that position?—You admit there is an option, in that last paragraph of the report, and in the letter I have read?

557. Yes, it is an option to the council?—Yes.

558. But you were putting it they were compelled?—Yes.

559. You were taking up the exact position that the councils were forced into this position, when the very correspondence contradicts that?—Yes, but I am going to read another letter, which shows the Commission takes away the option.—[*Producing letter.*] This letter is dated 17th June, 1922, and is as follows:—

“The Secretary, Shire of Hampden.

Dear Sir,—

In reference to your council's application for an order made under the Electric and Power Act covering the whole area of your municipality, I have, by direction, to state that the Commission is now prepared to recommend to the Governor in Council that the orders at present held by your council, that is for Camperdown and Terang, be revoked, and, as desired, a fresh Order in Council issued to your council for the whole of the municipality.

All Orders in Council hereafter issued and including the order which would be issued to your council under the present application, will contain conditions:—

(1) Reserving to the Governor in Council the right to at any time purchase the undertaking covered by the Order, in the terms set out in sections 43 and 44 of the *Electric Light and Power Act, 1915.*

(2) Provided that in the event of an agreement being arrived at with the State Electricity Commission of Victoria (as in the case with your council) for the supply of electricity in bulk to the holder of the Order, the right is reserved to the State Electricity Commission of Victoria to finance, erect, control, operate and maintain all transmission lines operating at a pressure exceeding 450 volts."

Therefore, the option goes. That is, the option is now taken away.

560. *By Mr. Deany.*—You contention is that the conference which was held in February (I do not know whether you were present) was not told that?—Not told what?

561. Is it your contention they were misled?—The conference was not told what?

562. That they would not have control of the high-tension lines?—The only subject that came up at that conference was the acceptance or rejection of that report. The report was accepted after the chairman had stated that the Government would bear the loss, if any.

563. This was rather important. These were the exact words of Sir John Monash at this conference—"The Commission would construct, maintain, and operate the high-tension transmission lines, and the municipalities would construct, maintain, and operate the low-tension lines and the reticulation." That statement was made on the 20th February at Camperdown. Therefore, the councils knew exactly what they were getting?—Yes, the chairman said he would make the high-tension lines.

564. Exactly, anything over 450 volts?—No. There is no such interpretation can be given. The transmission is not dependent upon the voltage. This is a question of distribution, not transmission. The councils agreed to transmission, not distribution; but distribution is not a question of voltage.

565. That is exactly what Sir John said at that conference?—No.

566. *By the Chairman.*—Will you go on; we are anxious to get through?—[*Resumed reading.*]—"This is not all. It knew quite well that losses would be made by the various parties in the early stages. It was prepared to facilitate these parties to incur liabilities to build up the business and incur losses, and on top of that reserved the right to purchase the undertakings at any time—not, mind you, to purchase the business, but only the depreciated assets, leaving the parties their liabilities to get out of as best they could." That is shown in their letter of 17th June, 1922. It says:—

Reserving to the Governor in Council the right to at any time purchase the undertaking covered by the order in the terms set out in sections 43 and 44 of the *Electric Light and Power Act 1915*:

If you look up those sections in the Act, you will see what they cover.

567. *By Mr. Deany.*—But you know there is a clause in the Bill which safeguards the councils. Without the consent of the council the Commission cannot take over a municipal undertaking?—Yes; but this was the imposed condition.

568. But the Bill over-rode that?—Yes, but the Bill is a Bill; it is not an Act.

569. *By the Chairman.*—It appears to me time would be saved if we remembered the fact that these councils have already agreed to these conditions?—The councils have not agreed to those imposed conditions.

570. They have, in accordance with our information?—No.

Sir John Monash.—We have the documents here.

Mr. Deany.—They are not represented before this Committee to-day to raise an objection.

571. *By Mr. Beardmore.*—You mean they agreed without realizing their position?—They do fully realize their position now; but the question is, to what have these councils agreed? They have certainly applied

for their order in council in the ordinary way; but some of the councils are taking action at the present time which I do not desire to refer to.

572. *By Mr. Deany.*—Which are the councils doing that?—Warrnambool is one, and I believe Hampden is also.

573. I cannot speak for Hampden?—No; but I believe Warrnambool is taking action at the present time. —[*Resumed reading.*]—"These imposed conditions were the last straw to the camel's back. We pointed out the objectionable features to the Commission, to no avail. We then pointed them out to the councils. The wise councils concerned then declined to accept these imposed conditions. I submit that, as consulting engineers to certain of the parties, that we would have failed in our obligations had we not pointed out the fact above referred to. The line of least resistance may have been easy and remunerative to us. Up to the time that the Commission imposed these conditions, which I have referred to, we were proud to receive the unstinted commendation of the chairman, Commissioners, and technical staff. Whereas we now, simply because we have fearlessly done what we believe to be our duty, are meeting with opposition and criticism at every turn. Gentlemen, we pioneered the Western District scheme. The Commission has built its report on the foundations we surely planted. Whereas the Commission retained our services to advise them on the power requirements, and to give them all the information available, which we were proud to do, we feel that this district which we are so intimately associated with, is being treated by the Commission primarily for the good of the Commission; whereas our endeavour has always been, and still is, district first. You will, perhaps, be informed that this is a narrow parochial view."

The Chairman.—We have not formed any such opinion about it. No statements of that kind have been made to us about it.

The Witness.—[*continued reading.*]—"I maintain the contrary, because by promoting the interests of the district, the State benefits. It does not follow that by promoting the welfare of the Commission the district will benefit. Any how, it must be remembered that we are in a position of trust. We are retained by the councils to watch their interests. We would have failed miserably had we not taken the stand referred to." I do not know whether I am in order at this particular stage in referring to misrepresentations contained in statements that have been made. Much has been said—at least, much has not been said yet—but it has been inferred in statements about the Defence Committee. Am I at liberty to deal with that aspect of the case?

The Chairman.—Not on behalf of the Defence Committee. You have simply stated your views in regard to that particular matter. They are not arranged at all.

574. *By Mr. Eggleston.*—You have no further evidence to give on the four subjects of our inquiry?—No.

575. *By the Chairman.*—The Committee can form its own conclusions. The statements are all here in writing?—There is only one point here that has some bearing on it. Reference has been made to the lack of uniformity of supplies of current and energy in Melbourne. It is stated here in my statement:—"There is lack of uniformity in Melbourne, that there is direct current, alternating current, variation in voltage and phase." All very true; but does the Commission intend to alter all these things? If so, what will be the costs; would they be justified? I venture to think the Commission is not going to alter all these things.

576. Is it advisable they should be altered?—Well, Mr. Chairman—

577. Is it advisable that the multiplicity of subjects should be altered?—It is possible they should be altered, so long as the thing is not burdened with very excessive capital expenditure in so doing.

578. The only reference was made by Sir John Monash. He did not say there was a necessity to alter at present; but that the necessity would arise when the option of this big private company is up for review?—Yes.

579. *By Mr. Eggleston.*—Do you mean it is not necessary to have one standard?—I am not urging that.

580. *By the Chairman.*—It was mentioned by Sir John Monash as one reason why action should be taken?—It was urged as one possible reason for the Commission to take control of the whole thing. That was the impression I got. Another question that is being always harped on is the City Council's huge profits, which has been referred to in certain articles that have been appearing lately, as being taken from industry, and—

Mr. Thonemann.—I will deal with that myself.

581. *By the Chairman.*—The Town Clerk and Councillor Thonemann are here to deal with that?—Yes, but I wanted to refer to the Commission's alternative in the matter.

Mr. Thonemann.—I think you can leave it to us.

582. *By the Chairman.*—The Town Clerk and Councillor Thonemann have asked for permission to be heard again on this matter?—I see. A certain amount of these statements say that the Commissioners are like the Railway Department—that the Railway Department is a general controlling body, and the Electricity Commissioners should be likewise. I venture to think the Railways Commissioners have a motto, "Help us to help you"; but if you look through the records you will see that the motto of the State Electricity Commission is, "Help us to help ourselves." There is one point finally, Mr. Chairman and gentlemen, and, by your leave, I desire to appeal to, and through you, to Parliament for a full and proper appreciation of the difficulties ahead of this great and truly national enterprise. The work ahead of the State Electricity Commission is fraught with great difficulties. I suggest that there is urgent need for a soul-searching examination of the present policy.

I respectfully suggest that we should all take the advice given at a railway crossing and "Stop, look, and listen."

The Commission has a huge asset in the existing supply authorities, be they private companies or municipal undertakings.

The Commission's present policy is one of jettisoning cargo. That cargo may have some little rubbish amongst it, but it is not all bad. False impressions abound regarding this complex question. One is that the middleman should be done away with. Gentlemen, it matters not whether the Commission owns, controls, and operates the whole, or whether the Commission acts as bulk suppliers only, there must be middlemen to attend to local affairs wherever they be. To make this great scheme a truly decentralizing agent, the Commission should foster rather than kill local incentive; there is practically a world precedent for this action.

583. You are now giving us an expression of opinion. At times expressions of opinion are valuable, but at present we want to get down to basic facts?—A number of bulk buying supply authorities are a number of assets. A monopoly will be an unknown liability. I maintain that a sympathetic and whole-hearted system of co-operation will achieve a success worthy of your great scheme.

584. *By Mr. Farthing.*—In the south-western scheme, you stated that the Commission was enjoying the rights, and had the advantage of the diversity factor. Would you mind explaining that?—The Commission is the only body that could avail itself of the diversity factor.

585. Will you explain what is meant by that?—Electricity is being sold in all those towns in the Western District at a price per kilowatt maximum demand, and

a price per unit. The maximum demand of the individual consumers in Warrnambool occurs at different times through the day. There may be three or four maximum demands through the day. If the council owned the whole business in Warrnambool, it would only pay for the one total maximum demand, and it could sell all the other maximum demands to consumers within the whole area, whereas if the Commission had the right to deliver to the individual consumer, it could sell the maximum demand to Warrnambool, and could also sell the maximum demand to the individual consumer. It would be selling portion of the same maximum demand twice over.

586. *By Mr. Eggleston.*—Is it not a fact that the larger the area an authority works the greater opportunity it has of controlling the diversity factor?—Yes, provided it is in the hands of one authority. If there are two authorities in the one area, they both cannot have the benefit of the diversity factor. The Commission by coming in and supplying the individual consumer will reap that benefit.

587. That is on another point. As it applies to Melbourne, if you conceive on the one hand of a number of authorities supplying electricity, and one central authority supplying electricity, it would be the central authority which had the best opportunity of meeting the diversity factor as compared with the individual authority?—I did not quite get your question.

588. If you can conceive of a large area like the metropolitan area, and compare the advantage of one authority acting there as against a number of authorities in municipal boundaries, it would be the central authority which would meet the diversity factor better than the individual authority. Take any area, the maximum demand in one particular locality would occur at one period of the day, and the maximum demand in another locality would occur at another portion of the day. If there was one authority for the whole area, it could meet that demand with the same factor; is that not so?—Yes, that is so; and therefore at Warrnambool, by the Commission supplying direct, it was destroying the diversity factor at Warrnambool.

589. By reserving the right to supply large customers?—Yes.

590. Sir John Monash explained that that customer was so large that a separate transmission was required from Geelong; is that not so?—No.

591. It could be supplied from the contemplated supply to Warrnambool?—I would be sorry to see any one running an extra line from Geelong to supply one customer.

592. He says that the demand would be greater than the demand of the whole city of Warrnambool?—Yes, certainly.

593.—That is so?—Yes.

594. *By Mr. Beardmore.*—Do you think Warrnambool can provide its own power at a cheaper rate than the Commission could provide it?—The Commission admitted it in their report.

595. Warrnambool as a municipality could provide it cheaper than the Commission?—The Commission admits it in its report.

596. *By Mr. Eggleston.*—I did not understand that?—In Section A, page 4, of the Western District report you will see that if the station be reduced in capacity it would result in the cost of supply of energy being only slightly less than alternative B, but higher than that of alternative C.

597. *By Mr. Deany.*—Only slightly less?—Yes, but higher than alternative B.

598. As the scheme is developed they hope to get very much cheaper electricity in the future?—That is all a question of estimate.

599. *By Mr. Farthing.*—On page 8 the estimated consumption of energy at Warrnambool is given at 670,000

units. Did you ever make an estimate as to what would be required for Warrnambool?—Yes. We were retained by the Commission to advise them on these points, and I think the estimate of our power survey was 368,000 units.

600. Do you say that 670,000 units estimated in this report is an over-estimate?—I say it is a favorable estimation.

601. How do you account for the great difference between your estimate and the one you have given here?—We have been working in the country on such propositions as the power requirements of these towns for the last twelve or thirteen years. We have had considerable experience in the estimation of power requirements, and as the result of our knowledge gained as the result of practical experience that is what we say it will be. We always like to make our estimates as conservative as possible.

602. *By Mr. Beardmore.*—What is the cost based on your own estimate? Did you not provide the cost?—No, we did not estimate the cost. The Commission estimated the cost on the basis of our figures. As a matter of fact, they did not use our figures, but they increased them somewhat.

603. *By Mr. Eggleston.*—They made an independent survey?—I do not know what they did in that connection.

604. *By Mr. Deany.*—You advised the Hampden people in regard to the scheme?—Yes.

605. And they abandoned that scheme in favour of this one on your recommendation?—We agreed to that recommendation.

606. Why?—For the simple reason that they were being freed of all financial obligation in the matter. They would have had to spend something in the region of £45,000. They would have got a certain refund from the re-sale of their old plant, but they practically achieved the same with the Electricity Commission's scheme. The estimates of the Commission, and the estimate based on this cost were about the same, and if they could get that electricity at the same cost without incurring that extra expenditure, it was wise of us to advise them to accept it.

607. Then this scheme must be more beneficial for that particular shire than your scheme?—No.

608. *By Mr. Eggleston.*—Why should you attack the scheme?—Because the Commission has imposed conditions. We are not opposing the main transmission line nor the general scheme.

609. The only conditions that are imposed are the control of the high voltage lines and the purchase?—Yes.

610. *By Mr. Deany.*—You have not submitted any evidence to support your claim?—Yes, I have put in that letter.

611. *By Mr. Eggleston.*—Is not the right to purchase provided for in the Electric Light and Power Act of 1915?—No.

612. Under that Act it reserves the right to the Governor in Council to purchase the undertaking?—No.

613. Is that a condition imposed by the Commission or the Electric Light and Power Act?—Under the Electric Light and Power Act there is no condition that anybody can purchase an undertaking, but if it is purchased those are the conditions under which it could be purchased; but here the Commission is reserving the right to purchase. That is the contention.

614. *By Mr. Deany.*—Your firm recommended the Warrnambool City Council to abandon their proposed local scheme, and adopt the Commission's scheme after the Conference was held on the 23rd February, 1922, at Camperdown?—Yes.

615. Mr. Lincoln, a member of your firm, attended the meeting, and after discussing the details of the scheme formulated by the Commission, and after the letter of explanation by Sir John Monash, he said that the proposition was an extremely favorable one, and he did not think any one could wish for a better one. That statement was made by Mr. Lincoln after the Conference was held at Camperdown?—Yes.

616. What are the reasons for your firm condemning the scheme right through?—Our firm is not condemning the scheme right through. We are not condemning the main transmission line.

617. You, personally, have condemned the scheme right through from your evidence to-day?—No, not the main scheme, but the imposed conditions. I have told you what led up to this whole thing.

618. The imposed conditions are part of the scheme?—That has nothing to do with the agreement.

619. *By Mr. Farthing.*—Have the imposed conditions been made since that conference?—Yes.

620. Were those imposed conditions contained in any Order in Council?—Those are embraced in correspondence relating to the granting of an Order in Council of which you have a list put in.

621. *By the Chairman.*—Were those conditions in existence at the time that your representative made the statement at Warrnambool which Mr. Deany has just referred to?—No, certainly not.

622. *By Mr. Deany.*—Will you say that these conditions are in addition to the conditions contained in this report?—Yes, certainly.

623. *By Mr. Eggleston.*—What do you say about the last paragraph? The method of controlling the high tension lines is referred to, yet your firm advise them to accept it?—We did not accept those conditions.

624. You did not qualify your advice that consent only should be given to the recommendation of the Commission if that paragraph were not adopted. You made no qualification whatever?—Mr. Lincoln carried out all these negotiations, and I would like to refer the matter to him when he is giving evidence on the subject.

625. The only thing you have against the Western District scheme is the control by the Commission of the high tension lines?—There are three points.

626. What Sir John Monash said about the big customer applies to you. Have you been able to make any arrangements?—There may be other big customers coming along. There may be a dozen big customers, and the Council may have to spend a lot of money. Take the case where a man has a 10 horse-power motor, and he increases his business to such an extent that in a few years he builds up his load until he gets 100 or 200 horse-power, and then the Commission turns round and says, "We will supply to him direct." Under the imposed conditions the Commission will have that right.

627. *By Mr. Deany.*—You contend that the Commission should not have the right to act as a retailer at all?—I do not think it is advisable for them to do so.

628. In the opening part of your speech you made some comparison of this scheme with that of the Railway Department, and to illustrate the thing, you said that the Railway Department delivered their goods in bulk to a particular centre, but then left it for other people to deliver the passengers or goods to the home?—Yes.

629. That does not always work out. I have known cases, and so have you, where the Railway Department goes further and takes the passengers to a particular centre, and then delivers them to their homes by tramways, so there is not much in that illustration?—Do they do that as a general practice throughout the country?

630. Another illustration you made was about the Telegraph Department—telegrams are delivered from the Post Office to the house?—Yes.

631. *By the Chairman.*—You stated that you and your partners have been engaged in construction work throughout the country under great difficulties?—Yes.

632. Would you mind handing in a list of the Electrical Supply works that you have constructed throughout the country?—Yes, we will do that.

633. We can then form an idea as to how successful they have been, and the conditions under which they have been erected?—Yes.

634. *By Mr. Farthing.*—I want to see the point about the imposed conditions cleared up. You say they were mentioned in the letters sent down by the Commission. Are they only in the negotiatory stage, or have they been actually embodied in an order?—That is the contention right throughout the dispute in the Western District by the municipalities.

635. Has an Order embracing those new imposed conditions been actually issued?—No.

636. So that up to the present time, they are in the negotiatory stage?—Yes.

637. *By Mr. Eggleston.*—They were all mentioned in the negotiations prior to the date on which you gave your advice?—No, subsequently.

638. The question of the high tension lines was referred to in the Commission's recommendation, and was known?—The Commission's recommendation was known, but it did not say that the Commission was going to impose these conditions.

639. You advised the Council to accept the scheme, and you did not qualify your advice in any way?—That scheme was essentially a bulk supply.

640. You say that the estimates of the Commission are to be looked on with suspicion?—Yes.

641. Why should not the Commission be an exceedingly efficient estimating authority?—It should be.

642. Why should we regard their estimate with suspicion?—You have got the estimates for the whole Morwell business, and I ask you to most searchingly investigate the matter and see whether the work is being carried out in accordance with those estimates.

643. Will not the Commission have greater experience in the forming of estimates as to electrical matters than any single authority in the State or the Commonwealth?—The Commission is an entirely new body, and it has not yet done many of its works.

644. It contains an engineer from one of the biggest electrical undertakings in the State?—Yes, certainly.

645. And probably just as efficient as the officers of the local Council?—Yes.

646. You think it would be, don't you?—Yes.

647. Have you ever heard of road work being over or underestimated by the engineer of the Council?—I do not know anything about that.

648. Your suggestion is that, if we take your advice, it will be practically deciding that the estimates of the Council's engineer are more likely to be correct than the estimates of the engineer of the Electricity Commission?—I would be sorry if they were any worse than these are apparently going to be.

649. Municipal councils have a great many other functions besides the distribution of electricity—road making, for instance?—Yes.

650. Have they shown exceptional efficiency in regard to estimates for road making?—I do not know anything about road making.

651. Why should we assume that they would more efficiently control the distribution of electricity than the Commission?—Wherever the Council is handling the bulk electricity supply it is working satisfactorily, and the only complaint we have heard is that the councils are making huge profits.

652. They may be charging too high a price; that is not any evidence of efficiency?—Are these prices going to be reduced by the Commission?

653. That depends on the comparative efficiency of the two authorities as to their estimates, I should say?—Yes.

654. Are we to assume that the Electricity Commission, which has commanded the highest experts in the community, is more likely to be inefficient in that respect than the officers of a local municipality?—Has the Electricity Commission got a monopoly of the highest experts in the State?

655. I do not know. They have not got the firm of Lincoln and Demaine?—We are not the only authorities in this matter outside the Commission.

656. *By the Chairman.*—Talking about estimates, I suppose you can give us some idea of the reliability of estimates of electrical fittings, appliances, wiring, cabling, and so on, of three or four years ago as applied to now?—If I were a contractor carrying out a job to-day on estimates I made three or four years ago, I should think I was a very fortunate man, because I would have based my estimates on the prices then ruling, which were very high, and I would have reaped the benefit of falling prices in carrying out the work at the present time.

657. Then it must have been a very recent fall. The prices of electrical material, as I have reason to know through my pocket, have in some matters trebled now to what they were last year?—The prices of plant have come down tremendously.

658. Certain plant has?—Yes.

659. For such articles as electrical wiring, fittings, and that sort of thing, I think you will find the prices are not so very much below what they were three years ago?—It is hardly wiring in this work.

660. Taking that merely as an illustration, but in regard to all electrical appliances we have to understand that an estimate given three or four years ago, and in connexion with which the work has had to be carried out since, it will mean that the cost will be a great deal more than the estimate was, and that is a fact that we cannot shut our eyes to.

661. *By Mr. Eggleston.*—When you are criticising the Commission's estimates, are you not failing to give weight to the fact that a great deal of the extensions they propose to make is new construction—extra services they are going to render and from which extra revenue will be derived. For instance, Newport B is to supply increased demand, is it not?—Incidentally, the reasons that have been advanced for installing are that it shall take the peak load to enable the Morwell scheme to obtain the benefit of the high-load factor. Incidentally, the plant is there, and can earn more money, but the question is whether the demand is going to be there.

662. If the demand is there, there is no increase of the estimate. There is increased expenditure, but no comparative increase in the estimate?—Yes.

663. No increased estimate, but an increase of the whole undertaking?—Yes.

664. And, therefore, you cannot say, that because they add Newport B and increase the expenditure, that, therefore, their original estimate was at fault?—No, I do not.

665. The same applies to the North Melbourne scheme, the Western District scheme, and also the North-eastern scheme and the Sugarloaf scheme. They are all additions to the undertakings?—Yes.

666. The mere addition of these sums to the original sum contemplated is not an error of estimate, but an increase of the whole undertaking?—Yes.

667. You have given no indication that the original estimate was at fault?—We have not got the figures. If the figures of expenditure to-day were placed under the various headings, then information should be given; from the figures available it cannot be given.

668. You are criticising the estimates, yet now you admit that you have no information on which to base your criticism?—Sir John told us yesterday that the

total expenditure of the Commission to date was £1,300,000, and the Treasurer stated the amount at £1,700,000. We do not know what work is included in the expenditure. We know a great amount of work has gone on at Morwell. We will assume that £1,000,000 worth of work has been done at Morwell, but I do not know whether the plant is all there yet.

669. We want to base our criticism on what we know and not on what we do not know. How many country municipalities in this particular area served by the South-western scheme are you acting for as consulting engineer at present?—We are acting for three.

670. When you are criticising this Bill, do you criticise it from the point of view of the country municipality?—Certainly.

671. Do you not think it is a very great concession to them?—No, certainly not.

672. If it was intended as such, it was a great mistake?—Yes, that is my opinion.

673. Although it subsidizes their scheme?—Yes.

674. Is not your criticism based on the subsidizing of the scheme to a great extent?—No, not of necessity.

675. Not of necessity, but actually?—No.

676. Why not?—For this reason, that if a municipality can generate current for 1d. per unit in bulk, what is the good of giving it a transmission line, and giving it electricity at 2d. per unit in bulk, and then taxing the State and the district to do it?

677. Why do you assume that the Council will entertain their recommendation if they can supply themselves more cheaply?—The whole question is that these are estimates, and are these estimates going to be borne out in fact?

678. This Bill contains no estimates whatever. That depends on the efficiency of the Commission?—The Bill essentially depends upon estimates.

679. The Bill gives an opportunity of framing estimates as to a probable future scheme, and then, if it thinks fit, to recommend Parliament to subsidize that scheme?—Yes.

680. Surely you cannot suggest that is not a concession to country municipalities. You have to assume that the Electricity Commission will be foolish enough to recommend a scheme by a transmission from Morwell when it can be better supplied locally, and Parliament will be foolish enough to ratify it, otherwise your criticism of the Bill falls to the ground entirely?—No; the Commission is an advisory body to the Government, and the Government will, as a rule, indorse the policy of the Commission.

681. That is an assumption?—It does not follow that these transmission lines proposed by the Commission are going to pay.

682. You claimed that the Commission may make a mistake in its estimate, and may recommend a line as payable which is in fact not payable?—Yes.

683. That, of course, is because we have to trust the efficiency of the Commission to make a proper estimate, and in cases where they find that the line will not pay, but still recommend it as likely to pay within ten years, then Parliament has to sanction it, and it is certainly a concession to that extent, to that municipality. If the reports show that the line will not pay at present, but would pay in ten years, it can recommend to the Minister that the proposal be entertained, and then Parliament can sanction it?—Yes.

684. That is certainly a concession to the country municipality?—Supposing it does not pay in ten years?

685. That all comes back to whether the Commission can be trusted to frame reasonable estimates; that is so, is it not?—Yes.

686. So far you have given us no warrant for believing that the Commission should not be trusted to do that?—To come back to the Western District proposal and the whole subsidy argument, the Commission re-

commends that electricity can be sold at Warrnambool at 3.6d. per unit, and the Commission has stated, to enable the Council to sell at that price, that the Government will bear the loss until such time as the load is built up. In other words, that line will have to be subsidized.

Mr. Deany.—That is not right.

Mr. Eggleston.—I did not understand there was any subsidy for Warrnambool.

687. *By Mr. Deany.*—The Bill does not affect the South-western District scheme?—Assuming it does not affect the South-western District scheme, the Commission has definitely stated that it is going to sell current at the price stated in the schedule, and if there is any loss the Government will bear that loss until such time as the loss is made up. That is correct, is it not, *Mr. Deany*?

Mr. Deany.—Yes.

688. *By Mr. Eggleston.*—My criticism of the Bill is that it may give too great a concession to country municipalities, but I cannot understand why it should be criticised from their point of view?—The Commission says here in this report that it could generate electricity at the same price as the Council, and if a loss has to be paid by the Government to enable it to sell at 3.6d. per unit, what is the object in the Commission doing the work.

Mr. Beardmore.—That is the point I wanted to find out.

689. *By Mr. Eggleston.*—I take it they are doing the particular work for which they were appointed. It is to assist decentralization and the country interests, and that is one of the main objects of the Bill?—Yes.

690. *By Mr. Beardmore.*—Your evidence is that there is no necessity for the Commission to come into being at all, and that the councils should be self-reliant, and they could do the work better and cheaper than the Commission?—Yes.

691. And yet you recommended that Warrnambool should accept the Commission's offer. If they could provide it cheaper than they could obtain it from the Commission, should not your advice have been—"Have nothing to do with the Commission, go ahead; we will provide you with a power scheme, and you can supply electricity cheaper than the Commission can"?—That would have been very nice advice to have given, but there is practically no difference between the cost of local generation and the cost of power from Morwell transmitted down there.

692. *By Mr. Deany.*—You have just said otherwise?—No. There would be practically no difference between those two costs, but if you can get the same result without spending that £45,000 which I referred to, you would be unwise to spend it; but then when we gave that advice we did not have the full information that we have to-day.

693. *By Mr. Beardmore.*—If you have that information, you would not have recommended it at all?—No.

695. *By Mr. Eggleston.*—The only difference is the provision for large customers and for the control of the high-tension lines?—Yes.

695. You have heard Sir John Monash's contention as to the advisability of the high-tension lines being controlled by the central authority?—Yes; but we do not agree with that at all, and we want to state fully our objection in that connexion.

696. You say that those two conditions make all the difference in your advice?—There are three conditions.

697. The other is the purchase scheme?—Yes.

698. Is that not a condition under the Electric Lighting and Power Act?—No, they imposed it.

699. Was it not always imposed?—No.

700. It was with private undertakings?—Yes, but municipalities served had the right to purchase private undertakings. The Commission now propose to take that away under the Bill.

701. *By Mr. Deany.*—Your contention all along has been that the municipalities could generate and retail better and more efficiently than the Commission?—No, not in all instances.

702. As far as retailing is concerned, you say that the Commission's function should be to supply only in bulk?—Yes, certainly.

703. Can you tell me why such progressive cities as Collingwood, Kew, Hawthorn, Camberwell, Richmond, Prahran, Malvern, South Melbourne, Brighton, and Moorabbin are supplied by the Melbourne Electrical Lighting Company, and they retail it in those cities, and those municipalities have never attempted to stand on their own footing and establish local supplies?—No, because they gave away a valuable franchise.

704. Is that the reason?—They have given away the franchise, and they cannot do anything else in the matter.

705. I suggest they are very well treated, and the very fact of concentrating all that generating power for all those municipalities gives them a much better deal?—They are getting an exceptionally good deal.

706. Exactly, by combining the supplies to all those municipalities?—Yes, with a private company.

707. In submitting your long statement to-day, are you expressing your own opinion?—Yes.

708. *By Mr. Deany.*—Are you the author of this pamphlet—[*Holding up a paper entitled "The Last Nail in the Supply of Cheap Power"*]?—Yes.

709. *By Mr. Eggleston.*—And the title?—No.

710. Can you tell us who supplied the title?—No, I have no idea.

The witness withdrew.

Committee adjourned until Monday next.

MONDAY, 30TH OCTOBER, 1922.

Members present:

Mr. McLEOD, in the Chair;

Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind.
Mr. Eggleston,	

[*Sir John Monash handed to the Chairman of the Committee a number of copies of telegrams for the perusal of the Committee.*]

The Chairman.—These telegrams are directed to the Chairman of the Electricity Commission, and to clear up any misunderstanding I will read them. They are as follow:—

From Koroit.—"Neither Lincoln and Demaine nor either authorized represent Koroit Council any electricity question."

From Mortlake.—"No authority given either person named, or any one else."

From Camperdown.—"Lincoln and Demaine not authorized by this council to appear before Select Committee to oppose Bill or electricity scheme."

From Port Fairy.—"No, neither have been authorized act in any capacity for council."

From Warrnambool.—"Lincoln and Demaine no authority to act in any capacity for this shire."

From Warrnambool City Council.—"Warrnambool City Council not appointed persons named to give any evidence before Commission on their behalf."

From Dunoon.—"Colac Shire Council has not authorized Lincoln and Demaine, or either, to appear before Select Committee to oppose Bill mentioned in your telegram. (Sgd.) Dunoon Shire Secretary."

From Cobden.—"Lincoln and Demaine have not been appointed to represent this council in any capacity on South-western District electricity scheme."

Mr. Lind.—I did not understand that they were here representing those places.

The Chairman.—I do not think they said they represented any council; I think they merely said they were giving their own individual evidence—their own opinion. I think that is the view the Committee took—that we were simply listening to them as representing their own views, and not anything beyond that.

Frederick Emil Thonemann, Councillor of the City of Melbourne and Chairman of the Electric Supply Committee, recalled and further examined.

711. *By the Chairman.*—Well, Mr. Thonemann, we understand you want to rebut some evidence in regard to the amount paid over to the ordinary funds of the City Council?—I am not dealing with that just at present. I have left that to Mr. Ellery to deal with. I would like to refer to Mr. Harper's evidence, on page 42. Mr. Harper states, or infers, that we should have to convey our electricity from Spencer-street to the area, but we have no intention of doing so, and would take it at the sub-station, and bring our mains from that sub-station, and join up with ours, and go right into our present area.

712. *By Mr. Eggleston.*—Take it at what sub-station?—Essendon; we would take that supply from there. The Essendon area has a load factor of 25, and the price of that would be, to the Commissioners, on the load factor, .85 of a penny; but the fact of taking it into our area would improve our load factor, and the price then would be .7 of a penny, or a difference in favour of the council of .15 of a penny. We have had plans and graphs taken out to show you that.

713. That is the charge for the whole area?—Yes.

714. The whole of the North Melbourne and Essendon area?—Yes; and, if necessary, I would like the engineer to further explain.

715. But is your load factor for the whole area less than 25?—

716. *By the Chairman.*—What is the particular object of this evidence?—To show the saving we have as against bringing it from Spencer-street, because Mr. Harper inferred that we would have to bring it from Spencer-street. We would take it from "D" sub-station, and there would be no possibility of increasing the load factor in that area over 25, but the fact of bringing the mains into our area will increase that load factor to 35, hence the price we would have to pay for that electricity is .15 of a penny less. I have the graphs drawn out, and, if you like, the engineer could come up and show them to you, and that will relieve me of going into details.

717. It is really a question for electrical experts?—No, it is plain sailing.

Mr. Ellery.—We have the engineer here now, and he could show you the thing in a few minutes.

The Chairman.—If it is technical evidence it had better be from the engineer.

718. *By Mr. Eggleston.*—Do you mean to say that your load factor is less than 25?—No; the load factor in the Essendon area—the whole area—is 33 per cent.

719. How would that improve your load factor?—By taking that main direct to supply our area round about there, which has a high-load factor, it would increase load factor, taking it from that substation, to 33 or 34.

Mr. Eggleston.—You have not made yourself quite clear.

Mr. Lind.—It would be better to show us the graphs, I think.

The Witness.—We would connect up and join into our present area, and supply our customers in that area.

720. *By the Chairman.*—What bearing has this on the matter before us?—It shows our costs, and Mr. Harper says that we would have to bring supply in from Spencer-street; but we are going to take it at the sub-station, and, therefore, buy it cheaper.

721. *By Mr. Eggleston.*—Where does Mr. Harper say that?—On page 42.

722. But which statement are you relying on; there are a lot of statements on that page?—“And Sir John Monash also said we would have to bring supply in from Spencer-street, but we have no intention of doing that.”

723. I just want to understand you; what you mean to say is that you have an area contiguous to this which has a higher load factor, which would be supplied from this sub-station?—Yes, the two joined together, collectively, would raise the load factor up.

724. On the old area, plus part of your area, which would be supplied from the same sub-station?—Yes.

725. That would raise the whole load factor over the whole area to 35 per cent.?—Yes, 33 per cent.

726. That is—what is the extent of your area?—I could not say. It is not the whole of the area; the engineer will show you where it would be supplied to. I have the graphs and plans here, but I think it is better for the engineer to explain the technical part.

727. *By Mr. Farthing.*—Do I understand you aright—that you say the load factor is 25 per cent. at the present time in Essendon?—And the Hopetoun ward.

728. And, if that were added on to your area in Melbourne, it would raise it to 33 per cent.?—Yes.

729. *By Mr. Eggleston.*—But by the same token it would reduce the load factor of your contiguous area?—Oh, no!

730. Well, if the 25 is below it, it must do that?—No; if you will allow the graphs to go in, I will show you that. Mr. Harper states that under their obligations to the Government they will have to hand this undertaking over to the municipalities in 1934.

731. *By the Chairman.*—Are you referring to this portion of Mr. Harper's evidence, on page 42, viz., “I was only speaking from the point of view of supplying energy from the sub-station, but from that sub-station there will radiate different feeders for the whole area. At present, unfortunately, the North Melbourne Company does that; but, if one-half were looped off and the City Council decided to supply from the city in bulk the energy for that half would have to be transferred from the city although it could be more economically supplied from the sub-station within the area”?—Yes that is the point. I say that our intention is to take it from that sub-station, thereby reducing our cost by .15 of a penny.

732. It was admitted in evidence by Mr. Ellery that, later on, when the full supply is on, you will have to be supplied with portion of your electricity from the mains of the Electricity Commission?—Yes.

733. And that then, we are informed in evidence also, if the supply was got for that particular portion of the area from the Electricity Commission, it would come from Essendon—from the central power-house there?—Certainly, from the sub-station.

734. Therefore, that evidence is not material, except for the short time you would be supplying yourself?—I am talking for the whole period.

735. If you are getting an electricity supply from the Essendon power house, or distribution station rather, you would not take it from North Melbourne or anywhere else?—We would take it from the sub-station in Essendon, through the Hopetoun Ward, into the present city area.

736. Therefore you would not want to take it from Spencer-street at all?—That is right.

737. Therefore the question is immaterial until you take a full supply?—No, this is for when the Morwell scheme is in operation and a supply is sent to the Essendon sub-station. In the meantime both parties have to take it in the same way; if it is taken in that way the Council would give supply at .15 of a penny less, because the load factor would be increased greater than the supply for the Essendon and North Melbourne

738. You are assuming that this would be a permanent factor after settling down to the regular supply from Morwell?—This will be a permanent thing as soon as the Commissioners are supplying that sub-station.

739. You would take it then from Essendon?—Yes.

740. *By Mr. Eggleston.*—You are assuming, of course, that the Commission, if they take this over, would only supply the North Melbourne and Essendon area?—Yes, certainly.

741. Not that they would supply any portion of your area?—No.

742. But why shouldn't they?—Because we have already had the assurance that they would not supply our area.

743. Why not contract to take it from them?—We will from the sub-station—from the Morwell scheme—from their sub-station.

744. Then there is no advantage to either party?—There is to us, but not to them, because they cannot raise their load factor in the Hopetoun ward and the Essendon area.

745. In other words, you would prevent them?—No; we would not want to, but we would take their electricity into our area.

746. You would prevent them supplying electricity to the contiguous area?—Not in bulk, but for distribution, yes.

747. Would you not make an arrangement with them by which the distributing system could be all arranged from the sub-station?—They would be coming into our area, which they have already agreed they do not want to do.

748. But I presume you would not prevent them doing that if it would be for the benefit of the consumers in that area?—They could not do it any cheaper than we could.

749. But if the area was treated as one whole they could do it just as cheaply as you could?—If they cut off some of ours. Mr. Harper stated that, under their obligation to the Government, they will have to hand this undertaking over to the municipalities in 1934, and he states they they would have to accumulate 8 per cent. per annum over and above interest on the total expenditure of £100,000, the cost of the undertaking. I will hand this list of figures round to show the effect of that. The main point is this—that there is an obligation on the Morwell Commissioners in taking over this North Melbourne undertaking, because they have to accumulate their expenditure, and pay back to the Government in 1934; therefore, they have got to accumulate sufficient money—8 per cent., as Mr. Harper puts it. Now I will deal with it in our way. The Commission states that this expenditure has to be recouped in 1934; therefore, assuming interest at 5 per cent. per annum, and also a sinking fund of 5 per cent. (on a compounded annually basis) the annual average capital charges will amount to £14,509. Those are the annual capital charges that I am referring to.

750. *By Mr. Beardmore.*—This list shows £14,590 and £14,509?—Yes, it is £14,590. That is a big obligation on them. They hand it over to us in 1934. In the case of the Melbourne City Council the annual capital charges are based on interest at 5 per cent., a sinking fund of 1 per cent., and depreciation 4 per cent. On the purchase amount of £86,000, the sum of £45,000 is our valuation of the assets, the balance of £41,000 being reckoned as goodwill. We have not got to accumulate that money in the twelve years, as we will be carrying on. We simply debit ourselves with 5 per cent., and allow the amount to accumulate; do you understand it.

Mr. Deany.—High finance!

751. *By Mr. Eggleston.*—Is not the goodwill what you ought to wipe out?—No; the goodwill is compensation for taking over the undertaking.

752. But you have it as an asset?—It is not a tangible asset.

753. Therefore, you should wipe it out?—So we do; but not in such a short period; if you agree with that I am satisfied.

754. *By The Chairman.*—I did not catch the amount the Council offered?—We offered to take it at their price.

755. What is their price?—Practically £86,000; of which £45,000 is our valuation of that undertaking.

756. Eighty-six thousand pounds, and you would have to pay that off in the twelve years?—No.

757. But portion of it would have to be paid off?—No, we have not to pay anything at all by 1934.

758. But that would form portion of what would have to be paid off—if not by you, by the Commission? Yes, the whole £86,000.

759. *By Mr. Deany.*—You were going to pay it off in twelve days?—No, that was to equip the three-phase fifty cycle. We could pay the purchase money in twelve days. Whatever the purchase price was we could pay it in a week; we could pay it in three days. We could pay the £86,000 in cash, and we would treat £45,000 as capital, and £41,000 as good-will. That is the value of the undertaking, and, perhaps, compensation. I do not say the Commissioners have paid too much.

760. *By the Chairman.*—What money were they to pay down?—£86,000, and we have assumed interest on that amount at 5 per cent.

761. *By Mr. Eggleston.*—In the case of the City Council the interest is at 10 per cent.?—There is 5 per cent. interest, 1 per cent. sinking fund, and 4 per cent. depreciation.

762. Well, that gives 10 per cent.?—Yes.

763. It would be 10 per cent. on the £45,000, and 6 per cent. on £41,000?—Yes.

764. Well, the difference between you and the Commission is this: The Government has imposed an obligation on the Commissioners to reduce that amount in twelve years?—Yes.

765. You do not recognise any obligation to pay the amount off?—Not to pay it off, because once we get the undertaking we would not pay it off any more than any other part of our undertaking.

766. But you have written down your undertaking?—So we would provide for this.

767. At what rate are you writing down your own undertaking?—On the assets, 4 per cent., but this is not an asset. There is £41,000 goodwill, and you cannot take that in the same way as where you have a tangible asset.

768. But you charge yourself with interest and sinking fund on your ordinary assets?—Yes.

769. What you mean to say is that you do not charge this with depreciation, or renewal because it is not an asset?—Yes.

770. But the Government has imposed on these people the obligation to do that?—That is why I say we can do it cheaper.

771. But supposing the Government imposes that obligation on you?—We can pay it now, and we can work that good-will over thirty years.

772. It may have been unfair of the Government to impose that obligation on the Commission?—I do not say it was unfair. I say they are only holding it in trust now.

773. *The Chairman.*—You are prepared to pay £86,000, of which £45,000 is reckoned as value of the assets, and £41,000 as good-will?—Yes, but we pay the £86,000 in cash down.

774. Leaving the Commission the balance to pay off to the debenture-holders?—No.

775. Who pays off the debenture-holders?—This £86,000 we give them, plus what they get from the Tramway Company.

776. *Mr. Farthing.*—With regard to those sums of £45,000 and £41,000, would you mind telling us how you arrive at them?—Our engineer valued those assets in 1920.

777. And you put down £45,000 as their value, and called the difference good-will?—Yes, and that is all it is. I take it it would be compensation for taking over the undertaking before the termination in 1934. That is a fair assumption, and we are prepared to pay the £86,000.

778. *Mr. Eggleston.*—What do you refer to as assets?—That power-house in North Melbourne.

779. But you are not going to use it?—That is why we take it as the good-will part only, and also the mains for distribution and all the apparatus and overhead wire connexions.

780. Was not the whole of the undertaking at a state at which it could not earn sufficient interest on the £117,000 or £86,000?—I do not know what they could do; I know what they are doing. All my figures are based on 1921; that is the only basis I could go upon. We estimate the annual average capital charges for the Commission will be £14,590. In the case of the Council, the annual capital charges are based on interest at 5 per cent., sinking fund 1 per cent., and depreciation 4 per cent. The purchase amount of the undertaking was stated to be £86,000. Of this sum, £45,000 is the Council's valuation of the property, the balance of £41,000 being good-will. On this latter amount interest at 5 per cent. and sinking fund at 1 per cent. is allowed, as we have not to accumulate the purchase price in twelve years. On the foregoing basis, the Melbourne City Council's annual capital charges amount to £10,330, showing an annual saving of £4,260. They cannot get away from it—their capital charges would be £14,590.

781. But they are paying something off; you are leaving posterity to pay it?—I am not. We allow interest at 5 per cent. and sinking fund at 1 per cent.; allowing in the case of the Commission interest at 5 per cent. per annum and also a sinking fund at 5 per cent. on a compounded annually basis, that comes annually to £14,590 on the whole undertaking.

782. That is the purchasing sum?—Yes.

783. But you are not purchasing?—We are.

784. And then you say the difference is an advantage to you?—Well, you cannot buy an asset like that; you can only take in your assets as capital and good-will, and we have worked it out as shown by those figures.

785. I thought the principle of sound finance was that good-will should be immediately debited; something should be debited off good-will at once and it should be extinguished as early as possible?—I have never seen it done. This difference in capital charges and the more favorable price at which the Council could purchase energy on account of the load factor would enable the Council to reduce the cost of supply by about a half-penny per unit less than the Commission. You cannot get away from that.

786. That is only by treating it as an artificial area and not allowing it to come in as it ought to be naturally supplied?—I am treating the area as it stands.

787. Yes, for the purpose of the Commission's charges, but something different for your charges?—Only to a small extent on the load factor; they could not do it in that area because they could not get the load factor.

788. But in treating it for your charges you add on an area which has a higher load factor?—That is only in connexion with the load factor, but not as to reducing the liability; I think you will find that any accountant will say that that is a fair and proper basis.

789. It only illustrates the damage that can be done if municipal boundaries are taken as the sole basis of charges?—No; they say they have no desire to interfere with our area.

790. I would say from the point of view of consumers in that area that if you treat them as one, you are loading the consumers on one area with the cost of the lower load factor in the other area?—No, it only means that by bringing in that area it gives us a better load factor.

791. It gives the people in that contiguous area a better load factor?—No, it is a different thing altogether; I will ask our engineer to illustrate that by graphs. (He is more able than I am, but I am quite clear on it.)

792. *By Mr. Farthing.*—If you were to acquire that area, is the method you now describe the only means you could use to determine their load factor?—Yes.

793. You would have to add that on?—Add what on?

794. Add that area on to what you are already operating?—We would simply take the current from that sub-station and take it into our area, and it would benefit both parties—not only our area, but also North Melbourne and Essendon, because we get the energy at the sub-station at .15 of a penny lower. I want to reiterate this—Sir John Monash says that we cannot supply cheaper. On page 33 of the evidence he says that the City Council's claim that they can supply in Essendon cheaper than the Commission "is nonsensical on the face of it." He goes on to say they do not know what we are going to charge, and he repeats this. That is just where we join issue with Sir John. He distinctly told us at an interview that on account of the conditions of the purchase as laid down by the Government, viz., twelve years and payment of the purchase amount, it would be necessary to maintain the existing rates, and probably even higher. To confirm this, Sir John Monash produced and read to me a letter he had received from the Essendon Council to the effect that that Council would not agitate or press for any reduction in prices, nor would they promote or support any local movement in this direction.

Sir John Monash.—That is not what the letter says.

The Witness.—Well, that is the substance of it.

Sir John Monash.—No.

The Witness.—That letter they can put in. Regarding the evidence on page 34, Sir John Monash denied that we have announced our intention to convert the Hopetoun Ward to a standard to suit the Commission. I have already stated that we were willing to bring it up to the 3-phase 50-cycle, and the Lord Mayor also stated that the change over could be effected in six months. Also in Mr. Harper's evidence, on page 42, he supports me in my contention that by our taking a supply from the Commission's sub-station it will enable us to supply at the low rate we have indicated.

795. *By Mr. Eggleston.*—Besides the small area of the City Council which could be supplied from this sub-station, there are also other areas in other directions that could be supplied from this sub-station?—No, sir; you will find that the engineer will show you conclusively that there is no other area adjacent to this which could be joined on to it, and in any case we would be taking our energy from that sub-station for our present area, and joining up to our present mains. On page 42 Mr. Harper, when speaking of the price paid by the Commission for the North Melbourne undertaking (£100,000), said that means at least 8 per cent. for writing off, apart from interest on moneys. Now, I want to emphasize that again—owing to this benefiting the City Council by the less capital charge we would have to pay, and by the load factor being on a higher basis, it would enable the Council to reduce the cost of supply by about a half-penny per unit less than the Commissioners. Now, Mr. Eggleston asked me to give him a statement of our costs, or rather our prices, and I will hand these round. Mr. Eggleston queried this.

Witness handed in the following statement, viz.:—

Year.	Total Units Sold.	Total Revenue. Sale of Current.	Net Price per Unit Sold.
		£	
1912	12,100,630	123,272	2.58d.
1913	14,212,613	142,939	2.56d.
1914	17,163,000	156,394	2.32d.
1915	20,658,911	184,801	2.13d.
1916	23,736,476	190,706	2.00d.
1917	27,415,485	207,122	1.873d.
1918	31,143,635	225,233	1.783d.
1919	33,113,841	234,300	1.754d.
1920	41,954,000	297,600	1.75d.
1921	45,264,840	350,370	1.905d.
1922 (8 months only)	35,745,534	272,800	*1.873d., equals 27.4 per cent. reduction over 1912 figures, or 19.27 per cent. over 1914.

* Reduction in Power Tariff operating from May accounts. Further reduction in Power as well as Lighting operating as from September accounts.

796. *By Mr. Beardmore.*—This embraces the whole of your output?—Yes. You will see that in 1912 the price was 2.58d.; that was when coal was 11s. 6d. per ton; we did not make any increase until 1921, and that was because of the high cost of coal, which went up to 37s. 6d. per ton, and since then we have made two reductions. It is all set out there clearly—there was a reduction equal to 27.4 per cent. over the 1912 figures and a reduction of 19.27 per cent. over 1914.

797. *By Mr. Eggleston.*—Is this 1.873d. an average for the whole year?—In 1922 we have only got the figures out for eight months.

798. That 1.873d. is the average for eight months?—Yes.

799. Making an allowance for the two reductions?—Yes, and there is not any doubt whatever that our price will be down again considerably next year.

800. What was the load factor of the area of the Melbourne City Council contiguous to the North Melbourne area?—I have not got that, because it varies. It is a great advantage to us to have that "D" sub-station there, and more so if we came into our area.

801. Is there a map here of the metropolitan area showing the sub-stations?—Yes, before a sub-station was there we put down a dot where a new sub-station was going to be, and we knew what advantage it would be to us if we took this area over.

802. *By the Chairman.*—Well, I do not see where this discussion is leading to; it is an admitted fact that the City Council has offered so much for this property; those figures are there; we cannot get behind them; it is a waste of time discussing the details; you pin your faith to those figures, and the Committee must accept them?—I am not disputing that; I am only proving the fact that the supply will be a half-penny cheaper.

803. Nobody has challenged the facts that have been given?—No.

804. *By Mr. Eggleston.*—Under the concession you would get the undertaking in 1934 for nothing?—Yes, that is why the Commission are going to wipe out its capital expenditure.

805. For your benefit?—We prefer to have it now; it suits us better and relieves them of a lot of trouble.

The witness withdrew.

The Honorable George Swinburne, Commissioner, State Electricity Commission of Victoria, examined.

806. *By the Chairman.*—Well, Mr. Swinburne, as far as the evidence has gone, there is a conflict of opinion in regard to the interviews which have taken place between Sir John Monash and the Town Clerk and Committee of the City Council. That appears to be the point at issue, and the question has arisen in

this connexion: The Town Clerk and members of the City Council are apparently very positive, according to the evidence, that they were given to understand by the Commission, or by Sir John Monash, speaking on behalf of the Commission, that they were to be given an opportunity of purchasing these particular works dealing with Flemington, Kensington, and North Melbourne. The peculiarity is that while these assertions are made, the letters from the Commission put quite a different aspect on it. I think the main point is this: Has the Commission had any discussion at all or interviews with the City Council, or with members representing the City Council, in regard to the purchase or any offer to them of these works if the Commission purchased the property. That appears to be a question of accuracy of memory, we will put it. What view do you take of it? Do the letters you have heard read from the Commission to the City Council accurately represent the views of the Commission, or have there been any discussions or negotiations or promises made in connexion with the Commission in regard to handing over any of this property to the City Council that is not disclosed in the evidence. I think that is putting it pretty fully. Just put it in your own way; tell us when you were first made acquainted with the fact that negotiations were in view, and what action you took subsequently? —Well, I cannot remember the dates at the present time, and I have not had an opportunity of hearing any of the evidence whatever, so I come quite fresh and frank on the scene. The Commission had no negotiations with the City Council at any time till we met Mr. Ellery, the Town Clerk, and Mr. Thonemann, the Chairman of the Electric Supply Committee, with, I think, the Engineer, at the Commission's offices. They said that certain discussions had taken place with Sir John Monash, but the Commission had not in any way whatever arrived at any opinion, nor given any authority in connexion with the matter, and when Mr. Thonemann and Mr. Ellery came to the Commission that was the first time that I in any way discussed the matter with the City Council, or discussed the matter except probably by slight reference, as far as the City Council was concerned. We never discussed it from the City Council's point of view. I always understood that the City Council gave its frank consent to the acquisition by the Electricity Commission, and the Commission was in touch with Essendon, which was very strong in its pleading with the Commission to interfere and purchase the company out on account of the very unsatisfactory service. The correspondence sent by the Commission gives clearly the opinion of the Commission, and sets out all that the Commission had to do with the City Council. I am quite clear on that point, and after the interview with Mr. Thonemann and Mr. Ellery we told them that we could not give them a reply, but would take the whole matter into consideration, and the Commission came to a unanimous decision that it was inopportune to transfer any part of the North Melbourne undertaking to the City Council for very specific reasons which, in my opinion, were most important. As may have been mentioned to you, the franchise of the Melbourne Electric Supply Company expired in 1925, and the Commission had been requested by a large deputation, representing the municipalities, to take into consideration the whole question of dealing with the company's franchise at its expiration, and, if possible, to draw up a scheme by which it could even be bought out. The Commission unanimously felt that until the Commission had matured a policy with regard to the Melbourne Electric Supply Company and the whole of the metropolitan supply, it was immature to consider making any transfer of any kind to the City Council, or to consider that in any way, because the greater question included the loss, and it might be that the Commission, in working out a policy for the metro-

politan supply, might have to make a recommendation that the City Council would have to be a party to it, and therefore it was absurd to transfer any part of the Essendon or North Melbourne undertaking to the City Council till that policy had been definitely worked out.

807. Did this conference you referred to comprise the metropolitan municipalities?—Yes, probably that conference was held from nine to twelve months ago.

808. *By Mr. Farthing.*—And what was the date of your conference with Mr. Ellery and Councillor Thonemann?—I cannot remember that.

809. *By Mr. Lind.*—It was held on the 7th June. We have had that in evidence?—That would be right. That was the first time that we met, and the first time that the Commission had any correspondence or interviews with the City Council, and discussed it with them. But the Commission were exceedingly unanimous, and I do want to impress upon this Committee that the matter which is committed to the Commission by the Government, and supported by the municipalities, is an exceedingly heavy undertaking; that is, to plan out the whole policy for the future lighting of the metropolis, which is now in the hands of probably a dozen parties. We were quite unanimous in saying that it was quite inopportune to deal with any severance, or any petty or small amalgamations, pending the working out of the larger policy. That was our attitude. Then the City Council took up a very strong attitude against our reply. I think that attitude was exceedingly unfortunate, because the Commission, as representing the community, has no other object whatever but to work out some scheme which in its opinion will be for the public good—that is all.

810. *By the Chairman.*—You had no idea at all of working for the profit of the Commission; that it should work it itself at a profit?—The North Melbourne undertaking?

811. Yes.—No, we took it over—we did not initiate the thing; we had nothing to do with the initiation. It was the Essendon Council who pleaded with the Commission to come in and rescue it, so to speak, from its difficulties. People could not get current; the company was in financial difficulties, and it was only after long negotiations and a great number of interviews, between the Essendon Council, the company, and the Government, that we came to a definite understanding of what we thought would be in the interests of the Essendon Council and the people who were being supplied by the North Melbourne Company. We did it with the simple object of helping the district which was very badly served, and there was no hope of their getting a good service. On the question of handing over a portion to the City Council, I have no remembrance whatever of the matter being raised at that time, or until this interview took place on the 7th June, and I myself feel very strongly, that quite apart from the sentimental attitude of the City Council, it has been a great pity that that council has raised so many difficulties, because, as I have expressed on two or three occasions, if the City Council would only have waited a while, probably another six months, until the Commission had more matured its policy with regard to the whole metropolis (which has got to be matured), we in all probability would have brought the City Council into the discussion, in order to help the Commission. To me the whole matter is a storm in a tea-cup for the time being; but it has prejudiced and worried the Commission very largely and interfered with the working out of a much greater and more important policy.

812. Summarizing the whole position, as I understand you, until the 7th June you know nothing whatever about the City Council's attitude in the matter?—Except their consent to it.

813. And that the sole view of yourself and the other members of the Commission was to hold over your judgment until you were able to put forth a mature scheme covering the whole of the metropolitan area, and the councils in it?—Yes.

814. From the public point of view?—Yes, that was the great argument with us. It was not a question of the Melbourne City Council, or the Essendon City Council, or the Hopetoun Ward; it was the taking of the whole metropolitan area; and from our knowledge and study, and from the information we had, we knew that the whole subject had to be grappled with on a very big scale.

815. The Commission was solely actuated by the desire to keep the whole thing intact until it was able to deal with it as a whole?—Yes, that is so.

816. There is no personal feeling of any sort in the matter?—None whatever. As I have said, it would have come about in probably six months' time, because I might say the Commission has had a tremendous burden of work; this has been the biggest thing I have been connected with. Every Commissioner has been very hard worked, and in addition to all other matters, the working out of a proper policy for the metropolitan area is no mean job; but I feel (and my colleagues have expressed themselves in a similar way) that as soon as we do get a skeleton or plan—the foundation or basis work—complete, we would have called the City Council in, because in my opinion they are probably a great partner in it. I respect the City Council's distribution very highly, and I was looking for the co-operation of the City Council in the working out of the greater scheme in a natural way.

817. And you are desirous of working in co-operation with them?—Absolutely. I am very sorry they did not wait a little longer, because I cannot help but think they knew where the Commission was, so to speak, and what its attitude was.

818. *By the Chairman.*—Do you wish to ask the witness any questions, Mr. Ellery?

Sir John Monash.—I must object. I was not allowed to ask a single question.

The Chairman.—Mr. Swinburne is not going to be here to hear all the evidence.

Mr. Eggleston.—I do not think we should allow one side an advantage that was not granted to the other.

Mr. Ellery.—I do not want to ask any questions, provided I have the opportunity of commenting on some of the remarks made by Mr. Swinburne.

The Chairman.—Of course, you will have that opportunity.

819. *By Mr. Lind (to witness).*—I would like to ask you if, prior to the 7th June last, the Chairman of your Commission advised his brother Commissioners that he had had interviews with the City Council relative to this North Melbourne undertaking?—I am not sure of that. He may have said that he had seen them; but he certainly did not give us any information as to anything that was said, that there was anything definite about it.

Sir John Monash.—You saw every letter.

The Witness.—But there was nothing definite.

820. *By Mr. Lind (to witness).*—In the evidence we have had here from the City Council it was said that at that interview of the 7th June, Sir John, referring to the fact that Melbourne's rights still existed, and the request to sell the whole or part of the undertaking to the council, said—"Our concern is how we can coincide this. I understand the City Council will agree to any terms we like to make." Was that statement made on the 7th June by the Chairman of your Commission?—I do not remember it in that form.

821. I understand there were shorthand writers present on that occasion?—I do not remember whether there were or not; there may have been. But there is no doubt about this, the rights of the Melbourne City Council are still intact with regard to the Hopetoun Ward in 1924. Has that ever been disputed?

822. The City Council has claimed that Sir John had made certain promises to them verbally. I was just desirous of knowing whether you were led to believe that Sir John's promises may have been made by statements that were made at that interview, that is, statements made by the Chairman of your Commission?—I was never led to understand, by inference or otherwise, that any promises whatever had been made; but the Chairman of the Electric Supply Committee and the Town Clerk came before the Commission to discuss the matter.

823. That was the first you knew of it?—There were no promises ever made.

824. *By Mr. Eggleston.*—Was it suggested by anybody at this interview that promises had been made by Sir John?—I do not remember either the Town Clerk or Councillor Thouemann alluding to a promise ever having been made. They came to discuss the matter.

825. Has the policy of the Commission arrived at any state of maturity at present?—No; the Commission has not arrived at any mature policy up to the present. It is an enormous thing to undertake, and the Commission have to be very careful what they do. I have no recollection whatever of Mr. Ellery or Councillor Thouemann at that interview of the 7th June mentioning any promise Sir John had made, or that the matter had arrived at any stage other than that they came to discuss it. Are you dealing with anything except this at the present time, because I find I have another half-hour to spare.

826. *By the Chairman.*—That was the only point we considered you were interested in—as to the question of what had transpired—as to how far the City Council had been led astray in the matter, and the assertions they make as to what led them to believe they were entitled to purchase, which they say were afterwards repudiated?—I am very sorry they should have that belief; but as far as I am concerned they have no grounds whatever, and I know of no grounds on which they could think there was any repudiation at all.

827. Of course, apart from this matter, there are other questions in regard to the north-east and the south-west areas; but we will have to defer them until you come back.

Mr. Lind.—Mr. Swinburne says he has half-an-hour longer to spare.

The Witness.—If there is any point on which I can be of assistance, I shall be very pleased to help.

Mr. Beardmore.—We have taken other evidence referring to the Western District scheme. We might as well hear Mr. Swinburne on it now.

The Witness.—I cannot understand the attitude of a number of people with regard to the work of the Commission. A great deal of propaganda work has been set in motion, which is in the main unjustified, and—well, I do not know how to describe it, but it is very improper and misleading.

828. *By the Chairman.*—In regard to the South-western scheme, it has been represented to us by previous evidence that the municipalities can generate electricity cheaper themselves than they can get it from the Commission. Does your experience lead in that direction?—No. I do not think anybody, I do not care who they are, expert or otherwise, can dispute the fact that the whole tendency of generation is to have it, if possible, where you get the coal, instead of transmitting the coal to another place for generation. I think that is the whole future of electricity, and it is one of the great factors that is going to influence country settlement and development in every direction.

829. Then your policy, so far as it is disclosed in the south-western district, is that you will deliver electricity in bulk to the different municipalities, and let them distribute it themselves?—Within reason. Of course, when you talk of the Commission delivering

in bulk, I am a very great believer in devolution of responsibility, and in local authorities taking up the work wherever it can possibly be done, and I think my attitude is very well known in that respect; but there is a limit to that, and I do not think it can be profitable for even the Western District scheme, and probably ultimately for every municipality to be taking energy in bulk and distributing itself any more than it can be done in either the Gippsland or North-east scheme. There must be some concentrated, widely inclusive authority which can deal with the matter, if it is going to be dealt with to the best advantage. That is the experience in every country that I have inquired into; but whether the Commission does it, or whether a local authority constituted for the purpose is simply for the Government to say.

830. The question must be formally settled by the House, as to whether the municipalities shall distribute, or whether the Commission shall distribute?—That is so; but there is one point I should just like to mention here. I must say I myself have undergone a considerable change in my attitude to the distribution of electricity during the last three years. When the Bill was passed by Parliament for the development of Morwell and the distribution in bulk, the Commission, as it was formed, took the whole work in hand on the basis which Parliament intended; but there is no doubt of this—that there must be a linking up between generation and distribution, if the generating scheme is going to pay. The Government are spending anywhere from £1,000,000 on Morwell. The Government expect the Commission to make that pay. Unless the Commission has a very close interest and connexion between generation and distribution you will never be able to hold the Commission responsible for Morwell paying. If you are going to hold the Commission responsible for Morwell paying, you must hold the Commission responsible for obtaining outlets for electricity, instead of any secondary person. There must be some very close connexion between generation and distribution, or else you must absolve the Commission from the scheme paying. I will go that far.

831. *By Mr. Lind.*—Then you are almost conveying the impression that you are afraid of such bodies as the Melbourne City Council?—Oh, not at all. I am never afraid of competition where the public is concerned. As I think I wrote to Mr. Ellery once, both the City Council and the Commission are simply representing the public. We have to co-operate together. It is no use the City Council and the Commission or other various councils getting at logger-heads. We will simply spend money fighting, and we are all representing the public. We have got to keep together and put down the best scheme for the whole community, not for the City Council alone, but for the whole metropolis, and probably the whole of Victoria. It is no use our fighting each other, not a bit.

832. Well, they are only fighting you for one portion, that is the Hopetoun Ward. So far as I can see that is the only portion they have been fighting for. You say you feel you should not be fighting each other, yet you are not prepared to give them that portion they claim to be their area, that is, the Hopetoun Ward?—I am quite prepared to give them Hopetoun Ward if at the end of the time we mature the policy for the metropolis we find it the best thing to do; but first the Commission has to define a policy for the whole of the metropolis, of which I am quite certain the City Council will form a part. I say let them wait until we have got it settled. It probably will not be long before we can put a scheme before Parliament and the various municipal councils which may advance the matter very much.

833. Do you think at that time, as a result of your deliberations and investigations, the City Council would be placed in a better position than they are in to-day; or will you yourselves be placed in a better

position?—I do not know yet; I am not prepared to say. Councillor Thonemann and Mr. Ellery have a very high opinion of the City Council's service, and I do not want to discount it. I think they have done very well indeed. All I say is that the City Council has ultimately to become part of a metropolitan scheme for the good of the metropolis.

834. What do you think of their claims to be able to supply electricity for Essendon at £5,000 per annum less than the Commission, and for £3,500 less for the Hopetoun Ward?—I have not seen the figures, but I doubt it very much. I heard Councillor Thonemann say something about working £45,000 off to start with; but I do not think they can do anything better than the Commission, having regard to all the circumstances.

835. *By Mr. Eggleston.*—With regard to this formulation of a policy, do you not think we need to have some idea of what the policy is before we decide some of these questions referred to us?—I think that is premature, because the Melbourne Electric Supply Company's franchise does not expire until 1925, and there is nothing in the discussion that will interfere with it, I think.

836. But might there not be some question referred to us which really depends on the general policy adopted by the Commission, and might we not be deciding that question in ignorance of really what is the policy determining the question. But, broadly speaking, if the franchise is expiring in 1925, you will have to reorganize the whole metropolitan area in the light of the most up-to-date benefits which you see you can have, if you have to come to a conclusion?—Yes, I quite appreciate that; but we say we do not know what the policy is, and we may be determining a question under this reference which really involves the whole problem without being aware of what that problem is.

837-8. *By the Chairman.*—At any rate, to advise for a scheme for the whole of the metropolitan area, your Commission has to arrange for supplies being co-ordinated, that there shall be one uniform class of supply, not broken up as they are at present, with different phases?—That is so. One of the instructions by Parliament to the Commission is the standardization of distribution. It is one of the works imposed upon the Commission. I would not discount any one's work, but what was erected 30 years ago could be improved upon very considerably to-day.

839. In regard to the question of distribution, of course, that would be a very huge undertaking to add on to the Commission's present work, the question of distribution, collection, and retail supplies?—That would be very big, but so far as I know the Commission is not seeking it. We have very heavy work on our shoulders.

840. *By Mr. Deany.*—Would you be inclined to favour district Boards?—Yes, you have Metropolitan water supply and Tramway supply, yet you have about twelve or fourteen different electricity supplies, different charges and different systems; different methods of treating the whole thing.

841. *By the Chairman.*—Supposing the country was divided into electrical areas. Of course, there is this difficulty to be borne in mind—your mains do not reach to one portion of the country?—No.

842. But in those districts where the mains will reach, if they were each formed into a sort of district trust, and committees appointed to take charge of the distribution of supply to the municipalities (the members to be elected by the municipalities if you like), and they were to take charge of the distribution and collection in their own district, would you favour that?—Yes, so long as they work with the Commission. I do think you will find the Commission will gradually become a great source of knowledge on electrical matters, and as they have to generate and make a huge scheme pay, every distributor which is relying upon

the Commission for energy should work with the Commission in order to get the greatest output that is possible. If every distributor is not working with the generating authority you may have a position where the scheme may not pay, and if the will of Parliament is carried out by which the distributor is not to make profits, you have got to realize this—that they may not take a keen interest in it when they are not making profits, therefore you will always find that behind the distributor the generating authority, which will be the Commission, will be the motive power to give the momentum to the distributor. That is the way I look at it.

843. But suppose these distributors I suggest were not suppliers at all, but merely a body acting as receivers, distributors, and collectors, leaving the details on the commercial side of it in the hands of the municipalities themselves if they choose to do it?—Yes.

844. Then each municipality would have a direct interest in improving the supply to its own municipality, while they would merely have to pay the Government centre the amount due for the electricity they get. It would leave it in the hands of the municipalities themselves as a going concern, which they could probably make something out of, and they would be interested in extending it for the sake of their own convenience, leaving the body controlling and distributing doing it simply as a matter of business, and the members of that body could be representatives of the councils, appointed by the councils themselves, having charge of the whole area of the district so as to secure uniform distribution?—Yes, but what you say simply points to this, that the Commission has been established as an adviser and a generator, and surely we could all get together and co-ordinate and co-operate to carry the thing out in the best way to the consumer and at the least possible cost. If we cannot do that, well, the Commission is not going to fulfil its functions.

845. That is the point. I am just mentioning these points to get your business opinion of a thing of that sort, because we are all more or less novices in this matter, even the so-called experts. We want to get your ideas as a business man, as to how this thing would be in the public interest?—What you say could be done with co-ordination and co-operation between the Commission and the municipalities; but it is no use any municipality or any one looking upon the Commission as an intruder. We are not there for that purpose. We are simply there to advise and carry out the public policy. I do not know of anything so far that has not been done in accordance with the powers given, and I have never seen where we are seeking for extra powers. All we have done so far has been at the invitation of the municipalities themselves.

846. I quite agree, but the great point pressing upon us, and one that we know is having a great effect upon the municipalities, is what the future supply is to be, how the future distribution and collection is going to be done, and how it is going to be administered. Is it to be in their own hands?—It is astonishing the number of municipalities that want the Commission to take the whole thing in hand for them. The Commission is not seeking for it unless the municipality wants it.

847. You will wait for that invitation?—Yes. And when we do get the scheme for the whole metropolitan area thought out, I hope in collaboration with the City Council, and with its co-operation, it will then be submitted to the municipalities who we expect will work with the Commission.

848. Yes, I quite agree with that view. At present we are beating the air to a great extent, not knowing exactly what is going to become of the supply to the municipalities?—No, but there is one thing you will excuse me for saying, and it is this: The Morwell

scheme, as it was called, has got a long way further than was originally intended. From a simple mining or generating scheme, it has now become the basis of what will be an enormous thing. I am quite certain it is going to be of remarkable benefit to the whole State, in conjunction with the hydro-electric schemes which will be established in the north-east with it. They will be all co-ordinated together; but it is a much bigger thing now than was intended then when the Bill was passed, and I think the public has to realize that everybody has to work together to make it a success, because with the mining operations and briquetting it will be an expense of about £6,000,000, and we have got to make it pay. That is what I am looking at, to get interest on the money, and if there is going to be any irritation, and one trying to out-manœuvre the other, or one person trying to block the other, we are not going to make it pay. By working for the common good it is going to pay.

849. *By Mr. Lind.*—But you do not desire to make it pay at the expense of the consumers in the various districts. You do not intend to make it pay, even though your rates are higher than those the municipalities are supplying it for?—No, in every case I know our rates will never be as high as those of the municipalities, and ultimately will be less.

850. *By Mr. Farthing.*—Are you familiar with the working or operation of electrical bodies in other parts of the world?—I have studied the Ontario scheme very closely, also the report of the Electrical Committee on the Distribution of Power in England, and I also know a good deal about distribution in Italy, also the Tasmanian scheme. In Tasmania the Government distributes the supply. In Hobart, for instance, the municipality has nothing to do with it. The Government supplies Hobart and the municipalities also.

851. Take the Ontario scheme. Does that Commission attend to the retail distribution of electricity at all?—In regard to the Ontario scheme, when any municipality wants a supply, it gives a guarantee to the Ontario Commission, which draws up specifications and does all the work, and undertakes the distribution as well under a guarantee, first from the consumer, and then from the municipality. For instance, if twenty farmers want a supply, they sign a petition to the municipality, and the municipality sends it on to the Commission. The Commission accepts that guarantee, and undertakes to erect, laying down all the principles of supply. They carry out the whole thing there now, and, of course, that is where we did not understand at first what we were undertaking. The Ontario scheme did not do that at first, but it has been the natural development, over about ten years, of the necessities of the case. The municipalities at first provided all the money, and did the work under the supervision of the Ontario Commission, but now the Commission is doing it all. That is the development in Canada.

852. Can you tell us what scheme they have adopted in England. Does the Commission touch the reticulation there?—There is no Commission in England. The supply of electrical power in England is on a very bad basis indeed. I believe there are about 30 or 40 companies or suppliers in London alone.

853. Is there not a big scheme in Newcastle?—Yes.

854. Supplied by a private company?—Yes, that is a very interesting development in the North of England, where the generating stations have been put at the pit's head to get cheap coal right from the trucks, and that is the development of electrical supply in England to-day, and the biggest district scheme is the north-east coast scheme, which undertakes part of Northumberland and Durham. The Commission has advised that England be divided into a certain number of areas, I forget how many, each of which shall be an electrical supply scheme. London is one of the

worst supplied places in the world, so far as costs are concerned, I should think.

855. *By the Chairman.*—Does the Commission do the collecting under this scheme?—Yes.

856. They do the financial part as well?—Yes. I think we could put before the Committee a lot of literature with regard to the Ontario scheme. If the Committee so desired we could do that, and you could see it for yourselves.

857. Thank you. We will want to examine you again in connexion with the South-western and the North-eastern schemes. Of course, the questions we put to you about your ideas in regard to the improving of the distribution are *ex officio*. We are anxious to the grip of this ourselves?—Yes.

The witness withdrew.

Sir John Monash.—Sir Robert Gibson is here, if you wish to take his evidence now; but he is not pressed in the same way as Mr. Swinburne was. He could come again if you so wish.

Sir Robert Gibson.—I have just come back from Sydney. I do not know what has been said here.

The Chairman.—You would rather not give evidence now?

Sir Robert Gibson.—I think it would be fair to me to give me an opportunity to know what has been said. I do not want to be taken at a disadvantage by our very able friends on the other side.

The Chairman.—Very well.

James Condell Lane, Acting City Electrical Engineer, city of Melbourne, examined.

858. *By the Chairman.*—On what point do you desire your engineer to give evidence, Mr. Ellery?

Mr. Ellery.—I wanted him to make an engineer's statement, from an engineer's point of view, in answer to some of the remarks made by Mr. Harper, the Electricity Commission's engineer.

The Witness.—Mr. Chairman, I have a statement that I would prefer to read, as I think it will help to clarify the position somewhat. The object of the statement is to indicate how it will be possible for the City Council to supply energy at a cost lower than the Commission. I am referring specifically to the North Melbourne Company's territory. In determining the costs of an electric supply system two of the most important factors to be considered are capital charges and load factor. In connexion with the recent purchase by the Commission of the North Melbourne Company's undertaking, the Commission were heavily handicapped at the outset, owing to the Government imposing a condition that the expenditure in their purchase and development of this area must be recouped by 1934. That is, in my opinion, of course, a proper thing to do, in view of the reversion of the undertaking to the municipality at the date mentioned. I will now proceed to show the outcome of this condition as it affects the Commission. The purchase price of the undertaking is stated to be £86,000, not including tramways. I estimate that a further expenditure of £31,753 will be required to erect substations, mains, &c., and including cost of changing over. This estimate is based on the estimated annual increase in the sale of energy of 15 per cent. for each year up to 1934. The estimated total capital expenditure is £117,753. Therefore, reckoning interest at 5 per cent. per annum, and also a sinking fund at 5 per cent., on a computed annual basis, the annual capital charges for the period to 1934 will amount to £14,590 per annum. I might state in explanation that that annual capital expenditure is the average expenditure over the whole period of twelve years. I will now compare the position of the City Council. Taking the same amount of capital expenditure, namely, £117,000, as I assume that the cost of purchase and

developmental work would be the same whether the Council did it or the Commission did it, the annual capital charges in the case of the City Council are based on interest at 5 per cent. per annum, sinking fund at 1 per cent., and a decreased revenue fund at 4 per cent. Of the total purchase amount of £86,000 the sum of £45,000 is the Council's valuation of the property, the balance of £41,000 being reckoned as goodwill. On this latter amount interest at 5 per cent. and a sinking fund at 1 per cent. is allowed. On this basis the Council's average capital charges amount to £10,330, showing an annual saving during the period up to 1934, as compared with the Commission, of £4,260. I will now refer to a map showing the locality with which we are dealing—[*producing map*]. The portion of the map coloured blue represents the City Council's existing or present area where they are now operating. The portion coloured pink represents Flemington and Kensington, and this part is Essendon—[*indicating*]. I have set out here the portion of the Commission's substation, also the position of the City Council's substations. Having that clearly before you, I will proceed to read from my notes.

859. *By Mr. Lind.*—You claim by those figures your Council would have an advantage of £50,121 for electricity during the next twelve years?—That is so.

Referring to the map, I agree that the Commission has selected a suitable site for its substation "D," and for the purpose of giving a supply to the North Melbourne Company's area, it will be decidedly to the City Council's advantage to purchase energy at this substation, and not at Spencer-street, and link up by means of cables with the Council's substation in the vicinity. This has the immediate effect of giving a supply at the remote end of the Council's area, thus adding to the capacity of these existing mains. Further, by linking up the North Melbourne Company's area with the City Council's area the benefits due to diversity of demand are secured by reason of the Council taking the peak loading by its own steam plant.—[*Witness produced chart*].—I submit here a load curve, a typical load curve, showing from midnight till midnight, and vertically the figures set out the capacity in kilowatts. The maximum demand in the City Council's system occurs between 4 and 5 o'clock. This area, bounded by the line here—[*indicating*].—represents the maximum demand. This—[*indicating*].—shows it from 1 and 2 o'clock up till 6 or 7 o'clock in the morning, and you can see the demand of the consumer rises steadily, and about 11 o'clock in the morning it has reached the maximum demand for the morning period. Then we have the lunch hour depression, then it rises again up to a maximum between 4 and 4.30 o'clock. Then it falls rapidly with the cessation of factory loading; there is a slight increase again for city and theatre lighting, and it steadily falls away again to what it was the evening before, something like 5,000 kilowatts. Now, the City Council is proposing to purchase energy from the Commission, and we propose to purchase next year some time at the maximum rate of 10,000 kilowatts, and we propose giving the whole of this portion of the loading—[*indicating*]. The portion shown in red will be carried by the City Council's own generating plant. The point I want to emphasize here is this, that by the City Council and the Commission operating, the cost to Melbourne is materially reduced; in other words, we, by buying from the Commission at a specific load factor, and taking the peak loading by means of our own steam plant, reduce the total cost of generation per unit. We work on the Commission up to that point—[*indicating*].—and we carry the rest ourselves. By combining this North Melbourne Company's area with the City Council's area we apply this same procedure. We propose to purchase energy from the Commission at a specific load factor, and all the peak loading will be met by our own steam plant.

860. *By the Chairman.*—That will equalize their supply?—This, in addition to being beneficial to the Council and the Council's consumers, is also beneficial to the Commission, because buying from them at a specifically stated load factor they are not saddled with the necessity for spending money on plant that would be necessary to meet this (peak) portion of our demand, consequently it is good for both the Council and the Commission that they should both participate in the supply.

861. What does this shaded portion on the chart represent?—It represents the 10,000 kilowatts that we are proposing to purchase for the purely city requirements, and the portion hatched in is an estimate of what we may require in 1923, supposing the Commission turned over to us the North Melbourne Company's territory. I have a further graph to present—[*producing graph*]. I referred just now to the fact that we would purchase energy at a specific load factor. The Commission has quoted the Council and other possible large consumers in the metropolitan area a sum of £7 per kilowatt of maximum demand, plus .09d. per unit. The North Melbourne Company's territory has a load factor of approximately 25 per cent. The City Council's territory has a load factor of 33 per cent. What I would impress upon you at this moment is this—that the Commission's cost of supply decreases rapidly as the load factor increases, consequently anybody who was able to purchase energy from the Commission at 100 per cent. load factor would buy for something less than .3d. per unit, and if any one was able to purchase energy at 80 per cent. load factor it would be something more, and if any one was able to purchase at 63 per cent. it would be at the rate of .4d. When we come to the City Council's territory with a load factor which is 33 per cent. we will be able to purchase in that territory all our supply from the Commission at .7d. If the Commission or any other authority operates the North Melbourne Company's territory as an isolated area they would be obliged on the Commission's tariff to pay .85d., consequently by adding the North Melbourne Company's area to the City Council's area, the City Council could supply at least .15d. per unit less than the other party operating that area. .15d. may not impress the Committee very much, but when I tell you that .15d. represents £30,000 per annum to the Council you will appreciate what that .15d. means.

862. *By Mr. Eggleston.*—To the Council with the North Melbourne area?—We would combine the isolated territory with our own territory, and our tariff would apply throughout.

863. *By Mr. Lind.*—Do you mean to suggest there would be a saving to the people there of £30,000?—When I bring along another graph I am prepared to show that it will not only be beneficial to the City of Melbourne to do this, but also to the North Melbourne Company's area, united with the City Council's area.

864. There would be a direct benefit to those people of £30,000?—To the whole of the consumers to be supplied by the Melbourne City Council.

865. *By Mr. Eggleston.*—By the addition of this North Melbourne area?—Yes.

866. You surely cannot mean that?—No, I have pointed out that a saving due to a .15d. per unit reduction on the City Council's output of 50,000,000 units per annum would be a sum equal to £30,000.

867. But you are not dealing with that. You are dealing with the out-turn for the North Melbourne area?—We are dealing with the combined area now.

868. *By the Chairman.*—If the North Melbourne area was added in, the result would be a reduced amount payable on the whole supply of Melbourne of £30,000?—

869. *By Mr. Eggleston.*—You do not really mean that?—No, I think you are getting astray. If we took

that isolated district and operated it as an isolated district, we could do no better than the Commission. Is that quite clear?

870. *By the Chairman.*—Yes?—But by combining it with our existing area, we claim that we can benefit not only Melbourne, but that isolated area. I have one other curve that will stress that point.

Mr. Lind.—I want to be quite clear on that point too. I understand that that £30,000 could be saved, providing you get that quantity, or that 10,000 kilowatts that you have spoken of represented by blue in that graph direct from the Electricity Commission, and then afterwards you supplied the peak portion or the portion coloured pink from your own generating plant.

The Chairman.—I think your idea is that if you have the North Melbourne area, and are able to supply it to North Melbourne itself, the result will be a saving to the whole of the city of Melbourne where their mains extend.

871. *By Mr. Deary.*—Why not extend the operations to Essendon, and the savings will be greater still?—We have suggested that we take in the whole area. The City Council particularly asked for Flemington and Kensington, but the Commission were not prepared to subdivide the territory, and the City Council said we were prepared to take the whole thing over, so as to secure the portion to which they were formerly entitled.

872. The same principle would apply by extending the area further than the Hopetoun Ward?—Including the Essendon portion?

873. Yes?—Yes, including the Essendon portion. I have a curve illustrating what we mean by diversity. It has been stated that the City Council could not take over the Flemington-Kensington area without penalizing the consumers in the city. By this curve, I want to indicate that the lines of maximum demand in the city and in the company's area were not coincident. Our maximum demand in the city occurs about 4 o'clock, whereas the maximum demand in the North Melbourne company's territory occurs between 7 and 8 p.m. As an illustration of what that means, we would take a curve here—[*indicating*]—with a maximum demand of 23,000 kilowatts, and multiply it by the Commission's charge, and the sum that would be charged on a maximum demand basis only would be £165,900.

874. For how long are you referring?—That is merely a yearly charge. The North Melbourne company's area having its maximum demand occurring at some other time in the day, would represent, on the same basis, a saving of £27,000 per annum on the kilowatt basis. That is, the North Melbourne company's area, having its demand at a different time of the day, means that the two maximum demands would not coincide, and the costs, therefore, would be reduced. If this North Melbourne company's territory maximum demand coincided with our own, we would have been at a disadvantage, but in view of the fact that it does not coincide, Essendon having largely a lighting load, their demand occurs at another time of the day than our own.

875. *By Mr. Farthing.*—If these coincided, it would push this point up here, would it not?—Yes. This is merely an illustration of how the diversity factor operates, and would operate in this particular case.

876. Applied to this particular scheme?—Yes, because of the diversity of demand, the charges that would occur, due to maximum demand, are spread out over the twenty-four hours.

877. That is, the total charges made over the whole?—That is so. If these two demands were coincident we would have to pay the sum of the two demands. As they are not coincident, the maximum charge is correspondingly reduced.

878. That does not say that the sum of £27,000 is lost?—No, I did not infer that. That is an illustration showing how the diversity factor operates.

879. *By Mr. Eggleston.*—But it has very little application to this particular problem at all?—It is an illustration. The North Melbourne company's demand occurs at a different portion of the day to our own.

880. That depends on the relative strength of the two?—No, it is something that is consequent on the nature of the loading in the district.

881. But the significance of it depends really on the relative strength of the two maxima?—In some measure. The Essendon, Flemington, and Kensington area having a load factor of 25 per cent., the City Council has a load factor of 33 per cent., and it would be reasonably argued by those who did not know that the load factor of the Melbourne City Council would be reduced by adding a low load factor territory to its own, and that is why I wanted to explain this diversity factor. Owing to the diversity factor, instead of the load factor of the combined areas being less because two areas are added together, as a matter of fact, the load factor is slightly improved, so that Melbourne City Council consumers would not at all be penalized by adding this additional territory to their own.

The Chairman.—This is simply in justification of the statement made that the City Council could reduce their charges.

882. *By Mr. Eggleston.*—You say that the City Council average load factor being 33 per cent. and the North Melbourne-Essendon load factor being 25 per cent., when you put the two together, it does not reduce the 33 per cent. load factor?—Because of the incidence of diversity.

Mr. Eggleston.—Well, then, your explanation is entirely different from that given by Mr. Thonemann when he gave evidence.

Mr. Lind.—No, I do not see any difference.

883. *By Mr. Eggleston.*—Is it not entirely different?—You read his evidence given on the first day?—I did, but I have not gone into that very carefully. It is a difficult matter for the layman to speak on.

Mr. Lind.—I think, in fairness to Councillor Thonemann, to-day he made it very clear that their engineer would make the point clear.

884. *By Mr. Eggleston.*—Do you commit yourself to the statement that there would be £5,000 saved in the Hopetoun Ward, and £5,000 in the other?—That statement was made assuming the City Council's tariff was allowed to operate, as compared with the North Melbourne company's existing tariff.

885. Yes, but this explanation you are now giving is one that is entirely different altogether?—This explanation has nothing to do with relative tariffs.

886. *By Mr. Deany.*—You were present at the deputation on the 7th June. In discussing this matter, Sir John Monash said, "You could make the middleman's profits of distribution which would be taken away from us." Councillor Thonemann said, "We have to pay for that to compensate you for having a smaller area. It would be necessary that we charge the same rate as you are charging." What does he mean by that?

Councillor Thonemann.—I can clear that up. When the Commission asked me at that deputation whether we would amortize it out of the Melbourne area, I said no, but they had power to regulate their prices, and they could make us pay the same as they did. That was in the report of the 7th June.

887. *By Mr. Eggleston.*—I presume that if the whole metropolitan area were treated as one for the purpose of distribution by the Commission, that there would be a far greater chance of the Commission being able to get the maximum advantage from diversity than if the municipal boundaries at present existing were taken?—It would be very rough on the Melbourne City Council.

888. No, but waive that. That is rough from the point of view of its interests under present legislation, but assuming that to be out of the way, if the whole of

the metropolitan area were treated as one for the purpose of distribution, there would be far greater opportunities for the authority controlling the distribution in that case to obtain the maximum advantage from diversity?—I cannot see that that would help the Commission.

889. I am assuming there is only one authority, and that all the municipal boundaries are done away with, and you are giving an instance where the addition of territory improves the advantage of diversity that is applying to the Melbourne City Council. Assuming that all those artificial boundaries are done away with, and the whole distribution is looked upon as one, would not the authority controlling the distribution be able to take the maximum advantage from diversity factors?—I cannot see that that would apply.

890. Does it not follow from the argument that you have applied to this particular area? You have given an instance where the addition of a small area with a different diversity factor improves the position of the City Council as you say?—Yes.

891. If you extend that to Brunswick, which has a different diversity factor, why should that not improve too?—The conditions would have to be known to say whether it would improve it or not.

892. Yes, I see what you mean. But within the metropolitan area there are a large number of diversity factors?—Quite so.

893. I mean a different maximum demand occurs at different times in say, Caulfield, than it would at North Melbourne, and a different time at Newport from what it would at Hawthorn, and if the whole metropolitan area were treated as one, could not the maximum amount of advantage from these diversities be obtained from the one authority that was dealing with it?—I cannot see that it follows as a matter of actual consequence.

894. If there are diversities of demand, it must be so, must it not?—There are decidedly diversities of demand, but every outer suburb is more or less alike, in so far that it is purely a lighting or residential load that is to be found, and the further out one goes beyond reasonable limits, the cost of distribution is going to go up so enormously.

895. I am assuming that the tariffs are proportionate to the amount of maximum demand in each locality. Of course, that is another thing in which a central authority dealing with the whole metropolis as one could arrange better than any other authority, I suggest?—They would have to introduce quite a number of tariffs in the outer districts as compared with the inner portion. They could not give a flat rate for the whole of Melbourne.

896. *By Mr. Lind.*—Does not Mr. Lane suggest that in this particular instance of the Hopetoun Ward and Essendon, the diversity factors are much more favourable than they could be expected to be in any other two areas?—Those are the only areas with which we are specifically dealing. I have made the statement that in that specific case we can undersell the Commission, because of the reasons given.

897. *By Mr. Eggleston.*—Yes, but you are not allowing for the fact that the Commission has other means of disposing of its various loads. I mean you are assuming that you can get your maximum demand supplied at a certain price, and they can also use the major portion of their current in other ways. They have other customers to deal with?—Yes, but they have not any high load factor customers corresponding to the City Council's area.

Mr. Lind.—I thought we were dealing with North Melbourne, and not with the whole of the city area. Really, we are getting right away from the North Melbourne undertaking altogether, and Mr. Lane has prepared certain evidence in connexion with North Melbourne. I think it is only fair to Mr. Lane that we should hear him on that.

The Chairman.—Mr. Lind himself has gone beyond North Melbourne, because he is applying his comparisons to the whole of the city.

898. *By Mr. Eggleston.*—The only point I am trying to get at is that if there was one authority controlling the whole metropolitan area, and assuming there were several diversity factors, that is, that the maximum demand occurs in different parts of the day in different parts of the metropolis, would not the central authority dealing with the whole of the metropolis have a better opportunity of getting the maximum advantage from diversity?—I do not think so.

899. Does it not follow as a natural consequence?—You have said that one example of diversity in this case makes it more profitable for the authority controlling the larger area to deal with it. Does it not extend to the Commission *a fortiori*?—I have dealt with a specific case, and I cannot answer for the whole of the metropolis. As I say, every area would have to be carefully considered.

900. I know that. Assuming that there are different hours of the day at which the maximum demand applies, as I am certain there must be?—In the Flemington and Kensington area, the load factor is approximately 25 per cent., and I have set out in the curve put before you just now that the cost to the Commission in that area, if they were to supply, would be .85d. per unit, and I stated also that the difference in the cost to the Commission and the Council would be equal to .15d. per unit. I stated also that .15d. to the City Council on a 50,000,000 units output per annum was equivalent to £30,000. I do not wish this Committee to understand that I am inferring that the Council is going to make a saving of £30,000. I say that .15d. per unit on a 50,000,000 units output per annum has that value. I did not say or did not intend this Committee to understand that the City Council was going to save that amount.

901. *By the Chairman.*—Who is going to get the benefit of the £30,000?—Take a specific case. The North Melbourne company's area. By saving that area .15d. per unit as against the Commission's charges—that spread over a period of twelve years will work out something like £10,000 per annum in favour of the City Council's combined scheme. That is allowing that the district grows at the rate of 15 per cent. increase in units sold per annum, and the difference between the Commission's cost and the Council's cost of .15d. per unit will represent approximately a saving in that territory of £10,000 per annum—a saving to the North Melbourne company's area, Hopetoun Ward and Essendon.

902. *By Mr. Eggleston.*—What was the total revenue in that area?—The figures that I am putting before you are on the assumption that the Council takes over the whole of the North Melbourne company's undertaking—not purely Flemington and Kensington, or the Hopetoun Ward as it is usually known. On that basis, and taking over that entire territory, and adding it to the City Council's existing territory, we would save the consumers in that territory—or put it this way—our cost of supply in that territory would be .15d. per unit less than the Commission's charge. The Commission is bound to charge themselves on the load factor that that area is operating at, namely, a 25 per cent. load factor. The City Council by adding it to its existing territory would buy energy on a 33 per cent. load factor, hence the saving of .15d. per unit.

903. *By the Chairman.*—Crystallizing the whole business by the City Council having this particular area, you say that in a certain length of time it would mean a saving of £30,000 distributed over the whole of the Council's area?—No. What I say is that, providing that we estimate that that area will grow at the rate of 15 per cent. per annum, that the saving of .15d. on each unit as compared with the Commission's tariff would save approximately £10,000 per annum.

904. *By Mr. Beardmore.*—To that one area?—To that area—the North Melbourne company's area. Calculations have been made to determine and to compare the cost of supplying under the two schemes, and for the purpose of the calculation it has been assumed that the rate of growth will be in the Flemington-Kensington area 15 per cent. per annum, and in the City Council's area 10 per cent. per annum. Assuming we take control of this area, the management and distribution charges are assumed as being equivalent for the Commission and the Council. Calculations have been based on the assumption that the Council purchases all the energy at a cost of .7d. per unit, which is in accordance with their tariff. Although the City Council purchased all the energy necessary, under this assumption the City Council would not be relieved of its own capital expenditure, and its own power-house and its own distribution still goes on, and the Council's capital charges have, therefore, been included in my estimate. The Electricity Commission, if operating the Flemington and Kensington area, including all the capital charges which have already been mentioned, their capital cost of supply would work out about 1.987d. per unit. The Melbourne City Council, if operating the combined area will work out at 1.203d. per unit, representing a difference in favour of the Council's operation of the territory amounting to .78d. per unit. Allowing for possible contingencies, I consider the Council could apply in the Flemington, Kensington, and Essendon areas at approximately $\frac{1}{2}$ d. per unit less than the Commission. I have nothing further to say, Mr. Chairman.

905. *By the Chairman.*—The point that you were asked to establish was that the City Council could supply electric light at less than what the Commission could, working it as it is now, and I suppose that concludes the evidence on that point?—Yes.

906. *By Mr. Eggleston.*—What was the revenue of the North Melbourne undertaking before?—I have not it by me.

907. Have you any idea?—Yes.

908. You made a valuation of £45,000?—That is the valuation of their property.

909. You mean the real property?—Their assets.

910. It is not merely the bricks and mortar, is it?—Their mains, power-house, buildings, and land.

911. To get at the value of the mains, you have to find out the revenue and the profit, have you not?—No, it is a matter of arriving at the capital value of the assets.

912. Have you any idea of what the revenue was. About what was it—£50,000 a year?—I am not sure. I would not say. I have not got it by me.

913. *By Mr. Lind.*—You would require to have that to arrive at the value of the goodwill, would you not?—The Commission really fixed it in buying it at £86,000.

The witness withdrew.

Torrington George Ellery, Town Clerk, Melbourne City Council, recalled and further examined.

914. *By the Chairman.*—The Committee understands, Mr. Ellery, that you wish to rebut some statements that have been made, and that you think are unfair to the City Council. We do not want any new evidence?—That is so, I do not want to give you any new evidence if I can possibly avoid it. I will make it as brief as possible. I would like to preface my remarks by saying that a good deal of what Mr. Swinburne said here to-day pointed to the need of co-operation and collaboration between, we will say, the big State authority and the smaller municipal authorities. We can absolutely agree with Mr. Swinburne in that remark he made, and have agreed all through.

915. Except as to whether time was ripe for the co-operation?—I will deal with that directly. From the very inception of the Morwell scheme, we endeavoured

to co-operate, and we still want to co-operate, and I want that put in evidence if you will allow it. We have felt some little apprehension at times, particularly dealing also with what Mr. Swinburne says, that the Morwell scheme has grown very much from what it was first imagined it was likely to be from the inception of it. To give you one instance, which I also would like, if we could get an explanation of from the other side—the charges quoted to us for bulk supply to-day are 25 per cent. higher than the estimates in 1919, so you can hardly wonder if we are apprehensive as to whether they are likely to go higher in future. Then Mr. Swinburne also said that—I cannot give you his very words, because I did not have a shorthand note taken, my shorthand writer being out of the room at the time, but it was to this effect—that he did not know anything about my negotiations, and that the first he heard of the City Council in the matter was when the Council met the Commission on the 7th June last. I want to point out to you that on page 35 of Sir Thomas Lyle's evidence, he said, "I can also confirm Sir John Monash in the previous negotiations, if you might call them so; he discussed them all the time with us." It seems that there is a little discrepancy there that might be explained. Sir Thomas Lyle says, "Sir John Monash discussed, all the time with us," and Mr. Swinburne says, in effect, that Sir John Monash did not discuss them at all.

916. *By Mr. Eggleston.*—He did not say that?—Well, words to that effect.

916a. He said there was nothing definite?—I do not want to drive the point home to the very head, so to speak. I am merely saying that there seems to us to be a discrepancy there, and I do not want to do it in a nasty frame of mind. We are anxious, as I have said, to co-operate with the Commission, if they will let us.

917. *By the Chairman.*—I can assure you that we are most anxious that no ill-feeling should arise, either during the examination or afterwards?—I quite agree with you, up to the hilt. Life is not long enough for that. There is one matter. I have been talking without notes so far, just on what Mr. Swinburne said this afternoon principally, but I have a message here from the Lord Mayor and the Electric Supply Committee. I conveyed to him the fact that Sir John Monash had asked you to look at their principal terminal station at Yarraville, and the Lord Mayor and the chairman and members of the Electric Supply Committee would like the Select Committee to have a look at our power-house and the offices and sub-station in Melbourne, to get an idea of the organization, which Sir John Monash himself has characterized as a well-managed and efficient enterprise.

918. I think we might endeavour to do the two in one day?—Sir John said, and I want to be as brief as possible, and I want to put in some original documents, and part of the synopsis I can put in without reading it in order to save time, providing it goes in as evidence. On page 27 Sir John Monash said there were no negotiations with us. I say we considered there were negotiations, and they were friendly and serious negotiations with Sir John in relation to the matter in dispute, and I support that by the statement made, as already quoted on page 35, by Sir Thomas Lyle, one of the colleagues of Sir John Monash. I think we can infer, at any rate, from the evidence given by Sir Thomas Lyle—well, we can take his very words—he says, there was never any intention in our mind, even before that time, and our mind is the Commission's mind, to do anything but hold this until the Government decided what to do with regard to the complete control of the metropolitan area. Now, Sir John never told me that their minds were made up. Sir Thomas Lyle says they were, but we supposed from these negotiations with Sir John that they would be favourable, especially where he actually produced the figures, and the statement was made by him that if the council were

prepared to buy the Commission would not oppose them, and now we learn for the first time, from Sir Thomas Lyle's evidence, that we were, in effect, to be regarded as nonentities in these interviews and the negotiations that took place, and I think it would have been better to have told us right from the jump that it was no good going on with the matter, in the light of what we have now learned, that the Commissioners decided before the 7th June not to sell, and I venture to say if that had been done we would have been spared a lot of trouble, and so would this Select Committee, and I think that the Select Committee can hardly wonder that we have put up the best fight that we could to see if we could get what we were seeking. The interviews and negotiations that I referred to the other day covered the period from the 9th June, 1921, to the 7th June, 1922, and I repeat that in our opinion there were negotiations, and I want to submit in synopsis form the particulars of that which I referred to in general terms when I gave evidence here the other day.

919. *By Mr. Eggleston.*—What is this, a synopsis of the various negotiations?

Sir John Monash.—That is not evidence in rebuttal. That is simply evidence in chief.

The Witness.—I want to show the original documents, as far as there are documents, to the Committee.

920. *By the Chairman.*—What are the documents?

921. *By Mr. Eggleston.*—Is this a synopsis of the previous evidence?—Yes. One thing I do want to mention, Mr. Eggleston, and that is where you were questioning me just before I had time to read through my evidence the other day, when I asked you to give me a little time to read through. I want to put the synopsis in as a proper reply to your question. There are three pages of typewritten synopsis, and there are the original documents of interviews and negotiations with Sir John Monash.

Mr. Lind.—They are all referred to in the previous evidence of Mr. Ellery, and I think it will do if they are handed in.

922. *By the Chairman.*—We asked for the correspondence and records?—Yes.

923. *By Mr. Lind.*—I think you should receive them? Might that synopsis be regarded as part of my evidence? I can hand a copy to each member of the Committee with pleasure.

Sir John Monash.—I would point out that we are not seeing any of these documents.

The Witness.—Sir John, I said just now that I would be only too pleased to hand one in for you. These are the original documents of the various interviews and negotiations.

924. *By Mr. Beardmore.*—Should we not have them recorded?

Mr. Lind.—They are already referred to in the evidence.

I propose now, Mr. Chairman, to read to you a synopsis of interviews with Sir John Monash and the Electricity Commissioners. I take it this synopsis will be regarded as part of my rebuttal evidence, as it is the whole gist and kernel of our case.

On the 9th June, 1921, I had an interview with Sir John Monash at his office, when he was informed of the negotiations between the Melbourne City Council and the Electricity Commission concerning the proposed purchase of the undertaking. Sir John Monash said, "The Commission do not want to butt in, and will only intervene if requested to intervene, and then only if their intervention would be helpful. . . . I told Mr. Cameron of the Tramway Board that we had enough burden to carry. . . . I want to tell you that in Canada it is the proud boast of the Ontario Commission that they have never had a row with anybody, and have carried out their duties in perfect agreement with all concerned, both public bodies and

private individuals, and it is our ambition to do the same. I think you will find my colleagues and myself only too anxious to co-operate with existing institutions."

On the 10th June, 1921, there was a letter to Sir John Monash, asking him to keep me posted as to the action being taken by the Electricity Commissioners.

On the 11th June, 1921, there was a letter from Sir John Monash, stating that should any developments take place he would bear my request in mind.

On the 23rd September, 1921, I again interviewed Sir John Monash, when he informed me that the Electricity Commissioners had decided upon a price for the purchase of the undertaking, which, at the time, was confidential.

925. *By Mr. Eggleston.*—This is argument, and not evidence?—It is not argument. It is a copy of records. You can call it argument if you like. There are comments there as well. I would like to know, Mr. Chairman, if I am to read this synopsis or not. It would only take about five minutes, and we do not want to leave any stone unturned.

The Chairman.—I understood you were going to give evidence in rebuttal, but these statements, as far as you have gone, are in evidence.

926. *By Mr. Eggleston.*—There is nothing in this synopsis which is not in evidence already?—There may be some comments, but I have endeavoured to boil them down to the utmost. I made certain statements here last week, and I was asked by Mr. Eggleston where were the original documents. I said I would bring them next time and put them in in rebuttal evidence.

927. *By the Chairman.*—My recollection is that you referred to letters which you had written, and you were asked where they were?—Yes, letters and records.

928. I did not hear anything about records?—I put the letters in, and then, to make those letters frankly intelligible without wading through reams of evidence, I made this synopsis:—

11th November, 1921.—Councillor Thonemann and the Town Clerk interviewed Sir John Monash who stated that nothing affecting the North Melbourne Company's undertaking which would in any way commit the authorities concerned would be done without consulting each of them by letter, viz., the Tramways Board, the Essendon Council, and the Melbourne City Council, and that so far as the future control of the distribution of electricity in the North Melbourne area was concerned, that it would be a matter for negotiation between the Electricity Commissioners and the City Council in the event of the Electricity Commissioners deciding to purchase with the consent of the Council, the North Melbourne Electric Tramways and Lighting Company's undertaking.

1st March, 1922.—Letter sent to Sir John Monash stating that I have been informed that the Electricity Commissioners are likely to come to some understanding with the Tramway Board, and reminding him of the interview with Councillor Thonemann and myself in November last.

3rd March, 1922.—Sir John Monash replied that the negotiations were still in a nebulous condition, and in that letter he reiterated his assurance that nothing of a binding character would be done without communicating with us.

Note the difference between this letter of 3rd March and his distinct and definite promise referred to above date, 11th November, in my letter to Sir John Monash of 1st March.

31st March, 1922.—Sir John Monash wrote stating that the Commission had made a formal offer to the representative of the Company for the acquisition of the whole of the assets and interests to the sum of £110,000, and stating further that Mr. Murdoch was referring the matter to his London principals.

Sir John Monash asked that this information should be treated as strictly confidential.

6th April, 1922.—I saw Sir John Monash at his office with reference to the confidential letter of the 31st March, when in course of conversation Sir John stated that the Electricity Commissioners had not yet formulated any policy regarding the lighting portion of the undertaking, and assuming that the negotiations for the purchase were brought to a successful conclusion, he thought the Electricity Commission would attend to the lighting of Essendon, and if the City Council had any claims to make concerning the North Melbourne district, he would be pleased to consider them at the proper time.

He pointed out, further, that it might be inadvisable to split up the district as such might not be profitable to either party.

I stated, I am sure, that strong claims would be made by the City Council to have the lighting and power of North Melbourne, and Sir John Monash made this significant reply: That it was a matter for negotiation, and if the Council thought fit to operate North Melbourne, if the Commissioners acquired the whole district, then the City Council would have to pay for it; will have to pay on the basis decided upon by the Government in making the purchase money available to the Commissioners.

This is unmistakably an implied admission that the Commission were willing to sell if the Council could pay the price.

7th April, 1922.—Sir John Monash wrote stating that he had received word that the purchase had been confirmed by the London shareholders.

The point must be stressed that although Sir John Monash stated at an interview with Councillor Thonemann and myself on the 11th November, 1921, that nothing would be done which would be of a binding character, or which would in any way commit the authorities concerned without consulting each of them, that we were not consulted. Certainly the Melbourne City Council was not consulted in any shape or form, and the negotiations were completed without any reference to us beyond the statement that the London shareholders agreed to the purchase being executed, and the promise made to us on the 11th November was broken.

29th April, 1922.—The next interview was had with Sir John Monash when the figures as to the purchase of the undertaking, and the price that the City Council would probably have to pay, were produced by Sir John Monash, and when he said that while the Commission were not desirous of selling their rights, they would not oppose the Melbourne City Council if the Council were prepared to pay.

Note the words—They would not oppose the Melbourne City Council if the Melbourne City Council were prepared to pay.

If that is not a promise to sell, then the English language can have no meaning.

The original record of this interview had been signed by two officers holding important administrative positions who were present at the interview, viz., Mr. Lane, Acting City Electrical Engineer, and Mr. McCall, the Deputy Town Clerk.

7th June, 1922.—Interview had with Commissioners including Sir John Monash, when Sir John referred to the fact that Melbourne's rights still exist, and that in relation to the request to sell the whole or part of the undertaking to the Council.

Sir John Monash stated, "The concern is how we can concede this. I understand the City Council will agree to any terms we like to ask within reason."

I hope I will not weary this Committee when I recapitulate the three outstanding points on which we rely, and these negotiations upon which we placed full reliance only to find that we have to fight now for the barest medium of justice.

On the 11th November, as I have already told you, Councillor Thonemann and I interviewed Sir John Monash, who stated that nothing affecting the North Melbourne Company's undertaking which would in any way commit the authorities concerned would be done without consulting each of them by letter, viz., the Tramways Board, the Essendon Council, and the Melbourne City Council, and that so far as the future control of the distribution of electricity in the North Melbourne area was concerned, that it would be a matter for negotiation between the Electricity Commissioners and the City Council in the event of the Electricity Commissioners deciding to purchase with the consent of the Council, the North Melbourne Electric Tramways and Lighting Company's undertaking.

On the 6th April, 1922, at an interview I had with Sir John Monash at his office, I stated I am sure that strong claims would be made by the City Council to have the lighting and power of North Melbourne, and Sir John Monash made this significant reply: That it was a matter for negotiation, and if the Council thought fit to operate North Melbourne, if the Commissioners acquired the whole district, then the City Council would have to pay for it. Will have to pay on the basis decided upon by the Government in making the purchase money available to the Commissioners.

On the 29th April, at the interview with Sir John Monash he actually produced figures relating to the purchase of the undertaking, and if there was to be no likely business what on earth was the good of wasting time and misleading the Council's representatives if the figures were to be regarded merely as figures, and as having no basis in relation to business; but Sir John, in addition to producing the figures, stated that they (that is, the Commission), would not oppose the Melbourne City Council if the Council were prepared to pay.

On the 7th June an interview was had with the Commissioners, including Sir John Monash, when Sir John referred to the fact that Melbourne's rights still exist, and that in relation to the request to sell the whole or part of the undertaking to the Council.

Sir John Monash stated, "Our concern is how we can concede this. I understand the City Council will agree to any terms we like to ask within reason."

Now what other possible conclusion could be put upon the words, and they are ordinary words of the English language, than that the Chairman of the Commission was, in his interview with us, genuine in the words he used, and genuine in the treatment he desired to mete out to the City Council as the public body desirous of purchasing the undertaking by selling it to them. There is not the slightest doubt, in view of what has happened, that we were absolutely led on to the last door, and then that door was slammed in our face, and this, too, in the light of the effusive statement of Sir John Monash at our very first interview with him as far back as 9th June, 1921, that he did not want to "butt in," and that he and his Commissioners had the ambition to emulate the Canadian Commission which had never had a row with anybody, and had carried out their duties in perfect agreement with all concerned, both public bodies and private individuals.

929. *By Mr. Deany.*—This is hardly rebuttal evidence?—It is a fairly elastic term. I made a statement in regard to negotiations, and Sir John Monash said there were no negotiations, and now I want to submit this to clear the matter up.

930. *By the Chairman.*—You made your statement, and Sir John Monash has dealt with it, but now you come up again with the same evidence, or it looks rather like it?—Putting it frankly, that is the whole position. I have endeavoured to follow Sir John and give you the gist of what transpired. I have noted certain points upon which Sir John made statements, and then made this synopsis dealing with them.

931. As far as it has been read, my recollection is it has been given in evidence, but if there is anything in it which we have not yet had, we will take it in?—That being so, I will not proceed with the reading of the synopsis. However, there is one matter I wish to deal with which is not covered by this synopsis. It was a question put to me on Tuesday last by Mr. Eggleston at the meeting of this Commission. Sir John Monash had referred to the prestige of the Commission, but I want to say that there is no quarrel whatever with the Commissioners, but undoubtedly we feel that we are up against the Commission as a body in view of the frank statement made by the Chairman of the Commission to the effect that electricity grows by what it feeds on. We appreciate the statement made by Sir John that it is their desire to work amicably with all public bodies—it was our bad luck that the first request we made did not end amicably. We still, however, would remind Sir John that we want to work amicably with them. The difficulty is that the Commission is continually calling for further powers. Bills make their appearance in Parliament, and still more Bills, asking for further concessions, and that is the reason why the City Council and other municipalities are pressing that these powers be defined, because if they are not we feel they may be extended until we are legislated out of existence. This Commission will realize that there is some ground for the apprehension which is felt. Sir John Monash said, in evidence on Tuesday here, that the demand for electricity grows by what it feeds on, and we are somewhat apprehensive that the powers of the Electricity Commissioners may similarly grow by what they feed on.

932. *By the Chairman.*—Of course this is a new undertaking, and it is a big developmental work on behalf of the State, and it may involve the granting of powers not dreamed of at the outset. This country, like every other country, is growing, and its demands are also growing?—I quite agree with that.

933. That is one justification for further Bills being brought in, and it has been mentioned here that the Commission does not want increased powers thrust upon it. However, it was found that the powers first granted were not sufficient, and they had to be extended?—That is so.

934. *By Mr. Eggleston.*—You could not get anything stronger than the provisions in the first Bill?—We do not object to that, but every Bill seems to go a little

further. The point of this contention is well illustrated by the Federal and the State political situation. The Federal people are all the time seeking more and more power for the Commonwealth. We had that very clearly put to us by the Honorable the Premier at a luncheon a few weeks ago. He said one of the things the State must watch was the increasing encroachment on the domains of the State, and we feel somewhat similarly in regard to the Electricity Commission. If they are not watched, they will continue to increase their demands until we are probably legislated out of existence. Now we do not want to be legislated out of existence, but to collaborate and co-ordinate with them.

935. *By the Chairman.*—So we do?—That is, if it can be done, and we think it can be done. We think we can be of use, and we wish to have the opportunity.

936. I can assure you, as far as this Commission is concerned, that we are not out to see the metropolitan councils wiped out of existence, as far as this matter is concerned, unless on very much stronger evidence than we have seen yet?—I say here and now that if we cannot function in an electrical sense as a public body to the satisfaction of this Committee and Parliament, then there is no reason why we should continue to exist, or to clutter the earth. However, if we can function electrically, economically and satisfactorily, then we should be left alone.

937. I want you to understand distinctly that we are sitting here in the public interests of the whole of this State, in order to find out in what way this may be adjusted, so as to be most useful to the whole of the State. As Mr. Eggleston suggests, we want the best electrical scheme, and if it is necessary in the public interest that the municipalities should have less power, then that matter will have to be thrashed out in Parliament. As Mr. Swinburne put it the other day, we are out for information, the same as they are?—If the matter of retail distribution is to be thrashed out in Parliament we hope we shall be given an opportunity of putting our views before them. I really think if we had a little round table conference—some of the get-together spirit, we might really settle the whole thing in a few days.

938. Of course you must realize in all fairness that the Commission is in a very difficult position?—We do realize that.

939. They are elaborating something which is altogether new, and they have not the machinery for coming in contact with the municipalities that they should have, and, therefore, we feel a good deal of sympathy with them for that reason. However, there is a very big public interest behind it all, and we want as far as we can to keep that point of view before us?—I may say, and I say it with all respect to this Commission, that if Sir John Monash, Mr. Thonemann, and myself got together, we could probably settle this in a few days.

940. *By Mr. Eggleston.*—Then why don't you?—There is a Select Committee appointed.

941. *By the Chairman.*—I think we have somewhat digressed from the point. You were on the question of the Commission seeking to extend its powers further?—Sir John Monash referred to the prestige and probity of the Commission. Let me say at once there is no quarrel with the Commissioners individually, but with the Commission as a public body we have a deep grievance, especially in view of the perfectly frank statement of the Chairman of that Commission (which we value) where he said that they desired to work amicably with public bodies, and their proud boast was to emulate the condition of affairs which obtains in Canada. Sir John Monash stated that the Commission was not seeking further powers. At any rate the Bills made their appearance, and is it any wonder that the municipalities are apprehensive when in every session of Parliament they see Bills to give further powers and duties, or

both, to the Electricity Commission. Sir John Monash said in evidence here on Thursday last that the demand for electricity grows by what it feeds on, and so it seems to us do the powers of the Electricity Commission. I wish to submit the following comments to the strictures passed by Sir John Monash on the finances of the city councillors' electric supply undertaking. The comments have been prepared for me by the accountant of the Department, and his report is so clear-cut and concise that I submit it *verbatim*. He says:—

I have to submit the following comments on statements made in evidence by the Chairman of the Electricity Commission in relation to the accounts of the Melbourne City Council electricity supply undertaking. He states that the capital expenditure has been written down from £1,500,000 to £783,000, and deduces that there is thus a sum of £800,000 "taken from profits." His statement is not correct, as this represents a difference of a little over £700,000, and not £800,000. A careful analysis will show, in regard to our last capital expenditure account, that the amount set off against capital expenditure is £580,604, and this includes, in addition to depreciation transfer, such items as recoups for sales of obsolete plant, &c. As a matter of fact, the total transfers from revenue on account of depreciation since the inception of the undertaking actually amount to £537,781, which is a very different thing from £800,000. The total amount "thus taken from the pockets of the consumers," is £315,195. The legitimate profit earned during the past twenty years, plus an amount of £537,781 set aside to write down capital assets on account of depreciation, a total of £853,000, which is £150,000 less than the so-called cool million the City Council is practically accused of taking from the pockets of the consumers.

Sir John's sledge-hammer criticism is unwarranted, and is not in accordance with his generous and accurate description of our well-managed undertakings, as set out on page 32 of his evidence. Sir John Monash went on to state that of this million referred to, £800,000 had been "properly used to write down capital, and £300,000 equally properly used to relieve the rates of the city of Melbourne" (page 33), and he admits, from an accountancy point of view, that it is right (page 33), but wrong from a public point of view, presumably. Is one to infer from this that as an engineer of eminence he disagrees with the policy of providing adequate depreciation of plant? From the way in which he spoke of the cool million taken from the pockets of the ratepayers, one is justified in drawing that inference. Sir John, of course, knows full well that the absence of provision for depreciation is fundamentally wrong, and that it would be sheer madness, and in the case of a public utility even criminal, to build and erect plant and let it wear out, and leave to posterity the job of providing new plant unless reserves were provided out of earnings during the lifetime of the original plant to pay for its renewal. This being so, all the evidence about a cool million taken from the pockets of the consumers may be dismissed as moonshine. Sir John Monash proceeded to further criticize the council's undertaking, and he has, at least on one occasion, publicly stated that we have either grossly or shockingly exploited the public, or both. Such a statement is not correct.

I submit the following information, which should be of interest:—

1. Undertaking has been in existence since 1894, a period of twenty-eight years.

2. It has not always been profitable, during the years ending 28th February, 1895, 1896, 1897, 1898, and 1902, it showed a loss each year, which was carried forward from year to year, till 28th February, 1904, when the accrued deficit had been reduced to £1,240 10s. 10d.

3. Of the first ten years five showed a loss totalling £17,448 15s. 10d., and five showed a profit of £16,208 5s., leaving accrued deficit at end of ten years of £1,240 10s. 10d.

4. Profits since 28th February, 1904 (this is eighteen years, not sixteen), £323,946 9s. 4d., less accrued deficit at 28th February, 1904, £1,240 10s. 10d., net profits transferred to Town Fund, £322,705 18s. 6d.

5. Average annual profit since 28th February, 1904, £17,926 per annum. If based on whole period of existence or undertaking (twenty-eight years), £11,525 per annum.

18847.—7

I think that Sir John will agree with us that, so far from being an extortionate profit, this would be considered a ridiculously low figure in the eyes of any business undertaking with the same amount of capital involved. I have also some figures which I will put in bearing on what I have just read, and giving particulars also of the council's tariff, which compares favourably with those of any similar undertaking of its size in the world. The figures are as follows:—

The City Council's tariff compares favourably with any similar undertaking of its size in the world.—

	Units Sold.	Private Supply Per Unit.	Public Lighting Per Unit.	Total Supply Per Unit.
		d.	d.	d.
Bristol	33,529,417	2·13	1·85	2·12
Belfast	32,980,819	2·87	..	2·66
Coventry	31,424,778	1·69	3·81	1·69
Leeds	63,921,813	2·13	1·80	1·95
City of London ..	36,729,713	4·07	·06	3·96
Midland Coy. ..	38,341,671	2·04	2·81	2·05
Salford	31,044,740	2·29	2·49	2·18
West Ham	45,095,784	2·30	3·25	2·22
Average	39,905,123	2·30	2·29	2·216
Melbourne	45,264,840	2·12	2·05	1·905

I submit also particulars showing—

(a) Total units sold in each year since 1912, the total revenue from such sales, and the resultant average price per unit received.

(b) Setting out side by side the tariff in 1914 and as at present.

Comparison of these tariffs shows that the sliding scales have been extended very considerably, the effect being to give very great concessions to the consumer of over 1,000 units of either light or power.

A.

	Total Units Sold.	Total Revenue Sale of Current.	Net Price Per Unit Sold.
		£	d.
1912	12,100,630	123,272	2·58
1913	14,212,613	142,939	2·56
1914	17,163,000	156,394	2·32
1915	20,658,911	184,801	2·13
1916	23,736,476	190,706	2·00
1917	27,475,485	207,122	1·873
1918	31,143,635	225,233	1·783
1919	33,113,841	234,300	1·754
1920	41,954,000	297,600	1·75
1921	45,264,840	350,370	1·905
1922 (8 months only)	35,745,534	272,800	1·873

(27·4 per cent. reduction over 1912 figures; 19·27 per cent. over 1914)

B.

Tariff, 1914.	Tariff, 1922.
Lighting (Flat)—	
First 3,000 3½d.	First 50 units 4d.
Over 3,000 3d.	Next 1,000 3½d.
	Next 1,000 3d.
	Over 2,050 2d.
(M.D.)—	
6d. on M.D.	6d. and 1½d.
1½d. per unit in excess.	
Power (Flat)—	
First 1,000 1½d.	First 500 2d.
Next 2,000 1½d.	Next 500 1½d.
Next 2,000 1d.	Next 2,000 1d.
Over 5,000 ¾d.	Next 7,000 6d. } Plus
	Over 10,000 55d. } super-charge
(M.D.)—	
2d. and ¾d.	2d. and 6d.
Bulk Supply—	
£5 per kw. of M.D.	First 100 kw. £4 10s.
·65d. per unit, plus supercharge	Next 100 kw. £4
	Over 200 kw. £3 10s.
	·65d. per first 1,000,000 } Plus
	·6d. second 1,000,000 } super-charge
	·55d. over 2,000,000 ..

TABLE SHOWING AVERAGE COST OF UNITS SOLD.
Private Supply Sales.

	Private.	Private.	Public, Private, and Bulk Total Sales.
1911	3.79	1.74	2.95
1912	3.17	1.6	2.58
1913	3.20	1.6	2.56
1914	3.22	1.46	2.32
1915	3.26	1.33	2.13
1916	3.23	1.31	2.0
1917	3.25	1.24	1.873
1918	3.24	1.23	1.783
1919	3.28	1.193	1.754
1920	3.25	1.26	1.75
1921	3.46	1.49	1.905
1922 (5 months only) ..	3.51	1.44	1.852
Percentage reduction in 11 years ..	7.4%	17.2%	37.2%

NOTE.—Average selling costs is the only means by which comparisons can be made with other undertakings.

I also have particulars showing the total units sold in each year since 1912, the total revenue from such sales, and the resultant average price per unit received. I have also set out side by side the tariff in 1914 and as at present. Comparison of these tariffs show that the sliding scale has been extended very considerably, the effect being to give very great concessions to the consumer of over 1,000 units of either light or power. I think these figures will be useful as giving a bird's-eye view of the City Council's undertaking. We are only too pleased to supply these figures, and to also hand a copy of them to the Commission. My object in setting them out in this way has been to save the time of this Commission as far as possible. I ask that they should be taken in as evidence as far as you regard them as material to the issue.

942. We will have them on the records, but I do not think the question will turn on the profit the City Council has made. There are matters of policy involved beyond that?—We have that in mind also. I had intended to put in a map showing the whole of the metropolitan area, but Mr. Lane, the Acting City Council Electrician, has given you a map, showing the area of North Melbourne and Essendon in relation to Melbourne. I have, however, a smaller one here which I will leave with the Commission.

Then Sir John Monash went on to infer that one of the reasons that urged us to request the Commission to sell the North Melbourne undertaking to us was in order to extend our territory and make further profits. This suggestion is incorrect, because the Commission already possesses statutory powers that would limit any charge we wish to make.

Sir John Monash also characterises our statement that we could distribute electric current cheaper in the Hopetoun Ward than the Electricity Commission as "nonsense" (page 33). The statement I made was that the City Council could supply the Hopetoun Ward at a cheaper rate than the Commission proposed to do, and I made that statement in view of the comparison between our existing tariff and the tariff at present charged by the Commission in the Hopetoun Ward, and I submit the statement made by Sir John Monash at the interview with the Commission which we had on the 7th June last—

That the Council would be obliged to shoulder a considerable burden that the territory would have to bear. The burden, in fact, commits the territory to pay higher rates than in the past as compared with the Melbourne City Council area.

If we had the Hopetoun Ward transferred to us, and if in course of time we obtained current from Morwell cheaper than what it costs us, either to purchase or generate at present, then we could (in fact, we should have no option) give the territory in Hopetoun Ward the same benefit regarding tariff as every other portion of the city would enjoy, so that the relative position

would be the same, and the statements made is not the nonsense that Sir John Monash would have you believe.

Then Sir John stated in his evidence (page 33), "As a matter of fact, the whole of the southern municipalities waited upon the Commission and asked the Commission to purchase the Melbourne Electric Supply undertaking on behalf of the municipalities, and operated on their behalf." Possibly that is news to Mr. Ellery, but it has happened.

As I hate to be cut in the cold in these matters, and as I was so pointedly referred to by Sir John Monash, I made inquiries from the Town Clerks of Footscray, Prahran, and South Melbourne, and was informed that Mr. Crockford, the Town Clerk of South Melbourne, acted as convenor of the deputation which waited upon Sir John Monash, and Mr. Crockford courteously sent me the following copy of his minutes:—

Deputation to Electricity Commissioners on Tuesday, 22nd February, 1921, at 3 p.m.

Present:—Councillor Craine (Mayor of South Melbourne), Councillors Tapner (Collingwood), Murray (Caulfield), Sambell (Hawthorn), Richards (Brighton), Ferdinando (Sandringham).

Present (representing Commissioners):—Sir John Monash, Mr. Swirburne, Sir Robert Gibson, and another.

The Mayor of South Melbourne outlined the wishes of the committee, which was to ascertain from the Commissioners as to whether it was their intention to take over the Melbourne Electric Supply Company's undertaking, and deliver to the public direct, or whether they would, if the municipalities purchased or took over the Melbourne Electric Supply Company's undertaking at the close of the order in five years' time, supply the municipalities in bulk.

In reply, the chairman pointed out that the Commission had not come to a definite conclusion as to what their intention was with regard to the points mentioned, but no doubt they favoured supplying to one distributing agency for the metropolis which might not be the municipalities or their representatives, but the Commission certainly favoured one distributing agency for all municipalities, and not each municipality purchasing in bulk and arranging its own distribution.

As to whether the Commission would take over the Melbourne Electric Supply Company's scheme was a matter which the Commission was now considering, and would let the deputation know when it had made up its mind. Several improvements would have to be effected in the Electric Supply Company's system, and it was just a question whether it should be taken over or a further extension of the lease granted for ten years. However, he would communicate with the Conference when the Commission had decided its policy in the matter. The deputation thanked the Commission and withdrew.

Mr. Crockford adds, "No further word has been received from the Electricity Commissioners."

Now, the Committee will observe that Sir John Monash said in his evidence (page 33), "The whole of the southern municipalities waited upon the Commission regarding the Melbourne Electric Supply Company's undertaking. The following councils are interested in the Melbourne Electric Supply Company's area:—Collingwood, Fitzroy, Richmond, South Melbourne, Kew, Melbourne Harbor Trust (south of the River Yarra), Prahran, St. Kilda, Malvern, Caulfield, Brighton, Camberwell, Shire of Moorabbin (North and West Riding), Borough of Oakleigh, portion of Borough of Hawthorn, and Sandringham; total, fifteen.

According to Mr. Crockford's minutes which I read to the Commission, only South Melbourne, Collingwood, Caulfield, Hawthorn, Brighton, and Sandringham Councils were present, only six out of a total of fifteen.

Now it would be interesting to know, and I think that this Committee ought to know, and they are entitled to know, from Sir John Monash whether—

(a) Any other councils than those mentioned in Mr. Crockford's list were present at the deputation?

(b) If so, on what date?

(c) What were the resolutions carried asking the Commission to act at that deputation which waited upon Sir John Monash?

(d) Did they each sign and send letters agreeing, as was done in the case of south-western districts (as quoted by Sir John Monash in his evidence on the Warrnambool scheme on Friday last).

Sir John Monash.—They were represented by delegates.

The Witness.—You said the whole of the southern municipalities waited upon the Commission.

Sir John Monash.—So they did, by delegation.

The Witness.—A total of six out of fifteen.

943. *By Mr Eggleston.*—In regard to the south-western districts, that was at a different stage of the negotiations?—I have given here Sir John's own statement in evidence. It may be quite capable of explanation, and I do not say it is not, but as it stands at present in the evidence he says the whole of the southern municipalities waited upon the Commission. I say they did not.

I put this strongly to the Committee, because one of the reasons advanced by Sir John Monash for refusing us control in the North Melbourne area is because of the uncertainty concerning what is going to happen to the franchise of the Melbourne Electric Supply Company in 1925. That has nothing to do with our case at all—no more, in fact, than the flowers that bloom in the spring.

Sir John Monash admitted that, in reply to Mr. Eggleston (page 34) the City Council could without any trouble convert the area of North Melbourne into the standard required by the Commission, and Sir John said in reply to a further question, that the Council had not announced its intention of doing so.

As a matter of fact, the Council has on more than one occasion, and in particular in a recent letter to the Attorney-General, in reply to his communication to us, which Sir John read as a part of his evidence—the Council has announced it is willing and anxious to do this conversion work in order to bring about an end in the North Melbourne and Essendon area of that chaotic state of affairs in regard to standards which Sir John Monash has so strongly referred to.

I want to say also that we do not agree with Sir John Monash's answer to Mr. Eggleston's question on page 34 of his evidence. We contend that the acquisition of the North Melbourne area, and Essendon if need be, would round off the Council's scheme into an economical unit, and would be satisfactory in every way. The fact mentioned by Sir John Monash that the City Council is selling at present bulk energy over a wide area as far as Coburg and Williamstown has nothing to do with the case in any way whatever. We have realized, and have made it public years ago, and conveyed it to the Commission, that we could not hope to retain our existing bulk supply areas, that is, areas to which we supply energy in bulk, when the Morwell scheme came into being. We realized then, and we realize now, that the bulk business properly belongs to Morwell, and we do not seek to retain it, unless we are asked to do so. Regarding the duties of Electricity Commissioners in other countries, I received a letter on Wednesday last from Mr. Alabaster, the City Council's Electrical Engineer, dated from England, 10th September, in which he states that the British Commissions are not taking over the generation of energy, but are assisting in every possible manner the co-ordination of existing generating stations, and the erection of new super-stations with a view to securing the generation of energy in the various districts in the most efficient manner. In regard to distribution, with the exception of seeing that the energy is obtained from the most suitable source, it is not proposed to interfere with the existing undertakings. In fact, says Mr. Alabaster, it is realized that the English people, with their recent experience of Government control, would not put up with the nationalization of the electric supply industry. The British Electricity Commissioners are men who have had a wide experience of the electric supply industry, and they are using kid gloves in

assisting and advising the existing authorities, with the result that the scheme appears to be working harmoniously, and it will probably lead to a satisfactory solution of what has for many years been looked upon as a most difficult problem.

We are delighted to have the further assurances from Sir John, as stated in the evidence given by him on Tuesday last, that the Melbourne City Council undertaking is not to be interfered with. It was worth all the controversy to get these admissions from him, and we should never have got them any more than we would have got the letter from Sir John of 12th July, 1922, and the letter from the Premier, if there had not been the fight put up which had the effect of bringing the Select Committee into existence. Sir John thinks he calms the fears of the City Council when he reiterates that our rights in relation to the North Melbourne area will exist at the end of twelve years from now, and that the assets of the territory will pass over to us at that period automatically. These rights which Sir John refers to are merely remainder rights. They cannot come into existence until the end of the period of twelve years from the present, and in view of our disastrous experience in connexion with the tramways, we do not desire to wait for a period of twelve years to expire. What we want we want now, in view of the evidence that has been put before you to-day and previously.

In conclusion, I would again respectfully urge that this Committee will take the necessary steps to grant our request, and let us have control in the Hopetoun Ward or the whole area, if the Commissioners still object to partitioning it, and to reiterate that we will pay cash for the purchase, and further, that we will do the conversion work just as cheaply and expeditiously as the Commission will.

The witness withdrew.

Adjourned until to-morrow.

TUESDAY, 31st OCTOBER, 1922.

Members present:

Mr. McLEOD, in the Chair:

Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

James Ritchie Johnson, councillor, city of Footscray, and ex-chairman of the Electric Light Committee of the Footscray Council, examined.

944. *By the Chairman.*—Which part of the evidence are you dealing with?—I desire to rebut some of the evidence that Sir John gave to this Commission previously. I desire to submit evidence to prove that the southern municipalities within the last year have expressed themselves in favour of the municipalities being retailers of electricity. The council of the city of Footscray convened a conference of representatives of the metropolitan suburban municipalities, which was held on the 6th October, 1921, to consider the advisability of taking steps to prepare a plan or scheme of action to protect the rights of municipal councils in reference to distribution of electricity. I was chairman of that conference. I have a copy of the minutes of the conference, and of the resolutions carried by that conference, and I will hand them in to you later on. A sub-committee met and prepared certain recommendations for submission to a second conference. I have a copy of these recommendations. The second conference was held on the 21st October, 1921, when the recommendations of the sub-committee were adopted. The deputation waited on Sir John Monash on the 12th December, 1921. The councils' representatives and members of Parliament present were emphatically told

by the State Electricity Commission "that the idea of municipal co-operation with the State Electricity Commission was fundamentally unsound." I am giving you exactly what happened. I also have a copy of a report of a conference of representatives of municipalities held at the Town Hall, Melbourne, on the 10th August, 1922—that was just two or three months ago.

945. What was the exact view that you put to the Commission which they said was fundamentally unsound?—Practical co-operation.

946. *By Mr. Beardmore.*—You do not mean to infer that co-operation is unsound?—That is what Sir John Monash told the conference—that co-operation was fundamentally unsound.

947. *By the Chairman.*—Co-operation amongst the municipalities?—With the Electricity Commissioners.

948. Oh, with the Electricity Commissioners?—Yes; these are the recommendations of the Committee—

- (1) That the conference protest against the State Electricity Commission's proposed infringement of Orders of the Governor in Council.
- (2) That the desirability of the total elimination of competition by one public body with another be brought under the notice of the Minister.
- (3) That the practicability of a working arrangement being made under which the Commissioners and the several councils should co-operate, under existing powers, in their respective spheres of bulk suppliers to undertakers and of municipalities as retailers in such a way as would not conflict with municipal interests on the one hand, and on the other would help to ensure the advancement of industrial development.
- (4) That the whole of the delegates appointed to the conference wait on the Minister and present the above resolutions.

Mr. Arthur Robinson was present to receive us in Sir John Monash's office—room—and, practically, he left the reply to the large deputation which had waited upon him that day to Sir John, and Sir John gave us a very short shrift—I may tell you that plainly. He absolutely, in my personal opinion, or he practically almost, insulted the deputation which waited upon him. I have a list of the municipalities that adopted those resolutions, and I will read them out before handing this in. I will read first the municipality and then say how the recommendations were dealt with:—

Brighton ..	..	Adopted.
Brunswick ..	..	Adopted.
Camberwell ..	..	No further action.
Caulfield ..	..	Adopted.
Collingwood ..	..	Does not at present commit itself. Councillor Tapner to attend deputation
Essendon ..	..	Referred to committee.
Fitzroy ..	..	No reply.
Footscray ..	..	Adopted.
Hawthorn ..	..	Not in favour.
Kew ..	..	No action.
Malvern ..	..	Adopted.
Northcote ..	..	Adopted.
Port Melbourne ..	..	Adopted.
Prahran ..	..	Adopted.
Richmond ..	..	Against.
South Melbourne ..	..	Adopted.
St. Kilda ..	..	Adopted.
Williamstown ..	..	Adopted.

Those were all replies from municipalities; then the replies from towns were:—

Coburg ..	..	Adopted.
Sandringham ..	..	No reply.

The following replies were received from shires:—

Heidelberg ..	..	Adopted.
Preston ..	..	Adopted.
Nunawading ..	..	Adopted.

The borough of Oakleigh sent no reply. I have the whole of the minutes of that conference if it is necessary to put them in. We held a still further meeting of the municipalities in the Town Hall, Melbourne, on the 10th August, 1922, and there was the whole of the

municipalities there present on that evening. The resolutions passed at that meeting were as follows:—

Moved by the town clerk of Brunswick, seconded by Councillor Sylvester, Malvern—

That all municipalities and councils be strongly urged to appoint delegates to the Defence Committee.

Moved by Councillor Johnson (myself), seconded by Councillor Merrett, South Melbourne—

That this meeting of municipal representatives considers that the distribution of electrical energy should be left to local authorities, and under no circumstances ought the State Commission be allowed to enter the field of retail electric suppliers.

Moved by Councillor Cummings, St. Kilda, seconded by Councillor Smith, Port Melbourne—

That it is highly desirable that any measure brought before Parliament to further increase the powers of the State Electricity Commissioners should be closely watched, and opposed if it in any way encroaches upon the electrical rights and privileges of municipal councils.

Those resolutions were passed by one of the biggest municipal representative meetings that I have had the honour to attend in the Town Hall, Melbourne. That was on Friday, 11th August, 1922. I submit that evidence in reply to Sir John Monash's remarks that they were asked to practically buy the Melbourne Electric Supply by the southern municipalities. That is all I wish to state—it is only rebutting evidence.

949. *By Mr. Beardmore.*—Do you not now get your power from the company?—From the Melbourne City Council, in bulk.

950. You would be satisfied to continue that?—No, we have been waiting for some time for the development of the Morwell scheme. I am not against the Morwell scheme, and our council is not; we want to see that a success, absolutely. We have been waiting for the Morwell scheme to come along for three-phasing our system. When we took on the electricity in Footscray there was only the single-phase system in existence at that time for us to take on, and, naturally, we had to take on what we could get, but since then—since 1916—I have had repeated conferences with Mr. Harper, who is now engineer to the Electricity Commission. That was when he was engineer to the Melbourne City Council, and we tried repeatedly to come to some arrangement to try and get the three-phase system after they introduced it, but we never succeeded in coming to any final arrangements.

951. Have you an agreement for any stated time?—It has expired, and it is going on from year to year now.

952. *By the Chairman.*—Practically your evidence is that these municipalities hold to the opinion that the distribution of electricity should be left in the hands of the municipalities?—Exactly so.

953. What position do you take up in regard to where a municipality does not generate electricity itself—where you have to buy it?—Buy it from the Electricity Commissioners.

954. Practically the feeling of your conference was in opposition to any interference with the distribution and sale of electricity outside the municipalities?—By the Electricity Commissioners.

955. That is the whole point of it?—Yes.

956. *By Mr. Farthing.*—Have you made any preparations for installing the three-phase system?—We are ready to make preparations at once. We have been waiting now, trying to make some arrangement. We are quite willing to spend the money to convert the whole system to three-phase—as soon as ever we can get the current.

957. *By Mr. Beardmore.*—But you want to be the distributors?—Exactly so.

958. *By Mr. Smith.*—What annual profits does your Council obtain from the distribution of electricity at present?—It ranges from £5,000 to £7,000. I could not tell you exactly off-hand.

959. *By Mr. Eggleston.*—Could you give us a balance-sheet?—Mr. Gent, the Town Clerk, will follow me, and he will deal with the financial aspect of the whole question.

960. *By Mr. Smith.*—You are aware of the statement made by the Commission that where they supply electricity in bulk they will permit no profit to be made—how will that affect you?—This way—the municipalities would have to meet any loss—the Electricity Commissioners would not pay it, would they?

961. I could not say?—Well, if we make a loss, who is going to pay—the ratepayers—isn't it the natural consequence that if you have to pay your losses you should be allowed to make some profit; what about your depreciation?

962. *By Mr. Beardmore.*—I think they would allow you to make a reasonable profit?—Yes, that is all we want.

963. It must be worked on business lines?—Yes.

964. *By Mr. Smith.*—What I presume the Commissioners have in view is this—to see that no undue profit will be made and transferred to the ratepayers' account, and relieve them at the expense of the consumers of electricity?—We do not do that.

965. What do you do?—We put it back into the concern, instead of going to the money-lenders.

966. In what way do you put it back?—By extensions; by giving the other ratepayers the same facilities that a certain portion have already got.

967. Have you ever considered the question of reducing the cost to the consumers who create the profit?—Since we have been running this thing we have had five or six increases of price for electricity from the City Council, and we have never increased our price, before, or since the war; we do not charge meter rent, even.

968. *By Mr. Beardmore.*—What is the price to the householders?—5½d., and no meter rent.

969. *By the Chairman.*—And what is the rate for power?—That is according to quantity. I could not tell you off-hand, but it ranges down to a very low figure, and runs up to something near 2d.

970. *By Mr. Eggleston.*—In order to prevent losses being made, you have to make a provision against that by building up a reserve fund, or charging a rate that will be certain to give you a profit?—That would be the natural business way of doing it.

971. And of course the capital value of your concern has to be represented in the rates you charge, so as to bring that profit?—Yes.

972. Of course, if the whole of the metropolitan area could be treated as one scheme, there would be no necessity for that?—No; I do not agree with you; for instance, take Footscray and Hawthorn—two municipalities—they are two quite different propositions.

973. Precisely; the load factor comes on at a different time of the day in Hawthorn as compared with Footscray?—Well, as a matter of fact, it might come on at the same moment, but they have not got the day-load that the Footscray area has.

974. And, therefore, the Footscray electrical undertaking has to provide for a maximum demand corresponding to the day load you have got?—There is always a maximum demand load; there is a peak load, or a kilowatt load, or whatever you like to call it.

975. And your undertaking has to provide for that; the capital cost has to be proportioned to the maximum load that your mains have to bear?—What we have to provide for is simply this—on Friday night we have our peak load; the more load we can get in the day time to approach that peak load of a Friday night, the less it costs for the electricity?

976. Yes?—That is so; because we have to pay £5 5s. or £3 10s., I think, speaking from memory, for a kilowatt.

977. Is your Friday night load bigger than the day load for any days of the week?—Yes.

978. Although the factories are not running?—The factories are running, but we have not got sufficient power load to approach anywhere near the Friday night load. I want to explain this; I want to be fair; take the Friday night load and the power load through the week—there is a space between the two to put it plainly, and the nearer we fetch that day load up to that peak load the cheaper the light becomes, but we have to pay all that price between those two loads all the time—that is a standing charge.

979. And that cannot be made up at Footscray?—Yes, it can be made up, and it is gradually getting made up.

980. But would it not be made up by other parts of the metropolitan area?—No.

981. Why not?—Well, I have just told you, taking the Hawthorn district.

982. Hawthorn has not a peak load on Friday night?—Yes, it has; haven't they got any shops at Hawthorn?

983. Is the shop load greater than the industrial load?—And householders, yes.

984.—I should have thought the load to supply the manufacturers would be the greater?—If we had the lot it might be, but some are running their own plants, and they maintain that they can make electricity cheaper than the Commissioners can supply it; they have maintained that for years.

985. But owing to Footscray having a small area, relatively, to the whole metropolis, there are more diversity factors in the whole of the metropolis which could be taken advantage of by the Commission, than in the case of Footscray as an isolated proposition?—My personal opinion is that every municipality has something peculiar or something different to the others, and every municipality should be treated as a unit by itself; that is my humble opinion.

986. Supposing the peculiarity of Footscray is that it has its peak load on Friday evening, and the peculiarity of Caulfield or Brunswick is that it has its peak load in the afternoon, well, then, by adjusting those two, you would supply the Brunswick peak load with the same amount of plant in the afternoon, and Footscray in the evening?—I do not think Brunswick has got a peak load on Friday afternoon or any other afternoon; they are practically in the same position as we are, as far as I know; with two industrial centres the position would be practically almost equal.

987. But as compared with a non-industrial centre—a centre such as Caulfield which has very little Friday evening business like Brunswick or Footscray—the peak load in that municipality would arrive at a different time of the day presumably?—Yes.

988. Then you have a diversity between Footscray and Caulfield which could be better dealt with by the Commission treating the whole of the metropolitan area as one, than by each individual council?—I do not think so.

989. Does not that follow from your argument?—I do not think so, because I do not think the Electricity Commissioners would have the local knowledge that the councils would have, and they would not go in for developmental purposes like a council would.

990. But surely the knowledge that is accessible to the council of the electrical requirements would be accessible to the Commission?—No we are living there all the time; we are in touch with the people all the time; we know their requirements; we would develop a street where the Electricity Commissioners would not attempt to develop it.

Mr. Deany.—That has not been proved so at Essendon.

991. *By Mr. Eggleston.*—What is your load factor?—I could not tell you off-hand.

992. Can you tell us what your tariff is?—Mr. Gent will be able to give that information to you. I told you the lighting tariff, and there is a scale of charges for power.

993. I think you must have misunderstood Sir John Monash's statement about the request of the southern municipalities; he said it was at the request of the southern municipalities?—Yes.

994. But this list relates to the whole of the municipalities?—But a good many southern municipalities have not approved.

995. How many?—You have a list there, look it over.

996. But are you not referring to an entirely different episode to that which Sir John did?—No; speaking in fairness, I think Sir John spoke of a previous deputation.

997. The minutes of the Conference to which Sir John Monash referred were put in by the Town Clerk, and they referred to an entirely different conference?—Yes, the Melbourne City Council had nothing to do with our first conference they were not included; they were not asked to come in.

998. He got a copy of the minutes from South Melbourne?—That was a previous deputation; if you look at the date you will find that it was practically nearly eight or nine months previous when that deputation from South Melbourne, and some others I do not know of, waited upon Sir John.

999. Well, there was a meeting between Sir John and the representatives of some municipalities?—Yes.

1000. Relating to the Melbourne Electric Supply concession?—That I do not know personally.

1001. There is only one other thing you have stated that Sir John Monash practically insulted the people?—Yes.

1002. I was at that interview, and I did not notice anything like that?—Yes, I know you were there.

1003. He disagreed with you?—Yes.

1004. *By the Chairman.*—What was your proposition?—Well, I had the whole of my speech type-written on that occasion.

1005. But was it in regard to these resolutions?—Yes, they are there exactly as I gave them to Sir John.

Mr. Lind.—This is of no value as evidence.

1006. *By the Chairman.*—What induced the councils to pass this first resolution "That the Conference protest against the State Electricity Commission's proposed infringement of Orders of the Governor in Council"?—I can explain it this way: At the time that conference was called, the Electricity Commissioners had taken on the supply of power to Kitchen's in Port Melbourne, and they were supplying power in our opinion, and in the opinion we had received, not in bulk. They were distributing power practically—supplying a very small quantity of electricity to Kitchen's. They could not come through the South Melbourne territory at the time, and they put the high-tension mains and that into the hands of the Melbourne City Council, or the Melbourne Electric Supply, and they erected those lines for them. We consider that that was an infringement of the powers they possessed at that time; they only had to supply in bulk.

1007. You say they were supplying the electricity retail to Port Melbourne?—To Messrs. Kitchen and Sons.

1008. *By Mr. Eggleston.*—But that was in pursuance of a section of an Act of Parliament?—In bulk they had to supply it.

1009. No, I will quote it?—It is all a question of what you call "bulk."

1010. Section 19 of Act No. 3104 deals with it.

Sir John Monash.—It is not that at all; it was a law in existence before the Electricity Commission was ever created.

1011. *By Mr. Eggleston.*—Are you sure?

Sir John Monash.—Oh, I find it is under that section; that is right, but it is taken from a previous Act.

1012. *By the Chairman.*—Which Act are you referring to?

Mr. Eggleston.—To Act No. 3104, section 19.

The Witness.—That was under the powers they derived from the Railways Commissioners.

1013. *By Mr. Eggleston.*—They were not infringing anything under that?—We have had the very highest counsel's opinion on the matter, and they say they have.

1014. *By the Chairman.*—Did the Victorian Railways Commissioners previously supply Kitchen and Sons?—No, they did not—yes, they supplied Angliss—they took on Angliss. I forgot for the moment.

1015. But this supply to Kitchen and Sons came from the area covered by the railway?—That Railway Act that was passed when Mr. Agar Wynne was Minister for Railways. They had to supply in bulk.

1016. But it does not say a word about bulk, so they could not be infringing?—Yes, it says in bulk.

1017. It mentions "supply electricity in bulk to any undertaker," &c., in that Act?—It does not give them power to distribute electricity.

1018. It draws some distinction between undertakers having a generating station, and other bodies?—It does not give any power, in my opinion, and in the opinion of the people we have consulted, to distribute electricity under that Bill, or Act of Parliament.

1019. That was the ground on which you considered they were infringing the Order in Council, and that led to the Conference being called?—Yes.

1020. *By Mr. Farthing.*—You stated just now that all the profits you made from the undertaking were used in extending the undertaking?—Yes.

1021. Were any of those profits used towards reducing the general rates at all?—No, we have never reduced the rates from any money taken from the electricity part.

1022. Have you reduced your general rates at all during the period that that undertaking has been in operation?—It has been in operation about eleven years; that is a hard thing to answer straight out, but I do not think so. I think the rate has been practically all the same.

1023. *By Mr. Deany.*—I interjected a little while ago, but you did not catch it. You said that you were afraid of the Commissioners, because you would get a better deal from the local councils that they would develop the district. I interjected and said that that did not apply to the experience at Essendon. Mr. Murdoch, in giving evidence the other day, said that since the Commission had taken charge of the district it might be of interest to this Committee to know what had been done, viz., the provision of 879 new lamps; 140 extensions of the mains; 516 consumers have been changed from direct to alternating current; 94 public lamps have been changed, and 61 new lamps have been erected?—Yes, I quite believe that, and I think that if you knew the system that was running there you would agree too. It was a most wretched system; the whole thing was practically a wreck when they took it over—both the tramways and the lighting, and, naturally, when they began to get a better supply they would improve the service.

1024. Well, would that not apply to other districts?—No, I think Essendon was absolutely the most backward of all the municipalities around Melbourne.

1025. Then it is a good thing that it has been taken over by the Commission?—It is a good thing that somebody else has got it. I do not want to give my opinion on that because it does not interest me.

1026. But on the face of that there is no need to be afraid of the Commission not developing a particular district?—Yes, there is a lot. I do not think they would develop a district.

1027. Why?—They would look to see that it is a paying proposition. They would not go into a street and develop the street for the sake of the ratepayers.

1028. Is that the reason they have developed Essendon, because it is a paying proposition?—No, there is

no analogy between them. They have all the lines ready, and the whole system is through at Essendon. The inducement for that development that has taken place there has practically been because there has been such a wretched business previously. The people who ran the thing were practically insolvent; they had no money, and the tracks and everything else were going to wreck and ruin. I know that personally, because I have been over them.

1029. There is nothing about the tracks here?—There are the tramway tracks; they bought the whole thing.

1030. I am referring to public lighting?—Well, you would be very glad to take it on if you could get a bit of light, wouldn't you?

1031. But you say that the councils would do it better, or that the Commission would not do it?—I am personally of that opinion, and my council is of that opinion.

1032. *By the Chairman.*—Let us sum the whole matter up, as I understand your answers to the questions—you say that this Conference was called to protest against the Commission interfering with the retail supply?—Yes.

1033. And you consider they were breaking an Order in Council?—Yes.

1034. And you give as a reason for that fact that they were supplying Kitchen and Sons; you considered that that was a breach of the Order in Council?—Yes.

1035. And you think that the municipalities should have sole control within their own areas?—Of the distribution, yes.

1036. Is there anything further you wish to state?—No, I think that is all.

The witness withdrew.

John Gent, Town Clerk, Footscray, examined.

1036A. *By the Chairman.*—In what direction does your evidence tend?—Financially, to show you the profits made by the Footscray municipal undertaking. First of all, I would like to supplement a remark made by our Councillor Johnson in reference to the increase in the charges made by the Melbourne City Council. They were due to the coal increases; that is the reason of the increase to us in the cost of our electricity from the Melbourne City Council.

1037. *By Mr. Eggleston.*—What are they charging you in bulk—you pay in bulk?—Yes, so much per kilowatt, but they have what they call surcharges for coal. It fluctuates according to the price for coal, and the increases were due to those increases in the price of coal—entirely due to that.

1038. *By Mr. Beardmore.*—Did you increase the price to the consumer?—We have never increased the rate in Footscray, and in regard to that I wish to say that our rate for lighting is 5d., and not 5½d.

1039. *By the Chairman.*—Has the City Council increased the charge to you since you have been getting supplies from them?—The only increases that were made were due to the fluctuation in the price of coal.

1040. I understand that, but owing to the fluctuations they increased the price?—Yes, the price fluctuates up and down. I have prepared, as briefly and concisely as possible, a statement in regard to the undertaking. People have been saying what profits we have made, and I would like to give you the facts. The council of the city of Footscray established an electric supply department in the year 1911. The council buys electricity in bulk from the Melbourne City Council, and retails it within the city for light and power purposes. In 1918 the council's order was extended to include portion of the shire of Braybrook, known as the Maribyrnong district, and the shire of Werribee, known as the Kingsville, Queensville, and Clarendon estates. A sum of £15,000 was borrowed to provide the money to commence the establishment of

the undertaking. For the first two or three years the sales of electricity were moderate. In recent years, however, the sales have been considerably increased. The following table will illustrate this:—

1921	..	..	£25,725
1920	..	..	21,393
1919	..	..	18,210
1918	..	..	16,930
1917	..	..	13,547
1916	..	..	14,006
1915	..	..	12,426
1914	..	..	7,366
1913	..	..	4,375
1912	..	..	1,519
			£135,497

Profits have been made by the department, but only the sum of £6,090 in ten years ending 30th September, 1921, has been handed to the municipal or general fund. This equals .45 per cent. per annum, or only 9s. in £100. The money was taken as per balance-sheets submitted—

1921	..	..	£1,250
1920	..	..	2,000
1919	..	..	340
1918	..	..	1,500
1917	..	..	Nil.
1916	..	..	1,000
			£6,090

The total amount of profits made by the council since the starting of the department to 30th September, 1921, was £34,690 9s. 10d. Profits of the department have been utilized in extending the system; that is, giving the people generally the benefits of the electricity service. This, the council always considered, is the business-like way of managing its department. There is one point in connexion with the statement of the finances of this Department that I would like to refer to at this juncture. Fifteen thousand five hundred pounds which was borrowed by the council consisted of two items. One £7,000 borrowed in 1913, and the other £8,500 part of a former loan. This £8,500 formed part of the municipal loans which were consolidated by Act of Parliament, and in respect of which the council had to contribute an annual amount to the State Treasury. The electrical department was always debited with the interest on this £8,500, but there was never any provision made for the liquidation of the same. Yet the £8,500 has been paid by the municipality. The debenture holders were repaid on the 1st August this year. Strictly speaking, the electrical department should have paid the general fund the sum of £8,500. This more than covers the amount taken by the council above referred to, namely, £6,090. It should be explained that the council commenced to pay out of the electrical department a sum of money each year as a sinking fund in connexion with the repayment of the £8,500, but they were told to stop doing so by the Public Works Department. Three hundred and forty pounds actually had to be refunded from the general fund to the electric fund.

1041. *By Mr. Eggleston.*—Do you say the Public Works Department stopped you creating a sinking fund?—Yes, here is their letter, dated 30th June, 1918, so that as a matter of fact it more than covers the £6,090 taken.—[*Letter handed to Committee.*]

1042. *By the Chairman.*—Is this £6,090 the total profit made by the electrical department of the council?—Not the total profits; only those profits that were taken to relieve the general fund or the municipal fund. The other profits which I stated were used as Councillor Johnson explained.

1043. In addition to that you paid $4\frac{1}{2}$ per cent. interest?—We pay interest on £8,500, and at 5 per cent. it was.

1044. *By Mr. Deany.*—That £34,690 profit is in addition to the £6,090?—Yes.

1045. In other words, the undertaking has made a profit of £40,780?—If you put it that way, but as I explained really £8,500 should have been paid to the municipal fund.

1046. That is only a matter of bookkeeping?—But the general fund was not given that advantage.

1047. We want to get at the actual profits made out of the undertaking?—Yes, over the ten years.

1048. *By Mr. Farthing.*—What was the total profit made during the period you mentioned?—Well, here is a table showing it as £33,600 19s. 10d., plus £6,090. It has often been publicly stated that the council has taken £50,000 from the electrical department, and put that money into its general fund, thereby damaging the case of the municipalities' claim for retail distribution in the eyes of the public. We have been represented as profiteers.

1049. *By Mr. Deany.*—It does not matter which fund you put it into, if you make it?—But there is a big difference between expending it in electrical extensions for the service of the people and putting it into the municipal or general fund to relieve the council in its general expenditure on municipal works.

1050. But the essential point is this—and the fact remains—that it was taken out of the pockets of the consumers—that is that £40,000?—Yes, and used in giving a service to those who desired to use electricity, and in regard to that you will see how prudent it is to have a sum of money available to respond immediately to applications for reticulations, especially, in outlying parts of the area. If we did not have anything like that handy we would have to borrow money for capital extensions. An undertaking such as a municipality is receiving constantly for applications for extensions, and unless you have some fund to respond to that, as I said, immediately, we would be compelled to delay the granting of those applications.

1051. *By Mr. Eggleston.*—That would apply so long as those applications were justified; as long as they did not load the undertaking too much?—They must be in reason; for instance, we had portion of the shire of Werribee added to the municipality of Footscray within the last eighteen months, and it has not a very great number of places; it is, comparatively speaking, sparsely populated, but the council has spent, I should say, from £2,500 to £3,000 in preparing for the reticulation of portion of the area. We know that that development of that area will lead to settlement later on, and we will get it all back. That is where a municipality comes in in fostering the development of its own outlying areas.

1052. *By the Chairman.*—The exact position is that during these years you have made a profit of £33,600, which has been applied to extensions of the works, and £6,090 has been carried to the general fund?—Yes.

1053. You paid your interest on the loan as you went along?—Yes.

1054. *By Mr. Deany.*—You have about 6,000 consumers in Footscray?—I think it is slightly over that now; I think it is 6,500.

1055. The point is this—whether those 6,000 people should be specially taxed to provide facilities for 35,000 people?—But the credit of the municipality was pledged to provide money to establish the undertaking.

1056. But you are specially taking those 6,000 people for the benefit of 35,000 people?—I quite see the point you make, but you have got to consider that the householders are receiving the benefit of the electricity generally; perhaps they all may not have it in their

own houses, but the place is well lighted, and there is a service given in that regard.

Mr. Beardmore.—It is quite satisfactory, and good business from my point of view.

1057. *By the Chairman.*—This is to show the desirability of the municipalities having control of the distribution—having it in their own hands?—Yes, and to show that we are not seeking to be profiteers.

1058. And also to rebut any statement that very large sums have been paid in to the other funds?—Yes, the council is quite agreeable to the idea of the tariff being controlled by the State Electricity Commission, and when we get our electricity in bulk from the State Electricity Commission we say it would be quite right to have our tariff to the people controlled by the Commission. We do not want to make profits out of it.

1059. The practical result is that you have been able to carry on at a profit by getting the electricity at a reasonable rate and keeping the works going; it has been a business proposition, and paid its way?—Yes, and the tariff is a reasonable rate.

1060. *By Mr. Smith.*—If you take your bulk supply from the Electricity Commissioners, and they will allow no profits, any extensions you make will have to be done on borrowed money?—We presume they would have to allow for certain contingencies.

1061. Yes, I recognise they are not going to cut you down to the bare halfpenny; they will give you certain funds in a reasonable form for contingencies?—Yes, and over and above that if we wanted money for extensions we should in that case have to borrow it.

1062. *By Mr. Farthing.*—You say that your council was misrepresented—that it was stated in certain quarters that £50,000 had been made and transferred?—Yes, put in the general fund; it was published in the papers.

1063. Who authorized that statement?—As a matter of fact, I do not want to be personal about the matter, but we just wish to correct any impression in the minds of the public that we have taken £50,000, and put it into the municipal fund.

1064. Was it a newspaper article or a letter?—Well, it was the report of a speech made by Sir John Monash at Warrnambool.

Sir John Monash.—I deny that absolutely.

1065. *By Mr. Deany.*—We have this in evidence here. This is what Sir John Monash said on that matter on page 159 of the evidence—

“*Mr. Deany.*—Have you the figures in connexion with the Footscray undertaking?—Yes, I have got them. There is this difference between the case of the city of Melbourne and the case of the cities of Footscray and Preston—that inasmuch as the greater part of the money in the case of the city of Melbourne has been transferred to the town fund, only a small part in the case of Footscray has been transferred to the town fund, but the balance has been used in the business, and the amounts are as follows:—

Provided out of profits for fresh capital works	£34,690
Transferred to the municipal fund	6,090
Total	£40,780.”

So that Sir John Monash was quite fair?—Yes, I read that, and that is why I did not want to mention his name, but I know the impression is that we have taken £50,000, and put it into the public fund for the relief of rates. I have been taunted with it myself. However, knowing that Sir John gave that evidence, I did not want to mention his name.

Mr. Farthing.—It is not fair to Sir John Monash if he did not make that statement, because on this question hinges to a very great extent the question of bulk supply as against reticulation.

1066. *By Mr. Deany.*—That statement is just reversed in the evidence?—As a matter of fact, Councillor Johnson, chairman of our committee, had a letter published in the paper at the time the statement was made, and he denied it.

1067. There have been a lot of paper statements, and a lot of others?—Yes, and greatly to our discredit, and unjustly so we think.

1068. *By Mr. Eggleston.*—I followed the controversy in the newspapers, and I always understood that the Footscray profits had gone to extensions?—Oh, well, I am glad to know that some one got that impression.

1069. Have you got your tariff there?—I have not got the tariff here, but we charge 2d. for the first 1,000 units, and then 1½d. up to 4,000, and then 1½d., and over 9,000 1d. I think that is it from memory.

1070. *By Mr. Deany.*—We have it here—it is 5d. for lighting; then for power it is 2d. for the first 1,000 units; 1½d. for the next 4,000, and 1½d. for the next 4,000, and all over that 1d.?—Yes.

1071. *By Mr. Eggleston.*—Have you any idea what your load factor is?—I would like you to put that question to our electrical engineer.

1072. *By Mr. Smith.*—What is the staff in connexion with the Footscray undertaking?—We have an accountant, two meter readers, with an assistant, two collectors, and a clerk.

1073. *By Mr. Beardmore.*—Are they all connected with the electrical department?—Yes.

1074. Do the officers of the council themselves undertake any responsibility in regard to the matter—that is the ordinary municipal officers?—Well, for instance, take myself—I have to keep the general books; they pay into my office, and we record those receipts in the general books. When the vouchers for payment are presented to me by the electrical engineer I record them, and present them to the council for payment. We do a certain amount of clerical work ourselves, and there is no charge debited to the electrical department as far as my office is concerned, but we do debit all of the staff in the other office whose time is occupied exclusively on electrical work.

The Chairman.—We have to thank you very much, Mr. Gent, for the way in which you have given your evidence; it was very clear and intelligible, and capable of being easily understood.

The Witness.—Thank you.

The witness withdrew.

Reuben Edward Thompson, Councillor, shire of Yarrawonga, examined.

1075. *By the Chairman.*—You represent the Yarrawonga Shire Council?—Yes.

1076. What is the line of evidence you propose to give?—I purpose to show you our position, and then just deal with one or two items in this new Bill. I will be very brief. Our local plant consists of one 20 horse-power Hornsby suction gas engine. This carries our load from 4 o'clock in the afternoon until midnight. Then we have an 18 horse-power auxiliary engine which runs unattended, and supplies light during the night. We generate about 60,000 units per annum.

1077. *By Mr. Beardmore.*—But you said just now that the first engine supplied the power from 4 o'clock in the afternoon until midnight?—Yes, that is when we have the heavy load.

1078. The 18 horse-power engine must supply the power during the day?—No, that supplies current during the night and the next morning. We have very little use for power during the day. Our load comes on from about 3 or 4 o'clock in the afternoon.

1079. *By the Chairman.*—What is your engine power altogether?—One is an 80 horse-power, and the other an 18 horse-power, that is an auxiliary. Up till 1916

our plant was paying, and paying well. Then through inadequate machinery we had to give up the pumping for the Water Trust.

1080. You were not using the energy for lighting solely?—No, we were doing the pumping for the Water Trust as well. At that particular time the light rate was 8d. per unit, and the power rate 6d. per unit. The capital involved in the plant was over £6,000, which has been reduced to less than £5,000 at the present time.

1081. The charge for lighting was 8d. per unit, and for pumping 6d. per unit?—Yes. As a municipal undertaking this is a direct electricity benefit to the town and to the ratepayers.

1082. *By Mr. Deany.*—Will you give us the present charges. I understand they are 1s. 3d.?—I am coming to that in a moment.

1083. You say that is a direct benefit?—I am coming to that in a moment. Extensions are made from time to time when necessary, and these extensions are paid out of general revenue. This is on account of no provision having been made for extensions or emergencies, consequently we have to pay everything out of revenue at the present time.

1084. *By the Chairman.*—Then you did not start these works out of loan; you started them out of general revenue?—We had a loan, but it was under-capitalized; the old plant is under-capitalized. It is not sufficient to carry any improvement or extension. In 1917-18 we began to incur an overdraft, on account of a breakdown, and in 1921 this overdraft reached an amount of over £1,000. This, of course, necessitated that the price should be raised at that particular time. We got an Order in Council enabling us to make the lighting charge 1s. 3d. per unit, and power up to 8d. per unit. We did not interfere with the power rate, but we made the lighting rate 1s. 2d. per unit, which is the present price. The Order in Council was for 1s. 3d., but we made the charge 1s. 2d.

1085. And what was power?—Sixpence; we never interfered with that.

1086. *By Mr. Deany.*—Where did you get that permission to increase the charges from?—From the Governor in Council.

1087. From the Commission?—Yes, we got a further order from the Commission. That was towards the end of 1921, or the beginning of 1922. We put it into force a few months ago, and the result is that we have reduced that overdraft from over £1,000 to £500 at the present time, and we are reducing it every month. We now have a scheme for duplicating our plant; it will cost something like £4,000. That means, of course, that in this duplication we have to make provision for the pumping of water. That means a new motor and a new pump which will run us into a considerable amount. For the duplicating of the engine, pump, plant, and motor to work the pump, it will run us into less than £4,000, and we can get the pumping of the water from the Water Trust. On the figures that we have this proposition will show a substantial credit balance every year. Now, that is so or as our scheme is concerned. When the shire council took this on they took on a big responsibility and risk, and while the town riding is responsible for the upkeep and maintenance of the plant, of course, the whole of the shire is responsible for the aggregate debt.

1088. *By Mr. Beardmore.*—To back the bill?—Yes, that is quite so.

1089. *By the Chairman.*—That is to say, it is not charged to the particular riding?—Yes, the maintenance and upkeep is, that has to be paid by the Yarrawonga riding; but the whole of the shire council is responsible for the debt.

1090. That is, the liability?—Yes. Now, my council feel, or rather, they are opposed to section 3 (2) (b) of the Bill now before Parliament. We are quite agreed that the State Electricity Commission should

supply electricity in bulk, and if there was any hope of that being supplied in the near future it would obviate our council duplicating their plant; but my council is opposed to the word "otherwise" which appears in the Bill. We think that this means that the Commission will have power to enter into detail. This we consider would be disastrous to our scheme. That is, if the Commission were to step in and take the pumping of the Water Trust, or the butter factory, or the mill—all these things we hope to secure, and practically have the promise of them. If these things were taken out of our control, then we feel it would practically jeopardize the financial success of the scheme.

1091. *By Mr. Lind.*—You are afraid the Commission might come in without your invitation?—Yes, that they might come in without our invitation or without consulting us. If so, of course we would be left with a very few people, and it would be utterly impossible to make our scheme a success.

1092. Your council would be satisfied if they had an assurance that the Commissioners would not come in without your invitation?—Quite so. If we had an assurance we could have the energy supplied in bulk, and that there would be no interference with the retail customers without their consulting our council, I think I am justified in saying our council would not object.

1093. You have no objection to being supplied in bulk, providing there is no local distribution by the Commission; but that you have charge of the distribution?—Yes, that is the point I am coming to now.

1094. *By Mr. Beardmore.*—Have you any limit in price that you would pay for the bulk supply?—No. I omitted to say just now that we hope in a very short time to be able to reduce the present charges very considerably. Seeing we are reducing the overdraft so quickly, we are hoping to go back to a very much lower charge as far as light is concerned.

1095. You do not think you can compete with the Commission in generation?—I think we would not wish to compete with the Commission. I think we would be only too glad that they should supply us in bulk, and in the event of their being able to do so in the near future that would obviate any duplication of our plant.

1096. *By Mr. Lind.*—And you would be willing for them to even retail it if they served the people cheaper than you are doing?—That is another matter. It means they may come in and pick up our best customers, as they probably would, and we would be left with twopence-halfpenny customers.

1097. *By Mr. Eggleston.*—Supposing they took the whole show over and served the ratepayers cheaper than you can?—That is a different matter.

1098. You would not object to that?—We would not, conditionally, of course. That is a point I am coming to directly. There is one other item I will touch on directly that we are absolutely opposed to. We understand the 1919 Electricity Act gave the State Electricity Commission power to supply in bulk, and we are of the opinion that the State Electricity Commission should perform that function before they go any further.

1099. *By the Chairman.*—What lines belonging to the Commission would reach you?—I think it would come to Yarrawonga from Cobram.

1100. It would be part of the Kiewa scheme?—Yes.

1101. *By Mr. Eggleston.*—It would be part of the Sugarloaf scheme?—Yes.

1102. *By Mr. Beardmore.*—What distance are you from Benalla?—We are 40 miles from Benalla.

Sir John Monash.—It would not be for a good many years to come, but they would be supplied from the Sugarloaf scheme.

The Witness.—So far as I understand it, it comes from the Sugarloaf down to Benalla, then across to

Shepparton, then on to Cobram, and then on to Yarrawonga.

1103. *By Mr. Beardmore.*—There is a railway line running between Benalla and Yarrawonga, with five or six stations in between?—Yes, there would be more stations than that.

1104. *By Mr. Deany.*—You understand this clause will only apply when your council applies to the Commission?—Yes, we understand that. We hope it will apply very soon.

1105. You hope to take advantage of it?—Yes, we are looking forward to it.

1106. *By Mr. Lind.*—When is it anticipated power from the Commission's scheme will reach your particular district?—We have no idea.

1107. Not the slightest?—Not the slightest idea. The only knowledge we possess at the present time is that it is to come from Cobram to Yarrawonga. Furthermore, Mr. Chairman, my council are of the opinion that the supply of light as well as the supply of water (which the Electricity Commission has nothing to do with) should be controlled by and distributed by the local body—the local shire council. We think it is a very essential thing that it should be controlled by us.

1108. *By the Chairman.*—Do you mean the whole supply, or merely the supply to the municipality?—The supply to that particular municipality.

1109. *By Mr. Lind.*—Just the lighting?—Yes.

1110. *By Mr. Beardmore.*—And the domestic supply as well?—Yes, power for the town as well.

1111. All the retail business?—Yes.

1112. *By Mr. Eggleston.*—You mean the lighting is peculiarly a thing the municipality should control, because they control the street lighting?—Yes, that is so. Then section 2 (6) (e) in the new Bill is objected to by my council. We are of the opinion that if the municipality is to be liable to pay one-third of the loss it should certainly have some say in the controlling power and in the working of the scheme.

1113. *By the Chairman.*—Why does your council object to this?—Because we feel if we have to make up any loss we should have some say in the working of the thing; that we should know exactly how the thing is being worked.

1114. *By Mr. Eggleston.*—But your council will have a say under this section. You need not apply if you do not want it?—No, but if the State Electricity Commission take full control.

1115. *By Mr. Deany.*—They would not take it over unless you asked them?—I see.

1116. *By Mr. Beardmore.*—You mean to say if the loss was very heavy, you might not be able to bear the loss, and you want some way out?—Yes, some way out, and we want to know how that is incurred.

1117. *By Mr. Deany.*—You mean you want the benefit of the scheme without any liability?—No.

1118. *By Mr. Beardmore.*—The losses might become so great that they might become burdensome to the municipality?—Yes.

1119. *By the Chairman.*—The Commission cannot do anything except at the request of the municipality, and if they make a recommendation to the Governor in Council that the work should be gone on with, you have a say in the matter, and can draw out.

1120. *By Mr. Eggleston.*—The whole of section 2 is completely optional on the part of the council, and it is a desire to help councils whose schemes will not pay in the first instance?—But will it be optional if the Commission take control?

1121. They could not legally force a scheme on you that you did not want?—I see.

1122. And although you have to pay one-third of the loss, the other two-thirds of the loss is to be provided by somebody else, so I do not see why you should grumble very much.

1123. *By the Chairman.*—If you take that clause (6) it reads—

“If the Minister, the Commission, and the municipality or municipalities concerned agree that the amount of any loss arising in each of the said ten years shall be made good as hereinafter provided.”

The municipalities have to be part and parcel to the agreement all the way through?—Yes, I see that now, Mr. Chairman.

1124. *By Mr. Lind.*—And it gives you certain power, as set out in clause (11), which reads—

“All moneys payable by any municipality under this section shall be paid out of the municipal fund; and the council may for the purposes of making any such payment increase if necessary the general rates notwithstanding any statutory limit for such rates.”—

We understand that.

1125. *By the Chairman.*—It has been stated that the Commission could come in and make any arrangement they like, but there is nothing in this Bill to support that view. If you find it necessary to increase your rates you can do so. That is under this section?—Yes.

1126. *By Mr. Deany.*—And that is to make up one-third of the loss, if any?—Yes, of course, that puts a different complexion on that particular clause. There is one other point I would like to mention. My council are of opinion that if this Bill is passed through Parliament in its present form it will just mean centralization of control. I feel that.

1127. *By the Chairman.*—In what particular direction?—That is, of course, if the State Electricity Commission is to assume full control of our plant. We are of the opinion if that was the case it would not be in the best interests of the country.

1128. So far as our inquiries are concerned, the Commission has come to no determination on the matter at all; but the Commissioners themselves have personally expressed to us the view that there ought to be some other body outside themselves to control that sort of thing. Of course, they say they are the creatures of Parliament, and so they are. It rests with Parliament as to what they are going to do; but you will find under Act No. 2296, the 1919 Act, the Commissioners have power in certain instances to sell electricity retail to particular consumers. They have that power now; but that does not imply they have power to come into the middle of your ratepayers and supply current; it is more for large consumers on high-tension lines?—That is what we are afraid of.

1129. But you are not likely to be at all affected by that in the country?—It is only the country we are interested in at the present time, because we recognise this means a great thing for the development of the country, and, as I said before, we are anxiously looking forward to the time when it will come.

1130. Of course, this clause 3 to which you refer, seems to be provided with the intention of giving country municipalities, three or four together, an opportunity of combining to have the work constructed for them, and it provides that if it does not pay immediately they should provide for losses that may ensue over a period of years. The history of electricity shows the demand always increases once the system is installed, and they have fixed that term at ten years?—Of course, the explanation I have received puts a different complexion altogether on that clause. I have just made a note of that.

1131. I just want you to understand this, so far as the Commissioners are concerned they have no power to act outside their Act, unless Parliament passes special legislation to authorize them to do it. They have no inherent power to say, “We shall do this,

that, or the other thing.” They will have to ask Parliament in such a case. Then it comes before members?—We are quite satisfied, more than satisfied, with that, because we think Parliament should be the controlling power. I think this is all I have to bring before you.

1132. To put the position of your council briefly, it simply amounts to this, that you have no objection whatever to the Commission generating electricity and supplying it, as long as the distribution is left to the councils themselves?—We welcome it—we would welcome that to-morrow.

1133. That is exactly your point?—Yes.

1134. *By Mr. Eggleston.*—But suppose that it was represented to you that a district authority for the whole district could distribute power among all persons interested at a cheaper rate than each individual municipality acting within its own limits could do, you would not stand in your ratepayers’ way?—Certainly not; but what we are really afraid of is that the distribution and all that sort of thing will be taken out of our hands, and that it will develop into a centralized control that we are absolutely opposed to.

1135. *By Mr. Beardmore.*—Ninety-five per cent. of the country municipalities are in the same frame of mind as you are?—I am very glad to hear it.

1136. *By the Chairman.*—We do not want to see control centralized at all. We all represent country districts?—Yes, that is our chief bone of contention.

1137. I suppose you feel like a good many municipalities that have installed a supply plant—you would be glad to be relieved of the upkeep, the cost of repairs and maintenance, and have a regular supply coming along?—Yes, most assuredly.

Mr. Lind.—I was rather amused, Mr. Chairman, at your statement that we all represent country districts. I do not know about St. Kilda and East Melbourne.

Mr. Farthing.—The Chairman is quite right.

Mr. Beardmore.—The country of Victoria.

The Chairman.—If you are such sticklers for correct terms, I will put it this way—the majority representing country districts.

The Witness.—I expect I am justified in saying if we do not all represent the country, we are all interested in the country, because it is only by production that we can have any degree of permanent success.

1138. *By Mr. Lind.*—I would like to ask you about that remark you made in regard to clause 2 (6) (e) (ii) where it says one-third of any losses that may occur are to be found by the municipality. You said that you thought that clause made it clear that this was a big centralizing scheme. Do you really mean that. Would you not rather think it is a generous offer on the part of the Commission to find two-thirds of any loss that might occur?—Yes.

1139. In an effort to develop your particular district, by way of establishing secondary industries and that sort of thing?—Yes, under certain conditions. The understanding I had was that this matter would be practically taken out of our hands.

1140. Forced on you?—Yes, and under those conditions I do not think it would be a good thing; but under other conditions it probably would be a good thing.

1141. After conference by the Commission with your council and other councils adjoining, when you decide to accept power in that way and allow the Commission to retail it, you think then it would be a rather liberal method?—We do not want the Commission to retail it.

1142. Not at all?—No, we do not want the Commission to retail it at all.

1143. I understood you to say you would be quite satisfied, provided they supplied your consumers at a lower cost than you could?—Well, of course, under those conditions it would mean they would have our plant altogether, because it would be utterly impossible

for us to run. That would mean we would have to get the Commission to take our plant over altogether, so we would be forced into doing that.

1144. *By Mr. Eggleston.*—Some of the municipalities consider they have a handsome paying proposition in electric supply in their districts, and they consider this Bill is unfair, because it throws part of the loss of the non-paying districts on to them?—I do not see that they should cavil at that altogether, because if the thing is legitimately worked, and the local bodies have a say in it, if it shows a loss, the same thing might and does occur under present conditions, so we have to take the one with the other, so far as that item is concerned.

1145. *By the Chairman.*—The supposition is that the Commissioners and the councils are sensible men who can forecast and judge whether a thing is going to be payable or not?—Yes.

1146. And, of course, upon the Commission rests the responsibility of recommending such a matter to the Governor in Council, and they would not recommend unless they believed there was a reasonable possibility that it was going to pay, neither would the councils touch it under those circumstances, because they are going to be personally liable?—That is so.

1147. They are supposed to exercise their discretion, and not recommend the thing unless there is a prospect of its being a payable affair?—Yes.

1148. *By Mr. Deany.*—And I would not think there would be a risk when we consider the present price, 1s. 2d., which is very high?—Yes, we admit that; but that has been brought about by abnormal conditions. If the plant had had a proper extension or emergency fund established when it was first organized that would have been obviated.

1149. *By Mr. Eggleston.*—Would it not have been more economical for you to have raised more capital instead of obtaining an overdraft?—We did talk about that, but the overdraft was as cheap as a loan. We got the overdraft for 5 per cent. or 5½ per cent., and it would have cost us more than that by the time we had obtained a loan.

1150. But you would have had a more capable and extended plant, would you not?—Yes, but as there is likely to be a big development in electricity, the question is, would we be justified?

1151. *By the Chairman.*—Are there very many plants up your way?—There is one at Benalla, and the Wangaratta people are running one in connexion with the woollen mills. Seymour and Cobram also have plants.

1152. *By Mr. Beardmore.*—Have you any idea of the quantity of power you use?—At the present time the power used is very small. I think power alone runs to about £500 a year.

1153. *By the Chairman.*—I think the general experience of the smaller municipal plants throughout the central portion of Victoria with which I am acquainted is that in the first place they did not start with big enough plants, and as the demand grew and requirements increased very much more, the plants were insufficient to meet the demand?—Yes, that is our case.

1154. Then they have not the capital to put down larger plants?—That is so. As a matter of fact, at the present time we cannot generate sufficient current to supply. We could extend considerably if we had the plant, and if the Commission is not likely to furnish us with electricity soon we will have to duplicate our plant to keep it going.

1155. Therefore, you would be in this position, when taking a supply of electricity from, say, the Commission, that although the requirements of your district may increase, you would not be put to the extra expense of providing plant and machinery to meet the demand, and the supply would be equal to requirements?—That

is quite so. Of course, we have the wiring, and everything is complete. We have a good plant there; but it is just a question of the current being supplied.

1156. *By Mr. Farthing.*—Do you know if your town has been talking of being supplied with electricity from the coal-field across the river?—There is some talk of it, but it is quite premature at the present time.

1157. It is about 70 miles from Yarrowonga to that coal-field?—Yes, between 60 and 70 miles to Oaklands; but I do not think there is any hope of that coming to maturity. It is possible to do it, but I do not think it will be done.

1158. *By the Chairman.*—I suppose it is a case of "Sufficient unto the day is the evil thereof"?—Yes.

1159. *By Mr. Deany.*—Your greatest fear is in regard to the matter of control. You are afraid of central control?—Yes.

1160. You have put up a fairly good case for centralized control?—Do you think so?

1161. According to the state of your local works, the prices you charge, and the difficulties?—

Mr. Beardmore.—Yes, yes, but the witness states that time has passed.

The Witness.—Yes, we are getting back to *terra firma* again.

1162. *By Mr. Deany.*—I am just looking at your price, 1s. 2d. per unit?—Yes, that is quite so. We know that.

1163. *By the Chairman.*—Of course, in a district like yours, there is no doubt supply would be extended to dairies and farms for operating small machines, if the supply was at a cheaper rate?—I think not; I do not think there is any scope for that at the present time.

1164. *By Mr. Eggleston.*—Not from your plant?—No.

1165. But there might be if there was a general scheme for country districts on a hydro-electric basis?—

1166. *By Mr. Beardmore.*—If you were getting power at 2d. per unit there might be?—Yes, I hope it will come.

1167. *By Mr. Deany.*—Is not the question of an adequate supply and a reasonable price much more important than the question of control. If the Commission could supply you at 2d. or 3d. per unit with an adequate supply, would not that be very much more important than the question of who should control it?—I do not know. I am not going to express an opinion on that. Personally, I do not think it will ever be supplied for 2d. by the State Electricity Commission.

1168. Well, it is being supplied at Warrnambool at 3.66d.?—Yes, well I hope it may come.

1169. *By Mr. Eggleston.*—What is your population?—We have 1,500 people in Yarrowonga.

The witness withdrew.

Lieut.-General Sir John Monash, further examined.

To the Chairman.—I think the last witness, Councillor Thompson, is a good example of the person with a lack of understanding of what this Bill really means. None of the fears that Councillor Thompson expressed are possible under this Bill, because nothing can be done without the full consent of the council or councils. That applies particularly to sub-clause (e) of (6), section 2, because if a council requests that the supply shall be in bulk or otherwise, then we must give it, but it is for the council to request, and there are, and will be, a good many councils that will request.

I take it you wish me to speak in reply to the evidence given by the City Council in regard to the North Melbourne case. Shall I confine myself to that for the time being?

1170. *By the Chairman.*—Yes?—In regard to the evidence given by Mr. Lane, the Assistant City Electrical Engineer, I would like to have permission to

call Mr. Harper, the Chief Engineer, and Mr. Bate, the Electrical Engineer, of the Commission, to speak in regard to questions of technical detail; but on the matter raised, I would like to say that the arguments of Mr. Lane in regard to the diversity factor are, as some members of the Committee readily surmised, the very strongest possible arguments in favour of a unified and co-ordinated control for the whole metropolitan area, whoever has to exercise it. That is to say, the greater the area over which a unified control is exercised, the greater is the benefit of the diversity factor, and consequently the lower is the price at which the public can be served. That is quite apart from any question as to who carries out that control.

1171. I suppose it stands as a general rule, if the whole area was connected as one, instead of being as it is at present, the whole district would gain the benefit?—Yes. Apart altogether from administrative and executive economies, I mean from the purely electrical point of view, there would be a great advantage; but in dealing with the proposition that Mr. Lane dealt with, that if the Melbourne and Essendon territory were thrown into the one undertaking, that would be advantageous to Essendon, Mr. Lane went upon the assumption that the Essendon territory was the only territory that was going to be supplied from our sub-station "D." Of course, that is ridiculous. That is not so at all. That station has been placed where it is being built, not for the service of Essendon alone, but for Coburg, Brunswick, Maribyrnong, and a large part of the territory on the west side of the Maribyrnong river; consequently the contrast that he has made between the Commission's business in the Essendon territory as distinguished from the City Council's business in the city territory, assumes we are limited to a very small area, which is not the case. We have all these other municipalities controlled in greater part from this sub-station. However, on the technical matters as to load factor and the influence of load factor on the cost of supply, I should like Mr. Harper and Mr. Bate to give evidence.

Councillor Thonemann has brought forward some calculations based on the supposition that the Commission would have to pay £14,000 a year in order to discharge its obligations to the Government in connexion with this purchase. In order to arrive at that figure, Councillor Thonemann has assumed that the cost of sub-station "D" must be added to the £86,000 which the Commission has paid for the North Melbourne undertaking. That is not correct, because that sub-station is not part of the North Melbourne undertaking. It is part of the Morwell scheme—it is part of the scheme authorized by Parliament four years ago, and part of the estimated cost of that scheme, and the cost of that sub-station is not in any sense included in the condition that the honorable the Treasurer has imposed—that the capital sum expended on the North Melbourne undertaking must be paid in twelve years. That condition was imposed only in respect of that £86,000. That sub-station would be where it is, whether the Commission had acquired the North Melbourne undertaking or not, and the finances of that sub-station are a charge upon the general scheme, and not a special charge upon the North Melbourne area at all. The only capital charge against the North Melbourne area is in fact the £86,000, or rather, the only capital charge which is subject to the Treasurer's condition of payment in twelve years is that amount. In order to meet that obligation (the Committee will be able to easily verify this), it requires payment of interest, which is at present 6 per cent., and payment of a sinking fund which in order to extinguish the capital sum in twelve years must be at the rate of 5 per cent., in other words, 11 per cent. in all. No, I am slightly wrong there, the payment into the sinking fund will be £5,500 per annum. The total amount that has

to be found per annum in order to comply with the Treasurer's condition is £10,500, or roundly £875 per month. That has to be found out of earnings.

1172. You are referring to the amount required to extinguish the liability at the end of the twelve-year period?—Yes. Now, it will be very interesting to learn that I have just come into possession of the figures for the first month's working under the control of the Commission, and they go to show the Commission can safely anticipate there will be a return of clear revenue of £2,000 per month, or £24,000 per year.

1173. *By Mr. Lind.*—That is net revenue?—Net in the sense of after paying working expenses but not capital charges. Out of that £24,000 this £10,500 would have to come, and the balance of £13,500 per annum will be available for reducing the charges in the Essendon and Flemington territory, inasmuch as it is not the Commission's principle to make profits. Those are the figures. It would be foolish to act merely on one month's returns, but all the indications are extremely favorable, even with the present rate of consumption, but discounting altogether the possibility of an increase, it looks like a net revenue of £24,000 per annum, of which the sum of £10,500 would have to be devoted to the extinction of the capital liability, and the remainder would be available, when confirmed and properly established, to reduce, and very substantially reduce, the charges for electricity in the Essendon, Flemington, and Kensington area. As I say again, as the Commission has a definite policy of not making profits, but of giving consumers the benefit of any working margin, it will necessarily follow that these charges, as soon as it is safe and prudent to do it, will be substantially reduced. When that will happen, and by how much they will be reduced, it is impossible for me to say, except to express the very definite intention of so doing. I would like to further point out that to-day the Treasurer's condition appears onerous that the capital sum has to be wiped off in twelve years, whereas according to even conservative finance, it might well be allowed to stand for twenty years, yet at the end of twelve years that district will stand in a unique position, that of having its system for nothing. The district will be on a footing unique in Victoria, having no capital charges whatever to meet, only the operating charges of the undertaking.

Referring to Mr. Ellery's further observations, I will be as brief as I possibly can. I would again draw the attention of the Committee to the repeated statements of the City Council that they are prepared to take over the Essendon territory. I submit to you that this proves that they are in agreement with us that the territory cannot be severed without the ruin of the undertaking, and their only alternative proposal is that they should take over the control of the Essendon territory. That is not so much a question for the Commission as for the Essendon Council, and Councillor Showers has asked leave to come here again and reiterate in very much stronger terms what he has already told you previously on the subject.

Mr. Ellery has put it to you that I made a mistake in alleging that the City Council had reduced their capital charges by £800,000 from revenue. I can only say I spoke from their printed balance-sheet, which is capable of that inference, and that inference only; but if the City Accountant is in possession of information which cuts down that £800,000 to £540,000, I shall gladly accept the correction; but it does not alter the basic fact I was trying to bring under the notice of the Committee, that the enterprise of the Melbourne City Council has enabled them to apply £540,000 to the writing down of capital, and allowed them to apply £315,000 to the town fund. It has been, in fact, a highly profitable undertaking. I have already said there can be no exception taken to their action; they are entitled to do it; but I have suggested that because the Commission has announced that, in the future, it

will not permit Morwell energy to be retailed at such a profit, that may furnish to you a considerable degree of explanation as to why the Commission has come in for so much abuse, and so many hard knocks.

There is one other point in Mr. Ellery's evidence I would like permission to allude to. I informed the Committee very definitely that nothing in the nature of a request to purchase the Hopetoun Ward portion of the North Melbourne undertaking had been made by the City Council until the interview I had with Councillor Thonemann on 29th April. That was my definite statement, but Mr. Ellery, in his rebutting evidence, has reiterated the statement that negotiations for the purchase of one portion of this undertaking had been going on for many months. I invite the Committee once again to closely scrutinize the full reports of every interview, and the full text of every letter, both inwards and outwards, all of which are now before the Committee, to see if they can find the slightest vestige of a suggestion that there was anything in the way of a request for the sale of this enterprise before 29th April. In further confirmation of my contention, I have here a press cutting, from the *Argus* newspaper, dated 13th July, 1922, in which the Right Worshipful the Lord Mayor makes a lengthy statement, and, in the course of that statement, he gave utterance to the following:—

On 16th April, the Town Clerk had an interview with Sir John Monash.

that is within thirteen days from the date I speak of—concerning the probable purchase by the Commission of the North Melbourne Tramways and Lighting Company's undertaking. He stated that the Electricity Commissioners had not yet formulated any policy with regard to the undertaking that had passed into their hands, but he thought that if the council had any rights the Commission would be pleased to consider them at the proper time.

Now, that is a statement by the Lord Mayor himself as to the state of affairs on 16th April, and it entirely agrees with my own recollection, and it does not bear out the complexion which Mr. Ellery now wishes to give to the preceding interviews and the correspondence prior to that date. May I be permitted to allude to some questions that were asked by Mr. Eggleston of the Hon. Mr. Swinburne, in which Mr. Eggleston expressed a fear lest this Committee might unwittingly by its decisions in this matter determine what the future policy of the metropolitan supply was going to be. I do not quite know what was in Mr. Eggleston's mind; but I would like to explain that position just a little more fully. The future metropolitan policy will depend, not upon anything that this Committee at the present juncture is able to decide or recommend, but upon the future of the Melbourne Electric Supply Company's franchise. If it be decided that that franchise is to be extended for another ten years, then there can be no question of any change in the metropolitan conditions for another ten years; they must be allowed to continue, if that be decided, and then the whole of the questions now under discussion will be set at rest for ten years. It might very well be, under those circumstances, a proper thing, or a convenient thing, for the Melbourne City Council to take over the Hopetoun Ward; but if, on the other hand, it be decided, after full consideration, that the Melbourne Electric Supply Company is not to get an extension of its franchise, then the question of a scheme for the control of the metropolitan supply of electricity becomes a very pressing one, and, as I have said, will have to be settled very soon, not merely because it is pressing, but because all this conversion has to be carried out.

1174. *By Mr. Beardmore.*—Who controls this franchise, the Government or the Commission?—The Governor in Council, on the recommendation of the Commission. Of course, this is far too big a matter for the Commission to act without the full prior direction of the Government and Parliament. The Commission could not dream of exercising any power,

even if it had it, without fully laying the case before the Government, and having the matter considered in very great detail, and, as a matter of fact, at the present time, negotiations are in progress, and have been for some time, with the Melbourne Electric Supply Company, with a view to discovering whether a set of conditions can be arrived at to which the company will agree, suitable for an extended franchise, and at the same time calculated to protect the public interest, not only now, but ten years hence, because it will be perfectly plain that the country could not agree to an extension of the franchise if, at the end of ten years, the country would be placed in a worse position than it is in at present.

1175. *By Mr. Eggleston.*—Perhaps if I may explain at this juncture what was in my mind. It was this, that the question of the North Melbourne undertaking involves the question of the desirability of severance of the Essendon part from the Hopetoun Ward part, and one of the reasons given against this severance is that it would place this area, which would be treated as one, under the control of the two councils. Having decided for that one particular area on the evidence, is not that condition produced all round the metropolis in a similar way, and is there not—by deciding that question in this case, do not we practically decide it for every similar area round the metropolitan area?—No; I do not see how you do that, because of the other sub-stations. They are placed, it is true, without reference to municipal boundaries, but they are placed in such positions that the present existing state of affairs could be allowed to continue, not so efficiently perhaps. But supposing, for example, that Parliament were to decide that the present—what I have described as—chaotic conditions should for reasons of higher public policy be allowed to continue, then the existing ring of sub-stations as now being built will be suitable for distribution, although not so efficient as if there were no municipal boundaries.

1176. Of course, you have to take that in conjunction with your statement to that deputation that, in your opinion, not that municipal co-operation is fundamentally unsound, but that municipal distribution is fundamentally unsound?—I do not say that either. What I think, and what I said, is that distribution cannot proceed on the basis of municipal boundaries.

1177. That is what I understood you to say myself?—Yes.

1178. And also I notice in the north-eastern report you strongly advocate the creation of one district authority to deal with the whole thing?—Yes.

1179. And I was wondering whether all these statements were consistent with the pledge given by the Premier to the Melbourne City Council?—Yes; it is consistent to this extent, that the Premier's view and the Commission's view, and my view, is that the City Council must not be coerced. Our expectation is that when they realize the merits of such a scheme, they will become among the leaders of negotiators to bring such a scheme about.

1180. My strong feeling is that the ideally perfect scheme should be adopted in spite of vested interests, or so-called municipal rights?—That, of course, is a matter for Parliament. As the Commission cannot enforce such a view, it is no use entertaining it.

1181. What I mean is that this is one of the things this Committee should consider?—Perhaps so.

1182. What was worrying me was whether the Commission was giving to this Committee their real view as to a perfect system for the metropolitan area, and whether that system was consistent with the Premier's pledge to the City Council?—I am going to give the Commission later on a statement with regard to country distribution, and the full views of the Commission

thereon. This is a matter which is about to be submitted to the Government, and I have the Government's permission to make a full statement to this Committee about it, but I am unable to make such a statement about the metropolitan system, because quite definitely it has not been formulated.

1183. And you have special difficulties?—Yes. Until we see what will happen, it will be a waste of time and waste of paper to formulate anything.

1184. *By the Chairman.*—I asked Sir John whether he could give the Committee a statement of what their views are regarding this matter; and then, of course, in discussion, it has turned out that in regard to the metropolitan area, of course, they were not in a position to give any statement of their views until they had consulted Cabinet, but with regard to the country, he promised to give us, with regard to the country areas which were outside the metropolitan area, the views of the Commission with regard to those?—I may say this much, that many of the fundamental technical reasons which apply to the one case apply to the other. That is true, but I am unable to come forward with a definite scheme authorized by the Commission, and say this is the scheme we would like to see adopted for the metropolis.

1185. You would just be in the same position as Mr. Swinburne was in yesterday in giving personal views?—Exactly. I would like to make one remark about Councillor Johnson's evidence. Of course, it has been obvious to the Commission that Councillor Johnson is talking about a different occasion to the one of which I gave evidence. He is speaking about a deputation to the Minister, brought about, I think, at the instigation of Port Melbourne and Footscray, and which a number of other municipalities attended. Now, that was not the occasion to which I referred. The occasion to which I referred took place some months earlier, and was expressly and avowedly a conference of the whole of the municipalities served by the Melbourne Electric Supply Company. Footscray is not one of those, and Port Melbourne is not one of those, and other councils which have been mentioned—numbers of them are not. Coburg and Brunswick are not, and, as a matter of fact, that particular deputation to the Minister, of which Councillor Johnson speaks, arose through a circumstance for which the Electricity Commission has been very severely blamed in these quarters, but in respect to which the Electricity Commission is absolutely blameless, and it is most necessary to explain the position to this Committee, because there has been a recrudescence of these charges over and over again. In 1918, long before the Commission was ever heard of at all, Parliament gave to the Railway Commissioners power to distribute electricity in portions of Port Melbourne, Footscray, Williamstown, Werribee, and Braybrook, and the Railway Commissioners, in fact, exercised some of those powers, and were prepared to exercise a great many more when, in 1920, Parliament, under section 49 of Act No. 3104, transferred the whole of these duties and responsibilities to the Electricity Commission, and the Electricity Commission found themselves in 1921 committed by the Railways Commissioners to a number of contracts to supply a number of manufacturers in these areas, and proceeded to do so—contracts actually entered into and contracts under negotiation—moral and legal commitments, and that has caused suddenly a great objection on the part of Footscray. I do not know—I was not in the country, I was away in France at the time—I do not know if Footscray objected to this legislation at the time, but whether that was so or not, nothing was said by Footscray for several years until the Electricity Commission gave effect to the contracts which the Railway Department had negotiated, and except for that, the Electricity Commission has not done anything to exercise those powers.

1186. *By Mr. Eggleston.*—Relations had already been established with Kitchens?—Kitchens, Angliss, Mount Lyell, and a number of others. I cannot remember them all. There were quite a number. Supply is being given to-day nominally by us, but really by the Railways, and we are being blamed for this legislation. We are being blamed for administering the law. I do not like to allude to personal matters, but Councillor Johnson accused me of having insulted this deputation. A statement of that kind gets into the press, and gets telegraphed all over the country, and it is calculated to injure my prestige, and very seriously to impair my utility as a public officer, and I can only say that I deny the statement, and Mr. Eggleston, who was there, will be able to tell the Committee whether there is a vestige of truth in it. I certainly made a frank, strong, and definite statement. It is no use being mealy-mouthed with a deputation, but there was no intention of being insulting to any one.

1187. I do not think you were insulting to any one. You certainly disagreed?—I did; and it is my duty to do so if I hold certain views. With regard to Mr. Gent's evidence, that is given quite fairly, and the actual statement made by me agrees minutely with what he has told the Committee to-day, and I take no responsibility whatever for other statements I am alleged to have made elsewhere. I never made such statements.

1188. *By the Chairman.*—I would ask the press to take notice of that statement regarding the supply to Kitchens, and those places, that this was done in pursuance of the Railways Commissioners' policy. That is one of the things that are brought up against the Commission as a proof that they want to monopolize private enterprise?—It is done under the law.

1189. You took it over from the Railway Commissioners when their contracts were passed over to you, and that puts the saddle on the right horse?—I will put it stronger. The Footscray Council, which, as you know, has only monophasic electricity, has certain customers in its territory clamouring for 3-phase, and they have come to us because we are in a position to supply it. We have sold that electricity to the Footscray Council so that they might resell it to those customers. That, surely, is an answer to any charge that we want wantonly to interfere with Footscray. I want to make a longer statement on that at a later stage.

1190. This will clear up a lot of these vague stories that are about?—I hope so.

1191. *By Mr. Eggleston.*—At the present time, in connexion with the North Melbourne scheme, you are supplying power to other parts of the metropolis besides North Melbourne?—Yes.

1192. So that you are not dealing with that entirely in an isolated way any more than the City Council would do?—No.

1193. Is your position with regard to that area as advantageous as the City Council's would be—I mean just for the present moment till sub-station D comes into operation?—At the present moment we are in as just an advantageous position. It would take either us or the City Council twelve months to adjust matters for the Morwell scheme.

1194. Has the area been penalized by your taking on as against the City Council?—No. Assuming that the City Council took the matter over to-day, and had projected some improved methods of dealing with the area, they could not give effect to such methods for twelve months at least, and by that time the Morwell power will be available, and we will have adapted the area to receive it.

1195. I think with regard to the general question as to whether you gave a promise to the City Council which had the effect of keeping them from asserting their position, there are certain statements in the evidence that I have gone through since, that may be liable

to misunderstanding. On page 11 there was an interview between the town clerk and you on the 23rd September, 1921. It says here, on page 11, "The Electricity Commissioners had decided upon a price—which at present could not be divulged—for the whole of the undertaking—light and power, and tramways—and if the Government approved, they would go right ahead with their negotiations with the company"—I have not got that evidence here.

1196. I understood you to say that at this time there were no negotiations until March, 1922?—No; there were none. There was no offer made at all. I cannot understand that.

1197. That is his evidence?—I am quite sure that cannot be right. We had not talked about anything in the shape of a price in September, 1921.

1198. It seemed to be inconsistent with your statement that at that time there were no negotiations?—Quite so. I do not remember anything of the kind. There were no negotiations with the company until March, 1922. One moment—I think Mr. Ellery meant that the tramways had mentioned a tentative price to us as their share. That is what it might mean. What happened was that Mr. Cameron came to see me in a personal capacity long before we talked of any negotiations with the company, and suggested to me that this negotiation should be undertaken, and suggested a price, which I have since told the Committee was £40,000, as his share towards such a joint purchase, and the matter stopped there. Nothing further was done because afterwards that £40,000 was repudiated, and it came down to £25,000.

1199. *By Mr. Farthing.*—In your negotiations or talks with the representatives of the City Council, at any time did you produce or talk over the figures that would be necessary to buy out the Hopetoun portion?—Yes, on 29th April. I produced the figures with the object, as I have stated, of dissuading them, showing what a difficult and complex matter it would be to divide the enterprise up. The figures were produced with a view of showing how next door to impossible it would be to endeavour to work the enterprise as a severed concern. Those are the figures that are given in evidence.

1200. *By Mr. Eggleston.*—On page 11, in Mr. Ellery's letter to you of the 1st March, 1922, he finished up that letter by saying, "To remind you of the interview which Councillor Thonemann and I had with you in November last, when you courteously stated that nothing would be done which would be of a binding character unless and until the Melbourne City Council and other authorities had been consulted and duly approved of the proposition which might be submitted."?—That is so. That was adhered to. We got consents from both. We asked in writing. We wrote to the City Council some time in May and informed them that the purchase was to be made, and asked for their consent—no, it was not; it was on 6th April. It is on the correspondence.

1201. Would that not give them the idea that you were willing for them to be allowed to purchase?—There was no suggestion of any purchase. It was simply a question of giving their consent. I would like to quote the exact date of my letter of advice. It is dated 20th April.

1202. Yes, that is on page 12. On that occasion we asked them to consent, and asked them whether they had any charges against the company, and surely that was their opportunity of saying if they wished to say so that we object to this, or we agree on such and such conditions, or that we claim this and that.

1203. Mr. Ellery in his summary of rebuttal lays very great stress on this particular sentence on page 12. It says: "Further, that if the Commission dispose of the Flemington and Kensington area to Melbourne City Council, it might

be necessary to revise these values, as the loss of this area might affect the value to them of the remainder. They were not desirous of selling their rights in the area, but would not oppose the Melbourne City Council if the latter were prepared to pay."?—The fact is the direct opposite. Mr. Liddelow and I both gave evidence that at that interview I told Councillor Thonemann that I would not commit the Commission in any way in regard to it. I deny that absolutely. Those are not my notes.

1204. Did you use the words "Would not oppose the interests"?—Certainly not.

1205. Even as regards yourself?—Even as regards myself. I was not in favour of that course, and I did not know the views of the Commissioners until I consulted them.

1206. In that exchange of views did you ever say you would not oppose the Melbourne City Council?—Assuredly not—most definitely.

1207. *By Mr. Farthing.*—Following on that, I have a note here with regard to your interview of 7th June—I think when all the Commissioners were present, and Mr. Ellery stated that you said that "Our concern is how we can concede this. I understand the City Council will agree to any terms we like to ask within reason"?—Yes.

1208. Did you make that statement?—Yes. I was summing up what had been said on that occasion. I did say that.

1209. Well then, on 6th April I have a note that you stated that the City Council would have to pay for what they wanted on the basis decided by Parliament?—I never said such a thing—not on April 6th, because there was no suggestion on April 6th of any purchase by the City Council. It did not come along till April 29th. On April 6th I did not know the company was going to accept our offer.

1210. *By Mr. Eggleston.*—Of course it is clear here in this interview of April 29th?—I have already said that when Councillor Thonemann and I parted, he said he would go to the Electric Supply Committee and put to them all that I said and see whether they were desirous of pressing the demand or request for purchase. I pointed it out to him in extremely gloomy colours and tried to dissuade him on financial grounds. I said "Why bother about it?" I said "In twelve years' time you will get this enterprise for nothing, especially as the severance of it now would mean serious injury to the undertaking." Those are the very representations I made. That is the very tenor of the whole interview. That is after the Commission had agreed to purchase.

1211. There is only one other thing I want to ask you, Sir John. In several of these letters there is the question of embarrassment to the Government, and the City Council representatives seemed to think that referred to a general political embarrassment, but I take it that the embarrassment you referred to was the embarrassment in the negotiations with the Melbourne Electric Supply Company?—That is so. It was purely a business embarrassment.

1212. *By Mr. Deany.*—There is another statement you made on the 7th June at that deputation, which appears to be rather definite. You yourself put the question to Councillor Thonemann, "Do you think the City Council will be embarrassed in any way by this area being continued to be owned by the Electricity Commissioners? If you think so, I would like you to say so frankly." Councillor Thonemann in reply to that said, "I do not think you would do us any damage—not a public body like you." I suppose you remember that?—Yes, I remember that.

1213. That was given in the evidence of Mr. Ellery?—Yes.

1214. *By Mr. Eggleston.*—Of course there is the Town Clerk's statement on page 14:—"There are two points—(1) Will the Commission treat with us, and

secondly what are the terms?" That was on the 7th June?—The Town Clerk was very definite on that occasion. It had been a long conversation, and evidently Mr. Ellery had been losing his patience, because he put it very emphatically. He said, "There are just two questions, will you sell, and how much?" and he made it very emphatic indeed. Sir Robert Gibson has still to give evidence, and he will confirm what the other Commissioners have said, that there was not a suggestion on that occasion that the City Council had felt that I had in any way committed myself or the Commission. That was the time to say so if they thought so, and they did not begin to say so until long afterwards.

Mr. Ellery.—We could not until we got your reply.

The Witness.—I would like to ask the ruling of the Chairman on one point. There are several other matters on which I know the Committee would desire me to speak. For instance, insinuations have been made as to the excessive cost of the Morwell scheme.

The Chairman.—That does not matter just now. Later on we will have that. We will have a more general discussion as to the different schemes.

The witness withdrew.

Herbert Reab Harper, recalled, and further examined.

The Witness.—I want to make a few comments on some evidence put forward by Mr. Lane yesterday on behalf of the City Council. Mr. Lane, in arriving at what he thought was a fair provision for capital charges on the North Melbourne undertaking, divided the purchase price into two parts. The purchase price was £86,000, of which £41,000 was to be reckoned as good-will, and £45,000 (the balance) being what may be termed the tangible assets. Now, he arrived at the capital charges on these two items in two different ways, and if we take the tangible assets first as represented by £45,000, he allowed for interest at 5 per cent., and in the case of the City Council he said that depreciation would be sufficient if he allowed 4 per cent. As you all know, the Commission having purchased this undertaking, has had a condition imposed upon it of writing off the purchase price in twelve years, or by the end of the original term of franchise (1934). Now, Mr. Lane's provision for depreciation of 4 per cent. would be all right if the asset on which he was basing his calculation had been brand-new and brought into existence to-day, but we all know that the undertaking has been in operation for eighteen years, and I am satisfied that no engineer to-day would want to give a life of say, eighteen years, plus twenty-five years—say forty-three years—to the assets that have been taken over from the North Melbourne undertaking. At the outside, one would allow twenty-five years. Eighteen years having already expired, there remains seven years in which one has to write off the value of the tangible assets. I do not know if I have made myself clear, but I will just go to the blackboard and illustrate it, or attempt to do so. Suppose we have an undertaking worth £100 in the year in which it is brought into creation, and suppose the physical life is twenty years. Depreciation may be considered as a straight line. That is to say, depreciation should so operate as to write off the whole capital expenditure, £100, in the twenty years, and that could be done by putting aside roughly 5 per cent. of the original cost per annum. Five per cent. per annum for twenty years, without allowing for compound interest, would reduce the capital value to nought in twenty years, but supposing some one came in and bought it at ten years, he would buy it at the present value, viz., £50. That is the condition under which the Commission has bought the North Melbourne undertaking, but it would be no good continuing to provide depreciation on the present value of £50 and 5 per cent. You would have to increase

the provision for depreciation to 10 per cent. in order to liquidate the present value at the end of the period. Have I made myself clear?

1215. *By the Chairman.*—Yes, I think so?—I will just repeat myself. If the undertaking had been allowed to run right through its period of twenty years under one ownership, depreciation would have been provided for by a 5 per cent. per annum provision for twenty years, thus returning the whole of the capital of that asset in twenty years, but in the middle of the franchise an undertaker such as the Commission comes in and secures it at to-day's value of £50. The Commission having done so, has to retire the asset at the end of the twenty years' period because the asset will then be worn out. It will not exist longer than twenty years. In order to do that, the purchaser has to put aside 10 per cent. per annum on the £50. The next best thing is to pay a higher depreciation on the reduced value—the present value. That is the difference, and that is why I say that whether the City Council or the Commission take over this undertaking, they must provide for it in that way—to write off the whole of the capital cost by at least the end of the franchise. The other item making up the purchase price was £41,000, viz., good-will. I do not know how they arrive at that. It seems to me a very high valuation of that part of the undertaking, which may be said to be obsolete, and will have to be replaced during the next year. It is supposed to cover the power station, and I should place that value at not higher than £25,000, but even with that valuation I think that item ought to be retired entirely within the twelve years coming. No depreciation would have to be provided for, I will admit, but it is not desirable that any undertaking should carry a dead asset in its accounts in the shape of a power house which has been scrapped. It is far better for it to arrange for the writing off of the old value in as short a time as possible. So far as the capital charges are concerned, whether the Commission or the City Council have charge of that undertaking, I am of the opinion that capital charges would be the same in either case. Before getting on to the next point, I would like to say this, that whether the City method or the Commission's method is adopted, the financial result, so far as the consumer is concerned, over a very long period of years is the same. If the Commission writes off all the loan indebtedness by 1934, the consumers in that area would by this benefit by lower charges, because there would be no capital charges to provide for. There would only be operating costs. Another point that Mr. Lane touched on was the question of load factor and diversity factor. These are wonderful terms, and I think that too much latitude is allowed men nowadays in trying to get over difficulties by using such terms as "load factor" and "diversity factor." Mr. Lane said in his evidence in effect that if the City was able to supply North Melbourne and the city proper, that the demands would be combined by the City, and taking advantage of the diversity factor the resultant price per kilowatt hour would be lower than if the Commission were supplying the North Melbourne area from its sub-station in that area. He pointed out, too, that the load factor of the City was 33 per cent.—that by combining the two areas they could improve the load factor to 34 per cent., which would result in a certain saving. All I can say here is that diversity—in fact I had better explain myself on the board again. It is rather a good way. What is diversity, and how does it affect the cost of supply? There are two consumers, say, each wanting 100 horse-power. This is a 100-horse-power block, and these are hours—times of the day. Between 2 and 3 o'clock the first consumer takes 100 horse-power. Another consumer also wants 100 horse-power between 2 and 3 o'clock, and therefore the total demand on the Commission would be 200 horse-power. The second consumer, however, might take it at some other time

than between 2 and 3 o'clock. If he did, the demand on the Commission would only be 100 horse-power, although the Commission would be supplying two consumers of 100 horse-power each. Now, when we can get two consumers to take their demand in that way, we say there is a diversity of demand in point of time. One consumer takes it at one time, and there is a diversity in regard to the other consumer, because he takes it at some other part of the day, and the immediate benefit to the Commission, and to the community, and to the consumer, is that two consumers can be supplied with 100 horse-power each, although there is only a demand on the Commission's power house of 100 horse-power. The financial result is that the Commission's power station can be used to greater effect or it can be smaller in capacity—one or the other. Now, if the Commission can supply two consumers in that way, each of 100 horse-power, and only taking 100 horse-power from the Commission's station, and supposing that the Commission's power station was 200 horse-power, the Commission could sell another 100 horse-power, and with the revenue obtained from that third 100 horse-power, less cost of operation, could reduce the price to the three consumers. That treatment can be applied to the North Melbourne area. If the City and North Melbourne demand show a diversity, the Commission, if operating North Melbourne, can give itself a portion of the benefit of that diversity in the North Melbourne area, and at the same time give the City the other portion of such benefit due to diversity. The Commission would therefore be in as good a position in North Melbourne as the City would be if it were supplying North Melbourne. I do not know if I have made myself clear there.

1216. *By Mr. Farthing.*—Supposing you were supplying that 200 that you have there, what would you charge, say, per kilowatt—for the 100 or the 200; supposing you were supplying these two blocks?—We would supply at the cost of 100. Before we actually got into the operation stage we might not be able to quote exactly at 100. We would require to have a margin for eventualities, but having got into the operating stage, and, if things have turned out as we estimated, we could then come down to the 100-horse-power basis and give the consumer the benefit of the diversity.

1217. *By the Chairman.*—If you supply one at a different hour from the other, they would get the benefit of the reduction?—Yes, certainly. Sometimes the blocks of demand do not quite get clear, but overlap a little. Whatever reductions or whatever benefits are due to diversity, the Commission will hand them over to the consumers. Some people seem to think that diversity is capable of producing large sums of money which the Commission is going to keep in its pockets. The Commission is out to sell current at no profit, and if the distributors will sell at no profit, the full benefit of diversity will go to the consumer.

1218. *By Mr. Eggleston.*—At present is there a diversity between the Commission and the Council itself with regard to the North Melbourne. At present is North Melbourne being supplied from the North Melbourne power house?—Yes.

1219. It has been treated as one area?—Yes, a self-contained area.

1220. Therefore at the present moment there is no diversity factor in the case, is there?—No.

1221. Supposing there is as between the Melbourne City Council and a particular area, won't the Melbourne City Council be able to give that area a certain amount of advantage?—So would the Commission.

1222. The Commission are not supplying this particular area from any of their stations?—Not to-day.

1223. *By Mr. Eggleston.*—But until sub-station "D" comes into effect, might not the argument be valid?—If so, it could be only for a period of twelve

months. We expect to change over to the Commission within twelve months.

1224. But is Mr. Lane's argument valid for the present moment while the Commission is treating this area as self-contained. Of course, Sir John Monash answered that by saying that the City Council could not take over in twelve months?—No; the North Melbourne could not change over because it is a direct current job.

1225. So this area is not being penalized at present by the Commission taking up that attitude, and treating it as a sub-area?—No. Those are the two factors which come into the question of transfer at North Melbourne, the capital charges and load factors with diversity.

1226. He also mentioned something about the City Council and their constant load—as to the constant load, if supplied from Morwell, and the peak loads then being taken from the City Council power-house. You heard his argument, which I did not understand?—Yes; but I was not able to follow him closely from his diagrams. I do not think there is anything in it as far as I can see.

1227. At any rate, would that apply all the way through, or only while the sub-station "D" was not working?—I think that argument he put forward would apply only when the supply is available from sub-station "D."

1228. *By Mr. Lind.*—He showed by that graph that if they purchased their energy from the Commission, and the Commission quoted the sum of £7 per kilowatt on the maximum demand, plus .09 per unit, then he says the North Melbourne with a load factor of 25 per cent., and the City Council's territory with a load factor of 33 per cent., would then show a profit if the City Council served the whole of that area, including Essendon?—No; the City Council could not afford to add the load factor of the city proper to North Melbourne. They could only give a share of the advantages due to diversity.

1229. Mr. Lane accepted that as being very much in favour of the City Council serving this particular part, and he said it would save the people in that area £30,000?—He did not mean £30,000 in that area. I think he said that was the amount it averaged over the whole 50,000,000 kilowatt hours supplied to the combined area.

The Chairman.—I thought he made it apply to the whole area.

1230. *By Mr. Lind.*—I asked him if he meant there would be a saving to the people there of £30,000, and he said he would bring in another graph. It appears in the evidence, in reply to myself, where he said, "I am prepared—reads down to the figures "£30,000"—and he says also, "To the whole of the consumers to be supplied by the Melbourne City Council over the whole area"?—Yes; the whole output of the city and of North Melbourne. In other words, he says there will be a benefit by combining the two areas, and that benefit will be divided over North Melbourne and the city. I say if the Commission has charge of the North Melbourne area, it can obtain the same benefits, and allow a fair portion of them to the city, and a fair portion to the North Melbourne area. The benefits only arise from diversity of the two demands for high-tension current from the Commission's main sub-stations.

1231. He says they would have that benefit owing to the difference between the 25 and the 33 per cent. load factor?—That is not so. He points out that the loading factor in the city is 33, and in North Melbourne 25, and by a process of fusion, whether under the auspices of the Commission or the City Council, the improvement of the load factor is to be obtained. I do not view it in that way, but say the benefit is obtained in the diverse use of the bulk supplies.

1232. *By Mr. Eggleston.*—I put it to you, and to him, that it was ridiculous that the North Melbourne area, with a 25-load factor, and the city with a 33-load factor, could combine to the advantage of the City Council?—Yes.

1233. So the profit that may be paid is the profit to be obtained by the diversity factor?—There is some diversity.

1234. That therefore raises the point that the load factor of the two would be over 33 per cent.?—Yes, 34.

1235. I also put it to him, on page 74, "Now the City Council is proposing to purchase energy from the Commission"—[reads down to the words on page 75, "that they should both participate in the supply"]. Do you think that argument is sound?—That is to say that for some portion of the demand in the city, the peak demand, they prefer to run their own plant. It is possible for that portion of the peak. I take it that the plant will be used only for the peak demand in the city.

1236. *By Mr. Lind.*—Did you see his graph yesterday?—Yes. The City Council plant will be used for the peak demand in the city, but I do not see how it will have any effect on the sub-station demand in the North Melbourne area, because the diversity, as Mr. Lane explained, indicates that the time of maximum demand in Essendon was different to that in the city.

The witness withdrew.

Ernest Bate, Electrical Engineer to the State Electricity Commission of Victoria, examined.

1237. *By the Chairman.*—What do you wish to place before the Committee?—I have only a few remarks to offer on the subject of the evidence given by Mr. Lane, the Acting City Electrical Engineer, yesterday afternoon regarding the effect of combining the demands at sub-station "D" and sub-station "J," when energy is taken from the Electricity Commission. I refer particularly to the influence of this combination on the charges of the Essendon and Flemington undertaking. Mr. Lane's technical arguments were not stated in an extremely precise manner, so one is forced to conjecture to some extent the arrangement which he suggested he had in mind in order to achieve the economy of £10,000 on the Essendon and Flemington undertaking alone. However, a short examination of the curves has led me to this conclusion: that either he proposed (in his combination of the steam plant of the City Council, with the supply from the Commission) to transmit from sub-station "J" through cables belonging to the City Council, the demand to meet the Essendon and Flemington peak, or else that he proposed to purchase energy at both sub-stations, and to get it at "D" on the 33 per cent. load factor. Now, assuming that the City Council owned the whole plant for the Essendon and Flemington undertaking, and the inherent load factor at "D" was 25 per cent., and that sub-station would be worked at the 25 per cent. load factor, the load factor of "J" being 33 per cent., then it would need special electrical arrangements to be made at the meters for the City Council to get the benefit of the combined demand. You will understand there would be one meter at "D" giving a certain maximum demand at a certain time—that is, the North Melbourne 25 per cent. load factor, but there would have to be another meter at "J." If this combined loading was to be indicated so that the combined load factor could be arrived at, it would need a special meter, but it could be done. Now, assuming that that is what was in Mr. Lane's mind, let us see what the precise effect is compared with the condition under which the Commission would be supplying that area. A definite amount of energy would be supplied to these two sub-stations in either case. I think that will be granted, whether the

supply is from the City Council or from the Commission—a definite amount of energy would be required in both instances. Now, the Commission has expended a certain amount of capital, a definite amount, in providing these two sub-stations, and the apparatus to meet that demand. Whether the Commission or the City Council run it, the capital is the same, and the capital charges are a fixed amount for the energy which is supplied. Therefore you must have a definite capital expenditure to be borne by either one or the other, no matter who supplies these two districts.

1238. *By Mr. Deany.*—That is after the next ten months have expired?—Yes, when supplies are available from Morwell. Therefore, you have a definite expenditure at the expiry of this time in either case. That being so, the conundrum is—where does the saving of the £10,000 come in? To the layman it may be difficult to understand, but I might put it in this way, that it will entail the installation of two special meters at these two sub-stations, so that you may get the benefit of the combined demand at these sub-stations. I want to further point out that it is quite possible that the City Council might be given such a contract as would cover that. It is not outside the range of possibility, but still if the Commission could give the Melbourne City Council such a contract, and sell it to them, and sell this energy at each sub-station, then it could sell it to itself as well as to the City Council. Having incurred the expenditure of material and capital charges, it is perfectly clear that the Commission could afford to sell the energy itself under the same conditions. Therefore, the saving, it appears to me, of this £10,000, is not an actual saving at all, or, at any rate, not an economic saving. The capital expenditure to a very great extent is the same, and the coal account is the same. It merely means that the Commission, in framing that contract, would have to take note of such a condition, and increase its charge accordingly.

1239. *By Mr. Farthing.*—Would the Commission charge through its meters in exactly the same way as the City Council would—I mean to the retail consumers?—That all depends on the tariff fixed.

1240. Could the Commission take any advantage of the bulk supply?—They could take the same advantage as the City Council, in view of the fact that the Commission supplies in bulk. It is like wholesale houses supplying goods to retailers. The wholesaler can sell to himself at the same rate as to any customer.

1241. *By Mr. Lind.*—You say they would be able to take advantage of that 33 per cent., and they would be only starting off with 25, the same as you would?—Precisely. If the Commission made an arrangement to sell at sub-station "D" under such conditions that they would agree to combine the demand in respect of stations "D" and "J"—if they would agree to such a condition in selling to the Melbourne City Council they could very well agree to do it for themselves.

1242. *By Mr. Farthing.*—The Commission has agreed to sell energy at £7 per kilowatt?—Yes.

1243. *By Mr. Eggleston.*—Is that at sub-station "J"?—I understand that that is at metropolitan sub-stations, and it has been said in evidence it applies to "D" and certainly to "J."

1244. *By Mr. Farthing.*—Would it not be possible for the City Council, with a bigger sphere of operations, where they are supplying at the present time, and combined with the North Melbourne or Hopetoun Ward—would it not be possible for them to give their supplies of energy at a lower rate than the Commission, the Commission operating in Hopetoun only?—But for the purchase of their energy there is the cost from sub-station "D," assuming they take it from "D." As Mr. Harper has pointed out, the Commission is not out to make a profit, and if we can use sub-station

"D" to such effect that we can get 100 per cent. load factor through this apparatus, then the consumers of the metropolitan area will benefit accordingly.

1245. I understood from Mr. Lane that with regard to the peak of flow of electricity the City Council propose to take that from the Commission, and they would take at a certain rate, using their own installation at the present time for the peak load?—Yes, in the present city area.

1246. By buying it in that way, would it not be possible for the City Council to do it at a cheaper rate than the Commission for the Hopetoun Ward only?—It is not technically possible, or only possible if the City Council is prepared to transmit from sub-station "J" the demand of the North Melbourne area. Sub-station "J" is the metropolitan area.

1247. By Mr. Deany.—Is not that what Mr. Lane suggested—that they should purchase the maximum of 10,000 kilowatts at sub-station "J" and then distribute it from that point. They would then have the advantage of the 33 per cent. loading factor there, and of the 25 at "D"?—But the unfortunate fact is that sub-station "J" is in the city, and the Essendon area stretches away eight or ten miles out.

1248. You think they could not do it economically?—Precisely. It means transmission of the peak demand of that area out from "J," and in order to get that advantage it would mean ignoring sub-station "D."

1249. By Mr. Lind.—Did you hear Mr. Lane's evidence?—Most of it; but I failed to grasp some of the vital points, as it was not sufficiently precise.

1250. Sub-station "J" is outside the area proposed to be served—the Essendon area. Looking at sub-station "J" on the map here, as Mr. Lane pointed out to us, he endeavoured to show that energy being transmitted from that sub-station "J" to the area marked blue would be transferring the load through a congested area, where the load factor was 33 per cent., whereas the other sub-station "D" would be in an area with the lower load factor of 25 per cent. Therefore, he endeavoured to show it was to the benefit of that district to be supplied by the City Council, by reason of their having a station here in the metropolitan area from which they would transmit the power. I would like to hear what you have to say upon that?—Suppose you take this Essendon area from where it appears now and move it further out here—[indicating]—then you must transmit from your central station to away up there—[indicating]—and you get another network superimposed in the Commissioners' system.

1251. Then you think the higher loading is not helpful?—It is transmitting to an area, not through an area, which is important.

1252. By Mr. Eggleston.—Is this special price for 10,000 kilowatts a special rate for a large demand?—It is a calculated rate for that particular demand.

1253. When you quote that rate, would you supply at that rate for that block demand from two different sub-stations?—No, certainly not, for the simple reason that we start out from the Yarraville terminal station and to get to "J" sub-station we have to have cables and transformers. That is a capital charge, and to get to "D" sub-station you must have more cables and more transformers.

1254. Therefore, if the City Council got a contract with the Commission for 10,000 kilowatts at that special rate, it would only be for that one sub-station?—Yes.

1255. And if the demand at sub-station "D" was below 10,000 kilowatts or below 5,000 kilowatts, they could not get it at that rate?—Certainly not. They could have it at one station, but not divided between two.

1256. Suppose they had a contract with the Commission for 10,000 kilowatts at the special rate of £7, and they took 7,000 at "J" and 3,000 at "D," would that special rate apply then?—Provided the two demands were coincident. Suppose the City Council

wanted 10,000 kilowatts, and made a contract and said they wanted to be able to draw that 10,000 kilowatts either at sub-station "D" or at sub-station "J," then the demand at "D" might last until 12 o'clock and then stop, while the demand at "J" might last the rest of the twenty-four hours for the 10,000 kilowatts. That would mean we would have to provide apparatus to carry that 10,000 kilowatts from the Yarraville station to two places instead of one place. That is what we call diversity.

1257. But your special rate could be applied in that way?—It would need an increase in the rate.

1258. Mr. Lane's argument seemed to turn upon that?—That is precisely what struck me, but it was not clearly stated. If that was the basis of the argument, it would not be valid.

1259. He suggested that having got that bulk supply of 10,000 kilowatts for the station, he could then meet the peak demands from their generating station in Spencer-street?—Yes, that would be from "J."

1260. And transmit the peak demand for the whole of Melbourne and North Melbourne area?—If he did, it would involve the cost of special transmission, and that would involve additional expense.

1261. By Mr. Lind.—If they are able to obtain 10,000 kilowatts at the metropolitan station, and transmit it from there to this area, it would appear they could do it much more cheaply than you could from sub-station "D" in an area with a lower load factor, which would appear to bear out his argument?—I do not think so. It would mean they would have to duplicate our transmission system to do it.

1262. You claim they would not have any advantage in having that 10,000 kilowatts supplied directly to one station in bulk?—On the contrary, they want to draw that 10,000, and do it from both stations.

1263. Mr. Lane pointed out that the 10,000 kilowatts would be taken where it is marked blue on the diagram?—But it is the red portion here that is the portion controlled by the City Council.

1264. They were to supply that themselves?—They could do that.

1265. And they would cover the other, the blue, by taking this large quantity of 10,000 kilowatts up to this point—[indicating]—and they would get it at a lower rate from you than if they had one centre at "D" supplying half, and another at "J" supplying half?—Yes, but they overlook that they must send that out to the area.

1266. By Mr. Eggleston.—Your criticism is that it is not stated whether the 10,000 kilowatts will be spread over the whole area or whether the peak demand over the whole area is to be made from Spencer-street?—No.

1267. If that took place, it might mean additional expense?—Yes.

1268. By Mr. Farthing.—Mr. Lane put it in three different ways in regard to this combination. If the City Council were to purchase that block of 10,000 kilowatts from the Commission, and considering that the peak load factor of the city was 33 per cent., and the load factor of North Melbourne 25—taking those things in combination, he said quite clearly that he thought he could use those to produce electricity at a lower price both in the city area and the North Melbourne area. I would like to know if that is possible from the electrical point of view—to combine the demand of those two places?—It would be done by the Commission.

1269. But the Commission could not come in on the City Council's undertaking?—But the Melbourne City Council have already made up their minds to purchase through "D" according to the town clerk.

1270. But the Commission cannot take over the City Council's undertaking, and his statement was that by combining the operations of the City Council and the North Melbourne undertaking that electricity could be

supplied cheaper. Do you, as an electrical engineer, think that is possible?—I am afraid it is very difficult to say, without further facts. I am afraid, on the facts which have been put forward by Mr. Lane, it would be difficult to adjudicate, though I would only be too glad to do so fairly.

1271. He made that statement clearly, and I think satisfied most of this Committee that it could be done?—The only way would be by an economy out of the pockets of the Commission. That is by economizing in the demand from the Commission.

1272. *By the Chairman.*—As I understand it, your evidence amounts to this, that seeing that the City Council would have to expend £10,000 to make North Melbourne available to their organization, that they therefore could not supply more cheaply than the Commission could?—I feel perfectly certain upon that.

1273. Summing it all up, you say you dispute the statement that the City Council can supply for less money?—Yes, precisely.

1274. *By Mr. Lind.*—We had Mr. Lane's evidence one way, and now we have another expert telling us something different. I would like some further evidence upon this point?—If I may say so, the only way in which any hitch could come in would be that the City Council might say they refused to purchase from sub-station "D." If the load factor at "D" can be improved by giving supply to these parts of the City Council's area contiguous to "D," then I am certain it will prove economical to both parties for the City Council to obtain their supplies from "D." There can be no question in that area that they can compete with energy supplied in bulk at the same rate.

1275. *By the Chairman.*—That might equalize matters?—Absolutely.

1276. *By Mr. Eggleston.*—In regard to Mr. Lane's statement on page 75, where he says, "What we most require"—[reads down to the words "Company's territory"]—does he mean that with a constant demand in that area from sub-station "J," there should be a special rate if they draw from "D"?—They said they would draw on "D."

1277. But he did not say there would be a special rate for 10,000 kilowatts obtained from "D"?—My impression was that his peak demand in regard to the steam plant applied to the city area. That would appear to be logical, having regard to the City Council area as an investment.

1278. He inferred it was the peak demand for the whole area, and if for the whole area he would require special transmission to convey the power from the generating station?—That is the flaw in his argument. I have here a diagram showing the peak of the North Melbourne undertaking. The part marked blue is supplied from "J" at the peak demand. The actual loading is shown by a line here—[indicating]—and therefore this demand must be sent out from "J," seeing it is drawn in at "J." I understood his contention was that they would draw on the two stations for the demand—the 10,000 kilowatts.

1279. *By Mr. Deany.*—Then they will not get it at that cheap price?—No.

1280. *By Mr. Lind.*—I think Mr. Lane conveyed the impression that was if it was supplied at one station?—That is not right, but if so, then they must bear the cost of transmission to the other area, which will load the price. It was definitely stated by them they intended to draw from sub-station "D." In that case, I cannot see how they can possibly be in a better position than the Commission to sell this energy. The cardinal fact stands out that the Commission is only too anxious to supply at the best load factor from its system.

1281. *By Mr. Eggleston.*—In fixing the £7, did you take into account the city load factor as 33 per cent.?—

That is fixed automatically by the maximum demand tariff.

1282. If the load factor is 27 per cent., would the charge be any different?—No. Of course, within a few years the whole of the basis upon which the present curves are drawn may have changed.

The witness withdrew.

Gerald Bruce Lincoln, consulting engineer, examined.

1283. *By the Chairman.*—What particular matters do you wish to bring before the Committee?—You have kindly allowed me the privilege of discussing the whole of the matters which are before you, but before giving my evidence I feel that it is due to you as well as to myself to make a personal explanation. The value which you will attach to my evidence will naturally depend largely upon the reliability which you place upon me as a witness, and if I am made to appear as an irresponsible who makes reckless statements, the value of my evidence before you will be very largely discounted. In reply to a statement by Mr. Deany that when in Warrnambool recently I had said that the Commission was committed to an expenditure of £1,200,000, Mr. Harper stated that the total expenditure to date was £1,300,000. This would certainly suggest that I was endeavouring to discredit the Commission with false statements, but my information was obtained from *Hansard*, page 1636, wherein the honorable the Treasurer stated as follows:—[*Reads from "The amount asked for" to "£4,205,000."*] I really feel that whether this information given by the honorable the Treasurer was right or wrong, it was the most reliable that was available, and that I was, therefore, justified in quoting it. Certainly no misrepresentation was intended on my part, nor, I think you will agree, was any made. There is another matter which is of equal importance as affecting the value of my evidence, viz., my attitude towards the Commission. Now, notwithstanding anything you have heard or may hear to the contrary, my desire is now, and always has been, to support the Commission in all its good works. This is evident enough from my actions. When the Hampden Council retained us to prepare a scheme for that district, I took all my figures and all details along to the Commission, and discussed the matter and received the moral support of the Commission, and when the transmission scheme was prepared, although we made it quite clear at the time that the benefits to be derived were more a matter for the future than the present, and might not be great in any case, we indorsed the proposal from a broad stand-point, and, contrary to discounting either the Commission or the scheme, we pointed out all its advantages. Had we not done so, I greatly doubt, very greatly doubt, if Warrnambool would have joined in, and the scheme would, therefore, have dropped. This is not in accordance with the idea that we are opposed to the Commission. Again, in his evidence last week, the Chairman of the Commission stated that the Commission refused permission to Dandenong to extend its plant, because it could be served from Morwell. This, however, is contrary to fact. Rather than refusing to allow Dandenong to install additional plant, the Commission had to be approached by us with a request for such a supply. I have here, Mr. Chairman, copies of letters which passed between the Commission and ourselves, and you will see from them that in this case we endeavoured, as, in fact, we always do endeavour, to avoid any undue expenditure on the part of our clients, and approached the Commission in March, 1920, asking that a line be constructed by the Commission between Dandenong and either Mordialloc or Oakleigh. This line would serve as part of the 22,000-volt line which the Commission intended erecting round Melbourne, and would, in the meantime, allow energy to be transmitted from the Melbourne Electric Supply Company to Dandenong.

thus saving the council from putting in extra plant. This request was refused on 1st May, and we had, therefore, to increase the plant capacity. We, however, put in the smallest and cheapest set possible, and struggled on until the position was desperate, and we again applied to the Commission in July, 1921, repeating our former request, which was then granted in August. These letters are not put in simply to contradict the Chairman of the Commission, but to prove to you that we have always tried to work in with the Commission, and that we are not opposed to it. I venture to say, gentlemen, that such actions on our part are more conclusive proof of my contention than may appear on the surface, for every one of them deprives ourselves of a considerable amount in fees. I have no desire to pose as a hero or a martyr, but I certainly do resent having our actions and motives misrepresented after voluntarily foregoing a large part of my income through them. As I say, we are not opposed to the Commission at all. Our only opposition is to some of the actions of the Commission—a very different matter indeed. I wish to thank you for granting me permission to address you, and I trust that the facts which I have to place before you will be of some assistance in your consideration of this important question. The Bill under review, while quite short, deals with matters which are of vital importance to the whole electricity supply industry throughout the State, and I shall endeavour to show not only that the proposals contained therein are in themselves objectionable, but also that the Electricity Commission is not the correct body to be intrusted with the extra powers and responsibilities attached thereto. Section 2, sub-section (1) limits the scope of the section to areas beyond the radius of 25 miles from Melbourne. Considering that, according to the Commission, nine-tenths of the electricity consumed in the whole State is used in the metropolitan area, surely if the powers in the Bill are necessary for the advancement of the industry in the State, there is nine times the necessity for them in the metropolitan area than in the rest of the State? Under sub-section (2) any council or number of councils may apply to the Commission for a supply of electricity, and on receipt of such application the Commission shall prepare estimates of expenditure and of annual costs and revenue, and subsequent sub-sections provide that if the Commission is satisfied that the revenue to be derived will meet the annual costs of the supply, the Commission may, on the approval of the Governor in Council, carry out such works. Sub-section 5, *et seq.*, provide that if the Commission is satisfied that, though the revenue will not be sufficient to meet costs (presumably during the first year), but that, at the end of ten years this happy state of affairs will exist, the scheme may be proceeded with after receiving the approval of the Minister and Parliament. Now, to begin with, it is a fact well known to all engineers conversant with electricity supply that no scheme will pay for itself during the first year, and very few before the third or fourth, so that on the reading of the Bill it is apparent that sub-sections 2, 3, and 4 are useless unless the wording means that the first years are to be omitted from any calculations, and under these circumstances why specify ten years in sub-section 5? Assuming, however, that such a loose interpretation is given to sub-section 2, then it only requires the Commission to prepare estimates which show the proposal to be economically sound for the scheme to be proceeded with. (I presume that the Governor in Council will usually accept the advice of the chief technical advisory body in such matters.) It is important, therefore, to consider what are the qualifications of the Commission to prepare reliable estimates, as, of course, the whole matter hinges upon this factor. The Commission has prepared several schemes, containing estimates, so that there is a fair amount of material available on which to form

an opinion. In the first place, the Morwell estimates were prepared in 1919, when prices were just about at their zenith, and considerable savings have been effected through the prices falling since then, and through aluminium cable being used for the transmission line. Nevertheless, the original estimates of 1919 were no credit to any one. Thus, it was estimated that Melbourne would be amply served by a single transmission line costing £323,102, though Mr. Merz reported that it was necessary to install a double line. The cable, towers, and insulation alone—apart from labour, &c., and apart from the patrol telephone line, will cost approximately £260,000. The actual cost will therefore probably exceed the estimates, though prices have fallen and aluminium cable has been used, which was much cheaper than copper, upon which the estimates were based. Furthermore, a little item like the Newport "B" power house, costing about £800,000, was completely overlooked, though if the Commission is to generate all electricity, such a station is absolutely necessary. If it were not necessary in the first place, then why put it in? The reason stated is that it was necessary in order to meet the demand prior to Morwell being completed, but surely it is just as important to be accurate in respect to estimates of time as estimates of expenditure, &c. Otherwise, of what value will be the estimates of revenue (one might class them more as prophecies than estimates) ten years ahead, as provided for in sub-section 5 of this Bill? Other estimates and statements contained in the 1919 report are on a par. For instance, it was definitely stated that 25,000 K.V.A. turbo-sets would be used in preference to smaller units, even of 15,000 K.V.A. capacity, owing to the greater efficiency, &c., of machines of such a size. When tenders are accepted, however, we find that 12,500 K.V.A. sets are to be installed. Why this distinct *volle face*? Were the original statements regarding efficiency incorrect—for no revolutionary improvements were made in the two years to greatly upset the position—or were the smaller sets accepted on account of cheapness? If the latter, then the original estimates were still more inaccurate than appears from the accepted figures.

1284. We have no authority to inquire into Morwell, and we do not want to deal with that aspect of the matter at all. There are certain definite matters referred to us by Parliament, and we have no right to traverse matters outside those?—I was not criticising those particular facts.

1285. We are not here to criticise or investigate things not referred to us?—I want to point out that the very basis of the Bill now before Parliament is the reliability of the estimates which will be prepared, and if the estimates in it are not more correct than those which I am quoting, it is a serious matter.

1286. Parliament itself in three sessions has discussed the whole question of the powers of the Commission, and they have passed a Bill authorizing them to do certain things. We cannot override Parliament, and we are here to take evidence only in regard to certain definite matters which are set out in the order referring the matter to us. Those are four tangible points, and I want you to keep to them, as that is all we are authorized to deal with?—I shall endeavour to do so.

1287. *By Mr. Deany.*—Did not Mr. Swinburne explain all this?—I do not think Mr. Swinburne contradicted anything I have said now. Take now the report on the South-western District scheme. In this case I contend that the whole basis of the estimates is wrong, and the scheme absolutely unwarranted. Had there been a prospect of supplying energy to a consumer like the woollen mills at Warrnambool, there might have been some reason for the proposal, but as this is not possible, I say emphatically that it is uneconomical to

transmit electricity about 170 miles when the total load on the line will be only 850 kw., even on the Commission's estimates, and it is my opinion that these estimates of power are inflated. In a report on charges for electricity, dated March, 1922, the Electricity Commission states on page 2, "The true method of calculating electric tariffs is based upon the principle of asking each customer to pay in exact accordance with the total cost of giving him the particular supply which he requires." This premise, which is undoubtedly correct, was used by the Commission to condemn the petition for a flat rate charge of electricity, and has been adopted by the Commission in formulating tariffs to all parties, *e.g.*, the Melbourne City Council and the Melbourne Electric Supply Company. The report on the Western District scheme also bases its estimates for the purchase of Geelong energy, and for the sale of electricity to each centre on this principle—thus indorsing it in every case. When, however, it compares the relative cost of Geelong with Morwell energy, it charges the scheme for the Morwell energy at a flat rate, the reason being presumably that otherwise the Geelong energy would be cheaper. If it is right to charge the South-western scheme on a flat rate basis at Newport, it is surely right to so charge at, say, Colac, or any other centre. Also, if it is right to charge a flat rate to one consumer at Newport, namely, the South-western scheme, it is equally right to so charge all other consumers, namely, the Melbourne City Council, &c. This, however, is not being done in either case. Furthermore, the report is distinctly misleading in connexion with the charge for Morwell energy, inasmuch as on page 5 of the report, the Commission states that the prices quoted in the report as those at which energy can be made available at the various towns mentioned (Table 4) are based upon the estimated average price at which energy can be supplied to the Newport terminal of the Morwell transmission line. This price is then stated to be £5.05 per kw. per annum, plus 0.73d. per kw. per hour for 22,000 bulk energy at Newport. The average load factor of the line, according to the energy sold, is 16 per cent., but according to the figures supplied by the Commission, the diversity of the loading will improve the load factor to 17 per cent., and at this figure the average cost per unit at Newport, based on the prices quoted, is .887d., whereas the amount debited against the scheme is only, approximately, .405d. Allowing 25 per cent. line and transformer losses, the price charged will thus be increased by an average amount equal to the difference between .507d. and 1.119., namely, .612d., and this would make the Morwell energy dearer than that from Geelong. It must further be borne in mind that the Geelong price is a definite quotation, whereas the Morwell price is merely an estimate which may very well be increased, if any past experience may be taken as an indication. This matter may appear rather small in itself—a mere half-penny per unit, or 120 per cent., but it is actually of paramount importance. When addressing the interested councils at Camperdown concerning the proposal, Sir John Monash stated that the councils should not look at the figures representing the cost of energy purchased from Geelong, which figures were by no means very attractive, but the councils should look ahead to the time when Morwell energy would be available, and the cost reduced. The above facts, however, show that the costs will not be reduced, so that the scheme is not attractive, even on the Commission's own judgment. There is, however, a feature of still greater importance, especially when taken in conjunction with another item, which will be referred to presently. This is the unreliability of the estimates in the report. If the estimates are so wrong in matters which we can check without even going into the detailed items of expenditure, what scope for error is there in the estimates of capital expenditure, &c., and what position

will the various councils be in, if they are committed to a scheme which, even at the unattractive prices mentioned in the report, is permanently non-paying, and more expensive, than locally generated energy. Such a course would not help, but would hinder the district. On page 4 of the same report, the Electricity Commission states that a local power-house at Warrnambool could supply energy cheaper than the Geelong energy, though it would be dearer in Camperdown and Terang. As, however, the Commission has estimated the cost of a power-house at £76,460, which, in my opinion, is excessive, the actual cost may very well be cheaper when generated locally than when transmitted from either Geelong or Morwell.

1288. *By Mr. Eggleston.*—Does the report show it would be so generated?—Yes; less than from Geelong, and higher than from Morwell. But they allow £76,400 for a local power-house, and prices have fallen so considerably that it should not cost more than about £50,000. The other error is of even more importance than that already mentioned, as it shows an oversight on the part of the Commission which is inexcusable. Table 4 purports to set out the prices at which energy can be made available at the various towns, and Table 3 shows the amount of energy and maximum demand that each centre upon which the estimates of capital expenditure (namely, £117,120) and selling prices are based. On page 4, however, it is clearly stated that as the demand approaches the figures mentioned in the tables, it would be advisable to erect a second circuit. Sir John Monash informed the Warrnambool Council that the cost of this would be approximately £40,000, but even allowing £20,000, the annual costs would be increased by at least £2,000, *i.e.*, from £23,000 to £25,000, and this would completely upset the prices quoted in Table 4. In other words, the report stated that with an annual expenditure of £23,000, and a load of 1,050 kws., the cost will be so and so, but when the load reaches this amount, the cost will be greater. The Commission has frequently stated that its main object is to encourage industries by giving a cheap supply of energy, but along the whole route from Geelong to Warrnambool, the only industries worthy of the name are those treating milk, wherein there is need for steam for process work, and in which case there is no need for outside power of any kind.

1289. *By Mr. Beardmore.*—But what about the future?

The Witness.—Nothing, or practically nothing, can be gained from an industrial point of view, therefore, by making available a cheap supply of power, even if the supply were cheap, which it is not.

The only industrial area is Warrnambool itself, and yet the Electricity Commission, while admitting that power would be cheaper at Warrnambool when generated locally than when transmitted, advocates the latter, so that cheaper current can be given to other places, where it will be used mostly for domestic purposes, which will benefit at the cost of the industries in Warrnambool. Even if the other matters already referred to did not arise, the scheme as formulated is quite out of the question for Koroit and Port Fairy, so that the revenue will be reduced by £6,600, while the costs will only be reduced by—

(a) 22,000-volt line	£1,010
(b) Sub-stations	447
(c) Energy from Geelong, 220,000 units, plus 25 per cent.—55,000 units—equals 275,000 units at 1.27d.	1,450
	£2,907

leaving a net loss of £3,753 per annum, even if the other towns took their estimated quotas, which is extremely doubtful. In other words, even assuming that the whole of the Commission's figures are correct, the scheme is definitely committed to a loss of £3,753 per annum, on the Commission's own showing, as Koroit

and Port Fairy will not join in. Under the scheme originally proposed, the local councils would have adopted a vigorous policy of propaganda in the rural areas, but as the Commission has amended it, there is little inducement to the councils to do this, and private consultants certainly will not, as they have nothing to gain by so doing, and can more profitably spend their time. The Commission cannot possibly canvass the districts as thoroughly as private consultants can and would do, so that the amount of energy consumed will certainly not be as great if the Commission carry out the scheme as now intended, as it would be if the Commission sold to the councils in bulk, and allowed them to distribute, irrespective of voltage. The Commission has intimated its intention of instituting a good propaganda policy, and I have no doubt they will do it thoroughly. However, they can only do that with their permanent staff, and it will be readily understood that the permanent staff could not run round and do what I may call the commercial traveller part of the business, as well as the private consulting engineer, who is paid for it by the work he obtains. I do not suggest, of course, that we private consulting engineers are any more qualified or competent travellers, but it is only a question of the incentive there is behind us to engage in this work. Under these circumstances, I do not for one moment imagine that the current consumption will be anything like as great as the Commission has estimated, for at least five or six years, and possibly longer. I would refer you to the report my firm prepared on this question for the Commission, and you will see that we estimated the consumption in Warrnambool at 350,000 units, whereas the Commission has estimated it at 670,000. It must be remembered that the current supplied by the Commission at the prices quoted in the report do not represent a great reduction on the prices at which it has been generated locally in the past, and I see no reason for the optimism of the Commission regarding the sudden increase in the use of electricity when it is supplied by the Commission. I estimate that during the first three or four years the actual consumption will only average somewhere as follows:—

Colac	150,000
Camperdown ..	150,000
Terang	100,000
Warrnambool ..	350,000

750,000 plus 10 per cent. for losses.

which, at the prices quoted in table 4 of the report—basing on 10 per cent. tariff—will return an income from Morwell energy of—

Colac	£1,430
Camperdown ..	1,950
Terang	1,800
Warrnambool ..	4,580

£9,760 plus 10 per cent. for losses, £10,746

and this will not be reached during the first year or two. As the only reduction in cost—apart from that due to Port Fairy and Koroit staying out—will be for energy, the total costs will be reduced only by—

(a) 22,000-volt line	£1,010
(b) Sub-stations Koroit and Port Fairy ..	447
Reduction of energy from 1,475,000 to 750,000	
plus 10 per cent., equals 3,260 multiplied by	
725 over 1,475	1,415
	£2,872

so that even accepting the estimates of cost as correct, the result will be a revenue of £10,746, with an expenditure of £19,964, less £2,872, equals £17,092, which represents a loss of £6,346 per annum, which amount will be exceeded during the first few years. The practical result of the whole scheme is, therefore, that energy will be transmitted a distance of approximately 170 miles from Melbourne, in order that by selling at a loss of approximately 37 per cent. on the cost, electricity may be made available at a price higher than it could be generated for locally.

1290. *By Mr. Deany.*—This very scheme you are now condemning is the scheme you recommended to the Warrnambool Council, and also to Hampden, and you also said that the proposal was an exceedingly feasible one, and you did not think any one could show a better. It was adopted on your recommendation?—That is exactly what I have just said. We have done our best to support the Commission as far as possible. You asked that question the other day, and I have written out our reasons why we are opposed to it now.

1291. You supported it in Warrnambool?—For Hampden and Warrnambool.

1292. *By Mr. Eggleston.*—They said they would discuss it with the councils?—We indorsed it for Camperdown and Warrnambool, because we accepted their estimates without inquiry—we agreed because we accepted them. We naturally assumed that the councils could erect and control high-tension lines. They, the Commission, said they preferred to do it, but the question of their having to do it was a different thing altogether. I think you agreed here the other day that the option did exist.

1293. *By Mr. Deany.*—Sir John Monash, at that conference, said the Commission and the council would do certain things?—No, it was said the option existed, and this Committee the other day accepted the ruling that the option did exist.

Mr. Deany.—No, we did not.

1294. *By the Chairman.*—You mentioned “betraying your trust.” Which trust did you reckon you would be betraying?—My trust to my clients, whom I am advising.

1295. But these councils telegraphed that you did not represent them?—I am glad you raised that point, sir, because I felt diffident about raising it myself. I would like to know what the object of those telegrams was, and the purpose of the Commission in asking for them.

1296. The Commission did not ask for them. Our difficulty is to know whom the witnesses do represent. We wish to know whether you represent these municipalities—we should have asked you at the commencement?—My position is this—I have asked to give evidence here because I act as consulting engineer to a number of municipalities throughout Victoria. They are naturally vitally concerned in the Bill, and I did not consider it necessary to ask these councils if I might appear for them specially. I did not consider it necessary, because I understood you wished to have all the information which was relevant and which would assist you in coming to a decision about these matters. I, therefore, asked you to let me submit my views.

1297. We like to know for whom the various witnesses speak. You used the phrase “betray your trust,” and we want to know exactly what that trust is?—The councils of Hampden and Warrnambool adopted these schemes on my recommendation—that is my trust, and if I did not advise them to the best of my ability I would not be true to my trust.

1298. *By Mr. Deany.*—On the question of this option, you say the word “option” was used at that conference?—No. I did not say the word “option” was used there. I say the option existed, but as Sir John Monash has pointed out, the specific word “option” did not arise.

1299. You were at that conference?—I was.

1300. And you heard Sir John state that the Commission would construct and maintain the high-tension lines and the municipalities would maintain the low-tension lines and reticulation—is not that definite enough?—Exactly, “the low-tension and reticulation,” but the reticulation in this case is high-tension. All the northern shire of Hampden would be reticulated throughout with high-tension mains. The mere fact of saying that it is a distribution line does not mean low-tension. It is a common thing in England to use high-tension right up to the motors. The question of these lines carrying 6,000 volts is not a very

material matter, the material matter is that of distribution or transmission. Later on I will explain how the English Act differentiates between distribution and transmission.

1301. Well, if the Commission is willing to do it and take the responsibility, why do you want the local council to take the responsibility and expenditure on its shoulders?—I agree that that is most important, but if you will allow me, I will deal with that later. Now, as regards the Sugarloaf scheme, which is justified by the Commission only on the score that, by increasing the cost of energy to the metropolis, it will be possible to give a supply in the North-East, which, when based on what I am confident are optimistic estimates of power requirements, will be moderately cheap. If the actual power requirements are, as I firmly believe, much less than the Commission has assumed, the price of energy will not be cheap, and about £1,000,000 will have been expended simply in order to increase the cost of energy to the metropolis. The estimates of the Commission provide for a current consumption of 6,000,000 units within one or two years from a population of 71,000. The maximum load is estimated at 2,300 kilowatts, and it is further estimated that within ten years the load will have increased to 5,000 kilowatts and 12,000,000 units. Assuming that the population increases 25 per cent. in the ten years, the population will then be 89,000, and 12,000,000 units represents a consumption of 135 units per annum per head of population. It is worthy of note, however, that far from increasing by 25 per cent. in ten years, the population of this area has, during the last ten years, actually decreased by about 10 per cent., according to the figures published in the *Municipal Directory*. If the population remains stationary during the next ten years, the consumption per head of population will be 169 per annum. Now, it is a well-known fact that the units consumed per head of population must be much greater in cities than in the country, on account of the fact that the cities contain large factories, where power is used extensively. It is, therefore, of value to compare the Commission's estimates with what is the actual state of affairs in other countries. In the whole of the area under consideration the largest town has a population of slightly over 4,000, and it is difficult to obtain many figures relating to such small communities. I have, however, extracted from statistics dealing with the subject the following figures relating to cities in England having a population of 20,000 or under. The total number of cities listed was sixty-four, and these included such industrial centres as Alloa, Redditch, Northfleet, &c., so that the comparison will greatly favour the consumption per head. Without these five or six, the figures would be much lower. Inclusive, however, of all these, the results are as follows:—

Number of cities	64
Average population	13,000
Average time plant has been operating ..	15 years
Shortest time plant has been operating ..	5 years
Longest time plant has been operating ..	28 years
Average number of units per head per annum	35.8

Allowing for the fact that the use of electric power is not as great in England relatively as it is in some other countries, there is still a very wide margin between the estimates of the Commission for an area containing only small towns, and the actual consumption in the cities in England, and I repeat that I am firmly convinced that the Commission's estimates of power requirements are inflated. The figures for Victorian country towns will or should give a very good index as to the power requirements, and I believe the Chairman of the Commission has stated that the actual consumption in Victoria, apart from the metropolitan area, where energy is available, is only 23 units per head per annum, and the consumption last year

in the metropolitan area, including all the large factories and also the trams, was only 166 units per head. It may well be asked, therefore, on what basis the Commission has made such an optimistic estimate, especially in view of the fact that the whole of the costs per unit will depend—as the Commission states in its report—upon the actual consumption. It is worthy of note also that in the report on the South-Western District the Commission only allowed for serving 40 per cent. of the population of approximately 65,000, and estimated for a current consumption of only 61.5 units per head per annum for even this reduced proportion of the population. I may also add that my firm was appointed by the Commission to advise upon the power requirements of the South-Western District, and we did not consider that for some years the consumption would even amount to this figure. The Chairman of the Commission, in his evidence on Thursday, stated that the question of power requirements had been reduced to a scientific basis, and it mattered not what the community, the consumption would be about the same in different areas. Yet the Commission has allowed 169 units per head in the North-Eastern District and 61.5 in the South-Western. Surely, therefore, either the estimates are wrong or the evidence of the Chairman was inaccurate. Now, as regards load factor—the Commission has estimated that the load factor of the North-Eastern District will be 30 per cent., and their estimates of energy costs are based on this figure. I have not the least hesitation in saying that such a figure is ridiculous. The load factor of the city of Melbourne, with all its concentrated load, and an output of 55,500,000 units, is only 33 per cent., so how can it be possible to obtain 30 per cent. in a rural area where most of the consumers will be domestic consumers only. To again compare these estimates with the Commission's own estimate for the South-Western District, I would quote the estimates for the whole district thus:—

Colac	15.2 per cent.
Camperdown	15.4 per cent.
Terang	12.55 per cent.
Warrnambool	19.2 per cent.

The average for the whole district, after allowing for diversity factor of various towns, equals 17 per cent. I would again refer you to the Chairman of the Commission's statement that communities are alike. Warrnambool has just about double the population contained in any town in the North-Eastern District, and yet its estimated load factor is less than two-thirds of the estimated load factor on the North-Eastern District. Dealing now with maximum requirements, the Commission estimates a demand of 1,050 kw. for the South-Western District of 65,000 inhabitants, and 2,300 kw. for the North-Eastern, immediately—increasing to 5,000 kw. in ten years, for 71,000 inhabitants. I would be more satisfied in estimating the immediate requirements for the first year at 1,000 kw., bearing in mind the fact that the full available load will not be connected for the first year or two—and provide for its increasing by approximately 500 kw. per annum, and I consider that a liberal estimate indeed. As for ten years ahead, I am not so confident in my second-sight as to foresee what will happen, but if this allowance be adopted, then the price will be considerably increased per unit, as the capital costs will be fixed irrespective of load. It is, therefore, interesting to estimate what the actual cost of energy would be in Shepparton and Wangaratta in the event of the load factor being 17 per cent., as in the Western District, and the maximum demand as I have just suggested. The costs of high-tension energy delivered to these centres (without allowing any profit or contingencies) will be 4.07d., 2.92d., and 2.35d. during the first three years respectively, falling in the ninth year to 1.32d. Adding 10 per cent. on as the Commission does, the prices will be 4.47d., 3.21d., 2.58d., and 1.45d. respectively.

and to these must be added transformer and distribution losses and costs, which I can assure you are no mean items. These figures are very different to those mentioned in the Commission's report, viz., .79d. per unit, and I maintain that the Commission's report does not place the matter in such a way that it will be readily understood by Parliament that most exceptional conditions will be required to attain the results set forth in the report. That is what I was referring to, Mr. Eggleston. Supposing you get these results, this load factor and this demand, the price will be .79d. per unit, but I say that in my opinion you will not get them.

1302. *By Mr. Eggleston.*—They do not say they will get them?—If they do not think they will get them, then why mention .79d. per unit. That is only possible if they do get them.

1303. It only means the cost will be more?—Considerably more.

1304. Because the cost of the South-Western District scheme is higher, it does not prove that this scheme is unsound?—No. Let us now examine the facts in connexion with the proposal to supply the north-east with energy from Morwell pending the completion of the Sugarloaf scheme. The cost in this case would consist of—

(a) The annual costs on the lines from Sugarloaf to Shepparton, &c.

(b) The annual costs on the lines from Bundoora.

(c) The cost of energy at Bundoora, viz., £8 per kw., plus 125d. per unit.

and if we again assume that the load factor and demand will be as I have suggested above, the cost during the first two years will be as follows:—

(1) Annual costs on lines from Sugarloaf, £21,260, plus 1d.
(2) Annual costs on lines from Bundoora, £14,090, plus ???

		£35,350	
		First Year.	Second Year.
		£	£
Lines		35,350	35,350
Maximum demand		8,000	12,000
Energy		766	1,164
		<u>44,126</u>	<u>48,514</u>
Units		1,490,000	2,235,000
Cost per unit		7.1d.	5.2d.

Of course, the Commission has proposed to sell at a much lower rate, and carry forward the lot, but that is a mere matter of bookkeeping, and does not alter the real cost of energy, and if the district does not pay the real cost during the first two years, it is simply laying up a sum which has to be paid off in future years. It must also be remembered that these costs are for energy delivered at high tension at the two main centres, so that to them must be added the cost of high-tension lines to other sub-centres, line and transformer losses, and distribution costs. It is, therefore, well to find out what would be the actual cost of energy to such centres as, say, Euroa. Euroa has a population of about 2,200, and is therefore somewhat similar—slightly smaller—than Terang, in the South-Western District. The distance from Shepparton to Euroa, as the crow flies, is about 28 miles, and that is nearer than Benalla. Assuming this favorable possibility then, basing the cost of transmission on the cost in the south-western report, viz., Warrnambool to Port Fairy, the cost of that line will be £1,731 per annum. The load requirements of Terang—according to the Commission—are 100 kw. and a load factor of 12.55 per cent. Euroa may, therefore, be taken as the same. Accepting the Commission's estimates of 2,300 kw. for the district, the charges will therefore be—

	Per kw.
(a) Capital cost of energy at Shepparton	.. £15.35
(b) Capital cost on lines to Euroa	.. 17.31
(c) Energy charge	.. 8.00
Total maximum demand charge	.. £40.66

plus 1.125d. per unit, plus line losses. Allowing 25 per cent. line and transformer losses in units, and even omitting the losses in maximum demand (which would amount to at least 10 per cent. or 15 per cent., and would very seriously affect the cost (the cost per unit of high-tension energy delivered to Euroa will be, approximately, 8½d.), and to this must be added distribution costs.

1305. *By the Chairman.*—Has Euroa a supply now?—Yes.

1306. Where do they get it from?—From their own plant.

1307. What is the cost?—I cannot tell you.

1308. *By Mr. Lind.*—I would like to know what you think the distribution cost would be?—I would not like to commit myself without going thoroughly into it.

1309. They would be 11d. or 1s.?—Yes.

1310. We have had evidence from a country representative to-day that it was costing 1s. 2d. at Yarrawonga?—That is for lighting, but the power there would pay 6d.

1311. Fivepence or 6d.?—The average price for Euroa is the average.

1312. Your estimate would be 1d. or 2d. more?—You yourself said that Yarrawonga was a very high cost. Energy would be produced locally much cheaper, and other towns would be in similar positions. And what is it all for? As I previously quoted from their report, the Commission states that the cost of energy to Melbourne will be dearer from Sugarloaf than from Morwell Extension, the estimated prices being respectively:—

Sugarloaf		.28d. per unit.
Morwell Extension		.205d. per unit.
Difference		.075d. per unit.

As it is estimated by the Commission that the number of units that can be delivered to Melbourne will be 94,000,000 per annum, the difference in cost per unit represents an annual amount of nearly £30,000. Just pause to consider what this means, gentlemen. The Commission has actually seriously recommended that the Sugarloaf scheme be proceeded with at an estimated cost of £962,000, and apart from some very optimistic, and, in my opinion, unreliable and problematical, benefit to the North-Eastern District, the only result is that for the privilege of raising this money the taxpayer may have the added privilege of paying an amount of £30,000 per annum, which would otherwise be unnecessary.

1313. *By Mr. Beardmore.*—You mean there will be a loss of £30,000?—Yes.

1314. *By Mr. Eggleston.*—You mean that the consumer or the taxpayer will pay for it?—I mean the whole scheme, whoever pays for it; and if the estimates are low, then the amount to be spent and the annual deficit will be increased. Surely this cannot be regarded as a sound engineering proposal. And yet it is on such estimates that indefinite amounts may be expended if this Bill be passed. So much for estimates, and I trust that I have said enough to convince you, gentlemen, that the Commission's staff is not so infallible as to warrant huge expenditure being incurred without parliamentary, or, in fact, with parliamentary approval, merely on the estimates and prophecies of expenditure and revenue submitted by them. The Bill provides for the Commission carrying out distribution as well as bulk supply.

1315. You mean the report?—I mean the Bill.

1316. You are going off the Sugarloaf now?—Yes. To thoroughly understand the significance of this, it is necessary to realize the various functions which are

entailed in the supply of electricity. These are threefold:—

- (a) Generation,
- (b) Transmission, and
- (c) Distribution.

1317. This Bill does not provide for retail distribution, unless the councils ask for it, and agree to it?—Yes; but it does not get away from the economic facts of the case. It is a well-known fact that electricity, like many, in fact, most other things, can be generated or manufactured more cheaply in large quantities than in small, and further apart altogether from quantity of production, the cost of generation will be cheapened if the hours during which the generating plant is usefully employed be increased. Both of these desirable ends may be attained by concentrating under one roof and upon one plant the duty of generating electricity for several areas, for not only will the quantity generated under the one roof be thus increased, but it will almost invariably happen that the maximum load in the different areas will occur at different times so that the one plant can be used for meeting these maximum demands instead of having sufficient plant in each area. It is thus highly desirable that the generation of electricity be concentrated, within limitations, and as the most suitable site for a large power-station must be selected on account of nearness to a satisfactory supply of condensing water, and such considerations, it is obvious that such a power-station may be many miles from some of the areas to be supplied from it, as witness the Yallourn station. It is, therefore, advisable that some joint ownership be entered into either by means of a trust or board, or by the Government. But this refers to the generating plant only. Having generated the energy cheaply, and made it available at a uniform price at the switchboard for all to buy, the next step is to transmit it to the centres of load. For this purpose, transmission lines are needed, and in many cases such lines will be used to serve several areas, in which case the costs of such transmission lines should be borne by the respective areas in accordance with the amount of use each makes of the line. Separate lines could be run to each, but it is more economical to use the same line for a number of areas. The ownership of these lines may, therefore, also be in the hands of either the Government or of Boards representing the areas. In the Morwell scheme, it is probable that Government ownership of the lines is advisable, inasmuch as the most important line will go to Melbourne, and will serve, not only the metropolis, but also many areas beyond. It will be noted, however, that a transmission line serving, say, the district to the east of Yallourn might equally well be owned by a District Board, and the line to Melbourne is regarded as suitable for Government ownership simply for the reasons stated, and not because it bears any relationship to the generating station, or the ownership thereof. The transmission differs essentially from the generation, inasmuch as, whereas the latter is done, at a uniform charge to all users, the former is not, and the cost will depend upon features distinctive to the areas served, irrespective of any other area. The third function is distribution, and this is purely a local consideration, and the distribution in one area is in no way whatever related to the distribution in another. Provided that the cost of generation is uniform to all, and the cost of a mutually used transmission line, is equitably divided among the areas, it is immaterial to Area "A" what happens as regards the distribution in Area "B." Furthermore, the distribution areas may be large or small, densely or sparsely populated, may be industrial or residential, or any intermediate stage. The only important consideration to keep in mind is the fact that where the area contains a mixed type of both industrial and residential consumers, the average cost of electricity, other things

being equal, will be lower all round on account of the fact that the mains and equipment and also the "maximum demand" are all being used for more hours than where the supply is given to only one type of consumer. In other words, the load factor in a mixed area is better than that in each of the other type, and the cost is consequently lower. It is this fact which has puzzled so many laymen, including some of you gentlemen of the Committee, by enabling a council controlling, say, a largely residential area to purchase energy and sell it to a manufacturing concern at a rate actually lower than apparent cost, and still make a profit, the reason being that a better use is being made of the "maximum demand" charged by improving the load factor. There is nothing new in this, and it is in fact well known and widely used by all supply authorities. It will thus be seen that the distribution is purely a local function, and the ownership thereof may be in the hands of any suitable body. It is simply a case of deciding upon the most suitable. Throughout the world the custom has been to control the distribution either by a company or by the local council, and the latter has been the usual tendency of later years—outside, perhaps, the United States of America, where it is perhaps more usual for companies to own the undertakings under the control of Public Utilities Commission. Municipal concerns also come under the control of the Commissions, and I doubt if any of the systems adopted in other countries is any better, if as good, as this one. In other countries there have been appointed during fairly recent years some form of Commissions or Boards whose functions are chiefly to co-ordinate the generation and transmission of electricity on sound commercial lines. In almost every case the distribution is left severely to the local council, company, or Board. This system is in vogue in England, where there are Electricity Commissioners, the majority of whom must by Statute be eminent electrical engineers. These Commissioners have been the means of having England divided into districts for the purpose mentioned above, and the Commission retains a controlling influence on the district. The distribution is, however, left in the hands of local authorities, and the Commission does not arrive at any important decision affecting any district or portion of a district without holding a proper inquiry at which all parties interested may give evidence, &c. In Canada there is the Ontario Commission, which again, confines its sales of energy largely to distributing authorities, though, owing to the municipalities being so small—consisting frequently of single towns—there are cases where a supply may more conveniently be given direct from the Commission to large users of power or groups. This condition does not occur in Victoria, except in the case of, say, new industries being established in positions remote from the existing centres of population. In New Zealand, the country is also divided into districts. In no case does the Government Department claim to be bound, or even able, to co-ordinate and unify the distribution system. In each case, the distribution is a local function, and I maintain that any attempt to treat it otherwise by centralizing the control will necessarily be economically unsound.

1318. In New Zealand, the municipalities do not deal with it at all?—Yes.

1319. They have Boards?—Yes, they have Boards, but the councils come in under them. Every area where a supply of electricity is likely to be needed is conveniently situated as regards local municipal control, and each municipal council has a permanent staff consisting of shire secretary (or town clerk) and engineer. These officers know the area and local conditions thoroughly, and in conjunction with the local electrician can give immediate and sound recommendation to the councils regarding any local matters. Whereas, if the control were centralized in Melbourne

the matters would necessarily be dealt with by men not conversant with the locality, and would be treated as items in a general policy. This course would and could only mean delay and extra expense. The local council has a regular system of accounts and bookkeeping, and the addition of electricity accounts would make very little extra cost, but if accounts were kept by a Government Department of all consumers—numbering probably some 100,000—throughout the State, the cost for clerical work would be enormous, especially when it is borne in mind that the consumers in some cases would be 350 miles from the office. Such a practice of Government ownership of distribution would increase the technical staff—not reduce it—and would largely increase the clerical staff, and inasmuch as it would not use existing facilities, would, of necessity, be economically unsound. There is a further factor which should be better understood. It has been used as an argument against municipal control that—(a) the work of various adjoining areas would differ widely in the standard of efficiency of maintenance and administration, and that there would be diversities of rates, charges, and conditions of supply which would lead to endless friction between shires and discontent amongst consumers (page 10 of the Electricity Commissioners' report on Sugarloaf, &c.); and (b) that the distribution of electricity can know no municipal boundaries. Both of these arguments are baseless as supports to the plea for Government or centralized control. In the first place, all work must be carried out under the regulations and to the standard specified by the Commission, so that to say that the standard would vary widely is tantamount to saying that the Commission's engineers are not competent to enforce the regulations. Surely this is not the case, and if the Department's officers are unable to even inspect the work, surely they are not competent to carry it out. So much for the question of standards. Now as regards diversity of charges. Just what does the Commission mean by this? Is it suggested that the Commission would charge a uniform tariff throughout the entire area? Surely not. Such would be impossible. Then, what is the case to which the Commission takes exception? As the Commission states, the area embraced by the north-eastern scheme—like that in the south-western scheme—consists of a number of municipal areas, each comprising sparsely-populated areas, with a few larger centres of population here and there. Now, far from such a district presenting more difficulties as regards the diversity of rates than, say, a number of suburban municipalities, the contrary is the case, for, whereas in the suburbs the dividing line is usually a street, both sides of which are closely built on, but in different municipalities in the country, the "arbitrary boundaries" are usually remote from any close settlement, and free from that disadvantage, so that, whereas in a suburb there might be heartburning, due to residents on opposite sides of the street being charged different prices, as, for instance, may arise in the North Melbourne area, in the country no such difficulty would arise. As a matter of fact, generally speaking, the municipal boundary will form, in most cases, a quite satisfactory one. Certainly not always so, but in every case where the municipal boundary is not suitable very little skill is needed to adjust matters. For instance, Warrnambool has asked permission to supply throughout the meat area, which includes portion of the shire, and the shire is agreeable. On the other hand, to again quote from the Commission's remarks on tariff, the price of electricity should be based on the cost of supplies, and if industries are to be encouraged, they must not be hampered by large overhead costs, due to widely scattered mains. It is far more likely that friction would arise if one district considered that the Commission was charging its consumers more than necessary in order to cheapen the supply to others. For it must be remembered that where a council owns the

distribution, a yearly balance-sheet must be prepared, showing the actual financial dealings in the areas concerned, so that any consumer can see the exact situation and be satisfied that his concern is being operated for the local residents. Such could not be the case if the whole vast district were pooled and run by the Government. It is also provided in the Bill that all lines operating at a voltage in excess of 450 shall be owned and controlled by the Commission. To begin with, this is a very obvious lapse on the part of the Commission's staff, inasmuch as the standard voltage for low-tension distribution by means of direct current is 460 volts, which would thus come within the scope of the Commission. Surely this is merely a mistake and is not deliberate. Assuming that it is a mistake, and that the clause refers only to high-tension lines, leaving the low-tension distribution in the hands of the local authority, I maintain that such a policy would be directly opposed to the best interests of all parties and would merely increase the cost, increase friction, and cause overlapping and dual control.

1320. Which clause are you referring to?—Sub-clause (8) of section 2. At a conference between the Electricity Commission and representatives of the councils in the South-Western District, the object of which was to protest against this very matter, the Chairman of the Commission produced a diagram, the details of which are shown on the sketch which I have here. It has always been a puzzle to me why the Commission made out this diagram, as it constitutes the most telling argument against its policy which could be brought forward. If you will be good enough to examine it while I am speaking, you will follow more clearly the disadvantages of the proposal. It is clearly understood, of course, that where high-tension lines are erected by the Commission in any area, the annual cost of same (including interest, depreciation, and maintenance) shall be a charge on the local undertaking.

1321. *By Mr. Deany.*—That is not so?—Would you mind asking the Chairman of the Commission whether that is so or not?

1322. It is chargeable against the whole of the South-Western District scheme?—No, it is chargeable against local undertakings. This is only right and proper, but just let us see what this means. If such a line were a straight-out underground transmission line, conveying energy from one sub-station to another, there would be no serious difficulty, though, on the other hand, there would certainly not be any advantage. The Commission claims that it can construct high-tension lines more cheaply than can the local authority, but as the latter would do the work by contract under the supervision of its engineer, this claim is surely too thin to be taken seriously. And even if the work cost the same, the charges to the council would be greater, as there would be the overhead charges of the Commission to be added, whereas the overhead charges of the council will certainly not be reduced on account of the Commission carrying out a small portion of the work. That is, however, a case which would happen very rarely, if at all, in country districts, for the population is not dense enough to warrant the use of extensive underground mains. The mains will, therefore, be carried overhead on wooden poles, and these poles will also have to carry the low-tension lines used for distribution. The result will, therefore, be that the Commission owns the poles and three wires on them, while the council owns perhaps a dozen wires on the same poles. The council pays the annual costs of interest and depreciation on the poles, and both sets of wires, but portion of these have to go through two sets of books—one kept by the council, and the other by the Commission. Furthermore, although the council's linemen will be on the spot permanently, the poles and three wires will be maintained by a separate staff, which may have to be brought many miles in the event of a breakdown—while the council's staff could just

as easily and much more cheaply do the work. Even this is not the worst feature, though in itself it is quite sufficient to condemn the proposal. I have referred to the three functions—generation, transmission, and distribution. Now, gentlemen, the difference between transmission and distribution is not one of voltage, but of function. The English Electric Lighting Act defines main transmission lines as “all extra high-pressure cables, and overhead lines (not being an essential part of an authorized undertaker’s distribution system),” whereas the expression distributing mains means “the portion of any main which is used for the purpose of giving origin to service lines for the purposes of general supply.” Is that quite clear to you, gentlemen? The transmission line is used for conveying energy from one spot to another, but not used as part of the distribution system. The distribution system, on the other hand, is used for the purpose of giving origin to the supply to the customer. It is not a question of voltage at all. Now, it is obvious that voltage cannot be considered a controlling feature in either of these functions, for, whereas some consumers may demand a supply at 230 volts or less, others may take a supply at 6,000 or more. They are consumers none the less, and the line serving them is of necessity a distribution line. Thus in a rural area where consumers are separated widely the only practicable method of distribution is by means of high-tension lines running to numerous points, from which several houses may be served—or in many cases—right to customers. This is a standard practice even in many American cities, where energy is distributed at 2,200 volts or higher, and each large consumer has a transformer (or several) in his own building. These lines are essentially distribution mains, but under the provisions of the Bill would be controlled and owned by the Commission, while the council would pay all charges on them and would own the meter in the consumer’s premises, and collect the bill. In other words, the council would practically act as debt collector for the Commission. Again, if the Commission sold energy to certain selected consumers, as it says is its intention, the position gets worse and worse. Just look at the diagram and remember this lay-out was prepared by the Commission showing the simplicity (?) of the proposal. A represents the main sub-station of the Commission. B and D represent large consumers served by the Commission. C represents large consumers served by the council. E, F, and G represent townships or groups served by the council. H, small consumers served by the council. Now, the Commission will own and control all the high-tension lines radiating from the main sub-station, and will charge the council the full annual cost of same—including interest, depreciation, and also the cost of duplicate maintenance staff, plus a profit of 10 per cent. which is included in all the Commission’s quotations. But as you see, the line which conveys energy to C, E, F, also conveys energy for the branch line to serve the Commission’s consumer at D, so that the full cost of this line must not be borne by the council, nor must the losses of energy along the line. They must be shared between both parties, and the proportion to be paid by each will depend upon the amount of energy used by each, and as this will vary from year to year and month to month, there will be no reliable means of either party knowing what its costs will be for the ensuing year. And think of the adjustments and bookkeeping, and friction these adjustments will cause. Now let us examine the simple (?) arrangement for metering the amount of current sold to the council. In order not to deprive the council of its advantage of the diversity factor of the whole area, the Commission propose installing a meter in the main leads to the sub-station at A. This should be the only meter required, but, as the Commission wants to serve some consumers direct, it must also put meters in the outgoing

main. It, therefore, sells the energy for the lines to C, &c., through two meters. When it reaches the branch serving consumer D, however, it has to credit to council for the energy used by D, so another meter is required, and the Commission buys back the current it has already sold the council through two meters. Energy is now sold to D through still another meter. But it so happens that there is a group of houses or a township, E, alongside this consumer, and the council wishes to serve them, so it again purchases the current back from the Commission through still another meter, and finally sells it to the consumers through meters erected in their houses. The energy is therefore sold by the Commission to the council through three meters. It is bought back by the Commission through another, and sold to the consumers through a fifth. Surely a most simple proceeding compared with the two meters only, which would otherwise be necessary. These are cases which may actually occur. They are not faked up or fictitious cases. Many more faults could be found, and I could go on for a long time, but enough has surely been pointed out to condemn the proposals of the Commission—first to distribute at all; secondly, to own and control high-tension lines; and, thirdly, to sell to consumers situated in an area where they could be served by the local authorities. The army of clerks required to carry out the numerous duties would soon overflow from the ten-story building in William-street. Now, to consider another feature of the Bill. Section 2 provides for the Commission making all the necessary inquiries, preparing plans and specifications, and carrying out work in an area the council or councils of which have applied for a supply of electricity. In other words, the Commission will act as consulting engineers, as, in fact, they are already doing in various areas of Victoria. It is worthy of note, in passing, that the tactics adopted by the Commission in obtaining this work are on a level which would be scorned by any private consulting engineer. This, however, is by the way. My real objection is to the Commission doing the work at all, and in support of my objection I suggest that the Commission is not as well equipped to do this work as is the private consultant, and, furthermore, by the Commission doing the work, the councils lose the most valuable asset they have in the Commission, namely, the overriding power of review. Where a client is advised by a consultant, it is necessary, under the Act, that the plans, specifications, estimates, and full details shall be submitted to the Commission for approval before the work is put in hand. The client thus has the double protection of his own consultant and also the Commission. Further, the consultant must observe the requirements of the Electric Light and Power Act and any regulations which have been or may be issued thereunder. Where the Commission does the work, however, there is no check on its plans, specifications, and estimates, and no authority to see that the work is first-class, and the Commission need not even comply with the requirements of the Electric Light and Power Act, which Act and its regulations are presumably for the protection of the safety of the public. It should not require much thought on the part of a council to realize the full significance of these facts. Again, a consultant depends upon his good work for a continuance of his practice, but a Government Department has nobody to kick nor soul to damn, and there is neither redress nor satisfaction if things go wrong. This is, in fact, specifically provided against in the main Act. Finally, is it not rather humorous, to say the least, for the Commission to claim that it can do the work better and cheaper than can the private consultant? Surely the staff of the Commission was employed by private firms and councils before it went to the Commission, and is there any magic by which these men—who are not fitted to do the work before they join the select band—immediately become infallible upon so doing it? If I mistake not,

even the Chief Engineer was previously in the employment of a council, and although it might appear as if the Commission had endeavoured to retain the services of all the efficient engineers—if the number of his staff may be taken as a criterion—I have no reason to suppose that they have succeeded in doing so. Furthermore, while it is right that the Commission should keep a check on the work of consultants, as is specially provided for in the Act, nevertheless, not only would the councils lose seriously by the alienation of the consultants, but why should the Government deliberately rob these men of their means of livelihood? It must be remembered that it is due to these men that the work of the Commission is possible in the country districts to-day. They have pioneered the way, and though bad work has been done, it has in most cases not been in work carried out by consultants. And even if it were, there is surely no justification for the honest practitioner to be robbed of his living because some unskilful and dishonest man has been in his profession. Surely it is only necessary to enforce the provisions of the original Electric Light and Power Act, and use the Commission as an inspecting body, as is done in England, America, and New Zealand. Since when has the Victorian Parliament entered into the sphere of confiscation? Finally, there is the question of subsidies. The Bill provides that if the Commission prophesies that the revenue, operating costs, and power requirements of any scheme will balance each other at the end of ten years, the scheme may be carried out if it receives parliamentary sanction, and that the losses during each of the ten years shall be made up by the Parliament, the Commission, and municipality concerned in equal shares, provided that Parliament's total share does not exceed £10,000 in any year. Now, what is to happen if the amount during any year exceeds £30,000, as it may well do? Parliament pays £10,000, but what about the rest? Do the municipalities pay the extra, or do they share it with the Commission? And what about the position of a municipality which has received certain estimates from the Commission, and has brought itself to the point to agree to tax its ratepayers to pay for one-third of the losses on its line and then find that it has to increase the tax to pay more? And it must be remembered that the Commission has the final and conclusive right to allocate such amounts to be paid by a municipality irrespective of any statutory limitations regarding rating. And how will the Commission pay its one-third? It has declared it will make no profit, nor allow municipalities to do so. Where, then, is the £10,000 per year coming from? The Commission can only get this by overcharging other consumers and lines, and making a profit out of them to pay the losses, so that the ratepayer in one district will be taxed to pay the Government share, and will pay an excessive amount for his electricity to pay the Commission's share, and all to give electricity to another consumer, at, perhaps ½d. per unit reduction. This matter has been dealt with by the Public Utilities Commissions in America, and the following are rulings as recent as July and August last:—The Colorado Commission ruled that to allow a rate which not only produced a reasonable profit, but also an amount which would overcome a deficit in another department, would result in burdening one class of consumers to the advantage of another class. The Indiana Commission ruled that it was illegal for a city to levy taxes to pay for energy purchased by it and resold to consumers in a particular district. It will thus be seen that the question is no new one, but is one which has been tried in different forms in other countries and found wanting, and condemned accordingly. The cost of light and power to all industries in Australia is, according to the *Commonwealth Year-Book*, about 2 per cent. of the value of the finished article. I therefore emphatically maintain that the subsidies will not materially affect industry in any country district, and,

secondly, that it is a distinct breach of common economics to tax the ratepayers generally, and certain power users especially, in order to make a small concession to a favoured few. And even if it were desirable that such a state of affairs should exist, which it is not, then it would be much more efficient to make the industries which it is desired to favour a straight-out grant rather than let the grant or bonus percolate through a big Government Department, with its ramifications and inefficiency. The question of the subsidy is this: The Commission says, in fact, that it is wrong for a municipality to charge consumers of electricity—in other words, *tax* consumers of electricity—in order to benefit non-consumers; but this Bill specifically provides for taxing non-consumers for the benefit of consumers. It is six of one and half-a-dozen of the other.

1323. *By the Chairman.*—It would be much better that this matter be left to the municipalities and the Commission to arrive at an understanding. As a matter of fact, your essay is ten years too late. It would have been all right as an argument against entering into electrification at all, but as a statement dealing with actual facts, as at present, it is altogether a bit too previous?—In what way?

1324. You are referring to matters that are now an accomplished fact?—No. This particular Bill is now before Parliament.

1325. Your criticism on the Bill right through practically means that we should scrap the Electricity Commission altogether?—No, I am in favour of the Commission doing the work.

1326. They cannot be entrusted to prepare lines or supply private consumers?—The Bill provides for distribution, and I say that the Commission should not deal with the retail distribution.

1327. It is provided for in previous Bills?—No, not all previous Bills.

1328. *By Mr. Deany.*—What is the use of developing Morwell if they cannot sell the current?—I am trying to prove that they will do better by supplying the bulk energy and allowing the municipalities to give the distribution.

1329. You are opposing the main transmission lines?—No, not the slightest.

1330. *By Mr. Lind.*—Each district will be considered on its merits. I think the representatives of the municipalities may confer with the Commission to decide whether it would be good business on their part to deal in bulk or allow the Commission to retail the energy?—Partly, but not altogether, inasmuch that you have seen in the course of this Committee's work that the matter is a fairly complicated one.

1331. I agree with you there?—If the matter was simply left to each municipal council—

1332. *By Mr. Eggleston.*—Do you find that municipal councils are ideal bodies for dealing with complicated matters?—No; if each body were allowed to deal with it, a wrong principle may be in force, which would not be justified, because the council said that it should be.

1333. *By the Chairman.*—You can go back to the 1919 Act and you will find there that Parliament, after the fullest consideration, provided that, subject to this Act, the Electricity Commissioners may, on behalf of His Majesty—

- (a) construct, maintain, and work any electrical undertaking as defined in this Act;
- (b) supply electricity to any Commonwealth or State Government Department, and to any public body or institution;
- (c) supply electricity in bulk to any undertaker or to any statutory corporation;
- (d) supply electricity to any person or body of persons, corporate or unincorporate, outside any area for which there is not an order in force at the commencement of this Act; and

- (e) in connexion with any such undertaking carry on any business usually associated with such an undertaking.

The duties are specifically set out there, and it assumes they are competent to inquire into the matter?—Certainly.

1334. And it is provided that they shall deal with the erection, construction, and provision of works, appliances, finances, &c.; and then it goes on to state specifically that one of the duties is to inquire into the unity and working of the electrical appliances?—A very excellent idea.

1335. According to you, we ought to scrap the whole lot?—No, I would not suggest that.

1336. *By Mr. Eggleston.*—Am I right in assuming that your argument is in favour of control by local municipalities as far as possible?—Either municipalities or district boards.

1337. Are there not a number of exceedingly difficult questions in connexion with the distribution and the various rates to be charged to various kinds of consumers?—It is not as complicated as that.

1338. Are they not likely to be affected by the interests of various sections of voters?—No, I do not think so.

1339. Take a council in a labour area, which considers that every man should get light and power equally, and the big man not treated any better than the small man; is there not a danger in that case of proper electrical operations not being in force?—No.

1340. Has not that very outcry been raised in Port Melbourne?—I do not know the facts at Port Melbourne, and I do not wish, therefore, to go into the matter. I do not think that is likely to occur, and if there is a scale it must be maintained under proper supervision. Furthermore, where a council is selling energy, its rates must have the approval of the Commission, and I think that is a very excellent idea.

1341. Sir John Monash says he does not see how he can control a council except by the results of the balance-sheet?—If there are instances of overcharging consumers, which would militate against success in that area, the Commission has a perfect right to say, "You shall charge less."

1342. They can say that the total charges are too much, and you shall charge less; but how could they differentiate between the treatment of different customers?—No, you cannot differentiate.

1343. You can differentiate where a man has a 68-load factor, or something like that?—I say the Electric Light and Power Act is quite specific that you must not charge differential rates, and every rate you provide for in any area must be available to every consumer. Every man obtains his rate for so much per unit on a sliding scale, and that same scale must be open for every consumer if he likes to take it.

1344. Objection was taken in the House that the Commission was charging Kitchen & Sons a smaller rate than they were charging smaller men?—I do not know what tariff they are charging Kitchen and Sons.

1345. *By Mr. Deamy.*—Do you say a council would not be allowed to provide differential rates?—Yes, provided that rate was available to every person who desired to take advantage of it.

1346. If Warrnambool had control of the distribution, and in the event of them supplying the woollen mills, how could they do it?—By making the rate available to every consumer.

1347. Supposing they charge them 1d.?—They would make that rate available to every consumer.

1348. Charge the same to other people in Warrnambool?—Yes.

1349. And make the thing impossible?—No. You make the tariff based upon maximum demand, or you charge so much for the first 1,000 units and a lesser amount for each block of units, so much less for the next 4,000, and so on. If the woollen mills took a very

big supply, and got down so low that their average cost was 1d. per unit, any other firm taking as much energy would get the same, but those taking a less quantity would be charged more.

1349A. That is not differential rates?—No. In Ontario, the Commission has control over the rates.

1350. *By Mr. Eggleston.*—Mr. Swinburne says that they actually distribute?—In some cases they do, but not in most cases. Two hundred and fifty municipalities have contracts for 30 years, and that was about two or three years ago, so they cannot distribute on these areas for many years. It was stated, I understand, the other day, that the Act specifically provided that the Commission or the council should not make a profit. The Act does not provide anything of the sort. The Act provides that when municipalities purchase electricity from the Commission, the rate at which it shall be sold shall be under the control of the Commission. The word "profit" does not come into it. The Ontario Commission takes up the attitude that when they sell in bulk to a municipality the municipality puts in its own reticulation, for which it issues bonds repayable in 30 years, and, in addition to repaying those bonds, the municipality must charge a rate sufficient to enable it to set aside 5 per cent. per annum on its capital amount, so that by the end of 30 years the undertaking is paid for, and there is sufficient money to pay for it again, and there is no loan. That is what is actually happening at Footscray. They are paying it off out of their profits.

1351. *By the Chairman.*—It is very interesting to discuss these matters from an abstract point of view, but that is not what we are here for. We have to deal with matters as they stand?—These are matters actually in the Bill.

1352. You dealt with the point as to the transmission lines?—Yes.

1353. Who are to supervise the lines and see they are properly done?—The main transmission lines will undoubtedly be carried out by the Commission.

1354. Surely they have the ability enough to carry out all this work. You are raising captious difficulties?—The Commission says the council cannot do it, and I say they not only have their own staff to do the work, but they have done it.

1355. With all the restrictions and difficulties you are raising, it would be almost impossible to get electric supply in the country?—No.

1356. You made a strong point that the councils themselves could produce electricity more cheaply than the Commission?—Only in certain cases.

1357. You made that point, and you did not draw the distinction until the point was assailed?—I do not say as a general practice.

1358. Take it as a general principle?—There are two main factors in the cost of electricity—one is the generation cost, and the other is the capital cost. Take the case of Warrnambool, the total average cost per unit is 3.72d., of which .881d. is for energy. That allows, roughly, 3d. per unit for capital cost, and less than 1d. per unit for generation cost. It is an arithmetical fact that if you cut your capital cost in half you can afford to double your generation costs, and still do it cheaper. Each case must be taken on the local conditions.

1359. *By Mr. Eggleston.*—That argument proves nothing until you prove that you can do it?—We say we have.

1360. *By Mr. Deamy.*—Why did you advise the councils to do otherwise?—I think I have explained that.

1361. You say that different conditions have been imposed?—Yes.

1362. Do not you think it is your duty to advise the council to pull out and put in a local scheme. There is no compulsion for Warrnambool or Hampden to

come into this scheme?—I have advised the councils that the scheme as submitted to them is not satisfactory.

1363. *By Mr. Eggleston.*—The conditions do not touch the point you are making?—I do not follow.

1363A. There are only three—the power of the Government to purchase, which does not affect that; secondly, the control of high-tension lines; and, thirdly, the right to supply consumers?—And the fourth, which is a most important one—that I consider the estimates for the supply are incorrect.

1364. That was before you at the time?—I took their estimates to be correct; but when I went into them, I considered they were not correct.

1365. You made a report for the Commission?—No; a power survey, saying what, in my opinion, would be required. It is on the power survey that the costs are based; but I did not make any estimates of costs.

1366. *By Mr. Deany.*—I thought you made an estimate of consumption?—Yes.

1367. You practically cut down the Commission's estimates by half?—No.

1368. Their estimate was £670,000, and you cut it down to £368,000?—No, my estimate was £368,000, and the Commission doubled it. My figures were out first.

1369. You cut their estimate down by half?—I have not cut their estimate down by half; they doubled my estimate.

1370. Take your estimate of £368,000?—Yes.

1371. On those figures, you recommended the Warrnambool Council to adopt the scheme?—No. I said that at Camperdown we were told that the cost from Morwell would be less than the cost from Geelong. I now say it is not lower.

1372. We have nothing to show that it is not lower?—I say it will not be lower.

1373. *By Mr. Beardmore.*—You say that in centres in the North-east it will cost about 8d. per unit, which will wipe the thing out?—No, only in one place—in Euroa.

1374. Will that apply generally?—No; I think I made the estimate at Shepparton for the first few years 4.47d., 3.21d., 2.58d., and then falling to 1.45d., assuming that the Commission's estimates are right at the end of nine years.

1375. That simply wipes it off the slate. What is your alternative?—I have advanced no alternative for the North-eastern scheme. I say the Sugarloaf scheme is not economically sound.

1376. Do you say that in your opinion it would be more economically sound to take the Morwell scheme up there?—No. I say it would be more economically sound to put a local power-house there.

1377. *By Mr. Eggleston.*—Or power-houses. You would not have a local steam power-house for a number of widely separated municipalities?—Yes. Morwell is a steam power-station.

1378. That is at the pit's mouth?—It does not matter.

1379. I should say it would be of great importance?—Comparatively few power-houses are at the pit's mouth.

1380. That is recognised all through the world as a misfortune?—No, not necessarily. When the railways were electrified, they did not put the power-house at the pit's mouth, but near condensing water at Newport.

1381. *By Mr. Beardmore.*—In connexion with the Wodonga Shire Council, we have had a letter from Albury, who produce their power by steam, that they will supply Wodonga at 2d. per unit in bulk. They are doing that locally?—I would take it if I were you.

1382. It is not I, otherwise I would have taken it; but we cannot get away from the company we are bound up with. But we have that in writing that it is possible for them to supply Wodonga at 2d. per unit?—You should take it.

If power were such an important factor in the industries, why have not such firms as Thompson and Company left Castlemaine for Melbourne, and what hope would any country industry have of competing with Melbourne factories, for, in spite of all the subsidies, there is no possibility of power being sold in the country at anything like the rates available in Melbourne?

To go further, should not all industries move to Morwell, and so get a still further reduction, and thus leave Melbourne to the lighting consumers?

In introducing the Bill, the Hon. the Premier stated that "The very foundation of electric economics is involved in the proposals of this Bill." This is undoubtedly true, and as the question is of such paramount importance, it is worthy of a little consideration to see on what basis the foundation is to be built.

In the report on Tariff which the Commission presented some time ago, and to which I have already referred, it was stated that "In this country of legislative and economic experiments, it may not be convincing to some to say that no precedent can be found anywhere in the world for the application of the principle" enunciated in the report, and went on to say, "As Victoria is young in its electric development, its people may not be averse from drawing a conclusion and a lesson from the practice of older countries, in which the application of electrical economics has reached a high standard." It is in support of these remarks, which are so eminently true and pertinent, that I would ask you to refer to what has been and is being done in the "older countries in which electrical economics have reached a high standard" as compared with Victoria, and in passing I would say that this remark of the Commission's was made in March last, when the Commission had been in existence for three years.

The two countries which may be quoted most aptly are England and the United States of America, though there are other countries which have also attempted to solve the difficult problems.

1383. *By Mr. Eggleston.*—The electricity business is not considered satisfactory in England. It is an older country, and they have considered electrical economics much more than we have here.

1384. We have Electricity Commission reports which condemn it root and branch?—Electricity Commissions have been appointed in England to deal with the whole business, and I think they have a pretty good staff of electrical engineers dealing with these matters.

In England, as I stated previously in these remarks, there is an Electricity Commission which may consist of five members, of which at least three must be electrical engineers eminent in their profession. Actually I believe all the members of the Commission are such.

In England also the Commission does not permanently own any work, but may—though it has not yet done so—own work, provided that it invest such works in suitable boards or bodies within two years.

The Commission does not attempt to supply energy in retail, and its chief functions consist of regulating the operations of undertakers, and so co-ordinating the power-house and systems that energy may be interchanged between power-houses, thus eliminating, as far as possible, costly duplication of plant, and also preventing inefficient plants being installed where the supply can be more efficiently and economically derived from existing stations.

For this purpose the country has been divided into districts, each under a Board, and the matters above referred to are inquired into and settled at public inquiry. The Commission also formulates standards and generally administers the Act. The functions are, therefore, the genuine functions of a Government Department, *i.e.*, they govern and do not trade.

Furthermore, whereas the Victorian Act states that the Commission shall carry out investigations, &c., the

English Act delegates this work to Committees appointed through the Electricity Commission for the purpose, and consisting of representatives of joint authorities, undertakings and other specially qualified persons. They also are specific regarding the definition of terms.

Thus they define transmission and distribution lines, as I have already quoted, whereas the definition here is left in the hands of the Commission to interpret as it likes.

A bulk consumer is also defined thus—

- (a) A local authority or person authorized to distribute electricity to be used for the purpose of electricity distribution; or
- (b) Any local authority authorized by any general or special Act to undertake or contract for the lighting of streets, bridges, or public places to be used for the purposes of lighting streets, bridges, or public places.

Now, as regards the United States of America. Here the whole regulation of the industry is in the hands of Public Service or Utility Boards, and though the undertakings are owned by councils or companies they must comply with reasonable requirements, and the Public Utility Board sees that the undertakings are operated on sound lines; that the public is not robbed, and that the electrical economies are preserved. What sounder principle could be adopted than this?

Leaving now these two countries, and turning to Canada. In Ontario there is a Commission which has been referred to as epoch making, and though it is called the Hydro-Electricity Commission, it deals with water supplies, sewerage, and other businesses.

Here, again, the Commission sells in bulk to municipalities who each own their own reticulations, which are paid for by bonds repayable in 30 years. As depreciation is allowed at 5 per cent. it means that at the end of 30 years there will be no interest and sinking fund to pay. This is worthy of note, in comparison with the repeated statements of the Chairman of the Victorian Commission that municipalities would not be allowed to make any profit.

It has been stated that in Ontario the Commission supplies direct to consumers, but conditions there are different to here, inasmuch as the municipalities are much smaller, consisting mostly of towns, similar to our own towns or boroughs, so that there must necessarily be many works, mills, &c., beyond the immediate environs of the towns, which would thus be supplied by the Commission direct. Even this policy is very open to question as it would mean the whole rural areas being supplied by the Commission. A recent ruling by the Public Utility Commission in Michigan stated that no good result would be obtained by operating widely scattered public utilities by means of one holding company. This is exactly what we consider applies to Victoria.

New Zealand also has endeavoured to control the supply of electricity, but has done so by appointing an electrical engineer to deal with the matter, and has divided the country into districts, each under a Board which in most cases does not even attend to the distribution. The Government certainly does not.

In Tasmania, again, the Government has an eminent electrical engineer to advise it, and does not usually distribute except in certain cases. Thus, in Hobart there is a reason inasmuch as certain large industries are supplied with energy at a loss simply to encourage them, but this system I emphatically denounce as wrong. If the Government wishes to endow any industry it should grant a bonus, and not supply energy at a loss, as by this means there is the moral certainty that other consumers will be charged too much in order to square the ledger. Last year the Tasmanian Hydro-Electric Supply made a profit of £15,000, so that other consumers were made to pay for the subsidy.

Here again it is worth while referring to a recent ruling of a New York Public Service Commission, which stated that discrimination should not be made against any consumer in favour of others.

Again, the Utah Public Utilities Commission rules that a tariff must be based on the cost of service, and uniformity must be maintained. It is not right to charge according to what a consumer can afford to pay. Also in Tennessee the Public Utilities Commission rules that the general public welfare demanded that no discrimination be shown in fixing rates as the use of special rates is unjust both against the contract consumers and against the general public.

These rulings are very pertinent to the whole question of electricity supply in Victoria, especially as the Commission wants to sell direct to consumers, a practice which is condemned all over the world. I have already shown that in England the Commission does not do so, nor is it done in the United States of America.

It is interesting to see what has been done in Victoria itself. Since 1896 the Government has issued Orders in Council for the supply of electricity, and though it is clearly stated in the Act that any such order shall not be exclusive, there is no single instance of two orders being issued for any area, as it has always been realized that to do so—i.e., to introduce competition in any area—would not cheapen, but actually increase the cost of electricity in the area.

The Indiana Commission declared that the keen competition between the Electrical Utilities for light and power business in Indianapolis has not reduced the rate to the general public, because "a duplication of utility facilities is economically unsound and wasteful, and the public bears the burden. The competition has, however, benefited certain large consumers whose business is so desirable that agents of the utilities have attempted to outdo each other in stretching the provisions of the published schedules sometimes in their enthusiasm forgetting the published schedules entirely."

Surely we may take the advice of the Commission itself, and draw a conclusion and a lesson from those older countries, in which the application of electrical economies has reached a high standard.

It is significant, in comparing the conditions in Victoria with those in England, to consider, not only the attitude of the authorities, but also the actual degree of development in each country. We have in Victoria the Morwell scheme, and we are given to understand that the Commission will charge the City Council £7 per kilowatt and .09d. per unit for energy generated therein. Now the load factor of the Melbourne City Council is about 32 per cent., so that the cost of high-tension energy at the Spencer-street Station would be .69d. per unit.

Now, in the issue of *Electric Railway and Tramway Journal* for 14th July, 1922, there appears a report of the inquiry by the Electricity Commission in England into the question of the South-Eastern Railway Company installing a power station, which would not only generate energy for the purposes of the company, but would also be able to supply energy to the London, Brighton, and South Coast areas; and in course of evidence it was contended by the company that they would be able to supply energy to the railway company at .305d. per unit, and this is using sea-borne coal, of course. The cost of coal is not available, but the station would be situated at Belvedere, in Kent, and, in a technical journal just to hand, the price of accepted tenders of nutty slack at St. Pancras is given at 21s. 5d. per ton. The price used as a basis of estimate by the Commission in its 1919 report was 25s. 3d. per ton.

It will thus be seen that the Commission, though it makes such a loud noise about cheap electricity, is actually going to charge over twice as much for its energy as a company in England could sell at. It is of further interest to note that the London County

Council actually supported the railway company in its application to install its own station rather than to have to buy from one of the combined stations.

In his evidence before this Committee Sir John Monash stressed the chaos which he claims exists in the electrical supply systems in the metropolitan area, and this point has been raised on several occasions by the Commission in justification of their claims that an alteration must be effected.

Now, to hear the remarks of Sir John Monash one might be tempted to imagine that the power users in Melbourne were eking out a precarious existence, and unless some alteration were effected without delay, the industries would be threatened with strangulation. As a statement of this nature has such an important bearing upon the whole question of control, I think it is very wise to give thought to the matter and analyze the conditions rather more carefully.

As Sir John stated, there is a direct-current supply in portions of Melbourne cities, and in the Flemington-Essendon territory. In other portions of the city there are both single-phase and three-phase systems, and in certain other portions there is three-phase 25 cycle. The voltage in the city is different to that in some of the suburbs, and also to the 25-cycle system. Now let us consider for a moment, gentlemen, what is likely to happen in connexion with these various systems. In the first place, dealing with the direct-current system.

Now I have not gone into the question of the cost of changing the central portion of the city from direct to alternating current, but presumably the City Council has, and has decided against such a change; in fact, if I am not mistaken, this matter was discussed by the council in considerable detail when Mr. Harper, who is now the Chief Engineer of the Commission, was Chief Engineer for the City Council, and presumably it was on his recommendation that no such action was decided upon.

It must be realized that there is a great deal of money invested in mains and equipments in this particular area, all of which is underground and would have to be replaced if the system were changed. Now the total cost of giving a supply to a consumer necessarily consists, not only of generation, but also capital costs on the outlay, and it is problematic if the large expenditure which would be necessary to replace these cables, meters, motors, &c., would be warranted, especially in view of the fact that the centre of the city is essentially a lighting rather than a power area, and I doubt very much if it would be a commercial proposition to so change the system whether it were controlled by the City Council or by the Commission, and the advantage of changing will be still further reduced as the cost of energy is reduced.

Referring now to the alternating-current area we have the single-phase and three-phase, both 50 cycle and both 400 volts, across outers, and though Sir John painted a picture which was rather gloomy concerning the use of a motor designed for one system and transferred to another, I may mention that, apart from the reduction in the capacity of the motor, there is very little disadvantage in this system from a consumer's point of view. One of our own clients has approximately 6,000 horse-power of three-phase motors installed, working perfectly satisfactorily on the single-phase system, the only drawback being that the capacity of each motor is somewhat less than the rated output. Certainly the power factor of the system is low, but this can be rectified without a very great expenditure.

It may be interesting also for members to know that the single-phase system, which has been treated with such scorn, is adopted very largely in large American cities for lighting distribution, and it certainly is infinitely simpler and more convenient than three-phase for this purpose; so that, even if the whole system of supply were unified, it would be quite a matter for careful consideration before major alterations were effected

in the majority of the reticulation areas; for it must be understood that, even in a three-phase system, the lighting and all small consumers are always supplied with single-phase.

Certainly where the area is essentially an industrial one, three-phase is better, and for this reason such areas will doubtless be changed over; the mere fact of the Commission controlling these areas would not affect the matter at all.

Finally, dealing with the 25-cycle system, this comes with bad grace from the Electricity Commission, considering that the Commission itself is the offender in connexion with this system. The Morwell scheme has been designed as a 50-cycle system, and for some little time past the 25-cycle energy generated in the Newport Power House, which, by the way, was selected by Mr. Merz, has been sold to the City Council and to the Melbourne Electric Supply Company, and by them converted to 50-cycle energy; and I venture to say, gentlemen, that it would have been far more consistent for the Commission to have installed similar plant, and to have sold 50-cycle energy, rather than to have distributed 25-cycle energy to industries. So that the very body which is criticising the diversity of systems is actually increasing the chaos.

There is one further point before I leave this matter, viz., the great number of supply undertakings in the metropolitan area. Gentlemen, I seriously state that this tends, not to inefficiency, but to efficiency. You have been informed that the cost at which energy could be sold to a consumer must depend upon the nature of the area in which he is situated, regarding density of population, &c., and also the type of consumers existing in the areas. Thus in a sparsely populated residential area the charges must be necessarily higher than in a compact place like the centre of a city, and it so happens that most of the municipalities are very conveniently arranged for dividing into such areas, so that one municipality can charge a uniform rate throughout its own area, based on the cost of distribution, but if the whole were controlled by one authority there would be considerable grumbling if tariff zones were created irrespective of municipal boundaries and based simply on the ideas of the central controlling body, so that, far from being a chaotic state of affairs, the present system in Melbourne is one which is not likely to be improved by the Commission or any such body taking complete control.

To summarize, I trust I have been convincing in my endeavour to show—(a) that the proper functions of the Government Commission are not to trade, but to govern and administer; (b) that it is not economically sound to combine the whole supply of electricity under one control; (c) that though it is wise to concentrate as regards the generation of electricity, the distribution thereof is a purely local function and cannot possibly be as economically carried out by a Government Department with centralized control as by local authority; (d) that standard practice throughout the world is in favour of such local control, either by municipalities, companies, or district boards; (e) that it is uneconomical—as has been found in America—for one authority to sell energy to certain consumers situated in an area served by another authority, so that the Electricity Commission should not be empowered to supply direct to consumers, as such will increase the cost of power to all; (f) that for the Commission to own and control high-tension lines other than main transmission lines is unnecessary and objectionable, and such a proceeding would necessarily increase the cost, would result in dual control, overlapping of maintenance and construction, and most involved bookkeeping, while doing no possible good; (g) that the line of demarcation between the functions of the Commission and the local authorities should be the transmission and supply in bulk on the one hand, and the distribution on the other; (h) that definition should be embodied in

the Act referring to transmission, distribution, bulk supply, &c.; (i) that the Commission should charge all consumers on a uniform basis and according to the maximum demand rate; (j) that the whole system of subsidies is absolutely wrong and unnecessary, as the Commission can only pay its share at the cost of other consumers; (k) that it is also wrong to give the Commission the power to be a taxing body which would have such wide powers; (l) that, if the Bill passes, huge expenditure may be incurred without parliamentary sanction. The Commission is already committed to about £4,000,000 or £5,000,000, and the value of the undertakings through the State is at present another £6,000,000 or £7,000,000, apart from transmission lines, &c., and the change-over cost to make these systems suitable for Morwell energy; (m) that the whole matter would depend simply upon estimates prepared by the Commission, and it has already been seen that such estimates are not reliable; (n) that no person could safely estimate the revenue, expenditure, and power requirements ten years ahead; (o) that the Bill would remove the control from Parliament and place it unreservedly in the hands of the Governor in Council, and the country could be committed to huge expenditure without any public inquiry or discussion. Even the Railways have to appeal to Parliament for large expenditure; (p) that the Commission should not act as consulting engineers, as, not only is there a quite efficient body of private consultants prepared to carry out and actually carrying out this function, but by so acting the Commission will rob the people of their greatest protection, viz., the existence of a body which will check and supervise all work prepared by consultants, and which will not be influenced by any of its powers to act as a competitor; (q) that the Bill, section 2 (9), provides for a directly confiscatory policy in treating companies differently from councils; and (r) that the Bill deprives councils of a right to buy out an undertaking in its own area, whereas it has the right to put in a new undertaking.

1385. *By Mr. Beardmore.*—Are there any other points you wish to emphasize?—No, I do not think so. If there are any questions the Committee would like me to answer, I will only be too glad to do so.

The witness withdrew.

Committee adjourned until Wednesday, 1st November next.

WEDNESDAY, 1ST NOVEMBER, 1922.

Members present:

Mr. McLEOD, in the Chair;	
Mr. Beardmore,	Mr. Farthing.
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

Frederick Stephen Bryant, Councillor and Chairman of the Electric Light Committee of the Shire of Heidelberg, examined.

1386. *By the Chairman.*—To what particular question do you wish to address yourself?—I wish to speak on the Bill. My council—the Heidelberg Shire Council—feels that it can supply the residents with electric light more cheaply and more efficiently than the Commission will be able to do it. Their reasons for believing this to be so are contained in the evidence which I shall give, a copy of which I shall hand in to your Committee. First of all, to show that my council is not out to make money, I would point out that the profits from our local electric light undertaking handed over to the municipal fund since its inception

in 1915 were only £2,250, averaging £350 per annum, and the prices charged for current were:—

Lighting	..	..	6d. to 4d. per unit.
Power	..	..	3d. to 2d. per unit

The total capital involved in the electric light undertaking is between £23,000 and £24,000.

As a municipal concern the electric light undertaking is a direct benefit to the ratepayer. Extensions are made where necessary, and the profits from the undertaking are expended in the locality from where they are derived. Everything is worked efficiently and economically, and all expenditure is jealously guarded both by the council and the ratepayers.

Unless the council had undertaken to supply electric light in the district it would have been without. In this connexion risks had to be taken, as the council at the time were the owners of the local gasworks, and there was doubt as to the success of both utilities.

The gasworks undertaking was purchased and run by the council after being closed down by a private company as unprofitable. Result—price of gas was immediately reduced from 9s. to 6s. 8d. per 1,000 feet, and main extensions carried out in all directions, which were denied the residents previously, and an efficient service maintained, which was not the case previously.

As another proof that my council is not out to make money from these trading undertakings, I might mention that during the coal strike recently the municipality sold its gas at the same price as the Metropolitan Gas Company, viz., 6s. 8d. per 1,000 feet, which was the lowest price charged in Victoria at the time. I might say that the other companies were charging 10d. to 1s. per thousand more, but we were not wishing to make money out of our own ratepayers, and we went on at the same rate as the metropolitan company.

My council feels that a municipality controlling a utility is better able to judge of local requirements than any outside body. Consider, for instance, the difficulties in this regard with either the Metropolitan Board, the Fire Brigades Board, the Tramway Board, or the Health Commission. Of all public monies spent, the best value is obtained from that disbursed by municipalities.

1387. Which particular sections of the Act do you refer to, because I do not see any section which compels any municipality to take power, but they may apply for it; there is no interference as far as I can see in the Act; there is no provision in the Act to enable the Electricity Commissioners to step in?—But they have stepped in already.

1388. Where?—At Port Melbourne.

1389. *Mr. Eggleston.*—That is a different point; they have not stepped in there; they were authorized to do it.

1390. *By the Chairman.*—That was in regard to what?—In regard to electric light.

1391. That is in regard to some of the undertakings there?—Well, the Port Melbourne Council was supplying electric light, and the Commission has taken over some of their customers.

1392. *By Mr. Eggleston.*—Are you sure you have the facts right?—I have had it from the Defence Committee, of which I am a member. Kitchen's is one firm that I know of.

1393. *By the Chairman.*—It is just as well to clear up that misunderstanding. The Railway Department had power and has power under a special Act to supply electricity to certain undertakings within a certain area. By the last Act before this one, Parliament transferred to the Electricity Commissioners the duties and responsibilities of the Railway Commissioners, and they had to take over those places that the railways were supplying, so that that was an inheritance that they had, and was not any action of their own. I think in Melbourne and Footscray and two or three other places they simply had to step in and exercise

the powers under the agreement which had already been entered into by the Railways Commissioners?—I understand it now; I did not before, but that is a case where the Commission has come in within the 25 miles.

1394. It has that special power under the Railways Act?—Then of course there is the other big question of the Melbourne City Council. We do not want to go into that because I quite understand why it was the Commission came in there.

1395. I just mentioned that to clear up any misunderstanding as to how the Electricity Commissioners came to go into Footscray and other places, and fulfil agreements which the Railways Commissioners were carrying out or undertaking?—Yes.

1396. *Mr. Eggleston.*—You are dealing with things not affected by the Act at all; the Act does not enable the Commissioners to come in and distribute electricity throughout Melbourne—or the Bill, I mean?—Yes, I understand. Continuing my statement I would like to say that for the reasons I have mentioned, all Government or quasi-Government concerns, except local government, are extravagantly managed and worked, and the result is high taxation, poor service, and protests are useless.

The Local Government Act makes full provision for councils controlling and providing gas and electric light undertakings, and it is questionable even if, allowing for the creation of the Electricity Commission, whether any of the powers therein contained, should be abrogated or altered.

At the present time the council controls gas and electric light undertakings in the shire, and the water supplies of Greensborough and Diamond Creek.

The present composition of the Electricity Commission is good, but in time its members will be replaced by others, and exigencies may arise for which Parliament will be invoked to absorb whatever profits accrue from the business, or order the increase of rates charged to consumers so as to provide funds for some other object. Then again there will be the importunities of legislators anxious to find positions for their friends and relations, with the result that profits which should go towards cheapening the cost to the consumer will be spent in some manner quite foreign to the business of the Commission, or in augmenting the staff and increasing salaries, thereby generally reducing efficiency and increasing the cost to the public, the sole object for whose safety it is averred the Commission is brought into being.

The creation of another body armed with such extensive powers and seeking still greater, is causing alarm in view of the foregoing facts and conclusions, and the pertinent question might well be asked—"Who will watch over the watchers?" (I think you have had that quotation before.)

The Electric Light Commission have power to buy out private suppliers, such as the Melbourne Electric Supply Company, and thus force councils, such as ours, to purchase current from the Commission. Now we will be in exactly the same position should the Electricity Commission buy out the Melbourne Electric Supply.

1397. *By Mr. Deany.*—You buy in bulk from them now?—From the Melbourne Electric Supply, yes.

1398. Well, what would be the difference in buying from the Commission?—In that regard we feel, and I feel too, as chairman of the Electric Light Committee, that the Commission will not be able to sell as cheaply as the Melbourne Electric Supply.

1399. For what reason?—Well, one reason is that I never knew a Government undertaking that did do anything decently.

1400. *By Mr. Eggleston.*—You are begging a great many questions, I think?—I do not think I am. If you

take any one of the Government undertakings you cannot tell me one that pays.

1401. *By Mr. Deany.*—We can tell you quite a lot?—You take the railways, for instance—you are increasing the number of passengers and increasing the freights, and still there is generally a deficiency, and an increase of fares to make up for it; fares have gone up from 25 to 30 per cent.

1402. *By Mr. Beardmore.*—Don't put a bad taste in our mouths?—That is only in answer to that question. With regard to supplies, if the Commission buys out the Melbourne Electric Supply, well then we are forced to go to the Commission for light.

1403. *By Mr. Eggleston.*—For bulk power?—Yes.

1404. *By Mr. Beardmore.*—Do you not think the Commission could supply it at a cheaper rate than 2d. or 3d. in bulk?—No; that is our principal fear.

1405. We expect it to be supplied 170 or 180 miles away at less than 3d.; at Shepparton, for instance, they promised that.

1406. *By the Chairman.*—If they do not deliver it at cheaper rates than outside suppliers, Parliament will be very disappointed, because they have agreed to the expenditure of very large sums of money on the understanding that the Commission would supply electricity at a cheap rate, so that factories could spring up all over the country and use the power and light?—I would like you to understand that I am voicing the opinion of the Council, and not my own personal opinion only.

1407. *By Mr. Eggleston.*—But you do take personal responsibility for all that you are saying?—Yes.

1408. *By the Chairman.*—Very often an idea prevails in the mind of the public and it is not correct?—No. I think that councils, whether metropolitan or rural, should have the right to supply electricity for power or lighting to their ratepayers, and in no instance should they be forced to take current from the Commission.

Notwithstanding the provisions of the proposed State Electricity Commission Act 1922, the Commission has already entered into competition with councils within twenty-five miles of the city. It supplies current in Port Melbourne and Melbourne. (That is the point we dealt with.)

In case of a breakdown at the Commission's works, the whole of the State will be in darkness. That would not be so if there were a number of companies or councils supplying light. The Commission should be bulk suppliers only, and not retailers, and councils should have the right to take their supplies from whomsoever they please. I may state also that Mr. Lawson, speaking on Thursday, 19th October, at the Municipal Conference, said he believed that the greatest development of any community was effected by efficient local government. That is rather in favour of the councils going on and supplying their own lights and having their own undertakings.

1409. *By Mr. Eggleston.*—Are you in favour of their generating their own power?—Yes, if they can afford it.

1410. *By Mr. Beardmore.*—Would you alter your opinion if it could be shown that the Commission could supply cheaper power than you could?—Certainly, in bulk.

1411. *By Mr. Eggleston.*—If it could be shown that they could distribute it more cheaply, would you still be against the Commission?—Yes; they could buy us out, which I suppose they would do. We would not like to lose all the money we have put in there—£23,000 or £24,000—to have the Commission come in and blow us right out.

1412. I do not see how you could lose it, because they would have to use your distribution system; what is your system—one-phase alternating current?—Yes.

1413. Well, their standard, and that of the City Council, is three-phase?—Yes.

1414. *By the Chairman.*—I think a misunderstanding arises from a special provision in this Bill to help the country districts along, and that is that three or four municipalities can join together and make an application for a supply, and, if the Commission inquires into it and finds that it would not be payable, but that there is a reasonable probability of it paying within ten years, then that district, with the consent of the Governor in Council and the consent of Parliament, can have the works constructed under a guarantee from the municipality concerned, and the Electricity Commission and the Government divide the cost between them. I think a great many people are running away with the idea that the Commissioners would be empowered to step in and interfere with anybody, or force them into this thing; that is not so?—I think the municipalities understand that they would have to pay one-third of the loss; is not that so?

The Chairman.—Yes.

1415. *By Mr. Eggleston.*—Why should they not?—I do not say they should not.

1416. *By Mr. Deany.*—It is better to pay one-third of it than the whole of it?—Yes, but our district is not country; our district is suburban.

1417. *By Mr. Eggleston.*—You have not taken an objection to the Bill which suburban municipalities might very well take, and that is as to why the whole system should be debited with any share of the loss on the country system.

Mr. Beardmore.—They are sports.

The Witness.—I do not think we should do that; I did not understand we would have to; I thought it was the municipality concerned that would have to pay one-third.

1418. *By Mr. Eggleston.*—Yes, but portion falls on the whole electric light system; what staff have you?—We have a supervising electrical engineer.

1419. Consultant?—No.

1420. You have an electrical engineer?—Yes.

1421. You have a consulting one, too?—No, we had one; Mr. Noel Murray put up the whole thing.

1422. What do you pay your engineer?—We pay the log rate—from £400 to £450.

1423. What staff have you got?—There is an office staff of four, and we have got four or five linesmen.

1424. And meter-readers and collectors?—Yes.

1425. How many?—They are in amongst the office staff.

1426. One point that the municipalities make, and there is something in it I think, is that they are better able to look after the local requirements?—Yes.

1427. But does that altogether hold; are not the local requirements determined by the voting power of the council?—Well, we have a committee of four, which meets regularly.

1428. But on any disputed issue the problem would be determined by the voting power on the council as to whether any particular area would be served?—They do not have much say; the committee makes a recommendation to the council, and it is accepted.

1429. Is there not a danger in a local council of the thickly populated part of the municipality being preferred to the other parts, more so than with a State-wide scheme?—No; if in certain outlying parts of the area the people want electric light and it is not a payable proposition, then they have to guarantee it for a certain amount.

1430. The same thing is done in the Metropolitan Board of Works, and there is a metropolitan-wide basis?—Yes, it is, but the Council guarantees the Metropolitan Board.

1431. There is no reason why the same principle should not be applied to electricity, is there?—I have not gone into that part of the question, but I should say there would not be; I cannot see any objection.

1432. Is there not also a danger that the strong municipalities might be able to indulge in a great deal of

development, and the weak municipalities might not be able to do it at all?—I take it that the commission would not put in electric light and supply it in cases where it would not pay.

1433-43. But the municipalities might not be able to afford it; for instance, they may be up to their borrowing powers, and they may not be able to install electricity at all, although it might pay in that district?—We have been always able to do that.

1444. Is it not a common criticism of municipalities that they favour the more thickly populated parts of their district as against the outlying parts?—Of course, if a district is very thickly populated, they are more likely to get utilities.

1445. The Electricity Commission, if it is a central body, is not necessarily a body which would be against local development, but because of its superior resources it may be able to achieve it better than the local councils with their inadequate resources?—Yes, well they would not be quite so anxious about the municipalities as we would be; they would not be likely to give the same result as we would.

1446. The Metropolitan Board of Works has been able to push its mains out, owing to their command of capital, in a way that municipal councils, working individually, could not have done?—Yes, in the supply of water.

1447. Another thing is that the municipalities do not command the same low rate of interest as in the case of loans borrowed on the credit of the State?—No.

1448. You talked about the importuning of legislators—you see it touches us very keenly—what about the importunities of councillors?—They have not any; they have not got the jobs.

1449. They do not get their friends and relatives on?—No, the staff is too small; there is no chance of that.

1450. *By Mr. Smith.*—They are all the more importunate if they do not get a job. You referred to extensions being made from time to time; how have they been financed, from loans or profits?—From loans principally.

1451. Can you give us any idea of the extent to which you have financed them?—No, we have one case I might instance. We are going to do the Golf Club. It is a long way out from Heidelberg; it is out at Rosanna, and the Rosanna people are guaranteeing it, and all those people along the line have sent in their names as guarantors, and the Heidelberg riding has also agreed to pay so much to the Electric Light Committee to help this thing alone, so that it comes out of the municipal fund—that is the Heidelberg riding's share of it.

1452. *By Mr. Deany.*—You said that you considered the Electricity Commissioners should be bulk suppliers only?—Yes.

1453. Well, why should you and your council have such grave fears of this same Commission buying out the Melbourne Electric Light Company and becoming bulk suppliers?—Because we would rather deal from the Melbourne Electric Supply as bulk suppliers, but if the Commission buys out the Melbourne Electric Supply, then we would have to take it from them; we would rather have them as bulk suppliers than retailers.

1454. But they would be only bulk suppliers then if they bought the Melbourne Electric Supply?—Not necessarily; they might put in a different system.

Mr. Eggleston.—You have an order under the Electric Light and Power Act, and they could not step in without your consent.

1455. *By Mr. Lind.*—Mr. Eggleston means that they could not retail without your invitation as a council?—No, not at present.

1456. *By the Chairman.*—That company's charter expires in two years, and it is not a question of buying anybody out?—No.

1457. *By Mr. Eggleston.*—I suppose you agree that a great many economies could be achieved if the whole of the electric supply of Melbourne and the metropolitan area were on a common system?—Yes.

1458. And that if one is on a three-phase system and another on a one-phase system, and another on direct current, economies cannot be made which might otherwise be made if they were all uniform?—Yes.

1459. You are on the one-phase system?—Yes.

1460. And the adjoining municipalities are on a three-phase system?—Very likely; I do not know that they are. We have an adjoining municipality which has electric light.

1461. All the Melbourne Electric Supply is one-phase and the City Council is three-phase?—Yes.

1462. *By the Chairman.*—Summing your evidence up I gather that if your shire is satisfied that you will not be interfered with, that you can go on as you were and keep on buying your power in the same way as you are doing now, you have no objection to the Bill?—Not at all.

1463. What was that £24,000 spent on; you have no machinery?—No, but we had to put up our transformer house, and put up poles and wires.

1464. Simply the overhead business?—Yes, mostly.

1465. *By Mr. Eggleston.*—According to this statement, you have 1,866 consumers for lighting, and 300 for power; is that correct?—I have the latest figures here, and they show the number of consumers at 2,555; the number of street lights at 363; the number of new consumers for September, 1922, was 43, and the receipts for that month were £1,532. Of course, the receipts for the month are nothing, because our expenditure may be more than that for that particular month.

1466. *By the Chairman.*—How many power consumers are there?—Well, they are all bulked together in those figures, so I could not separate them for you just now.

The witness withdrew.

Charles Edward Merrett, Mayor of South Melbourne, examined.

1467. *By the Chairman.*—To which particular phase of the question do you wish to direct your evidence?—More in respect to the general policy. My remarks will be brief. I am here to represent the South Melbourne City Council's views, and I am at a disadvantage in not having any technical knowledge. I shall therefore have to rely to a great extent on my commonsense and your forbearance. South Melbourne City is one of sixteen municipalities with rights originally to purchase the Melbourne Electric Supply operations, and in our implicit faith in our legislators apparently we slumbered, because I understand the Electricity Commission now has the power to purchase that undertaking if they so desire.

I am also advised that an impression has been conveyed to this Commission that a deputation waited on the Electricity Commissioners and asked them to take over the Melbourne Electric Supply undertaking altogether, but that is not in accordance with the instructions I have, nor with the copy of the minutes of the deputation of 22nd January, 1921. I do not know whether you wish me to go any further into that particular aspect, but a number of municipalities have not asked the Electricity Commissioners to take on that work. According to what I can gather, the State Electricity Commissioners, in their statement at that deputation, said they had not decided yet whether they were going to take over the Melbourne Electric Supply works.

1468. They have two years more?—Yes, but the Electricity Commissioners stated that they would communicate with the Conference when the Commission had decided its policy in the matter. We have not been advised as to what the policy of the Electricity Commissioners is in regard to that.

Now, to get right down to what I have really come about—that is that the South Melbourne Council, the municipality, should have the right to distribute, that is to retail electricity within its own boundaries. They have not the slightest objection to the Electricity Commission supplying in bulk at a certain rate and regulating the price we can charge; therefore, we are at one with them in that, but as municipalities, we desire to control, as far as we can, those activities within our own boundaries.

1469. What do you do now?—The Melbourne Electric Supply do the retailing, and it comes in direct, and for a long time they have been unable to supply us with all the light and power we require.

1470. *By Mr. Beardmore.*—They do the retailing?—Yes, the whole of the retailing. I understand from the Electricity Commission that they consider it is not feasible to supply a municipality in bulk and allow the municipality to do its own distribution. One can understand that in a big undertaking it would be necessary to have certain distributing stations, and of necessity it might be necessary to group two municipalities, and to that the South Melbourne Council has no objection, so long as they are portion of it. The whole matter is one of policy, and the South Melbourne Council is very emphatic on the point that in their opinion it is desirable that the municipalities should be pitted against each other as it would lead to economy in distribution. You have a parallel case with the Railway Department, which is unable to tell you as to the profits on certain portions of its work, such as the passenger and goods traffic. They tell you they are unable to separate it. If you are going to distribute electricity, and you have it in bulk also, it would be difficult to trace whether there is any leakage, or whether there is economy, or whether any leakage occurs in the retail portion or the manufacturing portion, and there was a fear that it would be possible to cover up a great deal when you have such a huge undertaking that it is impossible to analyze its constituent parts.

1471. Would you rather buy in bulk, because then you would not be affected by the supply falling short, or would you rather not?—Well, if we buy in bulk, we are not taking anything away from the Electricity Commissioners, because they have said that they can only supply in bulk as much as a locality requires. We would have the cost of distributing, and we would be pitted against the other councils in that administration, which goes for economy. The Electricity Commissioners say that they are quite prepared to allow certain municipalities to distribute, and why should not each municipality be allowed also?

1472. *By Mr. Deany.*—You have not that right at the present time?—Neither have those other municipalities which the Electricity Commissioners refer to; in some cases they are going to allow the municipalities to do it.

1473. No, they have not proposed anything like that?—I am sorry; that is what I read in the papers.

1474. You would not be in any different position to what you are to-day if the Commissioners supplied you?—In what way. We had rights which have been taken away by an Act of Parliament, whereby we were unable to purchase that undertaking and run our own electricity. We desire to run our own distribution. We want to buy in bulk, the same as our neighbours are doing at Port Melbourne. There is a sub-station put down between the two localities. The Electricity Commissioners propose to distribute to Port Melbourne in bulk, and allow them to retail it, and on the other side of the fence they are going to distribute it and the municipality is not.

Sir John Monash.—Because Port Melbourne has a franchise and you have not.

The Witness.—But it does not make any difference as far as the ratepayers are concerned—on one side of the fence there is South Melbourne, and there the electricity will be distributed by the Electricity Commission, whereas Port Melbourne will be allowed to distribute it; surely what is sauce for the goose is sauce for the gander. If we say we do not want to go on with it, well and good, but what we say is that the municipalities should have control within their boundaries, so long as it is shown to be feasible. We do not ask anything unreasonable. We do not ask for permission to generate our own electricity. We think the Electricity Commissioners generating electricity would be for the benefit of the whole community, but we do desire to have control within our own household to carry out this function.

1475. *By Mr. Eggleston.*—That is assuming it is a function which you can carry out best; but why should electricity be something under the control of the municipalities any more than water?—The tendency is at the present time to shove everything on to the municipalities.

1476. No; the tendency at the present time is to take it away from the municipalities?—Where?

1477. In England?—One would not say so here, because we know the bulk of the undertakings in the State are emergency undertakings and makeshifts.

1478. But what is there in a municipal boundary that makes it an ideal area for the distribution of electricity?—I do not know that there is anything particularly.

1479. Supposing the economic area for electrical distribution transcended the boundaries of several municipalities, and economies could be effected by operating in that way and ignore the municipal boundaries, would a single municipal council have the right in the interests of those ratepayers to object to it?—Very often it is competent for people to have rights, even if it affects the majority.

1480. Even though it penalizes the other people?—You are assuming that it is going to penalize them.

1481. You are assuming that it is not going to?—I suppose the electricity would be sold, even in bulk, at the same price as they would debit their retail branch with. It is merely the cost within our own boundaries. It is not what it costs; it is the desire to have control and economy, so that we know exactly where we are, and pitting one municipality with another to know whether it is economical. Take the Railway Department; you know it is impossible to ascertain whether certain things pay or do not pay.

1482. *By Mr. Deany.*—Have you taken any steps in the past to acquire these rights from the company?—Yes; at a council meeting on the 11th August, 1920, a conference was convened to discuss the advisability of acquiring the supply company's undertaking. That was in 1920, and its rights did not expire until 1925. Again, in 1921, these sixteen municipalities held a conference, and when they found that the Electricity Commission had the right to buy that undertaking, they went to them and asked them if they were going on with it, and to this day we have never been notified. We say that if they are going on we should have the rights to the distribution within our own boundaries. We are not seeking to generate electricity, or to come into competition with them in any shape or form.

1483. You appear to have any confidence in a private company, and yet you have no confidence in something that you have a share in; the people of South Melbourne are shareholders in this big Morwell scheme?—Are you justified in asking us to accept any Government undertaking as making for efficiency, economy in management, or anything else, because I have been here for 60 years and I have not struck one yet.

1484. *By Mr. Eggleston.*—What about the State Rivers and Water Supply Commission?—Their success is undoubted.

1485. What about the Metropolitan Tramways Board?—Half-a-minute, I have not finished yet. The question is whether it is not like some of Mr. Hughes' ships; if you debited your capital and charged your venture with all the money you have sunk in it, you could not say it was a paying proposition.

1486. Do you say that applies to the State Rivers and Water Supply Commission?—Yes; it is a national undertaking, and the question as to the cost does not come into it, because of the benefit to the country, which overrides it.

1487. *By Mr. Deany.*—Well, is not that the essential thing?—Yes; what difference does it make if the Electricity Commissioners generate the whole of the electricity in bulk and let the municipalities distribute it; the Electricity Commissioners' function is to generate electricity.

1488. *By Mr. Eggleston.*—Why do you say that?—If you do not generate it, you cannot distribute it.

1489. But do you say that is the only function?—I do not say the only one, but is not that the primary object?

1490. That is the first process, but it is not necessarily the only step. Is it not very likely that there is a connexion between production and distribution, which makes it desirable that the body producing the electricity should also distribute it, because it can effect economies by so doing?—That is just the point where we differ—as to whether they could.

1491. I would like to draw your attention to several very important Commissions in England which have taken that very point?—Are they parallel cases? I have to accept your statement. It would be idle to waste your time looking it up, and, therefore, I am prepared to accept that, but that does not get away from the fact.

1492. It answers your point, that primarily the only function of an Electricity Commission is to produce and deliver in bulk. Three separate sub-committees of the Imperial Government, which have sat on this question within the last three or four years, have said that, not only should production be on a national basis, but distribution should be on a national basis also, and that if the fields were clear the one authority would produce and distribute?—Well, conceding that point, I—

1493. Well, that concedes the whole argument?—Well, you could put the whole of England into a corner of Victoria and you would not find it.

Mr. Deany.—No; they are about the same size.

The Witness.—The Electricity Commission is going to distribute all over Victoria, from one end to the other, and they have undertaken to pay certain losses; where is that money coming from?

1494. *By Mr. Deany.*—Is that the objection?—No, my friend tackled me on general principles as to whether it is right for a producing authority to also distribute; he mentions certain cases in England; I have not seen the particulars, but I accept his statement. However, I think we are straining the point, and we can go back to the point that I came here about, viz., that South Melbourne desires the right to distribute electricity in its own boundaries, or with an adjoining municipality as the exigencies of the situation may demand.

1495. *By Mr. Eggleston.*—You are satisfied with the Melbourne Electric Supply distribution except in one respect, and that is that they do not give you as much as you want?—There may be better systems.

1496. But assuming that you can get enough power from them, you have no complaint to make?—No.

1497. And the fact that they do the work of this distribution does take a load off the council and its staff?—Because we have no choice.

1498. But it does enable you to spend a greater amount of time on roads and various things like that?—Yes, with the same staff that we have now, no one assumes for one minute that—

1499. If the Electricity Commission did not step into the shoes of the Melbourne Electric Supply you would have to create a new Department and deal with distribution?—Yes.

1500. And that is fairly large?—Yes.

1501. One of your chief objections to the Commission, I think, is this: That there is no one to check the figures of the Commission, and find out whether they are debiting to each section of the undertaking the proper costs; whether they are concealing losses by spreading them over the whole system?—That feeling does underlie a great deal of it.

1502. Would not that be obviated if you had district boards to deal with the local distribution?—That may be so, but, so far we have no knowledge of what the Electricity Commission may do. According to the powers given by Parliament, they are fairly wide, and we have no knowledge of them at all.

1503. It has been stated here that they would not oppose district boards. I am not sure whether the Premier said that; at any rate, that would remedy that particular difficulty?—I would not say it would remedy it, but if you cannot get one thing you must take the next best.

1504. Why should not a district board dealing with a large area be better for discharging that function than a municipal council which has a lot of other things to do?—It is assumed that the Electricity Commission have the only knowledge about anything; surely the whole knowledge of how to collect accounts and read meters is not confined to the Electricity Commission; a business training and a small staff to a great extent could get over it. A knowledge of electricity is known to a great number besides those actually engaged by the Electricity Commission.

1505. But presumably the Electricity Commission is able to command the services by the salaries it pays of the best experts?—Undoubtedly.

1506. *By Mr. Deany.*—Would not the same argument apply to the Metropolitan Board of Works?—It has not yet been admitted that the Metropolitan Board of Works is the last word in management.

1507. *By Mr. Eggleston.*—It is as good as we are entitled to expect; it is as good as we deserve?—Yes, because we made it, but the question is whether it is not possible to have a more economical management.

1508. *By Mr. Deany.*—Yes, but I mean the principle of the thing?—Yes, but that is confined to Melbourne; if you had losses all over Victoria you might not find out where the losses were.

1509. *By Mr. Beardmore.*—Did the Melbourne Electric Supply construct your lines and equipment?—Yes, they had that right, and since we forfeited that we have been suffering ever since.

1510. They were the original ones to supply?—Yes.

1511. And your chief trouble now is that you cannot get power?—Yes, neither power nor lighting.

1512. In the future you would be quite prepared to make your own lines and equipment?—Yes.

1513. *By the Chairman.*—You desire power to control your own supply?—Yes, within our own boundaries, or with an adjoining municipality.

1514. We have asked the Commission for a statement of policy in regard to that because we recognise it is a large and involved question. The conditions in the suburbs are very different to those operating in country districts. They informed us that they are not in a position at present to give us any information of that kind, because the Government has to formulate that policy. It is quite the intention that with the falling in of the concession of the Melbourne Electric Supply Company and with the different varieties of electricity, something will have to be done to bring about uniformity, and that will involve another Act and an alteration of the arrangements in some way to bring the whole thing into uniformity?—Yes.

1515. The Government has not consulted them in the matter yet, and so they are not in a position to tell us, so practically the real question will come when the Bill comes up, of bringing all the different Melbourne companies into harmony with them, and dealing with it as a whole, because the metropolis will have to be dealt with as a whole?—But if we do not put our views up they may be lost. That is the object of my taking up your time this morning.

1516. Yes, we are quite anxious to get at the bottom of these things, and the Commission is not in a position to give us the information just now. One suggestion has been made—supposing district boards were made—take South Melbourne, St. Kilda, and Brighton, for instance, and that this Board controlled the supply and delivery to the different municipalities—to see that the supply was good, to act fairly, and to deal with it in a wholesale manner, as between the council and the electric power people, and then that they should do the equipping and fixing up of the different areas for each municipality. It is suggested that these boards should do that work, because, of course, the Commission say, and very justly too—that it would be a fearful burden on them if the whole of that task were put on them, because it would be an enormous work. The question is to get a body which the municipalities would accept; it would control that part of it on behalf of the municipalities, and with municipal representatives?—Speaking personally, I would say yes, because we were in favour of amalgamating with an adjoining municipality. I happened to see where the power-station has been put on at a place between Port Melbourne and South Melbourne, and I think it would be a sensible thing to run that thing jointly.

1517. *By Mr. Beardmore.*—What do you pay for power?—Well, although I have signed the cheques for it, I could not say.

1518. *By Mr. Eggleston.*—I can understand a great deal of your objection to Government enterprise, but supposing you have an expert Commission, independent of political control, and having control of its own staff?—There would not be the same objection then as long as it does not get into such a state that the affairs of this expert body could not be analyzed.

The witness withdrew.

John Romanis, Town Clerk, City of Prahran,
examined.

1519. *By the Chairman.*—I understand you wish to make a statement?—Yes. There is only one point I wish to refer to, and that is the question of the so-called retail distribution of electric current. I have most of what I want to say typed, and with your permission I will read it. It is as follows:—

“The City of Prahran is entirely against the Electricity Commissioners retailing the supply of electricity. It contends that the function of the Commissioners is to produce and supply the electricity in bulk, and then distribute it to municipal councils either singly or in groups. The municipalities are quite capable of carrying out the work of distribution under competent electrical engineers. The Council maintains that such a system would operate far more economically than if the whole work were undertaken by the Commission.

The local officers are in constant touch with local requirements, and these would have more speedy attention than if a central Board or Commission were in charge of the work.

The Council was looking forward to exercising its rights, in co-operation with other councils, for the acquisition of the Melbourne Electric Supply Company's undertaking in 1925, and now that the supply of electricity is to be produced from Morwell, it contends that it should have the right to supply its own citizens and

consumers under regulations to be issued by the Commission, both in regard to finance and operation.

The success that has obtained under our local government system is entirely due to the fact that councils and officers are in daily touch with the requirements of their district and are constantly subject to public criticism if they fail in their public acts, whereas a large monopoly may go on failing from year to year, and, owing to its size, it is impossible to concentrate on those who are responsible for enormous blunders in the financing and operating of the concern.

The Prahran Council is quite satisfied that it can singly, or in conjunction with the adjoining municipalities, undertake the local distribution of electricity under such safeguards as the State may impose, in such a way as to become a great benefit to users of both light and power.

If the work can be done satisfactorily by districts such as Footscray, Port Melbourne, Brunswick, Coburg, etc., it can also be done by Prahran.

It has been suggested that the work of distribution could be carried out by District Boards, and if this is so, then a grouping of municipalities in the following order, or something on these lines, is proposed:—

District No. 1.—City of Melbourne.

District No. 2.—Prahran, Malvern, Caulfield, St. Kilda, Brighton.

District No. 3.—Richmond, Hawthorn, Camberwell, Kew, Doncaster.

District No. 4.—Collingwood, Fitzroy, Northcote, Preston, Heidelberg, Eltham, Whittlesea, Bulla.

District No. 5.—Brunswick, Coburg, Essendon, Broadmeadows, Keilor.

District No. 6.—Williamstown, Footscray, Braybrook, Werribee.

District No. 7.—Port Melbourne, South Melbourne.

District No. 8.—Sandringham, Mentone and Mordialloc, Oakleigh, Moorabbin, Nunawading, Mulgrave, Dandenong.

The eight Boards represent thirty-seven municipalities which are included in the Metropolitan Board of Works' system.

Each Board could be composed of one member from each council.

The Council approves of the splendid work the Commission is carrying out at Morwell, and its transmission of energy by high tension mains to Melbourne, to be transformed, according to the requirements of the city and suburbs; but there its functions should end and the distribution be carried out as I have indicated above."

I would further like to say that Sir John Monash, in his evidence yesterday, apparently answered some of the points that were raised by a gentleman giving evidence, when he said that none of the things that Councillor Johnston had feared in connexion with the Commission interfering in the retailing of current would ever come to pass.

1520. *By Mr. Beardmore.*—That was specially in regard to country centres?—I think Councillor Johnston was representing Footscray. Apparently he was dealing with points in regard to the retail distribution of the current. You see, in any case, whether the Commission did the retail distribution, in the Melbourne Electric Supply Company's area, or a general Board composed of municipal representatives, both parties would require to have a staff of meter readers, and a complete organization. They would both have to have the same thing.

1521. *By The Chairman.*—A suggestion has been made that a Board, or a series of Boards, might be appointed to take charge of the supply and distribution, that is to say, in purchasing and selling. Such a Board or Boards, would do all the work and the councils would simply remain as they are at present; they would be relieved of the work, but would have a representative

on the Board that took charge of the distribution?—We would quite agree with that, so long as we had some control or some say.

1522. *By Mr. Eggleston.*—That does not give you control in your own house?—No, perhaps it may not go as far as that; but, if you have a Board constituted of gentlemen, some of whom are representing the municipalities, it goes a good long way.

1523. But then it is not an expert Board?—Well, after all, the experts are the officers, the engineers, and so on, of the Board.

1524. Yes, but this Commission consists of experts?—

1525. *By the Chairman.*—The Board I am suggesting would not be a board of experts, it would practically be simply a business board, to take charge of the distribution in the various districts, and to see to everything?—Exactly; just the same as the Metropolitan Board of Works or the Tramways Board. The members of those Boards are not experts.

1526. *By Mr. Eggleston.*—But, suppose you had a single Board, or the Commission—either of them—distributing for the whole metropolitan area, they would have one staff, and would be supervised by, say, one small staff of experts. If you were to assume that each municipality was going to distribute in its own area, you would have, say, 28 or 30 staffs?—No, you could not have the individual municipalities doing it. You would have to group them together.

1527. You admit you could not have each individual municipality doing it?—I should not think it would work very satisfactorily. Of course, it would be all right in the city of Melbourne.

1528. Would not a single District Board for the whole metropolis be satisfactory?—We would prefer to have it broken up.

1529. But you see there are variations in electrical incidence in the various parts of Melbourne. There is the manufacturing load in West Melbourne and Footscray; there is the trading load, say, in Prahran, where they have a very high peak on Friday nights; and there is another type of load in suburbs like Caulfield and Malvern. If the whole thing is worked as one system, you have a chance of providing for those different demands by an adjustment of your whole system?—I think any engineering difficulty could be surmounted if they were grouped together in the manner I have indicated.

1530. But in your grouping you do exactly the opposite, so far as I can see. You group the residential suburbs together?—Yes.

1531. That is exactly what we want to prevent. We want to have the demand characteristic of the industrial suburb set against the demand of the residential suburb, because the peak for each occurs at a different period of the day. I am not an expert, but I understand that is a very important thing?—Yes.

1532. You group these more particularly according to their locality?—Yes; they have interests in common.

1533. Have you any information as to the method adopted in other countries for dealing with this problem?—No.

1534. Do you know that in Canada a Commission carries on the distribution to municipalities or to private consumers?—The Commission does?

1535. Yes?—That is to say, the municipalities have no say.

1536. They can guarantee and arrange for it, and in certain instances they can contract?—I see.

1537. *By the Chairman.*—This distribution scheme is merely suggestive?—Yes.

1538. As I understand it, you are quite satisfied if the city has the power to purchase its own electricity and manage its own affairs, and you would agree to the appointment of a financial Board to control the distribution and collection on behalf of the different municipalities?—Yes, independent of the Commission,

1539. Quite so, standing between the Commission and the consumers?—Yes.

1540. *By Mr. Beardmore.*—Where do you get your power from at present?—From the Melbourne Electric Supply Company.

1541. Do you know what power costs you per unit?—It is 5½d. for lighting. I do not know what the power is, it varies; but it is lower than that.

1542. *By Mr. Eggleston.*—It is 1½d. up to 2d. per unit?—I think it is up to 2d.

1543. Have you found that supply satisfactory. Have there been any complaints as to distribution from among the ratepayers?—We have had no complaints.

1544. Nor have you had any complaints as to the extension of the mains in their particular area?—No, the whole of our city is reticulated.

1545. *By the Chairman.*—I may just mention there are some of those points upon which we would like to have further evidence, but the Commission is not at present in the position to deal with them. They are awaiting the decision of the Government. Only for that we would have liked to have given you further information?—Thank you.

The witness withdrew.

Horace Edward Lawson, Secretary of the Municipal Association of Victoria, examined.

1546. *By the Chairman.*—Upon what particular point do you desire to give evidence?—I am instructed by my association to appear before this Committee and place before you a couple of resolutions and a letter which the association sent out in regard to the matter. Perhaps, if I read that letter and put it in, it will show your our ideas. It is dated 27th September, and was sent to all the councils in the State.—[*Letter read and put in.*]

1547. That letter was sent out by your association?—Yes.

1548. *By Mr. Eggleston.*—Do you say there “shall not exceed £10,000 on any particular scheme”?—Yes.

1548A. [*Looking at letter.*]—It is £10,000 on all the schemes?—Yes. At the annual meeting of the association, on the 18th and 19th October last, the following resolution was submitted by the borough of Maryborough:—“That the Government be urged to arrange with the Electricity Commissioners to grant preference to country towns and some concession in the matter of supplying cheaper electrical power, with a view to creating and encouraging country industries.” That motion was recommended by the executive committee for adoption, and it was adopted unanimously at the annual meeting of the association.

1549. This Bill is designed to secure preference to country towns?—I am very pleased to hear it.

Mr. Lind.—I think it does—quite.

1550. *By the Chairman.*—The motion says—“That the Government be urged to arrange with the Electricity Commissioners to grant preference to country towns, and some concession in the matter of supplying cheaper electrical power, with a view to creating and encouraging country industries”; but they do not define what they mean by “preference to country towns”?—No, in the course of a debate upon that particular matter, although it was pressed that preference should be given to country towns, there was no indication raised in the debate as to the manner in which it should be done. The general impression seemed to be that State electricity was a matter for the whole State, and that all persons in town and country should be put upon a footing of equality, that is, in the matter of industry.

1551. It was a broad general resolution?—Yes.

1552. *By Mr. Deany.*—You do not mean it should be on a flat rate?—It did not say so. The view was that, if a man in Beechworth wants to use electricity, he should be on as good a wicket as the man in Melbourne.

1553. Then it would be a flat rate?—It was not mentioned, but that was the indication.

1554. *By the Chairman.*—It does not go into recommendations. It is a bald recommendation?—Yes, that is so.

1555. *By Mr. Deany.*—That resolution has the aspect of supporting the Bill?—I do not say that. It does not touch the Bill in that respect.

1556. *By Mr. Beardmore.*—It is just a separate recommendation, apart from the Bill?—Just so.

1557. *By Mr. Deany.*—But there is a clause in the Bill providing that very thing they ask for?—I disagree.

Mr. Beardmore.—There may be other clauses that override it.

1558-9. *By the Chairman.*—The difficulty is to know exactly what they mean by “preference”?—Well, I am not in a position to give that information more than I have already explained. The next matter I have to place before you is a clause from the report of the executive committee, for the year just ended, and which was approved of by the executive committee and afterwards submitted to the general meeting. It reads as follows:—

“Electricity Supply Amendment Bill.

4. This Bill, now before the House, is of the very highest importance to every municipality that at present supplies or contemplates the supply of electricity. The clauses of the Bill, as they now stand, read in conjunction with the existing laws, practically hand over to the Electricity Commissioners almost the entire control of the generation and supply of electricity in the State. Many of the municipalities have already invested large amounts in electric undertakings, and the Government should not interfere with their rights in any fashion whatever, for they have, on the whole, done the work well. Your committee thinks that any municipality, either singly or in combination with others, should be perfectly free to either purchase supply in bulk from the Commission or generate its own supply, and to distribute the supply under its own control. Copies of the Bill have been sent to all the councils, and they should go very fully into the same, and make their views felt before the Select Committee of Parliament, and through their individual parliamentary representatives.”

1560. *By Mr. Eggleston.*—Did they have a copy of the Bill when they wrote that?—Yes, they were discussing the Bill when they came to that conclusion.

1561. *By the Chairman.*—Of course, I understand it would be unfair to ask you questions upon what the feeling of the municipalities was. You are merely here representing these municipalities?—Yes. I am going to read some letters directly which indicate the standing of those who have replied. I may say that many of them have not had an opportunity to individually discuss the Bill.

1562. Yes, we will take these motions into consideration as the views of the Municipal Association, as far as they go?—Yes, they were adopted at the general meeting, after debate.

1563. But we do not feel it would be fair to cross-examine you on the question, as you were not a party to the discussion?—Quite so. You will please understand my position. I am not here to argue the points. I am merely submitting these as the views of the association.

1564. That is what I am saying. You are simply presenting these things officially?—That is so. With regard to section 2 (11) of the new Bill, it says, “All moneys payable by any municipality under this section shall be paid out of the municipal fund; and the council may for the purposes of making any such payment increase if necessary the general rates notwithstanding any statutory limit for such rates.” With regard to

that sub-clause, the Association is of opinion that there should be a statutory limitation in so far as each council is concerned, say, so much in the £1 for the city, so much in the £1 for each town, borough, or shire. The trend of the argument on the matter was this, that a council might go into a scheme with the best intentions in the world, it might turn out very badly, and the council might be compelled to increase its rates to such an amount that would drive it practically bankrupt; but if it was limited by a certain amount in the £1 (there are similar clauses in the Health Act) which it cannot exceed, it would tend to keep the municipality within due bounds of what its fair expenditure should be a **maximum**.

1565. That is, the Association suggest that sub-section 11 of section 2 be so framed that responsibility under it shall be limited?—Yes. Now, I have some letters here which I have received and which I will read. The first one is from the Town Clerk of Richmond. He says—

“In reply to your circular of 27th September, I beg to inform you that the Richmond Council is favorable to the State Electricity Commissioners having the powers set out in the Bill.”

The next one is from the shire of Buln Buln, and is written from Drouin. It says—

“In reply to your letter of the 27th ult., I beg to say that all electric undertakings at present in operation should, in the opinion of my council, be assured of security of tenure.

My council is also of opinion that the work of the Electricity Commission should be confined in all schemes to the supply of electricity in bulk, the distribution being left in the hands of the local undertaking.”

Then the shire of Swan Hill write to say they will send a representative to give evidence, if they think it necessary. The city of Malvern and the shire of Moorabbin write to say they have noted the question. The city of Coburg write as follows:—

“Your communication of the 27th ult. relative to the above was submitted to the council at its last meeting, when I was directed to inform you that this council appreciates the information supplied by your association, and would state for your information that it is represented upon the Electricity Defence Committee, and is waiting events in this connexion. My council does not at all favour some of the provisions of the Bill, and intends assisting the Defence Committee in its efforts to prevent further powers being granted to the State Electricity Commissioners to encroach upon the territory of municipal supply undertakings.”

Then I have a letter from the city of Ballarat. It is as follows:—

“I have to acknowledge receipt of your letter of the 27th ult. *re* Electricity Supply Bill, and inform you that the following resolution was carried by the council of the city of Ballarat at its meeting held last evening:—“That this council approach the local representatives of Parliament with a view to having clause 3 of the Amended State Electricity Commissioners Act 1922 so amended as to delete the following words ‘to the exclusion of any municipal council or councils’:—

2. To insert such words that will give any municipal council or councils the same rights for electric lighting and power as set out in B of the same clause.

Your letter will be further considered by the sub-committee appointed by the Council at their next meeting.”

That is a very wide recommendation, Mr. Chairman, and it requires, I think, close attention. It is very important—

City of Brighton.

“This council is not in accord with the views of the Melbourne City Council on this question, and it considers the rights of municipalities would be protected if municipal representation were provided for on the Electricity Commission. This proposal has been submitted to the Premier for consideration.”

Shire of Glenlyon.

“It seems evident that the Commission should have full power and authority to carry out their schemes, otherwise if there is any loop-hole for bringing about political pressure, the whole system must fail.”

City of Brunswick—it leaves the matter in the hands of the Electricity Defence Committee. Port Melbourne is taking no action.

City of Kew.

“Referring to the Bill to amend the State Electricity Commission Acts, I have the honour by direction to inform you that this council is strongly of opinion that the ‘retailing’ of electricity should be controlled by the municipalities. The provision that the Commission may purchase the rights of a private company to the exclusion of the municipalities deprives the municipalities of a right now held, and one which Kew and other suburbs supplied by the Melbourne Electric Supply Company may in the near future desire to exercise. The Electricity Commission was established for the purpose of producing cheap power, but if the Commission is to monopolize the distribution of electricity, it means that the scheme will be loaded with a huge Government Department with a costly central administration, which will not conduce to a realization of the object in view. The council is of opinion that the Commission should confine its activities to the production and conveyance of electricity in bulk.”

Shire of South Gippsland.

“With reference to your letter of the 27th ult., forwarding copy of the proposed Bill, I am directed to state that same was considered by the council at its last meeting, and that councillors’ views are unanimously opposed to same.”

The Borough of Stawell received it.

Shire of Nunawading.

“The council is strongly opposed to the provisions of the Bill, and has appointed two of the councillors on the Defence Committee recently appointed to oppose the passing of the Bill.”

The town clerk of Prahran has given his evidence, and I won’t quote that. The shire of Gordon does not take any action. I have further been informed that the following councils are opposed to the Bill, and favour the action taken by the Electric Central Defence Committee:—Williamstown, Caulfield, Melbourne, Prahran, St. Kilda, Brunswick, Northcote, Footscray, Moorabbin, South Melbourne, Kew, Malvern, Preston, Sandringham, Collingwood, Coburg, Mulgrave, Port Melbourne, Camberwell, Warrnambool, Dandenong, Ballarat, Heidelberg, Yarrowonga, Frankston, Deakin, Lilydale, Healesville, Eltham, Dunnmunkle, Beechworth, Bairnsdale, Newham, Woodend, Upper Yarra, Wodonga, Numurkah, Stawell, Sebastopol, Berwick, Wangaratta, Cranbourne, South Barwon, Oxley, Maryborough, Newtown and Chilwell, Dimboola, Avon, Mildura, Kilmore, Charlton, Braybrook, Glenelg, Ararat, and Maffra. They represent nineteen metropolitan and thirty-five country municipalities.

Mr. Deany.—If they are all on a par with Warrnambool the information is worthless, because Warrnambool does not take that stand.

1566. *By the Chairman.*—Are those the original letters?—The original letters are here.

1567. If you leave them with us we will have them noted, and returned to you?—Certainly.

The witness withdrew.

Sir Robert Gibson, Commissioner, State Electricity Commission of Victoria, examined.

1568. *By the Chairman.*—What particular point do you desire to give evidence on, Sir Robert?—Particularly in the first instance, Mr. Chairman, in regard to the confliction of statements in respect of the transaction of the purchase of the North Melbourne undertaking. I understand that it is contended by the City Council or its officers that there has been what amounts to a breach of faith on the part of the Commission or its Chairman, and I am here to give my recollection and knowledge of what actually took place with regard to this transaction. I take it that it is not contended by the City Council, apart from the transaction itself, that it was an unwise purchase, or that the Commission, in advising the Government to purchase it, advised wrongly. The reason I assume that position is that the eagerness of the Council to purchase the undertaking—as they put it—at almost any price, in a sense seems to me to be evidence of the wisdom of the purchase. Now, of course, I have not had the opportunity, being absent in Sydney, of hearing all the evidence, and I have really not had time to go over what has been submitted to me in the form of reports, but I carry my mind back to the initiation of the proceedings in regard to this purchase, which were the outcome of representations made by the Mayor of Essendon, who placed before the Chairman of the Commission the tremendous disabilities that the whole of that area was suffering through the inability of the late company to carry out its obligations and requirements to the area. Incidentally it was pointed out that the company already, so far as the shareholders and capital were concerned, had exhausted its capital, and the matter was entirely in the hands of the debenture holders, who could hardly be expected to go on putting more money into an undertaking of this kind. Sir John discussed the matter with the Commission, and as the outcome of it, it was pointed out to the Essendon people that if they chose to make representations to the Commission on the question the Commission would see what could be done in the matter to relieve the whole of that district from the great disability from which they were suffering. As a result of that a communication was eventually received, as far as my recollection serves me, from the Essendon Council, in which it asked the Commission to intervene, and see how this thing could be dealt with, even to the extent of purchase, and I think, if I am not mistaken, that it was suggested to the Essendon Council that they should also make representations to the Government on the question as well. As an outcome of that the Commission, after consulting the Government on the subject—the Minister—proceeded to negotiate with the debenture holders, through their agents, for the purchase of the undertaking on terms which, in the opinion of the Commission, were fair to the debenture holders, and fair to the municipality and the Government. The outcome of it, without worrying you, was that we eventually purchased the undertaking, more or less on the terms first originated, and under agreement with the Tramway Board we allocated the tramway section at a price agreed to between the Commission and the Tramway Board. The Government insisted very properly—and in this the Commission quite concurred—that if the Government authorized the purchase of this, the people should

place themselves in a sense in the place of the company to the extent that the amortization and wiping out of the undertaking should be concurrent with the period of the franchise, which has been granted to the original company. That was agreed to by the Essendon Council. The City Council, as far as my recollection is concerned, was appraised from time to time by the Electricity Commission through its Chairman of what was taking place, and I think I am right in stating that their nominal consent to the transaction was asked for the purpose of broadly letting the council know what we were doing, and with no desire in any way to act without some reasonable publicity on the subject. It was pointed out, of course, I presume by Sir John Monash, that the purchase by the Electricity Commission on behalf of the Government of this undertaking placed the City Council in no worse a position than they stood, so far as the franchise was concerned, than if the retention of the concern was owned by the original company, because at the end of the franchise the terms of the franchise would have to be carried out, whoever had it, and, as a result of these negotiations, sir, the whole thing was completed, and we took over. Subsequent to the purchase—I am not prepared to say exactly at what date—because in these matters it is very difficult for a man, unless he turns up the minutes of the meetings, and so forth—subsequent to the purchase, apparently from what Sir John Monash reported to the Commission, the council took active steps to see whether the Commission was prepared to dispose of the portion of the undertaking which came into, I think, the Hope-toun Ward, or, at any rate, that area which originally was the old North Melbourne, and Sir John discussed it at various times with the members of the Commission, both collectively and individually, and the consensus of opinion of the Commission was whether it should be done or whether it should not would have to be left over until a definite policy of metropolitan distribution was decided upon. The reason the Commission took that view, sir, was a very obvious reason, that there was already a very difficult position in regard to the whole of the metropolitan distribution in existence, and we felt that in the interests of the metropolitan areas as a whole we should not deal with any portion of it in a piecemeal way, but leave it over and not complicate the position any further, and leave things *in statu quo* until by collaboration with the city municipality and others a scheme could be evolved that would be acceptable to both parties, and which the Commission could recommend to the Government. Well, it has been suggested, I understand, in the statements that have been put forward, and I may say that I have seen in the press, which is a very unfortunate position, it is insinuated that Sir John Monash misled—I do not say intentionally—but did mislead the representatives of the City Council in the conversation he had with Councillor Thonemann and Mr. Ellery. Well, now, I want this Committee to clearly understand this, that so far as Sir John's colleagues are concerned, including myself, we do not place any credence at all on such statements. Sir John Monash in our experience is a man who has a full sense of responsibility, not only to the community and to the position he holds, but also to his fellow Commissioners, and in the whole of the time that Sir John Monash has sat with his fellow Commissioners we have never had occasion at any time to take exception to his usurping in any shape or form the function that should be the functions of the Commission as a whole. The reason I say that is this, that if Sir John Monash had made promises, or by things he said, indicated that he himself was prepared to deal with this matter in the direction that the City Council appeared to desire, then I say that there is nothing in our experience as Commissioners with Sir John which would lead us to believe that such a thing could possibly take place.

I would like to say this, sir, if I may, that a sort of atmosphere has been attempted in this case by certain parties that would indicate almost as if Sir John was a kind of—what would I call it—a superman on the Commission, and that we other chaps were very small fry. Well, now, I resent that position myself. I have a most high respect for Sir John Monash, but I would not allow my own personal views to be set aside on any matter on which I felt I should stand as a Commissioner, and I want to say that Sir John is the last man to bring about such a situation. Now, this leads me up to the point, sir, when Sir John advised the Commission that the City Council had requested that a conference take place between the Commissioners and the representatives of the City Council to discuss the question of the purchase of this undertaking. We agreed that it was wise to have them to meet us, and to hear what they had got to say, and we met. I cannot recollect the exact date, but it is well known, and it has been already referred to. Here it is—it was the 7th June. I was present at that conference, and I want to state absolutely and emphatically, without any equivocation or variation at all, that during that conference no member or any one representing the City Council insinuated in any shape or form that any promise, implied or otherwise, had been made by Sir John that we would acquiesce in the sale of that undertaking to them. That is definite without any question, so far as I am concerned, and I have a pretty good memory, and I have a very distinct recollection that after considerable discussion Mr. Ellery put the thing, as he called it, in a nutshell, and said, “We want to know two things.” I think the words were these, or similar words—“Are you prepared to sell, and what are you prepared to sell for?” As a result of that conference, we heard all they had to say, and Sir John in that conference pointed out the difficulties we were faced with in regard to separating the interests, because we could not possibly throw Essendon over, and it would complicate the financial position in regard to amortization, and so forth, by breaking the matter up at this time, and if it was possible to bring it about the City Council, owing to the necessity of protecting the Essendon people, would be called upon to pay a very large portion of the price asked. It was indicated by—I am not certain whether it was Councillor Thonemann or Mr. Ellery—that the matter of money did not seem to weigh with the council at all. They wanted it. They were like a child that wanted a particular kind of dog or toy, and they were prepared to pay whatever price it was. They said also that there were sentimental reasons. They painted a pretty picture of how they could complete this area into a nice compact electrical area. The end of the discussion was this—Sir John replied on behalf of the Commission that we would take it into consideration, and a reply would be sent in due course. The reason why the Commission did not agree to the proposal was this, that since the initiation of this State electricity undertaking, it has gradually been borne in the minds of the Commissioners that this scheme was a scheme of very great magnitude, and very great importance to the State, and which might be used in the direction of becoming one of the most beneficent things done for this State. I personally, both as a Commissioner and a ratepayer, and a man with considerable interests in the State, would like to say that the Parliament of Victoria has never done, in my opinion, a wiser thing than in creating this scheme and creating the possibility of the generating of electricity on a large scale, and using our brown coal deposits. We have come more or less to a consensus of opinion on the Electricity Commission that, whether the Commission itself should be the body to do so, or whether boards should be appointed to do so, working in conjunction and in collaboration, and perhaps with a very intimate connexion with the Commission that the dis-

tribution of electricity in future by individual municipalities should be set aside. It is antiquated, out of date, and costly, and it would not be in the interests of the State as a whole, or those using electricity. Having arrived more or less at that conclusion we decided that, so far as the North Melbourne undertaking was concerned, while recognising any reasonable claim that the City Council might have in connexion with it, we would postpone any final dealing with the matter until such time as a complete metropolitan scheme of distribution was agreed upon. I would like to say this, that the Commissioners, both individually and collectively, have no desire to be aggressive at all. We recognise we are there to represent the people through Parliament. We recognise that we are there to give our best services to Parliament in regard to advising them as to what we think is the best thing in regard to the interests of the State as a whole, or sections of the State, as the case may be, and we take our obligations very seriously in that way, naturally. Now I want to emphasize this, that as far as I can make out, no one yet has said that the purchase was a wrong one—that too much money was paid for it, or that the Electricity Commission was not justified in advising the Government to take the step they did, or that the Government was not justified in taking the advice of the Electricity Commission and purchasing that undertaking. I think that everything goes to prove that that was a wise purchase. The whole question amounts to this, therefore, as far as I can see the situation. We will assume that Parliament will ratify the purchase because there does not seem to be any reason why Parliament should not ratify the purchase, but the question Parliament has to decide is whether the purchase having been made, it is to be handed over to some other party or whether for the time being it is to be vested in the Electricity Commission until we have solved the question of the general metropolitan area distribution. It seems to me a lamentable thing that all this storm should have been created in a matter of this kind, where by a quite friendly understanding between the Commission and the City Council this matter might have been left *in statu quo* until such time as this question was settled and until the municipalities had a voice in the matter, and in this regard I would like to say this, in spite of many things that have been said, I believe that, without any manner of doubt, on a date that I cannot recollect to-day, the Commissioners as a whole received a deputation from the southern municipalities of the metropolitan area. They stated—and this I am definite about—that they were a sub-committee appointed by a conference of these municipalities to come to us and ask us what were our intentions with regard to the future of the Melbourne Electric Supply Company and the various areas supplied by it. We told that Conference that, so far as that was concerned, we had no definite ideas—nothing had been arrived at. The matter had been discussed, and it was a very difficult problem, and would have to be approached very carefully. We discussed with these municipalities the difficulties inherent on quite a number of municipalities trying to carry through a transaction with this company, and that possibly the wisest course was to empower one body to deal with it as a whole on behalf of the municipalities. I have a most distinct recollection of this, sir, that the delegates from those municipalities did convey to the Commissioners that it was their desire that we should, as soon as possible, enter upon negotiations with the Melbourne Electric Supply Company to see upon what terms the thing could be purchased, and the consensus of opinion expressed by those delegates was that it would probably be in the interests of the municipalities that the distribution and handling of the whole of that area, or the area that would naturally fall into that, would probably be better in the hands of the Commission

than in a lot of separate bodies. We did not at that conference even suggest to those representatives that we had in contemplation the possibility of making a recommendation to the Government that if the Electricity Commission did not handle the proposition that district Boards might be appointed. I want to say this, that nothing that I know of by correspondence, papers, or anything else that has been brought before the Commission would indicate that the municipalities so concerned at that time have ever withdrawn their request, and as a result of it we have had interviews with the representatives of the Melbourne Electric Supply Company, and negotiations of various kinds have been carried on to see what could be done. I say this, sir, to you, and to the gentlemen of the Committee here, because I want you to get from me, as clearly as I can give it to you, a survey of everything that took place—one that has a good memory and who has a sound recollection of what took place. I heard you, sir, the other day when I was up here, ask Mr. Swinburne if we had arrived at any definite conclusion in this matter as to distribution. I would like to say this, as far as I am concerned, and I think this bears out generally the views of my fellow Commissioners, that as a Commission we are not desirous of increasing our obligations, and our worries and anxieties, but if it is in the interests of the State that the distribution of electricity should be vested in the Electricity Commission, we are not going to shirk any obligations and any duties that the Government and the people desire us to carry. We feel this, as broadly speaking, without coming down to any definite proposition, that to carry on the present system of all these small municipalities acting for themselves is a wasteful and inefficient system of distribution. Comparisons can be made with the Metropolitan Board of Works, water supply, sewerage, and so forth, where one organization or Board deals with things as a whole. You might take the railways. If the railways were cut up into every municipality you would have chaos. I am not a technical man, but holding the position I do I read up as far as I can every modern work and every line of modern thought in the direction of electrical distribution, and the consensus of all opinion seems to be directed to one of two things. The first is that electricity wherever possible should be generated at the source of where that which is going to create the power may be obtained, that is, either as a hydro-electric source or where the fuel itself is obtained. Secondly, that in all schemes of distribution due regard should be given to the limits and possibilities of transmission, having regard not to municipal areas, but to electrical areas, and that in respect of those things the load factors of industrial loads and lighting loads and so forth should be considered in conjunction, having regard to what can be best done for a big area as a whole, so that the electricity for the whole of the area for industrial or lighting purposes may be given for the greatest benefits of all concerned. That seems to be the modern view, and that is the view that I, as one of the Commissioners, hold, and that is the view that I believe my fellow Commissioners hold, and we say this, sir, that at the proper time we will be prepared to make recommendations to the Government and to Parliament as to what we think is our definite and final opinion in the matter of advice of how this thing should be carried out in the future, and I want to assure you personally, gentlemen of the Committee, that I am opposed to aggressive action against any municipality. Every municipality should have a fair hearing, and the case should be considered, and it is the duty of the Commissioners—if they know more on the subject—to educate these people or municipalities to the soundest views on electricity, and get their co-operation and not their antagonism. That is an obligation that we feel upon us, and it is an obligation we are trying to carry out. I feel, personally; and

I think my colleagues feel that there has been a sort of wanton attack made upon us, and, mind you, I am not too thin skinned. I know that if a man occupies a prominent position he is subject to criticism, and fair criticism I have no objection to at all, but the kind of suggestion that we, either collectively or individually, are brigands, or out to rob the public or to do something to filch the general public's rights is quite out of all reason and quite uncalled for, and nothing has ever been done by us in that way. I should say, if I may say so, that the wisest course that can be adopted, so far as the council is concerned at this juncture, is to say, "Very well, we leave this question of this area *in statu quo*, and let us develop this question and go into the question of how the distribution is concerned, and let the Government go on with ratifying the purchase, and so forth," for this reason that, at any rate, whatever may happen the City Council can be no worse off than they would have been if the old company had been in possession of the franchise, and incidentally will be very much better off, because under the terms of the arrangements we have made the whole of the distribution and cost and so forth has to be wiped out during the period. I listened to evidence given by Mr. Lane, of the City Council, in respect to what could be done in that area by the City Council taking over the area. Now, sir, of course, it is obvious that if you can go about and pick up all the plums in the metropolitan area, and put them all together, you can get a load factor that will put these people who have all these plums in an extraordinarily fine position in regard to distribution and cost, but I take it that it is the duty of Parliament, and we are representing Parliament in this matter, to see that in any scheme the interests of the whole metropolitan area are considered, and that areas that are not so well situated are not to be left out in the cold to fight for themselves under conditions that make it almost impossible for them to get electrical supply at a reasonable rate. Incidentally I would like to tell the gentlemen of the Committee that I happen this year to be president of the Chamber of Manufacturers of Victoria—quite an important body comprising 2,000 members representing the bulk of the industrial leaders of this community. We have been bombarded as an institution with all sorts of circulars from this so-called defence committee of the municipalities painting a hideous story of the tremendous risks run by manufacturers—how we are going to be loaded up with all sorts of trouble and costs, and so forth. So unimportant does this Chamber of Manufacturers consider this matter that no one has ever requested a meeting of the Chamber to discuss it, and I, as president, have not thought it worth while to call my body together to discuss it. The Chamber, I think I am justified in saying, as a whole, believes that the Government is doing a wise thing, and that it will be a most beneficent thing to the State, and particularly to the industrial progress of the State, and that they are satisfied that those at the head of the Electricity Commission to-day are not likely to do things that are against the public interests. I want to say this, that even as an Electricity Commissioner, if I thought things were being done by the Electricity Commission which were inimical to the manufacturers' interests, as president of the Chamber of Manufacturers I would make representations to the Electricity Commission in the position of Pooh-bah in a sense, as to the position the manufacturers took up, and if it is desired by this Committee or by Parliament that an expression of opinion on the subject should be given by the manufacturers it would be the easiest thing to call them together and lay the position before them and get their views. I do not think that there are any points that I need touch on beyond what I have stated. There are a great many things one might say in connexion with this matter, but, having said what I have said, I

think I have covered the ground that it seems necessary to me to touch upon, and that is the veracity of the statements made by Sir John Monash and by the Commission with regard to certain transactions which are said to have taken place. That, sir, I think, is all I have got to say, and I thank you very much for the very patient hearing you have given me.

1569. The position, of course, is simply this, as far as the dispute is concerned. It is agreed that when the negotiations were alleged to have first taken place was prior to June. Of course, so far as the Commission is concerned, and this is exactly on the same lines with Mr. Swinburne, that when the question was finally brought up before the Electricity Supply Commission for determination the decision was that, pending the Government bringing down a scheme for the whole of the metropolitan area, it was unwise to do anything at all in the matter, and the Commission was actuated by the idea that they were not prepared to consider the sale of any portion of it until it was dealt with as a whole. The other matter was exactly on the line of Mr. Swinburne's evidence, and I gather you are in accord with the view he took, that the Commission did not desire to have any increase of powers or duties added to them, but they were prepared to do whatever the Government called on them to do, and they were quite agreeable to any outside bodies such as a selected Board to act as a go-between to take charge of the distribution and collection, if needs be, of moneys if the municipalities and the Commission do not want to be loaded with the duty of distribution in the municipality, but you prefer to supply direct at a price fixed?—Conditionally that there is proper co-ordination between such bodies and the Commission.

1570. We are assuming that there was to be co-ordination all the way through, under the new scheme that is proposed?—And presuming also that in regard to the appointment of these bodies that areas will be adopted which will have regard for the efficiency of electrical distribution.

1571. The principal point taken by all the municipalities we have had to deal with has been that they want to be master of their own house—that is, that they want to control their supplies. They have no objection to who supplies them, but they want to control the distribution in their own municipalities. That is the general view that is put before us?—I know that certain municipalities hold that view. I would like to say this, that I think a little education of the proper kind amongst the ratepayers would probably in the end cause a very great difference in outlook on that matter, and the end of it would be that they would see that modern thought and progress and efficiency were in the direction of the appointment of such undertakings as the Metropolitan Board of Works, the Tramway Board, and such other undertakings for the purpose of co-ordination and economy and efficiency, and you have to remember this, that large bodies with the right kind of men governing them—I am not saying that we are the right kind of men—the right kind of men governing them are in a position to command the services of a calibre of experts and be able to get information from reports and so forth that small bodies cannot get, and through that agency any big well-organized body ought to be able to do for the people better than any small tin-pot concerns, if I may use the term.

1572. *By Mr. Eggleston.*—What do you say to the objection that this is a Government enterprise?—I do not see that there is any question as to the limits the thing should reach. It is merely a question of the ability of these three to govern and control it.

1573. A big institution with a staff like that may become subject to certain influences which have affected the efficiency of the big work of Government Departments?—You are talking of political influence?

1574. Yes?—I am absolutely of the opinion that the Electricity Commissioners should be appointed as a corporate and separate undertaking, and that they should have power to bring forward Bills to which Parliament consents. The proper way to appoint them is to make them responsible as directors are made responsible by shareholders to see that the business is being done on sound lines. That is my absolute definite opinion. There should be no defalcations; it should be run on sound lines.

1575. The fear in some of the witnesses' minds who have come here is that you are now creating another huge Government Department which will be subject to all the inefficiencies which, rightly or wrongly, are attributed to Government Departments?—I have heard a good deal about the inefficiency of Government Departments. Since the war started it has been my privilege to have a good deal to do with various Government activities. I want to say this as a citizen and a man who has been fairly well trained. I come from the same country as, I think, you come from, Mr. Chairman, where men are looked upon as pretty hard headed, and I say that the Public Service of this State holds as highly qualified, as well educated, men, men as full of desire to serve faithfully and well, as you will find in any private enterprise. I would like to say this, that if the Government, or Parliament in its wisdom, I should rather say, decides to constitute the Electricity Commission as a separate Board, the same class of men are available in this community to appoint as directors as are available for any private undertaking. The mere fact that they are using public money instead of what is called private money, which is a misnomer, because all money is more or less public money in a sense, will not make them less efficient. The great thing is to make them responsible, and if they do not efficiently carry out their work there is only one thing to do, and that is to deal with them the same as we do with directors of a company—if we are not satisfied we tell them they are not wanted. I am more anxious not to spend a dollar of the country's money in waste than I am about my own dollars. That is my own personal outlook, which I believe is the view taken by my fellow Commissioners.

1576. If this thing fails, you consider you fail?—I am disgraced. If this thing fails any little reputation I have made goes down with it, and I have to take it; but I will not take it if some action of Parliament has forced me into a position that brings it about, but if we are made responsible, and I still remain on the Commission, and the country is good enough to repose confidence in me, I will regard the obligation as an absolute obligation, and if I fail the country deals with me, and punishes me accordingly. That is my view.

The witness withdrew.

Arthur Douglas Murdoch, recalled.

1577. *By the Chairman.*—You wish to add something to your evidence?—To supplement the evidence I gave before the Commission the other day in regard to the load factor obtaining in Essendon, which I think it has been suggested is about 25 per cent. I estimate it as approximately 30 per cent. when all factors are taken into account. There are three sources of supply—direct current, high pressure alternating current, and low pressure alternating current. The activities of the Commission in the district will, I feel persuaded, in the very near future increase the load factor to 33 per cent. or 35 per cent., so that in the matter of load factor the Melbourne City Council will be no better off than the local district, as those will be served who have poor load factors at as low a price by the Commission. There are, roughly, 5,000 consumers in the district, and, speaking from memory, I suppose about 15,000 odd in Melbourne, so that we

have 33 per cent. of the consumers that the City of Melbourne Council have, and our revenue is only one-tenth of theirs. That gives you an idea of the class of district we are serving. They might take from the district the load factor that obtains in the power area, that is in the Hopetoun Ward, which must materially affect the supply to all in Essendon, which would make it impossible for the Commission to carry on, giving Essendon the same price and the same conditions if they cannot combine the load factors of the two classes of service. Another point, too, should be kept in mind: If the Melbourne City Council were to take the Hopetoun Ward, this does not carry with it the supply to the tramway service, which would still remain in the hands of the Commission as a supply from their "D" sub-station. From whatever stand-point you regard the situation you cannot divide these districts and serve the people economically.

1578. That is to say, if the Melbourne City Council take over the Hopetoun Ward from that source they would also have to supply the trams?—No, if they take that portion of the load, which they seem to think is so favorable, they could not take the tramway supply too. Whether that was taken into account when estimating the decrease in cost of current to the district or not I do not know, but it should be.

1579. *By Mr. Eggleston.*—Could not it be a matter of arrangement whether they should take the tramways over or not?—I am afraid they could not do that.

1580. It could not be supplied from their "J" sub-station?—It would be supplied from "D" sub-station most economically. It would be possible for us to supply all at the lowest possible price in connexion with the tramway load, and make possible extension of the mains to outer areas where there would be no encouragement only for the diversity that obtains in lighting and power loads. Kensington is a power load area, and the Melbourne City Council want it. I have been operating in that district fourteen years like a boy sitting by a fence seeing a good feed and not able to obtain it. The City Council's argument is that by combining their area with the Essendon and North Melbourne area they could improve the load factor of both areas, because there is a diversity?—I do not think there is any material diversity. With the load that is now being connected to the mains the peaks will be almost coincident. I am pretty sure on that point.

1581. They say it is a 7 o'clock peak load, and the city is 5 o'clock?—If the peak tramway load is between 5 and 6 or between 4.30 and 6, and the power load is coincident therewith, then the peak load is coincident with their own. He is not going to get a material saving in that direction.

1582. Is not the North Melbourne and Essendon territory on the whole much more sparsely populated?—Much more sparsely populated.

1583. You state the load factor is nearly equal?—The tramway load increases it. It is a very large proportion of the load, and the tramway peak is not coincident with the lighting load in the district.

1584. *By Mr. Farthing.*—Have you given us the load factor in Essendon?—I do not think I stated it; that is why I came here.

1585. Are the figures you have given us to-day actual figures, or an estimate?—They are approximately correct. There are three separate sources of supply. We get our direct current from the power-house, then there are the alternating current high tension and the alternating current low tension which we get from the City of Melbourne Council. I have figured these matters out as best I can with my knowledge of the district and the class of load, and I estimate that the load factor is approximately 30 per cent.

1586. The representative of the City Council, Mr. Lane, gives us that load factor as 25 per cent.—That is so.

1587. And the City Council as being 33 per cent.?—Yes.

1588. Mr. Lane also made the statement that if these two areas were being operated as one, that is the North Melbourne undertaking together with the City Council at the present time, that the City Council could supply at a cheaper rate than the Commission could were the Commission operating North Melbourne only?—I do not see that. As they would have to take their supply from "D" station in that particular district in view of the lay out and the development—the district being developed as a whole, the price to them would be the same practically as the price to us, because the load factor would be, roughly, the same for the two bodies, so they gain nothing there.

1589. *By Mr. Eggleston.*—Mr. Lane argued to this effect, that the City Council obtained a special rate because it bought in a block of 10,000 kilowatts, and they could use that for their constant demand and supply the peak loads with the generating station at Spencer-street, and by reason of that sub-division they could supply the total demand cheaper at .15d.?—I do not think you could; you take the Commission's supply as a whole, so that whatever diversity there was in Melbourne the Commission could obtain in its own power-house plant and transmission system.

1590. He is an expert, but he did not seem to attach any weight to that. I do not know whether he considered it in his argument, although that may be so. It would be feasible for them to supply the whole of the two areas with that block of power?—I suppose they could supply up to 10,000 kilowatts and after that let it go.

1591. How could they distribute it over the whole area?—They could not, because the demand in our area with tramways practically coincident with their peak, and that will be accentuated when the full development takes place. The arrangements now on foot for the supply of power from "D" sub-station are such that the two loads will be approximately coincident, and the diversity factor which is now considered as being favorable will not in practice obtain.

1592. You think the distribution of power is at the most favorable point?—Yes, the most economical distribution of power for the whole district.

1593. *By Mr. Beardmore.*—It would not be possible to supply from that point?—No; "D" sub-station is nearer to the Hopetoun Ward.

1594. *By Mr. Eggleston.*—I understand they could supply from "J" sub-station to greater advantage.

1595. *By Mr. Lind.*—I understood that it would be from "D" sub-station, and that it had gone into the Essendon Ward. Would that be taking it into their present area and out again or anything in that way?—No, because the means are already in existence for dealing with this or shortly will be from "D" sub-station.

1596. *By Mr. Eggleston.*—Councillor Thonemann's argument seems to vary from Mr. Lane's. He said there is a certain portion of the Melbourne City Council area contiguous to the North Melbourne area which could be more advantageously applied from "D" substation, and that when you took that into account you would be more advantageously supplied from "D" sub-station—they would get the advantage of that because they would be operating both areas while the Commission would not, because they could not go into the City Council area?—I do not know that; there is a creek, a railway, and an area of land that cannot be used for any purpose whatever. It is almost as if a stockade had been put around the district. I do not think that argument could apply. There must be at least 150 or 200 yards there, and on the south side there is a fringe of factories with a vast area of small cottage property behind it. In fact, from an economical stand-point it would be better if they let the Commission pass over the Moonee Ponds

Creek and serve these few factories in the Melbourne area.

1597. But the Commission cannot invade that area? —No, I know that. I suggested that merely as a matter of argument.

The witness withdrew.

Sir John Monash, recalled, and further examined.

Sir John Monash.—In connexion with the matter just discussed, I would like to urge the Committee respectively to recall Mr. Lane, because the Committee seems to be attaching a great deal of importance to his statement. We cannot make head or tail of it. He makes a bald statement without giving any reasons, and therefore it cannot be criticised. We would like to be in possession of a good deal more detail so that we could examine it closely. His evidence as already given gives no clue to what he is basing his assertions upon, but any facts or data he has given we are prepared to demonstrate are wrong. My electrical engineers assure me that they cannot understand the statement. When he is recalled we will have an opportunity, perhaps, of suggesting some questions.

1598. *By Mr. Eggleston.*—I think with regard to that Mr. Harper might ask Mr. Lane questions?—I would like that done, because it would elucidate the points, the grounds of Mr. Lane's assertion, and we could, perhaps, get those grounds. I should like to indicate one or two respects in which we are at a loss to follow Mr. Lane, because we do not know the data he has employed. He said that the load factor in the North Melbourne territory is 25 per cent. on which he stated he had based his calculations. Mr. Murdoch has said that the load factor is in the region of 30 per cent., and will shortly be up to 35 per cent., which will make a difference in the deductions he proposes to draw. He has omitted altogether from consideration the tramway load. I would like the Committee to understand that at present the Electricity Commission is serving the whole lighting and power requirements of the old North Melbourne territory. It is only the Commission under the law that can supply the tramways; the City Council cannot. It will be the Commission that will supply the whole of the energy direct to the Melbourne and metropolitan tramway system.

1599. *By Mr. Lind.*—What will that power mean to the Tramways Board—many hundreds of kilowatts a year at the present day?—Up to 1,000 kilowatts. A ring of sub-stations is being designed forthwith to deliver that energy right around the metropolis in suitable quantities and at suitable places. Supposing Parliament were to decide that the City Council were to take over the Essendon area that load would be denied to the City Council. They could not take it and the Commission would have to continue to supply the tramways direct from sub-station "D," which has been designed with that object in view. Therefore, there can be very little in the argument that the Melbourne City Council could, electrically and technically speaking, do better with the area than the Electricity Commission are doing, seeing that they are adding to that a very substantial and beneficial load which is to a large extent a day load, and improves the load factor. In regard to the load factor question, it appears to be thought that the districts sparsely populated could not have as good a load factor as a district densely populated, but the question of load factor has nothing to do with density; load is one thing and load factor quite another. Supposing you had two streets, in one street there are twenty dwellings houses and it is densely crowded. They between them would have only a 10 per cent. load factor, because they only use light for about one-tenth of each day. But in another street, an empty street, there is only one single factory which

happens to be working day and night at their own 10 per cent. load factor all that time, and it might use as much as a maximum as the private houses. That refers to a question put by Mr. Eggleston.

1600. *By Mr. Eggleston.*—I meant residential as against industrial?—The load factor is made up of many factors; for instance, if there is a traction system in a territory that helps the load factor very much. Load factor has nothing to do with the density of the population, but it has as Mr. Eggleston truly suggests, to do with the character of the community. If you had an entirely purely residential community without factories there would not be so good a load factor as with a community in which you had a general dispersion of its activities. May I be permitted at this stage to make a correction in my evidence on page 49, where Mr. Eggleston asked me if relations had already been established with Kitchen's, and my reply was that they had been established with Kitchen's, Mount Lyell, Angliss's, and a number of others; I cannot remember them all. I find I should not have introduced Kitchen's name into that list. They are in the railway territory, but they are not one of them whom the Commissioners had commenced negotiations. We took over in August. So I would like the word "Kitchen's" struck out in case there may be a misapprehension. May I refer to Colonel Merritt's evidence? I do not want to discuss it for a moment, but there are one or two important points with which I think the Committee should be made acquainted in relation to the consideration of that evidence. Colonel Merritt and other witnesses appeared to think that it is within the power of any individual municipality to buy their share of the system from the Melbourne Electric Supply Company, or that it was their right. I want to explain that it was never their right, that the only right existed with the municipalities as a body, that no single municipality had the right to buy a portion within its own territory. They must buy the whole undertaking or none of it. It would, of course, be possible for one municipality to buy the whole of it if all the other municipalities were willing that it should. Any one municipality would have the power to buy the lot, but no municipality had the power to buy that portion which lies within its own territory, consequently section 17 of the Act 3104 does not, or rather did not, take away the individual right; it only took away the collective right of all the municipalities acting together; and although the matter is already law, and really outside the discussion of this Committee, might I point out that the wisdom of the legislation lay in this very point—that it would be impossible, practically speaking, for sixteen municipalities acting together to negotiate a deal of this kind. Action between Richmond and Collingwood on the one hand and Malvern and Prahran on the other would be quite impossible. Parliament said when it comes to negotiation it is to be left to the Electricity Commission, and that is why it is left to section 17 of Act 3104. It has got to be negotiated for clearly, and it is going to be a very difficult, intricate negotiation and transaction which may or might not come about. It may end in failure; then in order to conserve the supply of light and power to the metropolis the Government may have to agree to an extension of the franchise, but the only hope of a successful negotiation is to intrust it to one accredited authority, and that is what Parliament has done. So I think Colonel Merritt has a grievance, not in respect of South Melbourne alone, but in respect of the whole group of municipalities, and it is not against us, but against Parliament which has provided the legislation.

1601. *By the Chairman.*—Who has the power of controlling the Australian Electric Light Company. To whom did it revert?—To these sixteen municipalities. I do not think I can remember them all.

1602. The franchise they are holding now is from the different municipalities?—No, it is from the Governor in Council; it does not revert. I might be giving the impression that the franchise reverts like the North Melbourne franchise free of charge. At the end of the franchise which has been extended to it it must receive the replacement value of the whole concern which might amount to nearly £2,000,000. A buyer might come along, possibly the municipalities themselves, or some buyer authorized by law, who must pay to the company the then value. The Electricity Commission will have the responsibility of advising the Government whether the franchise is to be renewed or not, and the Commission might quite conceivably find itself in this position, that if there is no successful negotiation, and inasmuch as the public cannot be left without light and power, the Commission may be compelled in the public interest to grant an extension. There is one other point about Colonel Merritt's evidence which is difficult to understand. He, and I think Mr. Romanis also, spoke as to whether it was physically possible for the municipality or a group to run its own distribution, but the Committee must not forget that that area from the very beginning has been organized and constructed as a single area, the whole reticulation has been based upon a single area with a focal point at the Richmond power-house, and if this is going to be converted, as these municipalities appear to wish, into sixteen separate undertakings the whole of that reticulation will have to be structurally altered, costing a very large sum of money and serving no useful purpose. These considerations, I gather, have not been present to the minds of the gentlemen giving evidence, and that is why I am making this explanation to the Committee. I make no deductions from these facts; I am simply explaining it. Is it desired that I should deal in any detail with the evidence given by Mr. Lincoln? It was very lengthy, very difficult to follow, and contains a mass of matter which to our mind is unimportant. I suggest that you hold that over until we are dealing with these things separately.

1603. *By Mr. Lind.*—You may have noted to-day in Councillor Bryant's evidence that he referred to what might happen if this were under one control and a breakdown occurred. Is there a possibility of such a thing happening?—I do not think he understood the situation. He appeared to think that the Melbourne Electric Supply Company would continue in existence in competition with the Electricity Commission. Unless the Electricity Commission can supply energy cheaper than they can produce it themselves it will go on. There is no obligation on them to buy Morwell power. If that comes about they will buy it. I do not think it will be asserted that the service of the Commission will be still more unreliable (I do not say that in aspersion of the company, but it is well known that the service is unreliable) than that of the Melbourne Electric Supply Company to-day. We know the difficulties the company has had to face, but the service has been unreliable. In a well-conducted service such as the Commission is creating there is an ample standby, provision not only with regard to generating plant, but also as to fuel, circulating water, transmission lines, and everything else.

1604. I thought it well to ask the question in the interests of the gentleman who made that declaration, to be fair to him?—I am glad of the opportunity of explaining. The answer is that the Commission expects its service will be much more reliable from every point of view than any existing service has been in the past. This question of reliability of service is such an important one that the Commission regards it as vastly more important than that of the quantity of service or the price.

1605. *By the Chairman.*—That is the basis of the whole thing?—If you stop a factory for an hour in a day over a breakdown it is more serious than charging

them a fraction of a penny more per unit. Reliability is the whole thing. At every stage of the whole system there is reserve plant and standby appliances. When you pay a visit to the works I will have an opportunity of explaining to you the various stages where standbys occur. There is a calculation I have here which I think was suggested by a question of Mr. Beardmore. I do not propose to read it to-day, but I would like to give the members of the Committee a copy of this statement explaining the statement I made, that although the municipality may be buying energy at the average price of 3d. or 4d. they can still sell at much less than the average price to a customer having a high-load factor.—[*The witness read and handed in a copy of the following statement*]:—

Method of Calculating Electric Tariffs.

Upon the basis of any given tariff, the average price per unit depends upon the load factor of the demand by the individual or the community under consideration.

The load factor is the ratio of the actual use made of the service to the use which the consumer could make of the service if he so desires.

In one year there are 365 days each of 24 hours, or a total of 8,760 hours. If, therefore, a consumer were to use, continuously, one kilowatt of energy for every hour of the year he would consume 8,760 kilowatt hours, or 8,760 units.

If, however, he uses 1 kilowatt, say, only for two and a half hours each day (or about one-tenth of each day) he would then use and pay for only 876 units out of the 8,760 units which he could use if he chose.

The first consumer would have a load factor of 100 per cent., while the second would have a load factor of only 10 per cent.

The average load factor of both these consumers would be 55 per cent.

To enable the effect of the above to be appreciated, let it be assumed that the tariff applicable to both of above cases is as follows (that is to say, that both consumers are charged upon the basis of one and the same tariff), viz:—£20 per kilowatt of maximum demand per annum, plus one-tenth of a penny per kilowatt-hour.

Case 1.—Load factor, 10 per cent.—

Annual charge	£20 0 0
Kilowatt-hour charge=8,760 × 1.10d. . .	3 13 0
Total charges ..	£23 13 0

£23 10s. divided by 8,760 units=0.65d. per unit.

Case 2.—Load factor, 10 per cent.—

Annual charge	£20 0 0
Kilowatt-hour charge=876 × 1.10d. . .	0 7 4
Total charge ..	£20 7 4

£20 7s. 4d. divided by 876 units=5.58d. per unit.

Case 3.—Load factor, 55 per cent. (both consumers)—

Annual charges	£40 0 0
Kilowatt-hour charges=2,636 units × 1s. 10d. . .	4 0 4
Total charges ..	£44 0 4

£44 0s. 4d. divided by 9,635 units=1.10d. per unit.

It will be seen from the above that in a community consisting of two consumers (of course, that is an absurd thing; you could make it 200 just the same)

whose average load factor is 55 per cent., and who are all being supplied under one and the same tariff.

	Pence per unit.
(a) the average charge to the community as a whole will be	1.10
(b) the average charge to the 100 per cent. consumer	0.65
(c) the average charge to the 10 per cent. consumer	5.58

1606. *By the Chairman.*—That makes it clear?—Thank you, I am glad. There is one other statement which I think the Commission will regard as important. It has been insinuated over and over again that the Commission ought not to proceed with important public duties, because it is unable to make correct estimates. It is insinuated that our estimates of the past are all wrong, that the Morwell scheme will exceed by £1,000,000 what it was first estimated to cost. A number of statements have been made to that effect. The truth of the matter is that there is substantially no increase in the estimates in regard to the Morwell scheme. I have been connected personally with public works all my life, and I have never met an occasion in my previous experience where the actual cost of the work as developed agreed so closely as these estimates made beforehand. They agree in a surprisingly remarkable degree, and reflect the greatest credit on those engineers responsible for the original estimates. In order to keep a check on this matter I might explain that ever since I joined the Commission it has been the practice to carefully revise these estimates to see how they were wrong. I have estimates from 1919 and estimates of the expectations of 1921, up to the early part of 1922, and up to the present day dealing with the Morwell electricity scheme, the scheme under discussion, and not considering any outside enterprise; its accuracy is quite surprising. The estimate for the original Morwell scheme in 1919 was £2,563,392; two years afterwards, when we commenced to operate, and when owing to the fluctuation of prices the estimates were recast, we came to the conclusion that the amount would come out about £2,672,280. Again, in 1922, the estimates were again recast in the light of later information as to the trend of prices, and we were inclined to load our estimates still further to £2,705,740. Quite recently the estimates have been again recast in the light of still later information, because the works are rapidly being completed, and I am pleased to tell you we have been able to write down the estimates to £2,656,000, so that at the present moment the actual expectation does not exceed the original figures by more than £90,000, and there is very considerable hope that even that figure will be reduced. With a figure like £2,500,000 I want to say that even that increase of £90,000 is more than accounted for by the fact that the electric portion of the scheme as being carried out is more extensive than the original scheme in respect of the transmission line. In the 1919 scheme the idea was to build a sub-station at Richmond and none at Yarraville. On going more fully into the matter the Commission came to the conclusion that it was better to build the Yarraville station first and the Melbourne station later. The Yarraville station is the one being built, and it involved an increase of 40 miles in the main transmission line. It is a reproductive work every penny of it. That is the real state of the case as regards these estimates, and far from being wild and inaccurate, we are going to achieve a very exceptional result in having very large works totalling £2,500,000 carried out certainly within 5 per cent. of the original estimate. You must remember that these estimates were made in war time, and the work has been carried out under all the difficulties of increased wages, uncertainties as to Custom duties, clamour for paying more money in order to encourage local enterprise and a great many difficulties of that kind. In

spite of all these difficulties the expectation to-day as to the excess over the original estimates will not be more than £90,000 as I have said.

1607. *By Mr. Beardmore.*—If you can complete that scheme on those estimates I will congratulate you for one. I have expected them to be double from time to time?—It is not always as easy to refute these statements as it is to make them.

Mr. Beardmore.—No, they are made from ignorance.

Mr. Thonemann.—In reference to the evidence of Sir John Monash and his criticism of Mr. Lane, I would like to say that Mr. Lane did not take notice of the tramways at all, as to the estimates which had anything to do with the tramways. I suggest that if this Commission thought fit to get an independent engineer to assist it it could go into this question. If it did I think it would find that Mr. Lane's evidence is very clear and concise; in my opinion there is no difficulty in understanding it whatever. Mr. Lane could be here to-morrow, and I would ask you to recall him in order that he may be able to reply to Sir John Monash.

The Chairman.—We intend to recall Mr. Lane.

Adjourned until to-morrow.

THURSDAY, 2ND NOVEMBER, 1922.

Members present:

Mr. McLEOD, in the Chair;

Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

James Condell Lane, Acting City Electrical Engineer, city of Melbourne, recalled and further examined.

The Chairman.—There is one point, Mr. Lane, on which the Committee wishes to hear you, and that is in regard to the question of the dispute regarding the load factor. We do not want to traverse the whole of your evidence, but some members think that more evidence is wanted in regard to the load factor.

1608. *By Mr. Beardmore.*—You stated that you could supply cheaper by giving a certain load factor—that is, cheaper than the Commission, and we want to know definitely how you could supply that power cheaper, and how you would get the increased load factor?—When giving my former evidence, Mr. Chairman, I submitted a load factor cost curve, showing how the cost varied with the load factor. I also displayed a graph illustrative of how the load factor in the combined areas would be improved by the addition of the North Melbourne Company's area to the City Council's existing area.

1609. *By the Chairman.*—I will read you Mr. Murdoch's evidence on that point. Have you seen it yet?—I have this morning, yes.

1610. Well, I will read this, on page 127, viz.:—“To supplement the evidence I gave before the Commission the other day in regard to the load factor obtaining in Essendon, which I think it has been suggested is about 25 per cent., I estimate it approximately as 30 per cent. when all factors are taken into consideration. There are three sources of supply—direct current, high pressure alternating current, and low pressure alternating current. The activities of the Commission in this district will, I feel persuaded, in the very near future, increase that load to 33 per cent. or 35 per cent., so that in the matter of load factor the Melbourne City Council will be no better off than the local district, and these people will be served who have poor factors at a lower price.”—If you will permit me, I am dealing with that in my rebuttal evidence.

1611. But I have told you that we do not want any rebuttal evidence beyond this particular point. This is the only point in dispute; we do not want the whole thing gone over!—Very well. Dealing with Mr. Murdoch's evidence, as he stated, there is no material diversity of demand. On page 99, referring to Mr. Harper's evidence on the same subject, Mr. Harper states that there is some, and that "some" by Mr. Harper is very reassuring.

1612. *By Mr. Eggleston.*—What is your reference to Mr. Harper?—Referring to page 99, in Mr. Harper's evidence, he states that there is some diversity of demand, and that "some" by Mr. Harper is very reassuring. The date relating to the North Melbourne Company's area, on which I have based my calculations, was kindly supplied some time ago by Mr. Murdoch when the council was considering the possibility of taking over a portion of this area. Mr. Murdoch now states that the load factor in this area has improved, and I trust such is the case, because it will make the position still better, and will further improve the load factor of the combined areas, and bring about a consequent reduction in the cost of energy. That is all I have to say at the moment.

1613. *By Mr. Lind.*—In favour of your council operating there?—Yes.

1614. Who would benefit as a result? The consumers will benefit always if we take over.

1615. *By Mr. Eggleston.*—Over the whole area?—The consumers over the whole area will benefit by any improvement in the load factor, because you are able to purchase at a lower charge when your load factor is higher.

1616. But did not your last evidence depend on the difference in the load factor in the two areas?—I showed in my previous statement that the load factor of the combined areas was improved by the addition of the two areas, and Mr. Murdoch now states that the load factor of his area has improved since I got my former information, and that further improves the position in the combined area.

1617. Yes, but you have not told us how; you have never articulated your evidence in a single degree; you have made the assertion that it will, but how does it?—I showed the result of my calculations on the graph I provided when I was last present.

1618. But a graph does not prove anything; it is only an assertion in mathematical form?—That is the only way in which an engineer can show the result of his calculations. The Commission states at what price they are going to supply energy, and we know by plotting a curve that the price that we are going to pay per unit will vary with the load factor on which we take our demand.

1619. That all depends on whether the data you take for the curve is correct?—I have informed you that the data on which I based the curve was supplied by the Commission.

1620. But you told us last time that the reason why you could supply cheaper, as I understand it, was that in one area the load factor was 33, and in the other 25, and by combining the two and making an arrangement as to the purchase of your load you could bring the 25 up to 33?—Yes.

1621. And that would give that area the advantage of the 33 load factor?—Yes.

1622. And I questioned that on the ground that by adding the two load factors, with an average of about 30, you could bring the lower load factor up to the higher load factor, and then you said, "Yes, that was so, if there was a diversity in the time of demand."—True; I do not shift from that position.

1623. If the load factors are equal that argument seems to fall to the ground, unless there is also a diversity?—Quite so; there is a diversity.

1624. You have to prove that there is a diversity, and to what extent?—Well, any diversity at all is beneficial. When an engineer states that the load factor of his area has improved—

Sir John Monash.—He did not say so at all.

1625. *By Mr. Lind.*—Go on?—The load factor of the area is developing; it is now approximately 30, and we hope that in due course it will increase to even 33. I think that is a correct statement of Mr. Murdoch's evidence—that although Mr. Murdoch may say that at the present juncture his load factor is 30 as against 25, that I understood it to be—

Sir John Monash.—Excluding tramways.

The Witness.—It does not alter the principle upon which I based my calculations.

1626. *By Mr. Beardmore.*—Did you include the tramways?—No.

1627. *By Mr. Eggleston.*—Why not?—We dealt purely with private lighting and power supply.

1628. But is not the tramway demand a most important integral factor in the system—perhaps the most important of all?

Mr. Beardmore.—It makes your case better if it is not included.

Mr. Eggleston.—Yes, of course.

The Witness.—If we do succeed in getting the tramway load, Mr. Chairman, it will make our case better.

1629. *By Mr. Eggleston.*—But you know you cannot?—I am not prepared to say that.

1630. "D" sub-station is specially designed to take the tramway load?—It will supply high-tension energy; apart from that, it remains for the authority which is going to supply energy to the trams to decide how it shall best do that.

Mr. Eggleston.—Sir John Monash told us that "D" sub-station had been specially designed in view of that fact.

Sir John Monash.—It was fixed by law.

The Witness.—He probably means that the location of the sub-station, as I have already stated, is ideal for the area in which the Commission has in mind to supply.

1631. *By Mr. Eggleston.*—Take another portion of your evidence last time. You said that you had a contract—that was the real basis of your evidence as to the importance of the position in the North Melbourne area—that you had an arrangement with the Commission to buy a block of power of 10,000 kilowatts at £7?—Seven pounds per kilowatt; yes.

1632. Where were you assuming to get that block?—We will purchase, in accordance with our agreement, a block of 10,000 kilowatts at sub-station "J."

1633. Therefore, you could not use that block for the supply of this demand in the North Melbourne area?—We did not contemplate doing so.

1634. Well, you would not get a block at the same price if you took part of it at "J" sub-station and part of it at "D" sub-station?—Yes, you would, because the Commission has already stated that there is only one price to the metropolitan area.

1635. But is not the contract limited to sub-station "J"?—Yes, but the whole thing, Mr. Chairman, is this—that if we took the operation of the North Melbourne Company's area over it would be quite sound to suppose that the Commission would not refuse to supply us with bulk energy at that point.

1636. But is not the whole basis of your arrangement and price the fact that you take it at one station?—No, they would not charge us any more than £7 a kilowatt if we took energy at "D" than they are now proposing at "J."

1637. I know they would not if you took the whole lot at either point, but supposing you divided it between the two; supposing you took 7,000 kilowatts at one sub-station and 3,000 at another?—We purpose taking something like this in 1923, if we get it—10,000 kilowatts, in accordance with our agreement at

sub-station "J," and if we have the right to operate the North Melbourne Company's territory we think 1,000 kilowatts in 1923 would be adequate for that area, and we would purchase that additional 1,000 kilowatts from the State Electricity Commission at the same tariff as they have now put down.

Sir John Monash.—Surely that is for us to say—not him.

The Witness.—Well, it has already been stated, although I cannot just now put my finger on whose evidence it is in—that the Commission does intend charging that tariff at sub-station "D."

1638. *By Mr. Eggleston.*—If you took the whole block there?—Why should they make any bother about this point at the present juncture. Footscray has been quoted at £7 per kilowatt. In the evidence given before this Committee £7 per kilowatt has been quoted as the price at which the Commission would supply this or any other authority who was going to operate that area.

1639. But would it not be more expensive to deliver an extra 1,000 kilowatts at another sub-station?—I fail to see why.

1640. In order to treat it as one block, Mr. Bates said, I understood, that there would have to be special metering arrangements at two sub-stations?—Yes; well, I do not agree with Mr. Bates in the difficulties raised on that point.

1641. Then the other factor you relied on to cheapen the power was this—you said that you would supply the peak load from Spencer-street?—That is so.

1642. That was a material factor in your argument?—Yes, a very strong factor.

1643. Would that peak load be supplied for the whole of the two years?—Will you allow me to illustrate, Mr. Chairman, how we propose dealing with the situation?

1644. *By the Chairman.*—Yes, certainly?—[*Witness produced diagram.*]—I presented a curve somewhat resembling this when I was last before you, showing the proposals of the City Council with regard to the purchase of energy from the Commission. This blue portion represents the block of power we contemplated purchasing in 1923, as soon as the supply is available. Up to this point the 10,000 kilowatt block is shown blue. The additional 1,000 kilowatts we think might be required for the area in question—the North Melbourne Company's area—is also shown here in blue, and the pink portion shows the quantity that the steam plant of the City Council would generate for itself. If you will just look at this curve and treat it as volumetric you will notice that from midnight until 6 o'clock in the morning the volume of demand is relatively small, and that volume grows as the day proceeds, and then it diminishes again. Keeping that clearly in your mind, will you look at this diagram—both these are meant to be volumetric, but they are placed in a block as distinct from these curves which shows the maximum demand at every hour of the day. This block of power represents what we would call "off peak," being apart from the peak demand. Taking our "off peak" demand, we show here 10,000 kilowatts as the block that will be taken from the Commission, and we show here the 1,000 kilowatts that will be taken for the supply to the North Melbourne area, but we do not confine ourselves purely to the North Melbourne Company's area for the disposal of the energy that we would take at this sub-station. In other words, by combining the two areas into one complete block or volume at the time of "off peak," the requirements of the North Melbourne Company's area is shown shaded here, and the demand for that area would be relatively very small—probably not more than 200 or 300 kilowatts, and that sub-station "D," being adjacent to the council's North Melbourne territory, would feed back into the council's territory, and we purpose therefore that that sub-station "D" would

supply us—not a fluctuating demand which is shown by the curve such as you have before you, but a constant load, such as is shown here.

1645. *By Mr. Eggleston.*—Will you pardon me for interrupting here, but is it not a fact that in your previous evidence you never mentioned that feeder at all?—Allow me to state that I produced a diagram almost identical with this to illustrate that same fact, and that has always been my evidence.

1646. But you have now produced a second diagram to illustrate the point which Councillor Thonemann made, but which you did not. If you look through the whole of your evidence you will find that that fact was never mentioned—the fact that you are supplying a contiguous area—

Mr. Thonemann.—I did.

Mr. Eggleston.—Yes, you did mention it.

Mr. Thonemann.—He confirms my evidence.

The Witness.—I must have been very negligent if I made such an omission. Going on to this diagram this block shows the condition that would apply when the time of maximum demand occurred, which is shown here at 4 o'clock. Now, if you will imagine, as I said before, that this supply of energy is volumetric, and like a rubber thing that will expand varying with the time of the day—at no particular hour of the day is the demand just always the same—it is fluctuating—it is rising and falling, and as the time of maximum demand comes on the 10,000 kilowatts of bulk supply purchased from the Railway Department would be fully occupied. At that time of the day it would be really working at 100 per cent. load factor, but the average for the area is only 33. At the time of maximum demand in any one day that 10,000 kilowatts would be taken up to the hilt, and at the same instant of time we would be taking out 1,000 kilowatts at "D" station as shown here. Now the demand for power has so grown that we need to start our steam plant at the power-house. The ability to supply 10,000 kilowatts here and 1,000 kilowatts here for all our requirements is inadequate, and this remaining block is made up by the steam plant. I will traverse any of the statements I have made if you desire me to do so.

1647. *By Mr. Beardmore.*—What would that steam plant power cost you in comparison with the other; it would cost you something, of course?—Undoubtedly, and we cannot ignore the fact that it is costing something. It will be approximately .56d. per unit, operating under the conditions set out here, as against .7 at the Commission's sub-station.

Sir John Monash.—There are no capital charges.

The Witness.—Quite so, but our capital charges have to be added on whether we generate ourselves, or buy from the Commission. We cannot relieve ourselves of any financial responsibility for capital.

1648. *By Mr. Eggleston.*—Part of that peak occurs in the Melbourne area and part in the North Melbourne area?—True.

1649. How are you going to supply the North Melbourne part of that peak—from the Spencer-street power-house?—I thought I had made that clear by this diagram. This is the combined area, and if you will cease to regard it as two areas you will have gripped the point.

1650. But you have got to transmit it. Would you not have to install wires?—No, we have lines now radiating from the power-house to the very borders of the area in question, and, as I have explained to you, our proposal is to buy the whole of the energy that we require in that area right up to its maximum demand at that point.

1651. I do not know whether I am using the terms rightly, but I think you told me that some of the peak occurs in the North Melbourne area, and that your steam plant will be required at the time of maximum demand to supply power to the North Melbourne and

Essendon area?—Our steam plant does fill up into the northern portion of our area here, but at no time did we contemplate requiring to send any energy into the North Melbourne Company's area from our steam plant.

1652. Then the steam plant part of your argument does not apply to the North Melbourne area?—Undoubtedly it does.

1653. Why?—Because if you will treat the area as one and as a unity, your difficulty will disappear. Mr. Chairman, I will be delighted if I can make this any clearer. Perhaps this will help you still further. Here are two curves or diagrams; this small section here represents the disputed area—the North Melbourne Company's territory. This larger area represents the City Council's territory. If this smaller area is supplied by a separate authority it will stand alone as an isolated area. The City Council's area is here adjacent. This is the isolated area, but provided the City Council should acquire this territory it will be added together and treated as one—as a unity. There will be no question about there being two separate areas. It would be one complete area under the City Council's control. In that case we have here the Commission's power-house. The Commission will run feeders into both areas, and at sub-station "J" we will take a supply, and at sub-station "D" we will take a supply, and it seems to me that there is no difficulty to be experienced at all in doing as I have stated.

1654. How will you do it cheaper than the Commission. Of course, you are assuming that the Commissioners are limited to this North Melbourne area, but when the Morwell power is supplied, is that correct then?—Oh, yes, I think so. The Commission has already stated that it has no intention of infringing any of the rights of the existing Orders in Council. Consequently the only area in the vicinity to which the Commission could apply its energies in a retail capacity is this particular area.

1655. Does not that involve this—that you are claiming to treat the whole of the two areas as one, whereas you will see that there are legal difficulties which prevent the Commission treating it as one?—I am not responsible for the legal position.

1656. But if the Commission could treat the two areas as one it would be in exactly the same condition?—Why draw up a condition which is purely hypothetical.

1657. That is one of the things this Committee has been asked to inquire into; as to whether it is correct from the electrical point of view, or from the point of view of electrical economics.

1658. *By the Chairman.*—We are getting a fairly liberal supply of hypothetical positions all along?—Yes, I stumbled over my last dreadfully.

1659. This is an extract from the evidence of Mr. Murdoch, as shown on page 128—

"The representative of the City Council, Mr. Lane, gives as that load factor at 25 per cent.—That is so.

And the City Council is doing 33 per cent.?—Yes.

Mr. Lane also made the statement that if those two areas were being operated as one—that is the North Melbourne undertaking, together with the City Council at the present time, that the City Council could supply at a cheaper rate than the Commission could were the Commission operating North Melbourne only?—I do not say that, as they would have to take their supply from "D" station eventually in that particular district, in view of the lay out and the development, the district being developed as a whole, the price to them would be the same practically as the price to

myself, because the load factor would be, roughly, the same for the two bodies, so they gain nothing there.

By Mr. Eggleston.—Mr. Lane argues to this effect—that the City Council obtained a special right, because they brought in a block of 10,000 kilowatts, and they could use that for their constant demand, and supply the peak loads with the generating station at Spencer-street, and by reason of that subdivision they could supply the total demand cheaper at .15d.?—I do not think you could; you take the Commission's supply as a whole, so that whatever diversity there was in Melbourne the Commission could obtain in its own power-house, plant, and transmission system.

He is an expert, but he did not attach any weight to that. I do not know whether he considered it in his argument, although it may be so. It would be feasible for them to supply the whole of the two areas with that block of power?—I suppose they could supply up to 10,000 kilowatts, and after that let it go.

How do they distribute it over the whole area?—They could not, because there is a variety in our areas, coincident with their peak, and that will be accentuated when the full development takes place."

That is one point that Mr. Murdoch dwelt upon—that the two peaks were different; that the tramway peak comes in when the ordinary house peak has ceased?—I would point out to the Committee again that under the conditions under which we purpose supplying power that matter is of no importance; we meet the peak with our steam plant.

1660. *By Mr. Eggleston.*—In so far as it concerns the city area?—Yes.

1661. *By the Chairman.*—It appears to be a case of who shall decide when doctors disagree. Mr. Murdoch has been running that system for twenty years, and he knows the district thoroughly?—It is a case of doctors differing, I have no doubt.

1662. *By Mr. Eggleston.*—When the "D" sub-station is erected and going with Morwell power it will not be confined in any sense to the North Melbourne area, because it also takes in part of Maribyrnong and other suburbs?—That cuts no ice; we do not mind what the Commission does. We buy at £7 per kilowatt, and the Commission is at liberty to pick up such leading as they can, and it is better if there is a diversity, because they will pass it on to us in the form of reduced cost.

1663. That is your argument, but is not the Commission bound to treat this legally as an isolated area?—I am not responsible for the law.

Sir John Monash.—Might I suggest before Mr. Lane leaves the box that Mr. Harper show the Committee a diagram he has here of the whole system of metropolitan distribution. I think that would help the Committee.

The Chairman.—No; Mr. Harper can produce that when he gives evidence.

Mr. Thonemann.—Mr. Chairman, Mr. Lane is here to rebut—

The Chairman.—We are not going to recognise you in the matter; you ought to know better than that.

Mr. Thonemann.—Are we not entitled to rebut Mr. Murdoch's evidence?

The Chairman.—You are doing that now.

Mr. Thonemann.—That is what Mr. Lane is here for; you have heard Mr. Harper twice and Mr. Murdoch twice. Are you only going to hear Mr. Lane once?

The Chairman.—We are the best judges of the evidence and as to what is wanted, and we will also judge as to who has the right to address the Committee.

1664. *By Mr. Farthing.*—When you were here before us the other day, you said that the load factor of the

City Council was 33; that the load factor of the North Melbourne area is 25. You said that if those two areas were combined that the load factor would increase—that it would go higher than both of those figures, and the price consequently fall?—Correct.

1665. Now Mr. Murdoch comes in and tells us that your figures were wrong with regard to the North Melbourne area; that probably the load factor will be 30, and perhaps go up to 33. Supposing that load factor does go up to 33, what difference would that make with regard to the City Council, if the City Council were taking over the North Melbourne area?—I have already answered that question, but I am quite pleased to reply again, and state that any improvement in the load factor in Mr. Murdoch's area will be beneficial to the combined area.

1666. That is the combined area of North Melbourne and the City Council's area?—Yes, any improvement that can be brought about in that load factor of the isolated area, when it comes to be combined with the greater area will improve the load factor of the greater area.

1667. Can you elaborate that, or explain to us as laymen why that is so?

Mr. Lind.—I think Mr. Lane has shown, Mr. Chairman, that they intend to serve this area, or both areas, from sub-station "D." Yesterday, when I had a doubt regarding this matter it was because I was under the impression that the City Council were compelled to serve this area from sub-station "J."

1668. By Mr. Farthing.—Will you get the map you supplied the other day, and show us where you propose placing your transmission lines; show us from that map exactly how you intend to supply that area if you get it. That will help us, I think?—I shall be pleased to do so.—[Witness produced map.] The blue portion represents the City Council's existing area; the portion in pink represents the Hopetoun Ward of the City Council, known as Flemington and Kensington; the yellow section represents Essendon. This dark red spot is the site fixed upon by the Commission for "D" sub-station. The Commission states that that is the economic centre, or the centre of gravity shall we call it, of the loading for this area, and we acquiesce in that—that it is so far as we can see the correct position. You will notice here that there are a number of red lines. These represent the City Council's existing high tension feeder system and sub-stations, so you can see that we are running into the border line of this disputed territory. It has been suggested that the City Council would be under the necessity of running a high-tension cable from this sub-station "J" out to this territory, but of course as we found that we were in a position to buy energy at "D" sub-station from the Commission as cheaply as at "J" sub-station, there was no sound engineering reason for our committing ourselves to the capital expenditure on that cable. Consequently, getting back to sub-station "D," wherever we do the reticulation within that area, or wherever the Commission does it, we are both obliged to take energy at that sub-station, and run it into the area with a series of smaller high-tension sub-stations, and in running out this way we would connect up with a number of our existing sub-stations, and by that means we would bond the high-tension cable system of the existing area with the high-tension cable system of the new or proposed area.

1669. By Mr. Lind.—Then you are depending upon getting 10,000 kilowatts, where?—At "J," and 1,000 at "D." We speak of 1,000 kilowatts as being the requirements for 1923. The area will develop rapidly under a reduced tariff, and we really estimate that there will be 15 per cent. growth per annum there, because up till now we consider it has been starved.

1670. By Mr. Eggleston.—The larger the area the better you are able to accommodate it, and the cheaper

you are able to buy the power the cheaper you can run it?—Not always necessarily, because one might run further afield and get into a very expansive area.

The Chairman.—Thank you; that will do.

Witness (to the Chairman).—You have told me that you did not require me any further.

1671. By the Chairman.—Well, you have given your evidence?—I have been asked to give rebuttal evidence, and I have not stated to you the evidence that I have prepared to give before this Committee.

The Chairman.—We have dealt with the particular point on which the Commission was not clear, and with rebuttal and rebuttal, of course we would be going on all over it again. If we got rebuttal evidence in regard to everything we would not be getting on at all. We will hear Mr. Harper now, and you can hear his evidence, and, if necessary, we can call you.

Mr. Thonemann.—He has a lot more evidence to give.

Mr. Lind.—The Chairman has stated that he can come back again.

The witness withdrew.

Herbert Reah Harper, Chief Engineer to the State Electricity Commissioners, recalled and further examined.

1672. By the Chairman.—You wish to make a further statement?—Yes, I think it would be a good idea if I described this map to the Committee in regard to the supply of power in the metropolitan area in bulk, because without that clearly in your minds you are apt to misunderstand witnesses who give evidence. Here at this spot (indicating) we have the Yarraville terminal station. At that point the energy from Morwell will be delivered, and also from the Newport powerhouse, and later on, in future years, we shall have another line coming in at this side of the city at Richmond terminal, and from those two sources underground mains will traverse the city or the metropolitan area in more or less of a circle with current at 22,000 volts, supplying sub-stations which are situated in the economic centres of the several areas in the metropolitan district. Here in the city is "J" sub-station, at which the great bulk of the city demand will be taken. There are other sub-stations being installed at the present time, viz., "C" at the north of the city, on the Brunswick border, and "D" sub-station, which we have talked about a great deal this morning and on other occasions. Now, the Commission will step-down the 22,000 volt energy to the undertakers who exist to-day in the metropolitan area—twelve to fourteen of them—and will make it available at a voltage of 6,000. The Commission will transform it down at those points, and invite the undertakers, whoever they may be, to come and take their supplies from these points at 6,000 volts. These red lines indicate the 6,000 volts feeders; you see how they radiate from different centres. The sites of these sub-stations have been chosen with due regard to economy of distribution or transmission by 22,000 volts and 6,000 volts. At the present time in the metropolitan area, the highest voltage of distribution is 6,000, and that has been in use for many years. The area served has grown beyond the economic limits of 6,000 volts distribution; that is the reason why the Commission has adopted 22,000 volts—to get a larger range of distribution. You will notice then that the function of the 6,000 volt feeders is to supply an area just round each sub-station, and if it be desired to convey the energy further afield, we would have to resort to a 22,000 volts transmission line and sub-station, as we have done here, and then establish another 6,000 volt reticulation. Now, technically, it is absolutely unsound to allow of any inter-connexion of these 6,000 volt reticulations, each area has to be isolated. The only inter-connexion allowable is by means of 22,000 volt trunk feeders; they are the only inter-connecting

links we can allow. There are several reasons why it is not wise to connect up adjoining areas through the 6,000 volt feeders. Security of supply demands that we should limit the scope of a disturbance to one area. If we joined two areas by means of these 6,000 volt lines, a fault in one area might disturb the adjoining area, and so we might have a larger area put out of action. That is one fundamental reason why we therefore will not allow any inter-connexion of areas through the 6,000 volt feeders. A further objection lies in the fact that the Commission would be supplying several authorities on the maximum demand principle of charging from one sub-station, such as "D". With two sub-stations joined by 6,000 volt feeders it may be found that current would flow from one area to the other, so that current would be flowing at different times of the day in different directions, with the result that you may have the maximum demand meters registering much higher than they ought to, and consequently there would be a great deal of confusion in the rendering of accounts. I have described this in order to show you that on no account could we allow energy to be transferred from one economic area to another economic area through these 6,000 volt distribution lines; it could only be done by means of our trunk feeders. The range of those feeders, as I said just now, is decided upon purely an economic basis, and not by any municipal or parochial boundaries. We might allow the city to take a portion of its supply for the area continuous to a sub-station such as this (D), from one of these 6,000 volt feeders, but the extent to which this could be done would entirely depend upon the economic range of distribution from that centre, so you will see then that it would be quite impossible to allow of any transfer from "J" to "D"—quite impossible.

1673. In which division are Flemington and Kensington?—Well, the boundary of the City Council's franchise is here—[*showing*—]—and traverses the area of the North Melbourne franchise. Essendon lies north of here again.

1674. *By Mr. Deany.*—That is the disputed area?—Yes, this area lies in the city, but it is not within the franchise of the city at the present time.

1675. *By the Chairman.*—How does that affect the question of the Melbourne City Council administering this area, or the Commission administering it, or the tramway company administering it?—The lesson to be learned from this is that whether the City Council be given this addition to its present area or not, it does not alter the economic conditions at those centres. The supply would be made available, and the consumers in that area will get their supply under precisely the same conditions, whether the City Council or the Commission controls the area, because the whole lay-out is based on economic and not municipal boundaries.

1676. How does it affect the point that if the City of Melbourne had that particular area added to their area now, they could supply more cheaply than the Commission could?—It has been said that the combining of these two areas would improve the load factor at this point from 25 to 34, and judging by Mr. Lane's evidence to-day, it was apparent to him—I do not know whether it was to you, gentlemen—that it was hoped to exchange or to pass the current backward and forward between the two areas in order to improve the general load factor, and to take advantage of the diversity of demands. By diversity of demands, I mean this: As an illustration, we may have a 10 kilowatts demand here, and 10 kilowatts there. The total demand on the Yarraville terminal station may be only 15, because it may be that when the demand is 10 here it is 5 there, or *vice versa*, so that the total demand may be only 15, but the sum of the two demands would be 20. You could gain a financial advantage from that fact by

transferring current from the area where the demand is low to that where the demand is at a maximum, reversing the process when the conditions are reversed. It is only by means of transferring energy that you can obtain that advantage, and as I have said, there are difficulties and strong technical objections in transferring from one area to the other. You have to look upon this economic area as being independent from that economic area, no matter whether this is controlled by the City Council, or by the Commission.

1677. According to the electrical objections you have stated, the city of Melbourne could not connect up its supply wires with the North Melbourne area?—The Commission could not allow it; it may be that to-day there are 6,000-volt overhead wires coming into this territory, but, of course, they are only of limited capacity. We are looking to the future, and these overhead wires passing into that territory at the present time, and supplying that territory in bulk, should not be increased. The whole of the reticulation has to be based on this plan, otherwise the Commission would not be able to give a reliable supply to the whole of the metropolis.

1678. *By Mr. Beardmore.*—Mr. Lane claimed that they could supply the power cheaper because of their steam plant?—The steam plant does not alter the load factor, which is an inherent feature of the district.

1679. He explained that, but he said it altered the peak?—The steam plant would be used to improve his own costs of operation. It may be that the steam plant of the City Council reserved for the peaks—those high peaks—would make it possible to supply those peaks at a cheaper rate than the Commission. That is quite possible.

1680. That would give them a benefit then?—For the city; but he could not transfer the benefit of the steam plant into the other area; he would become what the Commission is trying to be—universal distributors in the metropolitan area. Mention has been made of the tramways. Well, the tramways would certainly improve the load factor, but nevertheless it does not improve the diversity, because the very fact that the tramways withdraw their current at a time when the lighting and power supply are drawing their current would mean that the peak in that centre—[*indicating*]—would now become superimposed on the peak here—[*indicating*]. The diversity that was being obtained before was due to the fact that the peak there was alleged to be between 7 and 8, and the peak here at 5, but if you put the tramways on in the former area, you bring the peak back to 5 o'clock, which is the time of the peak here, and so you destroy the diversity. Although you would improve the load factor there, by combining the two sets of supplies, there would be no diversity of demand, and the advantage obtained by transferring energy from one point to another would disappear.

1681. *By Mr. Deany.*—The peaks would be at the same time?—Yes, as long as the tramway peak occurs at 5, it will be on the peak of the sub-station "J" load.

1682. *By Mr. Eggleston.*—It would increase the maximum demand?—It would increase the maximum demand. If you have a demand for 10 kilowatts here and 5 kilowatts there at one moment; at another moment it may be 5 kilowatts here and 10 kilowatts there, but your maximum in either case then would be 15 kilowatts. If you put tramways on to the load, and increase this 5 kilowatts to 10 at the same time as it is 10 kilowatts here, then your maximum is 20 kilowatts, and you have destroyed the benefit of the diversity of demand.

The witness withdrew.

Francis William Clements, Engineer and Manager of the Melbourne Electric Supply Company Limited, examined.

1683. *By the Chairman.*—What particular portion of the inquiry do you wish to direct your evidence to?—Well, sir, the Bill is a Bill which has merely been drafted for municipal purposes.

1684. You mean the Bill that is now before Parliament?—Yes, and although, of course, there are a very large number of private undertakers besides municipal undertakers throughout Victoria, the Bill absolutely neglects these undertakings, and makes no reference to them at all, and I am inclined to think that it is simply a matter of oversight, but as the Bill stands it is a very serious menace to these undertakers, who are carrying out the same work as the municipal undertakers. If you would allow me to read my views, I will. Although the Bill does not apply within a radius of 25 miles from the boundary of the city of Melbourne, yet there are a number of undertakings outside that radius throughout the remaining portion of the State, which are operated by companies. As shown in the attached list, the total number of supply undertakings in Victoria outside the metropolitan area in the year 1920 was 75, of which 34, that is, approximately 45 per cent., were owned and operated by companies. The most prominent of these undertakings are those operating within the municipal areas of Ballarat, Bendigo, and Geelong. Further, the total number of consumers supplied by private undertakers throughout the State, including the metropolitan area, exceeds the number supplied by municipal undertakers, by no less than 86 per cent. That shows that the major portion of electricity supplied in Victoria is supplied by private undertakings, that is, undertakings not referred to in this Bill. In view of these facts, it is remarkable that in the proposed Bill no direct reference is made to private undertakers, and a perusal of the Bill would lead the uninformed person to assume that private undertakers did not exist. In view of this important omission, what such private undertakers fear, and in consequence are more specially concerned with, are those provisions of the Bill empowering the Commission to enter an existing area of supply, and compete with the existing undertakers, thus depriving them either of their best, or even the whole of their consumers, and thereby leading to the ruin of the undertaking. The clause which appears to the undertakers to be most dangerous from their point of view is clause (b) of section 2, sub-section (2). According to the sub-section and this clause, the Commission at any time, upon being asked to do so by any council—in all of the larger cities there are several councils—may come into the area supplied by a private undertaker, and supply in bulk, or otherwise, persons or bodies of persons other than the private undertaker, or a public statutory corporation. This means that the Commission can enter into any area already supplied by an electric supply undertaking, and give their supply direct, not only to large consumers, but also the smallest consumer in the area, say, the ordinary residential consumer, and the use of the words “other than undertakes” practically emphasizes the fact that the Commissioners would have powers to supply in competition with such undertakers. In support and confirmation of the view given above under “2” may be mentioned sub-section (9) of the same section 2, which provides in effect that the Commission for the purposes of the section, that is, say for the purposes of giving a supply within the area of an existing private undertaker, is specifically empowered to enter into and operate within that area. As further inferential proof that the Commission would be fully empowered to operate within a private undertaker's area may be mentioned the proviso to the aforementioned sub-section (9), which states that in any case, where a council is the

authorized undertaker, the supply by the Commission shall be subject to the prior consent of such council. In that it must be well known that there are numerous private undertakers in existence, some of whom are of considerable importance, the fact that the words “private undertaker” have been omitted is, to say the least, extraordinary. Clause (a) of section 2, sub-section (2), is in only a slight degree less dangerous to private undertakers than the above-mentioned clause (b). It is submitted that this clause decidedly requires re-drafting, for as it reads the Commission may, on the application of any municipality, supply electricity in bulk to undertakers and to public statutory corporations. Thus, to take a concrete case, and reading the clauses literally, any one of the three municipalities in Geelong could apply to the Commission for a supply in bulk to the local undertaker, that is, to the Melbourne Electric Supply Company, although that company may not have asked for such a supply, and, in fact, is not bound under the Act to take such a supply, if offered. This procedure can hardly have been contemplated, but if it is not intended to bear the above interpretation, what is the proper interpretation of the clause?

1685. *By the Chairman.*—Might I suggest that (a) and (b)—that these particular clauses are really governed by clause 2:—

“The council of any such municipality, or the councils of two or more such municipalities acting in conjunction may apply to the Commission for the supply of electricity pursuant to this section.”

and then it describes the two ways (a) and (b). It appears that the results of that reading would be that the municipality would have to be a consenting party?—I am appearing for private undertakers. There are two classes of undertakers supplying electricity in Victoria—municipal undertakers (municipalities who own undertakings), and private undertakings, that is company undertakings, and here we have the fact that—let us take Geelong as a concrete case. Geelong is being supplied by a company undertaking. Now, according to this Bill, the municipality of Geelong, or any one of the three municipalities there, can go to the Commissioners, and say, in spite of there being an electric supply undertaking already in existence, we ask you to come in here and supply direct to the consumers; that is, they can invite the Commissioners to come in and compete with that company, and ruin the company.

1686. *By Mr. Eggleston.*—Although you have a concession over that area?—I do not quite like the word “concession,” because, so far, it has not been a concession. It has been a statutory obligation. The effect of this clause is to give the Commissioners the power to compete with private undertakers, and that is what I object to.

1687. *The Chairman.*—The question arises then as to the controlling clause; sub-section (2) can only do this in connexion with municipalities.

1688. *Mr. Lind.*—It only refers to municipalities. The witness asked that reference be made to private undertakers.

1689. *By the Chairman.*—We are advised that there is an omission in printing the Bill, that is, in the second part of sub-clause (9) that these words are to be added, so that the clause would read this way:—

“Provided that in any case where a council, company, or person is an undertaker authorized to supply electricity within such area, such supply of electricity by the Commission shall be subject to the prior consent of the council, company, or person.”

We have been notified that those words have been omitted from the Bill?—If they appear in the Bill, I do not want to talk any longer.

1690. We are advised by the Crown Law Department that those words are to be inserted in the Bill?—Private undertakers are placed on the same basis.

1691. That is in sub-section (9), on page 4?—Yes. Of course, I think it could have been done more directly in the governing clause in section 1, but, of course, it is for the drafters of the Bill to say what ought to be done.

1692. There has been a lot of hurry in connexion with this matter, and they have been rushed to get a copy of the Bill. This is notified to us without any request on our part at all. We have to bear in mind that these words are to be inserted in that particular clause?—Although I represent my own company, I am practically speaking for 42 per cent. of the other supply undertakings in Victoria, who are all equally affected, and if that goes in as it is proposed, I shall not waste your time.

1693. That meets your objections?—Yes.

1694. I may say that the feeling all the way through is to make the Bill as popular as possible, and bring the public into it as much as they possibly can, subject to the necessary restrictions put upon electricity. The public should have as free a hand as can be given to them. At any rate, that is the feeling that the Committee has in the matter?—I see.

1695. Is there any other point?—No, sir.

The witness withdrew.

Councillor Burnett Gray, Mayor of St. Kilda, examined.

1696. *By the Chairman.*—What particular portion of the proposals before the Committee do you wish to refer to particularly?—My evidence will deal particularly with the Bill, and the rights, or the rights we once had, of acquiring any private undertaking. I may say, in my opinion, in the first place, that I consider, and my Council considers, that the launching of this Morwell scheme by the State Government will be one of the greatest factors in the industrial economic, and social development of this State. We feel that if this scheme is properly administered, and a proper system of co-operation is introduced between the municipalities as a whole, that with the men that you have at its head, of which Sir John Monash is the chairman, that it can be nothing else but a great success, and will make this State one of the greatest in the world. Personally, I might be called an idealist, but I picture, not many years hence, a great future for this State when every home will be practically run and controlled from this great scheme. Now, in dealing with the Bill, I would like to say that, in the opinion of myself and my council, the municipalities should have the sole right in the matter of control and ownership of distribution. That is, in our opinion, distribution is essentially a local matter, and we feel that we are better qualified to deal with the matter than a huge Government Department on which we have no representation, and over which we have no control whatever. In the second place, we are opposed to the Commission having the right to purchase the Melbourne Electric Supply or any other authority, to the exclusion of the municipalities. Now, dealing with section 2 of the proposed Bill, we object to being taxed to pay losses, as we are assured that electric supply in our district is a paying proposition. In his speech on the second reading of the Bill, 1922, Mr. Barnes (Minister for Railways) said that:—

The measure now before the House has been designed to enable comparatively low rates to be quoted from the beginning by making definite provision, and providing machinery for meeting the inevitable losses that must necessarily arise in the earlier years of operation. The Electricity Commission have no funds to bear those losses, because, as honorable members know, it has no rights under its Acts to make a profit out of the supply of electricity to its customers. Neither

would it be equitable to charge the whole of the losses to the users of electricity, that is, the users in other parts of the State, say, the metropolitan area. It would not be fair, either, to charge them entirely to the Treasury, seeing that numbers of people have to contribute as taxpayers to make good losses incurred for the benefit of particular and localized districts. The scheme set out in the Bill provides for the losses being met in this way. They are to be apportioned in shares of one-third each to the Treasury, to the district to be served, and the State Electricity Commission, respectively. The one-third of the annual loss on any given scheme to be met by the Treasury will, of course, have to be borne by the people of the State generally. The Bill provides that the expenditure to which the Treasury can be called upon to contribute to make good such losses is not to exceed £10,000 in any one year. The Bill also provides that the Treasury subsidy will not continue in any one district or for any one scheme for a longer period than ten years. The one-third share to be found by the district to be served has to be provided out of the municipal funds or by a special rate. The measure now before the House gives the necessary authority to the municipal councils to impose whatever additional rate may be necessary to meet their one-third contribution of the annual loss. Finally, the contribution to be made by the Electricity Commission will come out of the pockets of all the electrical consumers of the State. That is to say, the Commission will have to surcharge for that purpose upon the rates of electric supply. This may not be pleasant information for representatives of metropolitan constituencies, but it may be pleasant to those who are keen supporters of getting cheap electricity for country districts. Inasmuch as nine-tenths of the consumers would probably be in the metropolis, it is evident that the Commission's contribution really means a definite contribution on the part of the metropolitan consumers towards the cost of meeting the requirements of country consumers.

Re section 3 of the Bill, re the Melbourne Electric Supply Company, I am of opinion that no power should be given to the Commission to override the councils until an opportunity is given to the councils referred to in the order granted to the Melbourne Electric Supply Company, in the year 1900, to supply electricity within their respective municipalities, to purchase the rights of the Melbourne Electric Supply Company within the time stated in the *Electric Light and Power Act 1915*. I am taking steps to call a conference of municipalities to consider the above.

NOTES RE ELECTRIC LIGHT AND POWER BILL 1922.

(a) Order to Melbourne Electric Supply Company to supply electricity in St. Kilda expires 11th November, 1925. It is rather a peculiar coincidence that it should be Armistice Day.

(b) *Electric Light and Power Act 1915* provides that the council can compulsorily purchase by arbitration within six months of expiration of this order.

(c) Section 17 of Act 3104, 1920, gives the Commission power to purchase (to the exclusion of any council) any such undertaking, namely:—Section 17 (1) of Act 3104 reads:—

Notwithstanding anything in section 43 and 44 of the *Electric Light and Power Act 1915*, the Commission, with the approval of the Governor in Council, and after such inquiries have been made as the Minister thinks fit, may at any time enter into negotiations with any undertakers referred to in those sections with a view to the sale by the undertakers to the Commission of the whole of their undertaking, and in the event of the undertakers agreeing to sell the undertaking to the Commission, the Commission (to the exclusion of any council or councils) shall be entitled to purchase the same upon the same terms as any council or councils would have to pay and at any time at which any such council or councils would be entitled to require the undertakers to sell the same under those sections.

This is proposed to be extended by section 3 (1) (a) of this Bill:—

In addition to the powers conferred by section 17 of the *State Electricity Commission Act 1920*, and notwithstanding anything in section 43 and 44 of the *Electric Light and Power Act 1915*, or in the *Tramways Act 1915*, or any Order in Council under either of the said Acts—

(a) The Commission (to the exclusion of any municipal council or councils) may at any time enter into an agreement with any undertaker referred to in sections 43 and 44 for the purchase by the Commission, and any such undertaker may enter into an agreement with the Commission for the sale to the

Commission of the whole or any part of any undertaking of such undertaker under the *Electric Light and Power Act 1915*, and any tramway undertaking under the *Tramways Act 1915* operated in conjunction therewith.

- (d) Section 3 of the Bill gives extended powers to Commission in this direction (see copy herewith).
- (e) A conference was convened by the South Melbourne Council to consider the question of purchase of this undertaking during six months ending 11th November, 1925 (within the time prescribed in the Act), but was adjourned until nearer the time of expiration of the order.
- (f) Now this council (St. Kilda) is of opinion that no power should be given to the Commission to override the council until an opportunity is given to the councils referred to in the order granted to the Melbourne Electric Supply Company in the year 1900 to supply electricity within their respective municipalities to purchase the rights of the Melbourne Electric Supply Company, within the time before referred to."

That is mainly dealing with the Bill, and I want to now deal with it from a constructive stand-point. In the first place, I consider that a number of bulk-buying supply authorities will be a number of assets to the Electricity Commission, whereas a monopoly of the whole business is an unknown liability; therefore I am of the opinion that a system of co-operation is essential. I consider central control would become too autocratic, and would not be able to keep in touch with local interests. I am of opinion that a huge central Government Department cannot enter for local interests, and will not foster local development in the same way that a body directly representing local interests may be expected to do. Take for instance small extensions in new streets, new lights, &c., and other things like that. Collection and administration costs would be lower under municipal control, as existing staffs could be effectively used, and therefore a large increase in the Public Service not necessitated. Our council contends that they are better able to deal with those extensions than a big Government Department, such as small extensions that may be urgently required. If they had to go through a big Government Department, it might mean months. You know, gentlemen, there is always a certain amount of red tape.

Suggestions.—I consider—(1) That our municipality should have sole right of distribution in its area; (2) the municipalities should be grouped into distributing districts in accordance with the community of interests. The St. Kilda Council favours this scheme more than any other. We contend that with the existing staffs and the collection of any rates or any accounts, those could be done by using the existing municipal staffs right throughout the State. I have some copies of the scheme of grouping, which I would like to give you.

1697. *By Mr. Eggleston.*—Is that the same as Prahran?—No; it is slightly different. It is almost the same except for one group. With regard to that scheme, it would be a formation of District Boards for the supply of electric light and power to the metropolis. District No. 1 would be the city of Melbourne. District No. 2 would comprise Prahran, Malvern, Caulfield, St. Kilda, and Brighton. District No. 3 would be Richmond, Hawthorn, Camberwell, Kew, and Duncaster. District No. 4. Collingwood, Fitzroy, Northcote, Preston, Heidelberg, Eltham, Whittlesea, Bulla. District No. 5, Brunswick, Coburg, Essendon, Broadmeadows, Keilor. District No. 6, Williamstown, Footscray, Braybrook, Werribee, Port Melbourne, South Melbourne. District No. 7, Sandringham, Mentone and Mordialloc, Oakleigh, Moorabbin, Nunawading, Mulgrave, Dandenong. Those seven Boards represent thirty-seven municipalities which are included in the Metropolitan Board of Works system, and with regard to that scheme, gentlemen, I would like to call your attention to the fact that the Electricity Commission have provided for a ring of sub-stations around the

metropolitan area, which would work in with the supply in bulk to these distributing districts. Now the third scheme:—

- (c) That a central distributing body for the metropolitan area be formed, upon which the municipalities would have direct representation with regard to the proposal *re* metropolitan distributing districts, I would like to point out that Canada, New Zealand, Great Britain, and other countries have all seen the peril of creating a monopoly, and have legislated against it.

*Extracts from English Electricity (Supply) Act 1919.
Reorganization of Supply of Electricity.*

Section 5 (1) The Electricity Commissioners may provisionally determine that any district in the United Kingdom shall be constituted a separate electricity district for the purposes of this Act, and in considering what areas are to be included in a district, areas shall be grouped in such a manner as may seem to the Commissioners most conducive to the efficiency and economy of the supply of electricity, and to convenience of administration before finally determining the area of any such district, the Electricity Commissioners shall publish notice of their intention so to do, and of the area proposed to be included in such districts, and shall also give notice thereof to all county councils, local authorities, and authorize undertakers, any part of whose county district or area of supply is proposed to be included in the electricity district, and, if any objection or representation be made on account of the inclusion or the exclusion from the proposed district or area, the Electricity Commissioners shall hold a local inquiry with reference to the area to be included in the proposed district.

Note.—"Local authority" as used here, and *passim*, means in the metropolis, the London County Council, a metropolitan borough council, and a common council of the City of London, and elsewhere, a borough or other urban district council, and a rural district council (*Electric Lighting Act 1882*, 45 and 46 Vict., c. 56, s. 36, sched. s. 40, (2) *post*).

As to local inquiries, see section 33 *post*.

Provided that, where a local inquiry is held as hereinafter provided regarding the improvement of the organization of the supply of electricity in any district, the area of that district shall not be finally determined until after the inquiry has been held.

(2) Where it appears to the Electricity Commissioner with respect to any electricity district so provisionally determined that the existing organization for the supply of electricity therein should be improved, the Commissioners shall give notice of their intention to hold a local inquiry into the matter, and shall give the authorized undertakers, county councils, local authorities, railway companies, using or proposing to use electricity for traction purposes, large consumers of electricity, and other associations or bodies within the district which appear to the Commissioners to be of interest, and opportunity to submit within such time as the Commissioners may allow, a scheme or schemes for effecting such improvement, including proposals for altering or adjusting the boundaries of the district, and, where necessary, the formation of a joint electricity authority for the district.

1698. That gives the Commissioners very great power, does it not?—Only in apportioning the districts.

1699. *By the Chairman.*—So far as you have read, the Electricity Commissioners have power to determine the matter after making inquiry, whether the particular municipality likes to go in or not. That is, if one municipality objects to go into the union, the Commissioners can hold an inquiry?—I do not read it that way. I read it that the Commissioners have authority to determine the districts.

1700. Any municipality could object to being included in the area, and the Commissioners would then hold an inquiry?—Yes, that is quite correct.

1701. I am referring to what was the outcome of that inquiry. Does the Act say that if the Commissioners make the inquiry, that the body can refuse to join, or does it mean that the Commission may determine that, as a result of their inquiries, that body should be included in it although they have objected to it?—That does not state very conclusively here.

1702. There must be some jurisdiction that enables them to say one thing or the other, otherwise why say they can hold an inquiry?—That is so. Section 9 of the English Act reads:—

A joint electricity authority may, with the consent of the Electricity Commissioners, by agreement with the owners

thereof, acquire any generating station, or any main transmission line for any such station on such terms as may be agreed.

Note.—For the meaning of “generating stations” and “main transmission lines,” see section 36.

I think the whole of that Act, practically indorses what I have said before, that co-operation between districts and municipalities is absolutely essential, and the English authorities recognise that to the success of the scheme. I have here an extract from the *Australian Municipal Journal*. I do not know whether you wish me to read the whole of the extract.

1703. *By Mr. Eggleston*.—Of course, those things are valuable to us?—Yes. It is dealing with the plan of development in New Zealand.

1704. *By the Chairman*.—Unless there is some definite evidence in it, and unless it is informative?—It is very informative. I will put it in. It also deals with the organization created in Ontario, Canada. I will hand you the whole of this.

Mr. Eggleston.—I asked Mr. Harper if he had a copy of the Ontario Act. I was going to ask Mr. Harper to put that in, and we could see it for ourselves.

1705. *By the Chairman*.—Of course, we do not want to overburden the evidence with so much matter that we cannot grasp it. If there is any reliable information, we will be very glad to get it?—Still, you do not want to miss anything that is of any importance to the Commission.

1706. We have had the Ontario Act quoted here already?—It would be quite sufficient to put this in as evidence without reading it.

1707. Yes?—I would just like in conclusion to deal generally with the Bill, taking section for section, and summing up what really I have already stated.

State Electricity Commission Bill 1922.

Section 2.—This section is limited in its application to those municipalities, which are outside 25 miles from the nearest point of the boundary of the City of Melbourne.

Note.—Parts of the Mornington and Dandenong transmission scheme are within the 25-mile radius, and it is believed that the Commissioners are introducing in these sections the same undesirable features which the Bill is intended to provide for.

Sub-section (2).—This provides for the council of any municipality applying to the Commission for a supply of electricity in any part or the whole of their district, and in the following ways:—

(a) To supply in bulk to the undertakers, or to any public statutory corporation.

Under section 12 of the Electricity Commissioners 1919 Act the Commissioners already have power to supply electricity in bulk to any undertaker, or to any statutory corporation, and to supply electricity (whether in bulk or otherwise) to any Commonwealth or State Government Department, and any public body or institution.

(b) To supply to any person or body of persons other than undertakers or public statutory corporations, or, in other words, to any and every consumer.

Note.—Under section 12 of the Electricity Commissioners 1919 Act, the Commissioners were expressly prevented from supplying in this manner within any area in which there was an order in force at the commencement of that Act.

Sub-section (3).—This provides for the Commission, on receipt of an application from the council, to inquire into the demand, cost, and to determine the scale of charges which will, in their opinion, encourage the use of electricity within the area, and particularly for industrial and manufacturing purposes.

Note.—It will be seen that a private undertaker has no power to apply for a supply of electricity, nor have they any status in this sub-section.

It will also be seen that the municipality, whether a holder of an order or not, has no voice whatever in the determining of the scale of charges.

That is a very important point, Mr. Chairman.

1708. *By Mr. Deany*.—That does not affect the metropolitan area. That is outside the metropolitan area?—No; I take it that it affects the whole of the State; that sub-section 3—

1709. It is outside the 25-mile radius?—Yes; but the Electricity Commission have power to make any charges they think fit within any area of the State under the Act.

1710. *By Mr. Eggleston*.—They have got complete control over the prices charged?—Yes; there is no doubt about that, and that means that even if the municipalities were distributors, they could not profiteer because the sole control of the charges is under the Electricity Commission.

1711. You object to that power?—No; we do not object to that at all. We believe that the general public of the community at large should get their electricity at the cheapest possible price. We are only trying to point out that, in our opinion, they would get it at the cheapest possible price with the co-operation of the municipalities as distributing factors when the Electricity Commission supply electricity in bulk.

1712. *By the Chairman*.—Yes, of course you must bear in mind that this Act is dealing mainly with country districts, and the real object of section 2 seems to me to provide a means whereby districts that are not at present able to supply themselves, that a way is open whereby they could get it practically on time payment. That is really what it provides for, and the evidence that we have heard here from experts is that it has never been heard of electricity requirements falling off. The invariable history of electricity is that once it is established, the demand goes on increasing, and the trouble has been so far to supply the increased demand, so possibly there is no risk in the Government helping these people to get electric supply for the particular areas; and then another idea is that the cry has always been that we must not shut out the country districts, and that we are inducing every one to come to town, which is objectionable, and if there were means of getting electricity in country districts, the undertaker could get supply to any special industry set up, and by giving this wide scope and this opportunity, of course outside the metropolitan area, which has to be dealt with on a different footing, it will encourage the use of electricity, and encourage the country manufacturer to get a supply to bring him more in comparison with the metropolitan area. The general underlying opinion in that is why it is limited to 25 miles?—But still the Bill does not specifically state that.

1713. It does not give all the details?—It provides the means whereby things might be done.

EXTRACT FROM AUSTRALIAN MUNICIPAL JOURNAL.

Electric Supply in Victoria and the Interests of Municipalities.

In the last month's issue of the *Municipal Journal* a general statement was made regarding the position of municipal councils as affected by the schemes of electrical development proposed in Victoria. It was shown that some organization more in keeping with modern requirements than that in existence at present will have to be devised if the councils desire to continue to carry out the functions of distributors of electricity.

The need for new organization was shown to be particularly urgent in the metropolitan area, but the same principles that operate in the city and suburbs of Melbourne apply to the country districts, and the matter is of interest to councils throughout Australia. In this article we give two instances of organizations that have been created in other countries to meet conditions somewhat similar to those obtaining in Australia.

The Plan of Development in New Zealand.

The New Zealand Government is preparing a very extensive scheme of electrical development under which power will be supplied to local authorities for distribution to consumers within their areas. The organization created to carry out this work of distribution, and for the general promotion of electric development in the Dominion, provides for electric power districts under the control of electric power boards. These districts are formed independently of existing municipal boundaries, and the boards are distinct from municipal councils, being bodies formed from representatives of the ratepayers in the power board districts, for the purpose of organizing electric supply.

Electric Power Districts.

Any area may be constituted an electric power district by the following procedure:—

A petition presented to the Governor-General, signed by not less than one-fourth of the ratepayers within each proposed constituent district.

The petition must be accompanied by

- (1) A description of the boundaries of the area proposed to be constituted an electric power district.
- (2) The boroughs, counties, town districts, and road districts forming the proposed constituent districts.
- (3) The number of ratepayers and the value, improved and unimproved, of all rateable property, within reach of such proposed constituent districts.
- (4) The number of members proposed to constitute the board, and the number of members proposed to be elected by each constituent district, or by two or more constituent districts combined.

The Governor-General may, by proclamation, declare the area an electric-power district, and any proposed outer area an outer area of such district, or he may alter the proposed boundaries, and proclaim the district and any outer area with such altered boundaries, and may assign a name to the district.

The Governor-General may, by proclamation, on petition signed by not less than one-fourth of the ratepayers within any defined area, alter the boundaries of a district so as to include such defined area within such district.

Electric Power Boards.

For every electric power district there is an electric power board, with power to purchase, and dispose of real and personal property, and to do and suffer all that bodies corporate may lawfully do and suffer.

Subject to certain provisions, every electric power board consists of one or more representatives elected for three years, of each of the constituent districts within the electric-power district.

The number of representatives of each constituent district is determined by the Governor-General by Order in Council, having regard to the relative populations of those districts, and also to the relative values of the rateable property in those districts.

For the purposes of any poll of ratepayers to be taken by an electric power board, the rolls of the ratepayers of the several constituent districts are taken as the roll of the ratepayers of the electric power district.

The total number of members of any board shall not be less than five or more than twelve.

The representatives on an electric power board are elected by the electors of that district under the provisions of the *Local Elections and Polls Act 1908*.

The Chairman.—At the first meeting of the board after the constitution of a district, and thereafter at its annual meeting, the board elects one of its members to be chairman.

The chairman may be paid, out of the funds of the board, such annual allowance as may be fixed by the board with the approval of the Minister.

The Board may, out of its funds, remunerate members for their services.

Officers.—A board may appoint such officers as it thinks necessary.

Finance.—The board may borrow such sums as are necessary in the manner prescribed by the *Local Bodies' Loans Act*.

At any poll taken on a proposal of an electric power board to borrow money, only those persons whose names appear on the roll of ratepayers are entitled to vote, and every such ratepayer has one vote only.

To carry a proposal authorizing a board to borrow money, it is necessary to secure at least three-fifths of the total number of valid votes recorded at the poll.

In any year in which the amount of the estimated expenditure exceeds the amount of the estimated income, the amount of the excess may be raised by a uniform rate, which may be levied on all rateable property within the district, and which shall be collected by the local authority, as if such rate had been made and levied by such local authority.

The local authority may deduct an amount, not more than 5 per cent., as remuneration for services of officers, &c., which sum shall be paid into the general fund.

The board may, for the purpose of providing for the cost of survey and other preliminary works, and the expenses of administration, before borrowing moneys by special loan, and notwithstanding that an Order in Council authorizing the construction of the electric works may not have been granted, levy a uniform rate over the whole electric power district.

Subject to specified restrictions, the board may erect generating works, transmission lines, transformer stations, and do all things necessary to secure the rights of, and to utilize the water required to be used for the generation of electric power. May purchase or lease coal mines as may be necessary for the proper working of the undertaking; or a board may purchase electric energy in bulk free from the Minister of Public Works, or from any local authority or company.

Power of Purchase by the Governor-General.

The Governor-General is entitled, at any time, after the date on which the electric works provided for in the Order in Council have been completed, upon giving twelve months' notice in writing to the board, to purchase the electric works

at a price to be determined by arbitration, the award being that of three arbitrators, or any two of them, one arbitrator being appointed by the Governor-General, another by the board, and a third arbitrator by the two other arbitrators.

It is provided that no compensation whatever shall be paid for the goodwill of the electric works, but the arbitrators take as a basis of the valuation the cost of other similar electric works at the time when the works forming the subject of the arbitration were constructed or acquired, as the case may be.

Subject to the approval of the Governor-General in Council the boards of two or more contiguous electric power districts may link up their respective transmission lines for greater security against interruption in the supply, or may amalgamate their undertakings, or make such other arrangements as such boards may deem expedient.

The boards may instal motors, electric wires, and other equipment in public or private buildings, and charge rent for the use thereof, or may accept payment by instalments.

With the consent of the Governor-General in Council the board may within the district establish, or assist in the establishment of electro-chemical, electro-metallurgical, or other industries which may be dependent upon, or more effectually prosecuted, by the use of electric energy, and may do all things to encourage such industries within the district.

The Organization Created in Ontario, Canada.

The scheme of development that has been in operation for some years in Canada was taken as a model when preparing the scheme for Victoria, and will be of interest as bearing on the problem in that State. It will be noticed from the following extracts, taken from an article in *Power for Victorian Industries*, that control of distribution of electricity is retained by the municipalities in Canada, and in this respect the policy of the Victorian State Electricity Commission differs from that of the Hydro-Electric Power Commission of Ontario.

The whole scheme is a partnership of municipalities, each municipality, or partner, paying a proportionate share of the cost of service, according to the service received.

The procedure that must be followed, according to legislation, by the municipalities going into the partnership scheme are briefly summarized in the following sentences:—

First, the council of the municipality in question applies to the Commission for information and data; the Commission then submits a report, the cost of preparing which is paid by the council, regarding the estimated cost of power to the municipality and to customers, classifying them as domestic lighting, commercial lighting, street lighting, and power users; also the probable cost of the necessary sub-station equipment, and distribution system to distribute this power to the users in the municipality.

Second, if the information, as submitted by the Commission, is satisfactory to the council, two by-laws (referenda) are submitted to the ratepayers of the municipality. First, what is known as the "Enabling By-law," by which the municipal council is authorized to enter into a contract with the Commission for a supply of power; second, a "Money By-law," which authorizes the municipal council to issue and sell debentures necessary to cover the cost of the plant and system, which it is necessary to construct within the limits of the municipality.

Both of these by-laws are necessary, for, without the enabling by-law, the council has no authority to sign a contract for power with the Commission, and without the money by-law the council has not the money with which to construct and instal the necessary plant for distributing the power to the consumers.

Obligations of Councils.

The councils pay for the preliminary investigation made by the Commission. All municipalities sign the same form of contract with the Commission. These contracts are for a period of thirty years, and under this contract the municipalities agree to pay annually interest and sinking fund on a proportionate part of the cost of lands, stations, and equipment necessary to supply them with power, and to pay a proportionate part of the line loss, and a share of the cost of operating, maintaining, repairing, renewing, and insuring the said lines, stations, and works; and to pay monthly as a minimum for three-quarters of the power supplied and held in reserve; power to be measured and supplied on the basis of the greatest amount taken during any twenty consecutive minutes during any month.

These are the main features of the contract, which means the power is to be supplied to the municipalities at cost. The municipalities, in addition to paying for the cost of power at the source of supply, pay in the rate per horse-power charged sufficient to cover all interest, depreciation, and maintenance charges, and also sufficient to set aside a depreciation fund to renew and replace the lines and equipment, and keep them in first-class operating condition during the period of the contract; also to set aside a sinking fund sufficient to retire their share of the capital cost of the system in thirty years.

It has been stated that the Commission is overcharging the present users of power in that they are asked to pay for two systems in thirty years instead of one, as the renewal fund

insures the system being in good operating condition at the end of thirty years, at which time the municipalities have sufficient money set aside as depreciation fund, to provide a new system.

Items Included in the Charge for Power.

It has been stated that the municipalities' contract with the Commission is for power being supplied at cost, and it might rightly be asked what is meant by cost as applied to this proposition. By the word "cost" is meant not only the cost of power as purchased at the source of supply, but it also includes the interest charges, sinking fund charges, maintenance, operation, renewal, and other charges applicable to any business of this character, on the expenditure necessary to generate, transmit, and deliver power to these municipalities, the whole being adjusted so as to insure the discharge of the whole present indebtedness in thirty years, and, in addition, to set a depreciation fund sufficient to install a new system when the present system is obsolete or worn out. So that the payment of "cost" by the municipalities means paying for the present system, and perpetuating the system so that no additional debentures will ever have to be issued by the municipality for a new system.

The Powers of the Commission.

The Commission is appointed and controlled by the provincial government, and is not, as some suppose, a separate independent body.

The municipalities in turn are under the control of the Commission as far as the operation of their electrical plants is concerned, and they cannot issue debentures, or undertake any work without the approval of the Commission, so that while the municipalities elect their own local commissions, and purchase power from the Commission, and own and pay for their own plants, these plants and systems are operated under the supervision of the Commission. All rates for power, lighting, and street lighting are fixed by the Commission, and these rates must be charged for the various classes of service without discrimination.

The Commission installs a standard system of bookkeeping and accounting for each municipality, and frequent checks are made of the books of each local commission. Based on the auditor's report at the end of each year, or oftener if found advisable, the rates are revised so that the revenue is just sufficient to meet all expenses, or as near that condition as is possible to obtain.

Each year the commission makes an analysis of the operation of each municipal system to see that each branch of service pays its share of the cost of supplying services, and legislation provides that any surplus resulting from supplying power for water works, street railways, street lighting, and other municipal utilities, must be refunded to the municipality each year.

From a study of this scheme of operation, it will be seen that while the municipalities, who are partners in the scheme, own their own systems, and operate them under the supervision and direction of the provincial commission, a change in the *personnel* of the local commission of any municipality does not change the policy of operating that system, or impair its operating efficiency.

From an expenditure of 3,750,000 dollars in 1910, when the first part of the first system was installed, the scheme has expanded and grown until now the total investment under the Commission's control amounts to approximately 76,000,000 dollars, while the municipal investments in electrical plants and systems is 23,000,000 dollars, making a total expenditure of 99,000,000 dollars.

Our municipality does not for one moment think it is going to make millions out of this electricity scheme. What we want to do is to supply our consumers at the very cheapest rate.

1714. I think you will realize this, Mr. Mayor, that the Government and the Commissioners have two questions confronting them. One is the supply of electricity in the densely-populated parts of the State, the municipalities of Melbourne and roundabout. The other is the supply to the more sparsely populated districts, and to towns miles and miles apart; and the same rules cannot be applied to both. Those are practically the two questions they have to consider, and we have to consider them in regard to the Bill, because I believe what you, yourself, said here about local interests and the commonweal. On that very point we have had favorable opinions expressed in regard to a body, composed mainly of municipal representatives, being appointed to act as a go-between between the Commissioners and the municipalities. There are some places where the municipalities can deal with it themselves,

but I do not suppose it is possible for all the municipalities to control the supply in their own districts absolutely. That is a matter for the Commissioners or a Board?—Yes, but we contend by grouping the municipalities could, where they have the local interests at heart. I think this way, that the success of this scheme will lie in the encouragement of local interests.

1715. I believe that is the salvation of the matter; but, of course, electricity will not follow the municipal boundaries to please you. You have to take your mains where you can take them reasonably and efficiently. I think, myself, there is a good deal of misunderstanding about the whole question. I quite sympathize with the municipalities in their feeling that they want to control their own business, and be masters in their own houses, but at the same time there are many interests, such as public utilities, where we combine and fall in with our neighbours, because by being grouped we can be served. I think the same thing will work out in regard to electricity, and I have been surprised at the harmonious way in which it has worked out already; but now, of course, some municipalities are working in one direction, and some in another direction. I think the difficulty is that so far as we are concerned here, this is a new business. We have not got into the habit of working together as we should, and as we will have to do in regard to more affairs than one. I think there is a reasonably well-grounded fear on the part of the municipalities as to their rights; but at the same time, we have to bear in mind we are part of a general body, and we have to do what we can in furthering the commonweal of the whole, and we must help each other along. I think that will come as we get better acquainted. Of course, I understand a lot of suspicion and distrust has arisen in this matter, and I think the Government and the Commission have been so far feeling their way along. Of course, this affair has grown beyond what was expected when the Morwell scheme came up first. The Government found they had to do away with the then body and appoint a new set of Commissioners with new powers, so I think we have to assume an attitude of watchfulness and see that the interests of the municipalities are not sacrificed, that the interests of the State are being served, and that the people in the country are not forgotten in any general scheme, and that there shall not be such a scheme as will make it impossible for them to get energy within a reasonable margin. For that reason I feel that section 2 of the Bill, reading it altogether, intends that the Commissioners in combination with the Government, shall give to country districts electric supply on time payment, a supply which they might not otherwise be able to get?—But they can supply it in bulk in the same way. Our municipality is not coming here in a spirit of suspicion, although you know that some of the acts that have been done to us in the past make us feel like that, particularly in regard to the Melbourne trams, and other rights we had. It may be pointed out that the other day at the meeting of the Municipal Association Conference, the Premier, Mr. Lawson, impressed upon the municipalities that they should shoulder their responsibilities, and not put them on to the Government. That is what we are trying to do. We want a share of the responsibilities of this great scheme, and we do not want to give up any of our responsibilities.

1716. *By Mr. Eggleston.*—But the country municipalities are most enthusiastic?—Of course, from what I can see, most of the responsibilities we get put upon us are financial responsibilities. You will see in another Bill now before the House they are loading further financial responsibilities on to the municipalities. Well, the municipalities do not mind that, because I think every progressive municipality is in favour of that Bill; but at the same time, we do not

want to have those responsibilities that have no financial obligations taken away from us, and have put on us those that have financial obligations only.

1717. *By the Chairman.*—You do not want to shoulder more than you can help?—No. It means although you are taxing municipal ratepayers, you are taxing the people of the State through them in just the same way.

1718. Yes, I think the municipalities are very much like a lad growing up, he begins to find his coat is too small for him, and then he has to get bigger suits to give himself room to expand. Of course, the municipalities around Melbourne have expanded to such an extent?—That applies more to the Electricity Commission. Their trousers are getting too small for them.

1719. They are part of the State, a State that is growing like a young man. Have you anything further to say?—With regard to sub-section (4) of the Bill, I say:—

“Sub-section (4).—This provides that the Commission, having satisfied themselves that the supply can be given on the charges they have fixed, and this will be sufficient to pay the annual cost of giving the supply, may recommend to the Governor in Council that the works be proceeded with, and upon such approval being given the Commission may carry out the works and take any steps they think necessary.

Note.—The Commission have only to get the Governor in Council's approval for this expenditure, and millions of money may be spent without reference to Parliament.”

The Chairman.—No. Section 2 (6) (b) of the Bill says, “Upon any such recommendation being made, a responsible Minister of the Crown having a seat in the Legislative Assembly may introduce a Bill into the Legislative Assembly to sanction the carrying out of such works.” You see, they have no power to interfere in the matter until the Legislature has adopted it.

Mr. Eggleston.—If the scheme is a paying one, they can.

The Chairman.—Yes.

1720. *By Mr. Eggleston.*—Of course, you are assuming that the estimates of the Commission are not to be relied upon?—No, I am assuming that the Commission can come with any great scheme at all, with the expenditure of public money, and simply get that through by an Order in Council without consulting Parliament.

Mr. Eggleston.—No, they have to get their estimates passed, or if they are an independent Commission they have to get authority by Statute to raise the money.

Mr. Beardmore.—Apart from that, they have the right.

Mr. Eggleston.—Yes, subject to the passing of their Estimates.

Mr. Deany.—No; there is a section in Act No. 2996, section 10. It says:—“The Electricity Commissioners shall, as soon as practicable, prepare and submit to the Minister a scheme with all necessary plans, specifications, estimates, and particulars for a coal mining and electrical undertaking.” That refers to the distribution of electricity from the Morwell scheme, so there is a safeguard.

1721. *By the Chairman.*—If you look at section 2 (6) (b), that I just quoted, you will see that there the Government has carefully reserved the responsibility to the Lower House, because the Bill must be introduced by a responsible Minister of the Crown having a seat in the Legislative Assembly, where, of course, there is a much wider field for study and criticism of the Bill?—I see. [*Resumed reading.*] Sub-section (5).—This provides that if the Commission find that the scale of charges they have determined will not be sufficient to pay the annual cost of supplying electricity, but that there is reasonable prospect of expansion of demand to

produce within ten years an annual revenue sufficient to pay the annual cost of giving the supply, they may then report the estimated annual loss to the Minister. Sub-section (6).—If the Minister, the Commission, and the municipality or municipalities concerned agree that the loss shall be made good in each of the ten years of their subsidy scheme, then the Commission may recommend to the Minister that the works be provided and constructed by the Commission, and upon such recommendation being made a Bill may be passed to permit of the works being carried out. Note.—If the undertaker is a private company, it will be noted that they have no power to deal with the above. Sub-section (e).—This provides that the estimated loss for the ten years is finally and conclusively determined by the Commission, and it must be made good as follows:—One-third to be borne by the Commission (this will mean passing it on to the whole of their consumers, of whom nine-tenths, will be in the metropolitan area). One-third is to be borne by the municipality or municipalities concerned, for which purpose the general rates may be increased, notwithstanding any statutory limit. One-third is to be paid to the Commission out of moneys to be provided for Parliament (this becomes a general tax on the community), but this amount is not to exceed in any one year £10,000. Note.—The loss is estimated on the Commission's inquiry and estimates. There is no one to check them, and if an error has arisen, or things are over-estimated, the Commission can force the local general rate to be further increased to meet this deficiency.”

1722. *By Mr. Deany.*—That would not apply to St. Kilda?—It might possibly apply to us.

Mr. Deany.—No, it is only in regard to 25 miles out of Melbourne.

1723. *By the Chairman.*—I think you are underrating the intelligence and common sense of the Minister, the Commission, and the municipality. The municipality need not take it unless they like; they can make the request, they know what the probabilities of revenue are, and they know what to expect, and they say to the Commission that it will pay within ten years; the Commission must be satisfied, as well as the Minister. They go into these inquiries, so that every precaution will be taken that the matter will be fully inquired into. They do not jump wildly into it?—Of course, I am not underrating the intelligence of the Commission. I am looking into the future, we may then have different interests, different Governments, and different Commissioners.

1724. But still, the country is not going to the dogs like that?—No, I do not think the country is going to the dogs. I think it is the other way around.

1725. You do not suggest for one moment if this Government were out of power the country would go to the dogs. You have overlooked the fact of the inquiries that have to be made by all these bodies. The Commission is the advisory body to the Government, and they have to satisfy the Government that there is going to be a fairly good prospect of such a thing paying within ten years?—Yes; but I do not agree with you that the municipalities would have any say whatever in the fixing of the losses, or the computation of them.

1726. *By Mr. Deany.*—They would, because such a scheme would not be carried out, unless on the application of that particular council or councils?—They may make application, but, so far as I can read, they have no say in fixing the annual charges or losses.

Mr. Beardmore.—No, they must be satisfied before they make application. They have a good knowledge of that before they apply.

1727. *By Mr. Deany.*—It does not affect the metropolitan area?—It may affect St. Kilda very considerably.

Mr. Deany.—No, it cannot.

1728. *By Mr. Eggleston.*—Only when you have to pay?—Well, that is what I am looking at.

1729. But it is one share out of thirty-eight or more. It is the share of one municipality out of thirty-eight or more, of a possible £10,000?—The £10,000 is the Government portion.

1730. The Government portion cannot exceed £10,000, so the others cannot exceed £10,000 each?—The way I read it, it may mean £100,000.

1731. By the Chairman.—The losses are limited to £30,000 a year?—

Mr. Lind.—For the three parties concerned.

1732. By *Mr. Eggleston*.—They are only charged with one-third of the loss, so each of the other one-thirds cannot exceed £10,000?—I do not see it is necessarily limited to £30,000. I think it limits the Government's loss, but not that of the municipalities, or the community as a whole.

1733. The schemes that are approved will not be such that will bring greater loss than £10,000, I take it?—Only to the Government. It says, "This estimated loss is not to exceed in any one year £10,000." That only protects Parliament; but it does not protect the municipality or the Commission. Supposing the loss were £60,000 a year, what would be the position? Who would pay that? The Government would only pay £10,000; there would be £50,000 to be provided from somewhere. Where would it be provided from?

Mr. Deany.—Melbourne would not find it, that is one thing certain.

Mr. Ellery.—We have no money.

Mr. Deany.—No, you could not under this scheme.

1734. By *Mr. Lind*.—You must not lose sight of the fact that it is outside a radius of 25 miles. You are not concerned with it?—I do not see that 25-mile business at all.

1735. It is there in the Bill?—But if you go on further, you will see it gives the Commission power to come inside that 25-miles radius.

1736. By the Chairman.—I think you are becoming pessimistic as to the future of the State?—No, I am not. I am pointing out rocks you might run on in the future, and that we might also run on.

1737. I might point out that whatever electricity is put in, the demand always increases?—Yes, the demand might increase, but what about the cost?

The Chairman.—If you were putting in a supply to a new gold-mining place, of course a falling away of the mines would create losses all the way through, but that it a different matter. I think you will find the great object here is to get into country districts so far as possible, so that they may be settled; and my experience of our own municipal council (I do not know if it applies to all others) is that they are very chary about taking on any risk ahead. They get very pessimistic over it, and they are not very likely to ask for these schemes to be constructed unless they can see their way clear.

Mr. Beardmore.—I think we might reasonably ask the Government to give us an interpretation of this before the Bill goes through.

The Chairman.—Yes.

1738-9. By *Mr. Eggleston*.—This is very unimportant. You are assuming people are rushing into these things without any precautions?—I am not.

1740. But you must be, if you assume there is going to be a loss of £60,000 a year on the works. That is not justified by the history of municipal politics in Australia. It is just the reverse. This Bill is the most cautious thing that has been designed?—It is cautious on the one side.

Mr. Eggleston.—I entertain some of the objections you have to the country municipalities, and honorable members will know I have set myself against the victimization of the city by the country all through since I have been in Parliament; but this is such a small thing.

The Chairman.—There was the subsidy for seed wheat, for instance.

Mr. Eggleston.—Yes, we pay £60,000 in aid of the farmers' freights and other things. This is almost a flea-bite compared with what we do in regard to other things that we deal with every day in the year.

Mr. Lind.—I do not know where we are getting to. I appreciate the evidence of the present witness, because he is offering us what he considers to be constructive criticism, and I think we should allow him to continue, and give his statements consideration afterwards. I do not think we should debate this question at all now.

Mr. Eggleston.—I am anxious for him to go on.

The Chairman.—Dealing with these matters, I think the witness would prefer us to state our objections as we go along. I have no doubt he will be as glad to hear what our views on the matter of the Bill are as we are to hear his.

The Witness.—Yes, it is very interesting and educative.—[Resumed reading.]—

"Sub-section (7).—Under this clause the Commission may supply electricity by transmission from any powerhouse or terminal station or sub-station of the Commission.

Sub-section (8).—This provides that all works and electric lines which deal with the local distribution of the Commissioners' supply of electricity, and which exceed 450 volts, shall be constructed and operated exclusively by the Commission.

Note.—This is a preposterous requirement, and almost unworkable. There would be dual use and control of distributing pole lines, as in many cases there would be low distributing mains on the same pole as the high-tension mains.

The Commission could not possibly erect these poles, lines, and works as economically as the local undertakers could do. They would be expected to pay any charge the Commissioners desire to levy.

Sub-section (9).—The latter part of this sub-section provides that where a council is an undertaker, the Commission shall not supply on the conditions previously referred to without the consent of the Council.

Note.—A private undertaker's consent is not asked for or required.

Mr. Deany.—Before you go any further, the Chairman can explain that to you.

1741. By the Chairman.—In section 3 (9), the second portion of the sub-section, certain words were omitted by the Parliamentary Draftsman. The words "company or person" should be inserted after the word "council." The amended paragraph reads as follows:—

"Provided that in any case where a council, company, or person is an undertaker authorized to supply electricity within such area, such supply of electricity by the Commission shall be subject to the prior consent of the council, company, or person."

?—Well, I pointed it out. I did not know of that amendment.

1742. That will remove all your difficulty?—Yes. I will now pass on to sub-section 10.—[Resumed reading.]—

"Sub-section 10.—This provides that if, after the Commission's inquiry, the works are not authorized, the costs and expenses of such inquiry are to be borne by the municipality.

Note.—It will be seen that private undertakers are not presumed to exist, their presence being totally ignored, notwithstanding that there are 32 private undertakers operating in Victoria out of a total of 71.

Section 3, sub-section (1).—This provides that the Commission (to the exclusion of any municipal council or councils) may enter into an agreement with any undertaker, referred to in sections 43 and 44 of the *Electric Light and Power Act 1915*, to purchase the whole or any part of an electric undertaking, also a tramway undertaking operated in conjunction therewith, and that the Commission, the undertaker, and any

municipality may enter into an agreement for the transfer of the tramway to the latter.

Note.—These powers to purchase do not alter the purchase clauses in past Electric Lighting Acts, with the exception that the Commissioners may purchase any part of an electrical undertaking. This can only be done by an agreement; but it is obvious that they should on no account obtain powers to negotiate on such lines.

The Commission would be in a position, after having financially wrecked an undertaking, to only offer to negotiate the purchase of part of it, for instance, the distribution system, and not the generating station.

Sub-section (2).—Any agreement as above shall have the approval of the Governor in Council, and be ratified by Parliament.

Sub-section (3).—The Commission, on purchase, may operate the electrical undertaking, but not the tramway undertaking.

Note.—It will be seen from the above that although the Commissioners have power to purchase tramways, they cannot operate them, and they must first obtain the consent of the councils to purchase and operate them as an entirely separate undertaking. As the tramways when combined with the electrical undertaking are a most difficult proposition, it is obvious that if they are run as a separate undertaking, the difficulties will be considerably increased."

1743. *By Mr. Deany.*—Did you say they would have to get the sanction of the council to run trams?—Yes, to operate them. That means the Tramways Board, practically.

1744. That is made up from the councils?—Of course, the councils have not much say in the tramways.

1745. *By the Chairman.*—Clause 10 only refers to the cost of inquiry?—That is so.

1746. If the municipality makes a request, the Commission has to make certain inquiries, and if the Commission agreed to the works, or to getting the Bill passed, it pays the cost. If, on the other hand, it is a dummy matter brought forward, that does not justify an application being made, the parties must pay the cost?—Do you not think that will deter councils from making applications, especially councils that are not in too strong a position?

The Chairman.—It would make them satisfy themselves they had a good case.

1747. *By Mr. Eggleston.*—Who should pay it?—I think the Commission should pay, if they have the right of distribution and everything else.

Mr. Eggleston.—It might cost them thousands of pounds making fruitless inquiries.

Mr. Deany.—That is the very thing you object to.

1748. *By the Chairman.*—The Commissioners, if they think the scheme is a reasonable and fair one, and if they are prepared to recommend it, will pay the cost?—It will act as a deterrent against electrical development in country districts, especially amongst the poorer councils.

1749. Well, if an application is made to the Commission, and they think it is a fair and reasonable one, they will pay; but if they say it is a scheme that has no justification, the projector or participators in the application will pay the cost. You had passed that particular point in your statement, but I thought a simple explanation at this particular stage would be acceptable?—Yes.—[*Resumed reading*]:—

"Sections 4, 5, and 6 deal with matters such as power to the Commission to lease lands in certain cases, passing of regulations for safety, &c., with easements, which are not important."

Notes in General.

This Bill breaks faith with every Order granted to undertakers by the Governor in Council to such an extent that they become almost valueless.

18847.—11

The Bill is intended to create a socialistic monopoly, overriding the rights of every municipal and private undertaking throughout Victoria, and to create conditions under which it will be impossible for any undertaker to exist or to survive.

It is diametrically opposed to and breaks faith with the recently expressed statements of the Chairman of the Electricity Commissioners. On the 7th April, 1922, the Chairman of the Electricity Commissioners, at a public meeting at Castlemaine, stated:—

"They had a private company here, to whom they had given a franchise for 30 years, and the company had a legal monopoly. What were they going to do? Did they want the Government to repudiate a contract to ignore the rights of that company, and to make of its invested capital nought? Either Castlemaine should arrange with the company that it would buy the Morwell energy (because it was not bound to do so) and make its own profit on distribution, or buy the company out."

On the 31st July, 1922, the Chairman of the Electricity Commissioners made an official statement to the press, which was published on 1st August, as follows:—

"The statement that the Electricity Commission was entering at every possible chance into the domain of retail supplies of light and power was palpably absurd and definitely untrue. The Commission was not entering, and could not enter, any domain except under the authority of the law, and only where such domain was, by law, expressly denied to any other authority. Where a municipal council or private corporation already held an Order in Council for the generation of electricity or the supply of light and power, or both, the Commission had never intervened in any way, nor had it any intention of intervening, except with the full consent or at the request of the holder of the Order."

In conclusion, I only wish to say that, with regard to the purchase of the Melbourne Electric Supply's undertaking, of course, we municipalities know that our rights have been practically taken away, as far as that purchase is concerned. What we consider is that we should have those just rights restored to us, and we want to exercise them. It is a very important thing, particularly as far as the southern municipalities are concerned. With the extensive mains and plant of the Melbourne Electric Supply Company and the supply of bulk energy from the Morwell scheme, we feel that we can carry out the retail distribution of electricity in our areas very successfully.

1750. That is a matter that is bound to come up before very long. I might tell you this, we have asked the Commissioners for their views regarding the distribution of electricity, and they are hampered in this respect, that the Government themselves have not yet made up their minds; but it is admitted that there must shortly be regulations or an Act to deal with the whole metropolitan area. The Government themselves have not expressed views on the matter, consequently the Commissioners are not in a position to tell us what their own views are; but two of the Commissioners, the Hon. G. Swinburne and Sir Robert Gibson, declared they were in favour of giving the municipalities every concession they could. They were in favour of helping them as far as they could; but in regard to the metropolitan supply there are difficulties. There seems to be certain general views which can be adopted; but the Government have not yet pronounced their decision, and it is unfair to ask the Commissioners to lay down a definite policy, when they have not yet a policy placed before them?—The way we feel is this, that the Bill, or part of the Bill, could be done away with entirely without affecting the interests of the State or the Electricity

Commissioners. We feel that the Electricity Commissioners have power now—the strongest power possible—that of controlling the price. I do not think any municipality wants to go into this scheme to profiteer on its own people, because, what is a municipality? It is only the consumers, and they do not want to profiteer on their own people; but they want to reserve their rights of purchasing the Melbourne Electric Supply Company.

1751. *By Mr. Eggleston.*—What rights has St. Kilda got to purchase the Melbourne Electric Supply Company. They have no rights individually?—No; but they would not for a moment think of purchasing it individually; but with a combination of the other municipalities interested, we might purchase a section of it.

1752. But there is no organization to do that?—No; we will soon create one.

Mr. Eggleston.—That is, assuming you could get everybody into line.

1753. *By the Chairman.*—You must bear in mind, when dealing with the Electricity Commission, we are dealing with ourselves?—As a State.

The Chairman.—It is not a monopoly of any kind. It is simply run for the benefit of the public at large. The Commission has no interest to serve other than that, and can get no benefit by any action done.

1754. *By Mr. Eggleston.*—The Melbourne Electric Supply Company's system is based on the power-house at Richmond, and could not be broken up into these sections you suggest without considerable expense for alteration?—I have not been into that matter; I am not an expert. I am only speaking of it as it appears to me.

1755. *By the Chairman.*—If the Commission were a monopoly that was out to get at the public, it would be different?—Yes; but even such a thing as the State Electricity Commission can become too big, can it not?

1756-7. Quite so?—We are wheels within wheels. The success of the municipalities means the success of the State as a whole. We are only working together, and that is what I am advocating. There should be a whole-hearted system of co-operation between the State and the municipalities.

The Chairman.—Quite so. Of course, the Commission acts through Parliament, and I think the municipalities can be trusted to look after their own interests in Parliament, providing there is nothing done behind their backs.

1758. *By Mr. Eggleston.*—You realize this Melbourne Electric Supply Company's system is a single system operating over two-thirds of the metropolitan area at present?—Yes.

1759. And you have been perfectly satisfied with that up to the present?—We have not had a great experience so far as St. Kilda is concerned.

1760. I mean your ratepayers have never expressed any discontent with the Melbourne Electric Supply Company?—I have been away for a good while. I do not know.

1761. The grouping you suggest splits that two-thirds up into four different groups?—Yes.

1762. Can those groups really function with the Melbourne Electric Supply Company's system?—I do not see why they should not.

1763. But the whole reticulation is based on the power-house at Richmond?—Yes.

1764. It would split it up artificially for no apparent reason whatever except to preserve municipal rights?—Yes; and also the mains and system of distribution.

1765. But the mains are all based on Richmond, and the reticulation is based on a centre in Richmond, not on sub-centres in these various groups?—Yes; but all that might be arranged when, instead of the centre being based at Richmond, they were getting their supply from the Morwell scheme.

1766. Yes; but you say you have rights to purchase this particular undertaking?—No; we have not.

1767. You had rights?—Yes; and we want them restored.

1768. But St. Kilda never had any individual rights. It only had rights in common with about fifteen other municipalities. If one municipality stood out, you could not purchase?—I think I have a note of that here somewhere.

1769. You have no staff for dealing with electricity at the present time?—No; we are in the hands of the Gas Company.

1770. Now, the Melbourne Electric Supply Company has one staff for this whole area?—Yes.

1771. That is, engineers, collectors, and so on. Under your grouping there would be eight staffs?—Not for that area.

1772. For the whole metropolitan area?—Yes.

1773. Do you think that would be cheaper?—They would practically be the existing staffs.

1774. Do you think it would be cheaper than this system for distribution over the whole metropolitan area?—Yes, I think it would.

1775. Eight staffs as against one?—Yes, because all the staffs could be utilized.

1776. Each staff would have to have separate supervision?—Yes, that may be so.

1777. Would not that be more expensive?—In my opinion it would mean a cheaper system. Even the Electricity Commissioners could not administer the whole of those districts without a proportionate staff and the same supervision.

1778. But when you divide an area up into small parts, there is always more chance of waste time with the collectors. A collector could not go over the other side of the street, because it would be some one else's territory, and then, as well, you would have eight supervising and accountancy staffs?—I suppose there would be. But then, on that same line of argument, you would wipe out every municipality, and make Victoria one great municipality?

1779. No, I would not; because this is dealing with one particular function. Now, you take the water supply—that has one staff that deals with the whole of the metropolitan area?—Yes.

1780. Why should the same not apply to electricity?—I suggest that also.

1781. But you do not. You say Canada has a system you would desire?—Yes.

1782. We have the Ontario Act put in, which shows exactly the opposite. There is a Commission there, and it can go into any municipality, and supply any person. The New Zealand scheme is run by a Government Department. However, we will not go into this, as I understand there are some other witnesses to be called?—Well, here is the whole of the scheme as far as Canada is concerned—[indicating notes].

1783. I suppose you will agree if it can be proved that retail distribution by the Commission would be cheaper to your ratepayers; there could be no objection to it?—How can you prove it until you illustrate it?

1784. *By Mr. Beardmore.*—You stated at the commencement of your evidence that you would like the sole right of distribution for your council. What did you mean?—My council.

1785. That you would like the sole right of distribution for your council?—No; that the municipality should have the right to distribution.

1786. My note of what you said is that, "so far as St. Kilda is concerned, we would like to have the sole right of distribution." Yet you say later on you would prefer groups?—I said that our municipality should have the sole right of distribution within its area. Then I go on to say that the scheme we most favour is the grouping of the distributing districts.

1787. You mean under a group system?—Yes; we do not for a moment say we should. So far as we are concerned we are only a small area, and so far as our being simply distributors in our area only, I do not think it would be a payable proposition, because we would want to group in with areas having more manufacturing industries.

1788. *By Mr. Deany.*—One of the reasons why you claimed the right of distribution was that, under the Commission's retailing, you would have no representation?—That is so.

1789. As a matter of fact, you have no representation now?—No; we know we have not.

1790. Whereas, if the Commission became retailers, you would have representation. You have your representative in this House, Mr. Eggleston, a very capable gentleman?—Yes; but you do not believe for a moment that a municipality can control its representative. It would be a bad state of affairs if that were so.

1791. But you know perfectly well you can wait on him. He is a connecting link?—Yes, he is a very valuable man.

1792. Any member is a connecting link between the people and Parliament?—Yes.

1793. At the present time, you are not retailers, and you have no say in the matter. You have no representation on the Melbourne Electric Supply Company?—No; I am not a strong advocate of the Melbourne Electric Supply Company; but I am an advocate of the municipalities having control. That is why we are anxious to do something in buying out the Melbourne Electric Supply Company.

1794. But you would have representation on the Commission that you have not now with the company?—Mr. Chairman, Mr. Deany was speaking about the control we have over our member. Even Parliament recognises there are no boundaries so far as the municipalities are concerned. Our member does not only represent St. Kilda, but part of Elsternwick and other places, so we cannot assert our authority.

Mr. Deany.—This is a State scheme, not a district or a Melbourne scheme.

The witness withdrew.

Mr. Liddelow. Secretary to the Electricity Commissioners, handed in the following documents:—

1. Correspondence with Ontario Commission, describing functions—(a) 15th May, 1922; (b) 17th August, 1922.
2. *Power Commission Act of Ontario 1921.*
3. Electric Power Supply Committee: Report of the Committee appointed by the Board of Trade 1913.
4. Ministry of Reconstruction: Interim Report on Electric Power Supply in Great Britain, 1918.
5. Ministry of Reconstruction: Advisory Council—Report on Electric Power Supply, 1919.
6. Departmental Committee on the Electrical Trades: Report on position of Electrical Trades after the War, 1918.

Noel Murray, Consulting Engineer, Chairman of the Works Committee, Caulfield City Council, examined.

1795. *By the Chairman.*—To what part of the inquiry do you wish to direct your evidence?—In respect to the amending Bill. I have written a few notes of some remarks I made in the Caulfield City Council. They expressed the views which I here set out. The council supported what I said, and passed a resolution

authorizing me to attend here. Also, being an engineer, I have made a few other remarks independently of the council. I will read this statement:—

When the Electricity Commissioners were appointed to—(1) develop the Morwell brown coal-fields; (2) generate electricity at Morwell; and (3) sell electricity in bulk to the various municipal and other electric supply authorities, a great deal of satisfaction was felt by the general public and all concerned. It was felt that our own large deposit of Victorian coal was to be used for a useful purpose, also making any electricity supply independent of imported coal. It was thought that this development on a large scale, more especially with so eminent an engineer as Sir John Monash at its head, would result in an almost unlimited supply of electrical power at a cheap rate.

Unfortunately, however, before the Morwell scheme is in operation, the Government is endeavouring to extend its powers so as to control not only the generation and transmission to the various centres, but the distribution as well, so creating a great and absolutely unchallengeable monopoly over the electricity supply and distribution in Victoria.

It is in respect to the powers of distribution being vested in the Commission that I, as the representative of the council of the city of Caulfield, am here to speak against.

My council, like many another, is definitely opposed to the amending Bill, and is of the opinion that each municipality should control and manage the electricity distribution, both high tension and low tension, within its own area.

From a municipal point of view my council is opposed to the Bill for the following reasons:—

- (1) The establishment of an additional huge Government Department.
- (2) Electricity supply control is essentially a municipal function, or one that should be controlled by a Board whose members are nominated by the municipalities—like the Melbourne and Metropolitan Boards of Works, which controls the water and sewerage service of Melbourne.
- (3) It is considered that the supply in the control of a Board or Commission nominated by the Government will retard electrical development, as the absorption of the tramways by a Government Board has retarded tramway development.
- (4) The inability of a Government Department to carry out work as economically as a municipality or by private enterprise; it is considered an injustice that a group of municipalities or a municipality must face one of either two alternatives—
 - (a) it must place the whole thing in the hands of the Commission on which it has no voice in the control, but has to pay to an unlimited extent one-third of the loss due to the usual Government extravagance; or
 - (b) it must refrain from applying to the Commission for a supply, so depriving its rate-payers of the benefits of electric supply.

Speaking as one closely associated with the undertakings at Brunswick and Coburg, I cannot conceive it possible for one authority to control the high-tension distribution and another the low tension. I cannot see any advantage in such a proposal, whilst there are many disadvantages. It has been said that unless the complete control is vested in one authority it will not be possible to standardize the systems. This is not so; at present no system can be established without full particulars of same being submitted to and approved by the Commission. The Commission not only has to approve of the system, but the work has to be carried out, the type of apparatus used, and even the engineer who has charge of the work have to be to the approval of the Commission.

Electricity supply in country towns has been extensively adopted in Victoria; many of these are operating successfully.

It has been said that in many of the country towns—(1) the wrong system is adopted; (2) the supply is unreliable; and (3) the tariff is high. In respect to these, I think I can speak with some authority, being consulting engineer to a number and having visited and reported upon nearly every country town electricity supply scheme in Victoria, and I would comment upon these points in the same order in which I have placed them above. In respect to No. 1—It is very doubtful whether for small electric supply systems, such as those in the majority of our country towns covering not more than a square mile, and where there is practically no demand for motor power, the direct current system is not the most suitable. However, rightly or wrongly, whatever was adopted, it had to be passed and approved, before being installed, by a Government Department whose functions in this respect have been taken over by the Commission. And it is only since the Commissioners adopted the three-phase alternating current system—which is unquestionably the right system for long transmission lines carrying heavy loads for a, relatively speaking, densely populated area, with many power consumers—that

it was decided by them to standardize that system not only for the large power centres, but for the small and remote country towns.

In some of the country towns the supply is somewhat unreliable and bad; in many cases this is due to the cable network breaking down, and not to the generating station troubles. If the Commission takes over these country towns and throws out the local generating stations, it will make not the slightest difference. The same copper cables and the same wooden poles will be used, and they will be no more immune against breakdown because they are controlled by the Government than if by a municipality. If new towns are installed by the Commission the same class of materials will be used and the same type of workmen employed to erect. These men will, however, adopt the Government stroke, and, although the same class of work will be done, it will take twice as long to do it.

Assuming the likelihood of breakdown in the town installation to be the same under the Commission as under the municipality—the position now is, which is the more likely to break down as a system?

The Morwell plant, plus the long transmission lines, plus the step-up and step-down transformers, plus a vast amount of switch gear, as against a small self-contained generating plant of engine and dynamo. I am of opinion that the odds are greatly in favour of the latter. In regard to the last point I mentioned, I am of opinion that it will not be possible for the Commission to deliver current in small and possibly remote country towns cheaper than the existing tariffs. Most of these country town plants are operated by one or more producer gas engines, using fuel grown locally, and in charge of a man and an assistant. The capacity of the electrical plant is usually from 30 to 100 kilowatts. This plant is usually loaded for about three to four hours per week, half load for about three to four hours per day, and the rest of the time it is either not running or is very lightly loaded. When the plant is not running it is obvious that there can be no electrical losses. In nearly every country town the periods of load are similar to this, and at the same time. Is this sufficient inducement for the Commissioners to run long and highly expensive transmission lines? With such a load factor, the cost of generation, transmission, the iron losses of the transformers going on for 24 hours per day, interest and sinking fund, administrative expenses, &c., besides the meter reading and the general maintenance of the system within the town, I feel sure the tariffs as at present will be far exceeded.

Removing from country municipalities the control of their own electric supply schemes will destroy all local interest in the undertakings, a consequent decrease in supply, and an increase in cost per unit.

At the present time the various councils owning their own scheme, the local progress association, and the ratepayers themselves, all regard their electric supply as their own. They take an interest in it, they encourage consumers, and the engineer-in-charge and his assistant are always under the eye of criticism.

Remove the control to a Government Department in the city of Melbourne, with an army of engineers and inspectors patrolling the country, it will be practically impossible to succeed in getting connected up a new street lamp or consumer without the usual and vast amount of red tape and delay associated with Government Departments.

All local interest will go from the undertaking and, I am quite satisfied, much to its detriment.

Much has been said about the Morwell scheme assisting industries. I have no question about that providing there are the industries to assist; but what industries using power are there in the average country town? Assuming there are, I am quite satisfied that they will be assisted far more by the Commissioners concentrating upon that for which they were appointed, and allow the municipal councils to remain masters of their own house or that part of their house the Government has not already taken from them.

1796. *By Mr. Beardmore.*—Where does your council get its power from?—The Melbourne Electric Supply Company.

1797. What do you pay for it—what is your cost?—We have a public lighting contract. We do not supply householders. We have an agreement with them for the public lighting only.

1798. You do not distribute?—No, it is one of the Melbourne Electric Supply Company's districts.

1799. Would that system of making your own power that you speak of apply to your own council?—No; I would advocate the establishment of a Trust, similar to the Tramways Board, only I would give the municipalities a say in the nomination of its members. The Trust would buy in bulk from the Electricity Commissioners.

1800. That system would only apply to country centres?—It would apply to the suburbs in respect to the Trust I propose, and the individual municipalities in the country towns or shires. Where a number of country towns are adjacent a municipal Trust, similar to what I propose for the suburbs, could be formed.

1801. *By Mr. Beardmore.*—You think country centres with 2,000 or 3,000 population could be provided cheaper by the municipalities?—It all depends how far they are from Morwell itself. Up in the Wimmera, for instance, you can just imagine what it would cost to run the Commission lines away up there to supply some of those small towns. There is one town that takes 25 K.W.—that is the size of the plant.

1802. *By Mr. Deany.*—But they do not propose to do that?—They have power to take the lines all over the country.

1803. *By Mr. Lind.*—But they are going to generate electricity at the Sugarloaf for the North-East?—Yes; but if there are small towns 100 miles away, say, like Minyip, it will not pay to run the Commission's lines there.

1804. *By the Chairman.*—When they get the Sugarloaf and the Kiewa scheme going, they will supply the North-East from there?—I am primarily speaking as representing the suburban municipal interests.

1805. *By Mr. Deany.*—You say the generation of electricity is a purely municipal function?—We consider it so.

1806. For what reason?—We believe we should control our own affairs in that respect.

1807. That may be your belief, but it is not evidence?—I can only say what I believe. We regard it as a municipal function in a similar way that we do any other municipal service, such as water and sewerage.

1808. Yet your own council is not carrying it out at present?—No; but we hope to control our own system. We would like to do it, as we attempted to do in connexion with our own tramways when we formed the Prahran and Malvern Tramway Trust.

1809. *By Mr. Beardmore.*—As far as you are concerned, if you get power in bulk, would you be satisfied?—Yes, as long as the distribution is under our control, or in control of a municipal trust.

1810. *By Mr. Deany.*—You said it would be impossible to get any improvement in a municipality where it was under the control of the Commission?—Yes.

1811. As a practical illustration, take the case of Essendon. We have had evidence since the Commission has been sitting that in Essendon quite a number of new street lamps have been added, and the number of consumers has increased?—My statement was made more especially in connexion with country town supplies. Take for instance, country towns 20 or 30 miles apart. I assume the system the Commission would adopt would be to appoint patrol gangs in the main centres. Then, assuming that something goes wrong at one of those towns, there would be the time wasted in those gangs reaching the spot. I say that we should have control of the primary and secondary distribution as otherwise it would be utterly unworkable. Take the case of Brunswick or Coburg—you might have a breakdown on a transformer, primary line, or equipment when it would be essential to turn off the primary current almost at a moment's notice, in order that repairs may be effected, and industries inconvenienced as little as possible. If the Commission's repair gang has to be sent out from the city proper, it would cause unending delay.

1812. *By the Chairman.*—Then you think the municipalities should control the whole of the high-tension distribution?—High-tension and low-tension distribution. We do not quarrel with the scheme for bringing electricity from Morwell to the centres. Our view is that that should be carried out by the Commissioners.

1813. *By Mr. Deany.*—You said that the Commission was created for the sole purpose of creating power electricity or something of that sort?—Yes.

1814. And that they were going outside their functions now?—Yes.

1815. Well, in the principal Act passed in 1918 the Commission is given power specifically to do certain things, and I take it you are aware of those clauses?—Yes.

1816. And they had all those powers in 1918, and have had them since?—Yes; and it is the last clause which I think is iniquitous. It permits the Commission to go into any centre, and pick out the plums, as it were, in that centre, and it gives them the right to run a third line of poles in the streets. We say that other people should get electricity cheaper because there is a large industry working in the same municipality. It creates a higher maximum demand, so enabling the undertaker to purchase bulk energy at a lower rate, and sell it at a lower rate to consumers.

1817. *By Mr. Deany.*—Can you mention any one case?—Yes; Kitchen and Sons, at Port Melbourne.

1818. We have already had evidence upon that, which has cleared the matter up. That was an existing arrangement under an Act, and the Commission is still supplying subject to the Railway Department's powers?—What about Footscray?

1819. It takes in all those?—However, they have the power to do it, and that is what we object to—their being able to take the plums out of a scheme.

1820. That is in the Act of Parliament, and it has nothing to do with the discussion of the Bill here?—So I understand.

1821. *By Mr. Eggleston.*—With regard to Kitchen and Sons, although it is taking the plums out of the municipal system, still it is in connexion with the railway system?—That may be so, but what I object to is that they are able to go into an area and take the plums out of that area if they desire.

1822. That only applies to that area, and to no other in the city?—Then I understand they cannot go into any other area except Port Melbourne or Footscray.

1823. Only the area mentioned in the schedule to the Act?—Yes.

1824. *By Mr. Smith.*—You made a statement to the effect that municipalities could carry out the necessary works for distribution much cheaper than the Commission, because they could get much more work out of their men?—Yes.

1825. The Commission in carrying out the work from Morwell to the city may be faced with the same position. Do you think it applies there?—I think we all understand, including the members of this Committee, that a man working for the Government does not do as much work as a man working for a private individual or municipality.

1826. *By Mr. Eggleston.*—You know the municipalities keep on their employees until they drop?—I know they do not.

1827. You know the Caulfield municipality, and what they do there?—I do not know of any one who has been kept on until he dropped.

1828. You say that the individual municipalities cannot buy out the Melbourne Electric Supply Company, or any part of it?—They must take over the whole system.

1829. Have you seen the system of grouping which has been put forward?—Yes.

1830. Do you think that is an efficient system?—You would require to have a more complete network, but even if they overlapped a little, it would not matter.

1831. But this is not based on the Morwell substation at all?—No.

1832. Would not that be a fatal defect?—I do not know. Brunswick overlapped with Coburg prior to the Coburg system coming into operation, but it simply meant an adjustment of the accounts.

1833. Well, you think the municipalities, or eight groups of municipalities, could undertake the retail distribution cheaper than the Commission, and distribute power cheaper throughout the whole of the metropolitan area?—I myself think the distribution of power over the whole metropolitan area by a municipal trust could be carried out cheaper than by a Government Department.

1834. Do you know the Canadian system?—No.

1835. Do you know they have a body somewhat on those lines?—Yes.

1836. And New Zealand is supplied by the Public Works Department?—Yes.

1837. And it is distributed to distributing buyers?—Yes. Of course, in Tasmania, it will soon be all Government power, the various municipalities controlling it. The Tasmanian Government sells to the Launceston municipality, and the Launceston municipality does the distributing.

1838. I understand you were consulting engineer to the Launceston municipality?—I was not their consulting engineer; I was representing the contractors.

The witness withdrew.

William Evan Downing, Warrnambool, examined.

1839. *By the Chairman.*—Whom do you represent?—The Warrnambool City Council.

1839A. Do you represent the City Council as speaking for them?—I have been chairman of the Warrnambool City Council Electric Supply Committee. I am not speaking for them now, but merely giving evidence in regard to this matter, as I was so intimately connected with it.

1840. *By Mr. Deany.*—They are not objecting, and they have not sent a representative here?—They probably will.

1841. *By the Chairman.*—We want evidence on the scheme?—I have here a concise account of everything which took place in regard to those negotiations.

1842. We only want to know the salient facts?—My statement has been reduced to the salient facts connected with the Western District scheme, and some suggestions in regard to improvements in the Electricity Commissioners Acts. As chairman of the Electricity Committee of the Warrnambool City Council from 1917 to August, 1922, I came into intimate contact with the whole of the negotiations that were carried on throughout that period, both for the establishment of local plants, buying in bulk, from the Woollen Mill, Hampden, and the Commission. For what we considered sufficient reasons, we decided that a local plant was not the best plan, and negotiated with the Hampden Shire Council and the Woollen Mill for the supply of current in bulk. Neither of these schemes, however, reached maturity. This brought us to May, 1921. Colac had a plant in course of construction; the Hampden Shire Council had plans out for a steam plant at Camperdown to supply various townships throughout their shire; and Warrnambool was again considering a local plant. The Electricity Commission at this point intervened, and at a conference called by them in Melbourne requested us all to hold our hands for a period, and they would make an investigation at their own expense on the possibility of a bulk supply scheme for the whole of the Western District, either locally or State-owned. This conference was held on 21st May, 1921, and the Commission's proposal was adopted. There was much delay in getting the Commission's report, and it was not made available till late in December, 1921. The Warrnambool Council, after consider-

ing it, asked for further information, which was supplied on the 24th January, in the following letter:—

The Town Clerk, Town Hall, Warrnambool.

Dear Sir,

Supply to South-Western District.

I have to acknowledge your letter of the 16th instant, requesting certain additional information to assist your council in considering the report recently issued on the above matter. It is assumed that your questions relate particularly to alternative "B," of Table 4, the proposed initial stage of the scheme.

To the questions set out in your letter, I have to reply as follows:—

1. The maximum demand charge would be £19.90 per K.W. per annum, and the load factor assumed for the bulk supply metered to Warrnambool is slightly over 19 per cent.

2. The K.W. hour charge would be 0.881d. The tariff would therefore be £19.90 per K.W. of maximum demand, plus 0.881d. per K.W. hour, and is based on energy stepped down to 6,600 volts, or 400 volts, as required. The average price at Warrnambool given in Table 4 is for 6,600 volts, or 400 volts energy.

3. The energy would be metered at 6,600 volts, or 400 volts.

4. The subdivision of the total consumption of 670,000 K.W. hours per year estimated in the report into K.W. hours, sold for lighting, heating, and power purposes may be stated approximately as:—

	K.W. hrs.
Domestic and public lighting ..	200,000
Pumping ..	125,000
Power (small consumers) ..	175,000
Power (large consumers) ..	170,000

The information you were so good as to forward on the 13th June last supports the estimate that there is reason to anticipate a good demand for power in your city. The above figures include the demand of the district within the reach of 6,600-volt mains from the Warrnambool step-down station.

It is hoped that this information will enable your council to consider the matter further.

Yours faithfully,

(Signed) R. LIDDELOW, Secretary.

This letter, read in conjunction with the report of 15th December, showed what our maximum demand and current charges were, also that the average charge was based on slightly over 19 per cent. load factor, results that we were not likely to attain for some time after installing a service. In the light of later experiences, it must be noted that certain items were clear:—

Clause 1.—That is was for bulk supply.

Clause 2.—That it was for 6,600 or 400-volt energy as required, and that average price was for 6,600-volt or 400-volt energy.

Clause 3.—That the energy would be metered at 6,600 or 400.

Clause 4.—That the supply was to all classes of consumers as domestic and public lighting; pumping, small consumers, and large consumers were all specifically mentioned.

There was no reference whatever to the Commission supplying any class of consumers themselves. Following the final clause, there is a note to the effect that the figures include the demand of the district within reach of 6,600 mains from the Warrnambool step-down station. These, however, were matters that did not come in at the time. We took the above item as a matter of course. After carefully considering the figures, we in Warrnambool did not consider them satisfactory, and we decided that the action of the Hampden Council in asking Sir John Monash to explain the scheme at Camperdown was a good one. Sir John Monash said he called that conference. I am informed that it was called by the Hampden Shire Council, and it was only when they insisted on its being held, that he finally agreed to attend it. This is, however, only by the way and if of interest to the Committee they could requisition the official correspondence of the Hampden Council on the subject. In regard to the Camperdown conference of 20th February, 1922, I have the *Chronicle* (Camperdown), *Express* (Terang), Warrnambool *Standard* reports, and my own notes. As the *Chronicle* report runs to six columns, and the

Express to over four columns, I propose to use extracts only to make the position that developed there clear, and can, if desired, put in the full reports from each paper.

At the Camperdown conference, on 20th February, 1922, Mr. McDowell, the President of the Hampden Shire Council in introducing the chairman of the Commission said:—

"They all knew well the ability Sir John Monash had displayed as a soldier, and in every walk of life, and as chairman of the Commission. Anything that Sir John said could be taken as authentic, and what Sir John told them they could rely on."

At a later stage, the Hon. D. S. Oman said he congratulated the Government on selecting Sir John as chairman of the Commission. "Sir John had been a big driving force in Europe, and he was a big driving force now. It was a compliment to Sir John that his appointment had never been criticised by any section of the community."

With such an introduction, Sir John then went over the whole of the main details of the scheme. It is unnecessary to quote more than the salient points that have bearing on this controversy.

"Sir John Monash.—They might therefore be assured that any expression of opinion given by the Commission was an absolutely disinterested expression of opinion, and was given solely with a desire to aid the public interest. The Commission adopted a purely judicial attitude regarding schemes, made inquiries and calculations as to the various alternatives, and gave its advice to local authorities as to what it thought the best course of action. Any statements he would make would be based on that point of view and that policy."

After dealing with many details of the scheme, Sir John Monash made this statement:—

The Electricity Commission would guarantee that, under no circumstances, would the price charged be higher than the figures given in the tables, and that later on a Bill would be introduced in Parliament to deal with the losses on any schemes taking current from either Morwell or Geelong. In the meantime, the Commission, pending the passing of this Bill, "was prepared during the earlier years of the operation of the scheme to capitalize the losses in the expectation that it would be recouped by the excess business during the next few years." That was why he was able to say that the Electricity Commission undertook that, under no circumstances, would the initial rates to be charged for bulk supply be higher than those in the report.

What was essential to the scheme was that the City of Warrnambool should come in for the reason that Warrnambool constituted a big customer at the end of a long transmission line. That was the only condition the Electricity Commission made: if Warrnambool would come in, then the scheme was an assured success. We were appealed to to come in, although we could do better in the earlier years to help the other municipalities.

Well, we were offered bulk supply. We knew what bulk supply meant, everybody knew what it meant. The Melbourne City Council and the Melbourne Electric Supply Company were supplying bulk current to municipalities all round Melbourne. Those of us who read the world's technical press knew it was a world-wide system. We even knew what the Melbourne City Council and the Melbourne Electric Supply Company charged for bulk supply to municipalities.

We were to get current at a guaranteed maximum rate, irrespective of our load factor, calculated as of a 19 per cent. load factor.

We were not required to guarantee any minimum consumption, and the biggest bugbear in our way, the heavy initial losses, were to be capitalized and collected back from us over a series of years.

We, and this applied to all the municipalities interested, only had to put in our reticulations—no expensive powerhouse—and then hustle for every class of business offering, so as to get a good load factor and volume to carry our own standing charges only.

Is it any wonder that all the delegates accepted the scheme? Warrnambool did it with its eyes open to the fact that during the earlier years it might perhaps have been able to supply cheaper with a local station, but it was pointed out that the saving would be only a small one, and that with Morwell well in sight we could get current so much cheaper in a few years time that it was best to come in and hurry on that time,

and then, were we not doing the other and smaller municipalities a good turn by making the scheme possible? It could not carry on unless we came in.

In regard to final costs Sir John Monash in reply to a remark of mine said, in regard to an inquiry of mine about my company using 150 to 200 kilowatts for furnaces—"Give us your maximum demand and load factor, and we will give you figures that will paralyze you."

The consulting engineers to the council, the whole of the councillors there present and I, myself, were thoroughly satisfied that the scheme offered by the Commission was a bargain that was, on the data submitted, thoroughly advantageous to the councils, and that the capitalization of the losses by the Commission was sound business under the circumstances, as something of the kind was absolutely necessary to the success of the undertaking, that it had to be done either by the councils individually or, as was done in this case, by the Commission acting for us collectively, and that it was easier for the Commission to do it, owing to their superior financial resources. In finally reporting it to my council I said, "It was almost too good to be true."

And so it proved in the end, for it was not true. There were strings tied on to everything, and they were so well camouflaged that we, none of us, saw a single one of them.

You have before you copies of the South-Western report. I have been through it many times and discussed every phase of it with consulting engineers, have taken part in every conference, have read and dealt with the whole of the official correspondence, and in no place whatever can any inkling of the change of front taken up later on by the Commission be even guessed at.

The report deals with bulk supply to the various municipalities, a well understood system with abundant Victorian and Australian, and, for that matter, world precedents.

The current was to be supplied at 6,600 or 400 volts. It was to be metered at 6,600 or 400 volts, and if English phrases and language as used throughout the report, letters of the Commission and the speeches of Sir John Monash, have any meaning whatever, they mean that the current would be taken at 6,600 or 400 volts at our option.

All our own and the Hampden plans were based on the use of 6,600-volt current, bought in bulk; we might have taken a small amount of 400-volt current for use in the immediate vicinity of the Commission's sub-station in Warrnambool, but that would have been to the mutual advantage of both the Commission and the council, and mainly as a convenience to both parties.

In the absence of any information to the contrary, we took it as a matter of course that an Order in Council in the usual form had been issued ever since Orders in Council had been issued would in due course be granted to us by the Governor in Council. The form was well known, and although they did not give the exclusive right to supply current in the area covered by the Order, no two Orders were ever issued for any one area, because such a course was found universally to be economically unsound.

There is no statement anywhere in the reports or correspondence to show that the Commission intended to reserve the right to supply large customers direct: that they intended to reserve the right to buy out the undertaking at any time; or, in fact, any of the later imposed restrictions.

In addressing the conference at Camperdown Sir John Monash stated that he would address himself to one issue—that was, was the report acceptable to those municipalities which it affected? He asked for no more than that, because if the proposal itself received a general acceptance in the most general terms, it would enable a great deal of executive action to be taken

which could not be taken if the municipalities as a body said they would have nothing to do with it. At the end of the conference the form in which the letter of acceptance was to be couched was drafted by Sir John Monash, Mr. Harper, the Mayors and Presidents who were present, the Shire Secretary of the Hampden Shire, and, I think the Town Clerk of Warrnambool, and read as follows:—

"I have the honour to inform you that at a meeting of my Council on . . . it was resolved: That this Council has given full consideration to the scheme proposed by the Electricity Commission for the supply of electricity to the Western District: that it is of the opinion that it is the best scheme to bring about the full development of electricity for the Western District: that this Council is agreeable to refrain from installing any further generating plant within its territory, and that, provided that electricity can be supplied *in bulk* at prices not exceeding the average prices given on page 9 of the report, this Council is prepared to contract with the Electricity Commission for the supply of all its electrical requirements *for all purposes in the district*."

I have purposely emphasized the words *In Bulk* and *For All Purposes in the District*.

This was the Electricity Commission's Chairman's own draft of the letter he wanted.

Could there be any doubt in the minds of either a consulting engineer or a councillor as to the actual meaning of the above letter? It is plain English, and no perversion of the English tongue can give it any other meaning than the meaning we took out of it.

Warrnambool slightly altered the wording to make it quite plain and to tie it on to the Commission's letter of the 24th January, and as far as Warrnambool is concerned, the report of the 15th December and the Commission's letter of the 24th January are incorporated in and form part of the acceptance of the scheme.

I attach a copy of the Warrnambool letter, reading as follows:—

24th February, 1922.

The Secretary,
State Electricity Commission,
Melbourne.

Re South-Western District Electric Supply.

Dear Sir,—Referring to the report lodged with this Council in December last, and to subsequent correspondence and conferences dealing with the above, I now have the honour to inform you that this Council has given full consideration to the proposed scheme, and is of opinion that same is acceptable to, and should fill the requirements of, this municipality. Conditionally that your Commission is prepared to undertake to supply electricity in bulk at the rates stated in your letter of the 24th ult., and not exceeding the average costs mentioned on page 9 of the report, this Council is prepared to enter into a contract with the Commission for the supply of all its electrical requirements, and further undertakes not to install any electric generating plant within its territory during the period of such contract. I have the honour to be,—Yours obediently.

(Signed) N. J. Worland.

1843. *By Mr. Deany*.—The disadvantage still applies?—I have not finished yet.

1844. *By the Chairman*.—There is this difficulty, that all the councils have entered into an agreement with the Commission and have informed us that no one is authorized to oppose it. I cannot make out whom you represent when you speak of "we"?—I am also the vice-chairman of the Electrical Defence Committee.

1845. We do not know the Electrical Defence Committee?—I understand you want all the evidence which will throw any light on the subject.

1846. We want all the evidence, but this does not throw any light on the subject. You are dealing with what happened in the past, and the Warrnambool and other councils, unless they are misleading us, have informed us that they are satisfied?—Have you got a letter to say they are satisfied?

1847. When we are called upon to produce that evidence we will do so; but I do not know that you are entitled to call for it?—I attended their meeting on Tuesday night and addressed them.

1848. *By Mr. Lind.*—What reply did they give you then?—This matter is one which has caused very strong feeling in Warrnambool. There are two sections which have been fighting desperately,—one section of the council against the other. There is one section of the council that is very strongly opposed to these added conditions, and they are anxious to go to any length or do anything they can to get those sections eliminated.

1849. *By the Chairman.*—Why has not that section of the council applied to the Commission to be heard?—I understand they have appointed a councillor to represent them.

1850. We have not heard a word of it, and, so far as we have been officially informed, they are unanimous for all practical purposes?—I know they are not. If that is the case, when I go back I shall report to the councillors as to what has happened and ask them to send down a representative. They have already appointed a councillor to come down and represent them.

1851. *By Mr. Deany.*—Only should it be required. In the meantime, the Bill has been explained to them?—Who explained it?

1852. I did?—I have explained it, and that puts a different complexion on it.

Mr. Deany.—After that they had a letter which put another complexion on it.

1853. *By the Chairman.*—We do not want to enter into the municipal squabbles. The council must settle their own difficulties; and the council informed us they are settled and they have entered into a certain agreement, and we do not want to go behind them?—You may have been misinformed.

1854. The council should not misinform us?—You must remember, in such a bitter controversy as this, there is a good deal done that is not quite as legitimate as it ought to be.

1855. If we get an official intimation that certain things have been done, then those who make statements outside are those who are more likely to misinform us as far as that is concerned. We cannot go behind the action of the council. We do not want to rake up squabbles and differences?—This is a matter of bitter dispute between the Warrnambool City Council and the Electricity Commission.

The Chairman.—If the Warrnambool City Council has come to an agreement to do certain things, as we have been informed, certainly it is not our province to start and break it up and see who is right and who is wrong. We do not want to do that.

1856. *By Mr. Deany.*—Are you sure it is not a bitter dispute between Councillor Downing and Sir John Monash?—No; we are on as friendly terms, personally, as two men could be.

1857. There is no dispute in the council?—I differ from you, and as we are on opposite sides we will continue to differ.

1858. *By Mr. Beardmore.*—Do you live in Warrnambool?—Yes, I do.

1859. Are you in business there?—Yes. Sir John Monash stated, both at Warrnambool and here, that the Warrnambool Council had accepted the scheme "unconditionally." The letter shows conclusively that we accepted the scheme "conditionally," and laid down clearly what the conditions were in language that admitted of no dispute whatsoever. To make the term "bulk supply" even clearer, I quote the definition of "bulk supply" from the English Electricity Commissioner's Act:—

The expression to supply electricity in bulk means to supply electricity—(1) to any local authority, company or person authorized to distribute electricity to be used for the purposes of distribution; or (2) to any local authority authorized by any general or special Act to undertake or contract for the lighting of streets, bridges, or public places, to be used for the purposes of lighting streets, bridges and public places.

Up to this time the Commission had been functioning along what appeared to be the normal lines that such a

Commission would work on, although it became generally known very soon that they had been taking action in the way of supplying direct in the Port Melbourne and Footscray areas and were having disputes with those councils. For the most part consulting engineers, and every one that came into contact with them, were of the opinion that they would follow established precedents and carry out the usually understood ideals that they had been brought into being for. Their actual ultimate policy was, however, up to this date shrouded in impenetrable secrecy, and it is doubtful if any one even imagined what it actually was. The first thing that showed that there was any trouble coming was a letter from the Commission, dated the 17th March, 1922, in which they clearly indicated that they intended to construct the high-tension distribution lines:—

Melbourne.
17th March, 1922.

The Town Clerk,
Town Hall,
Warrnambool.

Re Electric Supply to South-Western District.

Dear Sir,

The Government, having approved of the above scheme, and having made funds available, I beg to notify you that the Electricity Commission will proceed forthwith, with all steps necessary, to bring the scheme into existence.

The works in immediate contemplation are those referred to in the printed report of the Commission, promulgated to you last December. It is intended to proceed with the main transmission line from Geelong, *via* Colac, Camperdown and Terang, to Warrnambool, with branch lines from Camperdown to Cobden, and from Terang to Mortlake. It is not intended, for the time being, to carry out any work westward of Warrnambool. Sub-stations will be erected at the following centres, *viz.*, Geelong, Colac, Camperdown, Terang, Warrnambool, Cobden and Mortlake.

The question now arises as to further high-tension branch lines likely to be required within, say, the next five years, from any of the sub-stations named, to the more outlying districts, to smaller centres, or to special consumers. This question is really an urgent one, as in the interests of economy provision should be made, from the outset, in the sub-stations for the accommodation of these additional services.

Your council may desire to have the views of the Commission on the question whether such high-voltage branch lines should be constructed, maintained, and operated by the council or by the Commission. The Commission holds the view that it is more desirable and will prove more efficient that all high-tension lines and sub-stations should be under its authority. Otherwise difficulties will often be encountered where one shire must traverse the territory of another in order to tap the source of supply on the trunk line.

The Commission is prepared to undertake such work, and is also prepared to finance same, provided that it is satisfied in each individual case, that the further capital to be expended is justified by the prospects of business upon such a branch line. Such an arrangement would, however, not interfere with the freedom of action of the council to carry out if it so desired all low-tension distribution (400 volts), and to retail electricity at low tension within its territory.

The policy which is to govern the future construction of these branch lines is, however, a question which may be left over for discussion for the time being. The important and urgent question now is what lines of this nature are likely to be required in the near future, so that proper provision may be made for them from the outset.

Will you be so good, therefore, as to have this matter looked into at once, and furnish this Commission, at your very earliest convenience, with particulars of outlying centres or large industrial establishments, or station homesteads and the like, in connexion with which high-tension branch lines may be required within the next five years?

The Commission will then have each proposal investigated and will make provision for the necessary accommodation in the sub-stations in respect of those proposals which seem financially feasible.

The particulars required in each case are:—

1. Name, position, and character of locality to be served.
2. Approximate distance from the nearest sub-station.
3. Anticipating demand on the branch line, in kilowatts, of maximum demand and in units per annum.

A map indicating the proposed lines would be an assistance.

Yours faithfully,

R. LIDDELOW, Secretary.

This was a bombshell, and in addition we, within a very few days, ascertained that the Commission were secretly negotiating with the Warrnambool Woollen Mill, with the idea of supplying them direct, and apart

from the Warrnambool City Council. This discovery caused something akin to consternation, and a deputation went down to Melbourne to interview the Commission on the matter; and then, and then only, the deputation forced from the chairman of the Commission an admission that they were negotiating with the Woollen Mill, and that they proposed to reserve the right to supply any one they chose in the area direct. A further conference of delegates was then held in Camperdown, and a report on the position was prepared by the consulting engineer to the Warrnambool and Hampden councils, which was signed by the delegates and transmitted to their councils. The councils that sent delegates were: Warrnambool, Hampden, Heytesbury, and Colac. It was adopted by the first three councils, but, in the meantime, the Commission sent an engineer to Colac and he talked them out of adopting the report. I am putting in a copy of this report, but do not think that it is advisable for me to traverse the ground covered by it, as there are others who are better fitted to deal with this aspect of affairs, and it is undesirable that I should take up any section that is the province of the electrical engineer that come before the Committee. Just about this time the dispute between the Melbourne City Council and the Commission began to develop, and it became evident to every one connected with electrical undertakings in Victoria that, far from having no policy for the future the Electricity Commission had a definite and fixed policy, and had been working everything to that end for a long time, that legislation in pursuance of that policy had already been put on the statute-book, and that everything the Commission was doing was calculated to an ultimate objective. During the first week in June I reported to my council as follows:—

We have before us a report on certain conditions laid down by the Electricity Commission as applying to our Order in Council that are new to Victoria, and probably new to electric lighting practice throughout the world.

The Electricity Commissioners did not directly advise the exact scope of these proposals, and it is doubtful if they have even half told us what their ultimate intentions really are: they advised us that they desired to erect, own, and operate all high-tension distributing lines. This extraordinary proposal to hamper and embarrass the councils interested in the South-Western scheme at once raised the question. Why? The Commission gave "electrical efficiency" as the reason. As no achievable amount of electrical efficiency could possibly affect the commercial inefficiency of having two sets of line maintenance and operating staffs in the same area, it became a question of looking for the actual motive behind the proposals. It then transpired that the Commission proposed to take advantage of a portion of section 12 of Act No. 2996 and, in direct competition with the council, supply certain consumers in the area who they defined as "bulk consumers." The report before you gives some idea of the intolerable friction that must eventuate under such conditions.

This disclosure of the Commission's intention shows up exactly the object that they had in wanting to control our distribution lines. I want to emphasize this, and I repeat it again; and that is, they want to use them to supply current to these so-called bulk consumers and compete directly with us in our proclaimed territory. As this is a time for plain speaking, I consider that there can be only one ultimate intention behind this action, and that is, the Commission intend to have the power to, at any time, make the position of the councils and the companies so intolerable that they would be compelled, in sheer weariness, to surrender their Orders in Council to the Commissioners, who ultimately intend to inflict the burden of a State side Government Department controlling everything electrical throughout Victoria, with all local control by councils or companies completely cut out. The prospect to us is appalling, and must be even more so to consumers of current; and I repeat it now, complete control by the Commission is an appalling prospect to the average user of current anywhere, except to a favored few, who would get cheap current at the expense of all other users and the tax-paying public.

That was last June, and the statement in regard to the Commission's aim was doubted. There can be no doubt now, even in laymen's minds, as to the ultimate object of the Commission. After some further consideration, the following letter was sent to the Commission as a statement of our views:—

1860. *By Mr. Deany.*—You are not aware that there is a clause in the Bill in dispute preventing the council from doing the very thing you say?—I have studied the Bill.

1861. *By the Chairman.*—How much more have you of this evidence. We are here to consider facts?—It is mostly extracts from official papers.

1862. That does not affect our inquiry at all?—The Commission is empowered to supply municipalities either in bulk or under conditions which are apparently impossible for councils to carry on their business. That is the whole position. I have pointed out certain conditions which were laid down in Camperdown in regard to which current was to be supplied to Warrnambool. Those conditions were laid down clearly, and in fact so clearly that a child could understand them; but they were deliberately altered by the Order in Council.

1863. *By Mr. Deany.*—Can you tell us how they were altered; that would be evidence?—By the inclusion of clauses which prevent the council from controlling their own distribution lines which is absolutely essential to the concern.

1864. That would be evidence, if you can produce that?—I am producing it.

Mr. Eggleston.—You have not produced anything yet. You cannot say whether you can have the staff which is efficient to control these high-tension wires.

1865. *By the Chairman.*—Have you anything to say on the Bill. You are simply going into past history; but that does not bear on the inquiry at all?—It has a very strong bearing.

1866. You may think so, but we have to judge that for ourselves. It is very evident that you are mixed up with a lot of local feeling in the matter, and we do not want to be drawn into that?—The proposals of the Electricity Commission to the council are important.

1867. The councils have settled that. They have entered into an agreement with the council, and we do not want to go behind that?—They have entered into an agreement, under duress, which they are doing their very best to get out of.

1868. That is a reckless statement to make. You are not going to get councils to enter into an agreement under duress?—If you knew the local conditions perhaps you would understand it better.

1869. *By Mr. Beardmore.*—The councils have signed it and made no protest?—They have made every protest.

1870. We have not been informed?—Here is the protest.

1871. *By the Chairman.*—You are introducing personal squabbles, and we do not want to be mixed up in them?—No, I am not.

1872. *By Mr. Deany.*—Here are wires from every council connected with the scheme?—Who are they in reply to?

1873. It is in evidence, and that is all I am going to tell you?—Who are they in reply to? In reply to telegrams sent by Sir John Monash?

1874. I do not know anything about that?—I was at the council meeting when they were received.

1875. *By the Chairman.*—You have intruded your own personal matters into this, and we do not want them intruded. A certain agreement has been arrived at, and we do not want to go behind that agreement. You do not appear to represent any body of objectors. We are supposed to hear any evidence for or against in connexion with the scheme under consideration, but we do not want to interfere in private feelings?—It is not private feelings. I am here as a matter of public duty in reference to certain difficulties arising in the Western District, and to inform the Committee regarding them.

1876. The Western District is a very big place?—I was connected with the whole of it.

The Chairman.—When we have knowledge that these councils have all entered into an agreement and are

apparently satisfied, so far as they are concerned, it is not for this Committee to traverse their actions from the very beginning and ascertain what led them to enter into the agreement. This inquiry will never come to an end if we do that.

1877. *By Mr. Lind.*—The witness keeps on telling us that this is a protest from the council. What authority have you to enter any protest on behalf of the council?—I have no authority on behalf of the council, but, at the same time, there are two sections in Warrnambool in regard to this matter. There is one section that is absolutely opposed to the present conditions as laid down by the Commission.

1878. *By Mr. Eggleston.*—What are the relative strengths of those two sections?—They are about even now.

1879. Is that the result of the last election?—I know all about that. You need not worry about that. We will see what we can do at the next election. We may fire the other fellows out then.

1880. *By the Chairman.*—I asked you, when you started your evidence, whom you represented, and you did not represent the defaulters and you did not represent the council. We know you did not represent the council, and we do not want to hear personal squabbles that take place in country towns?—I am not giving you that.

1881. You are giving us a lot of past history?—I know I am, but it is absolutely necessary to know the abominable way in which our council was treated by the Electricity Commission.

1882. That is not a fair statement?—It is a fair statement.

1883. If you make that statement you should back it up?—I am backing it up. I want to finish this.

1884. We will not listen to it. You have to take your instructions from me. We will hear your statement on the Bill, but we do not want all this ancient history. It is not our duty to listen to it?—Am I to take it then that I am not at liberty to give any further evidence?

1885. *By Mr. Lind.*—Have you much to finish it?—No. I will now read the letter of the 15th June:—

The Secretary,
State Electricity Commission,
Melbourne.

Dear Sir,—*Re* Western District Electricity Supply Scheme, I have been directed to advise that this Council has carefully considered the report of the delegates on the conference held with the Commission on the 17th ult. (copy of report attached), and are of opinion that the position disclosed is exceedingly unsatisfactory, so much so that they cannot at this stage, see their way clear to go on with the application for an electric lighting order for their area, until more satisfactory conditions are arranged. In explanation I might point out here that this Council's acceptance of the Commission's scheme was based on:—

(a) The Commission's report on the South-Western Scheme of the 15th December, 1921.

(b) The speech of the Chairman of the Commission, Sir John Monash, at Camperdown.

(c) The assumption in the absence of any statement to the contrary that the Electric Lighting Order to be granted to this Council would be in the usual form that such orders have hitherto been issued, and that such order would vest in this Council the exclusive right to supply, control and distribute electricity in its area unless the Council gave its consent.

(d) The Commission supplying current in bulk at 6,600 or 400 volts at the Council's option at some point or points in the area as might be agreed upon.

(e) There being no reservations, limitations or conditions other than those that have been current practice for many years past in connexion with Electric Lighting Orders granted to municipalities by the Department controlling same.

The Chairman.—I have ruled that this is not evidence, but if the Commissioners wish to hear it they may do so, but I will not.

Mr. Deany.—This is all past history. I know the position myself. It is all done with, and it does not affect the question. If Councillor Downing is able to give any new evidence it would be most valuable.

1886. *By Mr. Eggleston.*—I do not think you should put in as a protest something that has been finally changed round by the council?—It is not finished yet. I understand the council will probably send down a representative to place their opinion before this Committee that they should have these conditions eliminated.

Mr. Eggleston.—Well, let them do so.

1887. *By the Chairman.*—I asked the witness to whom he referred when he used the term "we". We do not want any back tales or any tittle-tattle, but we want direct evidence?—At the time of this question being considered I was Chairman of the Electricity Committee of this council.

1888. *By Mr. Deany.*—Why are you not Chairman now?—Because I am not in the council.

1889. *By the Chairman.*—What about your views on this Bill?—Is the rest of this statement ruled out.

1890. *By Mr. Eggleston.*—I do not think you should waste the time of the Committee by giving protests which have been reversed by the council?—Very well.

Amendments Required to the State Electricity Commission Acts.

1. The sole object of the following amendments, which it is proposed shall be inserted in the Electricity Commission Acts, is to confine the functions of the Commission to those which may reasonably be performed by such a body without interfering unduly with the efficient and economical supply and use of electricity.

2. It is a well-known fact that electric energy may be produced more economically in large quantities, i.e., by means of large generating units concentrated under few roofs, than by means of small units scattered among a large number of power houses. And as the site for such a large generating station must be selected on account of nearness to fuel and water supplies rather than proximity to load, it must inevitably happen that the most efficient results will be obtained if energy for many localities be generated in the same power-houses.

3. The ownership of such a generating station may, therefore, reasonably be in the hands of the Government or Commission, especially when, as in the present case, the fuel to be used will be derived from a source like the Morwell fields.

4. It is held, however, by those who have had most experience in this class of work that the distribution of energy in any area being, as it undoubtedly is, a purely local consideration, can best be handled by local authorities, i.e., either individual municipalities or groups of such, where they wish to combine. This is the practice adopted in other countries where electric economies have been more highly developed.

1891. *By Mr. Eggleston.*—You might quote your authority for that?—This has been checked by qualified engineers. I will give you their names if you wish. [*Resumed reading*]:—

5. It is also contended that the functions of the Commission, other than as apply to the bulk supply of electricity, should be confined to administration and research. In other words, the Commission should administer the Acts and any regulations which, on the advice of the Commission, the Governor in Council may issue, and should also carry out survey and research work to ascertain the power resources of the State which may be suitable for development by the Commission for the purpose of bulk supply of energy.

6. It is considered that by so confining its functions, the Commission will occupy the position of an unbiased and disinterested board of reference and administration, whose decisions will not be influenced by questions of policy and whose work and actions will not compete with, and, therefore, be compared with those of other individuals and bodies.

7. If the Commission is to be the maker and administrator of regulations it should not carry out work under the regulations, and thus be in the position of designer, contractor, supervisor and final board of appeal. Such a state of affairs would not only impose a serious disability on municipal and other undertakers, but would certainly tend towards inefficiency and unsatisfactory work on the part of the Commission's staff, thus defeating the very object of its creation.

8. Where necessary, an effort has been made to explain the proposed amendments and the reason for asking for same.

Act 2996.

(a) Section 2.—In definition of "undertaking" insert the words "in bulk" after word "electricity" on the last occasion it occurs in such definition. This is designed to limit the functions of the Commission to the supply of electricity to bulk consumers only, except where otherwise provided for under Section 12 hereof.

(b) Section 2.—Add a definition of “to supply electricity in bulk” as follows:—

The expression to supply electricity in bulk means to supply electricity—(1) to any local authority, company, or person authorized to distribute electricity to be used for the purposes of distribution; or (2) to any local authority authorized by any general or special Act to undertake or contract for the lighting of streets, bridges, or public places, to be used for the purposes of lighting streets, bridges, and public places.

This definition is taken from the English Act dealing with this matter.

(c) Section 2.—In sub-section (a) (1) delete the words “or unification” and delete the words “and to secure the amalgamation or concentration of such undertakings”—bearing in mind the fact that the “undertakings” throughout the State are, in respect to all matters other than the actual generation of energy, local concerns, and are controlled by purely local considerations and conditions, it is firmly held that the “amalgamation,” “unification,” or “concentration” of such undertakings is commercially not feasible, and any attempt to carry out such a policy would inevitably result in a higher charge for electricity, especially to the householder and small consumer. Even if it were practicable, it would only result in the increase in overhead costs.

(d) Sub-section (d).—Delete the word “distribution” and insert in lieu thereof the word “and,” delete the words “and use,” delete the words “and particularly for industrial and manufacturing purposes.” The clause as it stands is almost limitless in its scope, and it is deemed that the “use” of electric energy can certainly with safety be left in the hands of those most concerned, viz., the users. The other proposed amendments to this clause are merely further following out the policy of limiting the Commission to the supply of energy.

(e) After section 2 add new section.—The Commission may appoint a committee consisting of “representatives of authorized undertakers established under the *Electric Light and Power Act 1915* or under this Act or other specially qualified persons for the purpose of giving to the Commission advice and assistance on such matters connected with the general improvements and development of the supply of electricity as may be referred to the committee by the Commissioners, and the Commissioners shall take into consideration any representations which have been made to them by any such committee.”

(f) After 2 (a) insert new section as follows:—“(b) Notwithstanding anything in any special Act or order in force at the passing of this Act, it shall not be lawful for any authority, company, or person to establish a new or extend an existing generating station or main transmission line without the consent of the Electricity Commission (which consent shall not be refused or made subject to compliance with conditions to which the authority, company, or person object, unless a local inquiry has been held by a committee appointed under section (a) of this Act). But this restriction shall not apply to the establishment or extension of a private generating station. Provided that, in the case of the establishment of a new private generating station the owner thereof shall comply with any regulations made by the Electricity Commission as to the type of current frequency and pressure to be used; but such regulations shall be so framed as not to interfere with the economical and efficient working of the business for which the supply is generated.” The powers of the Commission are so wide under existing legislation that it is now suggested that at least some of these powers should be enforceable only after due consideration has been given to the question by a properly constituted committee of inquiry. This course is adopted from the English Act of 1919, under which the English Electricity Commission were appointed, and it should be borne in mind that under that Act the Commission in England must contain a majority of engineers eminent in electricity supply, whereas under the Victorian Act no such stipulation exists, and, in fact, not one of the Commissioners of Victoria has had any such experience, so that the burden of making technical decisions really rests upon the permanent staff, which is not advisable. It is to be noted that section 18 of Act 3104 covers a certain amount of the ground now to be covered by the new clause 2 (b) above, but not in a satisfactory manner, and it is later proposed that this section 18 be repealed.

(g) Section 12.—In sub-clause (b), at the end thereof, add the following words:—“Except in cases where such public bodies or institutions are already being supplied by an undertaker.” The reason for this amendment is that in certain places the existing undertakings, installed by the municipalities, are already supplying such institutions, and no material benefit can be derived by the institution by being supplied by the Electricity Commission. On the other hand, considerable injury would be done to the existing undertakings if these consumers were removed from them, as their load and load factors would be interfered with, the result being that all consumers in the area would have to pay more for their energy. This amendment may not be actually necessary if the word “undertaking” in section 2 be defined, as suggested.

(h) In sub-clause (d), after the word “Act,” insert the following words:—“Provided that such supply shall only be made with the consent of the shire or other municipal council

within whose boundaries such supply is proposed to be delivered, and in the event of an order being thereafter granted to such council to supply electricity within its boundaries, the right of the Commission to supply such person or body of persons shall thereupon cease.” It is quite reasonable and proper where no undertaking is in existence, but where the Electricity Commission can conveniently give a supply of energy that large consumers should have an opportunity of obtaining a supply of electricity, but where the local council or other proper authority is willing to give such supply it is certainly not in the interests of any party that the consumers should be separated, as such a proceeding must be uneconomical and inefficient, and, as already stated, would result in an increase in the cost of energy by all consumers, including the large ones.

(i) In sub-clause (e), at the end thereof add the following words:—“But shall not manufacture or sell electric lines, fittings, apparatus, and appliances for lighting, heating, or motive power, or for any other purposes for which electricity can or may be used.” This clause is taken from the English Act, and is, of course, designed to limit the Commission to the functions already referred to.

(j) At the end of section 12 add the following words:—“Notwithstanding anything in this Act contained the Electricity Commission shall not, except as provided in sub-sections (b) and (d) of this section, sell or distribute electricity directly to any consumer other than undertakers.” This is also for the purpose of confining the Commission to a bulk supply.

1892. *By Mr. Deany.*—Are you referring to the Bill or the Act?—According to the preamble it applies to the Bill and the Act.

1893. *By the Chairman.*—The Bill does not affect other Acts?—Is it absolutely necessary if you want to deal with the conditions that the Bill and Act 2996 and 3104 should be reviewed.

(k) Section 17.—In sub-section (d) delete the words “or unification.” This question has already been referred to under clause (c) dealing with section 11 of the Act.

(l) Sub-section (e).—Delete the whole sub-section. Under sections 11 (4) and 13 of the *Electric Light and Power Act 1915* (No. 2615) the Orders issued to councils, &c., may contain any conditions, &c., which the Minister may deem fit, and the Electricity Commission Act substitutes the Commission for the Minister, so that any further powers are not needed unless an attempt is deliberately to be made to so interfere with councils by inserting penal clauses that they will be discouraged from applying for an order. This clause should, therefore, be deleted.

(m) Section 18.—In sub-section (1), sub-clause (f), delete the words “by the Electricity Commissioners or”; insert after the word “arbitrator” the words “or arbitrators.” Delete the word “them” and insert in lieu thereof the words “the parties to such differences or disputes in accordance with and subject to the provisions of the *Arbitration Act 1915*.” This amendment is simply to provide the facilities for reasonable arbitration, which should be accorded every body or person, and to remove from the Commission the power to act as final Board of Appeal upon disputes between the Commission and any outside body or person.

(n) Sub-section (2).—Delete the word “fourteen” and insert the word “thirty” in lieu thereof; fourteen days is not sufficient interval in which to allow of any objection to be raised. Thirty days is the usual period, and is allowed in the English Act.

(o) Section 19.—Repeal the whole. It is reasonably contended, inasmuch as the *Electric Light and Power Act 1915* was designed and drafted to protect the public and insure that any undertaker supplying electricity took every reasonable care in the erection and operation of the plant to safeguard the lives of the public and the reliability of supply, and as such precautions are equally necessary irrespective of whether the undertaking is owned by the Government or by a municipality, that all regulations which are made for this purpose should be equally binding on the Electricity Commission as on any other undertaker.

(p) Section 27.—In sub-section (2), at the end thereof add the following words:—“subject to the provisions of this Act.” In sub-section (4) delete the following words:—“it shall not be compulsory for the Electricity Commissioners to supply electricity and.” The comments just made re section 19 apply with equal force to the amendments suggested in section 27.

ACT 3104.

(q) Section 15.—Repeal the whole. This clause practically repeals section 8 of the *Electric Light and Power Act 1915*, under which every council was entitled to an order for its district.

As already stated, the Commission can insert any such conditions as may be necessary in any Order, so that there is no reason for refusing councils an order unless the Commission intends entering the field of retail suppliers, which it is maintained the Commission should not do.

(r) Section 16.—In sub-section (2) delete all words following the word “Council” on the third occasion upon which it

occurs. Sub-section (3).—Repeal the whole. Sub-section (4).—Repeal the whole. Sub-section (5).—Repeal the whole. Again reverting to the functions of the Commission, it is held that the public will lose the protection which it should have in a body such as the Commission, if the Commission acts as consulting engineer, contractor, and administrator. The work of advising and contracting can best be carried out by firms or persons, who must comply with regulations issued by the Commission, which will then be in the disinterested position to see that all such advice and work is sound. Furthermore, sub-section (5) of this section absolves the Commission from responsibility, so that the councils, &c., will have no redress whatever if the Commission does the work, and such a position does not and cannot encourage efficient and good work on the part of the Commission.

(s) In sub-section (6), at the end thereof add the following words:—"But such rates shall not be fixed at amounts lower than will return to the undertakers sufficient income to cover their expenditure, including interest and sinking fund charges, with such margin as may be agreed upon between the Commission and such undertakers." This amendment or addition is taken from the English Act, and is designed, not to allow any municipality to make large profits, but to insure that they are operated on sound financial lines. The Ontario Commission is authorized to similarly fix rates, and actually insists upon the municipalities setting aside 6 per cent. per annum as a fund so that at the end of thirty years the undertakings are paid for, and there is sufficient reserve to purchase a complete new scheme, which shall then be free of debt. This will obviously enable the cost of energy to be very considerably lowered at this date.

(t) Section 17.—Repeal the whole and substitute the following new section:—"17. (1) Notwithstanding anything in sections 43 and 44 of the *Electric Light and Power Act 1915*, the Commission may, with the approval of the Governor in Council, and after such inquiries have been made as the Minister thinks fit, at any time enter into negotiations with any undertaker referred to in those sections with a view to the sale by the undertakers to the Commission of the whole of their undertaking, and in the event of the undertakers agreeing to sell the undertaking to the Commission, the Commission shall be entitled to purchase the same upon the same terms as any council or councils would have to pay, and at any time at which any such council or councils would be entitled to require the undertakers to sell the same under those sections, provided always that such sale or purchase shall be without prejudice to the rights of the councils to purchase such undertakings as provided under those sections from the Commission as the assignee of such undertakers, or to the terms of any contract then subsisting between such council or councils and such undertakers respectively." Section 17 as now constituted derives a council from purchasing an undertaking provided that the existing undertaker is willing to sell to the Commission. The clause as now proposed will restore this right of the councils, and it has already been pointed out why the councils should undertake distribution and not the Commission.

(u) Section 18.—Repeal the whole. As this matter has already been provided for under clause (f) dealing with section 11 (b) of Act 2996 above, this section 18 is no longer required, and should therefore be deleted.

(v) Section 19.—Insert after section 19 new section as follows:—"19. Notwithstanding anything contained in section 19 of the *State Electricity Commission Act 1920*, the Commission shall not after the commencement of this Act be entitled to supply electricity except in bulk or with the consent of the council within whose boundaries such supply is made, without prejudice nevertheless to any contract in force at the commencement of this Act." The Commission is already supplying energy to several consumers in the western suburbs, and nothing should prejudice any existing agreements; nevertheless, no extension should be made to these consumers, either in number or in time, provided that the councils of the particular districts are willing and anxious to act as distributors.

ACT 3171.

Section 5.—Repeal the whole of section 5. This subject has already been referred to in clause 8 dealing with section 16 of Act 3104 above.

The *Local Government Act 1917* provides that all such undertakings shall be installed and operated under the supervision of a duly qualified engineer, and as all such engineers, whether they be engaged by the councils as managers or as advisers, must operate under the regulations and to the approval of the Commission, it is strongly held that if this is amended the councils will lose the protection referred to in clause (r); in other words, the arrangement specified by the *Local Government Act* is a greater protection to the public than that provided under section 5 of Act 3171, so that this section should be repealed.

On the 26th instant the following answer was given by Sir John Monash to a question by Mr. Deany:—

Ex-Councillor Downing said, regarding high-tension lines, the Commission intended to restrict them to lines which would only transmit half-a-mile. That is causing a lot of concern in Warrnambool as to the carrying capacity of such lines?

Sir John Monash.—You don't want me to accept Councillor Downing's views on electrical engineering, do you? Of course, its wrong, absolutely wrong.

This answer is typical of the man who made it. Of course, it is wrong; absolutely wrong. This is a matter in which Sir John Monash and I are both in exactly the same position; we are neither of us electrical engineers.

1894. *By the Chairman*.—We do not want these personal discussions dragged into this at all?—This was a slap at me, and it is not a fair thing. May I state that I did not make that statement except on the authority of a qualified electrical engineer (Mr. H. R. Harper), who, Sir John Monash says, is, "Wrong, absolutely wrong."

1895. We do not want these personalities introduced; confine yourself to the Bill?—Very well, Mr. Chairman, I am done.

The witness withdrew.

Councillor William Howard Turner, Chairman of the Electric Lighting Committee of the Northcote City Council, recalled.

1896. *By the Chairman*.—What portion of the evidence do you wish to refer to or supplement?—My remarks are merely a statement from the Northcote City Council—a very short statement, putting Northcote's point of view in regard to its position as an undertaker of the distribution of electricity. The following is the statement:—

Referring to the controversy as to the Electricity Commissioners undertaking the distribution of electricity to consumers as well as suppliers of electricity, and to either take over the whole or a part of the municipal undertaking, one of the arguments used is that the municipalities are making profits and applying same to the reduction of rates. Supposing they are; what objection can there be made to the practice, providing the price charged for the current supplied is a fair one? There must be a margin for surplus to provide for renewals, depreciation, reserves, and general extensions, and if there is any surplus after such provisions it justly belongs to the Municipal Fund, as if the undertakings were run at a loss the Municipal Fund would have to make up the loss. That is actually the position with the Electricity Commissioners, except that if a surplus or a loss occurs the Consolidated Revenue would either gain or lose, as it is with the Railways and the State Coal Mine. It is a poor argument that does not apply to the municipality as to the Government, so that if the State takes any surplus or has to bear any loss why should not the municipalities do the same with their undertakings?

Comparing Australian conditions with English practices, we find from the *Municipal Year-Book* that there are 198 municipalities distributing electricity, and the following amounts, being proportion of profits in the respective municipalities, were transferred to the Municipal Fund:—Manchester, £68,207; Liverpool, £50,000; Leeds, £39,758; Halifax, £16,338; Birmingham, £15,324; Sheffield, £15,000; Salford, £15,000; and many others. The *English Electricity Suppliers Act 1919* empowers the Ministry to spend up to £20,000,000 on generating stations and transmission lines.

Surely, in the face of the above figures, there is not any necessity for our Government or its Commissioners to do more than the generation and supply in bulk of electricity, leaving the municipalities to distribute.

1897. Those were the figures taken from the electricity profits from English suppliers?—That is so. I wish to interpolate a note that some of the councils are objecting to the Government generating. We offer no objection to the Government generating electricity in any way; as a matter of fact, I think the Northcote City Council prefer it. Regarding the undertaking of the Northcote City Council, the Council in 1913 resolved to become distributors of electricity, and in May, 1914, supplied current to 100 consumers at a flat rate of 5d. per unit for lighting and 2d. per unit for power. Those rates were maintained until last year, when, in consequence of a rise in the bulk supply rate, the council were obliged to increase the rates to consumers to 5½d. for lighting and 3½d. for power.

1898. You get a bulk supply; you do not generate?—We get our supply from the Melbourne Electric Supply Company. During the five years the council adopted a forward policy for extensions, and at the present time distributing mains are erected in every street in the

closely-populated area and in many streets in the outer areas of the city. The number of houses in the city is 7,500, of these 5,000 are supplied with electricity, and new consumers are being connected at the rate of 50 per month. During the last twelve months the increase in consumers was 850, which is an indication that the service given by the council is entirely satisfactory. The total capital expenditure to date is £45,790, of which sum loan moneys have provided £30,500 and £15,290 out of surplus revenue. Last year the surplus represented 7.7 per cent. on the capital invested, which cannot be termed an exorbitant rate. The extent to which the consumers in this city have grown, and practically the entire absence of complaint in regard to the administration of the undertaking, bears out the fact that the council are carrying out the obligations placed upon them by the Order in Council and are giving satisfaction to the ratepayers generally. There are also other aspects of the case which are greatly in favour of municipal control of distribution. Under municipal control the consumers are directly in touch with the council, and if the management of the undertaking is not satisfactory they have an opportunity annually at the elections to deal with the matter. It has been said that control by the Commissioners will reduce administrative costs, in the fact that there will be only a central office to maintain; but it is questionable whether any saving will be effected, as suggested, for a great deal of time will be wasted by officials having to attend daily in the city whose work is practically wholly in the suburbs. The convenience of consumers also must receive consideration. At the present time complaints are received at the local town hall and attended to practically at once. On the other hand, with a central office, complaints would have to be made by letter or telephone and attended to from the city. Also, in the payment of accounts, numerous consumers do not wait for the collector to call, but pay at the office every month. It is reasonable to suppose that they would not take the trouble to journey to the city to pay; and this would mean further expense in the employment of collectors. The collection of accounts due is an important item, and there is no doubt that better supervision is obtained from an office in close proximity to consumers than from one some distance away. The experience of the Northcote Council in this regard is somewhat unique in the fact that in eight years consumers have grown to 5,000; the value of current supplied during the period is £73,570, and only £31 12s. 5d. bad debts have been incurred. Generally speaking, it is not in the interests of ratepayers that the control should be invested in a central body who are not in touch with local conditions, as against a council which, through councillors and officers, has at all times a knowledge of the requirements of the respective sections of the municipality. My council are of the opinion that the Government will act wisely if they limit the operations of the Electricity Commissioners to the generation and supply in bulk of electricity and not in any way interfere with the rights of municipalities, who have, with no small amount of trouble, acted in the interests of ratepayers in distribution of electricity. I might add that during the whole period the Northcote Council has been operating, there has been only transferred to the Municipal Fund a sum of less than £3,000, of which £2,000 was transferred within the last month. We have somewhat amended our ideas upon the practicability of devoting profits to renewals and extensions. We have come to the conclusion that perhaps it is a fair thing, considering we are doing so much by which posterity will benefit, that we should leave some of the charges to be paid by posterity, and we are now going into the matter with a view to making a drastic reduction in the cost to our consumers.

1899. As I understand, you have no objection to the present system so long as municipal control is retained?—And distribution; that is so. As a matter of fact,

we prefer a State supply of bulk electricity rather than a private supply.

The witness withdrew.

Committee adjourned until Wednesday next.

WEDNESDAY, 8th NOVEMBER, 1922.

Members Present:

Mr. McLEOD, in the Chair;

Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

Councillor Alexander Llewellyn Wetenhall, City of Malvern, examined.

1900. *By the Chairman.*—To which particular point do you wish to refer in giving your evidence?—I am appearing on behalf of the Malvern City Council, of which I am a councillor, to state its objection to the above Bill.

Section 2, sub-section (6), clause (e).—We object to this clause because it will add to the cost of electricity in Melbourne. The whole loss after providing for a fair charge to the country undertakings should be borne by the people of Victoria as a whole, and not by the consumers of electricity in Melbourne. If the schemes are for the benefit of the country as a whole, no section should be called upon to bear an undue proportion of the cost.

Section 2, sub-section (8).—We object to this clause because the principle, if allowed to go on without objection now, may later on be applied to city municipalities. As I understand this clause it would mean that the Commission would control the supply up to the consumer's terminals in every case where the net work has a voltage of 2 multiplied by 230 or over—that is over 460 volts. In the case of the area south of the Yarra, this would involve control by the Commission right up to the final sub-stations, and mean a tremendously increased staff for the Commission. These final sub-stations occasionally require to be moved, and in case of electric troubles require urgent attention, which can be much more effectively given by bodies with local staffs.

Section 3.—We object to the words in this section “to the exclusion of any municipal council or councils,” because this is taking away from our Council and other Councils similarly placed rights which were vested in us in 1895, under the Electric Light and Power Act of 1896, and we also ask that section 17 of the 1920 Act be amended by the omission of the same words, and that section 15 of the 1920 Act be amended to conserve our rights. With regard to that Act of 1920, section 15, provides that a Council shall be entitled to an order to supply electricity without the consent and approval of the Governor in Council. Well, now the view we take in regard to that 1920 Act is this—that it was rushed through, and that the councils had no opportunity of considering the effects of the Bill, and, having got to understand the effect of it, we think that that Act should be amended, not in the direction of increasing the scope of the Commission, but in the direction of reducing it. Failing an amendment of section 15 to conserve our rights, we would ask that at least section 17 of the 1920 Act be so amended that any agreement made with an undertaker by the Commission should be subject to the approval of Parliament. Our Council, as one of those interested in the acquisition of the Melbourne Electric Supply Company's undertaking in 1925, considers that its rights under the Electric Light and Power Act of 1896, should not be taken away without a hearing. Our view is that the Commission was

established to supply electricity in bulk, and the Chairman has repeatedly stated that the Commission does not wish to interfere with distribution by the Councils. According to newspaper reports, he has also stated that the Commission has no power to enter upon the business of retailing electricity in any municipality without the consent of the municipality. The Attorney-General has stated publicly that the claims of municipalities to distribute electricity are as ridiculous as claiming to control the water supply by separate bodies. In view of the Chairman's statement, that portion of section 17 of the 1920 Act in parenthesis is quite unnecessary.

1901. You spoke of an amendment of section 17 of the 1920 Act?—Yes, under that section the Commission can enter into an agreement with an undertaker, without any reference to the Councils concerned, and may go on with the agreement. In clause 3 of the present Bill there is a provision, that Parliament should have to ratify those agreements, and we think that that provision should, at least, be extended to section 17 of the 1920 Act.

1902. The Commission has power to deal with that; what is it you want?—We want it to be subject to approved by Parliament. We suggest that all agreements entered into by the Commission with undertakers should be subject to approval by Parliament. We think that is a reasonable thing. Then I was pointing out that, in view of the statement of the Chairman of the Commission, that portion of section 17 of the 1920 Act in parenthesis is quite unnecessary. That is to say that if the Commission has no wish to take over undertakings without the Councils consent, then why do they want the power? Our view is that section 17, with the portion in parenthesis, was passed to give the Commission power to acquire undertakings such as the North Melbourne Electric Light and Power Company, and in that indirect way to so white-ant the undertaking of neighbouring municipalities that ultimately they may be forced to accept the Commission's terms. We think that the speeches and undertakings of the Chairman of the Commission and the passing of these various amendments are distinctly contradictory, and we would prefer that the Commission should have no power to do what the Chairman says he has no intention of doing. I do not mean that in any sense as a reflection on the Chairman, but he is not the Chairman in perpetuity; he may give an undertaking to-day, but he may not be Chairman to-morrow.

1903. What particular power do you refer to?—The power of purchasing undertakings without the consent of the Council, and power to retail, and come in and buy portions of undertakings. We have no reason to expect any appreciable reduction in the cost of lighting, or really in the cost of power, though we expect that the Commission will give us a certainty of both, which is worth paying something for. Under the original estimates in the report of 1917, it was estimated that there would be a saving in lighting cost of 3.5 per cent., which would have amounted to less than a farthing per unit. Estimates made in 1919 by Mr. Harper, the Commission's Chief Engineer, show a considerable capital increase, and actual experience is showing so much greater capital expenditure that we cannot hope to realize even the small saving estimated in 1917. Should the Commission purchase an undertaking such as the Melbourne Electric Supply Company, it will scrap the power-house and plant, and thus further add to its capital charges. If it does not scrap the power-house it will be a proof that the Commission cannot compete with the undertaking by which we are at present supplied. When the time comes for us to negotiate with the Melbourne Electric Supply Company, if the Commission can then supply bulk electricity at such a rate as will pay us to take it and scrap the power-house and plant, we should be glad, but we fail to see why we should have our rights taken away from us in order to

partially make up the deficit caused by excursions into the country. As the Act stood before the 1920 Act, we might, in the exercise of our rights, make all arrangements with the Melbourne Electric Supply Company to take over their undertaking, and at the last moment the Commission might step in and decide that it would not allow us, as it might want our undertaking to increase its load factor. The Commission now is in the position of a competitor with practically the power of Parliament over its rivals. If Parliament should decide that the Commission is to have this absolute power, it should be enacted in a definite and clear manner, after giving other parties interested an opportunity of being heard. At present the Commission is like the Ministry's pet cat. Its paws are very soft, and it touches us so gently that we cannot think of it doing us any harm, but we are afraid of the hidden claws in the shape of these amendments which are creeping in for use in emergencies. To sum up, we will support the Commission as fully as possible, so far as it confines itself to the supply of power in bulk. We object to the methods of the Commission, going into municipalities and white-anting existing undertakings preparatory to swallowing them. We object to section 17 of the Act of 1920, and desire its amendment by striking out the words "to the exclusion of any municipal council or councils." We object to clause 3 of the present Bill, which gives a similar power, and also gives the power to take part only of an undertaking.

1904. What do you refer to when you speak about the Commission going into municipalities and taking power to distribute?—I say "take part" only of an undertaking, such as, for instance, the Commission distributing power within the city of Melbourne; that has been done by virtue of the purchase of the North Melbourne scheme; they are supplying within the city of Melbourne area.

1905. Looking at the matter fairly all round, that power for supplying the district was granted originally by Flemington and Kensington, and also Essendon, for the Tramway Company. Then, under certain circumstances, we have to consider that the Electricity Commission purchased the rights of the Tramway Company, with the right of continuing the supply for a number of years—twelve years; you cannot call that intervening, except an intervention as it happened under the law?—I am asking that you should consider a recommendation to prevent them doing that sort of thing without the consent of the councils concerned.

The Chairman.—That is a specific case where the councils had already given consent to the distribution of electricity by the Tramway Company—the Mel-City Council had given it.

Mr. Ellery.—No, we did not.

Mr. Eggleston.—Your predecessors there, the Flemington Council, did.

1906. *By the Chairman.*—The Commission purchased the undertaking, and with it the right to distribute electricity; that is an exceptional case altogether?—Our objection is to the Commission entering into the retail business, whether indirectly by purchase of original undertakings, or directly. The object of the formation of the Commission was to supply electricity in bulk. The reports of 1917 and 1919 are based apparently on that assumption, and this entering into the retail business is only a comparatively recent development.

1907. *By Mr. Deany.*—You do not object to a private company retailing electricity, and yet you have grave doubts about the Commission retailing it; you are at present supplied by the Melbourne Electric Supply Company?—Yes, but they have only a limited scope and they are bound—they cannot charge more than a certain amount. They cannot pay large dividends, and they cannot spend their money in other parts of the country.

1908. The Commission will not be allowed to make a profit at all?—But the Commission is allowed to make a loss; it cannot be prevented.

1909. And the Company will take fine care it will not make a loss?—But the Commission is not under control, and the company is.

1910. But the Commission is a public body under an Act of Parliament and its accounts come before Parliament every year.—With all due respect to Parliament, the accounts which come before Parliament are of no concern; they really do not take the trouble to inquire into these things any more than the railways.

Mr. Deany.—They do more than the shareholders of a private company?

Mr. Eggleston.—Yes, and more so than the customers of a private company, which is really the analogy.

1911. *By the Chairman.*—Many witnesses have spoken of the Commission as if it was a company; they forget that it is purely and simply a Government Department carrying on business under direct instructions from Parliament for the purpose of providing an electric supply. They have no interest in making losses or in making profits either. The reason I mention that is because we have not before us any concrete instance of the Commission having come in to invade the rights of any private companies at all. I want you to recognise that this North Melbourne business is an altogether different matter. I am just putting this to clear up the position. The Flemington and Kensington Councils—at that time that was a separate municipality—and also Essendon, had been asked to give the Tramway Company certain powers and privileges, and those powers and privileges were agreed to by the City Council?—The City Council was not interested in that area then.

1912. No; then there were the usual provisions as to the Company getting into difficulties and so on, and after various negotiations the company sold to the Electricity Commission—practically sold to the Government. Then in pursuance of the agreement and the responsibility which rested upon them under the agreement, they did commence to supply electricity, and that is a very different matter to what you have been speaking of. If they failed to do that they would have been liable to forfeiture of the whole thing. That is the distinction between the two matters?—I understand that the Commission is supplying privately to people down in Port Melbourne. I do not know whether any evidence has been given on that point. That, of course, can be explained, but the point is that under the 1920 Act, they have the power, without the consent of the municipalities, to come in and buy undertakings. They have the power to take over the Melbourne Electric Supply Company which formerly all the municipalities south of the Yarra had the right to take over. They have the power, without our consent right up to the last moment, to take that undertaking, and if this Bill is passed, they can take any part of an undertaking; for instance, they can take the mains and leave the power-house, or they can take the high tension cables and leave the low tension cables.

1913. I am afraid that that is not so, if you examine the Act?—I am afraid it is so, under the Act.

1914. In Port Melbourne the concessions were really given to the Railway Department; they had the power to supply those places; then the Act transferred to the Electricity Commissioners the powers of the Railway Department and the responsibility of supplying those places. What the details are, I do not know; we have not got them yet, but we will get them?—It is not what they have done so much; what they have done may be for the benefit of the country and everyone concerned. I do not know about that. I am not sufficiently well versed to know, but under these propositions what they would have power to do is to take

over the undertaking of the Melbourne Electric Supply Company without reference to any of the councils south of the Yarra. Now, rightly or wrongly, the councils south of the Yarra say that the question of the distribution of electrical energy in that area should remain with the councils.

1915. *By Mr. Eggleston.*—Why?

1916. *By Mr. Deany.*—Do the councils say that?—We certainly say that.

1917. But are you all agreed; the whole of the councils?—I have not the least doubt that we will all agree when the time comes.

1918. *By Mr. Eggleston.*—Why do you say there is an inherent right in the councils to do this?—I do not say there is an inherent right; I think there was under the Act of 1895, but that right was taken away by a small portion put in parenthesis in the Act of 1920, which was not put before the municipalities, and nobody knew it was going in.

1919. If it were shown that that principle was unsound would you still insist on it?—No.

1920. Have you looked into it closely?—Yes, and I am convinced that the most economical way to deal with the supply is by means of a comparatively small body, which has its local knowledge. There is one point alone that I might stress, and that is in regard to faults occurring at sub-stations. In the area south of the Yarra there are some 100 or more sub-stations scattered about at different places. If a fault happens in any one of those at present the Melbourne Electric Supply Company has got its staff, and it can rush its staff out and get the thing put right quickly, but if you have a big concern like the Electricity Commission it cannot have its staff all over the place without waste.

1921. But its staff would be just as central as the staff of the Melbourne Electric Supply Company?—It would require to be larger to deal with the different scattered stations.

1922. But the distance from Richmond to Sandringham is just as great as the distance from Melbourne to Coburg; it is only the distance from the centre that counts; you are working under a centralized system yourself, and now you are objecting to it; the Melbourne Electric Supply is a highly centralized system?—But it is not unwieldy.

1923. It is just as unwieldy as the other?—You may think so.

1924. I put it to you that it is just as unwieldy?—As something governing the whole of the State, or something governing the whole world.

1925. No, there is no question of the whole world, but you are assuming that the Commission will not have an organization for the city of Melbourne?—No, I am assuming that they will have a most expensive organization for the city of Melbourne—more expensive than ours.

1926. That assumption is quite unjustified; it is merely drawn from the air; what evidence have you to support a statement like that?—Because the Melbourne Electric Supply Company has an area there, and if the councils took it over they are all interested, and they know their districts; they have got their staffs all ready, which could do a certain amount of extra work, and the administration could be done more economically than by a new body coming in and taking the whole thing over.

1927. Well, take the staffs, is it not a fact that every municipality which takes a bulk supply has to have a staff at present?—But its staff can be a staff which is doing other work.

1928. No, you must have a specialized staff to deal with electricity?—From the technical side, but not from the administration side.

1929. Do you mean to say that your rate collectors could also do this work?—Yes, and our Town Clerk and our municipal officers could be used.

1930. Do you contemplate each of the southern municipalities taking on the distribution within its area, and buying in bulk?—No, I do not. I anticipate that the southern municipalities will join together and choose a central position for its administration, and from that central position it will be more convenient than the offices of the Commission.

1931. Why should it; what is the matter with a district council controlling the retail supply for the whole of the metropolitan area?—What do you mean?

1932. A district electrical Board to deal with the distribution of electricity for the whole of the metropolitan area?—A Board to deal with the whole of Melbourne, instead of parts of it?

1933. Instead of two-thirds of it?—I have never heard of the proposal previously.

1934. It has been mentioned frequently; it was mentioned by Mr. Arthur Robinson, for instance. Would not that be better than individual councils?—It would be better than this Commission in its present form; but I should say it would be better still to leave it to the people who know the local requirements, and who already have staffs.

1935. But who know nothing about electricity?—You do not require to know anything about electricity to collect accounts.

Mr. Lind.—The councils have handled their own schemes for a long time, and I think we must give the witness credit for backing up statements which have been made by other representative men before us; it is not fair to suggest that these people who have run things for so long are unable to continue it.

Mr. Eggleston.—Your facts are wrong. The facts are that none of these sixteen municipalities have ever run their own electricity at all.

Mr. Lind.—But they control it.

Mr. Eggleston.—It is only in the case of some of the northern municipalities that they generate it.

Mr. Lind.—But, through their executive officers, they have been handling quite a lot of the business.

Mr. Eggleston.—No.

The Witness.—It would be just as unreasonable to say that we, as councillors sitting at a municipal council meeting, had no right to criticise the construction of a road because we had never been actually engaged in the laying out and construction of a road.

1936. *By Mr. Eggleston.*—It is not criticising, it is managing?—We manage the affairs of the City of Malvern, which has a revenue of £80,000 a year; and yet the bulk of that is spent under the supervision of an engineer; we have to rely on his technical knowledge. We, individually, do not know whether he is using too much tar, or too much metal, or too much blinding; but, in a general way, the councillors are there to control those matters in the interests of the ratepayers. Our ratepayers are in touch with us, and if anything goes wrong we soon know; and in that way the ratepayers, to my mind, will get better service than if this distribution business were in the hands of one central body dealing with the whole State. They cannot be approached in the same way.

1937. Do you not think that there are technical problems involved in the distribution of electricity which are far more intricate than those connected with road making?—I would not concern myself with either as a member of the Board.

1938. There are some very difficult questions of electrical economics and of the charges to be made up from different customers?—Those are questions for a few experts, and the less you and I dabble in that the less trouble we will have.

1939. *By Mr. Deany.*—Well, is not that a good argument for the Commission?—No, I do not think so.

1940. *By Mr. Beardmore.*—Would you favour a Board?—I would favour something less than the whole Commission.

1941. A group of municipalities controlled by a Board?—A grouping of municipalities in some way that would be economical; if it would be more economical to have one Board like the Metropolitan Board of Works, well, then, form that Board.

Mr. Lind.—You know that local knowledge is valuable in the distribution of electricity.

Mr. Eggleston.—Yes, I agree with the witness. I think that local knowledge is valuable.

Mr. Lind.—In reply to your remark, Mr. Eggleston, you said that these people who have been before us have not been distributing electricity. We have had the City Council representatives here, and—

Mr. Eggleston.—But I am speaking of the southern municipalities.

Mr. Lind.—I am not speaking about this particular witness only, but I am referring to others who have made statements similar; and surely we must place some credence on their statements; we must give them a fair chance.

Mr. Eggleston.—But I am pointing out to the witness that he is working under a highly-centralized system at the present time, which covers two-thirds of the area of Melbourne, and in that area not one council has ever controlled the distribution of electricity.

Mr. Lind.—Yes, but do not let us tell a witness he is wrong.

Mr. Eggleston.—I did not tell him he is wrong.

Mr. Lind.—It has been suggested.

1942. *By the Chairman.*—Local knowledge is very valuable so far as a district is concerned; but in regard to electricity and its supervision, and technical works, how far does it go?—As far as supervision of the actual technical works is concerned, it would not count at all.

1943. Well, that was an argument in regard to distribution being in the hands of the councils?—Well, the cost of distribution is not only the cost of laying down the mains. Once that is done you have got, on top of that, the annual charges. Well, now, the annual charges for administration and that sort of thing amount to a very large sum indeed. For instance, I think I am right in saying that we charge 5d. a unit for electric light in Malvern—perhaps it is 5½d.; now, the actual cost of producing the current and bringing it to a condition ready to send out to us is something less than 1d.; the rest of it goes in interest and capital charges for distribution and in administration charges. The administration charges, I believe, have run into something like 25 per cent.—that would be 1½d. Well, now, on these administration charges and on the question of the laying out and the necessity for further connexions and all that sort of thing, I think the local knowledge is valuable and would assist in doing the thing economically as compared with a central body.

1944. *By Mr. Beardmore.*—Do you know the actual cost in bulk of the electricity your council is buying?—We are not buying it; the Melbourne Electric Supply Company is generating and supplying it.

1945. Do you know what you are paying for power in bulk; I presume you take some power in bulk?—No, I could not tell you that.

1946. *By the Chairman.*—The question of the daily supply to the consumer or householder depends on the supply of power, and the supply of power is always dependent—we had lengthy explanations regarding it—on the ruling factor; but what I want to point out to you on this question is this—things got into such a state some years ago that Parliament appointed this Electricity Commission, and one of the first things they were appointed for was—

“To inquire into and report to the Minister as soon as practicable and from time to time as to—

(1) the steps which, in their opinion, should

be taken to secure the ultimate co-ordination or unification of all State and other undertakings in Victoria, and to secure the adoption of such standards of plant and equipment, and of system frequency and pressure for the generation, distribution, and supply of electricity as will admit of the efficient inter-connexion of such undertakings and interchange of electricity throughout the same, and generally the safe, economical, and effective supply of electricity throughout Victoria, and to secure the amalgamation or concentration of such undertakings."

It has been represented to us that we have several different systems here instead of one uniform system for the whole. If you buy an electric bulb for the city of Melbourne, that is no good to you in Richmond or South Melbourne; if you buy one at Richmond you cannot use it in South Melbourne or Prahran. It is a great waste of energy and time, and Parliament decided that it would have this body to control and regulate the whole of the proceedings; and it is now just bringing this into operation by degrees, as far as we are going. Then there are certain provisions which might appear at first to be objectionable, but afterwards they may not appear so. I think I may say, without hesitation, that almost all the members of this Committee are in favour of the municipalities, as far as possible, being allowed to do their own distribution?—Is that so?

1947. The Chairman of the Commission gave us pretty strong reasons why cables over a certain tension should be under the control of experts from their Department. There are electrical reasons which I am not going into, because they are too round-about and too abstruse and too long to understand them all?—I have heard them.

1948. But you have to bear this in mind, and it is what meets us all along the line—that witnesses discuss the question very often, as if the Commission is some private enterprise, trying to make money out of the people. Well, now, the Commission is purely and simply a Government Department, charged with a mission here to act as an administrative body, and to bring things into uniformity as far as they can. They have no interest in interfering with anybody, and I do not think they are getting fair play all along the line, as far as things are going, with people objecting to things being done for which technically there may be very strong reasons. I think that, as far as we have got it in evidence, the Commission is very anxious that power to administer their own affairs should be left in the hands of the municipalities as far as possible. There is a lot of difficulty with regard to the more closely settled municipalities, close to each other. Take South Melbourne and St. Kilda, for instance. The company there is doing the distribution and attending to the collection of money. Well, there may occur cases where a municipality might prefer to have it done in that way, and not bother about the distribution at all, and not bother about the necessary works for maintaining the supply in order, because if the municipalities take the matter over there will be the question of repairs and other things to be attended to. As far as we are concerned, we have had to face the thing, and, despite a lot of trouble, ascertain the governing principles in relation to electrical distribution, and they are not at all easy to grasp at times. It is not like a matter of supplying groceries, such as tea and sugar; we have to deal with matters which are practically novel to us. That is the difficulty, and we find it more and more in dealing with the evidence submitted to us. Whilst I am strongly in favour of the municipalities having as much power as they can possibly get, I think there is an undue fear in many cases as to the powers of the Commission. The Commission has told us that

they have no wish to extend their powers or to interfere?—Well, why do they ask for extra power; why is this clause put in?—

"3. (1) (a) . . . The Commission (to the exclusion of any municipal council or councils) may at any time enter into an agreement with any undertaker referred to in the said sections forty-three and forty-four for the purchase by the Commission, and any such undertaker may enter into an agreement with the Commission for the sale to the Commission of the whole or any part of any undertaking. . . ."

Why do they want to do that?

1949. There may be an undertaker who wants to obtain a supply at a very high tension, which is not adapted to the ordinary requirements of municipal supply?—But this is to give the Commission power to purchase an undertaking; it is not a question of bulk supply.

1950. *By Mr. Eggleston.*—Do you understand the position under the Melbourne Electric Supply Act?—In the main, yes.

1951. You have not got any power to purchase anything from the Melbourne Electric Supply yet, but later on it may be purchased as a whole?—Yes.

1952. And that involves sixteen separate municipalities negotiating collectively with the Melbourne Electric Supply?—Yes.

1953. Does not that put the Melbourne Electric Supply in an extremely strong position?—I do not know; they cannot get anything for goodwill.

1954. But you have got to get unanimity amongst your sixteen councils?—I do not think there will be any difficulty in that.

1955. Have you ever known sixteen councils to be absolutely unanimous on anything?—I have never seen them after such a good thing, in my opinion, as this.

1956. Oh?—I mean, from the point of view of the ratepayers. It is not a question of money-making, it is a question of the desirableness of it.

1957. Surely the question of terms is very important?—Yes.

1958. Do you not think that if the Melbourne Electric Supply Company can play one council off against another that puts it in an extremely strong position for negotiation; one body offering to buy alone would be in a much stronger position than sixteen separate bodies?—Well, we might employ the Commission to negotiate for us.

1959. It has been said that you have done so?—Our council has not, anyhow. I think it would be a very sensible thing to give the Commission power to do this at the request of any municipality instead of to the exclusion of the councils.

1960. But you have sixteen consents to get?—Supposing we put it that the Commission could do this at the request of any council or group of councils whose interests are concerned; if the sixteen councils could not agree that would be known in good time.

1961. And the Melbourne Electric Supply Company would know, too?—Of course, they would; then a neat little amendment like some of these might be brought in, giving power for a majority of those councils to delegate to the Commission power to enter into an agreement for them, and that would meet the case, rather than giving the Commission, to the exclusion of the councils, the whole right of doing these things.

1962. Do you not think that Parliament, having appointed a Commission of very distinguished men and citizens who have a very good record in the community, might very well trust them to act on behalf of the public, including these municipalities, on a question like this?—The view I take is this—that they have ample scope for their time and talents in dealing with the question of supply in bulk of electricity; no such supervision as is proposed was vested in them under

the original Act, and when you put extra duties on to them like attending to distribution of electricity in a retail way you are overloading them, and giving them more to do than they can do economically, and with all due respect to the members of the Commission, my own personal view is that they are trying to magnify their office, and that they are trying to do great deal more than it was ever intended they should do.

1963. Well, if you look through the legislation you will find that that view is quite wrong—that they are not doing nearly so much as the original Act provides they should do. However, leaving that to one side, is it not a fact also that the municipal councils have got a good deal to do?—Yes.

1964. In looking after roads and buildings?—Yes.

1965. Well, might not the same argument apply to them?—No, because if we took over a show of this kind there would be a small committee—a body in a small way like the Melbourne and Metropolitan Board of Works—consisting of representatives of each of the councils, who would be experts, or as near experts as the councils could produce, appointed to deal with it.

Mr. Eggleston.—That remark tends in the direction of my own feelings, and they are that there should be a district board for the whole of Melbourne. I do not know, but I should not say a great many members of this Committee would favour your argument for it being handled by the individual councils.

Mr. Beardmore.—No; district boards.

The Witness.—What I object to is the Commission coming in and taking away from either a council or a group of councils the right of distribution.

1966. *By Mr. Eggleston.*—But this is not the mere barren question of right; there is the interest of the consumers to be considered?—Yes, we think that in the interests of the ratepayers.

1967. But that is a different thing to the interests of the consumers?—Well, the consuming ratepayers.

1968. There are consumers who are not ratepayers?—I put it that in the interests of the consumers who are ratepayers we can do the thing more economically than the Commission.

1969. You understand that neither the Commission nor any council which handles electricity will be permitted to make a profit?—We do not want to make a profit; we only want to do the thing economically.

1970. You are asking for an additional burden to be placed on the municipality for which you will get no additional benefit?—It is in the interests of the ratepayers; we are seeking to benefit our ratepayers.

1971. But with an expert body whose sole concern is electricity they might be able to supply the ratepayers more cheaply than you; do you not think that?—No, but I think they could supply in bulk.

1972. You think there is an absolute separation?—I think there is a good deal of machinery required, and so on, and that persons supplying in bulk might well have their time fully occupied.

1973. In the same way as councils might be fully occupied with roads?—Yes.

1974. Are you aware that three separate committees which have sat in England have presented reports saying that the ideal system is to have one authority supplying in bulk and retail?—That is not recommended by the Chairman of the Commission; he says that he is in favour of allowing the control of the distribution to remain with the municipalities.

Mr. Eggleston.—I do not know that he did say that.

Mr. Beardmore.—That is the sense of it.

1975. *By Mr. Eggleston.*—In certain cases, but you are applying what relates to an isolated country municipality to a congested city area?—I have not got the shorthand report of his evidence, but this is a press report of Sir John Monash's evidence when he was

dealing with Councillor Thompson's statements. It states here:—

"The fears expressed by Councillor Thompson could not be realized, because the Commission could not supply electricity in a municipality without the consent of the council."

1976. That is the law at present?—Well, these amendments give them power to do things that we object to.

1977. Power to buy an undertaking?—Well, what does that mean except to operate it; is it to be put on the shelf when it is bought?

1978. *By the Chairman.*—The sections are not read together. In all these Acts where the Commission is given special powers, they have to be exercised with the authority of the Governor in Council, and they have Parliament behind them?—But surely it is not suggested that the Commission has power to buy an undertaking and do nothing with it.

1979. *By Mr. Eggleston.*—Councillor Johnson, of Footscray, complained that one of the statements made to a deputation from the municipalities by Sir John Monash was that the retail distribution of electricity by them was unsound; was a representative of your council present at that deputation?—I do not know.

The Chairman.—I think we are dealing now with abstract questions.

1980. *By Mr. Eggleston.*—Why should the question of the retail distribution of electricity be essentially a local matter, and the retail distribution of water not essentially a local matter?—For this reason—that the retail distribution of electricity requires a knowledge which alters from time to time; the conditions are constantly changing as the electricity business is growing. The demand for electric light is growing every year, and, in my opinion, the knowledge of municipal councils will assist them in determining where light should go, and they will get from time to time complaints and reports from their ratepayers as to the effectiveness of the scheme. With regard to water, the water supply is vested in a body elected by municipal councils at the present time, and that is working very effectively. It is a much more simple matter to supply water than electric power; there are much fewer technical difficulties; many more people understand what is necessary, and, as I say, the water supply is vested in representatives of the council who are directly concerned, and who are directly in touch with the ratepayers.

1981. *By the Chairman.*—I think that if you had to deal with the supply of water in a country town you would find it a far more complicated matter than you state?—Well, I have been in country towns where they could not get water at any cost, and I know that. Still two things vary considerably, but in the main, in Melbourne, the municipal councils have control of the water supply.

1982. *By Mr. Farthing.*—In regard to Act No. 3104 you referred to sections 17 and 20; what is your objection to section 20?—It is not 20; it is section 17 of the 1920 Act—that is No. 3104.

1983. You stated, I think, that the municipal officers could help in the administration of the electricity distribution in the municipality; did you make that statement?—Yes.

1984. You think that they could synchronize or combine their work in such a way that they could attend to their municipal duties, and at the same time do part of the administrative work in connexion with electrical distribution?—Undoubtedly; at the present time it is done by several councils. For one, I know that the Frankston Council has rate notices and accounts for electricity going out and you send one cheque along to them.

1985. *By Mr. Eggleston.*—But you would not collect your electricity charges once a year?—You might collect them quarterly.

Mr. Eggleston.—But they only send out rate notices once a year.

1986. *By the Chairman.*—Shall we take it as your deliberate opinion then that the various municipal officers throughout the State have so much spare time on their hands that they could do the electrical work without getting any increased pay or any addition to their numbers?—I did not say that.

1987. I did not say you said it, but I say that is the inference to be drawn from your remarks?—You can draw what inference you like, but that is rather wide.

1988. *By Mr. Smith.*—How do you manage at the present time?—We have not anything to do with it. The Melbourne Electric Supply Company has the whole matter in hand, but their Order expires in 1925; they do the whole of the supply, distribution and collection of charges.

1989. Are they giving satisfaction generally?—I think so.

1990. *By the Chairman.*—I put my question in that form because it is the only inference to be drawn; you say it can be done more economically by the municipalities?—Yes, I mentioned one instance where accounts had been sent out for rates, and at the same time for electrical charges. The council officers know the ratepayers; they know the position of many of the ratepayers, and they know the localities and that sort of thing; take the case of people moving to other addresses.

1991. Well, that brings you back to the original point—that in regard to the expenditure for administration the implication is, if it is said that the municipal officers can do it, that they have not got enough to do, and can do this without extra cost?—No.

1992. Or else it should be said fairly that they should be paid something extra for doing the electrical work?—Of course they would have to be paid. They would have some extra work to do, but I take it that the extra work they would have to do would be very small as compared with the work the Electricity Commission would have to do to effect the same result.

1993. That is more inference, is it not?—I do not think so.

1994. *By Mr. Deany.*—That would only apply in the event of the individual councils taking over the distribution, would it not?—No.

1995. Were you referring to a group of councils?—Well, it would apply in the same way.

1996. Well, then, the remuneration of the municipal officers assisting would not come into it?—Yes, it would.

1997. How could it?—Well take it that we would have offices somewhere in the city of Caulfield, where notices would have to be sent out; a group of notices for Malvern could be sent to the Malvern Town Hall and distributed from there; a group of notices could be sent to the Prahran Town Hall for Prahran and distributed from there, and the councils in that way could work it.

1998. But the central body would have to have meter readers; they would have to go all over the same ground and make out their notices and take them to the different centres to be distributed; where is the saving; that would be more work than one central body doing the whole thing?—I do not think there would be.

1999. *By Mr. Beardmore.*—Boiled down, you would not object to the grouping?—The grouping could be done, I have no doubt.

2000. *By the Chairman.*—The inference to be drawn from the remarks of yourself and others is this—that if municipal officers can do electrical work when they are doing their other work the implication is that they

can do it without any extra expense?—No; no one could say that honestly.

2001. They say it by implication; they do not say it straight out?—That is absurd.

2002. If the municipal officers have to do all the duties of rate collectors and also the duties of reading electrical meters, and reporting on any defect, you know that that means extra expense?—Of course, I do; it would be quite absurd to suggest that they could do it without any extra expense. I suggest, though, that they could do it more economically than the Commission.

2003. Economically—that is one of those questions that remains to be proved?—Well, you have only to use your intelligence to see; is a man in England going to collect rates as cheaply as a man in Australia, reducing the thing further down; or, taking this case, is a man who was appointed for the purpose of supplying electricity in bulk the man best suited for looking after the retail supply?

2004. That is simply begging the question?—When the Commission was appointed in the first place, under the original Act there was no question of distribution at all.

Mr. Eggleston.—If you look up the original Act you will find that that is incorrect.

2005. *By Mr. Deany.*—You seem to be afraid of the Commission doing this work; your fears are apparently based on the ground that they would create a big public department?—Yes.

2006. And eventually the charge would go up and the people would have to pay?—Yes.

2007. And you also stated that the company at the present time could not make undue profits?—Yes.

2008. You also stated that the charge at present is 5½d. a unit?—I am not sure, but I think it is in that region.

2009. And the cost was something under a penny?—The cost of generation; I do not say the cost of generation by the present company—well, yes, I think I am right in saying that the cost of generation is about a penny.

2010. Well, there is a big discrepancy between a penny and 5½d.?—Yes.

2011. And somebody must be making a profit?—Not necessarily; their cost for power is a great deal less than the cost for lighting.

2012. But it must be faulty administration; there is a leakage somewhere?—But you have to deal with so many small accounts; there are so many more mains and subdivisions that the lighting is more expensive than the power.

2013. Well, do you not think that by centralized control you could save a great amount of money?—I do not see where you can save it.

2014. The essential part of this scheme should be cheap electricity and plenty of it?—Yes, and cheap distribution; that is what we are after—cheap distribution; we cannot interfere with the production; the Commission has that in hand, and we think they are the correct body to do it, and we are great supporters of that idea.

2015. *By the Chairman.*—It is really a question of the cost incurred by the Commission as against that of a private enterprise, and you appear to be of opinion that the Government would do everything expensively?—There is a certain amount of truth in that.

2016. Well, as far as the Commission is concerned we have had evidence that their estimates, extending to over £2,000,000 at the commencement of the work, are above the mark; the work is going to be done rather cheaper; it is not going to cost what was originally estimated?—I can quite believe that in the early stages of a concern like this the supervision is much closer than it will be later on. We know that, in co-operative concerns as well as Government concerns, the first costs

are much less than those that come afterwards. If amendments are going to be continually made in the Acts giving the Commission more and more power to enter into the retail business, this will be a bigger concern than the Railway Department, and will rival the Government themselves.

2017. Well, the people will have to show their representatives in Parliament why the power should not be granted?—They will.

2018. We are here to see exactly what truth there is in the statements made generally, and the assertions regarding extravagance and maladministration; we are endeavouring to get at the bottom of it, but the ultimate tribunal is the people themselves, who will judge of what they have seen?—Yes.

2019. Do you wish to add anything further?—No.

The witness withdrew.

Councillor John James Liston, Mayor of Williamstown, Chairman of the Electric Light Committee of the Council, examined.

2020. *By the Chairman.*—Have you a statement to read?—Yes—[*Reads*]—“In relation to the statutory and regulatory powers to be exercised over municipalities by the State Electricity Commissioners, I desire to bring before your Committee the facts and the position so far as they affect the municipal electric supply enterprise of the Williamstown Council.

My authority is that I am a member of the Williamstown Council of twenty-five years' standing; and that I am chairman of the Electric Supply Committee of the council.

As I view the problem—and I speak on behalf of the council and of its Electric Supply Committee—the essential features of the issue to be determined are as follows:—

(1) Will the users of electric supply in the Williamstown area derive some superior advantage upon the system now in existence if a State monopoly of supply and retail of power be substituted?

(2) Will a centralized control and distribution, under the single authority of the Electricity Commissioners, compare favorably, or at all, with the existing decentralized methods successfully adopted by the Williamstown Council? Incidentally, although of material moment, does the experience of centralized control by Government Departments and their lack of attention to local wants and requirements suggest that authority and powers of the Electricity Commissioners would be more businesslike, efficient, and satisfactory than that of the Williamstown Council and its Electric Supply Committee?

(3) Of the two systems, namely, State control under centralization or municipal supply under decentralized control and with the fullest knowledge of local needs, which ought to be preferred?

(4) Seeing that the Williamstown Council, through its Electric Supply Committee, has pioneered the supply for industrial and lighting undertakings, municipal and private, and has incurred substantial monetary obligations for that purpose, and seeing, moreover, that its operations have proved of marked and recognised benefit in advancing the interests of the municipality, ought these vested interests to be arbitrarily destroyed and further expansion jeopardized by a centralized Government authority?

(5) Seeing, too, that the electric supply afforded to users in Williamstown has admittedly been efficiently and most economically managed, that the price charged for the supply has always been most reasonable, that the users are without exception satisfied with the supply and the prices charged, and that the ratepayers themselves have the closest and most direct control over the council and the Electric Supply Committee by means of the ballot-box, is it in their best interest that an extraneous authority such as the Electricity Commissioners, having no special regard for local interests, should be arbitrarily thrust upon the municipality?

(6) Will not the liberal policy of decentralization and municipal self-government, “close to the people,” and instinct with their requirements as well as local pride in expansion—trading and other—be gravely upset when the incentive is removed owing to the centralized control of an extraneous body of Electricity Commissioners?

In my opinion, based on long experience of local needs, and the methods by which these needs have been met, and the solid advantages which have been derived directly and indirectly from them by the whole of the

ratepayers of Williamstown, the proposed substitution of a Government monopoly operated by the Electricity Commissioners is distinctly retrogressive, and does not reflect the will and mandate of the ratepayers. Until the year 1918 the rights and obligations of municipal councils respecting the supply and distribution of electricity were clearly defined, and the principle of municipal monopoly of distribution had been accepted and protected by Statute. Pursuant to this principle and these rights, the Williamstown Council with the full authority of the ratepayers floated loans, the total amount of capital expended on the Williamstown electric light undertaking by the council to 30th September being £41,027. It has also entered into contracts, and established an Electric Supply Committee and department for purchase and distribution of current for public, domestic and industrial purposes. By reason of capable management—which is always under the closest criticism of the ratepayer themselves, who take a patriotic and keen interest in the welfare and advancement of the municipality—the price charged for the current has been low, the service has been regular and efficient, interest on loans and cost of administration have been readily met. The undertaking has paid its way and shown a surplus. And that surplus has been devoted to the ratepayers' interests in extension of the light, heat and power facilities of the municipality. In no sense has the gibe of “profiteering” been justified, since payment for electric supplies and surpluses arising on trading are, of course, contributed by the ratepayers themselves, and are disbursed at the will of the ratepayers for the advancement of the municipality. That, I submit, is the essence of sound local self-government; and it cannot be disturbed without permanent injury as well to the municipality as to the whole State. At least it strongly justifies the view, which I express, that municipal supply under local direction is to be preferred to any Government centralized control and regulation. Loan obligations, cost of administration, charges made for electric supplies, interest and overhead charges, credit balance of the year's trading, and the amount and application of the surplus, demonstrate the soundness of the undertaking, and abundantly justify the policy of the Williamstown Council, reflecting the wishes and interests of the ratepayers. It shows that the Williamstown Council's electric supply is less a monopoly than a sound business undertaking, economically and efficiently conducted in accordance with the wishes of the ratepayers. Why, then, should it be replaced by a centralized outside authority? I contend that the established interests of the council, and of the ratepayers in their own undertaking conducted by and for them, must be conserved, and ought not to be handed over to the Electricity Commissioners. In short, the fact is demonstrably clear that a municipal monopoly under the control of the ratepayers direct is infinitely preferable to a Government monopoly with all its sins of omission and commission, actual and potential. The incentive to local industrial expansion by the cheap and efficient supply of electric power would be crippled or would entirely disappear. The municipal undertaking is compelled by Statute to furnish accurate and regular balance-sheets. The Local Government Act requires that, each year, a complete balance-sheet shall be prepared by each municipality, showing clearly the operations of the various departments. In this way every ratepayer knows exactly what profit or loss is being made in his area, and sees to it that the undertaking is managed properly and profitably. That has been the case with our Williamstown Electric Supply, in an eminently satisfactory degree; and for that reason, amongst others which I have indicated, the Williamstown opposes the proposal of the Government to modify or destroy its electrical undertaking. I say, too, that the natural competition between council results in each

of them keeping the price of energy as low as possible. It is, in other words, the first interest of each municipality to foster and assist industrial expansion within its area. Is that incentive to disappear? Would its disappearance be to the advantage of the people? Since 1918, when the rights of the municipalities were defined by Statute, I note that there has been a growing disposition to modify or curtail those rights, in manner which, if persisted in, will react most unfavorably upon municipal—and State—progress. I instance the Railway Act of 1918, which conferred power upon the Railways Commissioners to supply electricity in bulk to companies and persons within municipal districts, including Williamstown. In 1920 the State Electricity Commissioners Act transferred these powers from the Railways to the Electricity Commissioners upon an Order of the Governor in Council being made and gazetted. The Electricity Commissioners were given power also to acquire undertakings, and in the event of any such undertaking agreeing to sell to the Commission, the latter was empowered—to the exclusion of the municipal council—to become possessed of all the powers and rights originally reserved to the municipality. The Electricity Commission was created by Statute to generate electrical power—and not to operate as distributors of the power; it was to confine its operations to supplying electricity in bulk to undertakers such as the Williamstown Council and others holding Orders under the Electric Light and Power Acts. The Electricity Commission was plainly meant to be the supplier; the council was to remain the distributor; and the consumer was protected from the possibility of overcharging in manner that might defeat industrial development, since the Commission is to approve the rates chargeable by the council. I contend that the essential aim and purpose of the Morwell scheme was to encourage industrial expansion, increased productive wealth—and decentralization. If local control by municipalities is to give place to a Government monopoly with centralized administration, the very purpose of the Morwell scheme is defeated, and grave injury is worked to the municipalities, Williamstown and others, throughout the State. We must be left undisturbed to continue our local municipal undertaking, which is shown and known to be highly efficient, economic, and progressive. The ratepayers of Williamstown prefer their own Electric Supply Committee, under their own direct supervision and control, to an army of officials operating from a centralized bureau. My council therefore maintains in the strongest possible manner its undoubted statutory right—and equitable right—to retain distribution in its own territory. The position, succinctly put, is this:—

1. The Williamstown Council has borrowed and expended large sums of money upon its electrical supply undertaking.

2. It has brought its undertaking to a high state of efficiency, as is shown by the prices charged to the consumers and the complete satisfaction expressed by the ratepayers and the consumers.

3. The area is self-contained and the demand is sufficiently large to be economical from every point of view.

4. Experience has shown, and notably in the Williamstown area, that a well-managed, progressive municipal electrical undertaking is preferable to a centralized Government monopoly."

2021. I gather from your statement that you have no objection to the present Bill, provided Williamstown is allowed to carry on as it is now doing?—No; no objection whatever.

2022. If the Bill does not interfere with you, you are quite satisfied to go on as you are doing?—Yes.

2023. *By Mr. Beardmore.*—Do you think the Bill does interfere with you. Have you read the Bill?—I have read the Bill. Most councils are of the opinion the Bill does interfere. We would like to see it mentioned specifically in the Bill that the Electricity Commission should not interfere.

2024. *By the Chairman.*—You are satisfied to remain as you are?—Yes, quite.

2025. *By Mr. Beardmore.*—Would you object to a District Board?—Yes; we are in favour of local control.

2026. *By Mr. Lind.*—Your own undertaking has worked so satisfactorily that you do not want any alteration?—That is so.

2027. *By Mr. Eggleston.*—What is your tariff?—It is .65d. I think that is what we pay for power from the City Council.

2028. What do you charge?—About .95d.

2029. *By Mr. Beardmore.*—That is, for power?—Yes.

2030. You retail cheaply?—We have contracts—we have some of the large undertakings.

2031. *By the Chairman.*—Does the City Council supply you in bulk?—Yes.

2032. And you distribute?—Yes.

2033. *By Mr. Eggleston.*—But, surely, you have a tariff?—We have.

2034. Could you give that to the Committee?—The Commission is already in possession of the tariff.

2035. *By the Chairman.*—You have no works of your own?—No. We buy in bulk from the City Council.

2036. *By Mr. Beardmore.*—What is your distributive price to the ordinary retail consumer?—5½d.

2037. *By Mr. Eggleston.*—I suppose the thing you are most keen about is the fact that in the municipal area, if a person desires an extension of electricity to his place, he is more sure of influencing the local council than a Central Board?—Yes.

2038. But the same thing would apply to water, would it not?—If a man is erecting a building, and he wants to obtain the electric light, we connect within a week.

2039. The same thing would apply to the Metropolitan Board of Works?—Yes; if he knows how to go about getting water, and goes to the council, he would get it much quicker than if he went to the Board on his own.

2040. You have no quarrel or difference of opinion with the Metropolitan Board of Works in regard to the supply of water?—Yes, we have.

2041. *By the Chairman.*—You would rather get it in bulk?—It is not a question of that. Mr. Eggleston asked me if we had any difference of opinion with the Metropolitan Board of Works. We have; a very strong one.

2042. *By Mr. Eggleston.*—You do not suggest they should distribute water in bulk at your boundaries?—I am not going to make any suggestion about that.

2043. The crux of the situation is that in regard to extension, you think a municipality that is undergoing rapid development and expansion would get a better deal by dealing with the local council?—Yes; take our own case. We had an overdraft of £8,000 at the end of the last financial year. Our ratepayers pay the highest rate allowed by the Local Government Act, namely, 2s. 6d. in the £1. All the money we make in the Electric Supply undertaking goes in extensions, and we therefore want to develop the undeveloped portion of the municipality.

2044. But you may be penalizing your consumers in that way—your big consumers in the settled areas?—You may be conferring a very great benefit on them.

2045. That is a very important thing. The aim of the Commission, and the aim of legislation, is not to encourage decentralization or centralization; they are not mentioned at all. The object is to supply cheap power and the extension of electricity by supplying it cheap. I understand with the host of small householders in your own area, you are doing what most municipalities complain of the Commission doing in the country as against the town; that is, supplying

cheap electricity to country towns, and making it dearer in the city?—I am not complaining about that at all. All I am asking is that the chairman and you gentlemen will leave the municipality of Williamstown alone.

2046. *By the Chairman.*—That is all you are concerned with?—Yes.

2047. *By Mr. Farthing.*—Has your supply from the Melbourne City Council always been satisfactory?—Always. Of course, it is subject to variations; but I do not suppose the Morwell scheme would be any more satisfactory than they have been.

2048. What is about the size of your undertaking—how many consumers have you?—We have 2,800.

2049. *By Mr. Deany.*—I see by a document before me that the price of your current for lighting was 5½d., and from 4d. to 1½d. for power. Is that correct?—We pay £4 10s. a kilo per annum, plus .65d. per unit, and we charge large consumers £4 10s. a kilo per annum plus .95d. per unit. To small consumers, we charge 4d. per unit for the first forty hours of maximum demand, and after that period the price is 1½d. per unit.

2050. *By Mr. Eggleston.*—You have some very large consumers with very high loads?—Yes.

2051. Do you know what the highest load factor is?—I could not tell you.

2052. Have you any consumers that work more than one shift?—Yes; the bottle works, and other people down at the Docks.

2053. That enables you to supply them very cheaply?—Yes.

The witness withdrew.

James Alfred Carmody, Electrical Engineer to the city of Footscray, examined.

2054. *By the Chairman.*—What particular aspect of the subject do you desire to address the Committee upon?—On the Bill generally, and on the distribution by municipalities. I have a statement prepared which I will read.—[*Reads statement.*]—“The position to-day is, that the Government is definitely committed to the establishment of generation, transmission, and supply of electricity ‘in bulk.’ For the Government to undertake the generation of electricity from the brown-coal and water-power resources of the State must be for the benefit of the industrial progress of Victoria, and the use of electrical energy generally, and should result in cheaper power to the people. The principle of the State generating power from its own resources must be indorsed by all. But the bone of contention is whether it should also establish a central governing body, controlling distribution, or whether various municipalities and local authorities concerned should have administrative departments to undertake distribution. Should the State decide to distribute, it will have to establish local departments to carry out installation work, maintenance, &c., and quite possibly the State administration may be more expensive owing to the extra central administration required, and less beneficial owing to the loss of the incentive of local requirements. Generation and “bulk” supply of electricity is distinct from the distribution of electricity, and it is by not realizing this fact that so many people make the mistake of believing that the only way to obtain cheap power is by having the whole business controlled, operated, and carried out by the one authority. This is not so, for while the costs of generation will be reduced by the introduction of generators of large capacity, in a limited number of power stations, it is possible that the most frugal and efficient method of giving to the whole of the people a cheaper supply of electricity is by having the distribution solely controlled by local authorities whose undertaking would not be encroached upon, but whose tariffs would be governed

by the “bulk” supply authority. For the Electricity Commissioners to enter into distribution within an area for which they are the “bulk” suppliers to the local authority, and at the same time controlling the rates chargeable to the consumer, is unjust, and does not permit for the supply of energy to be made available to the whole of the consumers of such area at the lowest possible rate, for the dividing of the load between two authorities must result in a lower return in the total investment in the two distributing systems. And to the local authority it also means a higher average price to pay for its ‘bulk’ supply by a reduced load factor, resulting in increased costs to its consumers. The same effects result by the Electricity Commission owning and controlling all main-carrying a pressure in excess of 450 volts, as asked for in the present Bill. It is not, perhaps, generally recognised that the difference of price between light and power is, to a great extent, a concession to help industries by reasonably cheap power and is made possible in a large measure by conditions of load, both as to time and nature, which is termed ‘diversity factor.’ This factor is absolutely dependent on the supply for any particular undertaking passing through one metering device. Apparently the Commission aims at securing the greatest pecuniary benefit for energy supplied by them, by means of their proposed sole control of high-tension systems, thereby making distributing undertakers take low-tension supply at various points through a number of metering devices, which nullifies the essential conditions for the operation of the “diversity factor,” and the sum of the readings of such meters would not be the true maximum demand for the whole area. Why this departure from methods of the present “bulk” suppliers? If, under this Bill, municipalities are given the choice to say whether the State will do all the distribution, or whether they shall do some of the work themselves, why impose conditions which practically stifle the municipal undertaking from the commencement? Sub-sections (7) and (8) of section 2 would make distribution by the local authorities as unattractive as possible, and, incidentally, through public opinion, for the State to finally monopolize the lot.”

2055. *By Mr. Deany.*—You know that section 2 of the Bill applies to country districts?—I quite understand that.—[*resumes reading.*]—“There are no difficulties prohibiting a system of local control of distribution with a State generation and ‘bulk’ supply. It is possible and probable that in the lay-out of distribution systems in adjacent municipalities those areas would be arranged to eliminate over-lapping tendencies, thus preserving the utmost efficiency in distribution. In the general administration of a system, it necessarily follows that the local depôts must be established for the carrying out of installations, maintenance, general office work, &c., in connexion with the district. To consider the advisability as to whether the State should embark upon the retail business is a moot point. Distribution must be carried out by some authority, either State, municipal, or private company. If, as is stated, some municipalities do not wish to enter into the business their decision should not necessarily mean that it is not desirable for municipal bodies to undertake this work. We have already seen that for efficient and economical management of any large system it must be divided up into areas with administrative routine; then is not this analogous to the case of local distribution as desired by the municipalities under the present scheme. There need be no essential difference in the general principle, or even in the details of installation or organization. The capital costs and other expenses are no greater, and the service is the same as under one controlling body. I mean by that that if the municipalities, or a municipality, prove they can distribute economically and efficiently, and up to the satisfaction of the Commission, then I say

that being so, the service is the same.—[*Resumed reading*].—Of course, it is conceivable that there may be municipalities contiguous to each other where amalgamation would be beneficial. But it would be foolish to assert that such circumstances justify the carrying out of such amalgamation to the extreme of State control. In other words, into one monopoly. There may be also at the present time some obsolete systems—I believe there are—and cases of inefficient administration, but it should be within the scope of the Commission to have a wholesome influence on such undertakings. And since generation will be chiefly performed by the Commission, such operation will practically standardize the nature of the service throughout the State, and thus the unification of the present different methods of supply will result to the same extent with distribution under municipal control as under State control. Local government is practically the outcome of the fact that if a country is to be well governed, it must also be well governed in its constituent parts. To well govern the constituent parts, local knowledge of the district and its requirements are essential. Who so competent to judge as those resident therein? For this reason large powers are vested in local governing bodies—zoning of their district into residential and industrial areas, &c. Electricity plays, and will play, a greater part in the industrial and social welfare of the community, and for this reason should not a measure of control be vested in the local governing body? No central administrative body can gauge the needs and requirements of local centres as well as the centres themselves. The chairman of the Electricity Commission (Sir John Monash) has correctly stated that the ideal charge for electrical service is the cost of giving such service. This can be most efficiently and equitably carried out by the Electricity Commission being ‘bulk’ supplier, and the local authorities the distributors in their own respective areas, where the management and control are under the continuous supervision of an administrative body who are anxious to develop the undertaking in a manner the most advantageous to their own particular district. It has been asked, would the municipalities be anxious to own their undertaking if no profits were allowed to be made. I answer this question in the affirmative, for the reason that the municipality knows best the requirements of their own area, and the advantage both direct and indirect, to be obtained from the development of the undertaking to the fullest extent.

I might mention that the Footscray undertaking has been previously mentioned both before this Committee, and previous to this Committee being formed, and for that reason I would like to place before the Committee a few facts relative to the working of the undertaking to show that the distribution of electricity may be successfully carried out by a municipality. The council purchases electricity in bulk at high pressure from the Melbourne City Council. The average cost for the year equalled 1.275d. per unit sold, or 1.547d. per unit purchased. The average price received for power and heating, including household irons and radiators equalled 1.48d. per unit. Why I place that before you is for this reason particularly, household irons and radiators are in almost every house, especially irons, and the charges for that particular supply of energy for heating would be 2d. per unit; but the average price taken for all is 1.48d. per unit.—[*Resumed reading*]. For energy from large power consumers as low as 1.09d. per unit, which is equal to .185d. per unit less than the average buying price. For energy used for lighting purposes the charge is 5d. per unit, with no charge for meter hire. There are 6,500 lighting consumers scattered over an area of over 6 square miles, and the average monthly accounts equalled 4s. 9d. per consumer. You can therefore see that the charge for lighting is equivalent to 4½d. per unit. This tariff is considerably

lower than any others outside the Melbourne City Council's, as also is the power tariff to the small consumer. And for the energy to the large power user there are only two undertakers whose charges are as low—the Melbourne City Council and the Melbourne Electric Supply Company.”

2056. *By Mr. Lind.*—Is the advantage you get for your consumers due to your receiving the power in bulk, and then being aided by the diversity factor, which enables you to distribute at these particularly low prices?—Yes; I will explain that to you as soon as I finish this statement.

Mr. Lind.—Very well.[*The witness resumed reading*].—“Footscray has never increased their tariff, although the purchasing price has increased due to the rise in coal surcharges. Melbourne has made reductions in their bulk charges, and such reductions have been passed on to the power consumer. During the eleven years the undertaking has been in operation, there has never been a total shut-down due to any fault occurring in the system. Local faults that unavoidably develop in sections of the district have been speedily rectified. Portion of the profits earned have been used to stabilize the service to the consumer, apart from the aspect of extensions of the undertaking to meet increasing supply demands. There are manufacturers in Footscray who are requiring three-phase energy, and the council was negotiating with the Railways to give the supply when the State Electricity Commission was appointed. After an interview with the Commission's Chief Engineer, I recommended my council to wait for the 50-cycle supply from Morwell. Steps have already been taken to immediately convert the reticulation to suit the Commission's scheme. Reference has been made to the profits contributed by 6,000 customers for the benefit of the city with a population of 36,000. I would like to supplement the evidence of our town clerk by saying that those 6,000 consumers represent 30,000 people.”

2057. *By Mr. Deany.*—How do you make that out?—Because there are 6,000 consumers. We have only 8,000 odd householders, and 6,000 of them are rate-payers, and 6,000 of them are actual consumers.

2058. And they are specially taxed for the benefit of the 35,000 people, on an expenditure of £40,000?—No; there are 35,000 in population, and 30,000 are consumers not 6,000. Those 6,000 represent 30,000 out of the population of 35,000.

2059. But there are only 6,000 consumers?—And only 8,000 householders.

2060. It was said that £40,000 was made as a profit. That is why that question was asked?—I would simply point out it goes to show on what I have just given, which can be proved, that a municipal undertaking can be economically managed.

2061. Exactly, they can become profiteers, and not know it.

2062. *By Mr. Beardmore.*—Was it £40,000 per annum, or £40,000 extending over a series of years?—Over eleven years, since we have been in operation.

2063. *By Mr. Deany.*—It was more for the eleven years?—Excuse me, you will find it was £40,000. Dealing with the question asked by Mr. Lind just now, I may say we have a large power consumer, and we sell power to him at cheaper than the average buying price. Supposing we did not have that large consumer, then we would pay more for our bulk supply than we do at present. It is due to his having a high load factor, and we get the benefit of that high load factor, and that enables us to sell to him, because it influences the buying price on the whole of our undertaking; therefore we sell it down. As a matter of fact, we carry that current 4 miles from where we purchase it, to his place, and the difference between the buying price and the selling price is 1.047d., and we sell it for 1.09d. We

carry it 4 miles, transform it, and land it on his business at that 1.09d. I might mention that years ago, in 1916, we were attempting to enter into negotiations with Melbourne to supply a consumer in our area, and that consumer would have got current then at .937d. per unit. That only permitted a difference between the purchasing and selling price of .005d., and we were prepared to do it, so we have always gone out to cater for our power people as much as single-phase will allow. We have certainly been handicapped by having only single-phase; but as I have pointed out, we were prepared to wait for the Morwell scheme, and with the Commissioner's permission, we are prepared to handle that energy, and pass it right on to our consumers.

2064. *By Mr. Lind.*—I understand the whole of your ratepayers in your city have been supplied, that is, the whole of your area has been reticulated?—Yes.

2065. And, I suppose, in some instances at a loss. Some extensions have been made from time to time at a loss?—Undoubtedly.

2066. But still, your concern has shown a profit of about £40,000 in eleven years?—Yes.

2067. What becomes of that profit?—That £40,000 has been practically all placed to the extensions of the undertaking. As you have heard discussed here, and I do not wish to go over it again, £6,000 was placed to the municipal fund; but as our town clerk pointed out to you, the electrical undertaking was actually in debt to the municipality for £8,500.

2068. And you are still in debt to the extent of £2,000?—It really boils down to that.

2069. That means that the ratepayers in your city have benefited by the profits. The whole of the profits have been used in the interests of the ratepayers?—In the interests of the undertaking, for the benefit of the ratepayers. In reference to clause 2 (7) and (8), I may be quite wrong. As Mr. Deany pointed out, I know it was in reference to country districts.

2070. *By the Chairman.*—Do you mean the present Bill—not an Act?—Yes, the present Bill, with reference to the 450 volts. I want to point this out, if the Electricity Commission are going to control all lines carrying over 450 volts, and supply through a number of metering devices, the maximum demand is going to be considerably affected, and it does not permit of the retailer being given any chance whatever on his diversity factor. I have had the diagram produced prepared to show what I mean. It shows two loads metered at two separate points.

Mr. Eggleston.—I would just like to point out at this stage that Sir John Monash, in supporting this sub-clause (8) of section 2 of the Bill, referred to the special circumstances of country municipalities. As I understood him—I may be quite wrong—in certain shires there were a number of small towns that required high-tension mains to go up to their boundaries, and in such cases he thought that the Commission should have control of the high-tension mains up to those boundaries, and then sell to the municipalities for retail distribution in those small towns, that is, after the current was broken down; but that it did not in any sense apply to distribution in the city. I do not know whether he would also want to apply that clause to the city.

Mr. Beardmore.—Surely not. The Bill does not provide for that.

The Witness.—Of course, it may be; and I may not have any right to speak of the country, or the Bill, but I took it this way—first of all, the mains that are erected have to be erected under the supervision and to the standards of the Government, *i.e.*, the Electricity Commissioners, and when they are erected, if the municipality had a competent engineer (and they should be forced to have one who, in the opinion of the Commission is competent), he could handle it. I do not think

it is right to have a slop-made undertaking placed in the Commission's scheme in any way to the detriment of the Commission's scheme. I do not think they should allow it, and I do not advocate it; but what I wish to point out is the big injustice it would be to all municipalities buying in bulk to have two separate and distinct points with distinct meters. I will read the statement. It is as follows:—The following information with reference to the attached diagram shows the results of the supply being metered at a number of separate positions. The diagram illustrates the inequitable effect, the system of Commission "high-tension" control, and "low-tension" supply at a number of points through a corresponding number of maximum demand metering devices, will have upon the price paid to the Commission for energy supplied by them. Consider loads "A" and "B" shown on the diagram. "A" reached its maximum value at 50 kilowatts at 11 to 11.30 a.m. "B's" load was 40 kilowatts, giving a total load of 90 kilowatts. At 3 to 3.30 p.m., "A's" load had a value of 40 kilowatts, but "B's" load had increased to 50 kilowatts, the total again being 90 kilowatts, which was the highest demand on the station for the particular period shown on the diagram. If now, at the end of the period, we take the value of the loads recorded by the "maximum demand" meters, "A" equals 50 and "B" equals 50, giving a total of 100 kilowatts. This value would be in excess of the actual or true value by 10 kilowatts, or 11.1 per cent. greater than if one meter had recorded both loads. In a "maximum demand" meter the indicator does not vary its position as the load decreases in value. An increase of load will cause the indicator to move to the position corresponding to the increased load, but there it remains until a still greater load causes it to record again higher. If, then, we take these maximum values from a number of such meters, their summation or total values bear no relation to the actual value of the load. It will thus be seen that it is not possible to register the total actual load of a district through more than one meter. And it therefore follows that since most districts require more than one sub-station, either the Commission must use only one meter on their "high-tension" supply to any distributor, or else the distributor must have power to do "high-tension" transmission to sub-stations within their areas."

2071. *By Mr. Farthing.*—Will you show us on the diagram exactly what you mean. It is rather difficult to follow without the diagram?—[*Witness illustrates on diagrams*]. One load is shown in red, the other in black. Here—[*indicating*]—we have two meeting points at the same period, at 11 to 11.30 a.m. "A" is on 50 kilowatts. Why I place it in from 11 to 11.30 is because we allow half-an-hour on the maximum demand charge to take our maximum demand reading. At this period, "B's" maximum demand was 40 kilowatts. After the morning's loading, in the dinner-hour, it drops off, and then in the afternoon "A's" load has dropped to 40 kilowatts, and "B's" load has increased to 50 kilowatts. Taking the two, the load would again be 90 kilowatts, the same as in the morning, but the two are in reversed positions. They both show 50 kilowatts then, but 100 kilowatts is not the true reading; but 100 kilowatts would be the chargeable amount here.

2072. *By Mr. Eggleston.*—Then the two meters would not show 90 kilowatts?—If the two went through one meter, it would show 90 kilowatts.

2073. *By Mr. Beardmore.*—Supposing it went through two, it would show 100 kilowatts?—Yes, 50 for one, and 50 for the other.

2074. *By Mr. Eggleston.*—That would not apply if the supplying authority was only charging you costs?—Yes, it would.

2075. He would base his charges on costs?—He is charging you for something you have not had, so there is no cost.

2076. I know; but if he is charging you on cost, the mere fact that he bases his actual charge on the higher voltage, or the higher maximum demand, would not make any difference, because he is only charging you the cost of his whole system, the proportionate cost, and any advantage he is getting by doing that would be returned to you in the lower charges you make. Is not that correct?—It is not. The Commission might have an answer to what I am about to say; but supposing, for the sake of illustration, they are going to charge you through half-a-dozen meters, the summation of these meters are not your own. Say they are going to charge you £1 for each kilowatt, and there are six meters, and there are 100 kilowatts shown on each meter, the summation is 600 kilowatts, and that is a £600 charge. If your true load was 300 kilowatts, and it all came through one meter, it would be all there.

Mr. Bate.—You do the same thing with your retail consumers, and you reduce the price accordingly.

The Witness.—That is perfectly correct. As I pointed out, it is due to diversity that we are able to charge a man less than we have been paying for current, and if you are going to be the distributors, you are perfectly free to do that charge; but if on top of that we are going to be distributors, the people must get two charges. If you come through more than one maximum demand, you are simply making the system a distributing supply, and not a bulk supply at all. There would be two distributing authorities, one splitting it up from the bulk supply, and then the municipality would come in and split up these sub-sections into smaller parts.

2077. *By Mr. Eggleston.*—Are you not doing this very thing with the Melbourne City Council. Is not the City Council supplying some of your bigger consumers direct?—No; they do not come into our area.

2078. Did you not say you had made some arrangement?—No; we were wanting them to supply through the Footscray City Council, not to go direct to our consumers.

2079. I understood you said they were to carry a line direct to the consumer?—No, to our boundary. It was agreed that either the Melbourne City Council or the Footscray Council, whoever could put down that line more cheaply, was to do so for the benefit of that consumer; but we were to take the supply and pass it on to the consumer at actual cost price.

2080. *By Mr. Beardmore.*—Would you favour District Boards?—No; I do not favour District Boards: not to the same extent. It may be possible. I realize this, that what we may term the southern municipalities, have huge difficulties; but I should not think they were insurmountable, because if the Melbourne City Council can distribute economically and efficiently, I do not see why other municipalities could not do the same. I do not see why only the Melbourne City Council can do it. I say Footscray can do it.

2081. Supposing we recommended District Boards. Would that affect you in any way?—I would say, as far as Footscray is concerned, they are capable of handling their own undertaking, and handling it right up to the full satisfaction of the Electricity Commission; but I want to make myself clear upon this point. I recognise there are big difficulties in the southern suburbs which the Electricity Commission will have to overcome. We all hope they will, and we should not pull against their overcoming those difficulties. I do think they are capable of being overcome, and I think the day will come when we are all at peace, and I suppose they are perfectly correct in saying there are some country places, and possibly some of our own, that want a real good scraping up.

2082. That is so. That is my point. Supposing they thought the municipalities as a whole should be divided into District Boards, do you think it would affect your district prejudicially?—Yes, I think every municipality is entitled to its own load factor and diversity factor.

2083. *Mr. Eggleston.*—Yes; but why do you think so. Would not the districts served by the sub-stations of the Board be the areas that would be entitled to their load factor, not the actual municipalities?—I do not think so.

2084. What is sacred in a municipal boundary?—There is nothing sacred in a municipal boundary, so far as they are concerned, but the people living in a municipality are entitled to what is in the municipality. For the sake of illustration—we are supposed to have smells in the City of Footscray.

2085. You are entitled to those?—You reside in Toorak, South Yarra, or St. Kilda. You are going to give Footscray all the smells, but you will take from us our load factor.

2086. Oh, no?—I think so.

2087. Surely the Commission will give to each district served by a sub-station a price applicable to the load factor of that district?—Then that is making the country conform to the municipal boundaries.

2088. Not necessarily. In the southern suburbs the municipal boundaries do not correspond with the sub-stations in the slightest degree.

2089. *By Mr. Beardmore.*—The District Board would have your representatives on it, and it would not make the cost of administration any higher?—I would say my council would hope to hold their own undertaking, and, provided that the undertaking can be carried out by the municipality economically and efficiently, and to the full requirements of the Electricity Commission, it should be allowed to do so; and if they were not doing so, then the Electricity Commission should stop them, and make them do so.

2090. *By Mr. Eggleston.*—That is a very difficult thing. In other words, you are jealous of your municipal privileges?—Yes.

2091. Should not the question be decided on electrical economies as against municipal jealousy?—We believe it is.

2092. *By the Chairman.*—Speaking generally, you are satisfied with your present position?—Yes, we are. I would like to answer Mr. Eggleston. On the economic conditions, Sir John Monash has again shown clearly and conclusively that a flat rate cannot be permitted, and there is the whole thing in a nutshell—that our municipality does not want a flat rate for the metropolis.

2093. *By Mr. Lind.*—Your evidence goes to show there are special conditions in your area, and there are advantages there which you believe belong to your people. You believe you should not sacrifice those in the interests of any other shire, borough, or city?—I think so.

2094. They belong to your people?—That is so; and in talking of the people, I think I should say that again, that with the chairman of the Electricity Commission, we believe that there cannot be any flat rate. I am positively sure there cannot be any flat rate.

2095. *By Mr. Eggleston.*—But Sir John Monash is not advocating a flat rate?—No; he has shown there cannot be any flat rate. We are selling current for lighting cheaper in Footscray than the Commission could sell it down in the sparsely populated places, because we have a better load factor.

2096. But the object of the Commission, as Sir John Monash explained it to us, is to intensify the advantages as much as possible that a load factor will give a particular area, and if it is industrially advantageous,

build it up as much as possible?—Quite so. I am in favour of that.

2097. And he mentions Footscray as an ideal industrial area, and one whose load factor should be built up as much as possible?—Quite so, and he explained to me he was quite in favour of municipal distribution, and quite in favour of the Melbourne City Council developing that area, and he thought they should do so.

2098. If the whole metropolitan area were treated as one area, and managed by a Board concentrating on that area, would it not be able to set off the demand of one area against the demand of another area, and be able to take advantage of the differential factors, such as the diversity factor, better than each municipality could?—How are you going to overcome your getting back to the flat rate?

2099. I do not see that?—If you are going to take away from a person that high-load factor, or diversity factor, which really gives the high-load factor, to a great extent, and couple in somewhere else you make them all come under a uniform flat rate.

2100. I do not mean that at all. Supposing the maximum demand at Footscray is at 5 o'clock, and the maximum demand at Caulfield is at 7 o'clock, would it not be possible for a single authority to take advantage of that in a way that neither municipality could?—It would, if you could couple them that way, just as Melbourne picked up Essendon, and made that North Melbourne portion in their territory. That would be all right, but I cannot see how you would pick them out.

2101. But the Morwell Commission scheme will have deliveries from 22,000-volt mains right around the whole metropolitan area?—They will get the benefit. It will all go back to the power-house, the whole diversity of the whole city, so it does not affect them.

2102. *By Mr. Deany.*—Is not that in the interests of the consumers?—Yes, we wish it.

2103. That is a good argument in favour of centralized control?—That is control of generation.

2104. And distribution?—No; distribution is a separate thing. The central control of generation gives the generation station the diversity factor.

2105. *By Mr. Eggleston.*—Why should you say generation and distribution are entirely separate. Is there anything in their nature to render them entirely separate?—There is not much in the nature of things that makes them not separate.

2106. I should say, *primâ facie*, they would be connected?—If you like to say the growing of sugar-cane is the same as selling over the counter, naturally that is quite so.

2107. You have chosen a very bad illustration, because the growing and crushing of sugar-cane are very much inter-related?—Yes, the crushing and growing; not the selling of it. Selling it by the pound is not done by the grower of the cane.

2108. I know that; but, as a matter of fact, the growing, crushing, and refining are very much inter-related?—Quite so but not the selling.

2109. *By Mr. Deany.*—The only point I am not quite clear on is the question of the voltage. There has been a great difference of opinion in regard to the 450-volt lines. Your explanation would affect the country as much as the city. It has been said it is fundamentally unsound for the Commissioners to control the high-tension lines; but, in reply, Sir John Monash says it is absolutely ridiculous for people to talk in that way?—I have not studied it in regard to the country, but certainly the metering as shown on this diagram would affect it. On the other hand, I realize there are difficulties from the Commission's point of view.

2110. You see, it only applies to the country?—Well, it is a difficulty I would like to have seen them get over

in some other way, instead of having a number of meters, or charging a thing that is not the actual thing. The actual load should be metered through one meter from the main. I suppose the Commission have thought over it, but I would have thought that, while they, by putting in that clause, were going to have sole control over the erection and management of these lines, they would be owned by the distributing authority, but they must pass, and, as a matter of fact, at the present time they have to pass the standard of the State. We cannot put up a high-tension main without the Electricity Commission granting us their authority, and we must carry it out in accordance with their requirements. If there is another difficulty, well, the Commission knows best about it.

2111. *By Mr. Farthing.*—In answer to Mr. Eggleston, when you were answering him on diversity, you spoke of the linking up of different systems such as the Melbourne City Council and the North Melbourne or Essendon undertaking. Is it possible to link up various systems such as those with advantage?—Most decidedly, it is possible. Take for illustration: You can link up a load or a district with a high-load factor to a district with a poorer load factor, and still not impair the district with the high-load factor, but improve it by the diversity of the lower load factor. That is to say, we will just take, for illustration, you have a load of 30 kilowatts on your system. It runs for a whole day. In the middle of the night, or from 11 o'clock, for three hours a man comes on with a 20-kilowatt load. It is only on for three hours. It is a lower load factor than the other, but by linking it up, it would improve it. If Melbourne has a load which its peak does not come on when another district's peak is on, the linking up of those two places would be beneficial.

2112. *By Mr. Eggleston.*—The illustrations I gave you were Footscray and Caulfield?—I told you it was quite possible in some districts.

2113. I thought you said it was impossible?—I say people should have the benefit of their own load factor. I do not wish you to misunderstand me on that.

2114. Yes; but those districts of North Melbourne and Essendon area and the City Council area are each served by Morwell sub-stations, are they not?—Neither of them is served yet.

2115. I mean that they will be on the metropolitan scheme?—Yes.

2116. That constitutes the opportunity to take advantage of the diversity between the two, does it not?—Yes.

2117. There would be no purpose served in addition for the low-tension system or the distribution systems of the two to be linked up?—To get the benefit to the consumer on that point, it would be absolutely necessary for them to be linked up, but for the generation station, no. The generation station gets the benefit of the loads independent of the amalgamation.

2118. Is it not an expensive matter to link up the distribution systems?—I have not gone into the evidence, and I suppose you gentlemen have the evidence of the Melbourne City Council and of the Electricity Commission before you, but I would say that the two loads at the present time would be beneficial to be linked up. I mean at the present loads.

2119. What do you think the different loads are now?—The Melbourne City Council's peak load is on at 4 or 5 p.m., that is, when their night load and day load actually overlap each other. The Essendon at the present time—mind you, I am only speaking of the Essendon load at the present time—is a purely lighting load.

2120. What about the tram?—The trams do not come on that, as far as that is concerned.

2121. It would be on the Essendon load?—Possibly, if it was supplied from the Morwell scheme.

2122. But it is to be?—As far as the tram load, in connexion with it, or what relation it has, or what proportion of the Essendon load, I am not prepared to say.

2123. Is not that the crucial thing—the tram load?—Essendon?

2124. Yes. Is it not the most profitable part of the Essendon load?—It could easily be worked out on figures whether it is or not. That is quite an easy matter to work out.

2125. *By Mr. Farthing.*—Have you heard Mr. Harper give his evidence the other day on that question of linking up?—No; I was not here.

2126. Would you say, as an electrical engineer, that it was possible to link up those two systems—Melbourne and Essendon?—It is absolutely possible.

2127. Is it done on any other systems that you know of?—All of them are linked up, but not under the same principle, and I would not like to turn around and say, if the Electricity Commission, or their engineer was to say, that it was not right to link it up. I would not like to say that he was not right in saying it without knowing something further about it. Naturally, the Melbourne City Council and the railways all link. They all have a ring of sub-stations—a link right round—and that is done for the security of service.

2128. Mr. Harper pointed this out—that if they were linked, and there was a breakdown on any one part of the system, it would probably cause a breakdown in other parts of the system. Do you agree with him there, or do you think he would be wrong in that statement?—I would not like to say.

2129. *By Mr. Eggleston.*—He was talking about 6,000-volt lines from the sub-station to the various parts of the area, and he said it would be quite justifiable from an electrical point of view, linking those 6,000-volt lines from a sub-station in one area to the 6,000-volt lines from a sub-station in another area, because a breakdown in one area might throw the whole area out of joint?—I do not think you will get me into a controversy on that without knowing something more about it.

The witness withdrew.

Frederick Pangbourn Bird, Electrical Engineer to the town of Preston, examined.

2130. *By the Chairman.*—What point are you dealing with?—I am dealing with clause 2 of the Bill. We are totally opposed to the Commission coming into our area to distribute electric energy, as we feel that, under municipal management, we, knowing the needs of the district, can control the distribution and supply as cheaply as the Commission. We are at present purchasing in bulk from the Northcote City Council, but by the end of this month, we will be purchasing direct from the Melbourne Electric Supply Company. Our charges for industrial purposes are 2d. and 1½d., and if, when the Commission is prepared to supply, they can sell to us in bulk cheaper than we buy at the present time, we are quite prepared to reduce our prices accordingly. That is, providing we receive the bulk supply at one point in the district only. We also claim that municipal control lends itself to unification of the system, and we are prepared to purchase three-phase and distribute, that is, providing the Commission does not impose ruinous conditions. We also take exception to clause 2 (6) (e)—[*reading*]—

“The amount of any loss in each of the said ten years from such supply shall be finally and

conclusively determined by the Commission and shall be made good as follows:—

One-third of such amount shall be borne by the Commission.”

The Commission's aim is not to make a profit. Where is the Commission to obtain this one-third? It means that consumers in paying districts are to pay more for their energy than they should. The Commission states that it will not make a profit; no doubt this may be so, taking the scheme as a whole, but to cover losses on non-paying districts, the good districts must be charged to meet this liability. One-third shall be paid by the municipality concerned. If a district shows a loss, that ratepayer, by virtue of raising the municipal rate (clause 11), whether the electricity benefit him or not, has to help meet his liability.

One-third shall be paid by Parliament. Amount not to exceed £10,000.

Again, the consumer of a district, whether it be a paying or a non-paying one, has to meet a portion of this cost. This, to my mind, paying through two channels, is grossly unfair. This clause also states that the liability of the Government must not exceed £10,000. No mention is made of what the liability can reach in the case of clauses 1 and 2—

Clause 2, sub-clause (7), electricity supplied by the Commission pursuant to this section may be supplied by transmission from any power-house or terminal station or substation of the Commission.

This is most unjust to any undertaker in this respect. The Commission may have one, two, or more sub-stations around a district, which the undertaking supplies. No undertaking is going to be able to supply cheap electricity if it has to buy in bulk at more than one point—

Clause 2, sub-clause (8), where pursuant to this section electricity is supplied by the Commission, all works and electric lines for the supply of the same at a pressure exceeding 450 volts shall be constructed and operated exclusively by the Commission.

Following on clause 7, the Commission shall control all electric lines of a pressure above 450 volts. If this is allowed to exist, no undertaker can supply current cheaply, as it would be, as afore stated, buying at every sub-station erected by the undertaker. I have a copy here of what we purchased, and what it has cost us to buy. We have undoubtedly made a small profit which has been used to strengthen the mains, and alter the sub-stations, and we have used portion of it for capital expenditure; that is, extending the electric light where it does not go at the present time.

2131. Who supplies you?—We are buying from the Northcote Council, but they, in turn, buy from the Melbourne Electric Supply Company. We are paying an additional 1½ per cent.; but we are just at the present time erecting a direct feeder from the Melbourne Electric Supply Company, and will be buying direct from them. The way our district is distributed at the present time, it means that we could not supply at the rates we are supplying at now. In the south end of our district, we have a whole day load, and at the north end a night load.

2132. How far out is Preston?—Seven or eight miles.

2133. This section does not apply to your council at all?—It does not apply at present.

2134. *By Mr. Eggleston.*—You are afraid of this principle being applied to municipalities like your own?—Yes.

2135. *By the Chairman.*—Generally speaking, are you satisfied with your present arrangement?—Yes.

2136. *By Mr. Beardmore.*—Are you in favour of District Boards?—It would not suit us at present. We have a good load factor in the day, and we have also one in the other direction at night, which practically meets that maximum demand.

2137. What is your population?—About 8,000 to 10,000.

2138. *By Mr. Eggleston.*—A District Board does not mean a flat rate, of course. Why should not a district take advantage of the diversities in each of its areas?—Then some one has to suffer.

2139. *By Mr. Beardmore.*—You would have representation on the Board?—It may work in some cases, but not in all.

2140. *By Mr. Eggleston.*—The same witness who objected to linking Footscray with Caulfield favoured linking Melbourne and North Melbourne?—I do not know anything about Melbourne and North Melbourne.

2141. The last witness had in mind that a District Board meant a flat rate for the whole of the metropolis?—It would eventually lead to that.

2142. That would be a very wrong application?—That is what I am saying. If you link one with another—

2143. Only for the purposes of distribution and collection, that is all?—I do not think so. It would not come in. Some municipalities would benefit by it, and some would lose by it.

2144. Take the whole metropolitan area as a whole. You instance one diversity factor in your area?—Yes.

2145. I suppose the more diversities there are the better?—Yes.

2146. Suppose you illustrate the difference between a day factor—say a 4 o'clock maximum and a 7 o'clock maximum, but supposing you had other suburbs which had 11 o'clock in the morning maximum?—You may have another suburb again that has a low load factor at 7. You would be jumping about all the time.

2147. Are not the chances that the larger the area the more diversities?—I do not know. I do not know what the diversities of other places are. I should think the majority would be just on 7 o'clock.

2148. The industrial areas are not at 7 o'clock, are they?—No; but there is more at 7 o'clock. I think there is a heavier load at 7 o'clock in industrial areas at present. You are not giving the benefits to the industrial areas. We are buying at the present time at 10s. 10d. per kilowatt, maximum demand, and 1.85d. per unit, with a coal charge of .0135 each shilling, plus 1½ per cent. Our retail price for selling is 6d. to 4d. for lighting, and 2d. and 1½d. for industrial purposes. The number of consumers is:—Lighting, 1,700; power, 120; capital expenditure, £27,632.

The witness withdrew.

Torrington George Ellery, Town Clerk, city of Melbourne, re-called, and further examined.

2149. *By the Chairman.*—You wish to give evidence on the Bill?—I have a short statement, which I would like to run through. In the remarks I have made on the State Electricity Commission Bill of 1922, I have to direct attention to the evidence on the Bill, which was tendered by the Lord Mayor before this Committee on Monday week last, and to say, in particular, that the evidence given by the Lord Mayor on that occasion expresses concisely and clearly the City Council's attitude regarding this Bill. As it is already in evidence, there is no necessity for me to repeat what the Lord Mayor said on that occasion. I would, however, remind the Committee that when the Lord Mayor appeared here, he gave evidence on the Bill. I desire to state that the legal advisors to the City Council

consider that the draftsmanship of the Bill could be improved if amended as follows:—

(a) Sub-section (1) omitted altogether.

(b) The word "such," before "municipality" in sub-section (2) deleted where it appears (twice).

(c) At the end of the section (after re-numbering) a new sub-section (11) added as follows:—

(11) This section shall not apply to the city of Melbourne nor to any other municipality any part of whose municipal district is within 25 miles from the nearest point of the boundary of the city of Melbourne.

There is an element of ambiguity about it, in the opinions of the Council's legal advisers, and they have suggested it to me, and I desire the Committee respectfully to take it into consideration. In one portion of the evidence given by the Mayor of St. Kilda before this Select Committee on 2nd November, 1922, page 144, the following occurs in relation to Clause 2, sub-clause (6) (e) of the Bill:—

Mr. EGGLESTON.—The Government portion cannot exceed £10,000, so the others cannot exceed £10,000 each.

Cr. BURNETT GRAY (Mayor of St. Kilda).—The way I read it, it may mean £100,000.

The CHAIRMAN.—The losses are limited to £30,000 a year.

Mr. LIND.—For the three parties concerned?

Mr. EGGLESTON.—They are only charged with one-third of the loss, so each of the other one-thirds cannot exceed £10,000.

Cr. BURNETT GRAY.—I do not see it is necessarily limited to £30,000. I think it limits the Government's loss, but not that of the municipalities or the community as a whole.

There is an ambiguity about the meaning of this sub-clause. The City Council's legal advisers are of opinion that the limitation of the total annual amount payable out of the moneys provided by Parliament is the only limitation of payment of losses. It is obviously impossible to provide what the total amount of losses made by the Commission for any one year shall be, and such losses could not be ascertained until the end of each financial year. It is provided that one-third of such amount shall be borne by the Commission, one-third shall be paid to the Commission by the municipality or municipalities concerned, and one-third shall be paid by the Commission out of moneys provided by Parliament for the purpose, but this latter is the subject of an important proviso that Parliament shall not be required to provide more than £10,000 in any one year under this provision. It would appear, therefore, that the partnership or company, as one might term it, is, as regards the Parliament, a limited liability company, whereas in regard to the other two, the liability is unlimited. It is by no means clear from this view, what would the precise position in the event, say, of a loss of £40,000 in one year. One-third of this amount would be £13,333 6s. 8d. Parliament could be called upon to pay only £10,000 of this, and when the Commission and the municipalities had each paid up their £13,333 6s. 8d., there would remain a sum of £3,333 6s. 8d. outstanding. Probably the idea is that this would be carried on to the next year, and so on, as the Parliamentary funds became available, but, of course, if the losses exceeded £30,000 a year during the whole period of ten years, there would be no chance of the arrears being overtaken by the Parliamentary grants, and doubtless some further demand would be made on the municipalities in connexion with the matter, either directly or by raising the cost of current supplied to them. It is suggested to this Committee that this point should be carefully looked into, and the liabilities of corporations clearly defined. Clause 3, sub-clause (e) of the present Bill enlarges the powers of the Commission in regard to the purchase of electrical undertakings, and this enlargement of powers supports the general statement I have already given in evidence that in nearly every session of Parliament since 1918, additional powers have been granted to the Commissioners, and as there appears to be no end to these additional powers, it is that fact which

has made the municipalities apprehensive. It has been stated here in evidence that the Commissioners can only carry out such powers as Parliament gives them, but I would point out that Parliament does not spontaneously chase the Commission with new powers. On the contrary, someone on behalf of the Commission has to put up the request for new powers to the Government before the measure makes its appearance in Parliament, and as a matter of fact, before Parliament knows anything about it. A good deal has been said, from time to time, in the course of this inquiry by the Select Committee, that the Commission in respect to the rights it possesses to sell energy in Footscray, and one or two other municipal districts in the metropolitan area, has only inherited the rights granted by Parliament to the Railway Commissioners. Now, why did the Railway Commissioners get those statutory rights. To save time, I have had extracts made of the portion of *Hansard*, which show clearly that at that time the Railway Commissioners had surplus energy to dispose of, and they had big generators at Newport "A" lying idle, and originally the intention was to enter into the bounds of the city of Melbourne, but I formed one of a delegation from the Melbourne City Council, which waited upon the then Minister of Railways (the Honorable Agar Wynn, I think it was), and we had Melbourne excluded. Footscray and other districts were not so fortunate. To save time I would like to hand those in, because it is part of my evidence, and I would respectfully ask that it be included:—

[Extract from State *Hansard*, 26th March, 1918, pages 1004-5.]

RAILWAYS BILL.

Mr. BARNES (Minister of Railways) moved the second reading of this Bill. He said—The measure which I have to introduce to the House confers statutory powers upon the Railways Commissioners to enable them to dispose of surplus electricity from the Newport power station. A similar measure was originally introduced during the closing hours of the last Parliament, but it was opposed by the Melbourne City Council and other electrical supply bodies, on the ground that the powers proposed to be granted to the Commissioner might conceivably be used in a manner which would be detrimental to their interests, and that, as extensive businesses in which a large amount of capital was invested had been built up during a course of years they should not be subject to unrestricted competition from a State-owned concern. When the Newport power station is completed it will contain six 10,000-kilowatt generators, having a total capacity of 100,000 horse-power. Two of these may not be supplied until after the war, but four have already been installed, and, allowing for one machine remaining in reserve in accordance with the usual practice at all power stations, a considerable amount of electricity will be available for sale to outside concerns. The Bill is introduced with the object of allowing the Railways Commissioners to enter into arrangements with bodies desirous of purchasing their surplus electricity, and such action will, of course, be advantageous to the railways and to the State, because otherwise the big generators would be lying idle while the State would have to pay interest upon the capital expenditure.

This is a clear case of getting in the thin end of the wedge, and the wedge has since been driven right home. Referring again to clause 3 of the Bill, which I have stated enlarged the powers of the Commission in regard to the purchase of electrical undertakings, whereas section 17 of Act No. 3104 only empowered the Commissioners to purchase such undertakings at the time, and on the same terms as the councils could purchase them as provided by sections 43 and 44 of Electric Light and Power Act 1915, the proposed new section will enable the Commission to outbid the councils and purchase the undertaking on any terms and at any time the Commissioners can agree upon with the undertaker, subject only to the ratification of the agreement by Parliament. It will affect the City Council with regard to the North Melbourne undertaking, in that it makes it perfectly clear that the consent of the Council is not required to any such purpose. Sub-section (3) (b) may be paraphrased as follows:—

When the Commissioners have purchased any such undertaking they shall have power to carry it on and supply elec-

tricity for that purpose to any one, whether there was or was not an order in force at the commencement of Act 2996 (7th January, 1919), for the supply of electricity by the vendor or any other undertaker within any area supplied by such undertaking or part thereof.

It is difficult to follow its meaning, but it appears to be intended to provide for cases where the undertaker has gone outside the area allotted to it by the Order in Council, e.g., if North Melbourne undertaking had been supplying electricity in the Essendon district or neighbourhood beyond the strict limits of the district as set out in the Order relating to it, this would enable the Commission to continue such service. It would not enable the Commissioners to enter into the territory of the city of Melbourne covered by its Order, unless indeed such undertaking has been in fact supplying electricity within that territory already, but if so, this sub-section would allow of them continuing such service subject to and until ratification by Parliament. While the City Council has no desire to stand in the way of the legitimate development of the Morwell scheme, where such development is intended to benefit the State, the City Council does unhesitatingly object to any further powers being extended to the Commission which may directly, or indirectly, now or ultimately, prejudicially affect the rights of municipalities, especially where the municipalities have joined with the City Council, and have become articulate in their desire not to see additional powers granted to the Commission to their detriment, as they regard themselves as important entities in the control, development, and government of the State in their spheres, which, up to the present, have included electric supply; and it has been made clear in evidence that they do not desire their retail distribution rights taken away from them, although you have seen that outside of Melbourne there is a feeling that they may have to consent to District Boards to look after the act as a constant watch on the State Commission. municipal interests of retail electric supply, and to The City of Melbourne's case is unique. I need not labour the point, because you have had it in evidence from Sir John Monash himself that the City Council is not to be coerced, and that it is an efficient and well-managed enterprise. We are at a loss to understand why clause (3) has been included in the Bill, and we raise that question in view of the following written statement from the Premier to the Lord Mayor on the 12th July last that—

The operations of this Bill are expressly limited to areas more than 25 miles beyond the boundaries of the city of Melbourne. The city is, therefore, expressly excluded from the operations of any of the provisions of the Bill.

and we repeat the question in view of the letter from Sir John Monash, of the same date, that—

This Bill in express terms will apply only to territories which are not less than 25 miles from the boundaries of the city of Melbourne, and, therefore, by clear implication, the whole of the metropolitan area is definitely excluded.

You see distinctly that the promise of Sir John Monash and the promise of the Premier was definite and beyond doubt, that this Bill was not to interfere with any municipalities within 25 miles of the nearest boundaries of the City of Melbourne. When the Bill makes its appearance, what do we find? We find that section 2 is expressly limited to districts beyond a 25-mile limit, but section 3 contains no such limitation, and under powers in that section the Commissioners can exercise rights up to the very borders of Melbourne. I submit that this is a violation of Sir John's promise to us, and the Premier's promise to us. Is it any wonder that we are anxious at times as to what is going to happen next? We would like to know, and I think we are entitled to know, and that this Select Committee is entitled to know why, under the circumstances, clause 3 is in the Bill, and I trust that this Select Committee will ask for an explanation of

it in the light of what I have told this Committee concerning the promises made to us concerning the Bill by the honorable the Premier and by Sir John Monash. I referred just now to the fact that several municipalities had given evidence before the Committee in the direction of a non-increase of existing powers to the Commission, if any increase of powers would be likely to operate to the detriment of the municipalities. I have also to state that a large number of metropolitan and country municipalities and shires have expressed themselves as holding similar views, viz.:—Upper Yarra, Kyneton, Dunmunkle, Caulfield, Beechworth, Newham, and Woodend, Braybrook, Charlton, Mildura, Avon, Ararat, Sebastopol, Brunswick, Yarrowonga, Kew, Coburg, Heidelberg, Oxley, Numurkah, Stawell, Moorabbin, Dimboola, Kilmore.—[*The witness handed in the original letters.*—] I submit the following resolutions carried at a meeting of municipal representatives held at the Town Hall, Melbourne, on 10th August, 1922:—

That this meeting of municipal representatives considers that the distribution of electrical energy should be left to local authorities, and under no circumstances ought the State Commission to be allowed to enter the field of retail electric supplies.

That it is highly desirable that any measure brought before Parliament to further increase the powers of the State Electricity Commissioners should be closely watched and opposed if it in any way encroaches on the electrical rights and privileges of municipal councils.

There is a general impression abroad that the whole of the people of the State are interested in this Morwell scheme, but Sir John Monash, in a report to the Attorney-General in March, 1922, said:—

It is not true that the money applied to the Morwell scheme is used by the people of the State as a whole, or that they will have to bear the interest burden upon it, or the task of repaying it. The scheme is conceived on business lines as a normal commercial undertaking which has to pay its own way out of its own revenues. It is the consumer of electricity, and he alone, who has to pay for the scheme and for the sinking fund which will extinguish the debt incurred. The non-consumer has no direct interest in the matter, bears no burden, and takes no risks.

In conclusion, I wish to emphasize Sir John Monash's statement to you on page 94 of his evidence in relation to the future control of retail distribution of electric energy in the metropolitan area. Sir John said:—

The future metropolitan policy will depend not upon anything that this Committee at the present juncture is able to decide or recommend, but upon the future of the Melbourne Electric Supply Company's franchise. If it be decided that that franchise is to be extended for another ten years then there can be no question of any change in the metropolitan conditions for another ten years; they must be allowed to continue if that be decided, and then the whole of the questions now under discussion will be set at rest for ten years. It might very well be, under those circumstances, a proper thing, or a convenient thing, for the Melbourne City Council to take over the Hopetoun Ward; but, if, on the other hand, it be decided after full consideration that the Melbourne Electric Supply Company is not to get an extension of its franchise, then the question of a scheme for the control of the metropolitan supply of electricity becomes a very pressing one, and, as I have said, will have to be settled very soon.

Sir John has also said in evidence that the City Council's undertaking is well managed and organized, and on page 94, in reply to Mr. Eggleston's question, in relation to the pledge given by the honorable the Premier to the Melbourne City Council, he replied that it was the Premier's view, and the Commission's view, and his own view, that the City Council must not be coerced. I mention that because the question has arisen to-day particularly, and on previous occasions, by honorable members of this Select Committee, in relation to the formation which, rightly or wrongly, the impression has been left in my mind that those gentlemen have the idea that a retail supply for the whole metropolitan area should be looked after somehow by a District Board—one Board. Now, we are not a party to that, and I want as strongly as I can make it clear to you, that in view of the extracts from

the evidence that I have given to you by Sir John Monash, that we quite agree that we are big enough electrically and economically to stand alone, and we rely largely—almost wholly—on the evidence which the eminent gentleman, who occupies the position of chairman of the Electricity Commission, has given before you. Sir John, in concluding, said:—

The cry of the Melbourne City Council is to extend its franchise, and it may be that the Melbourne City Council will get what it is asking for. It may prove to be the best thing; but we say it is premature to deal with it now, and that is my meaning in the mysterious words, "the present juncture."

The Chairman.—It is a very important point. Allow me to emphasize it; that is to say, the position, as you put it, is that the conditions of the various electrical affairs about Melbourne, especially the Melbourne Electric Supply Company, are such that there will have to be a change before very long?—Yes.

The Chairman.—But you are not now in a position to advise the Government what policy should be pursued in the North Melbourne case until this matter has further developed?—Yes, I go further. We have been as explicit as we can be. The Premier's utterances and my letters to the Melbourne City Council, all of which have been put in, all tell them, in the clearest terms, there is no desire whatever to trespass on the Melbourne City Council's undertaking, and when I talk as I do now of the future of electrical control in the metropolis, I do not want the City Council to imagine somebody is going to gobble them up. It may be the best thing, and good business to leave them to their own enterprise within their own city limits. It has never been suggested that there should be anything else. If they want to voluntarily come into the Greater Melbourne electrical business, that is their business. The Government, the Premier, and the Attorney-General have pledged themselves there is nothing behind this, in the nature of a covert attack on the City Council. I want to say their enterprise is well managed and efficient. To those words of Sir John, we say, cordially, "Amen."

The witness withdrew.

Committee adjourned until 9th November next.

THURSDAY, 9TH NOVEMBER, 1922.

Members present:

Mr. McLEOD, in the Chair;

Mr. Beardmore,	Mr. Farthing,
Mr. Deany,	Mr. Lind,
Mr. Eggleston,	Mr. Smith.

Sir John Monash, recalled, and further examined.

2150. *By the Chairman.*—We wanted chiefly to hear you in connexion with the Bill itself. You have heard what the various witnesses have said about the Bill?—Yes; I think it will be convenient if I deal with the Bill. There are quite a number of other matters by way of criticism of what has been said, and you have asked me, Mr. Chairman, to make a statement during the proceedings in regard to what is called retail distribution. In order to brush them to one side, might I refer to some clauses of the Bill which have not yet been referred to at all—that is in order to dispose of them. If the Committee will be good enough to look at the draft Bill, page 6, clauses 4, 5, and 6, I will deal with them. There has been no criticism of any of those clauses, and I think the purport of them is very plain. No. 4 is merely power given to us, stating that if we have acquired land, and have no immediate use for it, we may be permitted to lease it and get revenue from it. Clause 5 is an important one, because

it provides that the Commission shall have power to make regulations for the public safety. The country will be reticulated widely with high-tension power lines, and it will be necessary to make a number of regulations to prevent interference; too close proximity, the loading of vehicles, and a number of factors like that. This is merely power to be given to the Commission to make those regulations with the approval of the Governor in Council, and to enforce them. Now as to clause 6, that is entirely machinery, and I am unable to say much about it. I would suggest in regard to clause 6 that the Parliamentary Draftsman might be invited to explain the meaning and the operation of this clause. They are purely machinery clauses relating to easements. Well, now, in regard to clause 3, which I would like to take next, I desire to direct the attention of the Committee to clause 17 of Act No. 3104, passed in 1920, nearly two years ago. In that Act, Parliament expressly gave the Electricity Commission power to step into the place of municipal councils in all those cases where agreements existed entitling the municipalities to resume private enterprises. In every case, so far as I know, where a private franchise has been granted either to a private person or a private company, a condition has been imposed that, after the lapse of a good number of years, or on a prescribed date, the municipality concerned should have the right to resume that enterprise for public purposes in accordance with the procedure which is laid down in the Electric Light and Power Act, and on terms which are also there prescribed. I am referring to sections 43 and 44 of the Electric Light and Power Act of 1915. So far as I am aware, that power has never yet in any single instance been exercised by any municipality, for the plain reason that all these enterprises are comparatively young, and the date of maturity has not been reached. The date on which those rights would arise has not yet been reached, but in a very large number of cases those dates are approaching. Now, in Act No. 3104, Parliament directed that the acquiring authority should be the Electricity Commission, and not the Council concerned—that is to the exclusion of any council or councils. Well, now, that is a clearly marked line of policy, and if the provisions of section 17 of the former Act had been explicit enough, or elastic enough, there would have been no need for section 3 in the present Bill. A close examination of section 17 of the former Act will disclose, however, that there is a want of elasticity, and that it is—I will not say inoperative, but—very difficult to give effect to this section. For example, it says that the Electricity Commission shall have power to purchase upon the same terms as any council or councils would have to pay—"upon the same terms," not on any lesser terms. Supposing the Commission, for instance, could make a better bargain than that provided by the machinery of the Electric Light and Power Act, they would be precluded from doing so. They must make the bargain on the same terms as the councils would have had to do under this Act—the Electric Light and Power Act. It prescribes the method of valuation, the method of arbitration, and a basis of valuation, and the effect of section 17 is really that the Commission can close the deal on those terms, and no other terms, even although by negotiation better terms could be got. But that is not the worst. The Act goes further, and it says that the purchase shall be made at any time at which any such council would be entitled to require the undertakers to sell the same under those sections. That means that the acquisition contemplated can take place only at the prescribed date covered by the agreement with the council, and could not take place earlier even though all parties were agreeable. Even though the council, the private undertaker, and the Commission were all agreeable, and the price were right, the Commission could not act except at that date. Now that

in practice proves highly inconvenient and highly disadvantageous to the public interest. No better example could be furnished to the Committee of what I mean to convey than the North Melbourne undertaking itself. There, under the law, the Commission could step in in 1924 and acquire that undertaking; in 1924 because that is part of the agreement with the company, and it could then acquire it on certain precise terms which are therein set out. Now, in point of fact, the Commission has succeeded in acquiring it—and that is the Act which Parliament is asked to ratify—two years earlier, on terms which are manifestly more favorable to the public than if we had had to adhere to the terms which the councils themselves would have been bound to pay. That is one example and there are many others. There is a private undertaking operating in Ballarat and Bendigo, and a delegation from the Ballarat and Bendigo Councils arrived at a resolution requesting the Commission to purchase that undertaking, although that undertaking is not due for purchase for a number of years—I do not know quite how many, but at least nine or ten. Therefore, under section 17, we would have had to wait nine or ten years before we could do anything, which means, in plain language, that the benefits of the Morwell scheme could not reach Ballarat and Bendigo for nine or ten years. Then, again, in many parts of the country there are private enterprises of a similar character, such as local woollen mills, local butter factories, and many of them have franchises to supply the public. A number of these are most anxious to sell, and a number of the councils concerned are most anxious that the Commission should buy. We have been definitely requested in several instances to buy. The most recent case is that of Shepparton. A private company is supplying Shepparton, and a tentative agreement has been entered into, subject always to the approval of the Sugarloaf scheme, that with the consent of the council, the Commission can purchase that enterprise, so as to extinguish the private franchise, and make it public property. On those grounds, sir, section 3 has been drafted—that is to extend the powers of section 17, and so as to remove the two disabilities which section 17 imposes on the Commission—firstly, the disability that the purchase can only take place on a predetermined date some years ahead; and, secondly, the disability that the terms must be the precise terms provided by the Electric Light and Power Act, and no better terms. Section 3 is drafted so as to give the Commission no harmful extension of its powers; it merely puts the Commission in a position to make an earlier and a better bargain than is provided for by section 17; beyond that the powers of section 17 are not extended.

2151. Do I understand this—you look upon section 3 as ancillary to section 17—to extend the powers, and enable you to buy under more advantageous conditions?—Yes.

2152. It has been contended here that these words are rather objectionable in section 3, sub-section (a) of the present Bill, viz., "*(a) the Commission (to the exclusion of any municipal council or councils) may, &c. . . .*" What do you say regarding that?—Well, those are the exact words of the previous section. In section 17 of this former Act, the same words occur; that is already law.

2153. Some of the witnesses do not refer back to previous Bills at all, and they look upon it as giving the Commission an advantage in purchasing which the councils could not enjoy?—But Parliament has already decided that they shall not enjoy it. If you will be good enough to look at section 17 of the previous Act, you will see precisely the same words—"to the exclusion of any council or councils." It is merely repeating the language, and the effect of section 3 is merely to extend the provisions of section 17 in two directions, viz., to allow the Commission to make better

terms, and to allow them to do it at an earlier date. In one respect only does this section carry us a little further, and that is in regard to tramways. It had a very limited application, namely, only the Victorian Electric Supply Company, operating at Ballarat and Bendigo. That is the only remaining private company that owns tramways as well as providing electric light and power; and the further provisions of this sub-section (3) provide that if the private company being bought out owns tramways, the Electricity Commission shall not be allowed to operate those tramways.

2154. I see that this clause 3 contains a restriction which clause 17 does not. It says in sub-clause (2)—

(2) No agreement shall be entered into under this section without the approval of the Governor in Council nor until such inquiries have been made as the Minister thinks fit; and every such agreement shall be subject to ratification by Parliament in such form as Parliament thinks fit.

—Yes; I was going to call attention to that to show you how amply the power is safeguarded. It cannot be done without, first of all, the approval of the Governor in Council, nor without Ministerial authority, nor can it be done without ratification by Parliament, and in any given instance, or in all instances, Parliament can withhold ratification. Now, if I may do so, I would like to add a word about the general policy. I think it must be clear that if the policy is adopted of extinguishing private franchises by purchase, compulsory or otherwise—I do not mean repudiation in any sense at all—but if there is to be purchase on fair, equitable, business terms, it must be obvious that there cannot be two public buyers in the field for these enterprises, and Parliament must decide one way or the other whether it is going to be a technical body equipped for the purpose, or the municipalities, and inasmuch as in every one of these cases more than one municipality is involved, it is therefore a more expedient thing to let a public body entirely under the control of Parliament carry on the negotiations. That is exactly the position in regard to the Melbourne Electric Supply Company.

2155. There is no doubt that there are a large number of butter factories and woollen mills throughout the country which have franchises, and they do not want to take up public lighting, and they are a block on the municipality taking it on, because their best customer has gone?—Yes, exactly. The same applies to the Melbourne Electric Supply Company. There cannot be a number of public buyers in the field against each other. It would be absurd, and the question is whether it can be negotiated better by sixteen or seventeen municipal councils acting in unison, and—I say it without wishing to give offence—without knowing very much about the technicalities of the subject, as I shall presently show, or by a technical body specially skilled and equipped for that very purpose. Whether that be so or not, Parliament has decided, and the only object of section 3 is to make section 17 workable.

2156. I see now what the object of that clause is. I thought first of all it was intended for the purchase of the North Melbourne scheme, but I see it goes further. It gives you the general power?—Yes, general power. It applies to North Melbourne, subject to ratification by Parliament, and to any future negotiations with the Melbourne Electric Supply Company, or any of the numerous butter factories or other companies operating privately.

2157. It is safeguarded much more than clause 17. In the first place the Minister has to be satisfied about it, and then Parliament has to sanction it?—Yes.

2158. So that people interested must have an opportunity of being heard in the matter?—Yes.

2159. *By Mr. Eggleston.*—Does not the ratification by Parliament give rein to an enormous amount of criticism. Would it not be quite safe to leave this to

an Executive act?—Well, after all is said and done, public money must be found, and Parliament is the only tribunal which can say that those funds shall be made available.

2160. They would be on the Estimates then?—Yes.

2161. *By the Chairman.*—You have not dealt yet with section 2?—No; I have not touched that yet. I have taken them in the reverse order to get rid of the unimportant matters first. Apart from the subsidies question, I think that section 3 is the only one which deserves any comment. I would be very glad if members of the Committee would now ask me any questions about section 3.

2162. *By Mr. Eggleston.*—With regard to section 3 and the North Melbourne undertaking, did you get the full consent to the exclusion of the municipal councils?—We got the consent of both councils.

2163. You have not acted to the exclusion of the councils in that case?—No; not in the sense that we acted without their cognisance or consent.

2164. Your purchase did not affect any rights that they had?—No.

2165. It was never intended?—That is not so; they had rights to acquire it.

2166. In 1924?—Yes.

2167. You have affected that right?—Yes.

2168. But you have not affected the ultimate right in 1934?—No; we have affected their right, with their consent, to acquire it in 1924.

2169. *By the Chairman.*—There is another proviso in sub-clause 9 of clause 2, which is a safeguard for the councils. It says: "Provided that in any case where a council is an undertaker authorized to supply electricity within such area, such supply of electricity by the Commission shall be subject to the prior consent of the council." That is a safeguard there?—Yes, I think it is very fully safeguarded. Well, may I now pass on to section 2?

2170. Yes?—To begin this matter, I would like to make the Committee aware in a general way of the existing condition of affairs throughout the State, and what is really proposed. I will lay this map in front of you, as it requires a little close scrutiny. This is a map of Victoria with a number of blue and a number of red dots. Every one of those dots represents a franchise—an electrical undertaking. Those that are red are publicly owned, and those that are blue are privately owned.

2171. A private franchise such as a butter factory?—Yes; they may supply the public, but they are not owned by the public. You will see how scattered they are throughout the State; how sparse they are, and what a very large number of towns throughout the State have nothing at all. I would like you to appreciate further that, in the great majority of instances, outside the metropolitan area they are small direct current plants, ranging from 10 to 100 horse-power, and having a range of distribution at the outside of not more than a mile from the power-house. The efficient range of distribution is about half-a-mile, but some work up to 1 mile with a considerable loss of efficiency. I have in mind a case at Castlemaine where they are distributing direct current a mile away from the power-house, and they are losing about 25 per cent. The whole thing is obsolete and inefficient in the highest degree, and I have the material to show you that, in all these rural enterprises, there is not a single one that is a financial success. I am leaving out the Victorian Electric Supply Company for the time being. Moreover, some of them are in a very bad way indeed, and in every case, except Ballarat and Bendigo, the charges are very high, running up to as high as 1s. 3d. to 1s. 6d. per unit for lighting. It is the aim and objective of the Electricity Commission, so far as the greater part of the State is concerned, to reform the whole of this business. I would like the Committee to realize the huge

transformation that will take place in the course of time as the years go on, as we advance steadily step by step from this condition of affairs to the condition of affairs illustrated by the map on the wall, viz., the condition of transmission from a few strategically placed power-houses by long transmission lines reticulating the country. It immediately converts these 100 odd isolated and independent schemes into a single scheme.

2172. The effect would be that instead of all these different plants operating in a limited degree and with limited efficiency, you would supply from one powerful plant with your lines?—Yes, as shown on the plan there.

2173. There would be a tremendous saving in efficiency and money, too?—Yes, and might I say in regard to that remark that efficiency is of very much more importance than cost. The first thing you must have is availability of your supply, and the next thing is reliability. I venture to think that every member of the Committee knows that in country towns on shopping nights the light invariably fails when it is most wanted; that is due to the limitation of plant and the obsolete systems in force. Well, now, this problem of transmitting electricity through a large territory like the State of Victoria is, as I previously told the Committee, a mixed problem of distance and market—that is to say, the question whether or not it will pay to build a line depends on how long it is, and how much demand there is at the end of it. If, for the sake of argument, you had a line 100 miles long, and you had a town of 10,000 people at the end of it, that is a very different condition of affairs from a line 100 miles long with a township of only 500 at the end of it, because as a matter of fact a pole is a pole, an insulator is an insulator, and there is very little difference between cables to carry a big load and cables to carry a small load.

2174. Do you consider that a line 100 miles long is a paying proposition with 500 people at the end of it?—No; I say it is not as good a paying proposition as a line with 10,000 people at the end of it. Therefore, in connexion with any proposal for a transmission line you have to consider those two factors, distance and market, and not only, of course, the market at the end, but the market all along the line.

2175. What number of persons at the end of a 100 miles line would you consider would make it a paying proposition. I am asking you this, because there are large areas in the northern districts where a line would have to be a good length between the townships?—The answer to that question is that map on the wall. Those lines shown on the map represent at present the economic limits of the scheme. Any town connected up on that map has sufficient population to justify the building of that line within a reasonable time.

2176. *By Mr. Lind.*—Of course, you have taken into consideration the possibility in the various towns of future development with secondary industries?—Yes.

2177. You would not send a line to some of those places for lighting purposes only?—That is so; I want to come to that point next.

2178. *By the Chairman.*—Before you leave that, because this is a very important point for country townships, supposing there were a couple of townships 5 miles apart, neither of which contained sufficient population to justify a supply, would you be able to group these two together?—Yes, undoubtedly.

2179. *By Mr. Eggleston.*—In the effort to extend these lines, I presume no sacrifice is being made of the whole system?—It is a benefit to the whole system, because an increased market means an increased power-house.

2180. *By Mr. Lind.*—But would not the weaker spots have to be carried by the stronger ones?—Not if you follow the principle, which is the true principle, of

making every consumer pay in accordance with the cost of the service that he receives.

2181. *By Mr. Eggleston.*—In connexion with the Sugarloaf scheme, would that provide energy for Melbourne at a dearer rate than the other. I think that has been stated?—That was the *ex parte* statement here of a witness who misled this Committee. When I come to the Sugarloaf scheme I will explain that. You have heard only *ex parte* statements on that matter, and some astonishing statements have been made.

2182. I think the report said that it would not be justified, having regard to the importance of serving this part of Victoria?—Yes, but the difference was stated at this table as £30,000 a year; that is ridiculous; the figures have been misunderstood and misapplied.

2183. I am in sympathy with the attempt to serve the country districts, having regard to efficiency and cost, and as long as political considerations are not allowed to determine it?—As far as political considerations are concerned, I wanted to show in the draft Bill that they have been eliminated by constituting the Commission as the body to make the recommendation, and without its recommendation nothing can be done. It is analogous to the Railways Standing Committee.

2184. *By Mr. Lind.*—You intend to prove to the Committee that Morwell is not going to be asked to carry the Sugarloaf scheme?—Yes, there is no question of that.

2185. I have been under the impression that that would be so, from the evidence that has been put before us?—Yes, precisely so, but that evidence has not been answered yet.

2186. I thought your report was also to that effect?—No, it is not.

2187. I will be glad to learn to the contrary?—Yes.

2188. *By Mr. Beardmore.*—Is it practicable for a group of country centres to be charged a flat rate?—No; the moment you do that one man pays more than he ought to pay for his supply and another man pays less.

2189. You give the larger townships in country centres an advantage over the small ones near the route?—No, you do not; it is entirely a question of load factor. If in the smaller centre there is a user with a better load factor he gets his current for less than the man at the big centre.

2190. But unless there are a lot of consumers at the end, such as at a large centre, it becomes prohibitive?—No, we are not likely to suggest building lines if the cost is going to be prohibitive.

2191. But when I say prohibitive, I mean in regard to power for industries?—That is not so at all.

2192. Well, take a case like Gippsland. I see that some centres which I think would be within reasonable distance of the power-house would have to pay a rate based on 5d. a unit?—Where did you see that?

2193. In that Gippsland report?—That is the same question again; that is the average rate for the community.

2194. *By Mr. Lind.*—But that is based on the possible consumption?—No, on the existing consumption.

2195. You do not take into consideration the possibilities of the future?—How can we; we have said before in our report in plain terms that we have excluded it.

2196. Supposing the average is 5d. per unit, and a small town wants to support an industry, it means that it will pay a proportionate price?—It would not have to pay 5d.

2197. But it might be in comparison with a town in another district not very far away, which is based on 2d. Would that not give that centre a very big advantage?—No, none whatever; that is a fundamental fallacy in the consideration of the whole thing. Everybody thinks that a fraction of a penny per unit makes all the difference to a factory.

2198. It would not be merely fractions of a penny. One town may get its power at 2d., and another town

50 miles away may get its power at 5d.?—Representatives from a number of towns have come to us, and said that they would pay any price we liked to ask in order to get electricity.

2199. I appreciate that, but I am looking at it from the point of view of the establishment of industries that are going to treat our raw material?—Do you think the power bill is going to affect a man as to whether he established his industry in a particular town or not. I say quite distinctly that the power bill does not affect the question as to whether a man settles down in a country town or in Melbourne. The cost of the power has nothing to do with it; it is the availability of the power that determines it.

2200. *By Mr. Eggleston.*—Well, does not that affect the whole scheme—why incur all this expenditure?—Because there is an existing demand. I am afraid the Committee does not understand the point of view at all. Mr. Eggleston says how does that affect the whole scheme. If you want industries to settle in the country, you have to give them power; give them power and you will see them come there.

2201. *By Mr. Beardmore.*—But what about the price?—Unless the price is exorbitant, it makes very little difference. I pointed out to the Committee before that the cost of power in industry is 1 per cent. of the output; that is 20s. for every £100 worth of manufactured articles.

2202. That is in a general way?—Yes, and in a particular way; if you take industries particularly, they come down to $\frac{1}{2}$ or $\frac{1}{4}$ per cent. These figures include, for instance, gasworks making, where they use no power, but fuel only. You will find it set out in the latest *Year-Book*. I have it here on pages 556, 557, and 558 of the 1921 *Year-Book*. There is a table on pages 556 and 557. Excluding industries which use heat exclusively, the cost of fuel and light is shown as £995,000 a year, and the finished product is worth £75,000,000 a year, so that, including the light, the cost of power and light is 1.36 per cent., and if you leave out the light, you will find that my average of 1 per cent. is not far out. I say that a manufacturer who wants to establish himself in the country will be at no disadvantage if he has to pay, instead of 20s., 30s. per £100 of merchandise that he turns out. The factors which determine him are rent, wages, the price of raw materials, and transport.

2203. *By Mr. Eggleston.*—Is it not one of our hopes that the Morwell scheme will lead to the establishment of industries in Victoria as against New South Wales?—Precisely.

2204. And you say it will not have that effect?—I did not say that. I said that the cost of power is not the controlling factor. It is the availability of power. People talk a great deal of nonsense about this. You will hear it said down the street that Cadburys went to Hobart because they could get cheaper power there; that is not so. They went there because they could get power, which was not to be had here at any price; it was not to be bought. It was not the cost of the power; it was because they could get power there and not here.

2205. And there were shipping facilities there, too?—There may be other factors, too; but they certainly did not go because they could save a fraction of a penny per unit in power; that would not make any difference to the annual balance-sheet whatever.

2206. *By Mr. Deany.*—I think Mr. Beardmore's query was that a town would be penalized by the fact of it being a pretty long way from the supply. That is not so, and we have got a pretty good illustration of it in the South-Western district, where the rate for Terang is 4.98d., while Warrnambool, 30 miles further away, has a rate of 3.73d.?—That is because Warrnambool has a better load factor, and, again, those are average prices; but fundamentally it is perfectly true that the further away a town is from the sea-coast, the higher are the railway freights, and necessarily the electricity

charges are higher—you cannot alter Nature. If you want to alter that by the application of a flat rate, it simply means that the consumers in the big cities, like Melbourne, Ballarat, and Bendigo, will have to pay for the service to the smaller towns.

2207. *By Mr. Beardmore.*—Take a group of small country towns; they will have an advantage of 100 per cent. or 150 per cent. in population over a single town, and I think it might encourage them to say that, although they have not as great a population, they would be given the power at the same rate; that would give the smaller towns a chance to develop?—The difference between one town in that group and another town in that group is not worth talking about. Supposing you had three or four towns within 5 or 10 miles of the nearest power centre. Take, for instance, a power centre at Wangaratta; supposing you had half-a-dozen towns within 10 or 20 miles of it, the difference in the charges would not amount to anything worth talking about. If you saw the average rate, you would be deceived by that, because you would overlook the question of load-factor; you must remember the load-factor all the time. Taking two towns with the same load-factor, there would only be a small fraction of a penny difference between one and the other owing to the greater distance from the nearest power centre.

2208. *By Mr. Lind.*—Distance seems to be a consideration, because, taking the Gippsland scheme, Sale, with a maximum demand of 228 kilowatts, and a consumption per annum in kilowatt hours of 500,000, is supplied at 1.51d. per unit, while Bairnsdale, with a maximum demand of 199 kilowatts and a consumption of 400,000 kilowatts per annum, is charged 3.82d.?—Yes.

2209. Is that difference made up, not alone by that 100,000 kilowatt hours, but also by the difference of 40 miles in transmission?—I have said so. The two factors are market and distance; undoubtedly, they are the governing factors, but then there is also the load-factor which comes in.

2210. I suppose, too, that the price that will be paid in either of those places in the future will be according to the development that takes place. Suppose now that Bairnsdale with its natural facilities develops to such an extent that the consumption there increases more so than Sale; would that cause the 3.82d. rate to be reduced?—Most assuredly. Might I explain at this stage how those figures are arrived at? It is so very simple. I will try to explain it without giving the actual figures. Suppose you have got a sub-station at town "A", and that you already have got your electricity at town "A." Then, representatives from town "B," 10 miles away, say, "We would like some, too." In order to give it to them you have to run a line from "A" to "B," and that line costs so much per mile; it may be £500 per mile or £1,000 per mile, according to the voltage and the character of the load, and so on. Then town "B" has to pay the same price for its electricity as town "A," plus the annual cost of that line. Supposing that line cost you £500 a mile and it is 10 miles long, that is £5,000; 6 per cent. on that is £300 a year; you can add another £300 a year for repairs, control, and so on, and that equals £600. Then "B" will pay the same price as "A," plus £600 a year. Now, if there are ten consumers at "B," it would mean that they contributed £60 each, but if there were 1,000 consumers they would only have to pay 12s. each. Therefore, as the current demand increases the cost falls. It is unlike a railway; if the traffic there increases, you have to increase your engines, increase your trucks, and increase your staff; but with an electric-transmission line, if the traffic increases your operating costs do not increase at all; you have the same line, and the same linesmen, and the same patrol men; the line can double, and treble, and quadruple its traffic without the cost being any more, and consequently the consumers will benefit by the drop in the price.

2211. *By Mr. Eggleston.*—When you speak of the great advantage of the availability of power, you mean electric power as against steam power?—Yes; because electric power means that the enterprise need not put in a steam plant, and you know what the fuel difficulties are in the country. Take the case of Wangaratta—I happened to be there a few days ago—a man there would think twice of putting a 100 horse-power steam plant in there in the present state of the firewood market; whereas, if he got a 100 horse-power electric motor, I do not think he would worry very much whether he was paying 1½d. or 2d. per unit for his current if he wanted for other reasons to establish his factory at Wangaratta. I may say this, that the Commission is always studious to embrace no scheme of any kind which will not deliver energy, even under existing conditions, at what can fairly be described as a reasonable price. We would not look at a scheme which could not deliver energy except at what could be fairly called a high price or an oppressive price.

2212. *By Mr. Beardmore.*—Would you call 6d. a high price?—For power, yes; but I would not call 1s. high for lighting.

2213. *By Mr. Lind.*—You take the case of Sale and Bairnsdale again as being the two principal towns in that end of the State. Power at Sale is 1.51d.?—That is not the price for power.

2214. That is where they start off—that is scratch? No; that is the average price for the community.

2215. Well, in a case of that kind, have you any idea what the price for lighting would be?—The difficulty in answering that question is that, firstly, I do not know what the cost of distribution would be; and secondly, I have not got the figures as to the load factor, but I would say the light rate per unit would be somewhere about 6d., and the power users would get current for less than 1d.

2216. *By Mr. Beardmore.*—Assuming they worked the twenty-four hours it would be 1d.?—They all work at a pretty high load factor, so I do not assume anything of the sort. A factory gives you a load factor of about 33 per cent., while lighting is only about 8 per cent.

2217. *By Mr. Eggleston.*—And some of these industries would be seasonable industries?—Yes.

2218. *By the Chairman.*—I suppose the real principle is that it is regulated by the ordinary commercial rules. A certain number of business people get their goods, and they have to pay for transmission of the goods to where they reside, then they distribute to the smaller consumers at what it costs them, plus their profit?—Yes.

2219. Then, in the meantime, of course, if there are more manufacturers or more power consumers, that brings down the wholesale prices as far as those people are concerned. It is just an ordinary illustration of business matters?—Yes; but the Commission submits very strongly that in none of the schemes yet submitted, *i.e.*, the South-western, the Sugarloaf, the East Gippsland, or the South Gippsland will the delivered cost of light and energy be anything else but a reasonable rate.

2220. But you have just told us that the lighting will cost 8d. at Sale?—I said 6d.

2221. Well, take it at 6d.—that means that you are going to reach at Bairnsdale about 8.82d.?—You do not make those calculations that way; it is not a proportion sum.

2222. Well, according to your figures here, I would have thought that would be so. I want to know, because the people there want to know. I would like to make myself clear. These country people have their own schemes, and they want to know whether it is going to cost them more under the Commission's scheme?—I can answer that definitely—the Commission would not be so foolish as to build a transmission

line to a place where the local people can get their electricity cheaper; what would be the sense of that?

2223. I do not think it would be sensible, but it is on your plan that it is the intention to carry power to these particular districts, and, of course, naturally the people are looking forward to getting a better service than they are getting to-day; but they will not want to pay more than they are paying to-day, and questions are asked from day to day as to what it is likely to cost. I understand that Bairnsdale is being lighted at the present time at 9d. per unit?—Well, Mr. Lind, the Electricity Commissioners say definitely that they can deliver electricity, both for light and power, at any one of the points covered by that transmission scheme cheaper than it can be generated for locally, and as regards Bairnsdale, that is one of the worst run and most inefficient plants in Victoria.

2224. You had better not tell them that; that is not a council undertaking?—No; I know it is a private concern, and it is in a wretchedly unsatisfactory condition.

2225. *By Mr. Beardmore.*—You do not intend to compel anybody to take it?—How can we compel anybody?

2226. It must be asked for by the councils?—Yes.

2227. *By Mr. Eggleston.*—Well, now, on clause 2?—Yes, might I come back to clause 2. I was trying to explain the factors which determine the payability or non-payability of a transmission line. You start with distance and market. Then I was going to another consideration, and that is that it is the invariable experience throughout the world, and throughout all electrical undertakings, that the demand is always on the increase, unless some national calamity happens in the way of an earthquake to blot out the town, or a district becoming deserted, as might sometimes happen in a mining area. The ordinary supply of a community is ever on the up grade as regards electrical consumption. It might be an increase of 10 per cent., 15 per cent., or 20 per cent. It is a perfectly sound and well understood principle of electrical economics to make your power survey, and determine from the data available the probable future increase in consumption, and, in ordinary circumstances—I am speaking now of a private company undertaking electrical supply—they would say, “(Well, we cannot expect to balance our ledger in the first year,” because it takes a time for the people to install their fittings, and for the factories to decide to scrap their steam-engines, and put in motors. That takes a year or two; but the man investing in an electrical enterprise looks ahead, and says, “Very well, I will incur a loss for two or three years, and then I will make it up again by increased consumption in future years; and it is precisely on that basis that the Electricity Commissioners have adopted in respect to all the schemes so far submitted to you. We do not say that at the very moment the first switch is pulled the scheme is going to pay. It cannot, because the customers will not be connected; but we say that within two, or, at the outside, three years, according to the nature of the scheme, any losses on the annual operation will be eliminated, and in future years it will be made up.

2228. *By the Chairman.*—Because it is all initial expense for the first year or two?—Yes.

2229. *By Mr. Eggleston.*—How are you going to provide for this initial expenditure?—With a suspense account. There may be a loss of, say, £1,000 in the first year, £500 in the next, nothing in the next; then a profit of £500 in the next, and so on.

2230. You would have to have some financing to do that?—Yes. There is no other way to do it. You must have interest on the cost of construction, and you take a limited term of two or three years. During the first two or three years you cannot expect to balance

accounts; but you will do as I state with increasing consumption as the use of electricity extends.

2231. *By Mr. Lind.*—Do you take it that your limit is £10,000 a year to cover the loss?—One moment; we are a long way from that.

2232. Do you anticipate that you will be able to keep within that amount?—It is impossible to explain this if we keep breaking off. I intend to explain that fully later. As I was saying, that is the ordinary way. I want to make this point—that having balanced your ledger, when the time has arrived that your income is equal to your outgoings, then any future profits are applied in reducing charges, and probably by the fourth or the fifth year, you can begin to reduce charges as the consumption grows, because there is more traffic on the transmission lines. Well, this Bill is a proposal to enable the Electricity Commissioners to look ahead, not for two, three, or four years, but to look ahead for ten years, and to provide for losses in operation during the first ten years. You may say, "Well, why should there be any losses in operation?" There need not be. The initial losses could be prevented by fixing the price of the current at such a figure that there would be no losses, but that would be a great hardship on the community, because the view of the Government in propounding this measure is that the small communities are entitled to assistance, and that they should be charged *ab initio*, or from the beginning, rates which would be only paying rates in ten years' time.

2233. *By the Chairman.*—That is, that if you were going to charge the full amount of your initial expenses in one year the price would be very heavy and stop development altogether?—Yes.

2234. And create a prejudice against the supply?—Yes, if you can anticipate the prices which will prevail in ten years' time, and have machinery to liquidate the intervening loss you will greatly encourage the growth of the demand.

2235. The underlying idea here is that the initial expenses will expire in ten years with ordinary luck?—Yes, in ten years the whole thing would be balanced.

2236. *By Mr. Beardmore.*—That must specially apply to country centres?—Well, this whole Bill only applies to country centres.

2237. Some other folk do not say so?—I cannot be held responsible for some of the nonsense that has been talked at this table.

2238. *The Chairman.*—A lot of private enterprises have started, and they have not made allowance for what is coming after; the electricity has cost a great deal more than the people anticipated, and they are dissatisfied?—Yes, and it is very inefficient in most cases. With regard to this Bill applying to country centres, clause (2), sub-clause (1) of the Bill states—

The municipalities with respect to which the provisions of this section apply are municipalities no part of the several municipal districts of which is within 25 miles from the nearest point of the boundary of the city of Melbourne.

It does not apply anywhere else but to the contrary; there is no question of it being a measure for any but country districts.

2239. *By Mr. Beardmore.*—Some of our city friends think they will have to foot the bill?—So they will; that is the deliberate proposal; you cannot have your cake and eat it too, and you cannot have cheap electricity in the country without somebody paying for it.

2240. *By the Chairman.*—Some of the witnesses think that this clause 2 is not sufficiently clear?—Well, I would be glad if you would get the Parliamentary Draftsman to make it clear.

2241. They think it is intended to bring the city of Melbourne under this later on?—There is no such intention. I do not think I have made it quite clear yet as to what a great advantage it would be to a given country town if the Electricity Commission can come along and say, "We are going to charge you right

along from the beginning the rates which in the ordinary course of events you will have to pay in ten years' time." That would stimulate the demand and the growth of electrical development, and as to the annual loss it would be a large one, perhaps, in the first year, then less in the second year, less in the third year, and then be eliminated. Then the question is how that loss is to be borne; one way is to take it out of the Consolidated Revenue. That means that it is a burden on the taxpayers of the country as a whole; that is another way which spells a flat rate, and it is a most objectionable procedure.

2242. *By Mr. Eggleston.*—It has not the same economic effect though?—Yes, it has, because then the Treasurer is bound to say, "I have to find half-a-million each year to compensate for these losses—make them earn it." If those losses are to be paid outright from the Treasury, then the Treasurer will demand that the Electricity Commissioners should find that money, which means a flat rate in a disguised form, but if you adopt the principle in the Bill of dividing the loss it is much better. The loss is divided into three parts, of which the Treasurer pays one-third, the Electricity Commission (that is the electrical users of the State) pay one-third, and then the district itself contributes one-third in the form of a contribution from the municipal fund or by rating. You will thus bring about a division of the responsibility and a division of the burden, and what appeals to me about the proposal is this—that every district which gets its electricity supply will have a strong personal interest in expanding its own markets, because every additional customer connected will mean a lowering of the annual loss, and its more rapid extinction. That is why there is a powerful psychological value in making the district itself participate in the burden. Now, then, the whole of this is entirely optional. No municipal council can be forced into that position against its own free will. The municipality has, first of all, to come along and say, "We want this."

2243. *By Mr. Lind.*—That is where there is an Order in Council?—Whether there is or whether there is not.

2244. That is all right as long as the point is made clear?—There is no question of any Order in Council; one or more municipalities, whether they have orders or not, can say, "We would like a supply of electricity." The Commission has then under this proposal to investigate it, and if the Commission is of opinion that it can forthwith supply electricity at reasonable rates without loss, then there is no question of a subsidy at all. Nobody is asked about a subsidy, and a subsidy is not suggested, but if the Commission considers in any particular case that the charges necessary to square accounts would be oppressive, then the Electricity Commission can report to the Government as to the rates which it thinks would be the proper rates in ten years time, and as to the annual loss in the first ten years. It is then for the Government to say, "Yes, you may go on," or "No, you shall not go on"; then it is for the municipality to say, "We do (or we do not) agree to contribute our share," and until the municipality, the Government, and the Electricity Commission are all agreed, not merely upon the facts, but upon the figures, nothing can be done.

2245. *By the Chairman.*—One point has been strongly made by two or three of the witnesses, and that is that whilst the Government is safeguarded to the extent that their expenditure under this heading must not exceed £10,000 a year, the same safeguard does not apply to the municipalities or the Commission?—Well, if one-third of a total sum is £10,000, another third must be £10,000, and the remaining third must be £10,000.

2246. *By Mr. Eggleston.*—I do not think the Bill is clear on that point?—Well, that is what is intended.

2247. I tackled one witness about it, and I looked it up, and I thought it was not very clear?—Well, if the Government's liability is limited to £10,000, then *ipso facto* the other two must be limited to £10,000.

Mr. Eggleston.—It does not say that the Commission shall only take on such schemes as will leave a £10,000 liability on the Government.

2248. *By Mr. Beardmore.*—And this will be at the close of the year, after the money has been spent?—How will you know that the total amount will be only £30,000?—We have some skill in estimating.

2249. *By Mr. Farthing.*—But supposing it exceeded that amount?—Then the charges must go up to eliminate the loss. You have it in your own hands. It is a question of whether you can charge 2d. or 2½d. for electricity now or in ten years' time, and if you find the loss has been slightly more than was estimated, then up go your charges, and if the loss has been less, then down go your charges.

2250. *By Mr. Beardmore.*—Supposing the loss was a total of £40,000, and the Government pays £10,000, that would leave the balance to the other two?—I fail to see how the loss can be £40,000 if it is estimated at £30,000. You know what your markets are and what your rates are; then it is only a multiplication sum.

2251. *By Mr. Lind.*—Now you understand why I asked the question whether you expected to keep down to the £10,000, or if there was any doubt as to your exceeding it?—It is a matter of Parliamentary draftsmanship, and we are willing that it should be made as clear as possible.

Mr. Lind.—I know it is agitating the minds of a number of municipalities to-day.

Mr. Eggleston.—I do not see why the country should be so concerned.

Mr. Lind.—Well, they would pay more.

Mr. Eggleston.—But they would only pay one-third of it.

The Witness. Supposing we made an agreement with Bainsdale and said, "Your share will be £1,260 a year." The Bainsdale Council agrees to pay that, and says, "Very well, we will agree to pay that, and nothing more." How can they be asked to pay anything more. They will have to agree as to what they will pay. It is all a matter of mutual arrangement. If we make a mistake and tell the Bainsdale Council their share of the loss will be £1,260, and, in fact, it turns out to be £1,560, we have no means of getting that from them.

2252. *By Mr. Eggleston.*—In clause 2, sub-clause 3 (b), it states—

Shall determine a scale of charges to be made for electricity so supplied which will in its opinion encourage the use of electricity within the area, and particularly for industrial and manufacturing purposes.

Do you not make an agreement for a scale of charges for ten years?—Yes.

2253. Then you cannot make a loss up by increasing the charges?—Yes; we would have to throw it on to somebody.

2254. On the system generally?—Yes.

2255. In regard to that clause, it states that you shall report that to the Minister; but, if that did become an agreement with the municipality, and your costs went up, you could not meet that loss by raising your charges?—You seem to forget this—that it is a growing business, and, as the demand for current grows, the cost of operation falls. The worst that could happen is that the ten years would be prolonged a little longer. Then in the matter of an estimate you may be perfectly assured that when we anticipate a condition of things in ten years, it will probably happen in eight years.

2256. I do not think we would appoint a Commission and then say that their estimates were all rot?—I would like to make it clear that this is a very ample safeguard in every way. On the point that Mr. Lind

raised, it is certainly the intention that no party's contribution shall be more than £10,000 as a total in any one year.

2257. *By Mr. Farthing.*—You stated just now that, in the event of a loss being incurred, up would go the charges; to whom—to that one undertaking only?—That depends on circumstances in connexion with that one undertaking. Suppose we estimated a loss of £1,000 a year and the loss turned out to be £1,100, we could always raise the charges for that £100.

2258. Supposing a municipal undertaking were profitable; is that undertaking likely to be charged to make up for the loss?—We cannot interfere with a municipality.

2259. Well, take any undertaking?—We cannot interfere with other people's business; if they make a profit, it is their own money; they are as independent as two tradesmen on opposite sides of the street.

2260. *By the Chairman.*—Clause 2 contemplates the undertaking being operated by the municipality?—At the will of the municipality; but they can ask us.

2261. But, supposing there were three or four municipalities in the compact, and there was a loss on one or two of them, and the others were making a profit, there is no doubt that the agreement would provide for the accounts of each municipality being kept separately?—I cannot understand by what procedure you could touch the profits of any municipality.

2262. That would be under the agreement as to their internal affairs instead of the one they were entering into with the Commission?—Yes.

2263. That would be the place to make provision as to what would happen to the co-operation if one municipality should make a profit and one should make a loss?—Yes.

2264. *By Mr. Eggleston.*—If the necessity of making up this loss of £10,000 was on the general system, and it necessitated raising the rates slightly, it would affect the profits?—But look how it is going to work out; this is not one scheme, it is a number of schemes; and if on the first scheme the unlikely thing should happen that our estimates were too optimistic, we would stop and not go on with the others. The thing is its own safety-valve. We know we cannot use more than £10,000 a year, and we cannot legally spend more than £10,000 a year, and we cannot get more than £10,000 a year from all the municipalities concerned at one and the same time. Supposing this were in full operation and in the year 1923 there were so many schemes going in at different parts of the country that there was an accumulated loss of £30,000. The plain English of that is that there could be no more subsidized schemes for that year. Then next year comes along, and by then that loss has fallen to £25,000; then we can take on another scheme involving a loss of £5,000.

2265. *By Mr. Beardmore.*—Then you would not call upon the municipality to make good that loss?—Yes. If in the year 1923 this scheme is in full operation, and we have reached the limit of £30,000 a year loss, then there will be no more subsidized schemes for the time being; but in the next following year, owing to the growth of business, assuming that the loss has fallen from £30,000 to £25,000, then under this proposal we will be able to take on fresh subsidized schemes to the extent of £5,000 a year.

2266. *By Mr. Farthing.*—That is quite clear, but what I want to get at is this—if there is a loss on any one undertaking, the quota for that undertaking will have to be made up, or will have to be borne, by that undertaking on which the loss is made?—Yes.

2267. You will not go outside that undertaking?—No, it must be self-contained; and please remember this: if there was a loss—if the estimates were wrong and the loss was greater than was supposed—it would even itself out in the next following year, because it

is a growing concern. If I am not right in my fundamental statement—that an electrical business is a growing business—then you had better tear up the whole thing. If you do not accept that as a fundamental basis in electrical economics, we cannot get any further at all.

2268. But there may be cases where the business may fall off in a country town?—But we would not take it on unless the prospects were good; we have power to say, “We won’t touch it; we don’t like the look of it.”

2269. *By Mr. Eggleston.*—From a political point of view, this looks like something held out to the municipalities; we say that we will fix the rate at something that will pay in ten years, and that they shall get the benefit of the subsidy. I think it would be a very wrong thing to give people that idea?—That is not intended. Suppose we have such a case as Mr. Farthing puts—of a declining community or—

2270. You may get a certain number of municipalities under this section, and another municipality may come along and say, “Why should we not get the same treatment?”—Well, supposing Mildura came along and said, “We have heard that Echuca has got the benefit of this, and we want it, too.” The Commission would say, “No, we cannot recommend any scheme for you; we cannot recommend any subsidy,” and they would have to go without it unless Parliament decided otherwise.

2271. They might squeal a lot?—Perhaps so; but to-day people are squealing for railways, and they do not get them.

2272. *By Mr. Beardmore.*—Would you give it if they were prepared to pay?—If they guaranteed the return, yes.

2273. *By Mr. Deany.*—In reference to the loss being greater than was estimated, I would like to point this out. The price at Warnambool is 3.73d.; supposing the loss were greater than is anticipated, then that price would not be increased but the time would be delayed longer?—Yes, the price is not increased, but the period of time in which the loss might be liquidated might be prolonged a year or two. I hesitate to show you a graph, even a simple one, but just look at this—[showing a graph]. There the lower line represents the growth of the demand and the other line represents the cost of supply; then it is only a question of where one will cross the other; it might cross it one year, two years, three years, or four years, but it will certainly cross it some time or other, and the worst that can happen is that the duration of the loss might be a little longer; it is only a matter of time when they will get level, and finally the revenue will get ahead of the cost. I thought that I might now recapitulate briefly my explanation of this Bill by taking a specific example, and showing step by step the procedure which the Bill contemplates. Let us suppose, for example, that a municipality like Bairnsdale or Warnambool commences the proceedings by asking the Electricity Commission for a supply. You will notice in sub-section (2) that they can ask either for a bulk supply or for a retail supply at their own option. I may say that many municipalities have come to the Commission and asked for a retail supply, in spite of what has been said here. However, they have the option to begin with. It is quite clear, therefore, that the Commission cannot force the supply upon them. They have to ask for it.

2274. *By the Chairman.*—Retail supply—you mean by that, for the municipalities to do all the retailing themselves?—They have their own option. They can do either one or the other. They can either ask the Commission to give them a bulk supply, or they can ask the Commission to supply persons in detail. They can do either at their option, or they need not do anything.

2275. That would mean that the Commission would take over the whole of the reticulation?—If they ask us to do it. To meet the point that Mr. Farthing raised, we cannot go to a district and force electricity upon them. There is no legal power to make a municipality buy electricity.

2276. Would not this Bill give you power?—Only if the Council asks. The Council has to come along and say, “We want a supply,” and we say, “What kind of supply do you want—bulk or retail,” and they say “bulk” or “retail” as they please. Having said that, we have the statutory duty of investigating the scheme with a view to determining whether the demand in the district is of a character which will enable rates to be quoted which we consider reasonable rates likely to encourage the use of electricity. If we find that that is so, there is an end of the matter, and there is no question of any subsidy at all. The scheme is submitted to the Governor in Council, and if approved it can go on, and there is no question of subsidy involved. If, on the other hand, after the investigation by the Commission, it is found that either, owing to the distance or to the smallness of the community, it is not possible right from the beginning to give them electricity at rates which we consider favorable rates, we say, “This is a suitable case for a subsidy.” We say, in effect, to the municipality something like this—the figures are purely imaginary—we say, “If you want your electricity without a subsidy, it will cost you an average of, say, 5d. a unit, but if you are prepared to join in with a subsidy, it will cost you 3d. a unit, and the subsidy will cost you, say, £1,000 a year.” Having said that, it is for the municipality of its own violation to say whether or not they will accept that. They may say, “No, we will have the electricity at a higher price,” or they may say, “We will avail ourselves of the subsidy.” If the municipality is agreed, we have to go to the Government, and the Treasurer has to agree. The Treasurer may say, “No, I won’t contribute.” If the municipality and the Government and the Commission all agree to a subsidy of so much a year for the first year—a decreasing amount in subsequent years—then and then only will the scheme be put up for the consideration of the Governor in Council and adoption by Parliament. Now, we will suppose that one such scheme has been agreed to, and another municipality comes along and its scheme is investigated, and it is agreed to, and suppose in the course of months it amounts to £6,000 or £7,000 a year subsidy for each party, we are getting near our limit, and when we get to £10,000 a year there can be no more subsidized schemes that year, and no more subsidized schemes at all until the annual loss has fallen below £30,000 a year. The safeguards are, firstly, that there shall be no more than £30,000 loss in any one year; secondly, that no scheme shall be subsidized for more than ten years; thirdly, that all three parties, viz., the Government, the municipality concerned, and the Commission must be agreeable, and, lastly, that no action at all can be taken except at the request of the municipalities.

2277. There is nothing in the Act to provide that the municipalities must adjoin each other—those who are getting the assistance?—I do not think that is necessary. I can quite realize such a scheme where there might be three municipalities, and the middle one of the three might not want to have anything to do with it.

2278. They might be 20 miles apart?—Yes, there is no reason why they should adjoin.

2279. One of the fears that seemed to weigh with a number of witnesses that we have had was that there was power under the Bill by which the Commission could go into a municipality and they could take up the big suppliers?—That is dealt with in sub-section (9). Now, that power already exists under the original Bill in all places where there is no franchise.

2280. That is the quotation referring to the provisions of the principal Act?—Yes, section 12 of the principal Act. That already gives the Commission power to operate in territories where there is no order. This extends that power by giving the Commission authority to act in cases where there is an order, provided the municipalities or the private company agrees, and there are numerous cases where we have been asked to do that very thing, but we have not the power even with their agreement at present. What we are seeking is, that if they agree, we should have power to do this. I will give you a case in point. This is really in the metropolis, although it is illustrative. Take Coburg, for instance, there are a number of industries in Coburg which we feel the council would much prefer us to handle from our sub-station D, and they would ask us, but as at present constituted we cannot, but under this section with their consent we can.

2281. That is to say, the council at Coburg has got an Order itself?—Yes.

2282. And then, of course, you could not operate at all before, but now you can with the consent of the municipality?—Yes, the policy of legislation right through is not to infringe upon existing rights. There is neither in law nor in fact any infringement or any suggested infringement throughout the whole of this legislation.

2283. If the municipality had an Order, you could not touch them with a special supply without the consent of the municipality?—That is so.

2284. If there was no Order, then would you apply for an Order for the district or an Order for them alone?—We do not require an Order under the Act.

2285. The Order acts as a bar, and if there is no bar there, you can go on?—Yes. The greater part of Victoria has no franchise whatever. I might explain, lest it might be misunderstood that in the country there are very few examples of a municipality which has an Order for its whole municipality. It only has an Order for one or two towns in its municipality. Such a thing as rural supply has never hitherto been possible, but our scheme envisages the possibility of a straight-out rural supply. I mean a supply to the farms. The Electricity Commission would require no Order, but if the council—if they desired to cover the whole municipality—they would have to apply for an Order for the whole of their territory. Such applications are now beginning to come in, now that the councils are beginning to realize the possibility of rural supply as distinguished from the town or urban supply.

2286. *By Mr. Deany.*—There have been some objections raised on clause 4, where the scheme is likely to pay, it can be carried out by the approval of the Governor in Council, and the Commission shall thereupon carry out such work and for the execution thereof may enter into all such contracts and take all such steps as it thinks necessary or proper, whereas on the other hand, if it is not likely to pay, the scheme has to be passed by Parliament. The question has been asked, "Why bring one scheme before Parliament whilst the other scheme can be carried out by an Order in Council." That has been raised by several witnesses?—As a matter of fact, that power exists at present. Under the present legislation, the Commission can undertake any works approved of by the Governor in Council. That is a power delegated by Parliament to the Executive Council long ago, before the Commission came into existence. Of course, the Ministry is responsible for finding the money, which means that Parliament has to ratify it, but the actual authority to go on with the work comes from the Governor in Council under the existing law.

2287. But if it comes under the subsidy scheme?—If it is the case of a subsidy, each case has to be ratified by Parliament.

2288. *By Mr. Eggleston.*—With regard to the 450 voltage, the metropolitan municipality representatives say that they are afraid that because you reserve your power over the 450 volt lines, that they are afraid that you will apply the same principle to suburban works as well as country works?—Is it not time for them to sing out when they do attempt it?

2289. They have sung out, and I suppose members of Parliament will want to be satisfied on that subject. Do the reasons you have given for the control by the Commission of the lines over 450 volts—do they apply to city distribution?—They certainly do not apply under existing conditions with fourteen different undertakers, because it would be impossible for the Commission to monopolize high-tension distribution. It does apply so far as the 6,000-volt feeders are concerned, but as between 6,000 and 450 under existing conditions it would be impossible to enforce a rule of that kind in the metropolis. If you ask me what is likely to be the condition of affairs under future conditions, my answer is that I cannot tell you until I know precisely what those conditions are.

2290. Mr. Carmody, the electrical engineer at Footscray, said that, by reason of the municipality controlling the low-tension lines, and the Commission controlling the lines over 450 volts, there might be occasions where the maximum demand would not read correctly, and you would be selling the maximum demand twice over?—Suppose we did, and by that means made a profit, on whose behalf are we making the profit? We are making the profit on behalf of the consumers themselves.

2291. Yes, but the consumers generally? The consumers in that particular scheme.

2292. In the case of the metropolitan area, it would be the consumers from that particular sub-station?—Yes.

2293. But not necessarily the consumers in that particular municipality?—No. In order to preserve the principle of each community of users being charged in accordance with the cost of the service, we have to keep the bookkeeping separate. You must have a starting-point "A." Every one depending on the starting-point "A" must have his account kept separate from those on the starting-point "B."

2294. It is conceivable that in a city like Footscray they would be disadvantaged in that respect?—I do not see that at all. One of two things will happen. Either there will be one sub-station in the centre of Footscray, in which case they cannot be disadvantaged, because they have the whole diversity registered in the one maximum demand meter, or there may be two. Now, it is conceivable, although very unlikely, that one part of Footscray will have a maximum demand at one hour of the day, and another part will have a maximum demand at another hour of the day. They might vary by half-an-hour.

2295. Any profit that will come to you by selling the maximum demand twice over would be reflected in the ultimate result?—Yes. If it is shown, as a result of a year's operation, that there is a clear £1,000 due to diversity, there is no means by which the Electricity Commission can put it into their pocket. That particular supply must get the benefit of that.

2296. I dare say I am quite wrong about it, but I put it to several witnesses that if the whole metropolitan area was treated as one system, there would be different diversities which could be taken advantage of?—You are undoubtedly right. The greater the variety of civilized usages, the greater the diversity factor.

2297. And from the purely electrical point of view, there would be an advantage in treating the whole metropolitan area as one system?—Yes.

2298. Mr. Carmody and the Preston engineer—I put it to him, and Mr. Beardmore did too—was he in

favour of a District Board for the whole metropolitan area, and he said that meant a flat rate?—There is a very much less objection to a flat rate—the kind that he has in mind where you have the whole of one class of consumer, such as householders, put on a uniform tariff right throughout a prescribed area. Mark the difference between a flat rate over a territory of 100 square miles and one of 100,000 square miles.

2299. I had visions of a flat rate for the metropolitan area, but you, at the very outset of the inquiry, said that even in the metropolitan area the consumers must be treated each on their own basis, otherwise the power would be too dear for industrial purposes?—The effect of a flat rate for the whole of the metropolis means with the city of Melbourne, which has the best market of all, a dense concentrated market as against the outer suburbs with a low load factor. It would mean that the users in the city of Melbourne would have to pay more than it cost to supply them in order that the gentlemen at Caulfield could get it at less than it cost to supply them.

2300. So that the ideal should be, I imagine, at any rate in some part of the area, the cheapest possible power can be obtained?—Yes. Specifically, you could take it that in the metropolis, Richmond, South Melbourne, and Collingwood, and the city proper are the important areas. They are the power areas of to-day. Footscray is the power area of the future. It is important that, in any organization, nothing should be done to impair the possibility of giving the cheapest possible supply in those suburbs. One does not care very much for the householder in Malvern or Brighton. He gets his light cheap whether or no. I have no objection to District Boards, if properly organized, and in their right place, but I will show you very strong reasons against a number of District Boards in Melbourne. It is a preposterous suggestion, and quite unworkable.

2301. *By Mr. Deany.*—Before we get away from that question of 450 voltage, there has been many conflicting statements made, of course in the taking of this evidence, and I have before me what Mr. Lincoln says about it:—"It is also provided in the Bill that all lines operating at a voltage in excess of 450 shall be owned and controlled by the Commission. To begin with, this is a very obvious lapse on the part of the Commission's staff, inasmuch as the standard voltage for low-tension distribution by means of direct current is 460 volts, which would thus come within the scope of the Commission. Surely this is merely a mistake, and is not deliberate. Assuming that it is a mistake and that the clause refers only to high-tension lines, leaving the low-tension distribution in the hands of the local authority, I maintain that such a policy would be directly opposed to the best interests of all parties and would merely increase the cost, increase friction, and cause overlapping and dual control"?—As to the first part—as to the question between 450 and 460—I will consult with the chief engineer. As to the latter part, that is what he has been saying from the very beginning, and I think the only persons who will suffer will be the consulting engineers, who will be deprived of that much business. There is no question whatever that it will be for the benefit of the council if some other body comes along and relieves them of the responsibility. It is so highly technical that it is essential that that gear should be standardized upon a very high standard, and it would be unthinkable that these schemes of transmission should run any risk by highly technical matters of that kind being left in the hands of councils.

2302. *By Mr. Eggleston.*—They say it is picking the plums out?—This is high-tension distribution.

2303. That was Mr. Demaine's point, that by controlling these lines you supply all customers who require a high voltage?—No; that is not involved at

all. That is a mistake. No customer requires a high voltage, and no customer gets a high voltage. If he takes it, he immediately transforms it. If a big factory chooses to take a 6,000-volt energy, they have to transform it to 450 before they use it.

2304. *By Mr. Deany.*—You say the only person who will be affected will be the consulting engineer?—Yes; the consulting engineer who is deprived of business because of the State doing this work.

2305. *By Mr. Eggleston.*—With regard to Warrnambool, it was mixed up in my mind with the proposed supply to the woollen mills?—Yes; and that was quite a different issue, and was not dependent upon that at all. The supply to the woollen mills we would have regarded as a proper business for the Commission to book direct, quite apart from the question of who built the high-tension transmission lines. We hold the view if that there was any benefit from diversity or any other cause, from having the woollen mills business, that the whole scheme was entitled to have that benefit, and not only Warrnambool city, because every town on the way contributed to the cost of the transmission line, and all the shires on the line were entitled to share in the benefit. We would get nothing of it. The noise ex-Councillor Downing made was because he wanted the whole benefit for Warrnambool city, and Warrnambool had nothing to do with it. The Warrnambool mills have decided to extend their own plant.

2306. *By Mr. Deany.*—As to the cost of the high-tension lines, Mr. Lincoln said, "It is clearly understood, of course, that where high-tension lines are erected by the Commission in any area, the annual cost of same (including interest, depreciation, and maintenance) shall be a charge on the local undertaking." I said to him, "That is not so," and he replied, "Would you mind asking the Chairman of the Commission whether that is so or not"?—I think on this occasion Mr. Lincoln was right. That is to say, any particular high-tension branch line would be charged against the particular community which it supplied as from the last preceding sub-station.

2307. I think you said in your evidence previous to that, that that was not so, that the Commission would take full responsibility as to the cost of maintenance?—Yes. Take, for instance, your sub-station at Warrnambool. Supposing Koroit came along and said, "We want a supply." We take a line from that sub-station to Koroit. Warrnambool cannot be charged with any portion of that line unless citizens of Warrnambool benefit by it. I think that was Mr. Lincoln's point.

2308. I think he was referring to within the town boundary?—Well, then, he is wrong if he is referring to within the town boundary. Then I think your point of view is correct.

2309. He said it would be chargeable to the local undertaking?—No; not in that sense. I was thinking of the extension of the lines to another community.

Mr. Deany.—He said distinctly, "No, it is chargeable against local undertakings."

2310. *By Mr. Eggleston.*—They put this position, that if you have control of the high-tension and they have control of the low-tension, there may be an accident at one part of the line where both lines are involved, and you are not as accessible as the engineer of the local council would be?—If that is contended, it just shows up the whole thing. They have nothing to do with the service. Supposing anything went wrong, it is not within their control to put right, whoever owned the high-tension lines. Supposing there was a fault in the line. Suppose they themselves were responsible for a fault in the line—it is not in their power to put it right because the fault would make itself manifest in the main switches at Morwell by throwing the generator out. The distributor can do nothing to give the service, to improve the service,

to reduce the service, to make the service more reliable or valuable. It is the generator only that can control that from his main switch-house, and, if for example, a municipality owned a high-tension system, and it was badly built, such as not sufficiently protected from lightning, or, say, defective switches or defective transformers, there would be a blow-out of a fuse, a sudden excessive pressure on the line, and what would happen would be that the generators at the main power house would be put out of action and cannot be put back into action except by an act of the generating authority.

2311. *By Mr. Farthing.*—At Geelong the Geelong undertaking I understand is putting up 6,600-volt lines. Will they be able to continue those lines?—Yes; they will be able to do what they like in their own territory. They have always asked for permission and got permission for every one of their lines. They can do what they like within their territory so long as they comply with the conditions laid down by the Commission. We have given them the right to operate in their territory, and we must be consistent and give them freedom of action. No municipality has so far ever been refused any request that could properly in the public interests be granted. It seems to be the impression that the Electricity Commission was some body who stood outside the public interests. We claim that we are the buffers to protect the public interest.

2312. *By Mr. Beardmore.*—You get the reputation of being autocrats?—It has often been said that the frequent reiteration of an untruth is the simplest and the most successful form of propaganda.

2313. *By Mr. Farthing.*—Yesterday Mr. Ellery, in giving evidence here, made certain statements. If you would not mind, I would like you to go through clause 3 and give us your ideas of what clause 3 means. It will help us a good deal before we go any further, I think?—I explained this morning that clause 3 was nothing more nor less than a very small extension of the original clause 17 of the existing law (Act 3104), which already has extinguished the right of municipalities to buy up private enterprises. That is already gone three years ago, but the previous legislation provided that the Commission could only exercise those rights at the date when the franchise has expired, and only on the terms prescribed by the Electric Light and Power Act, and on no better terms. This section 3 does nothing more than to remove those two disabilities enabling the Electricity Commission to acquire on better terms if it can, and at earlier dates if it can, and it contains also the disability that if the enterprise includes tramways, that the Electricity Commission shall not operate the tramways. That is the whole meaning of the clause. It is only a very slight and a very necessary extension of the existing powers.

2314. Of course, the municipalities here are afraid that it gives you the power to go in and operate within the 25-mile radius?—Yes, but that is all gone already. Parliament has decided that three years ago. That is nothing new, and they knew it. It was decided three years ago that the Electricity Commission should supersede the municipalities in acquiring metropolitan franchises. It is on the basis of that that the North Melbourne negotiations were first undertaken. Look at section 17 of the original Act 3104.

2315. *By Mr. Eggleston.*—One point was that this section enabled you to take part of an undertaking, and the other did not?—Yes, that is right.

2316. They might take a power-house and nothing else?—There is no taking about it. It is purely voluntary. You see, Mr. Farthing, the words "To the exclusion of any council or councils."

2317. *By Mr. Farthing.*—Yes?—That has been the law for three years.

2318. Yesterday in giving his evidence Mr. Ellery urged that clause 3 should not be in the Bill at all.

because he said that a promise had been given in a letter in July last by yourself, and a similar promise to the Lord Mayor by the Premier, that the Bill would not apply to any municipalities within 25 miles of Melbourne. I just wanted to get that point cleared up if I could?—Well, subsidies do not apply to any municipalities except those in the country outside the 25-mile radius. There are quite a number of things that apply in the metropolis. Look at clauses 4, 5, and 6 of the present Bill. These are necessary machinery clauses that apply all over the State. They do not affect the rights of any one in the metropolis, although they apply to the metropolis. There was no undertaking given to Mr. Ellery or to the Lord Mayor that there would be legislation excluding the metropolis from regulations and so on.

2319. If this Bill were passed, does it pave the way for taking over all the retail distribution in the city?—It has nothing whatever to do with the retail distribution. It does not extend the fundamental right of the Commission to supply the councils, because that has already been done by Parliament. Parliament has already decided that the Council shall abrogate their rights to buy out the Melbourne Electric Supply Company, and when 1925 comes, the councils will be precluded from buying. They have been by law precluded from buying. That is the existing law. The only change section 3 makes is that it enables us to buy at an earlier date if we can, and at a better price if we can, and it applies to all country undertakings also.

2320. *By Mr. Eggleston.*—I think that that is correct, that having been able to buy certain rights in the metropolitan area, the steps to retail distribution of the whole metropolitan area is so much nearer?—Yes, but does it not mean merely this, that we have to do the purchasing as negotiators, and then it is for Parliament to decide who does the distributing?

2321. Yes?—There is nothing in section 17 to say that we are to have the right for all time to operate if Parliament wishes otherwise, but surely it is a broad question of public policy. Here Parliament says in the broadest terms "We want to extinguish private enterprise." That seems to be the policy of the country. I do not want to trespass upon the political aspect of it at all. They say "How is this to be done?" It has to be done by purchase. If so, there should be a State authority that does the purchasing. Who is it to be. Parliament has said it is to be the Electricity Commission, and it has said that in respect of the Melbourne Electric Supply, the Victorian Electric Supply, and numerous other private enterprises throughout the country. It does not say anything about who is to operate those enterprises subsequently. That is a matter for the Government and Parliament to determine.

2322. It seems to me that you could have gone a step further in the purchase of the North Melbourne assets?—The Company could not have given us a good title.

2323. You could have bought the reversion. The company was the possessor of certain assets in that company as at 1934. You could have purchased those to the exclusion of the council, and the council could have been kept out?—Yes, we could.

2324. Have you done that?—No.

2325. You have not gone as far as you might have gone?—No, and as I said before in my evidence on that subject, we regard ourselves as holding that territory in trust until the question of metropolitan distribution has been decided. Would it be convenient for me to now say a few words about this question of retail distribution as it is called?

2326. There are one or two questions I want to ask you about clause 2, and that is, that the policy under clause 2 is that any council that comes along to you can make the request. You deal only with requests made to you. May it not be that, looking at the potentialities of the State from an electrical point of

view, there are certain centres which it would pay highly to develop, and might not any assistance that the State is willing to give be better given by encouraging the development of those schemes rather than the encouragement of isolated schemes in various parts of the State?—To begin with, there need be no concern about whether the municipalities will take the necessary initiative. Every municipality in Victoria I suppose wants electricity and wants it quickly. Then as regards the important markets, with Geelong, Ballarat, and Bendigo, this subsidy scheme will never apply, because it is quite definite that we can deliver energy in bulk to those three places at so low a rate that there need be no question whatever of any subsidy.

2327. You could not put them on a flat rate with Melbourne?—No. With regard to Ballarat, Ballarat has at present a demand of something like 1,500 kilowatts. I am speaking now of Ballarat city, the old town and the tramways and a few factories that are there. The system that is in existence in Ballarat to-day can by no possibility serve the hinterland of Ballarat, such as Burrumbet, Buninyong, Daylesford, and those places. We estimate that in the course of ten years we can easily get a load of 10,000 kilowatts in the Ballarat territory. If we can, we can let Ballarat have energy in bulk at .77d., as against Melbourne .5d. Who is going to growl about a farthing a unit. It will make no difference whatever to the manufacturer if he wishes for other reasons to settle in Ballarat. He does not settle there now, as I said before, because he cannot buy the power. Just the same as large towns going to rivers, so manufacturers go to a source of supply. I say again quite deliberately that the small differences in the rates in the electric service as between the metropolis and big centres like Ballarat, Bendigo, and Geelong are so small as not to make it worth while to try and better them.

2328. *By Mr. Deany.*—I just want this cleared up. You, in a statement giving evidence on the south-western district scheme, said:—

Long afterwards, when we commenced to make inquiries as to what high-tension branch lines they wanted, a gentleman from Warrnambool—ex-Councillor Downing, who was then a councillor—came along and said that he objected—that his council wanted to supply these high-tension branch lines themselves. We said that it was an astonishing attitude; we were prepared to foot the bill, to take the responsibility for the full care and maintenance, and that the council would not be prejudiced one way or the other.

In reply to that, Mr. Lincoln says:—

It is clearly understood, of course, that where high-tension lines are erected by the Commission in any area the annual cost of same (including interest, depreciation, and maintenance) shall be a charge on the local undertaking.

That is in direct contradiction to your statement?—I do not think so. It is a charge against the scheme as a whole.

2329. Of course Mr. Lincoln contends it is a charge against the local undertaking?—Yes.

2330. *By the Chairman.*—It is not debited to the local authority?—No. With your permission I would like to leave the Bill now and say something on this question of retail distribution. May I begin by saying that for nearly three weeks now a very large number of gentlemen, some very highly respected in the community, and some we know less of, have come here and made a number of very astonishing statements about the Commission, and have held the Commission up in very unenviable colours, alleging that the Commission has been exceeding its powers and is desirous of exceeding its powers still further, and I think, and my colleagues think, it is quite necessary that a clear and definite statement should be made as to what our powers really are, and how we have exercised them. Before I actually enter upon that, I should like to say a word or two about some of the things that have been said about metropolitan distribution, and I am afraid the subject is not nearly so easy as it has been made to appear. For example, a highly respected and

able business man like Colonel Merrett tells the Committee that, according to his view and that of his council, Port Melbourne and South Melbourne should be grouped together in one electrical district. Just reflect what that would mean. Here is Port Melbourne using three-phase energy from Spencer-street powerhouse. South Melbourne uses single-phase energy obtained from Richmond powerhouse. In order to marry these municipalities into one electrical district, you would have to tear up the reticulation systems of both municipalities and re-build them at enormous cost amounting to tens of thousands of pounds. In other words, his idea could not be interpreted in practice. I give that illustration because that is the illustration which also is the answer to other witnesses who propose to group Melbourne in a series of eight district boards. Suppose it is decided to buy out the Gas Company, which supplies the whole metropolis with gas, and it was decided that in future the gas was to be distributed by eight groups of municipalities. What would happen? The first thing you would have to do would be to build a huge gasometer in the centre of each of those eight groups, and then you would have to tear up all the main gas pipes, which have been laid, as you know, without any reference to municipal boundaries, and re-connect them to each of those eight gasometers for their respective districts. In other words, you would have to re-build the whole gas distribution of the metropolis. Precisely that thing would have to happen with electricity. You would have to abandon and scrap possibly a million pounds sterling of distribution works and re-build them to accommodate them to this new system of control. I will be very brief about it, but I and the Commission condemn utterly as impracticable any attempt to subdivide the metropolis into districts. The crying need is in exactly the opposite direction. The crying need is unification and enlarging the district to one single authority, whatever that authority may be. This is a question of no pressing urgency, because in any case the Melbourne Electric Supply Company's franchise goes on until November, 1925—another three years—and many things may happen in three years, and, indeed, one of the things that may happen is that the company may get an extension of its franchise for another ten years. It is quite on the cards that the company may agree to such favorable terms that in the public interest it is better to allow them to have another ten years' franchise than to buy them out. That might well happen, and if that happens, this question that has been so seriously debated can stand over for thirteen years. At any rate it can stand over for three years, and it does not touch any of the legislative proposals submitted to the Committee. The question of how Melbourne is to be treated in future is not dealt with in the Subsidies Bill in any shape or form. It is not raised. It is a false issue. I have adopted the course, in regard to the statement I wish to make, of having copies typed, and I think members of the Committee will follow it better if I pass a copy round to each:—

THE POWERS OF THE COMMISSION AND HOW THEY ARE BEING EXERCISED.

1. The Chairman of the Select Committee has requested me to make a general statement upon the question known as the "retail distribution" of electricity throughout the State, and of the policy of the State Electricity Commission regarding same.

2. In doing so it is necessary to refer briefly to existing legislation on the subject, so that the powers and duties already committed by Parliament to the Commission may be clearly understood.

3. Under Act 2996, section 12—

(a) The Commission may work any electrical undertaking as defined in this Act, and under the definition clause, section 2 (1), this includes "distribution, supply, and sale" with respect to any undertaking approved by the Governor in Council.

(b) The Commission may supply electricity to any Government Department, whether State or Federal, or any public body or institution—such, for example, as the

lighting of all public buildings in the city of Melbourne or elsewhere in the State, or all Government tramways, railways, sewerage works, water supply works, post and telegraph offices, Government factories, arsenals, ammunition works, woollen mills, workshops, wherever situated; also all public hospitals, libraries, railway stations, street lighting, and the like. All such services necessarily involve low-tension distribution, both in construction and operation.

- (c) The Commission may supply in bulk to undertakers and corporations, *i.e.*, it may in its discretion supply a council in bulk, say, for street lighting, or (the council being a public body), the Commission may undertake the street lighting direct.

(That is, of course, if asked to do so.)

- (d) The Commission may supply electricity to individuals (*i.e.*, private persons also) in any part of the State in which on 7th January, 1919, a franchise or Order had not yet been granted. It is pointed out that this covers the greater part of the State, as, outside of the metropolis, orders for electric supply have been confined to about 86 country towns, many of these orders being in private hands. Thus the great majority of country towns have no orders in force, and under this legislation the Commission has full statutory power to distribute electricity in all of them.

4. Again, under Act 2942, section 3, the Victorian Railways Commissioners have been given power to distribute electricity to any persons in parts of Port Melbourne, Footscray, Williamstown, Werribee, and Braybrook.

5. All above Acts were passed by Parliament before the Electricity Commission was appointed. Under Act 3104, section 15, the right of a municipality to an order, as of course, was taken away, and municipalities can now receive orders only upon the recommendation of the Commission, and only under conditions. It is very important to remember that. Three years ago Parliament took away the right to obtain an order.

7. Under Act 3104, section 17, the Electricity Commission may, to the exclusion of the council or councils concerned, step in to purchase any private undertaking.

8. In view of the general tenor of all the above enactments it cannot surely be truthfully said that Parliament never intended that the Electricity Commission should undertake retail distribution of electricity. All these enactments appear to indicate a clear and consistent policy, *viz.*, that where municipal councils had already, at the time of the passing of the first of the Acts above cited, acquired a franchise for the "retail" supply of electricity, such franchises were to be respected, but that under every other circumstance and in every other territory, as well as in the special case of part of Port Melbourne, Footscray, Williamstown, Werribee, and Braybrook, and in the case of all Government and public bodies, the Electricity Commission should have the right to supply, whether in bulk or "retail," and to have the exclusive right to buy up private undertakings. It may be that at the present juncture there are some persons who do not agree with the wisdom of such legislation, but it is an undoubted fact that this legislation exists, and that as to its main purport it existed before the Electricity Commission was created.

9. The Commission has, however, been roundly abused and held up to public obloquy because it is alleged that the Commission is now seeking these very powers, and is in some cases already exercising these powers. But, except only as regards the purchase of the North Melbourne undertaking (under the powers of section 17 of Act 3104), it is not true that the Commission has done anything of the kind. The Commission naturally had to honour commitments made by the Railway Department in the districts of Footscray, Williamstown, &c., but—although it had full power to do so—the Commission has not in fact otherwise made the smallest attempt to enter into competition with these local councils. On the contrary the Commission has deliberately refrained from undertaking any retail distribution under any other circumstances than those just mentioned; in spite of the fact that there has been a widespread demand from many municipalities widely separated throughout the State that the Commission should do so. The municipalities of Shepparton, Queenscliff, Narracon, Korumburra, Mortlake, Winchelsea, and Warrnambool city, &c., may be cited as a few cases in point.

Mr. Deany will bear me out in saying that I caused great disappointment in Warrnambool when I said we would not undertake the retail supply, although asked to do so.

This demand has been steadily growing, and has only been recently temporarily checked by the insidious propaganda with which the country has been flooded, discrediting the ability of the Commission to supply cheap electricity, and disquieting country councillors who have naturally been alarmed at such one-sided statements.

10. In further proof of the restraint which the Commission has placed upon its actions in this regard, it may be pointed out that the Commission is already giving, or will shortly give, a bulk supply to Morwell, Traralgon, Narracon, Lilydale, Dandenong, Frankston, Mornington, Colac, Camperdown,

Terang, Warrnambool, &c., and has made no attempt either directly or indirectly in any of these towns to seize upon the business of retail distribution, although, as has been stated, in several of these places the Commission has been definitely requested to relieve the councils of such a responsibility.

11. The answer of the Commission, therefore, to the charges which have been scattered broadcast to the general effect that the Commission has been trespassing upon the rights of the municipalities, and that the Commission is now seeking still further powers to commit further trespasses upon those rights, is that these charges are absolutely unfounded and are contrary to the truth. The agitation, which has been engineered by a small coterie of more or less irresponsible critics, has had the effect, and was deliberately calculated to have the effect of creating distrust of the Commission in the minds of the very people and the very public bodies whose good-will towards and co-operation with the Commission are most essential if the huge expenditure which the State has undertaken in launching the Morwell scheme and its associated works is to become a boon to the people of the State as a whole. I respectfully submit that it is in the power of this Select Committee to do much to restore the good repute and prestige of the Commission, and that if the Committee can see its way to do so, such action will have a most beneficial effect upon the success of the State electricity scheme.

12. The Commission has throughout adopted and practised a clear policy. Where the provisions of the law were mandatory it has carried out the duties imposed to the best of its ability, in spite of much obstruction from vested interests, or people with an axe to grind. Where the provisions of the law were discretionary the Commission has never exercised such discretion, except with the full knowledge and approval of the Government after close and often lengthy consultation. The Commission has scrupulously respected the rights of all existing undertakers, whether public or private, except in those cases where the law itself has directed a trespass of those rights (as in the Footscray area). The Commission has refrained from exercising its rights to undertake retail supply in territories where those rights undoubtedly exist, even although pressed to do so by the local bodies concerned. The Commission has in no single case refused the grant of an order to any municipal council, whether to enable the Commission itself to step in or otherwise, although it has full power to do so.

13. The reason that the Commission has refrained from undertaking retail distribution in towns or places hitherto unsupplied, and not yet having an order, is that the Commission is strongly of opinion that this very important matter should not be dealt with in a piecemeal fashion or at isolated places very often widely separated. Moreover, public opinion in such matters must first be much more fully educated than it is at present. It is for the very reason that the Commission holds the opinion that sooner or later municipal control of electrical undertakings must come to an end, and must give place to some form of centralized control covering large territories, that the Commission has deliberately refrained from undertaking retail distribution, in order that it might not be truthfully said that the Commission was unwarrantably endeavouring to extend its powers.

14. I wish to emphasize to the Select Committee that it is one thing to hold an opinion antagonistic to the principle of municipal control, but quite another thing actually to act exclusively in an antagonistic manner. No executive act of the Commission can be truthfully described as antagonistic to the principle of municipal control. At the same time, the Commission, after lengthy investigation, and in the full light of the practice and the trend of opinion in other countries, frankly informs the Select Committee that, in its opinion, municipal control of electrical undertakings must sooner or later come to an end; that it is a principle entirely unsuited to the conditions of a great scheme of electrical transmission, extending over at least 20,000 square miles; that a continuance of the principle will imperil the success of the whole scheme, both financially, economically, and technically; and that with the passing away of the locally owned and operated small direct-current plants, having a very limited local range, and the advent of alternating-current electricity, transmitted at high voltage from a long distance, the present highly inefficient system of operating electric supply by reference to arbitrary municipal boundaries must also pass away. The Commission, the Government, and Parliament must face this great problem with far-seeing courage, undeterred by local clamour or pre-conceived prejudices.

15. In the above observations only the general conclusions of the Commission have been clearly indicated; but specific reasons in support of those conclusions have not been advanced in detail. If the Select Committee considers that an inquiry into the reasons upon which the Commission relies in support of these conclusions, is desirable and within the scope of the Select Committee's present inquiry, I shall be glad forthwith to make a detailed statement regarding this important matter.

16. I desire, in conclusion, to report, on behalf of the Commission, that while as in duty bound it will advise the Government and Parliament as to the best means for reforming the present obsolete conditions, the Commission is not seeking any further powers to give effect to such a policy, and has taken and is taking no action whatever to prejudice the question or to embarrass the entire freedom of action of Parliament.

I also have here a statement on the question of Retail Distribution in the Rural Districts. It is not very long, and if you will allow me to read it, I think it will be very, very informative to the Committee.

2331. *By the Chairman.*—It will be very informative in connexion with the next portion of our inquiry?—Yes.

2332. Whilst on that former point, there is one matter that has been quoted here three or four times in ignorance, as illustrating the policy of the Commission, and at the same time it has been used by a lot of people outside—those works which the Commission control in Port Melbourne and Footscray, which were really taken over by the railways. A brief statement about that would be opportune?—I could get you the full list; but, as a matter of fact, there are quite a number of concerns which, with the full knowledge of the Footscray Council, negotiated with the Railway Department, and they have been, and are, and will, continue receiving supplies from the Newport “A” power-house.

2333. Of course, it is a matter that has been quoted here, even by councillors, as an illustration of the tendency of the Commission to stray into other things?—If we, as a Commission, had never come into existence at all, the condition as existing to-day would have gone on, because, as a matter of fact, we are not generating any electricity at all. This very electricity being supplied to these people is Railway Department electricity, and these transactions are passing through our books as merely a matter of form.

2334. Do you not collect receipts?—We do, but we merely pass them over to the Railway Department.

2335. You are merely a conduit?—Yes, we are, and we will not be generating electricity for several months yet. Their grievance is against the Railways, not against us. These things were negotiated by the Railway Department long before we came on the scene at all.

2336. I think it is just as well to have this statement cleared up?—Yes. I have alluded to that in my statement. This other paper I referred to is our report to the Government on the question of retail distribution, and, before I read it, I would like to say quite definitely that the Government has not yet dealt with it, and I do not wish anything I may say to be regarded as committing the Government to anything contained in this report. It is as follows:—

THE PROBLEM OF RETAIL DISTRIBUTION OF ELECTRICITY IN RURAL DISTRICTS.

1. This report is presented in pursuance of Act 2996, section 11 (a), and deals with the question of the distribution of electricity so far as it relates to the provisional districts as distinguished from the metropolitan area. The latter area is subject to special considerations and the conclusions to be reached rest upon somewhat different grounds. The ultimate co-ordination of electric supply in the metropolis will, therefore, form the subject of a separate report.

2. A brief reference is necessary to the past history of electric supply in the provincial districts. When electric generation began to be introduced some 25 years ago, the direct-current system was universally adopted in our country, cities, and towns. Of 86 extra-metropolitan orders which have been hitherto granted, no less than 74 have resulted in the installation of direct current. That system is designed for purely local supply; it has an economic range of not more than 1 mile from the power-house; it is quite unsuited for extension beyond the limited boundaries of a town or for linking up with other towns at a distance. The service of electric supply, therefore, became necessarily a purely local function, in which no other locality was concerned. It was natural and proper that the local governing body should concern itself with the generation and distribution of electricity within its several towns, either by owning and operating the system itself or by contracting with a private undertaker to do so.

A close analogy to this situation is the earlier history of the telephone service. Before long distance telephony was practicable the practice was common (I do not mean in this country, but in England and America) for the telephone service of a town to be locally managed, and quite independent of other towns. Local management, however, ultimately gave place to centralized management covering large territories. A similar course of development has taken place in railway and tramway services and other public utilities of a like nature.

3. The management of provincial electrical undertakings in this State has, in the past, been not merely confined almost exclusively to the now obsolete direct-current system, but also has been characterized by much inefficiency. (May I pause there to explain this. We administer the Electric Light and Power Act and we get returns from every undertaker in the country. We know exactly what they are charging, the profit and loss they are making, and the exact conditions of supply, so we are in a very good position to make an authoritative statement such as I now make. We have chapter and verse for all that.)

The charges for electric service in most country towns are abnormally high; the service itself is unreliable, administration, construction, and maintenance are of a poor standard, the authorities being as a rule unable to bear the financial burden of employing skilled professional advice and direction. The result of these conditions is all too clearly shown in published financial statements. Outside the metropolitan area there are operating at this date 53 municipal electrical undertakings. In only two of these has depreciation of machinery and plant been adequately provided, despite which over 40 of those undertakings have been unable to reduce their working expenses to the level of the revenue received.

(There are some very dreadful examples. Take the case of Ararat. It is calculated to ruin the whole shire. They have reached the limits of their borrowing powers and are losing heavily on their undertaking.)

4. The past history of the matter in this State, unsatisfactory as it has been, has nevertheless created a belief, which appears to be widely held, that the control of the service of electric energy is a true and legitimate localized function. There is a prejudice in many quarters against a change, and a definite disinclination on the part of local bodies to surrender what is in many cases regarded as a right or privilege, entailing the possibility of making profits in relief of rates, which is, however, in fact rarely achieved. It is this prejudice which furnishes the most formidable obstacle against future reform. Nevertheless, if the future electric service of this State is to be carried out on sound, economic and efficient lines, and if the full benefit is to be reaped from the heavy investment by the State in the business of electric generation and transmission, these prejudices must be overcome and the way cleared for a comprehensive and constructive policy more suited to modern conditions.

5. The State is already committed to works of generation and transmission of electricity on a scale of considerable magnitude. It is, however, not logical or practicable to divorce entirely the function of generation from the function of retail distribution. There is in this State to-day no single instance of an undertaker generating electricity who is not also the retail distributor of that electricity within his territory. With the exception of a few of the Niagara private-power companies, it is doubtful if there is any other precedent in the world for entirely separating “generation” from “retail distribution.”

(I would ask the members of this Committee to look around the whole world and see if they can find a case to show where the authority generating has been debarred from distributing his own energy himself.)

There is, therefore, no historical or logical basis whatsoever for the doctrine that the State Electricity Commission, which is destined to become the only important generating authority within the State shall be totally excluded from the function of retail distribution. Not only does the existing law contemplate no such general exclusion, but no ground of efficiency or expediency or economic advantage can support such a doctrine.

6. On the contrary, there are weighty reasons why the opposite view should prevail, and many of these are so obvious as to need only brief enumeration. Thus—

(a) The cost of generating electricity is only a portion of the delivered cost to the retail consumer. That is to say, the cost of distribution forms a large part of the price paid for his service by the retail customer. Therefore, inefficiency in the service of distribution is likely to be very serious in its effect on ultimate retail charges. No scheme of electric supply can be cheap and satisfactory unless both functions are efficiently performed. Inefficient distribution will probably wholly annul the advantages of cheap generation.

(b) A body like the Commission, or any similar body, dealing with a large territory can command the necessary capital for works of distribution at lower rates of interest than a plurality of smaller bodies acting independently and at different times. It can also, by standardization of design and by letting contracts for bulk supplies of transformers, insulators, conductors, meters, and switch gear, command lower prices than small bodies having limited requirements. It can also acquire and operate labour-saving machinery and appliances which are beyond the reach of smaller bodies.

It would interest the members of the Committee very much to see some of our modern machinery for erecting these transmission lines, such as post-hole digging machines and cable-erecting machines, which work at a very fast rate. They are machines costing over £1,000 each, and a single shire could never afford to buy them, but a big authority can.

- (c) The cost of operation and management of retail distribution in a number of towns in a large district would also be materially less if handled by a large authority controlling the whole district. Thus the work of maintenance, servicing, meter reading, revenue collection, &c.—all of which functions are necessary even in the smallest country town—could be performed by a central authority controlling a number of towns in the district far more cheaply and effectively than by the local authority in any one town, thus effecting substantial economies in the local administration and distribution costs.

Take, for example, a district with twelve townships, or a district with twelve shires in it. A single meter reader with a motor bike could take the whole lot in—one on Monday, the next on Tuesday, the next on Wednesday, and so on; whereas, if they were all separated, each single one would have to have a meter reader, linesman, and everything else. That is only an illustration.

- (d) Municipal councillors (especially in country districts), and, to a lesser degree, most municipal officers, are unfamiliar with electric economies and with the principles underlying the framing of tariffs for the sale of energy. They are, in consequence, quite unable to encourage in every way the application of electricity to the many departments of life, both private and industrial. Inexperienced overhead management in such matters leads inevitably to a retarded development of the use of electricity and bears particularly adversely upon the industrial use of electricity. To quote a specific example, a municipal council would find it difficult to understand why it can and should quote to a local industry, say, a flour mill, a price which on the average would be much less than the average rate which the council itself must pay for its bulk supply.

If you remember, that is Mr. Beardmore's point.

The Commission has on its file complaints from industrial consumers to this very purport, and others of a similar nature. Moreover, in most provincial municipalities the majority of the councillors usually represent rural ridings having a scattered population, and therefore are not necessarily interested in the electric service of the more closely settled urban riding.

It has been my experience on several occasions when visiting country towns that I was never able to meet the whole of the members of the country council, only two or three members of the urban riding; the others did not take the slightest interest in the matter.

- (e) Many municipalities would find difficulty in raising money to pay for works of distribution or for extending same. Some, indeed, have reached the limits of their borrowing powers. Such municipalities must go without electric service, unless the State advances the money either direct to the council or to a body such as the Commission. It is public money in any case, and it is likely that the responsibility for its proper application and due repayment can be better discharged by a large authority than by numerous councils acting independently.
- (f) Among the most important requirements of efficient electric service are its expansibility and reliability. No matter how far-seeing the generating authority may be with regard to the extension of the capacity of the system to meet the possible demands upon it, nor how reliable the supply system may have been made, its efforts in those directions may be nullified by failure on the part of the distributing authority to properly provide for the growth of business or to safeguard the continuity of the supply to the consumer. The difficulties that will arise if every municipal council were to be a separate and independent distributing authority are surely only too obvious.
- (g) A generating authority is vitally concerned in the development of electrical markets and the cheapening of the supply to the consumers. These can be brought about only by active propaganda work in the distribution area, and by careful study of the individual requirements of the various classes of consumers, with a view to improving the general load factor of the district and other conditions affecting the cost of supply. These desiderata can be achieved only by direct contact with the ultimate consumers, i.e., by canvass and by direct negotiation. A shire council acting as a distributor only, and not allowed to make profits out of the supply, alleviation of general rates, has not the incentive to become vitally interested in such matters, and, therefore, is disposed to rest satisfied if its ordinary and immediate requirements are met. It is likely to resent any contact between its retail customers and an outside generating authority.

7. The consideration of a specific example will serve to illustrate on broad lines the principle that the process of retail distribution of electricity is not properly a purely local function.

The scheme, a forecast of which has been recently submitted to the Government, for the service of the North-East and the Goulburn Valley covers a territory which embraces 28 separate municipalities. The reticulation of this territory has been and must be laid out without the slightest reference to municipal boundaries, being in this respect closely analogous to the lay-out of railways, water channels, main roads, and telegraphs—whose correct location demands compliance with scientific rules and technical factors. The whole system of electric transmission lines (trunk feeders and sub-trunk feeders) is a single system requiring a unified control. To turn over the retail distribution in such a territory to the independent management of 28 separate local bodies would bring about a quite needless multiplication and overlapping of effort; a wide variation in the standard of efficiency practised in regard both to administration, operation, and maintenance; wide diversities of rates, charges, and conditions of supply on different sides of inter-shire boundaries; friction between shires whenever their interests are in conflict; and a discontent among customers. But worse than this, the lay-out of the distribution lines will frequently involve the desirability of serving a portion of, say, shire "A" from sub-stations or feeder lines situated in the territory of another shire "B," instead of from the more remote sources of supply available in shire "A." Similar probable complications would abound. In the opinion of the Commission it is indispensable that the control of the whole of the low-tension distribution of such a large territory should be in the hands of a single authority, which can apply a uniform policy, a uniform standard, and a uniform administration throughout.

8. The most weighty precedent in the question under discussion is that of the Ontario Commission. This body nominally acts as agent of and on behalf of the municipalities throughout; but, in point of fact, it is the Commission itself and not the municipalities which, in the case of rural supplies, takes all executive action of every kind whatsoever upon proper guarantees being given by the consumers and municipalities. It is the practice of that Commission, apart from generating electricity and transmitting it at high voltage, to construct, finance, and operate the whole of the low-voltage reticulation of the rural municipal areas. It maintains the works, reads the meters, collects the revenues, and finalizes the whole procedure of electric supply. It is only after all this work has been done that the Ontario Commission once a year renders an account of its operations to the municipalities.

Again, in New Zealand, the Public Works Department is not only a generating authority but also a distributing agency on a large scale. While it sells bulk energy to a number of municipal councils it is perfectly free to deal direct with industrial consumers with tramways and the like. That is, it sells energy both in bulk and in retail.

Coming nearer home, we find in Tasmania the State Hydro-Electric Department, a body created by the Government to develop the hydro-electric resources of the State for the benefit of industry, operating not only as the generating and transmitting authority, but also as the sole retail distributing authority in the municipal districts of Hobart and suburbs.

9. This Commission considers, nevertheless, that due attention should be called to arguments which can be used on the other side.

In the first place, there is the financial question. If the Commission were to undertake retail supply, then in course of time considerable additional public funds must be made available for its use for such a purpose. Such funds must, however, be found in any case, and whether the work is financed by the State or by the locality the expenditure will, either way, be a charge upon the people of the locality and reflected in the charge for giving them an electric service.

In the second place, there is a strong public feeling in favour of local autonomy; in other words, there is the psychological as distinct from the technical aspect of the problem. The Commission does not in any way minimize the arguments that may be used in favour of divided as against centralized control, so long as the principle of large distribution areas is recognised. Nor does the Commission wish to discount the ethical advantage of divided public responsibility of large expenditures and the benefits which may be derived from various local authorities, acting on the advice of the Commission, emulating each other to give the best service.

It is, of course, for Parliament to say how much weight is to be attached to this consideration and to what extent technical efficiency and best economy should be sacrificed in order to favour and foster the ideals of local control of what are regarded as local affairs, but which are not really so.

10. The advent in the near future of a system, entirely new to this State, of transmitting electric energy through long distances for the simultaneous service of numerous districts and localities widely separate, and widely differing in their needs, brings about an entirely new situation which, in the view of the Commission, calls for an early solution and for the adoption of a sound, far-seeing, comprehensive, and clear-cut policy.

11. The Commission may fairly be required to indicate how a policy of general control could be given effect to in practice. This matter has also received consideration. The Commission would divide up the State into a series of electrical districts, with special reference to the various separate transmission schemes. These transmission schemes are quite definitely separable with reference to the source of supply and to the areas traversed and fed by the main power lines and offshoots from same. Thus the Western District, from Geelong to Port Fairy, would form a well-defined electrical district; East Gippsland, from Morwell to Bairnsdale, another; the north, from Benalla to Echuca and Wodonga, still another; and so on. In each such district there would be a superintendent, whose staff would perform all the functions of maintenance, operation, and administration, with full local powers, subject only to the central control of the Commission in matters of general policy.

12. In the event, however, of it being thought by Parliament that the Commission should be altogether excluded from the function of retail distribution, the Commission strongly recommends that such a function should, even under such circumstances, cease to be regarded as a local concern. It would still be imperative to treat each separate transmission scheme as a single scheme requiring a unified control centred in some local authority created for the purpose. In other words, instead of there being superintendents acting under the Commission, there would have to be local power Boards, or Trusts, either nominated by the State or elected by the districts, which would be given borrowing powers and which would have independent control of the electrical affairs of the district so far as relates to low-tension distribution.

It must be made clear, however, that even under such an arrangement the whole of all the systems of high-tension reticulation throughout the State must remain, as at present, under the sole control of the State Electricity Commission.

13. The Government and Parliament have already definitely adopted the policy of the full development of a State service of electric supply throughout the State, except only as regards low tension or retail distribution in the case of those Orders which were still in force at the end of 1918. The immediate question is whether, as an ultimate objective, that policy should be extended to cover every part of the State. If decided in the affirmative, it would nevertheless take many years to carry such a policy into complete effect. Private franchises would have to continue until rights of compulsory acquisition mature. Municipal franchises would not, in every case, be readily yielded up. The conversion of public opinion in favour of general as against local control may be of slow growth. In the meantime, it is not suggested that in the case of existing Orders here should be anything in the nature of a wholesale revocation by law, or of a wholesale compulsory acquisition by the State. The fact is that many municipalities at present actually favour and desire such acquisition; and others will probably follow suit when, by experience, they more fully realize the anomalies involved in an attempt to apply past practice to the new conditions created by schemes of transmitted energy.

14. If Parliament finds itself generally favorable to a policy such as has been outlined, it will be for the Commission to take into consideration, in minutest detail, the steps necessary to be taken during the transition period between the present separated and the future co-ordinated and unified system of control. Such transition period may well last ten years and upwards, during which the ramifications of transmission schemes will be pushed further and further afield. No such scheme of general control can be put into force in a single operation. It must be effected stage by stage as the need arises and as favorable opportunities offer. This progressive approach to the final objective is no evil so long as that objective is clearly envisaged from the outset and all intermediate steps are made to harmonize with it.

That is an attempt at a fair and impartial statement of the whole position as we view it after very lengthy study.

2337. That is the report that has been submitted to the Minister?—Yes. As to the metropolitan supply, I must again repeat that the Commission has not presented any report to the Government, for the simple reason that it would be idle to formulate any scheme until it has been ascertained whether or not the Melbourne Electric Supply Company is to be bought out in three years' time, and if it is not to be bought out, nine-tenths of the evidence given before this Committee will be outside the question altogether.

2338. Their franchise has still three years to run?—Yes. I want to say we are in most active negotiation with them, because, although the acquisition may not take place until 1925, the thing has to be settled very soon, for the reason that whatever happens, the system has to be converted from mono-phase to three-phase, otherwise there will be no market available for the Morwell power.

2339. *By Mr. Eggleston.*—That has to be done, whether it is taken over or not?—Yes.

2340. *By the Chairman.*—Then, of course, you have given no definite recommendation on the matter yourselves. You have simply stated the views of both sides, leaving it for Parliament or the Ministry to determine?—Yes. In regard to District Boards, there is another phase to be considered. We have a precedent in the Board of Trade in England; they have not yet been put into force, but there is a fact about them I would not like this Committee to overlook. There is this aspect: These Boards are given territories containing millions of people, perhaps, five or six million people under each one. It may work very well there, because a large population like that can afford to maintain a highly technical and efficient staff; but when you come to a district like the Western District, where the population is less than 100,000, it would be a very serious matter to consider whether the district could stand the expense of a local Board all to itself, because such a Board would have to have its offices, its secretary and engineer, all the rest of the staff required, and it may become a question of whether the whole State as a single district (outside the metropolitan area) will not be the right organization, that is, to have one authority for the metropolis and one other authority for the country.

2341. There was one point which was given before us as an illustration by three or four witnesses; that the cost of the provision of lines carrying over 450 volts would be greater if carried out by the Commission than would be the case if done by the local council?—Of course, that is the sheerest nonsense.

2342. *By Mr. Eggleston.*—You are talking about the "Government stroke"?—Of course, one has to sit silent and allow all that talk to go on. You must remember the Electricity Commission is not casting the slightest insinuation upon other Government Departments, and I quite agree with Sir Robert Gibson's opinion that they are highly efficient. It must not be forgotten that the Electricity Commission consists of a body of citizens independent of the Government altogether, citizens with a high reputation in the community for business capacity. I do not know why it should be taken for granted that we are guilty of "Government stroke" and incompetence all along the line. I do not think the works carried out by the Commission so far are indicative of lack of ability. I would like to place this point before you, and I am now giving my own personal views, not necessarily those of the Commission as a body. I would like this Committee to think what is meant by "retail distribution." Is there such a thing, really? One can imagine the retail distribution of flour, sugar, water, or even gas; but what would you mean by "retail distribution" of the telephone service? What does it mean?

2343. *By the Chairman.*—Taking a general aspect of the view taken by the witnesses who appeared before us, we understood they meant that "retail distribution" begins at the point where the Commission delivers the bulk supply?—But there is no such thing as bulk supply. Really it is all one continuous service, just the same as there is no bulk supply or retail supply of telephone service. You go to your instrument and you ring up the Exchange; you go to your switch and press it and you get Spencer-street power-house straight away. I put it to you: When you press one of these switches in this room, you are then in direct communication with the Spencer-street power-house; no matter what number of authorities stand between you and that power-house, it is you who operate the generator. There is really no distinction in the services, and to my mind, it is quite a false method of description. What should be said to discriminate between them is "high-tension distribution" and "low-tension distribution." There is a separation possible only because you have your transformer station, and on the one

side you have the high-tension lines, and on the other side the low-tension lines; but as I said before, if there is an authority in charge of the low-tension current, he can exercise no control whatever over the character of the service supplied by the generator. If anything goes wrong all that he can do is to ring up and ask "what has gone wrong with your generator; there is no current at this end." He cannot do anything to improve it or alter it at all.

2344. In connexion with section 2 (9) of the Bill, we have been given to understand that in the second paragraph of (9) certain words have been omitted, and with those words added it should read—"Provided that in any case where a council 'company or person' is an undertaker," &c.?—That is so. Mr. Collins is not often at fault, but he misunderstood what was wanted on this occasion, and, of course, we want to protect the rights of all existing undertakers, whether public or private.

2345. So there is no interference with the present arrangements?—No.

2346. *By Mr. Deany.*—There is one question I would like to ask you; it is not in connexion with your statement of this afternoon, but it is one that has given the Warrnambool Council some little concern. It is in relation to the clause in the Order in Council, which lays down the rule that by the Commission giving six months' notice to the Council, the Commission can take over their undertaking?—Yes.

2347. Now, there is nothing in the present Bill empowering the Commission to do that?—That is so. The only point about that is that it is a matter of policy to-day not to commit a future Government or Parliament for all time to an everlasting franchise.

2348. But anyway, that could only be operated by obtaining the consent of the Council?—Absolutely. It could not be touched without their consent.

2349. *By the Chairman.*—So far as the amending Bill is concerned, it does not trench any further on any rights that the councils had before it was brought in?—I say that very distinctly. The only vestige of ground that critics have had is that clause 3, and as I have explained over and over again, its only object is to improve the efficiency of clause 17 of the Act.

2350. Generally speaking, you can only reiterate what you have told the Committee previously, that you have no wish to interfere with the operations of any municipality?—That is so.

2351. So long as the municipalities are carrying out the work satisfactorily?—That is so. Although I did not have the privilege of cross-examining witnesses, I think the Committee has succeeded in elucidating what I may term the so-called conspiracy. You can see where it emanated from—from ex-Councillor Downing, who posed as an electrical authority and constituted himself chairman of this Electricity Defence Committee. All the rest flowed from that, and it was natural, and I sympathize very much with those shire councillors in having all this propaganda thrown at them. Not having met us and not knowing us, naturally they took fright. Think of the poor gentleman who came from Wahgunyah, believing the Electricity Commission was going to go up there and forcibly seize their electricity plant.

2352. Your explanations have been so full that the Committee is quite satisfied with them, and we do not propose to ask you any further questions in the matter?—Thank you.

2353. Thank you very much. We shall require to obtain some further information from you when we are considering the north-eastern and south-western schemes?—I understand that.

The witness withdrew.

Adjourned.