

Appendix A

Financing the Railway/Tramway Operating Museum – First Paper Presented to the Conference of Australian Tramway Museums at Ballarat, 25th April 1975

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The financial development of community museum type projects, specifically the railway/tramway museum activity may be considered as being broadly similar. We have on the one hand a voluntary activity component, on the other the possible or stated interest by a local government or government body. We rely in the main on the volunteer component to produce an income with the least expenditure possible on labour; we all seek at some stage or another the assistance of either government or local government for capital works beyond our income resources.

Looking specifically at the railway/tramway projects in Australasia, we find that these seem to fall into two categories:-

- (a) Those groups who have preserved an existing line, together with some or all of its rolling stock, and who preserve not only the physical assets of the line, but also the atmosphere, nostalgia, scenery etc of what has become a piece of history, eg Puffing Billy, Ballarat Tramways, Pichi Richi;
- (b) Those who seek to establish a working museum using a collection of museum type rolling stock on a demonstration line. The latter is generally of limited extent because of the difficulties in obtaining a suitable right of way, eg TMSV at Bylands, SPER at Loftus NSW, AETM at St Kilda SA, Paekakoriki in Wellington, Ferrymead in Christchurch and Western Springs in Auckland.

Although the financial side is of the utmost importance to both of these categories, it has different priorities.

In the first case initial finance is not the immediate problem – a great deal of restoration and rehabilitation can be done by voluntary effort – the equipment is there, it needs elbow grease to get it working, plus an ability to scrounge secondhand serviceable materials where possible.

The second group is in a slightly different position in that it may need finance very early in its existence to be in a position to purchase its exhibits, rail, sleepers etc and possibly land on which to establish itself.

Whilst both of these categories can start operating with minimum capital, let me emphasise that they are living in a fool's paradise if they think they can *continue* to operate without a substantial injection of capital at some stage.

Inevitably outside capital will be required, possibly for heavy maintenance, but certainly for upgrading of facilities, especially if the venture is successful.

If sufficient finance is not available – either self-generated or from outside – then the pattern which follows can be forecast with reasonable certainty – a gradual drop in serviceability of equipment leading to breakdowns and operating uncertainties, an increasingly ‘tatty’ appearance, and the possibility of accidents resulting in injury to visitors. These factors – one or all – will lead inevitably to a loss of image as far as the public is concerned, with the unfortunate consequence of such a group being branded as a ‘bunch of nuts’ and the possibility of this attitude rubbing off on to other similar projects in the community.

I paint a dismal picture perhaps, but I feel that *such a course is inevitable* unless adequate attention is paid to the proper financial structure of an operating museum, which differs fundamentally from a static museum.

However, let me now partly contradict myself by saying that in the early stages at least of projects such as ours, there is, I feel, no substitute for a substantial self-help program. I deplore the practice – unfortunately becoming all too common – of a group of starry-eyed idealists proposing some magnificent project and, on the basis of a few sheets of most ambitious sketch plans, approaching the Government for funds to put their brain child into being.

Although the self-help approach means a fairly tough road in the formative period, if it proves the feasibility of a project, then I am sure that the project is accorded a greater amount of respect because of the effort put into its establishment.

Assuming then that we accept the self-help theory – and I feel certain that most of the rail-tram groups do, then we can establish a fairly normal pattern for financial development. In the early stages, finance will be obtained largely by donations and minor fund raising efforts, such as raffles etc. This will be followed hopefully by an initial operating period, when passenger revenue starts to come in, and sales of souvenirs and refreshments may provide an increasingly important proportion of the total. The third and most critical phase is that of continuing operation. The project must by this time have proved its feasibility – continuing and hopefully increasing public support can be seen – and the requirement for capital works, upgrading of maintenance facilities, new and better passenger facilities and such like – assume major importance.

Tabulated, the picture would appear something like this:-

Phase	Income	Purpose
Development	Donations, raffles etc, membership fees	Development expenses, restoration materials etc
Initial operation (proving period)	Revenue, sales, plus above	Operating expenses, maintenance
Continuing operation	(a) Revenue etc as above (b) Loans, grants etc	Operating expenses, maintenance, including need for heavy maintenance Capital works -

		-- upgraded facilities – new or rebuilt major equipment
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The first two phases require little comment. The third, however, needs consideration in some detail. For a limited period in the third phase, capital requirements may be met from operating profit. In other words, we literally ‘save up’ for our next item of major expenditure. This method can be painfully slow, and as many young homeseekers are finding today, the rate of saving may do little more than keep up with the rate of inflation. It is difficult or even impossible to plan to finance major works by this method, unless the required finance can be accumulated within a relatively short period.

Loans would be available only to incorporated bodies, and then only on the offer of some tangible security. Make no mistake here – what we might regard as our precious rolling stock may be regarded in terms of scrap value for loan purposes. Only assets which have a real market value would be considered, and you may have to talk hard to have a reasonable valuation put on rail or tram rolling stock even in the best of condition.

In regard to commercial loans it is important to consider firstly the cost of such a loan, but secondly the fact that it is being repaid in money of decreasing real value due to inflation.

We come now to the vexed question of Government grants. Federal Government money seems to have been handed out freely in the past year or so, but so far as I am aware, Pichi Richi is the only rail group to benefit so far.

Having said earlier that I believe very strongly in the self-help theory, I now want to point to at least one of its disadvantages. As you all know, we in the Puffing Billy Society have poured a tremendous personal effort into our train’s re-establishment and continued operation. We tend to feel now that *the very success of our operation is counting against us when the dollars are being handed out.*

What is not fully appreciated however, is that success doesn’t necessarily mean big profits, and with rapid escalation of costs, especially wages, over the past few years, we have seen the actual value of our profit gradually whittled away. Hence we feel somewhat aggrieved when we see money being handed out by the Federal Government to all sorts of embryo or potential tourist attractions. None has come our way to help what is widely acknowledged as a major tourist/recreation attraction.

Our first approach to the Federal Government was via the enquiry into the National Estate where we pointed out our need for money to purchase certain critical lineside areas. We also applied subsequently to the body set up following their report. We got no money, but we did get several typewritten duplicated pages to tell us why – and who did!

We later sent a submission to the Museums Inquiry and so far have had only an acknowledgment – has anyone done any better?

We also approached the Federal Department of Tourism for assistance for a special project, but again got nothing. The Department of Tourism, however, does acknowledge that we exist – they have a very large colour photo of our train on the wall of their reception area in Canberra.

Our approaches to the State Government have been more successful. So far we have asked on three occasions for grants, and have been given two, so the score here is very good.

Our first application was made some years ago for assistance in setting up our Museum, but for some reason we didn't seem to hit the right note, and it was not successful.

In 1970 we asked for a grant to commence work on our locomotive depot project. This was granted, and enabled all the preliminary work to be carried out, including the very extensive earth works. In 1973 we made a further approach direct to the Premier for a grant to carry out Stage 1 of our 10 year plan for upgrading our facilities. This was the building of the locomotive depot and fitting it out with various items of equipment for locomotive servicing.

The Premier gave us a most sympathetic hearing and we were granted the amount we requested. Unfortunately, due to circumstances entirely outside of our control, we have been forced to do an 'Oliver' and ask for more to complete this project.

So much for Government Grants – since our success score is not very high I can offer only limited advice.

However, I am certain of one thing. It is important to keep quiet until you are in a position to ask for – and to spend – a reasonable sum. Governments seem to regard it a waste of time to process a request for a small amount. Furthermore, it is probably a wise thing to indicate what – if any – the ongoing requirement for capital is going to be over, say, a 5 or 10 year period.

We have done this for the PB Society and have included everything we can think of capital-wise to take our project to the turn of the century. This has been planned to take place over a 10-year period and costed by estimate only. It is a very useful exercise which I can strongly recommend if only to provide some sobering thoughts.

Another piece of advice I can offer concerns the standard of presentation of any request for assistance. A relatively few dollars spent in preparing an attractive and well-documented submission could be money well spent – *it could be the key to success*. It is essential to remember that Ministers are busy people to whom all sorts of submissions for all sorts of things are presented. The one that is well prepared is likely to be the one which receives the attention sought.

Our 1973 presentation to the Premier was not cheap, but *it was read* because it invited attention. Such a presentation should contain a minimum of words to tell your story. Tabular form, where possible, makes for rapid assessment and diagrams and illustrations to help make your main point clear are a must. It is also essential to be honest in your claims and proposals. Remember that the Minister to whom you make your approach will not – indeed cannot – give you an answer on the spot. Your proposals will be subjected to checking and verification, and you may be asked to substantiate the claims you make. Be very cautious in any lobbying you embark on

in an attempt to get favourable consideration of your requests – it could backfire very easily, and in any case is often regarded with disfavour.

Although I am no accountant, I feel that a few words on the subject of handling and control of finance may not be out of place. As an organization grows, so its finances move out of the local tennis club class and require substantially more expertise to be handled properly. The treasurer of such a body is probably its busiest executive member. He has a regular commitment to pay accounts and to keep the books of the body in order. At the end of the financial year he has the onerous task of closing off his books and preparing the necessary financial statements. He is also the watchdog of your finances, and may be the lone voice against some proposal which he feels cannot be afforded. This of course can lead him to a point where he becomes too tight-fisted altogether with the purse strings, and is in constant conflict with other executive members. To avoid this situation and to give the treasurer a measure of relief from this rather heavy responsibility, I can strongly recommend that a system of budgetary control of expenditure be instituted. This has the added advantage of forcing those who are going to initiate the spending of money to do their thinking in advance, and for priorities to be established for the ensuing year's expenditure. It also has the advantage of no one section being able to spend more than its fair share, and avoids arguments in executive meetings concerning priorities and share of the cake.

Such control also enables you to answer very quickly any queries as to what you are doing with your income, and why you need financial assistance.

As my final point, I wish to caution against hitching your museum to the local government star without a great deal of consideration *by both parties*. Such a link is fraught with dangers, but is often undertaken in order to get the sort of financial support we have seen talking about. In Victoria, Government funds for assistance with tourist projects are normally channelled via the local government body. Whilst there are probably many cases where this has worked quite well, one must remember that the local councillors change, and what is a favourable project this year may in a year or so be relegated to the scrap heap, and we have already had examples of this in Australia.

We also have the potential problem of the Council calling the tune and disagreeing either with the policy of the museum or with the actions of its personnel.

If it is at all possible, preserve your independence as long as you possibly can, local government is notorious for frequent changes in policy, and offers little real haven for the volunteer-enthusiast group.

Let me sum up by saying that it is of the utmost importance that you keep your financial house in order. Profit or loss, it is essential that you can demonstrate that any request you may make for outside assistance has not resulted from your inability to manage your project properly.

In order to arouse government sympathy, it is undoubtedly necessary to show that your project is financially viable – they won't back a loser either – and that you are not seeking an operating subsidy. This can only be done by sound financial management and meticulous financial records.

A request for a grant for capital works under these conditions is then much more likely to be successful – indeed is probably the key to the Government money box.