

Written by Douglas Johns, Secretary of the Tramway Historical Society Inc.

Presenter: John Shanks
Session Chair: Peter Kahn

Session Secretary: Terry Verney

Background

A little over 40 years ago, on Saturday 11th of September, 1954, to be exact, the ceremonial "last" trams of Christchurch made their final journeys into Cathedral Square and thence into, seemingly, the oblivion of the Falsgrave Street carsheds.

Years of wartime constraints followed by postwar austerity measures have left the Christchurch Tramway System in a very rundown condition, and most people were glad to see the tramcars finally go.

Motorists were particularly pleased. They did not have to wait behind the tram every time it stopped to pick up or set down passengers.

The cyclists were pleased. They didn't get their wheels caught in the tracks, and come tumbling to the ground.

The passengers were pleased. No longer did they have to ride in the cold, draughty, rattly boneshakers.

Even the Christchurch Transport Board was happy. It no longer had to maintain the city streets (for the ultimate benefit of motorists) however many feet it was either side of the tram tracks.

No doubt Mrs Knight, of the New Brighton Line fame, would have rejoiced greatly, but she had long since passed on.

But not everybody was happy. There are always a few who don't go with the flow. And so these diehards did the only thing possible - they formed the Tramway Preservation Association, the forerunner of the Tramway Historical Society.

The Tramway Historical Society

The Tramway Historical Society had aims, it had commitment, and it had a single-minded purpose -- a tram would one day run again in a Christchurch street. And it did!!

In the August school holidays, 1964, Christchurch celebrated Papanui Tram Week. The ultimate had been achieved. A tramcar - horse drawn - ran in public service on a section of still exposed tram tracks in the Papanui Shopping Centre.

People rode the horse tram in their thousands. The Police had to provide traffic control. At the end of it all, the fledgling Society, little known until then, became a well known preservation group in Christchurch.

Initial tramcar restoration by the Society was carried out in an ever-expanding corner of the old Christchurch Transport Board workshops. Later this work was moved to our tram barns at Ferry Mead, where most of you will be familiar with our operations.

The Tourist Tramway Project

It will surprise many of you to learn that the idea of a Tourist Tramway for Christchurch is not new.

In 1982, the Christchurch City Council decided to turn parts of High Street and Cashel Street into a pedestrian mall. The Society thought it would be a great idea if tram tracks were included in the redevelopment, on which a horse or steam tram could operate on special occasions. The suggestion was made, but nothing ever came of it. We were way ahead of time.

Way back in 1973/74 Cathedral Square had been redeveloped as part of a package of enhancements to the city at the time of the staging of the Commonwealth Games. This redevelopment resulted in a certain amount of criticism, provoked mainly by the congregation of nefarious characters with less than pure motives in some corners of the Square.

Now in New Zealand the best way to find a solution to a problem is to refer it to a committee. This time-honoured tradition was duly upheld and the so-called "Bishop's Committee on Cathedral Square" was formed, chaired by the Anglican Bishop of Christchurch. Being a good committee it called for submissions. Like all good tramway societies the Tramway Historical Society responded by suggesting that the Square could become the focal point of a tourist tramway, complete with the then newly restored Boon 152.

Again the suggestion was not taken up, but somewhere along the line the germ of the idea settled and lay dormant, but not forgotten. It took root and emerged in 1990, when the Christchurch City Council convened "The Tourist Transport Sub-Committee". And this time they did have trams on their minds.

This Committee called for proposals on inner-city tourist transport, to which the Society responded - it was getting quite good at doing submissions by now. All submissions had to be personally presented to the Committee. Only one submission was for real trams. The others all sought to operate look alikes, battery buses, or cardboard cutouts, all without the benefit of proven technology.

The Society was fortunate in presenting its submissions last. Our presenter was thus able to commence with the telling and dramatic words "Gentlemen I can offer you the real thing". And the real thing was chosen. After such a start, the question was never in doubt.

The progress on the building of the Tourist Tramway has been well documented in various publications, and is not part of this paper.

The Tramway Historical Society's Part In The Project

In retrospect convincing the Christchurch City Council that it should build a tourist tramway was, from the Society's point of view, probably the easiest part of the whole exercise.

One of the most fundamental aspects was the provision of the tramcars themselves. It goes without saying that if you are going to have a tourist tramway, then there must be tramcars. Whilst this Society had tramcars which it could make available, we by no means were the only possible source of tramcars for the Tourist Line.

Fortunately the Society was able to demonstrate that the tramcars it had were eminently suitable for the job and the ones which should be used.

Use of the Society's tramcars did present some problems for the Society, not only in respect of the tramcars themselves, but also in respect of how the Society should undertake any work needed on the tramcars, and how the Society should protect itself in regard to contractual obligations and the flow of income that the tramcars would produce.

The following areas of concern needed to be addressed:

- a) Which tramcars?
- b) Work needed on the tramcars
- c) Safety requirements
- d) Would we operate the Tourist Tramway?
- e) How the work needed would be done
- f) Protecting the Society from the Tax Man

So let us look at each of these items in a little more detail.

Which Tramcars

The Society had a number of possible contenders for the Tourist Tramway. We had three large electrics, two small electrics, one single decker trailer, two double decker trailers, and one steam tram that could be made available.

The steam tram, nice though that would have been, wasn't really in contention. Although coke may be reasonably readily available on this side of the Tasman, it cannot be obtained at anything like reasonable cost in New Zealand, and the amounts required to run "Kitty" in daily service would have made the operation too costly.

There is only one, and can ever only be one (!) "Kitty" so that in the event of breakdown or servicing requirements, the service would have to cease until she was back in service.

In New Zealand we have a phenomenon called "The Clean Air Society". They work themselves into a frenzy just thinking about smoke, let alone actually seeing smoke. Now although when "Kitty" burns coke no smoke results, she does exhaust steam through her funnel, and to a Clean Air enthusiast, that is much the same thing.

So taking all in all, "Kitty" will have to remain at home (special occasions excepted).

This left us with the electrics to run on the Tourist Tramway.

The original concept for the Tourist Tramway was for a single line running between Cathedral Square and the Museum. This was mainly on reserved track in a pedestrian mall. As such only one tram would be in use at any one time, and this type of operation would have admirably suited Boon 152, being a two ended car, with Dunedin No. 11 providing backup. The Council commissioned a consultant's report on the proposed tramway, and as a result of the recommendations contained in that report the Tourist Tramway grew into an inner city circle requiring three electric cars and two trailers.

This requirement involved the Society in a complete rethink of its running fleet. Not only had it to provide the city fleet, but it also had to maintain its Ferrymead operations. To make life even more interesting Brisbane 236 suffered a motor failure at this time, and the quotes to have this fixed were quite daunting.

After much deliberation it was decided to make electrics, Brill 178, Boon 152 and Dunedin 11 available together with Duckhouse Trailer 115. It was decided that the second trailer would be Dunedin Horse Tram No. 18. This had been under restoration for some time, and would now be completed as dual horse/electric trailer. It was withdrawn from use in Dunedin in 1903 and hasn't carried a passenger in 90 years.

The Refurbishment Programme

With the exception of No. 18, all of the tramcars had been in use at Ferrymead for varying lengths of time, some since opening day in 1968. Obviously there would need to be quite a bit of refurbishment work done to bring the cars back to pristine condition after years of seven days a week running.

All this sort of work costs money - big money when there is a deadline to work to, and the deadline makes necessary the use of paid full time labour.

I am sure I will strike a sympathetic chord with everyone present when I say that tramway societies don't have that sort of money sitting in the bank waiting for something for it to be spent on. We certainly didn't.

So when we got down to negotiating with Council representatives on our part in the overall scheme we said "yes we would supply trams in the necessary quantities, but someone else would have to pay for the cost of refurbishment". Council agreed, and included the cost of refurbishment in the set up costs which would eventually be recovered from the commercial operator.

The next step was to ascertain what the actual cost of refurbishment would be. Now all of you will know that this sounds easy until you actually sit down and put it on paper. It's a bit like trying to get a hard and fast quote on having the engine of your car overhauled - you can't get anybody to commit themselves. It's always a case of if this or but that ... Working out the cost of a tramcar refurbishment is just the same. The only difference is that the figures are a bit bigger, and the risk of getting it wrong is, accordingly, directly proportional !!!

A great deal of very hard work was done by Murray Sanders and his team, and eventually we came up with what we thought the cost would be. We gave ourselves a bit of a shock in the process, the figure being much higher than most of us ever expected.

In retrospect we were probably a bit light in our estimates, but not badly so. If we ever do this exercise again, we will add quite a bit bigger margin for contingencies just to make sure. Certainly when we "opened the trams up" we found some things we didn't expect, and therefore hadn't costed, but at the end of the day, even after their time in the city, we will have overall better trams as a result.

It was very evident at the outset that to undertake the refurbishment programme within the time frame required would mean that the Society would have to use full time paid staff, and all the costings were made on this basis. The use of such labour saw the Society embark on a new era, and the implications of this will be discussed later under "Doing the Work".

The Safety Requirements

Right at the outset the Society contracted to supply any trams to best restored museum standards. We were very aware that trams had not run in any street in New Zealand for 30 years, and that regulatory requirements then applying would not necessarily be the same now. Part of the agreement with the Council specified that any costs involved in complying with safety requirements were the responsibility of the Council, and would be costed at commercial charge out rates.

It was also made a condition of the agreement that any such modifications must be incorporated in such a way that they did not destroy the heritage nature of the tramcars, and must therefore be capable of being removed before the cars are returned to Ferrymead, in a manner that leaves the tramcars as historic exhibits.

In the event many safety related items needed to be incorporated. These included such items as continuous head lights and stop lights, indicators, electric windscreen wipers, ancillary and automatic braking systems, (not to mention such operator requirements as sound systems and skates rather than wheels on the trolley poles).

The Operator

As part of the original submission made to Council of tourist transport options we considered whether, if a tramway was chosen, we should be the operator.

There was considerable debate - some of it quite sharply divided - and much sharpening of pencils to produce a range of figures to cover a number of operating possibilities.

Three basic possibilities were open to the Society. We could undertake the whole operation ourselves, we could enter into some type of joint venture or company like structure with someone else to operate it, or we could simply lease the tramcars to a commercial operator.

There were two major stumbling blocks to operating the tramway ourselves or jointly with others. These were the lack of venture and/or setting up capital, and the inability to sustain any operating losses, especially in the early years of operation. Our estimates for the set up costs for the original plan (just the line from the Square to the Museum) were in the region of \$100,000. The figure for the expanded operation would be considerably higher. And those figures do not include the refurbishment and safety related costs referred to above, which total over \$400,000.

Like the Hare and Tortoise we settled for the lease option. It may be slower, but it is much more certain. We know what rental we will get on an annual basis, and so we can plan ahead for the future. The risks of operation have been left to the entrepreneur. At the end of the day we could, if we had operated the City Tramway ourselves, have placed our heritage tramcars at risk through the operation not living up to expectations. This could have resulted in the receivers selling our tramcars to pay the debts.

Doing The Work

As I mentioned earlier it was necessary to employ full time paid labour to achieve the refurbishment work within the time allotted.

This is not the first time that the Society has had the advantage of paid labour.

One of the more enlightened Governments in the 1970s had instituted employment promotion schemes to help try and overcome the then growing numbers of people who found themselves out of a job as our economy contracted. Through the kind offices of the Ferrymead Trust the Society was able to make use of a pool of workers under these schemes, and substantial amounts of restoration work were done on Boon 152 and Dunedin 11. All labour under these schemes was cost free to the user, who also received a small contribution to the administration costs and materials.

Unfortunately our use of this pool of labour did have some disadvantages. In particular the productivity was low and there was very little, if any, contact between the workers and the volunteers working on the same project. As a result the volunteers tended to shy away from any involvement in those parts of the project in which the paid workers were involved, so that there was not a "harmonious" working atmosphere.

We had to be very careful that we did not allow this situation to arise with the funded refurbishment programme for the City Tramway tramcars.

Two paid staff were required, one woodworker, and one engineer, and to ensure that the best people available were obtained advertisements were placed in the local papers seeking suitable applicants. Society members were encouraged to apply, but Society membership or experience was not a pre-requisite. We hoped, through the possible employment of outsiders, to bring new skills to the Society.

There were a number of attributes we wished our employees to have, principally:

- be first class tradesmen
- have proven employment record
- have a sympathy with heritage preservation
- be prepared to teach skills to members
- work a 40 hour week to include Saturdays.

One of the problems was we could only guarantee a years work, and understandably those with proven employment records could be a little reluctant to leave their jobs to work on trams for a year, with no assurances of employment beyond that time.

We received 26 applications and interviewed 12 of these. About a quarter of the applicants were Society members.

It quickly became apparent that while "outsiders" may well have contributed new skills to the Society, the already on hand skills of members clearly outweighed those possible benefits.

And so two of our members left their previous occupations and became New Zealand's first fully professional fully paid tram restorers. We had set up a new industry. Even our Accident Compensation Insurance Scheme does not have an occupational class for tram restorers. (We, like good conservators of money, chose the nearest, but cheapest, occupational class which was the repair of motor vehicles. After all a tram was a vehicle with a motor, and they were being repaired!!!)

What tipped the balance in favour of employing two of our members, quite apart from them being jolly nice fellows, was that little something that tram enthusiasts have. That something that shows they can do things that non-tram enthusiasts simply look at and shake their heads.

The employing of workers from within our ranks has meant that other volunteers have worked very harmoniously with them thus ensuring that the best possible job has been done within the time available.

I would like to personally acknowledge the tremendous assistance that I have received from Graeme and Larry, which has greatly lessened the administrative burden that such a large project could so easily have become.

The Tax Man Cometh....Or How To Organise Your Affairs To Make The Maximum Use Of The Benefits That Flow Your Way.

Our Society is essentially a volunteer driven Society. Most tramway museums are. As volunteers we were taking on a number of contractual obligations of some magnitude. It was necessary to protect the Society in the event of things not working out. Most of our Committee Members felt that there was a need to set up a "Commercial Wing" as it were. The problem was, what would be the best organisational structure - a separate Incorporated Society, a limited liability company or what?

As Oliver Wendell Holmes once said "Property has its duties as well as its rights". Or put more simply if you derive a benefit from something, the tax man is bound to become interested.

The Tramway Historical Society is an incorporated society under the provisions of the Incorporated Societies Act 1908. Section 61 (34) of our three and a half inches thick Income Tax Act 1976 says that income not exceeding \$1000pa gained from trading with outsiders is exempt from income tax. If you earn over \$1000pa the tax liability is 24% on the first \$30,875, and 33% thereafter.

Now I am sure that most of you would not like the prospect of an average just over 28% or \$24,000 of the rentals earned from leasing trams disappearing into the tax man's pockets. We certainly didn't - after all we could spend it much better than he could!!

So we had to protect ourselves from two angles. Firstly we had to protect ourselves from any liability that could arise that might see our tramcars being seized to meet contractual obligations, and secondly we had to protect ourselves from the ravages of the Inland Revenue Department.

Clearly the existing Society structure was inappropriate. The Society owns the trams, and the tax implications - which may well have rendered the income from our existing tram and bus operations liable to tax - did not give us the security we needed.

Setting up a limited liability company did not answer all our problems. It solved the problem of the possible forfeiting of our trams if it all went wrong, as the company would not own the trams, but would lease them from the Society for the purposes of refurbishment. A company certainly wouldn't solve the tax problem. It only made matters worse. There was no certainty of being able to set up a company with charitable status, and company taxation in New Zealand is a flat 33%. Even if the Society owned all the shares in the Company any dividends paid back to the Society would not carry tax imputation credits from which the Society could benefit, as the Society wouldn't be paying tax. I believe that similar considerations would apply in Australia with regard to franking credits on dividends.

But like all problems, there has to be an answer somewhere. And after a bit of research we came up with the answer - form a charitable trust to lease the tramcars from the Society, refurbish them, and on lease them to the commercial operator. The hallmarks of a charitable trust are that it must be for charitable purposes - and a museum qualifies, it must promote activities for charitable purposes - and again a museum qualifies, and it must distribute its income for charitable purposes - and the Society, as a museum is a willing recipient for such distributions.

A charitable trust cannot be wound up without a court order, even if it is bankrupt, so we had a double protection there. And above all a charitable trust is tax exempt.

So our "commercial wing" is known as the Heritage Tramway Trust, incorporated under the Charitable Trusts Act 1908.

To protect the Society, the Society has the right to appoint the Trustees of the Heritage Tramway Trust. The Society has decreed that the Trustees of the Heritage Tramway must include the Society President, Vice President, Secretary, Treasurer and two other Society members, thus ensuring forever that the aims and objectives of both entities remain with a common purpose.

Conclusion

The last two years have seen a very successful transition from a totally voluntary operated and "staffed" organisation to one that encompasses a "commercial" arm that is nevertheless firmly directed to advancing the

aims of the Tramway Historical Society. Great progress has been made, and with the impetus provided by being involved in the Tourist Tramway Project, this progress is assured for years to come, as the funds so generated are poured back into full time restoration work with a professional staff.

Resources remain the most important asset of our Society. Resources does not simply mean such things as equipment, trams, the ability to restore or operate. It has a much wider importance in being able to take opportunities as they arise, to see through the administrative problems that may arise, and to chart a way for the future.

The Tramway Historical Society has been able to undertake the vast majority of all aspects of this project from within the resources of its own membership. They have written the employment contracts, negotiated the refurbishment details, negotiated the lease details, and provided the administration and accounting functions necessary to operate what is quite a respectably sized small business. The only outside professional help has been in the area of the legal vetting of contracts and the preparation of the Trust Deed itself.

We look forward to the next few years with great anticipation and interest.

At the end of the Speaker's address, the time available for the session had expired. Therefore it was not possible for any discussion or questions/answers on the subject.