

Our ref:

23rd November 2012

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Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Mr Hall

Re: QR Network's Electric Traction DAAU – Request for further comment on Draft Decision

Thank you for the opportunity to provide comments on the QCA's draft decision on QR Networks Electric Traction DAAU. In opening our comments on this matter, I think it appropriate to note that Freightliner Australia supports the QCA draft decision of July 2012 to **NOT** approve the DAAU, and would like to make additional comments in support of this position.

Freightliner Australia is a subsidiary of Freightliner Group, an international rail freight business with its core operations in the UK, and international operations in Australia and central Europe. Freightliner Australia is an accredited above rail operator in NSW, QLD and Western Australia and has current operations servicing regional NSW and the NSW Hunter Valley.

Freightliner has been successful in both local and international operational jurisdictions, providing customer specific operating models that are designed and developed to provide the most efficient and cost effective solutions to each of our customers. Given our approach to assessing each of our mobilisations independently, with no preconceived asset or operational legacies, Freightliner is well placed to assess every task on its merits with regards to the jurisdiction (network), equipment selection, asset management and assessment of true life cost of operations.

As such, our comments in this submission seek to expand and support already provided information regarding locomotive supply and associated choices for above rail operations, as follows;

- *Performance of electric vs. diesel power in assessing efficiency* – Freightliner evaluates the operational efficiency and total life costs of our operations, and hence assesses locomotive suitability and associated train configurations specific to each operation and customer. We are aware that a number of locomotive OEM's are currently making substantial investments in new diesel technology, in the development of more efficient higher traction diesel units. This investment in diesel technology is aimed at providing rail operators and hence rail users (such as coal producers) with improvements in operating costs and related environmental benefits. Any decision that could impact the development of technology in diesel operations, would adversely impact those that have made investments in research and development of these new technologies, and hence potentially limit the traction options for new operators.

As such, given this development of new technology, we do not believe that any single traction type e.g. diesel or electric, can be determined to provide the best possible outcome in any specific jurisdiction in the future. Changes to the network regulatory arrangements as identified therefore may have the impact of hindering future development in this technology, and hence limiting options available to rail operators in the future;

- *Competition in locomotive supply market* – we strongly support active competition between locomotive suppliers, and as such believe it should be encouraged not discouraged. The competitive environment and associated economic factors involved in this market activity will achieve the best possible and lowest cost outcome for end users.

Freightliner currently operates a number of locomotive types across its international businesses, including the introduction of the GE PowerHaul locomotives in our UK operations. We have actively encouraged the development of new technology to deliver more efficient and modern traction options. We therefore have seen the benefits to the sector that accrue from technology development and the encouragement of locomotive OEM's to continue to invest in new technologies. We therefore believe that the market itself should determine the preferred technology (diesel, electric, etc) at the time specific for the required application, rather than have any particular technology either "ruled in or out" through decisions regarding the network;

- *Cycle time impacts* – Freightliner's independent modelling of cycle times of a number of complex train operations has identified there are significant impacts to cycle time performance beyond a simple assessment of traction options. These include issues such as network congestion caused by infrastructure design, actual supply chain demand and production, planning deficiencies and out of course events that would account for cycle time degradation above and beyond any impacts of traction choice alone. A cycle time assessment must take into account the locomotive power and tractive effort (independent of diesel or electric choice), locomotive weight, trailing load, train configuration and the network / corridor. Therefore the assertion that one locomotive type has better cycle time performance on any corridor under any operational conditions, seems to have discounted all other physical and operational impacts, and drawn this conclusion with a single premise;

Freightliner hence restates our position that the market itself should be the primary determinant for operators to assess traction choice and operating mode. Our comments above are therefore to be taken in substantive agreement with the original draft decision on the QR Network Electric Traction DAAU.

If you would like to discuss or need any additional information, please do not hesitate to contact me on 02 9449 6222.

Yours sincerely



JOHN WILLIAMS
Operations Director