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Dr K Michael
Acting Rail Access Regulator
Office of the Rail Regulator
Level 27, 197 St Georges Tce
PERTH WA 6000

PUBLIC SUBMISSION ON PORTMAN IRON ORE LIMITED APPLICATION

Dear Dr. Michael,

Alcoa World Alumina Australia (Alcoa) is responding to your request for public submissions on the Portman Iron Ore Limited (Portman) Proposal for Track Access dated 26 September 2001 and the response provided by WestNet Rail (WestNet) to the Regulator as posted on the Office of the Rail Access Regulator's website.

BACKGROUND

Alcoa hauls an annual rail task of 13.6 million net tonnes of alumina, bauxite and caustic soda on the WestNet narrow gauge network between Kwinana, Pinjarra, Wagerup and Bunbury. The section of track between our refinery at Pinjarra and the port of Kwinana carries the highest tonnage anywhere on the WestNet network with 7.9 million tonnes of bauxite and 0.7 million tonnes of alumina transported annually by four dedicated consists running up to 12 return train trips per day. Sections of this line are also shared with the Australind passenger service and other bulk haul users, notably coal trains.

Whilst we do not operate any trains on the lines used by Portman, we do have views on WestNet's identification of the Portman application as a capacity constraint and their interpretation of Section 10 of the Railways (Access) Code 2000 (the Code). We are also concerned that any future expansion by Alcoa on the South West mainline would be treated by WestNet in a similar way. We therefore have a common interest with other rail users in understanding the provisions of the Code with respect to Section 10 and seek the Regulator's clarification on the intent of this section of the Code both in regard to this Proposal by Portman and any future proposals.

It is our view that mining companies often seek major expansion of the rail network and fund this expansion either through direct financing of upgrades or indirectly through increased access charges. It is only in exceptional circumstances, where no further expansion of the network is feasible, that we consider that Section 10 of the Code is applicable. For example, if expansion of the South West mainline required a section of line to be upgraded to double tracking but there was no land corridor available for this expansion, and no other technical solution was available, then the capacity of the line would have been reached. In instances such as this, the utilisation of the last available train paths would indeed preclude another entity from seeking access and a complete examination of the options under Section 10 of the Code would be justified. We do not consider that this is the case with Portman's proposal.

OUR ANALYSIS OF THE PORTMAN PROPOSAL

Case 1 - Portman at 5.5 million tonnes

The first expansion to 5.5 million tonnes uses 5 consists (2 locomotives and 81 wagons per consist) on the existing track infrastructure with limiting speeds of 55 kph in the loaded direction (up to Esperance) and 70 kph in the empty direction (down to Kalgoorlie). This expansion represents the addition of only one more consist to the current arrangement as we understand Portman are now running four consists of between 80 and 84 wagons.

In our train path analysis, we have assumed the completion of the new crossing loop currently being constructed at Scadden (estimated at 45 km north of Esperance). We have viewed the train control diagram supplied by WestNet showing 23 ore trains and the current freighter service and make the following observations:

- The mean number of train passes made between Esperance and Kalgoorlie is 2.8 with a maximum of four passes on some paths.

- If all possible train paths are created on a train control diagram with the constraint of a maximum of four train passes (with empty trains stopping to allow loaded trains priority) and using an 8 hour journey time in either direction with trains departing at 4 hourly intervals then the total number of possible train paths per week is 42 in each direction.

- On this basis, the request for 24 train paths each way is easily accommodated on the train control diagram.

- These paths are in addition to the existing six freighter train paths shown on the WestNet Rail train control diagram.

- Seasonal use of the line for the transport of grain (which we understand totals around 200,000 tonnes per year) could be accommodated between all the existing full year services as grain trains are only required to run a shuttle service between Salmon Gums, Grass Patch and Esperance for part of the year. The increased iron ore trains may limit the times at which these slots are available but would not appear to limit the number of slots.

On this basis, a "best-fit" train control diagram would show that there are spare paths for new traffic available even after the expansion to 5.5 million tonnes.

Case 2 - Portman at 8 million tonnes

We have also constructed a train control diagram for the second Portman expansion to 8 million tonnes based on the same crossing loops but using the higher track speeds of 70 kph (up) and 90 kph (down). These higher track speeds allow improved average speeds for the locomotives between crossing loops but they are still limited by the number of crossings required for opposing trains and other traffic on the line. With the increased track speeds, it is our estimate that the additional tonnage for Portman is easily accommodated and that additional paths are still available on this section of line. If there were any limits on existing infrastructure, further upgrading of various sections of the line or additional passing loops would provide extra capacity if there was additional demand on the Kalgoorlie to Esperance line.

SUMMARY

To put this application in perspective, Alcoa currently rails 8.9 million net tonnes per year between Pinjarra and Kwinana on a single track line using up to 13 return train trips per day. Portman is requesting capacity for 8 million tonnes based on 4.3 trips per day. This shows that single track infrastructure with passing loops can be continuously upgraded to provide capacity to meet additional demand and that the ability to add capacity in a variety of different ways (speed improvements, increased axle loads, additional passing loops, double tracking etc) will result in new freight haulage demands being met. In Alcoa's case, when we transferred the mining of bauxite from Jarrahdale to Huntley, the addition of one passing loop between Pinjarra and Kwinana resulted in a track capacity in excess of 10 million net tonnes.

The lead times and the funding of these expansions are critical components in the optimisation of the network but they do not preclude other entities from gaining access. On the contrary, these expansions typically lead to improvements in track standards, running times and a reduction in unit costs per tonne hauled - not just for the applicant but also for other operators and users on the same line. Smaller users will often benefit from these upgrades at no cost or at reduced cost due to the larger volumes hauled by major users and the ability of the track owner to amortise the significant fixed cost component over an increased task.

CONCLUSION

It is Alcoa's assessment that the Portman "Proposal for Access" between Kalgoorlie and Esperance would not preclude other entities from gaining access to the existing infrastructure. It is also our view that the upgraded line with higher track speeds to meet the demands of the Portman expansion to 8 million tonnes would similarly not preclude other entities from gaining access. We can see no justification for WestNet concluding that Section 10 (1) (b) is applicable in this case and we would recommend that the Regulator approve the proposal under Section 10 and allow negotiations to commence between WestNet Rail and Portman Iron Ore Limited on their "Proposal for Access".

Yours faithfully

Jock Irvine
General Manager Procurement
Alcoa World Alumina Australia