



20 September 2012

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

By email: rail@qca.org.au

Dear Sir/Madam,

RE: Submission in relation to QCA's July 2012 Draft Decision on QR Network Electric Traction Services Draft Amending Access Undertaking

Further to our letters dated 9 March 2012 and 10 May 2012, Downer Rail is supportive of the draft decision of the Queensland Competition Authority ("**QCA**") to reject QR Network's Draft Amending Access Undertaking (the "**Proposal**"). We believe the responses received from industry provide strong evidence that contradicts QR Network's assertions in support of the Proposal. Further to our review of QCA's Draft Decision, we have the following comments.

Development of new technology – environmental improvements

Downer Rail's technology partner, Electro-Motive Diesel ("**EMD**"), has announced its plans to develop a natural gas powered engine for use on off-road equipment including locomotives. Given the abundant supply of natural gas in Australia and Queensland in particular, we are one of the target markets for the new technology.

The development of natural gas engine technology will significantly reduce the cost of operating our locomotives, which will also improve efficiency compared to electric locomotives. On a per unit of energy basis natural gas is significantly less expensive than diesel fuel (estimated to be 50% less today).

Please find attached a press release providing further detail.

Train braking capability

We note and agree with the references to train braking ability as a factor in reducing headways. We confirm ECP braking significantly improves the braking capability, hence reduces stopping distances, and is standard on current Downer locomotives and will continue to be in the future.

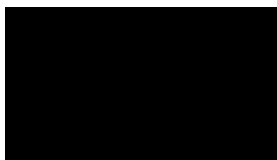
Competitive diesel locomotive supplier market

There was reference by certain respondents to the competitive market for the supply of diesel locomotives compared to the sole supplier market for electric locomotives. We can confirm the competition in diesel locomotive supply and that this drives Downer and our competitors to improve performance, reliability, efficiency and total cost of ownership.

Next Generation Locomotives

Downer and its partner EMD intend to develop a new locomotive specifically for the coal haulage market in Queensland. This locomotive will have significantly more power than the current model GT42CU-ACe locomotive and it will also incorporate the most up-to-date efficiency improvements. This new locomotive will provide operators with the opportunity to use fewer locomotives per trip or wagon, or alternatively haul additional wagons with the same number of locomotives. These next generation locomotives will provide operators with a lower total cost of ownership.

Regards,



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Attachment – Westport-Caterpillar press release

Westport and Caterpillar Announce Agreement to Develop Natural Gas Technology for Off-Road Equipment

June 5, 2012

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FOR IMMEDIATE RELEASE

Westport and Caterpillar Announce Agreement to Develop Natural Gas Technology for Off-Road Equipment

The two companies are positioned to be the first to offer Westport™ HPDI technology in the high horsepower off-road market; initial focus on mining trucks and locomotives. Video link for Caterpillar, EMD and Westport executive statements included in press release.

VANCOUVER, BC – Westport Innovations Inc. (TSX:WPT/NASDAQ:WPRT), a global leader in natural gas engines, has signed agreements with Caterpillar Inc. (NYSE: CAT) to co-develop natural gas technology for off-road equipment, including mining trucks and locomotives. Caterpillar and Westport will combine technologies and expertise, including Westport™ High Pressure Direct Injection (HPDI) technology and Caterpillar's industry leading off-road engine and machine product technology, to develop the natural gas fuel system. Caterpillar will fund the development program. When the products go to market, Westport expects to participate in the supply of key components.

"This is a significant opportunity that has the potential to transform important segments of the global off-road equipment industries," said David Demers, CEO of Westport Innovations. "We are working with the global

leader in engines, locomotives and off-road equipment to develop an attractive natural gas offering for their customers. The substantial price difference between natural gas and diesel fuel is resulting in a strong financial incentive to enable off-road applications to take advantage of low natural gas energy costs without sacrificing operational performance. There is also a clear environmental incentive because of the reduced carbon emissions. Adding to the solid business case for this program is the potential to convert existing field units to natural gas – opening up a whole new market opportunity.”

While the agreements initially focus on engines used in mining trucks and locomotives, the companies will also develop natural gas technology for Caterpillar’s off-road engines, which are used in a variety of electric power, industrial, machine, marine and petroleum applications worldwide.

“This agreement does more than pair two leaders in their respective industries,” said Steve Fisher, vice president of Caterpillar’s Large Power Systems Division. “Many of our customers are asking for natural-gas powered equipment in order to reap the financial and environmental benefits. The program positions Caterpillar to become the first manufacturer to bring HPDI technology to the high horsepower off-road market, offer the broadest product line of natural gas-fueled machines and equipment, and capitalize on the attractiveness of natural gas as an alternate mobile fuel – all within the shortest time frame for our customers.”

“This is a true win-win for our customers and the environment,” said Billy Ainsworth, President and CEO of Electro-Motive Diesel, a subsidiary of Progress Rail Services, which will develop the natural gas-powered locomotives. “As a part of Caterpillar, we have the ability to be on the forefront of developing cutting-edge solutions for our industry, and we look forward to continuing those advancements for years to come.”

Development programs will start immediately for both new and existing engines, combustion technology and fuel systems. Commercial production is expected to begin in about five years.

Video Link for Executive Statements: www.caterpillar.com

David Demers, CEO, Westport Innovations

Steve Fisher, Vice President of Caterpillar’s Large Power Systems Division

Billy Ainsworth, President and CEO of Electro-Motive Diesel, a subsidiary of Progress Rail Services

About Caterpillar:

For more than 85 years, Caterpillar Inc. has been making sustainable progress possible and driving positive change on every continent. With 2011 sales and revenues of \$60.138 billion, Caterpillar is the world’s leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company also is a leading services provider through Caterpillar Financial Services, Caterpillar Remanufacturing Services, Caterpillar Logistics Services and Progress Rail Services. More information is available at: <http://www.caterpillar.com>.

About EMD:

Founded in 1922, Electro-Motive Diesel, a subsidiary of Progress Rail Services, a Caterpillar Company, is an original equipment manufacturer of diesel-electric locomotives. Headquartered in LaGrange, Illinois, with additional manufacturing facilities and business offices around the world, EMD designs, manufactures and sells diesel-electric locomotives for all commercial railroad applications and has sold its products in more than 70 countries worldwide. The Company is the only diesel-electric locomotive manufacturer to have produced more than 72,500 engines and has the largest installed base in both North America and worldwide. In addition to its manufacturing activities, EMD has an extensive aftermarket business offering customers replacement parts, maintenance solutions, and a range of value-added services. The Company is also a

global provider of diesel engines for marine propulsion, offshore and land-based oil well drilling rigs, and stationary power generation. Additional information may be found at www.EMDiesels.com.

About Westport Innovations Inc.

Westport Innovations Inc. is a leading global supplier of proprietary solutions that allow engines to operate on clean-burning fuels such as compressed natural gas (CNG), liquefied natural gas (LNG), hydrogen, and renewable natural gas (RNG) fuels such as landfill gas and helps reduce greenhouse gas emissions (GHG). Westport technology offers advanced LNG fueling systems with direct injection natural gas engine technology for heavy-duty vehicles such as highway trucks and off-road applications such as mining and rail. Westport's joint venture with Cummins Inc., Cummins Westport Inc. designs, engineers and markets spark-ignited natural gas engines for North American transportation applications such as trucks and buses. Westport LD division is one of the global leaders for natural gas and liquefied petroleum gas (LPG) fuel in passenger cars, light-duty trucks and industrial applications such as forklifts. To learn more about our business, visit our website or subscribe to our RSS feed at www.westport.com, or follow us on Twitter @WestportDotCom.