

Bloomberg Businessweek  
Go To Businessweek.com

Monday February 20, 2012

**Get the new FREE iPad app now**

## Rio Will Invest \$518 Million in Driverless Iron Ore Trains

February 20, 2012, 10:17 AM EST

- [Recommend](#)
- [Tweet](#) 12
- [Share](#) 7
- [1](#)
- [Business Exchange](#)
- [E-mail](#)
- [Print](#)

By *Elisabeth Behrmann and Soraya Permatasari*

(Updates with closing share price in fifth paragraph.)

Feb. 20 (Bloomberg) -- Rio Tinto Group, the world's second-biggest iron ore exporter, will spend \$518 million on the first driverless long-distance trains to haul the commodity from its Western Australia mines to ports, boosting efficiency.

The first automated train, part of the London-based company's push into remote-controlled mining technology, is scheduled to run in 2014, Rio said in a statement. The company already operates five driverless iron ore haulage trucks at one of its Pilbara operations.

Rio, which runs a 1,500-kilometer (932-mile) rail network from mines to ports in Western Australia's Pilbara region with 41 train sets and about 500 train drivers, will replace almost all trains with automated services, Greg Lilleyman, president of the Pilbara iron ore operations, told reporters in Perth.

"This is a long-term thing because they still have got to go and buy all these trains," said Chris Weston, an institutional dealer at IG Markets in Melbourne. "Given the skill shortages in Western Australia, this is an effort to improve the bottom line further down the line."

The shares rose 2.2 percent to A\$68.04 in Sydney trading, their biggest gain in two weeks.

Rio is expanding iron ore production to meet growing demand from China, and the driverless trains add scheduling flexibility for extra capacity. "As we're expanding, we'll need to add fewer trains in the future," Lilleyman said.

"We have trains sitting waiting for a train driver not because train drivers aren't working, but because it's a logistical nightmare to get people to get around to be in the same place at the same time as a train," he said.

### Boosting Output Capacity

Rio will spend \$2.2 billion to extend the life of its Nammuldi iron ore mine in Pilbara to increase output capacity to 283 million metric tons a year, it said earlier this month. A further \$1.2 billion will be invested at Cape Lambert on initial port and rail work needed to boost capacity to 353 million tons, it said. Production capacity of 283 million tons will be reached in the second half of 2013, Rio said.

Mining companies are seeking to boost productivity as mineral grades fall and ore bodies are located in increasingly remote areas, while the industry faces a worker shortage as companies expand operations globally.

Rio is also set to deploy 150 driverless trucks in the future as part of its plans for large-scale automation, Sam Walsh, the company's iron ore and Australia chief executive officer, said in the statement. Rio's share of the investment will be \$478 million, it said.

"Automation also helps us address the significant skills shortage facing the industry," Walsh said. "However, as we expand our business, we will see an overall increase in job numbers and this will provide new opportunities in the rail division and elsewhere."

Rio, which last year made more than two-thirds of its profit from iron ore sales, will run the driverless trains from its control center in Perth, about 1,500 kilometers southwest from its Pilbara operations.

--Editors: Keith Gosman, Ryan Woo

To contact the reporter on this story: Elisabeth Behrmann in Sydney at [ebehrmann1@bloomberg.net](mailto:ebehrmann1@bloomberg.net)

To contact the editor responsible for this story: Rebecca Keenan at [rkeenan5@bloomberg.net](mailto:rkeenan5@bloomberg.net)

- [Recommend](#)
- [Tweet](#) 12
- [1](#)
- [Business Exchange](#)
- [E-mail](#)
- [Print](#)

VIDEOS YOU MIGHT LIKE

by Taboola

Sponsored links

Nov. 29 (Bloomberg) -- Sam Walsh, chief executive officer...



**'Strength' in Rio Tinto's Balance Sheet**

Feb. 10 (Bloomberg) -- James Bruce, a fund manager at...



**BHP Results, Rio Tinto, Glencore-Xstrata Deal**

Feb. 8 (Bloomberg) -- Peter Rudd, mining and resources...

READER DISCUSSION

Like

Add New Comment

Login



Type your comment here.

Post as ...

Real-time updating is **paused**. [\(Resume\)](#)

Showing 0 comments

Sort by newest first ▼

[Subscribe by email](#) [RSS](#)

[About](#) | [Advertising](#) | [Custom Publishing](#) | [EDGE Programs](#) | [Reprints](#) | [Terms of Use](#) | [Disclaimer](#) | [Privacy Notice](#) | [Ethics Code](#) | [Contact Us](#) | [Site Map](#)  
©2012 BLOOMBERG L.P. ALL RIGHTS RESERVED. | MADE IN NYC