news from ... Congressman Nick Rahall

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Washington, D.C. -- "The question is, whose coal are the utilities going to burn to meet additional power demands. Is it going to be U.S. coal...or Colombian and South African coal?"

This was the question posed by Rep. Nick Rahall during testimony before the Subcommittee on Fossil and Synthetic Fuels of the House Energy and Commerce Committee during a Sept. 18th hearing on transportation barriers to the use of U.S. coal.

In his testimony, Rahall stated that while coal will continue to be the fuel of choice for the electric utility industry in the foreseeable future, due to the high cost of domestic railroad coal transportation, coal imports are on the increase in the growing steam coal markets of the South.

"Today, Colombian coal is burned by a large Florida power plant; South African by another; Polish by yet another. Canadian coal, produced in British Columbia, has been shipped 8,000 miles down the West Coast through the Panama Canal and up the Atlantic Coast to Brayton Point, Massachusetts, at a price lower than what the electric utility pays for spot market, rail moved, coal from Appalachia," Rahall said. He added, "Surely, under circumstances such as these, something is foul in the state of domestic coal transportation."

Stating that domestic coal miner jobs and the economies of regions dependent upon coal production should not be used as a "pawn" in the efforts of the utility industry to gain reasonable coal rates, Rahall said a more direct avenue of relief exists -- amending railroad deregulation legislation to mandate protection for coal shippers captive to a single railroad.

"Across the Nation's coalfields a hue and cry has arisen. Abandonments are taking their toll. Predatory pricing schemes abound. Coal imports are on the rise," Rahall concluded. "Within the hands of this committee are the tools of relief. Legislation I have introduced would assist our efforts to obtain fair and reasonable rates on railroad coal movements."

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TESTIMONY OF THE HONORABLE NICK J. RAHALL, II
BEFORE THE
SUBCOMMITTEE ON FOSSIL AND SYNTHETIC FUELS
SEPTEMBER 18, 1985

Mr. Chairman, members of the Subcommittee on Fossil and Synthetic Fuels, I want to commend you for conducting this hearing on transportation barriers to domestic coal.

There is no doubt in my mind that coal will continue to be the fuel of choice for the electric utility industry in the forseeable future.

The question is, who's coal are the utilities going to burn to meet additional power demands.

Is it going to be U.S. coal...

...or Colombian and South African coal?

The South, and especially the southeastern regions of this country, represent the largest growth markets for steam coal. A full 63% of the estimated new coal-fired utility capacity coming on line by 1990 will be in this region.

States such as Florida are a long rail-haul from Appalachian and Midwestern coalfields.

However, these very same states for the most part have Gulf and Atlantic ports capable of receiving foreign coal moving by ship and barge.

Today, Colombian coal is burned by a large Florida powerplant. South African by another. Polish by yet another. Canadian coal, produced in British Columbia, has been shipped 8,000 miles down the West Coast through the Panama Canal and up the Atlantic Coast to

Brayton Point, Massachusetts, at a price lower than what the electric utility pays for spot market, rail moved, coal from Appalachia.

Meanwhile, numerous other utilities are scrambling for a piece of the imported coal action. Even Virginia Power, in the heart of some of the richest coalfields in the county, has plans to test Colombian coal.

Now, according to the Soviet news agency Tass, the U.S. is increasing coal imports due to, and I quote, "the selfish striving of U.S. imperialism to save its own coal until that of the developing countries is exhausted and they are forced to import fuel from the U.S.A."

I would submit to the Chairman and members of this Subcommittee the fact of the matter is that the high cost of domestic railroad coal transportation allows imported coal to be extremely cost competitive.

The primary barrier to domestic coal transportation today involves the inability of the Interstate Commerce Commission to formulate a policy which accommodates both the interests of the railroads to remain financially healthy, and, the interests of captive coal shippers to be protected from monopolistic railroad pricing practices.

The Commission has tried, I do not doubt that for a moment, but has been successful only in the context of assisting the railroads to regain their financial health.

The ICC's policy on establishing railroad revenue adequacy is a fine example of this effort.

But the railroads have a large portion of the coal industry over a barrelhead -- many coal shippers are captive to a single

Surely, Mr. Chairman, under circumstances such as these, something is foul in the state of domestic coal transportation.

In its examination of this situation, my Subcommittee on Mining and Natural Resources found that certain electric utilities are purchasing imported coal to use as a bargaining 'chip' with the railroads. Disgruntled with what is viewed as unreasonable railroad coal rates, these utilities find that the railroads may be more willing to negotiate lower domestic coal transportation rates if threatened with losing business to foreign coal.

I do not believe that domestic coal miner jobs and the economies of regions dependent upon coal production should be used as a 'pawn' in the efforts of the utility industry to gain more reasonable railroad coal rates. Other, more direct avenues of relief exist.

railroad with no viable transportation alternatives. For these shippers, the ICC's proposals in the past have left them with few, if any, avenues for relief.

Looking over your witness list, I see that you will hear from individuals with firsthand experience in this matter. However, I must note that while the Commission's recently finalized Coal Rate Guidelines Nationwide are an improvement over those originally proposed, the major problem with these guidelines still involves the manner in which railroad revenue adequacy is determined.

In the view of the ICC, and despite efforts to gloss over this principle somewhat in its final guidelines, the bottom-line consideration of whether a rail rate is reasonable or not continues to be whether the railroads are earning adequate revenues.

As such, as long as a railroad is revenue inadequate, most rates on captive shippers are found to be reasonable.

The formulation of the revenue adequacy test is, as such, crucial and by the way the ICC makes this determination, not a single Class I railroad today is found to be revenue adequate.

We are talking about the very same railroads who are sitting on, say, a billion dollars in cash to buy another railroad. We are talking about railroads who are buying natural gas companies and barge lines. We are talking about railroads who are the darlings of Wall Street.

Mr. Chairman, from the western to the eastern coalfields a hue and cry has arisen. Abandonments are taking their toll. Predatory pricing schemes abound. Coal imports are on the rise. The smaller coal shipper, dependent on single car movements, has been shunned by the railroads for the most part, although Chessie recently offered them a temporary deal with respect to joint movements with Conrail.

Mr. Chairman, I conclude by stating that in the hands of this Committee are the tools of relief. Coalition legislation has been introduced, H.R. 1190, which seeks to remove some of the discretion the ICC has had in promulgating regulations under the Staggers Rail Act of 1980. I would urge you to examine this legislation and to assist our effort to obtain a fair and reasonable approach to railroad ratemaking on captive coal and other bulk commodity shippers.