

NICK J. RAHALL, II  
4TH DISTRICT, WEST VIRGINIA

COMMITTEES:  
INTERIOR AND INSULAR AFFAIRS

SUBCOMMITTEES:  
CHAIRMAN:  
MINING AND NATURAL RESOURCES  
ENERGY AND ENVIRONMENT

PUBLIC WORKS AND  
TRANSPORTATION

SUBCOMMITTEES:  
AVIATION  
WATER RESOURCES  
SURFACE TRANSPORTATION

**Congress of the United States**  
**House of Representatives**  
**Washington, DC 20515**

343 CANNON BUILDING  
WASHINGTON, DC 20515  
(202) 225-3452

DISTRICT OFFICES:  
815 FIFTH AVENUE  
HUNTINGTON, WV 25701  
(304) 522-NICK

BAIR BUILDING  
BECKLEY, WV 25801  
(304) 252-5000

1005 FEDERAL BUILDING  
BLUEFIELD, WV 24701  
(304) 325-6222

R K BUILDING  
LOGAN, WV 25601  
(304) 752-4934

December 8, 1985

Mr. Tom Colley, Editor  
The Bluefield Daily Telegraph  
412 Bland Street  
Bluefield, West Virginia 24701

Dear Tom:

I would like to take this opportunity to respond to an article which appeared in your December 1, 1985 issue, under the headline "Rahall blamed for some coal woes". I must take exception to the headline which appeared over the article in that it would give the impression that my vote against construction of a coal slurry pipeline is hindering our efforts to step up our exporting of West Virginia coal. Nothing could be further from the truth.

It is ironic that the Slurry Technology Association chose to take me to task for my vote against coal slurry legislation in 1983 based on an argument that pipelines would facilitate U.S. coal exports. This, among all other arguments that are made in support of slurry pipelines, is the most far-fetched.

First off, there are no port facilities of which I am aware capable of loading slurry coal onto international coal vessels. Secondly, there are no coal-carrying ships of which I am aware capable of transporting coal in its slurried form. Thirdly, nobody is going to build a coal slurry pipeline unless long-term coal contracts are already in place. In this regard, I know of very few long-term contracts for U.S. export coal. In addition, to believe southern West Virginia would be served by a pipeline with the tremendous cost involved is indeed a pipe-dream.



I imagine that Mr. Serkin would respond that if the coal slurry legislation was approved, the private sector would rush to construct slurry coal loading facilities, would construct ocean-going vessels capable of transporting slurry coal and, as such, be able to negotiate long-term coal contracts with foreign buyers to purchase this coal slurry.

This, of course, is a pipe-dream. At present, and in the foreseeable future, coal export facilities at ports such as those in Hampton Roads are, and will be, underutilized. Who in their right mind would construct new capacity at this time? In addition, most U.S. coal exports are shipped on non-U.S. flag vessels which means that the Japanese and other foreign U.S. coal buyers would have to be convinced to construct ships capable of moving slurried coal. This would be extremely difficult to do when these nations are not looking to buy slurry coal and do not have the facilities in place at their electric utility and steel plants to accommodate coal slurry.

Be that as it may, coal slurry pipelines are anti-coal industry and coal employment and would reduce the competitiveness of our coal. This fact has become apparent to me after sitting through years of Congressional hearings on coal slurry eminent domain legislation, and examining the financial backers of the pro-coal slurry lobby. West Virginia coal is far from their number one priority.

There is no doubt in my mind that coal slurry pipelines would contribute to the demise of the small and independent coal producer and would hurt the majority of coal operators. A few large coal companies relatively close to the origin of a coal slurry pipeline would be able to keep the pipeline filled. Economically, the pipeline companies would attempt to keep transportation contractions administered to a minimum number. Moreover, electric utilities receiving coal from a pipeline would do so under long-term contracts with coal suppliers. Unfortunately, few if any users of coal will sign long-term contracts with small coal producers.

Pipelines have a finite capacity. Once they are filled that is it -- no other coal producers could tap into them. As such, these pipelines would accommodate only a very few of the largest coal producers, leaving the majority of the industry out in the cold. Those producers not tapped into the pipeline would pay dearly for this situation as they would be more captive than ever to the railroads. In an area served by a pipeline, as the railroads lose revenue and traffic from large coal producers using the pipeline, they will raise rates on the remaining producers who are unable to tap into the pipeline in order to make up for lost business. Such increases in railroad transportation rates and even the loss of transportation due to rail line abandonments would eventually drive these coal producers out of business.

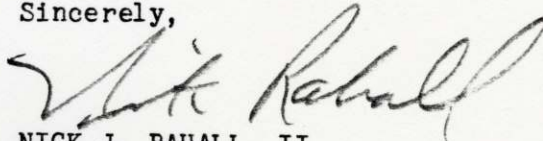
This view has been substantiated by the highly respected Congressional Budget Office which stated in 1982 that: "railroads may respond to the loss of coal transportation revenue by raising rates for coal and other commodities."

During consideration of coal slurry legislation in 1983 other coal organizations opposed the bill. The Coal Operator of Beckley, West Virginia, editorialized: "We do not believe the coal slurry pipelines would be good for the entire coal industry. They would not help, but hurt, production in the bulk of coal mining areas in our country." In addition, the United Mineworkers of America and coal groups in Pennsylvania, Alabama and Virginia all opposed the legislation.

I feel that your headline fails to portray an accurate assessment of the true effect of coal slurry legislation on the coal industry here in West Virginia. If anything, the Slurry Technology Association would be to blame for coal's problems if coal slurry legislation was enacted by the Congress.

With warm regard, I am

Sincerely,

A handwritten signature in dark ink, appearing to read "Nick Rahall", with a stylized flourish at the end.

NICK J. RAHALL, II  
Member of Congress



House of Representatives

Washington, D.C. 20515

MEMORANDUM

Jim, Nick wants you to prepare a response in the form of a Letter to the Editor. Focus on parts highlighted & especially on misleading headline. He feels that the headline is far worse than the story.

Jerry

12/1/85

guy

# Rahall blamed for some coal woes

By STUART D. SERKIN  
Slurry Technology Association

The Slurry Technology Association, a Washington-based trade association representing companies trying to construct coal slurry pipelines, commends Rep. Nick Rahall's (D-W.Va.) trip to Japan and Taiwan to promote West Virginia coal.

According to Rep. Rahall's office, these meetings with electric utilities and industrial coal buyers are an attempt to "salvage West Virginia coal export markets in the Pacific Rim and to impress upon the Japanese the danger of their inaction toward reducing the trade imbalance with the United States."

While the finger of blame can easily be pointed at Japan for its 44 percent drop in coal exports from West Virginia, we believe some of the blame can be fairly directed toward Congressman Rahall himself. In 1983, when the House of Representatives voted on coal pipeline legislation, Rep. Rahall voted "no." This legislation would have made it possible to construct coal slurry pipelines. A study prepared for the West Virginia Coal Development Authority found that a coal slurry pipeline from West Virginia to the port of Hampton Roads could have reduced the transportation costs of West Virginia coal by \$5-6

per ton. There is no doubt that such a cost savings would vastly improve the marketability of West Virginia coal.

If the U.S. has the most abundant coal reserves of any nation in the world, then why is it that Japan and Western Europe are turning increasingly to Poland, South Africa and Australia for their coal purchases? Simply put, because escalating railroad coal haulage rates are putting U.S. coal out of the reach of foreign buyers. Rail rates directly affect the delivered price of coal that results in American coal being cut out of the coal export market.

National Coal Association President Carl E. Bagge noted Japan's particular concern about railroad coal transportation rates that continue to escalate sharply. He pointed out that Nippon Steel Corp. executive Kats Tanaka, who addressed an NCA convention, told U.S. coal producers that, "If the railroad companies continue to raise their rates, as they have in the past, the increases in American coal prices would eventually reach the level we can no longer absorb." Tanaka added, "We would be forced to request sellers to absorb increases in railroad charges."

The coal buyer for Elkraft, one of Denmark's two major electric

utilities, called upon U.S. political leaders to address the problems that are keeping Denmark from buying more American coal. He said that "railroads are charging so much to get the coal from Appalachia to Hampton Roads for export that their charges are putting you out of business. The reason is that rail rates put the delivered cost of your coal way above the premium that we European buyers are willing to pay. Unfortunately for both of us, we are now being forced to look around for other producers of the coal that we need."

The Danish coal buyer added that if the U.S. could reduce the delivered cost of its coal by \$4-5 per ton, Denmark would be willing to buy U.S. steel coal. "Your slurry pipeline can help maintain and expand your share of the export steam coal market," he said.

A representative of the Italian steel producer, Nuova Italsider of Genoa, Italy, said that his company has had a long history of importing from the United States but, like other European importers, had switched part of its orders to Australia because of high American railroad rates. His message was that there will have to be enormous improvements in America's exporting posture if it is to hold markets.

The reason U.S. railroads have been able to increase rates in such a cavalier manner is lack of competition in coal haulage. Three of the nation's railroads originate approximately 75 percent of all U.S. coal shipments. An alternative to the virtual monopoly situation that exists in this area is the coal slurry pipeline. Legislation has been introduced in both Houses of Congress that would facilitate development and construction of this efficient and economical mode of transportation.

With thousands of miners out of work and mines closing daily, it is unconscionable that the U.S. railroads are allowed to continue hiking their rates to the detriment of the American coal industry. Considering America's vast coal reserves, it should be the leader and innovator in the world market. By offering coal at competitive prices the U.S. can indeed become a leading exporter of coal.

We applaud Congressman Rahall for his trip to Japan and Taiwan, but the congressman should not overlook what needs to be done at home. Congressman Rahall should support H.R. 2708, the Coal Pipeline Act of 1985, and give West Virginia coal producers and coal miners a chance to compete in the world coal export market.