

STATEMENT OF DONALD R. TRILLING, ACTING DEPUTY ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION, BEFORE THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, CONCERNING COAL SLURRY PIPELINES, JULY 20, 1979

Mr. Chairman and Members of the Committee:

I am very pleased to be here today to testify on H.R. 4370, the "Coal Pipeline Act of 1979". The Administration believe that there is a need for legislation to establish a certification process which will ensure that eminent domain authority is granted to facilitate the construction of those pipelines which are consistent with national energy, transportation, environmental, economic and social policy.

The bill proposes that the authority for granting the power of eminent domain be placed in the Department of the Interior. DOI would evaluate the applications of prospective pipeline operators on a case by case basis. Because the issues involved in coal slurry pipeline decisions -- energy, transportation, environmental, economic and social -- are not matters on which DOI has all necessary expertise, we agree with the provisions of the bill that place the authority to issue certificates of public convenience and necessity in DOI, but require that certification be preceded by submission to DOI of findings by DOT on the relative costs of alternative routes or means of transportation, the potential for impairment of the financial integrity of other modes, and the comparative rates for coal transported by pipeline versus other modes. In addition, DOE would submit findings on the effects of a proposed pipeline on our meeting national needs for coal as well as on the balance between the energy needs of the area to be served and the effect of water requirements of the project on the area from which the coal is to be transported. The ICC would submit findings on the capacity of a pipeline to operate as a common carrier.

Since DOT is assigned an advisory role by this bill, I would like to review for the Committee some of the transportation issues raised by coal slurry pipeline proposals. The importance of these issues is testament to the need for an advisory role for DOT.

Studies by the Department of Transportation and by the Office of Technology Assessment indicate that national efforts to increase the use of coal as an energy source will not be slowed down by inadequate coal transportation capacity. Particularly, the capacity of rail systems to carry coal can be expanded more rapidly than can demands which might be generated by increased coal mining or coal-fired electric power generation, provided the railroads remain financially capable of making continued investment in necessary rail facilities. The industries which supply necessary equipment, as well as the capital markets, are adequate to meet the needs of either mode -rail or slurry pipeline. Sufficient investment in either mode can keep transportation capabilities abreast of foreseeable needs. Thus, any choice made between these modes will not be determined by considering respective capacity limitations, but by considering whether rail or pipeline transportation makes the most sense economically, environmentally, and socially in any given situation.

The primary concern of the Department of Transportation is whether a given investment in a particular mode of coal transportation over a particular route makes sense economically as part of the entire transportation system. Whether a proposed slurry pipeline should be constructed depends, of course, upon the availability of existing alternative transport modes along the proposed route, the costs of these alternative modes, and the potential impacts of slurry pipelines on alternative modes, principally railroads and barges.

On the question of the potential impact of slurry pipelines on competing carriers, the key issues is what effect the diversion of coal traffic would have on the financial viability of competing rail or water carriers, and the extent to which such financial impact would affect the shippers of commodities other than coal. We believe that this question must also be considered in the context of those rail rate regulatory practices that are in place at the time of a particular slurry pipeline project application.

Concerning cost comparisons, our reviews of cost estimates from various studies indicate that the comparative costs of the rail and slurry pipeline modes do not lend themselves to generalized answers. Our analyses point to the need for route-specific cost comparisons, taking into account factors such as the size and geographic spacing of mines supplying the pipeline, the volume of coal to be transported, and the distance over which coal is to be moved. Additional considerations include the terrain, soil conditions, land use, any major water crossings along the route, water availability, and the spacing and number of customers to receive coal from one pipeline.

In closing, the Department of Transportation supports the overall objective and the agency role structure proposed in H.R. 4370. Thank you for the opportunity to present our views on and general support for this bill. The Department is strongly committed to assuring the national transportation system's ability to move the greatly increased volumes of coal projected by the mid-1980's and beyond, and we stand ready to work with all interested parties in striving to achieve our national energy goals.

This concludes my prepared statement, Mr. Chairman, and I will be happy to answer any questions you or other members of the Committee may have.