

STATEMENT OF JOHN HARMAN, ACTING DEPUTY DIRECTOR, OFFICE OF
TRANSPORTATION INDUSTRY POLICY, OFFICE OF THE ASSISTANT SECRETARY
FOR POLICY AND INTERNATIONAL AFFAIRS, DEPARTMENT OF TRANSPORTATION,
BEFORE THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
CONCERNING COAL SLURRY PIPELINES, AUGUST 28, 1980.

Mr. Chairman and Members of the Committee:

I am very pleased to be here today to testify on H.R. 6879, the "Coal Pipeline Act of 1980" and related legislation. As you know, the Administration strongly supports the enactment of legislation to facilitate the construction of coal slurry pipelines in a manner consistent with national energy, transportation, and environmental policies. This Department, as well as DOE, Interior, and EPA have previously testified in support of legislation to grant eminent domain authority for the construction of these pipelines, and we continue to urge the enactment of such legislation.

We believe that any legislation should incorporate the following major features:

- Provisions for granting right of passage over Federal lands and private lands as determined on a case-by-case basis;
- Provisions for access to a single agency to which a pipeline would apply for certification, i.e., "one-stop permitting";
- A clear designation of pipelines as common pipeline carriers subject to rate regulation by the ICC;
- Ownership restrictions and antitrust review provisions sufficient to guard against competitive problems that might arise from pipeline certification yet flexible enough to

ensure that pipeline operators would have ready access to construction and operation capital;

- Protection of State water rights;
- Provisions to ensure that a pipeline will comply with current environmental law and minimize the overall effect on the environment; and
- Provisions that are reasonable and fair to determine the need for a pipeline vis-a-vis alternative methods of transportation.

With respect to the latter point, I would like to set forth several observations bearing on coal transportation.

The primary concern of our Department 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 issue 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.

In this regard, our comments assume that meaningful rail deregulation is enacted in this Congress, and that the ICC will not be faced with approving coal slurry pipelines while it also deals with railroads hindered by needless rate regulation. Our view is that the marketplace is the best place to determine the relative merits of a pipeline versus competing rail service, but this would be impossible if railroads are unable to market their services in response to market demand. Indeed, it would be ironic if withholding rate freedom from the railroads were to force an increase in Federal financial assistance to cover the gap between rail revenues and necessary investment, and if, simultaneously, profitable traffic were diverted from the railroads to competing transportation systems.

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 conclusion, Mr. Chairman, the Administration continues to urge the enactment of coal slurry pipeline legislation, and we will continue to work closely with Congress in developing a suitable bill. I will be happy to answer any questions you or other members of the Committee may have.