

Railroads As A Coal Transportation System

by John H. Hertog



The U.S. railroads have responded magnificently to the demand for increased transportation service brought about by the burgeoning use of coal by industry and for electric-power generation during the past decade. All of the coal that needs to be moved is being moved and there is surplus railroad capacity that is ready to accept even greater demands.

Certainly there is no need for a coal-slurry pipeline system from the standpoint of transportation capacity, nor does there appear to be an economic need for those redundant systems.

One of the major issues that has been before Congress for several years is that of granting slurry pipelines the privilege of federal eminent-domain power.

The Burlington Northern Railroad opposes such legislation when that very special privilege—denied to other competing modes of transportation—may be granted without evidence of any overall public interest or need and when the recipients of the privilege would not be required to do business as common carriers.

The arguments have been heard that coal-slurry pipelines require eminent-domain authority because they have been unable to cross railroad rights of way. That litigation battle was won by the pipelines some time ago, and I think it is important to note that our company, as well as the railroad industry generally, is ready to negotiate crossing rights in many areas of planned pipeline development.



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States Should Decide

Promoters of pipelines, in seeking legislation to give them eminent domain, are trying to take away state sovereignty in a very important area, that is, the power to condemn private property for public use.

Few private companies have been granted this power. Most of those that have eminent domain—notably railroads and electric utilities—have gained it not from the federal government but from states.

For a private company to obtain this power from the federal government, some overwhelming public need must be shown. Slurry promoters have not done this.

Proponents cannot show that pipelines are essential for moving coal. The railroad system is capable of meeting all projected demands for the transportation of coal.

Do pipelines confer any overall benefit on the public? Slurry promoters claim they eventually could deliver coal more cheaply than railroads—but cannot prove it. And even if it were true, overall costs to the public could go up because railroads would have to raise other rates to make up for the revenues lost to slurry pipelines.

Pipeline costs cannot be known until after the pipeline is built. The most prominent example is the proposed ETSI pipeline, which now has an estimated construction cost in excess of \$3 billion. This is more than a four-fold increase since as recently as 1976, when the promoters estimated the cost to be \$750 million. Clearly a capital-intensive

system such as a slurry pipeline is in danger of sinking of its own weight in times of high interest rates such as these.

Pipeline promoters cannot show that slurry development would promote the national transportation policy. That policy calls for a healthy rail network. By diverting coal from that network, the pipelines would sap its strength. If the railroad system could not survive on its own, it would have to be underwritten or nationalized by the government.

The Common Carrier Obligation

Railroads are common carriers. They are required to provide service to any customer willing to pay the published rates.

But promoters of slurry pipelines are seeking the privilege of committing their entire capacity to customers who sign long-term contracts before the pipelines are even built. This means they would not really have common-carrier obligation to any shipper who does not agree to sign a contract before the line is built. Clearly the pipelines are designed to benefit only a handful of very large mines and utility companies. Railroads exist to serve all sizes of shippers and receivers wherever they may be.

Under the terms of the Staggers Rail Act of 1980, railroads can enter into contract rate agreements with shippers. But railroad companies cannot commit their entire capacity of any type of equipment to contracts. Indeed, a railroad can be found to have violated its common-carrier obligation if as little as 40% of its capacity of some types of cars is tied up in contracts. Slurry

promoters are unwilling to accept such limitations on their contract rights.

Slurry pipelines would not really be common carriers. Moreover, pipelines would make it more difficult for railroads to fulfill their common-carrier obligations because pipelines would skim the cream off the top of the railroad industry's coal-traffic base—high-volume movements over regular routes.

When it comes to moving coal, railroads are doing it right, at the right price. However, denied these profits, the railroad industry would be less able to make the investments necessary to meet all of its common-carrier obligations.

Unit Trains Save Energy

Coal-slurry pipelines have a long way to go to match railroads in fuel efficiency.

Unit-train operations are 43% more energy efficient than slurry pipelines, according to the Congressional Budget Office's February 1982 study, "Energy Use in Freight Transportation." (see table, next page)

The CBO found that a pipeline uses an estimated 1,270 BTUs per ton-mile while a unit coal train uses 890 BTUs.

These are overall "modal" comparisons that include far more than propulsion energy, the actual fuel used to move freight. These modal estimates reflect factors such as energy used in manufacturing transportation equipment and constructing and maintaining rights-of-way, as well as route circuitry.

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