

REMARKS OF SENATOR JOHN HEINZ

TO THE

NATIONAL COAL ASSOCIATION

<sup>WDC</sup>  
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Good morning. Thank you, Ted (Edward B. Leisenring, CEO, Westmoreland Coal Company and NCA Convention Planning Chairman), Stonie (Stonie Barker, Chairman, NCA) and Carl (Carl E. Bagge, President, NCA) for the honor of addressing this opening session of the 67th annual convention of the National Coal Association (NCA).

On behalf of the Senate Coal Caucus, I would like to commend the NCA and its leaders for your work in defending and promoting the interests of the coal industry that means so much to my state and our nation.

I hope I will not disappoint you today when I say what I am not going to discuss today is the condition of the industry. I'm not going into that discussion; first, because you and I know where the industry is, and it is not where it should be--not enough R&D, not enough utilization, and not enough exports. The second reason I'm not going to discuss the industry's condition is because it is not as important as what we need to talk about, and that is: What are we going to do about it?

Rather than go through a laundry list, I would like to focus on three areas which, as I have been reminded repeatedly by Carl Bagge, are at the top of the industry's agenda. I would like to digress just a moment to put in a plug for Carl: Quite seriously, NCA is very well represented here in Washington, but I must say that Carl's powers of persuasion don't always do wonders for my tennis elbow.

The three areas I want to discuss today are (1) the Synthetics Fuels Corporation, (2) acid rain, and (3) coal exports to Japan. I will talk not only of what needs to happen in these areas, but also about what will happen in Congress and beyond. Finally, I want to lobby you on a subject which is absolutely crucial to the future not only of the American coal industry but also to our entire economy.

Regarding the Synfuels Corporation, many of you know my views, and you know that they are not entirely pleasant. The SFC was created in 1980 to help America achieve energy independence; it is now 1984 and the SFC has yet to produce a single drop of synthetic fuel.

Critics of synthetic fuels look at current oil prices and other circumstances to conclude that synthetic fuels development is not as imperative as it appeared in the late 1970s. In the immortal words of Walter Mondale, that's a bunch of baloney. The war between Iran and Iraq poses a daily threat to the enormous quantities of oil which pass through the Strait of Hormuz, and we have witnessed a take-over trend among the major oil companies stemming from the recognition that it has become increasingly more expensive and more difficult to develop new oil reserves in comparison to acquiring existing reserves.

Focusing upon your industry as it relates to the SFC, although coal is America's greatest energy resource, coal projects have fared very poorly in the first three rounds of SFC solicitations. Synthetic fuel production based on coal has been in existence for nearly fifty years, and it is beyond me why the SFC has to pursue ideas which mean tearing out half the shale in the Rocky Mountains to produce synthetic fuels which could be prepared from coal with far less environmental damage.

I think the problem lies within the SFC. If the Corporation were competing with you in the marketplace, its incompetent management would have driven it into insolvency. The track record of the SFC in its project solicitations is nothing short of a disgrace. If the group now at SFC can't intelligently spend the \$14 billion which Congress appropriated, then I say let's fire them and get some people in there who can.

I am not one of those who believes we should give up on Synfuels, but I do give up on the people there today. They are an embarrassment to President Reagan, and I call upon the President to appoint a slate of people who are both committed to the policies of the SFC and competent to bring about the development of full-scale synthetic fuels projects. What we need over at the SFC is an outfit which can tell the difference between a lump of coal and a piece of rock--common sense should dictate that we start with the fuel we have relied on for over two centuries, rather than trying to draw blood or perhaps I should say squeeze oil from a turnip!

Moving to acid rain, let me start by saying that in all likelihood there will not be acid rain legislation this year, for one very important reason. Just to keep you in suspense a bit, I would like to share with you one of the familiar industry or lobbyists' ploys to which we members of Congress are often subjected. Whenever a group is engaged in a legislative battle, and they're getting the worst of it, one of the last lines of defense is to declare, "We need a study or a commission." I bring this up because acid rain is an exception to that tried and true gambit: The reason there

will be no acid rain legislation this year is that we truly do not have enough information either about all the causes of the problem itself or about possible solutions and their relative merits.

At the same time, I am not one of those who believes acid rain is not a real problem. It is a problem and we are not going to be able to wish it away. Sooner or later our nation will deal with it, Congress will act on it, and I suggest that--as we demand the necessary information and research--we set the framework for any legislative action rather than have it done by a few members of Congress who've never seen a coal miner in their state. We can start today by insisting that any approach to acid rain must meet--at the bare minimum--the four following criteria.

First, any approach must acknowledge and address the multiple causes of acid rain and not focus upon only one fuel source such as coal. It may come as a shock to some self-proclaimed environmentalists, but several states have restricted wood burning as a source of energy because of the acid rain caused by wood smoke. NO<sub>x</sub> emissions from automobiles and the use of other fuels should be part of any solution, too. We should not be afraid of meeting our responsibility, but others must assume their part as well.

Second, any acid rain strategy must be national not regional. I can think of no more cynical, political gimmick than the pretense--solely for the purpose of garnering a few painless, if irresponsible, votes to placate a few pressure groups--that the cause of all acidifying, airborne, long-ranging pollution comes from just a handful of states concentrated in just one or two regions of the nation.

Third, any approach that involves coal must contain safeguards against fuel switching--and that means against moving from coal to other fuels and against moving from eastern to western coal as well. The last thing we should allow is for the acid rain debate to divide this industry. And with unemployment running at 24 percent in our Pennsylvania coal fields right now, you may be sure of this Senator's opposition to any approach that prejudices our coal.

Fourth and finally, any acid rain strategy must avoid a significant impact on consumer utility bills. Without this safeguard we invite serious economic consequences for entire industries and regions that today already have their backs to the wall.

There may be additional criteria, or conditions such as cost effectiveness that need to be included, but we cannot allow others--especially those without the knowledge or expertise to do so--to tell us what is good for the coal industry.

The only subject I feel as strongly about is what the Japanese have done to American coal exports.

In the last two years the Japanese have decreased their imports of U.S.-mined coal from 25 to 12 million tons. At the same time they have kept their coal purchases from Canada, Australia and increased their coal imports from, of all places, the Soviet Union.

My friends, the Japanese are now running a \$30 billion trade surplus with this country. They also fully expect that the United States is going to make sure that all the oil the Japanese need will continue to flow safely out of the Persian Gulf. Well in case anyone was wondering, it costs the American taxpayer \$17 billion to construct the carrier battle groups that protect the flow of Japanese oil. What is their grateful response? Reducing their purchases of our coal to throw 30,000 American coal miners out of work.

Perhaps the Administration hasn't made the point in a way the Japanese can understand: not with talk but with action.

Niceties aside, unless there is action soon by the Japanese to restore U.S. coal imports to our traditional share of the Japanese coal market, the Congress is going to turn the Pacific Ocean into the biggest floating Toyota parking lot anyone has ever seen.

Let me conclude this talk by lobbying you on a critical concern. Over the past several weeks, in my capacity as chairman of the Senate subcommittee on International Finance, I have just concluded two weeks of hearings concerning the trade deficit and the valuation of the dollar.

We had an impressive group of witnesses, including Martin Feldstein, Paul Volker and others. Every single witness--save the one from the U.S. Treasury Department, God help us, agreed that most of the trade deficit is caused by the current strength--the overvaluation--of the dollar--because of the highest real interest rates in modern times.

Furthermore, every witness--except of course the ostriches in the Treasury Department, cited the budget deficit as the cause of our high real interest rates. Our failure to address the deficit, therefore, is hurting the American coal industry by making the dollar so strong that you can't price competitively, especially in export markets. That's probably not news. But, even more disturbing, was the wide agreement that these interest rates have caused private investment to lag significantly behind historic levels, causing, literally, the deindustrialization of America, and with it, the demise, directly and indirectly, of

your customers. Indeed, there is no industry whose fate is so inextricably tied to the health of our industrial base as is that of the coal industry.

And that is why the passage of the down payment on the deficit--140B in deficit reduction the next three years--is so important. It isn't everything we need to do by a long shot. And I'm not saying there isn't some pain involved. But if we can't get this relatively modest effort enacted, we may as well give up on the deficit. If we do that, I think we'll be surrendering America, and your industry along the industrial base.