



# West Virginia Coal Association

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January 4, 2016

**The Honorable Daniel R. Elliott III**  
**Chairman**  
**United States Surface Transportation Board**  
**395 E Street, SW**  
**Washington, DC 20423-0001**

**The Honorable Ann D. Begeman**  
**Vice Chairman**  
**United States Surface Transportation Board**  
**395 E Street, SW**  
**Washington, DC 20423-0001**

**The Honorable Debra Miller**  
**United States Surface Transportation Board**  
**395 E Street, SW**  
**Washington, DC 20423-0001**

**Dear Chairman Elliott and Surface Transportation Board Members:**

The West Virginia Coal Association (WVCA) sends this letter regarding Canadian Pacific Railway's (CP) unsolicited efforts to acquire Norfolk Southern Corporation (NS). The West Virginia Coal Association (WVCA) is a non-profit state coal trade association representing the interests of the West Virginia coal industry on policy and regulation issues before various state and federal agencies that regulate coal extraction, processing, transportation and consumption. WVCA's general members account for 95 percent of the Mountain State's underground and surface coal production. WVCA also represents associate members that supply an array of services to the mining industry in West Virginia. WVCA is the largest state coal trade association in the nation.

Reliable and consistent transportation of coal is vital to the continued existence of the coal industry in the State of West Virginia, especially in light of regulatory-driven pressures that have severely impacted the mining industry in the last few years. Federal regulatory initiatives have forced the outright closure of hundreds of power plants and the conversion of other units to coal from other regions or natural gas. Thermal coal consumption in the United States has dropped by roughly 200 million tons as these power plants and coal-fired units have been closed or converted to natural gas. The remaining coal-fired power plants can burn coal from virtually any region and West Virginia faces stiff competition for the remaining domestic utility market from coal produced in the Illinois and Powder River basins and even foreign thermal coal imports. Additionally, export markets for West Virginia thermal coal face significant pressures as production from other countries has increased and the global economy has contracted. Domestic and international steel markets for West Virginia's metallurgical coal have also been impacted by the global economic slowdown and the "dumping" of state-subsidized iron and steel on the market by other countries such as China. Despite these challenges, West Virginia remains the largest coal exporting state in the country.

While West Virginia's coal production has decreased in recent years, as a state we are forecast to produce over 100 million tons in 2015, maintaining our position as the second largest coal producing state in the nation and the largest underground mining state in the country.

14,850 coal miners produced 116 million tons of West Virginia coal in 2014, with 86 million tons from underground mining. Surface mines produced an additional 30

million tons of coal. <sup>1</sup> Combined with indirect jobs, the coal industry accounted for an estimated \$4 billion in wages paid in West Virginia in 2014 and over 17 percent of the state's total private workforce.<sup>2</sup> More than \$407 million in state severance taxes were paid by the coal industry in 2014. Combined with other state and local tax payments of \$1 billion, total tax collections on the coal industry accounted for 15 percent of the state's total budget in 2014.

The ability of West Virginia's coal industry to remain competitive in today's energy market is directly linked to reliable and consistent railroad transportation, perhaps more than any other coal-producing state or region in the country. Most of the coal mining operations in West Virginia are in isolated areas far removed from other suitable bulk commodity modes of transportation such as navigable rivers. More than 50 percent of the coal mined in West Virginia in 2014 was transported by rail, including virtually all of the tonnage moved to transloading facilities for ultimate shipment to overseas export markets.<sup>3</sup> Additionally, many of the domestic power plants, industrial consumers, coke plants and other steel-making operations can only receive coal shipments by rail. For example, 37 percent of all West Virginia coal shipments to electric utilities reported to date in 2015 were by railroad.<sup>4</sup>

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<sup>1</sup> West Virginia Coal Association, "Coal Facts 2015", citing production data reported to the West Virginia Office of Miners' Health, Safety & Training.

<sup>2</sup> *Ibid.*

<sup>3</sup> *Ibid.*

<sup>4</sup> Energy Information Administration. <https://www.eia.gov/electricity/data/detail-data.html>

NS has close ties to the West Virginia coal industry and familiarity with individual mining operations and the transportation needs of those mines. Dating back to its primary predecessor roads in West Virginia, the Norfolk & Western and Virginian, NS has been and continues to be a “partner” in the state’s coal industry. Division offices and senior operating officials are stationed in West Virginia. NS employs thousands of West Virginians in its day to day operations. This close relationship between the coal industry and NS is vital to the stability of the state’s coal industry. As recent events have demonstrated, any disruption in rail service will have major implications for the mining industry.<sup>5</sup> Should CP’s uninvited merger plans come to fruition, we believe that coal service disruptions would be inevitable as physical plant and other assets are “rationalized” by CP out of West Virginia and its coalfields.

WVCA would ask the Surface Transportation Board follow this situation very closely and consider the potential impacts of any merger proposal on the reliability of vital rail service to West Virginia’s coal industry.

**Respectfully Submitted,**

A handwritten signature in black ink, appearing to read 'Jason D. Bostic', with a long horizontal flourish extending to the right.

**Jason D. Bostic  
Vice-President**

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<sup>5</sup> [http://www.coalage.com/features/3841-poor-rail-service-limits-prb-production.html#.VoFYT\\_krJhE;](http://www.coalage.com/features/3841-poor-rail-service-limits-prb-production.html#.VoFYT_krJhE)  
[http://trib.com/business/energy/railroaded-coal-losses-continue-as-mines-wait-for-lagging-rail/article\\_aef265ef-eabb-5b51-95ed-c7e755ef2c58.html;](http://trib.com/business/energy/railroaded-coal-losses-continue-as-mines-wait-for-lagging-rail/article_aef265ef-eabb-5b51-95ed-c7e755ef2c58.html)