



Office of the Federal Inspector

Alaska Natural Gas Transportation System

FA-1

1000 Independence Avenue, SW
Washington, DC 20585

January 17, 1992

The Honorable Ted Stevens
United States Senate
Washington, D.C. 20510

Dear Senator Stevens:

It may seem unusual that barely a year following my confirmation as the fifth Federal Inspector of the Alaska Natural Gas Transportation System ("ANGTS") that I would return to you with a report recommending to undo my authorities and disband my office, the Office of Federal Inspector ("OFI"). However, it is my strong belief that if I were not to make these recommendations, I would be remiss in the duties and responsibilities that the President appointed me, and you confirmed me, to perform.


The Alaska Natural Gas Transportation Act of 1976 (the "Act"), as detailed in the Report, is a relic of the energy crisis of the 1970's, an example of Government picking winners and losers. In this case, the "pick" has never matured: the Prudhoe Bay gas producers have long-term plans to use the gas to enhance oil recovery on the North Slope, rather than send it to market; there is far more natural gas in Canada available for export to the U.S. than previously predicted; the natural gas markets will not support a project of the size and risk of ANGTS for the foreseeable future; ANGTS faces significant competition from other Arctic gas projects; and, finally, the ANGTS special legal status is governmental anachronism. In spite of these facts, ANGTS remains supported by a complex legal structure whose sole purpose is to protect that pick to the exclusion of other market-generated alternatives to bring Alaskan gas to the Lower 48 States. My recommendations, thus, are that the Act and the panoply of legal authorities implementing it be repealed, ending the ANGTS special legal structure, and that the agency authorities delegated to OFI be returned to the normal Federal regulatory process.

While the dismantling of the Act, and the related authorities and structures, will not save the American taxpayer an extraordinary amount of money, it will remove an unnecessary government intrusion into the marketplace. Implementation of the Report's recommendations will require the input from a number of Executive Branch agencies and departments and the State of Alaska, consultations with the Canadian government, the project sponsors, the producers and other affected private sector interests, and ultimately the development of appropriate legislation.

Crafting appropriate implementing legislation and Executive Branch actions that take into account the variety of affected interests will not be a simple or quick process. However, in the end, the result should be less government involvement, greater reliance on market forces, with the Nation better served as a consequence.

I look forward to the opportunity to elaborate as necessary on the details of the Report and its recommendations.

Sincerely,



Michael J. Bayer
Federal Inspector

Enclosure