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URANIUM ENRICHMENT MEETING  
Wednesday, March 24, 1976  
5:15 p.m.

Situation Room

Kendall } Talking pts

Stevens

What Baker was  
said



THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

On June 26, 1975, I submitted to the Congress my proposed Nuclear Fuel Assurance Act (NFAA) which would enable the Government to take actions necessary to assure that uranium enrichment capacity in the United States would be available in time to supply domestic and foreign needs.

The NFAA provides the means for moving to a private, competitive uranium enrichment industry--thus ending the Government monopoly and avoiding the need for billions of dollars of Federal expenditures over the next few years. The NFAA also authorizes funds for work on a Government-owned plant as a back-up measure, in the event that private industry is unable to proceed with its plans for building additional enrichment capacity.

We have been waiting for nearly nine months for Congressional approval of the NFAA. During that time, ERDA has continued work on the design of a Government-owned add-on plant and we shall continue necessary work on it until it is clear that it will not be needed. We have followed a responsible course of action. However, our steps in proceeding with the contingency plan, together with the delay in Congressional action on the NFAA, are being interpreted by potential private enrichment firms and their customers, here and abroad, as an indication that the Federal Government does not have the resolve to end its monopoly.

The primary purpose of this letter is to request the additional authorization of appropriations to take the necessary next steps on the back-up plan which are detailed in the enclosure. I want to make it very clear that this request does not reflect any change in my commitment to the creation of a private, competitive industry in the United States, and I urge you to approve the NFAA at the earliest possible time.

As I indicated last June, private industry is willing and able to finance, build, and operate additional uranium enrichment capacity if the Government provides the limited cooperation and temporary assurances contemplated in my proposal.



If the Congress does not approve this approach and the Federal Government is forced to proceed with the construction of the next increments of capacity, the cost to the taxpayer will be substantial. The following table compares costs under the two alternative approaches for providing the next 18 million separative work units (SWUs) of enriching capacity.

(Dollars in Billions)

Enrichment Capacity Provided	Under the NFAA		Without NFAA	
	Private Industry Costs	US Government Contingent Liability	US Government Costs	US Government Costs
9M SWU Gaseous Diffusion Plant	\$3.5	\$1.4	0	\$2.4
9M SWU of Centri- fuge capacity	3.0	3.0	0	3.4
Allowance for contingency and cost escalation	<u>5.2</u>	<u>3.6</u>	<u>0</u>	<u>4.0</u>
Totals	\$11.7	\$8.0	0	\$9.8

The estimates in the above table cover the capital costs of these plants only. It is important to note that ERDA studies have shown that the cost of the product from a Government-owned add-on plant would probably exceed the cost of product from a free-standing plant. This is due to the fact that the add-on Government plant would, in all likelihood, be supplied by coal-fired electric power, whereas the free-standing plant would be supplied with less expensive nuclear power.

Additional increments of capacity will be needed beyond those shown in the above table. If the Government fails to end its monopoly, commitments to build U.S. uranium enrichment plants between now and 1985 will total something in the neighborhood of \$30 to \$50 billion (in FY 1976 dollars).

Although the costs of such a Government construction program would eventually be recovered, the near-term adverse impact on the taxpayers and the Federal Budget would be very great. For example, if the Government were to build all future enrichment plants, the costs of new plants



would exceed revenues from these plants by about \$9 billion (in 1976 dollars) by 1985. Funds committed for the next increment of capacity, if built by the Government, would not be recovered until the 1990's.

I believe we should use our limited Government resources in areas where they are most needed. It is not necessary for us to spend Federal money for the construction of the next increment of capacity, if Congress approves the NFAA. Furthermore, the commitment of Federal funds for construction of Government-owned enrichment capacity would make it more difficult for the Government to finance work that may be needed in other parts of the nuclear fuel cycle such as reprocessing and waste management.

On February 23, Dr. Seamans advised you of the Administration's acceptance of your proposal to modify the NFAA to provide 60 days for Congressional review and approval of the proposed cooperative agreements. This change makes it very clear that passage of the NFAA does not signal approval of any cooperative agreement that might be proposed by ERDA. The transmittal of this request for authorization of supplemental funds completes the actions by the Administration that you have requested.

The need to proceed with firm plans for new uranium enrichment capacity in the United States is urgent. I believe that the time has come for Congress to give its approval to the Nuclear Fuel Assurance Act.

I also urge that the Congress act favorably on the proposed legislation which would enable ERDA to obtain a fair return for its current enrichment services sold to foreign and domestic customers. Present charges cannot recover the full economic costs of uranium enrichment services. This legislation would eliminate an unjustifiable subsidy by the taxpayers of both foreign and domestic customers and provide added encouragement for the creation of a private, competitive enrichment industry.

With warm personal regards,

Sincerely,

Honorable John O. Pastore  
Chairman  
Joint Committee on Atomic Energy  
House of Representatives  
Washington, D. C. 20515

Enclosure

