The original documents are located in Box 36, folder "Uranium Enrichment (7)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

June 11, 1975

TO: TENNEY JOHNSON

FROM: Glenn Schleede

SUBJECT: Uranium Enrichment

Enclosed are two papers that I promised during our recent meeting with Dick Dunham, Jim Mitchell and Hugh Loweth:

- Attachment 1 is a summary from my notes on the understanding with respect to work that would continue on the 5 million unit add-on plant under the privatization alternative.
- Attachment 2 is a discussion of the "cut-off" date matter.

I would appreciate a call if you see any problems with either one. I suspect that Attachment 1 needs some expansion.

I am also attaching a copy of the detailed schedule that we discussed on Monday. As I indicated yesterday, the dates probably will have to be tightened up and I will get back to you on them.

Attachment

cc: ~~Jim~~ Cannon
Jim Connor
Jim Mitchell
Bob Fri

In light of the President's decision to proceed with immediate privatization of uranium enrichment, what work will be done and what will not be done on the proposed 5 million unit add-on diffusion plant?

- Work already underway includes:
  - Conceptual design work for the plant (Not Title I or II)
  - Preliminary discussions with power suppliers

  (This work is being financed from a $5 million ERDA appropriation which also pays for work on the centrifuge demonstration program.)

- Work that will be continued and which does not require either additional authorization or appropriations includes:

  - Continue conceptual design work for the add-on plant.
  - Begin discussions with suppliers to get information on materials and equipment availability, scheduling and prices. Perhaps discuss contract terms.
  - Continue discussions with electric power supplier.

- Work that would not be done -- which might have been undertaken if the President selected the add-on plant option -- includes:
  - Anything requiring additional authorization or expanded appropriations, such as:
    - Title I and Title II design work.
    - Long lead time procurement.
  - Actions that might compete for supplies, equipment or resources that will be needed to proceed expeditiously with the privatization option selected by the President.

Is there a specified "cut-off" date when, if the UEA project seemed to falter, the Government would decide to seek authorization and appropriations for an add-on diffusion plant at Portsmouth?

First, the risk of UEA failure is considered minimal. Second, there is no one specified, pre-set date for such a decision. The approach that has been selected by the President calls for a major committment to assure privatization of the next increment of capacity, and the full efforts of the Executive Branch will be devoted to assure the success of the approach.

The approach contemplates very close monotoring by the Government at all stages to assure that the Government could step in if the privatization effort threatened to fail -- an event that is considered unlikely. This close monitoring will prevent any significant loss of time, if something were to go wrong, and thus assure that additional capacity can be brought on line by the time it is needed in the 1983-84 time period.

If the Government had to step in, the question of the plant that would be built (5 million unit add-on plant, or a 9 million unit free-standing plant) would depend on when intervention proved necessary. Some examples will illustrate the point:

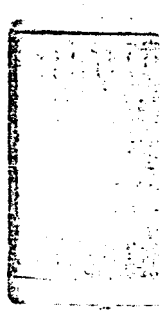
- If Congress failed to pass the authorizing legislation needed for the private enrichment industry approach and instead, passed authorization and appropriations for a Government plant, it probably would be desirable to proceed with the add-on plant approach.

- UEA will be proceeding with all necessary arrangements for its planned plant (including design, power supply, etc.) while the Congress acts on the President's proposal. If at some time prior to March 1976 when UEA is expected to complete financial, customer and power supply arrangements, UEA found that it could not proceed, the Government would need to determine whether it would be best to proceed with a 5 million unit add-on plant or with the 9-million unit free standing plant.

- If at some later time, UEA finds its way blocked or the Government finds it necessary to step in and assume UEA assets and liabilities, the Government would have to decide the best step. At some point it would undoubtedly be the case that it will be more advantageous for the Government to proceed with the free-standing plant than to revert to an add-on plant.

(more)

Because of the arrangements that have been designed, it would be inappropriate to pick a single "cut-off" date. To do so could have the effect of encouraging those who prefer a Government plant to the President's decision to seek delays until the date is reached. Furthermore, a single date would be inconsistent with the basic plan and is unnecessary since the plan provides for close and constant monitoring so that actions can be taken in time to prevent delays in bringing the plant on line beyond the date that it is needed.



SCHEDULE - URANIUM ENRICHMENT

	Date
Additional Capacity	
. Preliminary discussions with Congressional leaders	
- Presidential discussion with selected members	6/16
- ERDA discussions with JCAE and staff	6/16
. Policy issues to be resolved (requiring other agencies or Executive Office Review) - ERDA submits option papers to Cannon	6/16
- Additional Government actions to assure a commercial market, particularly for centrifuge	
- Nature of the Government commitment to assure that orders placed with UEA or other private firms are filled by the Government, if projects fail.	
- Limits on investments, purchases by individual foreign nations.	
. Legislation covering alternative selected	
- ERDA submits draft to OMB	6/16
- OMB completes clearance process	6/23
- Legislation transmitted	6/25
. Letter agreement	
- ERDA discuss with JCAE	6/16
- Obtain JCAE agreement	6/23
- Sign agreement	7/5
. Presidential Message	
- ERDA submits draft to Domestic Council	6/16
- Domestic Council gets OMB, NSC, FEA comments, discusses with ERDA and submits draft to Theis	6/18
- Theis completes his first draft for staff review	
- Transmit message	6/25

	Date
. Fact Sheet	
- ERDA submits draft to Domestic Council	6/16
- Domestic Council gets OMB, NSC, FEA comments	6/18
- Domestic Council draft to all parties for comment	6/19
- Revised draft completed (for use in briefings)	6/23
- Final draft to press office	6/24
. Economic Impact Statement	
- ERDA draft to Domestic Council	6/17
- Seidman approved statement	6/23
. Schedule for completion of Environmental Impact Statement and Licensing Review - ERDA submits to Domestic Council	6/16
. Q&A's	
- Draft Q&A's due to Domestic Council from ERDA and FEA	6/19
- Final A&A's completed	6/21
. RFP for Centrifuge Demonstrator Plants	
- ERDA submits plan to OMB for concurrence	6/16
- OMB review completed	6/21

Commercial charge legislation

- ERDA submit draft to OMB	5/27
- OMB clearance completed	6/20
- Dr. Seamans transmits legislation	6/23

Open season decision - Proposed relief from penalties in current utilities' contracts with ERDA for enrichment services.

- ERDA submits to OMB	5/13
- OMB review completed	6/10
- Decision announced by ERDA	6/11

Briefings - (Week of June 23)

. Congressional (Friedersdorf)	
- Schedule completed	6/19
- Briefings	6/23-6/25
. Press (Nessen)	6/23-6/25
. Interest Groups (Baroody)	6/23-6/25
. Foreign Representatives (Scowcroft)	6/25-6/26
. Administration Spokesman (Warren)	6/26-6/27

THE WHITE HOUSE

WASHINGTON

June 11, 1975

MEMORANDUM FOR: JIM CANNON

THROUGH: JIM CAVANAUGH

FROM: Glenn Schleede

SUBJECT: Outline for the Congressional Briefing on Uranium Enrichment

Here is a three page outline that may be useful to you as background for the discussion with Senator Pastore. It's too detailed to send to the President.

Attachment

6/11/75

OUTLINE FOR FIRST CONGRESSIONAL BRIEFING ON URANIUM ENRICHMENT

The Need For More Capacity

- All U.S. uranium enrichment capacity is fully committed. Additional capacity is needed to supply fuel for nuclear plants -- domestic and foreign -- that will come on line in the 1983-84 time frame.

- The foreign market for uranium enrichment services is beginning to erode. Potential foreign customers are beginning to look to potential supply sources such as the U.S.S.R., Eurodif II, South Africa, Urenco and perhaps others. U.S. loss of uranium enrichment service contracts has implications for potential loss of reactor sales and perhaps for loss of some safeguards control.

- If the U.S. is to overtake potential foreign supply competition and to retain our leadership as a uranium enrichment supplier, there must be a firm national commitment to have new increments of enrichment capacity beginning in the early 1980's. A firm national commitment will be a signal to potential foreign customers and potential foreign suppliers of enrichment services, because both groups recognize U.S. leadership in uranium enrichment technology.

- The commitment that is now needed is not just to the next increment of capacity but, instead, to a program that will assure all necessary additions to capacity in the years ahead. This probably means commitments to capacity additions over the next 10-15 years roughly equivalent to 10 times the capacity of any one of our existing 3 plants. (9 million units annually.)

Privatization

- After a thorough review of the matter the President has concluded that it is feasible and desirable to take steps now that are necessary to assure that private industry will build the next increments of uranium enrichment capacity. The firm commitment now to privatization of the uranium enrichment industry is best because:

    - Privatization can be accomplished with very little risk with respect to the objective of having the next plant on line about 1983 when it will be needed.

- It can be accomplished with no cost to the Federal Government.

- It can be accomplished while maintaining necessary Government control over classified technology and over the exportation of nuclear materials.

- The next increment will be built using existing, proven technology.

- It will mean an end to a Government monopoly in a type of activity that is normally performed by private industry.

The Planned Approach to Privatization

- There are several principal elements in the arrangements that would be made with private industrial organizations for future increments of capacity.

  - Essentially the same arrangements would apply to future increments of capacity until a competitive industry is firmly established.

  - New legislative authority will be needed for some elements of the arrangements.

- Private industrial firms would assume the responsibility for providing the organization, management, financing and customers for the plant, and will build and operate the plant.

- The Government would supply technology (and materials, in those cases where the Government is the sole source of supply), for which the Government would be paid by private industry in the form of cash payments and royalties.

  - The Government would warrant that the technology will perform successfully when installed in accordance with specifications.

  - The Government would receive revenue of about $90-100 million per year per plant in royalties.

- In the unlikely event that a private venture threatened to fail, the potential producers would have the right to sell assets and liabilities to the Federal Government or the Federal Government would have the right to assume assets and liabilities of the project at any time up to the first full year of commercial operation of the plant.

- The Government would take over the project, complete and operate the plant just as it now operated the 3 existing Government-owned enrichment plants.

- The compensation to the equity holders -- in the event the transfer of ownership became necessary, would depend upon the circumstances involved and would range from total loss of investor equity to full and fair compensation to equity holders if the venture could not proceed because of governmental action.

- Congress would have the right, through the appropriations process, to review any proposed compensation to the equity holder.

- The arrangements would end after 1 full year of commercial operation.

- The arrangements would be spelled out in a detailed contract.

- With respect to the above arrangements, several factors should be noted:

  - Diffusion technology which would be used in the first increment of capacity has been used in Government plants for about 30 years so there is virtually no risk in warranting the technology.

  - The factors that would lead to the Government taking over a project at full compensation to the equity holders are limited; e.g.,

    - Inability of the private firm to obtain the necessary permits and licenses -- which should not be a serious problem in the case of a uranium enrichment plant;

    - A Government decision to restrict the sale of uranium enrichment services for foreign policy reasons.

  - The Government would monitor progress carefully to be sure that the project continued on time and within cost estimates so that the Government could exercise its right to take over the project if necessary without any significant loss of time in getting the plant on line.

  - The chances of having to take over a project are considered to be small.

THE WHITE HOUSE

WASHINGTON

June 11, 1975

MEETING WITH SENATOR PASTORE

Wednesday, June 11, 1975
5:00 p.m. (10 minutes)
The Oval Office

From: Jim Cannon

I. PURPOSE

Senator Pastore is coming down to discuss uranium enrichment.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

This meeting will provide you an opportunity to discuss the alternatives on uranium enrichment policy and seek Senator Pastore's advice.

B. Participants

Senator John O. Pastore
Max Friedersdorf
Jim Cannon

C. Press Plan

Meeting to be announced but no press photo coverage.

III. TALKING POINTS

See Tab A for talking points on uranium enrichment.

See Tab B for background information on two subjects the Senator could raise:

- Breeder reactor
- Price-Anderson

URANIUM ENRICHMENT

Senator Pastore feels that the only way to proceed expeditiously with added U.S. uranium enrichment capacity is with Federal funding. He also feels that privatization will run into serious opposition in the Senate and believes that you should meet with the Joint Committee on Atomic Energy to get members' views.

You may wish to:

- Agree that the U.S. must make a commitment to expand its uranium enrichment capacity and to do so in a way that will give potential foreign customers reason to have confidence that the U.S. will be a reliable supplier.

- Indicate your intention of setting down with all or some members of the Joint Committee to discuss the matter.

- That you believe that arrangements may be possible, with Congressional approval, to achieve the objective of assured capacity and the highly desireable objective of having private industry build and operate the plants that will provide that capacity. Further, that you will want to describe the proposed arrangements to him in more detail over the next few days--before you submit your proposal to the Congress

LIQUID METAL FAST BREEDER REACTOR (LMFBR)

This is a long-term, $10 billion program to develop by the early 1990's, an improved nuclear reactor which will extend our commercially useable uranium resources for hundreds of years. Press stories following last week-end's energy meeting at Camp David speculated that ERDA intends to recommend major cutbacks in the FY 76 funding for this program.

Your FY 76 budget calls for a funding level of $480 million. We expect that Dr. Seamans will request a reduction (and reprogramming into other energy R&D projects) of approximately 10% (about $43 million). This reduction is not because of any policy decision to downgrade the breeder reactor but rather results from a reduction in the need for funds because of delays in the program caused by licensing and other problems.

A letter is being prepared from Dr. Seamans to the appropriate appropriations committees, explaining the proposed cutback.

PRICE-ANDERSON LEGISLATION

This proposed legislation would extend the effective date of the present law which, in effect, indemnifies with public funds the nuclear industry against claims for damages in the event of a nuclear accident.

Similar legislation was passed by the Congress last year, but you vetoed it because of an unconstitutional provision which would have permitted the Joint Committee on Atomic Energy and the Congress to further consider, after your signature, whether the bill should ever become effective. Senator Pastore strongly urged you to sign the bill and work out the constitutional problem later.

In your veto message, you pointed out the necessity for having this legislation and stated that you would resubmit and support a new bill without the unconstitutional provision.

A redrafted Price-Anderson bill is being circulated within the Administration for final clearance and will be ready for submission very shortly. It appears likely that the anti-nuclear forces will make a determined effort to defeat this bill.

THE WHITE HOUSE

WASHINGTON

TO: Jim Cannon

FROM: MIKE DUVAL

For your information _____

Comments:

Copy of draft

breeder reactor

funding cut letter

Honorable John O. Pastore
Chairman, Joint Committee On Atomic Energy
United States Senate
Washington, D.C. 20510

Dear Senator Pastore:

As you know, for the past several months ERDA has been carrying out a comprehensive effort to review the emphasis and balance of its overall energy research and development program. We have also been working to develop the Energy Research and Development Plan which is to be provided to the Congress by June 30, 1975, as required by the Federal Nonnuclear Energy Research and Development Act of 1974. As a result of these efforts, we have in process at this time a request to the Office of Management and Budget for several changes in our 1976 Budget.

The President, of course, must finally decide whether any changes in our budget request are to be presented to the Congress. We do not anticipate that a Presidential decision can be made until he has had an opportunity to review all our recommendations and our Energy R&D Plan. Prior to the President's decision, we cannot disclose all the specific budget figures we are recommending. At the same time, we recognize the need of the Joint Committee for information concerning major changes so that Congress can proceed with an authorization bill for our programs. Accordingly, the information in the following paragraphs is submitted for this purpose with the concurrence of the Office of Management and Budget.

With regard to nuclear energy programs, we continue to support strongly the Liquid Metal Fast Breeder Reactor program (LMFBR) and believes that it will play an important role in the long-term energy independence strategy of the United States.

However, delays have occurred in key elements of the program, such as:

.. the completion and issuance of the LMFBR environmental impact statement,

.. the construction and initial operation of supporting facilities such as the FFTF,

.. the scheduled construction and initial operation of the CRBR demonstration plant.

These delays are to a considerable extent outside ERDA control, reflecting the additional time that is being required to address key licensing questions and environmental concerns. In addition, as discussed with the Committee, we need to strengthen overall program management and project control to enable us to better predict and meet our performance goals. As a consequence of these delays, we are proposing a change in the budget which would result in a reduction of $43.0 million in Operating Expenses and $17.5 million in Selected Resources for the LMFBR program. A table showing details of the changes is attached.

The proposed change in LMFBR funding reflects a decision by ERDA management to adjust the schedule and pace of the program to better assure its successful development. The LMFBR has the potential to provide source of energy for hundreds of years. Its successful development is more important than the exact date of its commercial introduction, as long as it can be completed within the time frame dictated by available uranium resources. The intent is to proceed on an expeditious, but orderly basis, with a program directed more effectively to all of the various problems that must be resolved to assure a viable commercialization option.

The changes in funding that we are considering for the LMFBR program reflect prudent management actions to carry out the program more effectively. However, it is important to point out that further reductions would impair the viability of the program, as for example, in the loss of highly skilled technical personnel currently employed on the program.

We also have under consideration and discussion with OMB possible programs to support additional R&D efforts for the nuclear fuel cycle for present light water reactors. We believe that additional efforts are needed on assessing uranium resources, improving the on-line availability of existing nuclear plants, and closing the nulcear fuel cycle (i.e., fuel reprocessing of "spent fuels"). We recognize, of course, that there are issues which will have to be resolved on the relative roles of government and industry in these areas. In addition, we have under consideration changes of smaller

magnitude relating to the levels for the Light Water Breeder Reactor the Gas Cooled Reactors, and the Molten Salt Breeder Reactor. These proposed changes may require a modification of our authorization request, or a reprogramming, depending on the levels finally approved by the President.

I hope that the above information will be helpful to the Committee in its deliberations on our 1976 budget request.

Sincerely,

M. C. Greer
Controller

Attachment

THE WHITE HOUSE
WASHINGTON

June 11, 1975

TO: BOB FRI

FROM: Glenn Schleede

SUBJECT: Uranium Enrichment

As you know, I have been talking with Jack Flynn and Sam Hale about the Congressional briefing that is tentatively scheduled for Monday, June 16, during which you would outline the proposed program. We would like by late Friday an outline for the presentation. As a contribution to that end, there is attached a first draft that might serve as a starting point.

Attachment

cc: Jim Cannon
Jim Connor
Jim Mitchell
Tenney Johnson
Sam Hale

6/11/75

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  - The chances of having to take over a project are considered to be small.

[redacted]

THE WHITE HOUSE
WASHINGTON

JMC

TO: Jim Cavanaugh

FROM: MIKE DUVAL

For your information_____

Comments:

Ordinarily I wouldn't have put this in a memo but....

THE WHITE HOUSE

WASHINGTON

June 12, 1975

MEMORANDUM FOR JIM CANNON

FROM: MIKE DUVAL

SUBJECT: URANIUM ENRICHMENT ADDRESS

I understand that the President is considering addressing a Joint Session of Congress on uranium enrichment. I gather he envisions a relatively "low-key" speech designed to educate the Members on the importance of this project.

I think that a strong case could be made that an address to a Joint Session of Congress on this subject would be counter-productive. At a minimum, I recommend that the President hold off any decision until he sees a draft speech. This will enable him to better judge the potential impact of the address.

The following are what I perceive to be the strongest arguments in favor of such an address:

- Enriched uranium will be to the USA, in the future, what oil is to the Arabs today. Thus exploitation of this resource will enable the United States to regain control over the world price of energy.
- This is a step towards reliance on private enterprise.
- This represents another major energy initiative by President Ford.
- Congress needs to be educated, and this is the best mechanism to persuade them to pass legislation proposed by the Administration.

As I see it, the following are the major arguments against the President delivering such an address:

- There is simply no way to have a "low-key" Presidential address to a Joint Session of Congress. Regardless of what time of day it is held, there will probably be live coverage, and at any rate, it will be the lead

news story that evening and the next morning. This is a major chip the President has to play, and it should be only used for extraordinary reasons, such as major peace initiatives, State of the Union, major economic initiatives, etc.

The President should preserve these "chips" for use next year when it really counts.

- This complicated subject should be presented to the Congress in stages, starting with proposed legislation and briefings by key Administration officials. Perhaps they could be conducted in the East Room with the Members coming up in shifts and each session kicked off by the President. This subject is simply too complex to begin the educational process with such a dramatic event as an address to a Joint Session of Congress.

- There may very well be a need for a major energy address to Congress late in the Summer or early Fall. If the Israeli-Arab thing kicks up again and imports begin to soar as expected, it may very well be that the President will have to go before Congress and the Nation to address the entire energy picture.

- Any speech on uranium enrichment will simply raise more questions than we have answers. There are key problems in the fuel cycle area (safeguards and waste disposal) for which we do not have solutions and which will provoke considerable controversy, especially from the environmentalists. The President should not go out in front of this issue until we develop far better responses to these key issues.

I recognize that valid arguments exist on both sides of this equation, but I believe that the weight of the argument should be against an address to a Joint Session. I think that a more modest selling plan will be more effective in terms of the success of legislation in Congress and the ability of the American people to understand the issue. I think that an address to Congress at this time, on this issue, would be a political minus for the President.

6/12/75

ERDA Staff Drafts of:

- Presidential Statement
- Draft Bill
- Bill Analysis
- Transmittal Letter

(Not Reviewed by Bob Frior Bob Seamans)

DRAFT:6/12/75
JLSchwennesen

DRAFT PRESIDENTIAL STATEMENT

Our national economic health and prosperity is based, to an enormous extent, upon the availability of an abundant supply of reasonably priced energy. This fact has been brought home dramatically to all of us over the past 18 months as the price of foreign petroleum has risen to unpredecented levels, contributing significantly to our economic recession and loss of jobs. We simply cannot afford, as a nation, to continue or to increase our vulnerability to the desires of foreign energy suppliers. Energy independence for the United States is not just a slogan; it is a necessity to avoid economic stranulation.

Fortunately the creative genius of the American Society has given us the wherewithal to achieve energy independence. A number of new technologies involving exploitation of solar or geothermal energy or advanced forms of nuclear energy such as nuclear fusion and breeder reactors are on the horizon. But my messag today concerns today's problem, an economical and reliable energy source that is available for increased production use now. I refer to nuclear power reactors which are already making a significant contribution to our energy needs and which, together with increased use of our coal supplies, offer the United States the opportunity to become truly energy self-sufficient within about 10 years or so. I am aware that there is a good deal of controversy concerning nuclear power but I am confident that the American people will make their choices based upon the facts. The facts are these: First, based upon more than 10 years of experience, nuclear power has an unparalleled safety record, far better than for any other energy source in production use today. Second, nuclear power now costs about 25 to 50 percent less than electricity produced from the fossil fuels, a fact of considerable importance to the American housewife and to our national economy.

And third, we have the national capability to expand nuclear power production rapidly and safely to help us toward our energy independence goal.

To expand nuclear power we must, however, increase our capacity to upgrade uranium, i.e., to enrich it, to the form useable in power reactors and this is the specific subject of this message. The United States is now the world leader in enriching uranium. Its three Government plants have operated for more than twenty years during which time many improvements in efficiency of its secret gaseous diffusion process have been made. A new process, gas centrifugation, has been under intensive and highly promising development by the Government for more than a decade and is now also ready for production application. Our know-how in enrichment technology is a valuable national asset.

Historically, the United States has supplied enriching services from its plants to both foreign and domestic customers on a non-discriminatory basis and we now have many international commitments in this area. Foreign sales have returned hundreds of millions of dollars annually to the United States while also providing us a highly desireable degree of influence over the nuclear programs of those countries. It is most important, both from a foreign policy and balance-of-trade point of view, that these links with foreign countries be maintained and expanded. But while our Government plants have contracted to supply the needs of both domestic and foreign customers for plants coming on the line before the early 1980's we have, for a year now, been unable to accept new orders because our capacity to do so is exhausted. And since it takes 7-8 years to provide new enrichment plants it is essential that new projects be committed soon if we are to preserve the nuclear power option for our country and our ability to meet our foreign commitments.

For a number of years it has been the objective of the Executive Branch that

new enriching capacity should be provided by the private sector since non-Governmenta

markets (electric utilities) are served by these plants and since uranium enrichment is a function that is clearly industrial, not Governmental, in nature. Furthermore, ~~for~~ if new enrichment plants ~~to~~ can be provided by private, rather than Government, actions this will reduce the pressures on the Federal budget by many billions of dollars. The development of a competitive, broadly based, private enrichment industry, which is our objective, also will provide an increased measure of assurance that the growth of nuclear power will not be inhibited by inadequate enriching capacity. It is one of the strengths of the American free enterprise system that it is able to consider and respond to unusual challenges and opportunities will ingenuity and vigor. This is what is now happening with respect to uranium enrichment.

The technology of uranium enrichment is secret, but for several years a number of qualified U.S. companies have been granted access to the Government's work under carefully controlled conditions in order to make their own assessment of the commercial potential for private enriching plants. One group has chosen the well demonstrated gaseous diffusion production process now used in Government plants. The others are most interested in the potential of the newer gas centrifuge process which, though it is not yet in large production operation, is believed to possess many advantages. While Government work is going on for other enrichment processes, such as laser enrichment, which may have application at some time in the future, diffusion or centrifugation now possess the solid technology basis which is required for today's production commitments.

Over the past year industry efforts have intensified and the problems and hurdles to be overcome in building new multi-billion dollar private projects, essentially from scratch, have been identified. I must say that American industry has not been found wanting in their efforts to meet the challenge we gave them.

We now have a proposal from an industry group , Uranium Enrichment Associates (UEA), under which a $3½ billion, privately financed gaseous diffusion enrichment plant, capable of serving about 90 large nuclear power reactors, would be constructed and begin operation in the early 1980's. (The equivalent of 4-5 such new plants are projected to be required to meet world demands through the 1980's). This project, if successful, would meet the need for early new capacity. We have highly promising expressions of active interest by several other companies in the construction of privately financed centrifuge enrichment plants, each on the order of up to a third or more ¼ the size of the UEA plant. These projects, if they can be materialized, offer the opportunity to achieve a competitive enriching industry with the resulting benefits that will flow to electricity consumers, our world trade position and our continued world leadership in a technology pioneered by the American taxpayer. A multi-pronged approach to enrichment involving both diffusion and centrifuge projects is highly desireable and I have concluded that these industry initiatives offer good prospects of achieving our objectives and that they should be supported.

Nevertheless there are some difficult hurdles to be overcome for a transition period, from now until private plants are operating successfully, that will require a unique kind of partnership arrangement between Government and industry during that perod. This is required because of the very large capital requirements and long payouts for plants of large size and complexity which have no previous commercial process history; the fact that technology is and must remain secret, and that process "know how" presently rests within the Government; and the importance to the nation to assure that these projects do, in fact, perform as expected and are able to meet their contracts to domestic and foreign ~~commitments~~ customers. It is a unique challenge to the Government, as well as to industry, to successfully

commercialize a new technology under these conditions of unusual national importance.

Accordingly, at my direction the Energy Research and Development Administration will, within the next few days, submit to the Congress proposed new legislation that will permit the necessary degree of Government involvement in and support to private enriching projects. The Energy Research and Development Administration will enter into immediate detailed negotiations with Uranium Enichment Associates, on the basis of the proposed legislation, and with prospective centrifuge enrichers after more definitive proposals are received in response to a Request for Propsals issued today. It is my desire that several centrifuge projects proceed in parallel as rapidly as selection of companies can be made and details negotiated. Details of the finally negotiated packages would be subject to Congressional scrutiny when completed. I anticipate minimal budgetary impact during FY 1976 and, although future years cannot yet be accurately predicted, there is prospect that our involvement with these private projects can be achieved without significant future impact upon the Federal Budget. Early authorization of this program by the Congress will permit the resumption of contracting for enriching services by the United States suppliers. The year-long absence of such a capability has caused a deterioration of the world view of the United States as a responsivle supplier.

Should the United States not be able to proceed swiftly in construction of new uranium enriching capacity, I foresee the following consequences:

a. A slowing of our drive toward energy independence and higher electricty prices to our consumers due to inability to sustain nuclear power growth.

b. Loss or weakening of the United States influence with other nations in nuclear matters, especially with regard to nuclear material safeguards.

c. Further deterioration of our position as a reliable supplier of enriching services on the world market and loss of export market.

d. Loss of world leadership in an area of technology in which we pioneered and now enjoy undisputed leadership.

In order to minimize the consequences noted above, it will be necessary for the Government to maintain the option to provide new capacity, should private enrichi projects falter, so that United States commitments relative to the new project can be met. If inability of the private project to proceed is due to unwillingness of the Congress to grant necessary legislative authority, or of other inability of the private company to proceed into construction, it may be desirable to add on to the Government capacity at an existing site. Accordingly, the funding necessary to maintain this option will be continued. In the event it were impossible for the private company to complete construction or achieve successful operation it might be necessary for the Government to then complete the project. Should it be necessary to actually undertake Government construction, large Federal Budget outlays would be incurred although these would be recoverable ultimately from customers.

The program I have proposed takes maximum advantage of the strength and resourcefulness of industry and Government in the United States and the world leadership we now enjoy in a new and increasingly significant technology. It builds upon that

base in a way which promises to maintain that leadership in the face of vigorous competition from abroad. I ask the Congress for early authorization of the program to meet our urgent needs and to demonstrate to the world our determination to pursue energy independence vigorously, to maintain our position of world leadership in enriching technology and to remain a responsible and reliable supplier of enriching services.

Honorable Nelson A. Rockefeller
President of the Senate

Honorable Carl B. Albert
Speaker of the House
of Representatives

Transmitted herewith is an Energy Research and Development Administration (ERDA) proposal in the form of a draft bill "[t]o amend the Atomic Energy Act of 1954, as amended:" Enclosure 1 sets forth the draft bill; and Enclosure 2 sets forth an analysis of the draft bill.

The proposed legislation would amend Section 161 of the Atomic Energy Act of 1954, as amended, to authorize cooperative arrangements with private enterprise for the provision of facilities for the production and enrichment of uranium enriched in the isotope 235.

Discussions with persons interested in providing facilities for the production and enrichment of uranium enriched indicated various forms of Government assistance were considered necessary to their undertaking to design, construct, own and operate such facilities irrespective of whether the technology employed was that of the gas centrifuge or gaseous diffusion process. All prospective entrants into the private enrichment industry stated a need for Government provision of enriching services to meet their commitments to their customers requirements should their facilities fail to commence operations as scheduled or for a limited period suffer interruptions in operation. Similarly all perceived a need for the Government

to furnish certain materials and equipment necessary to their undertaking which are not available from sources other than the Government. Many indicated a need for Government purchase, for a limited period and amount, of enriching services during initial operations in order to service their debt should they not have sufficient customer demand during such period. Others noted that the basic characteristics of uranium enrichment (high capital intensity; long lead times for planning, engineering and construction; an economic environment involving many uncertainties; a technology that is subject to rapid improvement and has not yet been proven on a commercial basis and which has been developed by the Government on a classified basis; a customer which is regulated as to its prices, has a capital structure designed for minimal risk, and which faces unprecedented capital commitments) require government assurances against certain risks to enable securing the large amounts of capital, both debt and equity, that would be required for such undertaking. They indicated a need for facility performance assurances, materials and equipment warrantees, loan guarantees and or undertakings by the Government to acquire their equity interest in and to assume their obligations liabilities and debt arising out of their undertaking the design, construction, ownership or operation of an enrichment facility in the event they could not complete the enrichment facility or bring it into commercial operation.

The proposed amendment would enable the Energy Research and Development

Administration to provide such assistance as is determined to be necessary and in the best interests of the Government for the establishment of a private and competitive domestic enrichment industry essential to support the manifold growth in nuclear power which is expected to take place over the next several decades. Appropriate Congressional oversight of such arrangements would be provided by requiring that the proposed basis for any arrangement be submitted to the Joint Committee on Atomic Energy and a period of forty-five days elapse prior to execution of any such arrangement.

United States enrichment capacity must be increased to meet the growing needs for nuclear power of the United States and the free world. Should we not achieve the transition of responsibility for provision of enrichment services from Government monopoly to private industry, the Government will have to provide the needed increments of additional enrichment capacity costing several billions of dollars.

Although the impact of the enactment of the proposed legislation upon the Federal budget is not at this time susceptible to precise estimate, it is anticipated that private capital will provide most if not all of the funds necessary to the establishment of a competitive private enrichment industry.

An inflation impact assessment has been made, pursuant to (1) Executive Order No. 11821, requiring a statement which certifies that

the inflationary impact of major proposals for legislation has been evaluated, (2) OMB Circular No. A-107, and (3) the draft regulations of the ERDA, which implement Executive Order No. 11821.

The Office of Management and Budget has advised that there is no objection from the standpoint of the Administration's program to the submission of the draft bill for consideration by the Congress and it is consistent with the Administration's objectives.

Sincerely,

Robert C. Seamans, Jr.
Administrator

Enclosures:
1. Draft Bill
2. Analysis of Draft Bill

DRAFT BILL

To amend the Atomic Energy Act of 1954, as amended, to authorize cooperative arrangements with private enterprise for the provision of facilities for the production and enrichment of uranium enriched in the isotope 235, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That Section 161 of the Atomic Energy Act of 1954, as amended, is amended by adding at the end thereof the following subsection:

"x. Without regard to the provisions of Section 3679 of the Revised Statutes, as amended, and Section 169 of this Act, enter into cooperative arrangements with any person or persons for such periods of time as the Commission may deem necessary or desirable for the purpose of providing the following assistance as the Commission may deem appropriate and necessary to encourage and facilitate the design, construction, ownership and operation by private enterprise of facilities for the production and enrichment of uranium enriched in the isotope 235 in such amounts as will assure the common defense and security and encourage widespread development and utilization of atomic energy to the maximum extent consistent with the common defense and security and with the health and safety of the public:

furnishing enriching services, materials,
equipment and technical assistance on a cost
recovery basis,
purchasing enriching services,
providing facility performance assurances,
providing materials and equipment warranties,
providing loan guarantees, and
undertaking to acquire the person or persons equity
interest in and to assume the person or persons
obligations, liabilities and debt arising out of
the design, construction, ownership or operation
of an enrichment facility in the event the person
or persons cannot complete the enrichment facility
or bring it into commercial operation.

Before the Commission enters into any arrangement or amendment thereto under the authority of this subsection, the basis for the proposed arrangement or amendment thereto which the Commission proposes to execute (including the name of the proposed participating party or parties with whom the arrangement is to be made, a general description of the proposed facility, the estimated amount of cost to be incurred by the participating parties, and the general features of the proposed arrangement or amendment) shall be submitted to the Joint Committee on Atomic Energy, and a period of forty-five days shall elapse while Congress is in session (in computing such forty-five days, there shall

be excluded the days on which either House is not in session because of adjournment for more than three days unless the Joint Committee by resolution in writing waives the conditions of, or all or any portion of, such forty-five day period: Provided, however, that any such arrangement or amendment thereto shall be entered into in accordance with the basis for the arrangement submitted as provided herein."

Analysis of Draft Bill

(In the interest of consistency and clarity within the Atomic Energy Act of 1954, as amended, the draft bill uses the term "Atomic Energy Commission" instead of "Energy Research and Development Administration".)

The proposed legislation would amend Section 161 of the Atomic Energy Act of 1954, as amended, to authorize cooperative arrangements with private enterprise for the provision of facilities for the production and enrichment of uranium enriched in the isotope 235.

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tensity; long lead times for planning, engineering and construction; an economic environment involving many uncertainties; a technology that is subject to rapid improvement and has not yet been proven on a commercial basis and which has been developed by the Government on a classified basis; a customer which is regulated as to its prices, has a capital structure designed for minimal risk, and which faces unprecedented capital commitments) require government assurances against certain risks to enable securing the large amounts of capital, both debt and equity, that would be required for such undertaking. They indicated a need for facility performance assurances, materials and equipment warrantees, loan guarantees and or undertakings by the Government to acquire their equity interest in and to assume their obligations liabilities and debt arising out of their undertaking the design, construction, ownership or operation of an enrichment facility in the event they could not complete the enrichment facility or bring it into commercial operation.

The proposed amendment would enable the Energy Research and Development Administration to provide such assistance as is determined to be necessary and in the best interests of the Government for the establishment of a private and competitive domestic enrichment industry essential to support the manifold growth in nuclear power which is expected to take place over the next several decades. Appropriate Congressional oversight of such arrangements would be provided by requiring that the proposed basis

for any arrangement be submitted to the Joint Committee on Atomic Energy and a period of forty-five days elapse prior to execution of any such arrangement.

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TERHORST

By J. F. TERHORST

FILE Nuclear

A Great Leap Forward

Washington—President Ford has made a momentous

JUNE 7, 1975 NYON

TERHORST

By J. F. TERHORST

Defense Debate a Dud

Simon Criticizes Congressional Delay, Predicts Increased Oil Imports

Treasury Secretary William Simon, criticizing Congress for "dawdling and delay" on energy issues, said Friday the U.S. may have to import 50 percent of its oil by 1980.

However, Simon expressed optimism for the future because of a growing awareness in the U.S. that "we can neither accept nor afford the monopolistic practices" of oil exporting nations. The oil states have used "sheer demagoguery" to justify new price increases scheduled to take effect October 1, Simon said.

Simon told the International Conference of Financial Experts meeting in Amsterdam "only the strong leadership of President Ford has averted a total failure of America's energy policies." -- AP;UPI (6/12/75)

Archer, Fisher Criticize Energy Bill

In an 8-minute interview on the CBS Morning News, Rep. Bill Archer (R., Tex.) said he would not vote for the energy bill now being debated because it is too weak.

"There is no reason, no real reason why this Congress cannot come up with a comprehensive energy plan," Archer said.

Rep. Joseph Fisher (D., Va.) said during the interview he also is seriously considering opposing the bill unless some changes are made to strengthen it. -- CBS Morning News (6/13/75)

Ford Opens New Nuclear Era

(By Jerald terHorst, Excerpted from the Chicago Tribune)

President Ford has made a momentous decision in the energy field that for the first time will permit the production of nuclear power fuel by private industry -- with government underwriting. The decision to generate controversy will go to Capitol Hill for congressional approval probably late this month or in July.

Immediate beneficiary of the action will be Uranium Enrichment Associates. Under a proposal personally approved by Ford following a series of top-level White House meetings, U.E.A. will build a multibillion dollar plant in Houston County, Ala., to produce enriched uranium of U-235, the fuel of nuclear power plants. The tremendous outlay of private capital would be

"insured against failure," according to administration sources, by two federal guarantees.

By agreeing to put the full faith and credit of the U.S. behind a private energy undertaking, Ford knowingly invites similar bids for a U.S. underwriting of equally high-risk ventures in development of shale oil and coal gassification and other forms of nuclear fuel production by laser beam or gas centrifuge. By every measure, the Ford decision must be ranked as a major, precedent-setting act in the relationship between government and industry. (6/13/75)