

The original documents are located in Box 37, folder “Uranium Enrichment (13)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

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May 1976

Page 3

Nuclear

One other item of significant importance. Last June I proposed to the Congress legislation that would establish a major new private industry in America providing the enriched fuel for nuclear power reactors. My proposal, the Nuclear Fuel Assistance Act would make it possible for the United States to maintain its leadership as the world supplier of uranium enrichment services for the peaceful use of nuclear power.

The Joint Committee on Atomic Energy in the Congress has made some modifications on my proposal and approved it. I have reviewed the changes in the bill and concluded that I will support it. The bill meets five fundamental objectives, which I stated a year ago:

First, an act to meet the future needs, domestic as well as international, for this essential energy source;

It would end the governmental monopoly on supplying enriched uranium for nuclear power plants;

Three, establish a procedure whereby private enterprise can bring into commercial use the techniques created by Federal research and development with proper licensing, safeguards and export controls;

With the payment of royalty and taxes by private enterprise to the United States Treasury;

Provided also in the bill is a complimentary back-up system for expanding existing Federal uranium enrichment capacity if private ventures are unable to meet on time the needs of U.S. and foreign customers;

Last, assist in controlling nuclear proliferation by persuading other nations to accept international safeguards and forego developments of nuclear weapons.

Finally, the bill and the committee report also authorizes and directs the Energy Research and Development Agency to begin manning and designing for the expansion of the existing uranium enrichment at Portsmouth, Ohio.

As soon as Congress passes the nuclear Fuel Assurance Act, I will ask the Congress to appropriate \$170 million for fiscal year 1977 to proceed with the design, planning and the procurement of long lead time construction for the Portsmouth plant. This, I think, is a good program, and I hope the Congress acts so that I can request of the Congress the necessary funding for the complimentary program at Portsmouth, Ohio.

I will be glad to answer the first question.

MORE



[May 1976]

Congressman Harsha apparently has asserted that the Administration should commit to build an add-on gaseous diffusion plant at Portsmouth whether or not UEA succeeds because he asserts that the market is adequate to justify more than one diffusion plant. He further asserts that UEA has "admitted" that more than one plant is needed.

The following points should be made in response:

- . UEA President Komes did indicate that he believes more than one diffusion plant is needed (during Q&A following his testimony in early April).
- . ERDA later indicated that its position was that that the next increment should be diffusion, followed by centrifuge (Seamans letter to Pastore of 4/16/75)
- . The centrifuge private ventures sharply disagree with the UEA assessment because they see the potential that a second plant would interfere with the markets they expect to supply.
- . The UEA statements about diffusion capacity have been carefully qualified to make clear that any add-on Government diffusion plant should follow a UEA plant -- not proceed or go simultaneously. This makes their position understandable since such a plant would not be as likely to affect UEA's market.
- . UEA also points out that building an add-on plant could compete with them for short resources, e.g., supplying of barrier where capacity is limited.
- . From the Administration's point of view:
 - . ^{firm} A/commitment to build an add-on plant -- regardless of UEA -- would be detrimental because:
 - Customers -- foreign and domestic -- could be expected to avoid dealing with any of the four private ventures if they thought the Government was again going to be a supplier.
 - At least two of the four potential private ventures would fold. Perhaps three.
 - There could be sufficient competition for resources to prevent UEA from going ahead -- even if they otherwise had a green light. There would be competition for nickel powder, barrier, design talent, possibly construction equipment.
 - . We will maintain a viable plan for building a Government

owned plant -- as a contingency measure, if:

- . UEA is unable to go ahead.
 - . Centrifuge ventures do not come along fast enough.
 - . No other diffusion private venture comes along.
 - . Or, in general, the demand is so great as to require that additional capacity by the Government is necessary.
- . Our best current estimates of demand do not indicate that two diffusion plants will be necessary. There continue to be cancellations and slippages in nuclear power here and abroad. Furthermore, estimates of demand are problematical at best.
- . The Administration will continue to assess demand as time passes to determine whether additional capacity is needed and when.
- . With respect to the relative standing of the add-on plant vs the proposed UEA plant:
- Cost
- The add-on plant capital costs would be less (based on ERDA estimates) than a stand alone plant.
 - the add-on plant would have to depend on coal fired electrical power which is expected to continue to be more costly than nuclear power -- which would be used by UEA.
 - the product cost (after considering capital and operating) would be about equal or less from the free standing plant than the add-on plant.

Timing

- There is no basis according to ERDA to conclude that an add on plant could be brought on line sooner than the proposed UEA plant.

Power supply

- There are considerable uncertainties about power supply for an add-on plant. It is not clear, under existing and expected air quality requirements, that coal fired power will be available.
- UEA appears to be ahead as far as nuclear is concerned because it is planning to draw upon two plants that are part way through the licensing process. This situation is not available for an add-on plant.

[May 1976]

REOPEN ORDER BOOK?

Question

Now that you plan to proceed with the steps necessary to build a Government-owned add-on enrichment plant at Portsmouth, Ohio, are you prepared to reopen the ERDA order book for uranium enrichment services?

Answer

We ~~do not plan to~~ reopen the Government order book. First, reopening the Government "order book" would be directly contrary to the spirit and intent of the NFAA -- which has as a major purpose the creation of a private competitive nuclear fuel industry.

*we
want
to
open
supply
to
the
market
not
public*

A move by the Government to take orders would:

- put the Government in direct competition for foreign and domestic customers with the four private ventures that are prepared to finance, build, own and operate enrichment plants under the arrangements provided for in the NFAA.
- probably lead potential customers of the private ventures to hold off on placing commitments on the assumption that the Government would provide enrichment services at a lower, subsidized cost as in the case of present plants -- even though there is strong reason to believe that costs from a Government-owned add-on plant will be higher rather than lower than the proposed private stand-alone plant.

Furthermore, our latest assessments are that there is adequate demand available in the form of existing ERDA contract commitments -- if tails assay is reduced to the level that makes sense in light of today's uranium economics -- to utilize additional capacity that could be provided at Portsmouth.

*we
don't
need to
have
orders*

Also, ^{some people} the output from an add-on at Portsmouth could be used to increase the Government stockpile of enriched uranium and also serve as a backup to private ventures without getting the Government in direct competition with private ventures.

Natural Stockpile

*and commitment at home & abroad
that the U.S. will remain a
reliable supplier to ERDA*



[May 1976]

#

Nuclear programs -

Nuclear programs.

Reviewing

1980

sensitive

Bob Sarbanes

not on
list so
appearing
with

1)

nuclear energy

was

increased due to
the world's

energy needs

report controls

bring with

economic return
to the country.



[May 1976]

*File
V. V. V.
Government*

HERE ARE JERRY KOMES' QUICK REACTIONS TO THE PRESIDENT'S STATEMENT: (As close to verbatim as possible)

11

- . Statement can be interpreted in different ways. Add-on guys will see it as reaffirmation of their position.
- . Statement not much different that what we have now
- . Key to situation is how the NFAA is implemented after it is passed. Subsequent steps are critical.
- . Government order book must remain closed and this must be made clear.
- . Must be clear to ^{UEA} customers that ~~UEA is talking to that~~ UEA is going to be able to fill its order book before the Government moves in.
- . Can't expect customers to sign up with UEA if there is a possibility that they can buy from the Government. They will take the easy route and wait and see what happens rather than signing up.
- . "A blow for inaction and indecision." Not greet with great joy but understand the President's practical problem in Ohio with people hollering jobs at him.
- . Not view as great reaffirmation of private approach ,
- . All depends on how Government acts after Act passes.
- . Takes some comfort in word "complementary" if that means UEA goes ahead and Government order book doesn't open and this is clear.

~~Maximum Enrichment~~



2-4%

Enriched U (high in U-235)

+99.3 in 238

Fuels

U depleted in U-235

(95%)



Plant Capacity
- Physical
- Time working

Natural Uranium

Uranium

~~Uranium~~
Enrichment
2-4%

U.S. [May 1976]

U-235
U-238
Enrichment
Depletion
Uranium
Fuel
Waste

[May 1976]

SUBJECT: Uranium Enrichment Legislation

The joint Committee on Atomic Energy (JCAE) this afternoon ordered reported the Nuclear Fuel Assurance Act by a vote of 14 to 1 (Tunney).

The Committee made two significant changes in the bill:

- o a revision in the Congressional review and approval section to provide that ERDA may proceed with contracts with private ventures only if the Congress passes a concurrent resolution of approval within 60 days. Previously the bill would have permitted ERDA to proceed if the Congress did not pass a concurrent resolution of disapproval.
- o Language authorising work on a contingency plan was revised to direct the Administrator of ERDA to initiate design, construction and operation of a government-owned enrichment plant. The section was also revised to authorize \$230 million for this purpose in FY 1977.

The first change is by far the most significant.

THE WHITE HOUSE

WASHINGTON

May 5, 1976

MEMORANDUM TO: JIM CANNON
FROM: GLENN SCHLEEDE ^{us} (no)
SUBJECT: Uranium Enrichment - Stan Benjamin Article

Here, finally, is ERDA's proposed rebuttal to the Stan Benjamin article. It is probably too little and too late but I don't see that it would do any harm.

My view is that, if the letter is to be sent, it should be signed by Bob Seamans rather than Dick Roberts (as they have proposed) lest it reopened the question of whether Bob Seamans really supports the President's proposal.

Do you agree? _____

Do you have any problems with the letter?

Yes _____

No _____

5/10/76

Glenn - I saw
copies of a letter
Roberts sent out
Jim

Dear Mr. Editor:

I am writing with respect to an April 22 article by Stan Benjamin of the Associated Press concerning the President's program for expanding capacity in the United States ~~for~~^{to} enriching uranium needed for commercial nuclear power plants. The article, in its most important aspects, is inaccurate and misleading and presents false or distorted conclusions. It quotes ERDA officials out of context and in an incomplete manner.

I will not attempt to address each of the statements but will concentrate on those issues that are most important to the public's understanding of the President's proposal. Before dealing with these important issues, it is important to understand the underlying reasons for the proposal:

- First, domestic and foreign demand for uranium enrichment services will require the construction in the United States of between 9 and 12 plants roughly equivalent in capacity to each of the 3 existing U.S. plants.
- Second, the 3 existing plants, which are owned by the Federal Government are fully committed for the remainder of their useful life.
- Third, a firm commitment to expand capacity must be made soon so that the next plant will be on-line

when needed in the mid-1980s.

- Fourth, the production of enriched uranium is a commercial industrial process which the Government should not have to provide -- particularly in light of the many competing demands ^{For on the Federal budget funds, further,} [and] ~~when~~ private industry is ready, willing, and able to provide the expanded capacity with only limited and temporary assurances and cooperation from the Federal Government. The limited ^{assistance} ~~cooperation~~ and temporary assurances are necessary to overcome existing obstacles to establishing new competitive enterprises. These obstacles involve the difficulties of securing long-term financing ^Y from banks, pension funds, insurance firms, and other normal sources of private financing for very large-scale projects where:
- (a) the technology is classified and has been developed by the Government; (b) the plants must be very large in order to be economic ~~[at all]~~;
 - (c) no commercial experience is available; and
 - (d) ^{uranium enrichment production is now a} ~~the field is now monopolized by the~~ Federal Government ~~monopoly~~.

- Fifth, the private undertaking of uranium enrichment activities would avoid a multi-billion dollar Federal budget outlay for new ^{Capacity} ~~clients~~ (\$40 to \$50 billion by the year 2000) ^{and also} ~~thus~~ avoiding unnecessary expansion in the Federal establishment.

[Against this background], the [principal] points in the Benjamin article most in need of correction are the following:

- The article gives the impression that the Administration is dealing with only one private firm - the Uranium Enrichment Associates (UEA) - that wishes to provide additional uranium enrichment capacity. This is not true. In fact, ERDA is now negotiating with four private firms that ^{with the} ~~are~~ ^{built} ~~proposing~~ uranium enrichment plants. Concluding cooperative agreements with these four firms would be a major step toward the objectives of ^{ending} ~~creating~~ a private competitive uranium enrichment industry ^{and ending the Government's monopoly}.
- The article also states that the UEA project would require "so much Federal support that nuclear fuel costs would rise some \$700 million a year, or 34 percent," with electricity consumers paying the bill. This statement appears to be based on a misunderstanding of several points. In fact, the cost of uranium enrichment services (and thus cost to electrical consumers) from the proposed privately owned diffusion plant is expected to be equal to or less than the cost of products from a Government-owned plant. (Cost comparisons cited by Mr. Benjamin considered only construction costs, not operating costs.) ^{As} Furthermore, Federal support would not affect electrical costs to consumers.

Finally, under the President's proposal, the temporary assurances are not expected to lead to any ^{net} costs to the Government.

-- The article further asserts that the taxpayers would have to invest up to one billion dollars (for stockpiling of enriched uranium) to launch the UEA project and that the savings would thus be a billion dollars "less than advertised." The Government would, in some circumstances, purchase enriched uranium, ~~but~~ ^{IS THIS} ~~this~~ ^{occurs, The enriched uranium} would be a valuable asset for the Government -- which would be sold in the future when no longer needed in the U.S. stockpile, with all Government costs fully recovered.

-- Mr. Benjamin appears to have missed completely the point that the legislation being considered by the Congress provides ^{only} a framework for negotiating cooperative agreements with prospective private uranium enrichment firms. No contract could be signed with any of the four firms until the unsigned contract is presented to the Congress and a period of 60 days is provided for approval or disapproval. This extraordinary review will provided added assurance that the public interest is fully protected.

As I mentioned earlier, I have not attempted to respond to all of the allegations made by Mr. Benjamin but have dealt only with three points of misunderstanding of the President's proposal.

It is unfortunate that this complex issue, which requires a maximum of factual reporting and reasoned public debate, has been presented in such a distorted and misleading manner.

Richard W. Roberts

THE WHITE HOUSE

WASHINGTON

May 6, 1976

MEMORANDUM FOR: JIM CANNON
FROM: *Glenn* GLENN R. SCHLEEDE
SUBJECT: ERDA'S RESPONSE TO STAN BENJAMIN'S
STORY (AP) ON URANIUM ENRICHMENT

ERDA has sent a letter to Marvin Arrowsmith, Washington Bureau Chief of the Associated Press (copy attached). They have sent the same letter without the last paragraph to about 20 newspapers that carried that story.

Do we need to send the President a formal response to his note which sent out the copy of the story from the Grand Rapids Press?

Attachment

5/13/76
Glenn -
I told the President
today about
ERDA's response.
I will now
call AD in
N.Y. *Jim*



UNITED STATES
ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION
WASHINGTON, D.C. 20545

MAY 5 1976

Mr. Marvin Arrowsmith, Chief of Bureau
The Associated Press
2021 K Street, N.W.
Washington, D. C. 20006

Dear Mr. Arrowsmith:

I am writing with respect to an April 22 article by Stan Benjamin of the Associated Press concerning the President's program for expanding capacity in the United States to enrich uranium needed for commercial nuclear power plants. The article, for the most part, is inaccurate, misleading and presents false or distorted conclusions. It quotes ERDA officials out of context and in an incomplete manner.

I will not attempt to address each of the statements; rather I will concentrate on those issues that are most important to the public's understanding of the President's proposal. Before dealing with these issues, it is important to understand the underlying reasons for the proposal:

- First, domestic and foreign demand for uranium enrichment services could require the construction in the United States by the year 2000 of between 9 and 12 plants. Each plant will have a capacity roughly equivalent to each of the 3 existing U.S. plants.
- Second, the 3 existing plants, which are owned by the Federal Government are fully committed for the remainder of their useful life.
- Third, a firm commitment to expand capacity must be made soon so that the next plant will be on-line when needed in the mid-1980s.



- Fourth, the production of enriched uranium is a commercial industrial process which the Government should not have to provide -- particularly in light of the many competing demands for Federal funds. Further, private industry is ready, willing, and able to provide the expanded capacity with only limited and temporary assurances and cooperation from the Federal Government. The limited assistance and temporary assurances are necessary to overcome existing obstacles to establishing new competitive enterprises. These obstacles involve the difficulties of securing long-term financing for very large-scale projects from banks, pension funds, insurance firms, and other normal sources of private financing when: (a) the technology is classified and has been developed by the Government; (b) the plants must be very large in order to be economic; (c) no commercial experience is available; and (d) uranium enrichment production is now a Federal Government monopoly.
- Fifth, the private undertaking of uranium enrichment activities would avoid a multi-billion dollar Federal budget outlay for new capacity (\$40 to \$50 billion by the year 2000) and also avoid unnecessary expansion in the Federal establishment.
- More information related to the President's program is contained in Administrator Seamans testimony of December 2, 1975 before the Joint Committee on Atomic Energy.

There is an overall implication in the article that the taxpayer or consumer would be paying more by the privatization of uranium enrichment as contrasted to keeping it within the Government. This is just not so. The following points address this implication as well as points in need of correction.

- The article gives the impression that the Administration is dealing with only one private firm -- the Uranium Enrichment Associates (UEA) -- that wishes to provide additional uranium enrichment capacity. This is totally false. In fact, ERDA is now negotiating with four private firms that wish to build uranium enrichment plants. Concluding cooperative agreements with these four firms would be a major step toward the objectives of creating a private competitive uranium enrichment industry and ending the Government's monopoly.

- The article also states that the UEA project would require "so much Federal support that nuclear fuel costs would rise some \$700 million a year, or 34 percent," with electricity consumers paying the bill. This is not true. The statement appears to be based on a misunderstanding of several points. In fact, the cost of uranium enrichment services (and thus cost to electrical consumers) from the proposed privately owned diffusion plant is estimated to be equal to or less than the cost of product from the addition of similar capacity to a Government-owned plant. Also, Federal support would not affect electrical costs to consumers. Finally, under the President's proposal, the temporary assurances are not expected to lead to any net cost to the Government.

- The article further asserts that the taxpayers would have to invest up to one billion dollars (for stockpiling of enriched uranium) to launch the UEA project and that the savings would thus be a billion dollars "less than advertised." This statement is incorrect. The Government would, in some circumstances, purchase uranium enriching services. If this occurs, the enriched uranium would be a valuable asset for the Government -- which would be sold in the future when no longer needed in the U.S. stockpile, with all Government costs fully recovered.

- Mr. Benjamin appears to have missed completely the point that the legislation being considered by the Congress provides only a framework for negotiating cooperative agreements with prospective private uranium enrichment firms. No contract could be signed with any of the four firms until the unsigned contract is presented to the Congress and a period of 60 days is provided for approval or disapproval. This extraordinary review will provide added assurance that the public interest is fully protected.

As I mentioned earlier, I have not attempted to respond to all of the assertions made by Mr. Benjamin but have dealt only with four points of misunderstanding of the President's proposal.

It is unfortunate that this complex issue, which requires a maximum of factual reporting and reasoned public debate, has been presented in such a misleading manner.

Mr. Arrowsmith

- 4 -

I would welcome an opportunity to sit down with you and Mr. Benjamin at your earliest convenience to discuss this important subject and clear up these misstatements.

Sincerely,

Signed by Richard W. Roberts

Richard W. Roberts
Assistant Administrator
for Nuclear Energy

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NFCP:WRVoigt

ANE

SURNAME

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DATE

Sent AP letter to following newspapers that carried April 22 article on uranium enrichment.

Mr. Carl G. DeBloom
Executive Editor
Columbus Dispatch
34 South Third St.
Columbus, Ohio 43216

Mr. David R. McMillen
Managing Editor
Chillicothe Gazette
50 West Main St.
Chillicothe, Ohio 45601

Mr. George Stowell
Editor
The Portsmouth Times
637 Sixth St.
Portsmouth, Ohio 45662

Mr. Richard D. Smyser
Editor
The Oak Ridger
101 East Tyrone Road
Oak Ridge, Tennessee 37830

Mr. Lloyd Armour
Executive Editor
Nashville Tennessean
1100 Broadway
Nashville, Tennessee 37202

Mr. R. A. Hearst
Editor
San Francisco Examiner
110 Fifth St.
San Francisco 94103

Mr. Charles de Young Thieriot
Editor
San Francisco Chronicle
901 Mission St.
San Francisco 94103

Mr. Joseph W. Knowland
Editor
Oakland Tribune
401 13th St.
Oakland, California 94612

Mr. C. K. McClatchy
Editor
Sacramento Bee
21st & O St.
Sacramento, California 95811

Mr. Ralph L. Millett, Jr.
Editor
Knoxville News-Sentinel
204 West Church Avenue
Knoxville, Tennessee 37901

Mr. Jack Spalding
Editor
Atlanta Journal
72 Marietta St., NW
Atlanta, Georgia 30303

Mr. Nat C. Faulk
Editor
Dothan Eagle
203 North Oates St.
Dothan, Alabama 36301

Mr. James M. Schurz
Editor
Hagerstown Mail
25-31 Summit Avenue
Hagerstown, Maryland 21740

Mr. Thomas Vail
Editor
Plain Dealer
1801 Superior Avenue
Cleveland, Ohio 44114

Mr. Alexander Bodi
Editor
Palo Alto Times
245 Lytton Avenue
Palo Alto, California 94301

Mr. Tom J. Simmons
Managing Editor
Dallas News
A. H. Belo Corporation
Communications Center
Dallas, Texas 75222

Mr. Walter G. Cowan,
Editor
New Orleans States-Item
3800 Howard Avenue
New Orleans, Louisiana 70140

Mr. Jack L. Butler
Editor
Forth Worth Star-Telegram
P. O. Box 1870
Fort Worth, Texas 76101

Mr. John Hughes
Editor
Christian Science Monitor
One Norway Street
Boston, Massachusetts 02115

Mr. Robert B. Atwood
Editor
Anchorage Times
820 Fourth Avenue
Anchorage, Alaska 99501

Mr. Werner Velt
Editor
Grand Rapids Press
Press Plaza-Vandenberg Center
Grand Rapids, Michigan 49502

THE WHITE HOUSE
WASHINGTON

JMC RE: Associated Press

Stan Swinton
Vice President and
Assistant General Mgr.

Jack Cappon
General News Editor

1960
MAY 10 1960

CC: Schleede
Cavanaugh
Quern
McKee

THE WHITE HOUSE

WASHINGTON

April 26, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON/JIM CAVANUAGH

FROM: JIM CONNOR JEC.

SUBJECT: Nuclear Fuel Plan

The attached newspaper clipping was returned in the President's outbox with the following notation:

"Where did AP get this?"

Please follow-up with appropriate action.

cc: Dick Cheney

Attachment:

Article from THE GRAND RAPIDS PRESS
4/22/76 entitled "Ford's Controversial Plan
for N-Fuel Fav ors 2 Firms"



The Grand Rapids Press

Forecast — Page 3A

Vol. 84 No.

Thursday, April 22, 1976

Grand Rapids, Michigan

76 PAGES, 15¢

55 M.P.H.

W-20 SAM. C. FOX, JR. • C.P.Y. • JR. • C 20300
GERALD R. FORD • WHITE HOUSE • WASHINGTON D. C. 20500

Ford's Controversial Plan For N-Fuel Favors 2 Firms

WASHINGTON (AP) — After 30 years of nonprofit uranium enrichment by a government monopoly, the Ford administration is promoting a private enrichment venture requiring so much federal support that nuclear fuel costs would rise some \$700 million a year, or 34 per cent.

Electricity consumers would pay the bill. Administration officials say a private plant, planned for Dothan, Ala., would avoid some \$2.8 billion of taxpayer investment for the alternative, a new government plant at Portsmouth, Ohio, and would "pave the way" for private

enterprise and competition.

But, in an Associated Press investigation, a key government official conceded that the taxpayers would have to invest up to \$1 billion to launch the private project; that electric utilities would pay 34 per cent more for atomic fuel to support the private operation; and that the project alone would bring neither private enterprise nor competition into uranium enrichment.

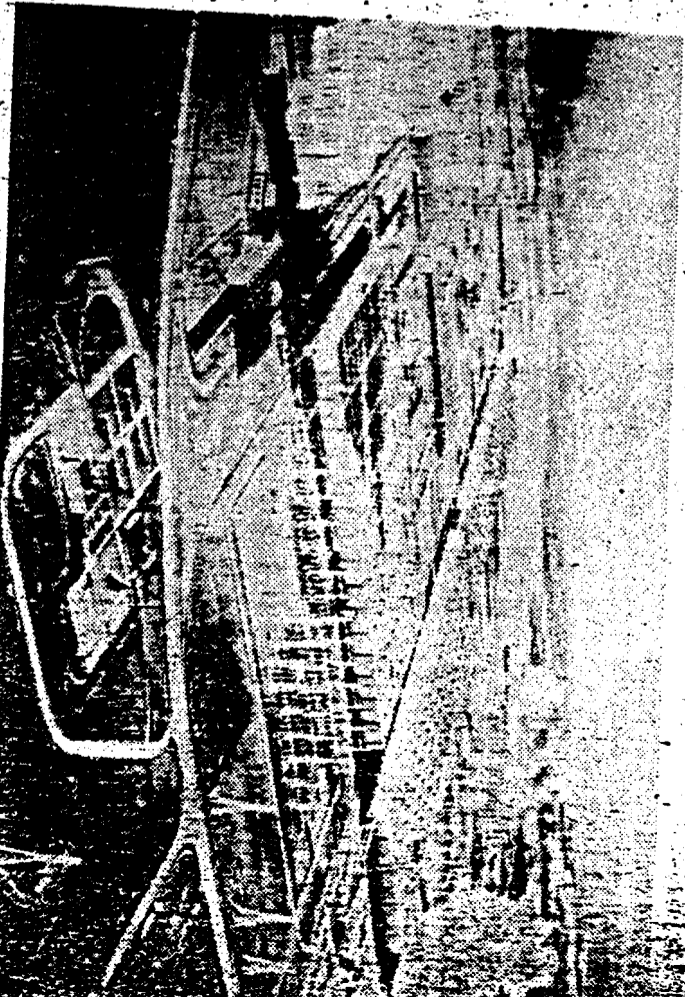
The investigation also shows that a new government plant could bring the U.S. Treasury more money than the taxes and royalties from a private plant, and yet

charge consumers less.

The U.S. Energy Research and Development Administration — ERDA — is expanding the three existing government plants at Oak Ridge, Tenn., Paducah, Ky., and Portsmouth.

There is general agreement that a fourth plant is needed, but disagreement whether it should be a Portsmouth "add-on," or the private plant proposed by the Uranium Enrichment Associates — UEA — a partnership of Bechtel Corp., Goodyear Tire and Rubber Co. and The Williams Companies, an oil-fertilizers-

See Uranium, page 2A



AP Photo
THIS SPRAWLING uranium enrichment plant at Portsmouth, Ohio, is one of the largest in the nation — all operated by the government.


Pinch Hitter



Ford Rivals Ask

Shirley M. ...

and-steel conglomerate.

ERDA, which concluded a year ago that the UEA proposal "does not achieve most goals of private enrichment" now is pushing it.

The UEA plant would use time-tested government technology and produce the same amount of uranium enrichment as a government "add-on," at roughly the same production cost, says ERDA.

But there the resemblance stops.

ERDA officials admit the UEA project would:

—Require government guarantees that the plant would work.

—Require the government to buy and stockpile a large chunk of UEA's early production to keep the plant operating at full capacity.

—Charge higher prices and require the government to raise its own prices to persuade customers to deal with UEA.

—Collect production costs plus after-tax profits of 15 per cent on equity investment, providing little incentive to restrain costs in a project whose chief contractors would be UEA partners Bechtel and Goodyear.

—Require close government supervision of UEA cost control to protect both the taxpayer and the consumer.

—Drain 60 per cent of UEA's profits and interest payments out of the U.S. economy to anticipated foreign investors and lenders.

—And expose the government to the risk of having to take over a floundering, half-finished project if UEA can't complete it.

ERDA strongly supported an administration bill, the proposed "Nuclear Fuel Assurance Act," to make all this possible.

The congressional Joint Committee on Atomic Energy recently completed hearings on it and received a report by the General Accounting Office urging government construction of the next uranium enrichment plant.

"The proposal of Uranium Enrichment Associates," said the GAO, "is not acceptable."

ERDA Administrator Robert C. Seamans Jr., expressed the same view to President Ford and Budget Director James T. Lynn a year ago. After ERDA officials met with the Office of Management and Budget, the Federal Energy Administration, UEA and the White House, however, Seamans changed his mind.

Two of former President Richard M. Nixon's budget directors, George P. Shultz and Caspar W. Weinberger, are now directors of Bechtel Corp., a large construction firm whose stock is owned only by the Bechtel family and the corporate officers.

These Bechtel stockholders stand to reap some \$26 million a year in profits from the UEA project if no additional U.S. partners are brought into the deal, and perhaps even more since UEA plans to award Bechtel the contract, worth an estimated \$250 million, to build the plant.

Another UEA partner, Goodyear, which operates the government's Portsmouth plant under contract, also is slated to operate the proposed UEA plant.

Thus, Bechtel and Goodyear would assure themselves of lucrative construction and operating contracts for the plant, without the competitive bidding that would select contractors for a government plant.

Sen. John O. Pastore, D-R.I., chairman of the joint committee, said during its hearings that the proposal seemed to guarantee UEA a profit and might amount to "another big giveaway program."

Ford administration witnesses—Seamans, Lynn, FEA Administrator Frank G. Zarb, Economic Adviser Paul W. MacAvoy, and Asst. Atty. Gen. Thomas S. Kauper—argued in favor of the UEA project and said it would save taxpayers some \$2.8 billion, the cost of a new government plant.

But Jarvis L. Schwennesen, ERDA's assistant director for uranium enrichment and head of a government task force on the UEA proposal, admitted in a recent interview that the "saving" may be a billion dollars less than advertised.

In the enrichment program, the government does not sell uranium to atomic power utilities; they have to bring their own. The government charges them for



U.S. ENERGY researcher Jarvis Schwennesen concedes shortcomings in Ford's plan.

making their uranium suitable for atomic fuel by "enriching" it: concentrating one kind of uranium, U-235, and separating out its near-twin, U-238.

UEA's proposal requests "a commitment that USG (the U.S. government) will purchase from UEA enriching service up to six million SWUs (enrichment units)," to help the private plant get started.

Schwennesen said the U.S. Treasury would have to lay out up to \$1 billion for these support purchases and stockpile this enriched uranium up to 10 years.

Interest lost by the Treasury on that outlay could total \$358 million or more, which ERDA would have to charge its own customers, he said.

Meanwhile, uranium enrichment could not remain nonprofit as it is now.

Administration documents estimate

that UEA would pay some \$70 million a year in taxes and royalties and collect another \$79 million as its 15 per cent profit, thus charging customers some \$149 million more than an alternative nonprofit government plant.

To do this, UEA estimates, it would charge \$85 per enrichment unit, compared with the government's average price of \$54 at its three existing, lower-cost plants.

Because the government plants now are fully committed and could not take on potential UEA customers, there would be no competition between them, said Schwennesen. As UEA chairman Jerome W. Komes testified, "You are sold out, and we are the only store open in town."

But continuation of the government's low, nonprofit prices, Schwennesen said, would make atomic utilities balk at paying UEA's higher price. So ERDA has asked Congress to abandon nonprofit operation and to authorize "commercial" pricing which, the bill specifies, "will not discourage" private enrichment plants.

ERDA proposed a \$76 support price which would cost the government's enrichment customers and, eventually, their electricity consumers an additional \$510 million a year.

If necessary, ERDA would raise its support prices still higher to drive new customers to UEA, the GAO reported. And UEA may raise its own profit margin, dragging government support prices to still higher plateaus.

Komes testified, "we are going to have difficulty with... our investors... in keeping as low as that 15 per cent" rate of return.

Adding up UEA's taxes and profits, government support prices, and the cost of investing \$1 billion to buy and stockpile UEA's early production, electric utilities and their consumers would pay some \$700 million a year more under the UEA proposal than under continued all-government, nonprofit uranium enrichment.

THE WHITE HOUSE
WASHINGTON

May 6, 1976

TO: GLENN SCHLEEDE

FROM: JIM CANNON *jc*

For draft substantive
response.

THE WHITE HOUSE

WASHINGTON

May 6, 1976

MEMORANDUM FOR:

JACK MARSH
DICK CHENEY
ROG MORTON
JIM CANNON
JIM LYNN
JIM CONNOR
ALAN KRANOWITZ
GLEN SCHLEEDE
JIM SHUMAN

FROM:

MAX FRIEDERSDORF *M.F.*

SUBJECT:

M.C. Bill Harsha (R-OHIO)

Harsha has been pushing for months, insisting on a meeting with the President. This was resisted in-house until shortly before the Easter recess when it was finally scheduled.

The meeting was scheduled during the recess, and Harsha declined, as he was in Florida.

I'm also attaching, for your information, a copy of Harsha's May 3rd letter and attachments.

WILLIAM H. HARSHA
6TH DISTRICT, OHIO
2457 RAYBURN HOUSE OFFICE BUILDING

5-6
COMMITTEE
RANKING MINORITY MEMBER
PUBLIC WORKS

Congress of the United States

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

May 5, 1976

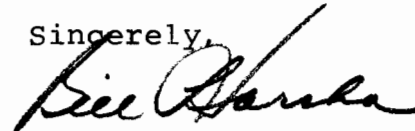
Dear Mr. President:

MIF
I have sent you numerous articles and Press Releases relative to the add-on facility at the Portsmouth Atomic Energy Plant and have urged that you endorse the construction of the add-on facility. Since I have had no favorable response to these requests, I am endeavoring to obtain Governor Reagan's endorsement of this facility, informing him that all Ohio Republican Congressmen and both Senators have endorsed this project.

Should Governor Reagan choose to endorse the Atomic Energy Plant add-on prior to the primary, I feel certain it would be reflected in his vote in Southern Ohio.

With kindest personal regards and best wishes, I am

Sincerely,

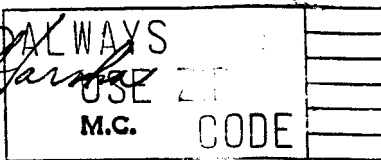


William H. Harsha
Representative to Congress

The President
The White House
Washington, D.C.

Congress of the United States
House of Representatives
Washington, D.C. 20515

OFFICIAL BUSINESS



The President
The White House
Washington, D.C.

May 6, 1976

Dear Bill:

This is just to advise you that your May 5 letter to the President regarding the add-on facility at Portsmouth to the Atomic Energy Plant has been received.

I assure you this will be brought to the immediate attention of the President.

With cordial regard.

Sincerely,

Max L. Friedersdorf
Assistant to the President

Honorable William H. Harsha
House of Representatives
Washington, D. C. 20515

MLF:nk

bcc: Jim Cannon for SUBSTANTIVE RESPONSE
bcc: FYI to Jim Lynn, Alan Kranowitz, Jim Connor, Glen Schleede
Rog Morton, Jim Shuman, Dick Cheney, Jack Marsh

May 6, 1976

Dear Bill:

This will acknowledge receipt and thank you for your May 3 letter to the President in reference to proposals to expand our country's capacity for enriched uranium production.

Please be assured your letter will be called promptly to the attention of the President and the members of the staff who are working with him on this proposal. I am confident your views will be fully studied.

With kindest regards,

Sincerely,

Charles Leppert, Jr.
Deputy Assistant
to the President

The Honorable William H. Harsha
House of Representatives
Washington, D. C. 20515

~~cc:~~ w/incoming to James Cannon for further handling. Note previous referrals ~~on~~ April 6 and 14 on this matter.
bcc: w/incoming to James Connor - FYI

CL:JEB:VO:vo

Congress of the United States

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

May 3, 1976

Dear Mr. President:

I want to take this opportunity to again remind you of the fact that there is an issue facing this Country of vital importance. The United States is in an urgent need to expand its capacity of enriched uranium production to fuel future nuclear power plants both here at home and abroad.

Mr. [unclear]
Your Administration is supporting an outlandishly expensive proposal to provide this needed expansion via the private enterprise sector to the tune of \$5.7 billion, when a facility located at Portsmouth, Ohio, could be expanded for \$2.1 billion and yield the same amount of output.

The Joint Committee on Atomic Energy has concluded hearings on the matter and recommends the expansion of the Portsmouth facility. The testimony received by the Committee was predominantly in favor of this proposal, as well. However, your Administration remains committed to the proposition of guaranteeing a plan submitted by Uranium Enrichment Associates (UEA), that not only could cost the U.S. taxpayer as much as \$8 billion, but would also increase the cost of the fuel produced for the public utilities that would be required to use it.

Because of the recognized need for massive capital investment, UEA initially experienced difficulty acquiring partners for this venture. However, in March of 1974, it hired Robert Hollingsworth, general manager of AEC, as its manager of manpower services. That May it hired George Schultz, the former Secretary of the Treasury, as executive vice president and a director. Recently Mr. Schultz moved up to president. In 1975, it hired Caspar Weinberger, the former Secretary of Health, Education and Welfare, as vice president, director and special counsel. These three comprise a highly talented and expensive stable of expertise toward acquisition of government approval for a plan that could cost the American taxpayer \$3.6 billion more than necessary for enriched uranium expansion.

In a letter to you dated April 8, 1976, the Ohio Republican Delegation went on record in support of the add-on to the Goodyear Atomic Plant at Portsmouth, Ohio, over the proposal by UEA.

The President
May 3, 1976
Page two

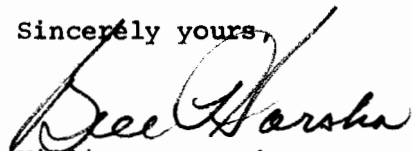
It is not difficult to see why the Government has shelved plans to do the job itself. Mr. Percy Brewington, Jr., an official at the Energy Research and Development Administration says the shelved plans were drawn up by his staff and showed how the Government could build an addition to its enrichment plant in Portsmouth costing \$2.1 billion, considerably less than the amount UEA is proposing to spend on a plant of roughly the same capacity.

The enclosed material reveals, to a small degree, the feelings of the residents of Ohio, and the two sides of the issue. I hope you will make a commitment to the expansion of the Goodyear Atomic Plant at Portsmouth in order to see that this Country does not face a catastrophic nuclear fuel shortage in the very near future. Such a commitment could be of tremendous value to you in the 15 Southern Ohio Counties this June 8, 1976.

Thank you for your attention to this matter. If you have questions concerning this issue, please feel free to call upon me.

With best wishes and warm personal regards, I am

Sincerely yours,



William H. Harsha
Representative to Congress

The President
The White House
Washington, D.C.

INQUIRY SAYS PRIVATE A-PLANT
WILL SOAK ELECTRICITY USERS

HON. WILLIAM H. HARSHA

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Wednesday, April 28, 1976

Mr. HARSHA. Mr. Speaker, as of August of last year, there were approximately 54 nuclear powerplants licensed to operate and another 187 plants under construction, on order, or announced. By the year 1985, approximately 200 nuclear powerplants should be in operation and as the years go by, that figure would rise significantly. An additional increment of 9 million separative work units—SWU—will be required to fuel these nuclear powerplants by 1983, and 18 months later, an additional increment of 6 million SWU will be required annually for the indefinite future.

To date, approximately \$2 billion in revenues have been received by the Federal Government under contracts with utilities, almost repaying investment in that portion of the original facilities allocation to nuclear fuel production. The Energy Research and Development Administration estimates that between now and 1990, net revenue from existing plants and additional capacity could amount to \$9.3 billion. Within about 4 years, the outlays for capacity expansion through an add-on to the present Government-owned facility at Portsmouth, Ohio, would be liquidated by income from the sales of the enriched uranium which would be produced.

The administration has recommended a plan for private entry into this field with "a key Government official" told an Associated Press reporter, would cost taxpayers up to \$1 billion to launch. This plan would cause electric utilities to pay 34 percent more for atomic fuel to support the private operation, which would bring neither private enterprise nor competition into the uranium enrichment field.

A recent article in the Chillicothe Gazette points out the drawbacks to this plan which is backed by the administration. At this time, I would like to share with my colleagues this article about



HOLD DOWN NUCLEAR RISK

HON. WILLIAM H. HARSHA

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, April 27, 1976

Mr. HARSHA. Mr. Speaker, the present production of the three Government-owned uranium enrichment facilities is already contracted for, including the additional capacity that will be provided at the conclusion of the so-called Upgrading program. In addition to this, several foreign countries have indicated a desire to go the route of nuclear power plants and have indicated an interest in constructing their own enrichment facilities. Therefore, it seems rather obvious that if the United States is to maintain its leadership in the uranium enrichment industry and provide adequate capacity for domestic use as well, we must get on with the program of providing that capacity expansion.

A Government-owned add-on plant can be constructed at the present time at the Goodyear plant at Portsmouth, Ohio, for considerably less than the sums estimated for the construction of a stand-alone facility, contemplated by the administration at Dothan, Ala. In addition, there is considerable reservation as to the advisability of turning over this classified process to private industry because of the attendant safeguards that are required.

In a recent editorial by the Cleveland Plain Dealer, and reprinted in the Portsmouth Times, it is pointed out that this plan runs contrary to U.S. efforts to hold down nuclear proliferation. At this time, I would like to share with my colleagues this editorial questioning the advisability of sharing this type of technology and information with the private sector of the American economy:

HOLD DOWN NUCLEAR RISK

(From the Cleveland Plain Dealer)

It would be a mistake to allow private industry to build and run new uranium enrichment factories. That would relinquish the federal government's hold on secret technology and on dangerous nuclear materials.

President Ford wants private industry let in on the job. He contends that would leave federal funds for other energy projects, but his plan has drawbacks that are glaring and dangerous.

True, the total output of the three federal enrichment plants will be used by the 300 present and planned nuclear reactors. Nuclear energy must expand. It cannot expand unless new enrichment capacity is built by the mid-1980s.

One flaw in the Ford plan is that the fed-

eral government would have to give some \$8 billion in guarantees to private firms getting in on the business. That negates much of the financial argument put forward by the Ford administration.

Second, all the technology to be used would have to be supplied by federal government experts for private use. It would be used largely at government expense.

Third, the guarantees now being demanded by private investor companies would shift most of the risk to the federal government—even to buying back the plant if it did not work, or covering investors' losses in that case.

Lastly, it would be a channel through which foreign as well as private owners could get control of nuclear material and know-how that should be kept classified. The plan presently before the joint Atomic Energy Committee of Congress would let Iran and Japan in as investors.

This plan runs contrary to U.S. efforts to hold down nuclear proliferation. Sen. John H. Glenn has pointed out that the number of nuclear power plants will reach 800 in a decade, and will be producing some 30,000 pounds of plutonium, enough to make 3,000 small atomic bombs.

The three federal enrichment plants including the one at Portsmouth, Ohio, could be expanded. Eventually sale of the enriched fuel will pay for the cost of those expansions. That is the better way to enlarge nuclear power and keep dangerous things under proper, tight control.

(Editor's Note.—If you haven't expressed your opinion on the planned enlargement of the nuclear enrichment program, there still is time. You can write to your representative, William H. Harsha or Carl Perkins, House Office Bldg., Washington, D.C. or to Sen. John Pastore, chairman of the Joint Atomic Energy Commission, Senate Office Bldg., Washington, or directly to President Gerald Ford at the White House.)



livers to every corner of the nation (except in those states where regulatory authorities have not permitted it to operate).

Throwing the mails open to private enterprise raises a string of questions. What would be the relationship between the Postal Service and the private companies? Who would regulate the companies? How would postal customers be assured of deliveries regardless of which entity may be serving them?

The answers are no better defined than the shape of the Bell System could be visualized when Alexander Graham Bell invented the telephone. But if capitalism has given America good telephone service, there is no reason why it cannot also produce good mail service.

WE QUESTION ATOMIC JUDGMENT

HON. WILLIAM H. HARSHA

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Monday, April 26, 1976

Mr. HARSHA. Mr. Speaker, the Energy Research and Development Administration says it is essential to have additional enriched uranium capacity by 1983, or we lose a major part of our foreign market while restricting domestic consumption as well. The Joint Committee on Atomic Energy has been supplied with facts which prove expansion of the existing Goodyear plant at Portsmouth, Ohio, would be much less expensive than construction of a completely new facility, contemplated by the administration for Dothan, Ala. The independent General Accounting Office also recommended an Ohio facility expansion over the Alabama plan due to the cost factors involved.

Given the obvious advantages of expansion of Government-owned gaseous diffusion facilities, the Portsmouth Times recently questioned the administration's judgment in supporting construction of a new privately owned and operated plant for this purpose. I would like at this time to share with my colleagues the editorial on this most pressing and important issue:

WE QUESTION ATOMIC JUDGMENT

At this time it is quite obvious to everyone that our nation is well on the way to recovery from the recent recession that created hardship for the working person and business alike.

It also appears that the inflationary spiral which many think caused the recession may now be confined to reasonable limits.

President Gerald Ford's administration may or may not be responsible for the recovery; it is difficult to say at this time.

President Ford has made some excellent, difficult, decisions. However, we can also say that there is ample reason to question the judgment of the administration when we examine some of the positions taken by the President.

For instance, we must question the position of the administration on nuclear fuel production; since time and money are such critical factors.

President Ford has asked Congress to authorize construction of a new gaseous diffusion production facility in Dothan, Ala., by private enterprise. The President's plan calls for the United States government to guarantee the investment by private enterprise and further to guarantee a profit return on that investment.

If this is President Ford's interpretation



of private enterprise, there is a very real reason for questioning his judgment.

More and more experts, including the United States General Accounting Office; as well as nuclear fuel men, state that the Dothan plant should not be authorized. They contend that the required added production should be provided by building an add-on facility to the already existing nuclear fuel plant in Pike County, near Portsmouth.

The experts contend that the add-on facility can be in production more quickly, will cost less money to construct; and will produce nuclear fuel at lower cost to the consumer. In addition, control of critical atomic fuel will be retained by the government. And, of course, the government will continue to receive the profits from the operation of the plant.

We in Southern Ohio do not doubt the opinion of the experts. Everything considered, we do question the judgment of President Ford on this matter, and we suggest that he take another look at nuclear fuel production and all the ramifications involved.

If the present position of the Ford administration in nuclear fuel production is indicative of the judgment the administration uses in solving other national problems, we are indeed unfortunate that Ronald Reagan has been ruled off the Ohio primary.

If you haven't expressed your opinion on the add-on plant versus the Dothan facility, it isn't too late to write to President Ford.

**CONGRESSIONAL BLACK CAUCUS
LEGISLATIVE AGENDA, 94TH CONGRESS,
2D SESSION—PART IV**

HON. RALPH H. METCALFE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, April 26, 1976

Mr. METCALFE. Mr. Speaker, I am inserting into the Record the sixth and final part of the Congressional Black Caucus legislative agenda for the 2d session of the 94th Congress. This contains the second half of the caucus agenda position on foreign affairs:

FOREIGN AFFAIRS—PART 2

DÉTENTE

"Détente" entails the search for a more constructive relationship with the Soviet Union. If pursued in an environment of mutual restraint, détente can provide the motivation to regulate differences, establish new modes of conduct and, quite possibly, transform the pattern of relations from one of confrontation and competition to one of compromise and cooperation. Recent global changes in attitude have made a policy of openness, reasonableness and responsibility necessary while making open and declared hostility unthinkable.

Each country has the nuclear capacity to destroy civilization as we know it so that failure to co-exist peacefully risks mankind's survival. U.S. military and intelligence spending far exceeds that necessary to maintain a credible deterrent and adequate defense against aggression.

The Caucus supports the Strategic Arms Limitation Talks (SALT) as a most sane alternative to massive and successive build-ups of strategic arms. As suggested by the SALT I agreement and the Vladivostok principles, the overall bilateral relationship between the U.S. and the U.S.S.R. will be less stable if strategic balance is sought through unrestrained competitive programs. The Caucus therefore supports efforts for prog-



one of the most urgent problems facing this Congress:

INQUIRY SAYS PRIVATE A-PLANT WILL SOAK ELECTRICITY USERS

(By Stan Benjamin)

WASHINGTON.—After 30 years of nonprofit uranium enrichment by a government monopoly, the Ford administration is promoting a private enrichment venture requiring so much federal support that nuclear fuel costs would rise some \$700 million a year or 34 per cent.

Electricity consumers would pay the bill. Administration officials say a private plant, planned for Dothan, Ala., would avoid some \$2.8 billion of taxpayer investment for the alternative, a new government plant at Portsmouth, Ohio, and would "pave the way" for private enterprise and competition.

But, in an Associated Press investigation, a key government official conceded that the taxpayers would have to invest up to \$1 billion to launch the private project; that electric utilities would pay 34 per cent more for atomic fuel to support the private operation; and that the project alone would bring neither private enterprise nor competition into uranium enrichment.

The investigation also shows that a new government plan could bring the U.S. Treasury more money than the taxes and royalties from a private plant and yet at the same time charge consumers less.

The U.S. Energy Research and Development Administration (ERDA) is expanding the three existing government plants at Oak Ridge, Tenn.; Paducah, Ky., and Portsmouth.

There is general agreement that a fourth plant is needed but disagreement whether it should be a Portsmouth "addon" or the private plant proposed by Uranium Enrichment Associates (UEA), a partnership of Bechtel Corp., Goodyear Tire and Rubber Co. and The Williams Companies, an oil-fertilizer-steel conglomerate.

ERDA, which concluded a year ago that the UEA proposal "does not achieve most goals of private enrichment," now is pushing it.

The UEA plant would use time-tested government technology and produce the same amount of uranium enrichment as a government "add-on" at roughly the same production cost, says ERDA.

But there the resemblance stops.

ERDA officials admit the UEA project would:

Require government guarantees that the plant would work.

Require the government to buy and stockpile a large chunk of UEA's early production to keep the plant operating at full capacity.

Charge higher prices and require the government to raise its own prices to persuade customers to deal with UEA.

Collect production costs plus aftertax profits of 15 per cent on equity investment, providing little incentive to restrain costs in a project whose chief contractors would be UEA partners Bechtel and Goodyear.

Require close government supervision of UEA-cost-control to protect both the taxpayer and the consumer.

Drain 60 per cent of UEA's profits and interest payments out of the U.S. economy to anticipated foreign investors and lenders.

And expose the government to the risk of having to take over a floundering, half-finished project if UEA can't complete it.

ERDA strongly supported an administration bill, the proposed "Nuclear Fuel Assurance Act," to make all this possible.

The congressional Joint Committee on Atomic Energy recently completed hearings on it and received a report by the General Accounting Office urging government construction of the next uranium enrichment plant.

"The proposal of Uranium Enrichment Associates," said the GAO, "is not acceptable."

ERDA Administrator Robert C. Seamans

Jr. expressed the same view to President Ford and Budget Director James T. Lynn a year ago. After ERDA officials met with representatives of the Office of Management and Budget, the Federal Energy Administration, UEA and the White House, however, Seamans changed his mind.

Two of former President Richard M. Nixon's budget directors, George P. Shultz and Caspar W. Weinberger, are directors of Bechtel Corp., a large construction firm whose stock is owned only by the Bechtel family and the corporate officers.

These Bechtel stockholders stand to reap some \$26 million a year in profits from the UEA project if no additional U.S. partners are brought into the deal and perhaps even more since UEA plans to award Bechtel the contract, worth an estimated \$250 million, to build the plant.

Another UEA partner Goodyear, which operates the government's Portsmouth plant under contract, also is slated to operate the proposed UEA plant.

Thus Bechtel and Goodyear would assure themselves of lucrative construction and operating contracts for the plant, without the competitive bidding that would select contractors for a government plant.

Sen. John O. Pastore, D-R.I., chairman of the joint committee, said during its hearing that the proposal seemed to guarantee UEA a profit and might amount to "another big giveaway program."

Ford administration witnesses—Seamans, Lynn, FEA Administrator Frank G. Zarb, Economic Adviser Paul W. MacAvoy and Asst. Atty. Gen. Thomas S. Kasper—argued in favor of the UEA project and said it would save taxpayers some \$2.8 billion, the cost of a new government plant.

But Jarvis L. Schwennesen, ERDA's assistant director for uranium enrichment and head of a government task force on the UEA proposal, admitted in a recent interview that the "saving" may be a billion dollars less than advertised.

In the enrichment program, the government does not sell uranium to atomic power utilities; they have to bring their own. The government charges them for making their uranium suitable for atomic fuel by "enriching" it. That means concentrating one kind of uranium, U-235, and separating out its near-twin, U-238.

UEA's proposal requests "a commitment that USG (the U.S. government) will purchase from UEA enriching service up to six million SWUs (enrichment units)" to help the private plant get started.

Schwennesen said the U.S. Treasury would have to lay out up to \$1 billion for these support purchases and stockpile this enriched uranium up to 10 years.

Interest lost by the Treasury on that outlay could total \$358 million or more, which ERDA would have to charge its own customers, he said.

Meanwhile uranium enrichment could not remain nonprofit as it is now.

Administration documents estimate that UEA would pay some \$70 million a year in taxes and royalties and collect other \$79 million as its 15 percent profit, thus charging customers some \$149 million more than an alternative nonprofit government plant.

To do this, UEA estimates, it would charge \$85 per enrichment unit, compared with the government's average price of \$54 at its three existing, lowercost plants.

Because the government plants are fully committed and could not take on potential UEA customers, there would be no competition between them, said Schwennesen. As UEA chairman Jerome W. Komes testified, "You are sold out, and we are the only store open in town."

But continuation of the government's low, nonprofit prices, Schwennesen said, would make atomic utilities balk at paying UEA's higher price. So ERDA has asked Congress to abandon nonprofit operation and to authorize "commercial" pricing which, the bill

specifies, "will not discourage" private enrichment plants.

ERDA proposed a \$76 support price which would cost the government's enrichment customers and, eventually, their electricity consumers an additional \$510 million a year.



K But, though we had plenty of money, there was nothing our money could buy.
 And the Gods of the Copybook Headings said: "If you don't work you die."
 "Then the Gods of the Market tumbled, and their smooth-tongued wizards withdrew,
 S And the hearts of the meanest were humbled and began to believe it was true
 That All Is Not Gold That Glitters, and Two and Two Make Four—
 Mr. the of Re- and The can du- re- we who als, hat ry- er- mly
 And the Gods of the Copybook Headings limped up to explain it once more."
 Today, we are reaping the whirlwind of years of sowing the wind of Collectivism. Too many Americans have allowed our Constitution to be subverted by the entrenched Gods of the Market-Place. Too many Americans have ceased to be vigilant for our Liberty, forgetting that Eternal Vigilance Is the Price of Liberty.
 Having intentionally kept up a contrived inflation, the gangsters who run our government and their "smooth-tongued wizards" in the communications media tell us that the "solution" to inflation is for us the citizens,

uphold and defend the Constitution. And by not getting off their backs until they have slashed government down to proper constitutional size. By demanding that they stop inflation by stopping the deficits and by once again making our money freely redeemable in gold at a realistic price. By demanding that they cease promoting more Marxism as a "solution" to the problems already brought on by decades of Marxism. By refusing to replace Marxist Congressman "A" with Marxist Congressman (or woman) "B", but with a constitutional conservative. By letting, in the words of Jefferson, "... no more be heard of confidence in man, but bind him down from mischief by the chains of the Constitution."
 The penalty for not forcing the present gangster-government to stop stealing our God-given rights was expressed by Kipling in the closing lines of his poem:
 "And that after this is accomplished, and the brave new world begins
 When all men are paid for existing and no man must pay for his sins,
 As surely as Water will wet us, as surely as Fire will burn,
 The Gods of the Copybook Headings with terror and slaughter return!"

DAVID TODD LEMMON,
 Springfield 45502.

URANIUM TALKS REPORT
 ANSWERED

HON. WILLIAM H. HARSHA

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Friday, April 30, 1976

Mr. HARSHA. Mr. Speaker, as the world comes to depend more and more on nuclear power for its electricity, this country will be called upon to expand its capacity to produce fuel for nuclear power plants. Uranium Enrichment Associates, which is the creation of the Bechtel Corp., one of the world's largest privately owned construction and engineering companies, has submitted a plan to build an expansion facility expected to cost \$5.7 billion. Some of Bechtel's competitors suspect that the company's plan to build this enrichment plant and two nuclear generating stations, is the result of its unusually close relations with both the Ford and Nixon administrations. These competitors say Bechtel may have been aided in Washington by former Government officials it has recently hired. Since last year, it has hired two former Cabinet members and the former general manager of the Atomic Energy Commission.

UEA wants to build this tremendously expensive plant near Dothan, Ala. The cost of the plant would be \$3.5 billion and the two power stations would cost \$2.2 billion, and would provide needed electricity for the new facility.

Because of the recognized need for massive capital investment, Bechtel initially experienced difficulty acquiring partners for UEA. However, in March of 1974, it hired Robert Hollingsworth, general manager of the AEC, as its manager of manpower services. That May it hired George Schultz, the former Secretary of the Treasury, as executive vice president and a director. Recently Mr. Schultz moved up to president. In 1975, it hired



Caspar Weinberger, the former Secretary of Health, Education, and Welfare, as vice president, director, and special counsel. These three comprise a highly talented and expensive stable of expertise toward acquisition of Government approval for a plan that could cost the American taxpayer \$3.1 billion for enriched uranium expansion.

It is not difficult to see why the Government has shelved plans to do the job itself. Mr. Percy Brewington, Jr., an official at the Energy Research and Development Administration says the shelved plans were drawn up by his staff and showed how the Government could build an addition to its enrichment plant in Portsmouth, Ohio, costing \$2.1 billion, considerably less than amount UEA is proposing to spend on a plant of roughly the same capacity.

In a recent Associated Press article appearing in the Columbus, Ohio Dispatch, Bechtel attempts to respond to an earlier AP report on the UEA plan and the presence of former White House officials on the Bechtel payroll.

Anybody that believes the response by Bechtel to the previous story by the Associated Press that Messrs. Hollingsworth, Schultz, and Weinberger had no part in this high-level negotiation, is politically naive.

Following is the response of Bechtel Corp. to the AP story:

URANIUM TALKS REPORT ANSWERED

SAN FRANCISCO.—The Bechtel Corp., a major partner in Uranium Enrichment Associates, which is proposing a private enrichment plant, says two former White House officials, now Bechtel directors, had no role in negotiations with the government on the project.

Bechtel issued a statement commenting on an Associated Press report on the uranium enrichment plan, which noted that George P. Schultz and Caspar W. Weinberger, both budget directors under former President Richard M. Nixon, now are on Bechtel's board of directors.

The AP report did not suggest that either Shultz or Weinberger was involved in negotiations with the government.

"In the discussions between UEA and the federal government on uranium enrichment, George P. Schultz and Caspar Weinberger of Bechtel have had no contact with the federal government. By policy and practice, they have not used and will not use their experience in senior government positions to represent Bechtel or its clients with the federal government," Bechtel said Thursday.

The Associated Press reported that the proposal by Bechtel, Goodyear Tire and Rubber Co. and the Williams Co.'s to build a private uranium enrichment plant would require government support that would increase the cost of atomic fuel to consumers some \$700 million a year.

Quoting from the group's own proposal, testimony by its chairman Jerome W. Komes, an interview with a project officer within the U.S. Energy Research and Development Administration and other documentation, the story reported that the private project would:

Add its own profit and the cost of federal taxes and royalties to the cost of enriched uranium, which the federal government now processes at cost for atomic utilities.

Require the government to abandon its own non-profit pricing and charge a higher "commercial" price to encourage potential customers to deal with the private plant, whose price would be higher still.

Require the government to buy part of the private plant's initial output, involving up to \$1 billion in tax money, whose lost

interest would be repaid by the government's uranium enrichment customers.

Bechtel's statement charged "There are many inaccuracies, distortions, and unsupported conclusions in the Associated Press story on uranium enrichment."

But the statement did not support this with any specific examples.

Asked to cite any inaccuracies in the story, Bechtel's assistant manager for public relations, George Coffey, said he was unable to do so.

Instead, the statement offered a description of benefits seen by Bechtel in the UEA plan.

It said, "Rather than burdening the U.S. budget, the UEA plant will in its normal life earn \$3 billion to \$4 billion in taxes and royalties paid to the government, and earn for the nation \$8 to \$10 billion in favorable balance of payments.

"UEA will pay more than \$2.7 billion in federal income tax over the 25-year life of the plant; about \$200 million in state income taxes and over \$400 million in property and other local taxes to the benefit of local governments."

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