The original documents are located in Box 38, folder "Uranium Enrichment - Meeting with House Republicans, August 4, 1976" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

Energy
NFAA

MEETING WITH PRESIDENT AND HOUSE
REPUBLICANS ON NFAA
Wednesday, August 4, 1976
8:30 - 9:00
Cabinet Room

7/26/76

FACT SHEET

NUCLEAR FUEL ASSURANCE ACT (H.R. 8401 AND S. 2035)

What the Bill Provides

° Authorizes ERDA to enter into cooperative arrangements with private firms wishing to finance, build, own and operate uranium enrichment facilities -- subject to:
- passage of the necessary appropriations act; and
- congressional review and approval of each cooperative arrangement.

° Arrangements can provide for temporary assurances and cooperation such as:
- making Government-owned technology available and warranting that it will work -- for which industry pays royalties to the Federal Treasury.
- selling and providing warranties on certain materials and equipment available only from the Government -- on a full cost recovery basis.
- technology assistance -- on a full cost recovery basis.
- purchase of enrichment services from private producers or selling such services to producers from the Government stockpile to accommodate plant start up and loading problems.
- assumption of domestic assets and project liabilities in the unlikely event a project falters -- up to a limit of $8 billion for all covered projects. (Expenditure of any of the $8 billion to assume assets and liabilities is unlikely.)

° Authorizes and directs ERDA to initiate construction planning and design, construction and operation for expansion of an existing Government-owned uranium enrichment facility; and authorizes the appropriation of $255 million to begin work on such a project.

Why Legislation is Needed

° To increase the United States' capacity to produce enriched uranium to fuel domestic and foreign nuclear power plants. Existing capacity (including current expansion) has been fully committed since July 1974.

° To retain U.S. leadership as a world supplier of uranium enrichment services and technology for the peaceful uses of nuclear power -- and thus strengthen the U.S. ability to require rigid safeguards to control proliferation.

° To begin the transition to a private competitive uranium enrichment industry -- ending the Government monopoly and avoiding the need for Federal expenditures for capacity that can be provided by the private sector. (It would cost the

Federal Government between $10 and $12 billion (in 1976 dollars) to build the four plants which could be provided by the private sector under the NFAA.)

- To overcome -- through limited and temporary Government assurances and cooperation -- present obstacles to obtaining financing from normal commercial sources (e.g., banks, insurance companies, retirement funds). Principal obstacles are:
  - lack of commercial experience with the classified technology,
  - large size of the capital investment required for each plant,
  - long time before investment is paid back.

- To provide a complementary expansion of existing Government-owned uranium enrichment capacity -- which will help conserve limited natural uranium resources and supplement the national stockpile of enriched uranium.

How the Bill Would Be Implemented

- ERDA would -- subject to congressional approval of each contract -- enter into cooperative arrangements with private firms wishing to finance, build, own and operate enrichment plants. (Four private firms have submitted proposals and negotiations are underway.)

- ERDA would simultaneously proceed with planning and other activity necessary to the construction of an add-on Government plant.

- Foreign investment in private U.S. projects would be permitted only under conditions which insure U.S. control of projects.

- No foreign access to enrichment technology would be permitted.

- Owners of private projects will take substantial equity risks in order to participate in the program.

- No Government guarantee of profit.

- Private plants will be subject to licensing by the independent Nuclear Regulatory Commission (NRC) which must consider safety, environmental, safeguards and anti-trust matters and must also assure that projects are and will remain under the control of U.S. citizens.

7/27/76

RESPONSES TO COMMON CRITICISMS OF THE NUCLEAR FUEL ASSURANCE ACT (NFAA) S. 2035; H.R. 8401

CRITICISM	RESPONSE
Need for Capacity	
New capacity to enrich uranium for nuclear power plants is not needed.	All available capacity in the U.S. (Government-owned plants) including current expansion, has been fully committed for the life of the plants since July 1974. Commitments to new capacity are needed now so that fuel will be available in the mid-1980s for nuclear power hear and abroad
No new capacity is needed beyond the Government-owned add-on plant provided for in NFAA.	Capacity provided by an add-on plant would permit ERDA to reduce the drain on U.S. natural uranium supplies when meeting its enrichment service contracts, and contributes to the national stockpile. Additional uranium enrichment capacity is needed to serve customers who are now or will be seeking to place orders.
Construction of privately financed plants will result in excess capacity.	Privately-financed plants will come into being only if there are sufficient firmly-committed customers for each plant to justify its construction. The necessity for private firms to have firmly committed contracts before risking their capital and other resources will preclude building of excess capacity.
Operation of Government plants will be curtailed due to availability of private capacity.	Government-owned plants will continue to operate at full capacity to meet commitments aready made. Operation will not be cut back.
Costs to Consumers	
Enrichment services from private plants will be more costly than from Government-owned plants.	The price of service from any new capacity will be higher than from existing capacity, most of which were built years ago. Costs of producing enriched fuel from new Government-owned capacity will be as costly and possibly more costly than from new privately-financed capacity. Competition permitted under the NFAA should reduce future costs from private enrichment plants.

CRITICISM	RESPONSE
Government Rather than Private	
The Government should provide all needed new capacity.	From 9 to 12 plants roughly equivalent in capacity to each of the 3 existing Government-owned plants must be committed to over the next 15-20 years. If the Government financed them, the taxpayers will have to put up between $20-50 billion - which would not be recovered for many years. . Uranium enrichment is the type of commercial/industrial process normally performed by private industry. There is no need for Government to do so when the private sector is ready and willing to do it - with only limited, temporary assurances and cooperation from the Government. The private sector can provide the required financing - making it unnecessary for the Government to spend the required $25-50 billion.
Control of Technology	
Privately-financed plants will mean loss of Government control over sensitive technology.	Government controls over technology will be maintained. No foreign access to technology is provided under NFAA. In fact, under existing law and NFAA, projects must remain under the control of U.S. citizens.
Proliferation	
Building additional uranium enrichment capacity will contribute to proliferation.	The opposite is true. Maintaining its position as a leading and competitive supplier of nuclear fuel and equipment for peaceful purposes will permit the U.S. to require stringent safeguards, thus furthering our non-proliferation objectives. Availability of reliable fuel supplies from the U.S. reduces the need for other nations to develop uranium enrichment technology and build plants.
Enactment of NFAA would yield responsibility for U.S. nuclear export policies to multinational corporations and encourage mass nuclear exports.	Government control of U.S. nuclear exports will not be affected by the NFAA. Firms that finance, build, own and operate plants under the provisions of NFAA and Congressionally approved contracts will still be subject to export controls. Exports will be subject to stringent safeguards requirements provided for in

CRITICISM	RESPONSE
	Bilateral Agreements for Cooperation between the U.S. Government and Governments of foreign customers (such agreements also require Congressional approval).
Private Sector Risk	
Private projects will assume no risk and be guaranteed a substantial profit.	Private equity, representing hundreds of millions of dollars for each project, will be at substantial risk. The Government will not guarantee any profit. The extent of private risk will be made clear for each project in contracts between ERDA and private firms. Under NFAA, such contracts cannot be signed unless they are approved by the Congress, so there will be additional opportunity to evaluate the risks.

7/27/76

ADMINISTRATION POSITION ON PROPOSED AMENDMENTS TO THE NUCLEAR FUEL ASSURANCE ACT (NFAA), H.R.8401

Bingham amendment, to strike all provisions of the NFAA except those relating to the add-on facility at Portsmouth.

ERDA opposes this amendment because the amendment would negate the main thrust of the bill, which is to meet nuclear fuel requirements by establishing a private, competitive enrichment industry. Establishment of such an industry would serve the national interest for the following reasons:

1. It would avoid unnecessary further expansion of the public sector at the expense of the private sector in a situation where the activity involved is essentially commercial/industrial, not governmental in nature.

2. It would broaden and diversify the Nation's supply base for uranium enrichment.

3. It would secure the advantages of a competitive private industry, which could be expected over the long term to produce technology improvements and cost savings to the consumer.

4. It would avoid additional burdens on the Federal budget, particularly in a time of great budgetary stringency. Specifically, it would cost the taxpayers between $10-12 billion (in 1976 dollars) for just the four plants which could be built by the private sector under the NFAA. In total, it would avoid $25 to $50 billion (in 1976 dollars) in additional Federal outlays over the next 15-20 years, and such outlays would be recovered only after a lengthy period.

5. It would avoid the danger that continued Federal monopoly in enrichment would lead to an unprecedented degree of Federal control over the supply of electric energy as reliance on nuclear power increases.

Bingham amendment, to preclude execution of any contracts under the NFAA until March 20, 1977.

ERDA opposes this amendment for the following reasons:

1. The U.S. has not taken any additional orders for uranium enrichment, domestic or foriegn, since the summer of 1974. A commitment to additional capacity is urgently needed in order to meet the needs which have emerged since that time, and to permit domestic utilities to firmly commit to nuclear power projects based on contracts with new domestic enrichers. A delay until March 20, 1977, would not be in the national interest.

2. Due to long lead-times in the construction of uranium enrichment facilities, commitments to build new capacity need to be made far in advance (8-10 years) of project demand for enrichment services.

3. The prospect of a delay until next spring would impair the momentum of ERDA's current negotiations with four private firms that wish to finance, build, own and operate enrichment plants.

4. A delay until next spring is not needed to protect congressional concerns. Under terms of the NFAA each proposed contract with a private firm would have to be submitted to the Congress by ERDA for review and approval before it could be signed.

Congressman Moss amendment, to restrict foreign investment participation under the NFAA.

ERDA opposes this amendment for the following reasons:

1. Investment restriction is not necessary to protect the national interest because foreign control will be contractually limited to 45% control regardless of extent of financial interest. Moreover, NRC must, as a condition of granting and maintaining a license for construction and operation of enrichment plants, determine that each project is now owned, controlled or dominated by an alien, foreign corporation or foreign government.

2. U.S. government guarantees provided by NFAA would be confined to protection of domestic investment.

3. Foreign access to classified uranium enrichment technology is not authorized by NFAA and is precluded by the Atomic Energy Act of 1954.

4. Foreign investment in domestic enrichment projects is beneficial because:

a. foreign capital reduces demands on domestic capital market, and

b. foreign capital invested in domestic projects should reduce the likelihood of investment of those funds for the development of enrichment technology or the building of enrichment plants in foreign countries.

Long amendment, to eliminate the $8 billion authorization and the Congressional contract review procedure in NFAA, and to require that contract authority for each contract not exceed such sums as may from time to time be authorized and appropriated.

ERDA opposes the elimination of the $8 billion authorization and the requirement that contract authority for each arrangement may not exceed such sums as may from time to time be authorized and appropriated, for the following reasons:

1. By eliminating the $8 billion authorization, the amendment would impede or seriously impair ERDA's ability to bring to a conculsion negotiations on several cooperative arrangements with a view to establishing a competitive industry.

2. The requirement for separate authorization and appropriation action for each cooperative arrangement would inevitably delay the process for selection by the Executive Branch and approval (or rejection) by the Congress of particular cooperative arrangements, thus further postponing the time at which new private enterprises are established and placed in a position to take orders and meet the ongoing demands, both domestic and foreign, for enrichment services.

3. Such delays would have an adverse impact on the ability of domestic utilities to commit to nuclear power to meet the domestic energy crisis.

4. Such a delay would likewise have an adverse impact upon meeting foreign policy objectives in the energy area.

5. The requirement that authorization and appropriation for each cooperative arrangement be provided separately by the Congress is not necessary because the NFAA as reported out provides adequately for separate and specific congressional review and approve each cooperative arrangement.

The pattern established by the NFAA, authorizing a lump sum to cover a number of cooperative arrangements would provide a more logical and balanced framework for launching a private uranium enrichment industry than would be proposed requirement for separate authorization and appropriation actions.

Myers amendment, to require all ERDA employees with duties under NFAA to file an annual report of all financial interests in an applicant for or recipient of financial assistance, which would be available to the public.

ERDA favors the broad objectives of the Myers amendment and has no objection to disclosure by ERDA employees of their financial interests within the accepted framework for preventing conflicts of interest within the Executive Branch. However, ERDA is opposed to the Myers amendment as such for the following reasons:

1. ERDA already has a comprehensive reporting and control system regarding the financial interests of its employees, established under E.O. 11222, to prevent conflicts. The Myers reporting requirement would duplicate existing requirements to a large extent.

2. The Myers amendment would single out particular ERDA employees -- i.e., those involved in the administration of the NFAA -- for special scrutiny and treatment. This could create a false impression that those ERDA staff members involved with NFAA have special conflict-of-interest problems and cannot be trusted. Changes of the type covered by the Myers amendment, if desired by the Congress, should be adopted in a comprehensive way rather than single out particular programs and thus potentially resulting in a piecemeal and inconsistent approach.

3. No other Executive Branch agency (excluding regulatory agencies) has specific conflict-of-interest reporting requirements imposed by statute.

4. Enactment of the Myers amendment would subject an employee to criminal penalties for mere failure to report a financial interest, even where the interest is in the amount which has been exempted from the conflict-of-interest statutes (18 USC 208) as inconsequential.

5. The public availability of the financial reports under the Myers amendment is contrary to policy underlying the Privacy Act, which protects the legitimate rights to privacy of individuals.

THE WHITE HOUSE

WASHINGTON

August 3, 1976

MEETING WITH SELECTED HOUSE REPUBLICANS
ON THE NUCLEAR FUEL ASSURANCE ACT
Wednesday, August 4, 1976
8:30 a.m. (30 minutes)
The Cabinet Room

From: Jim Connor

I. PURPOSE

To obtain support for your Nuclear Fuel Assurance Act from Republicans who either were not present for the vote last Friday, or who voted against our position.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

Last Friday, the Bingham amendment to strip the NFAA of all provisions except the Portsmouth add-on passed by a vote of 170-168. That vote was in the committee of the whole. Further action on the bill was deferred until 10:00 a.m., Wednesday, August 4 when the bill will be brought to the floor and another vote taken on the Bingham amendment.

The vote on the Bingham amendment was as follows:

	For	Against	Not Voting
Democrat	148	69	71
Republican	22	99	24

The principal reasons for Republican votes against the bill appear to be:

- Perception of a give-away; i.e., too much in the way of guarantees to industry.
- The basic choice of Government versus private industry is not understood. Some are approaching the bill as if it is a choice between Government assurances versus private industry proceeding on its own. They have not recognized that the

real choice is between maintaining a Government monopoly versus limited assurances to provide a transition to a private industry.

- The fine distinction between loan guarantees (as in the Syn Fuels Bill) and the guarantees in the NFAA are not understood.
- Charges of special treatment for Bechtel Corporation, and George Shultz and Cap Weinberger.
- Environmentalists and anti-nuclear groups are working against the bill.

The Speaker and Majority Leader are supporting the bill. Support is also coming from the nuclear industry, the Alabama and Ohio delegations, and the construction craft unions. The UAW and the UMW are opposing the bill.

B. Participants. See TAB A.

C. Press Plan: White House Photographer

III. TALKING POINTS: See Tab B.

PARTICIPANTS

The President
The Vice President
The Administrator of FEA

HOUSE

Anderson, John
Biester, Pete
Cohen, Bill
Conte, Sil
Coughlin, Larry
Crane, Phio
du Pont, Pete
Fenwick, Millicent
Fish, Ham
Gilman, Ben
Heckler, Peggy
Heinz, John
Jeffords, Jim
Kasten, Bob
Kemp, Jack
Lujan, Manny
Peyser, Peter
Quie, Al
Railsback, Tom
Rhodes, John

STAFF

Marsh, Jack
Cheney, Dick
Cannon, Jim
Seidman, Bill
Greenspan, Alan
Friedersdorf, Max
Connor, Jim
Leppert, Charlie
Mitchell, Jim
Loeffler, Tom
Rowland, Pat
Wolthuis, Bob

REGRETS

Broyhill
Gradison
Mosher
Paul
Rinaldo
Schulze
Whalen
Steiger, Sam
Frey
Hansen
Findley
Hillis
Sebelius
Esch
Ruppe
Lott
Steelman
Wampler
Whitehurst
Conlan
Skubitz
Michel
Gude
Eshleman
McCollister
Cochran (says he will vote with us)
Clancy (says he will vote with us)
Schneebeli (says he will vote with us
Armstrong (says he made a mistake las
week)

TALKING POINTS - Meeting with Selected House Republicans on the Nuclear Fuel Assurance Act

1. I am glad you could all come down to meet with me today. We have an extremely important vote coming up on the Nuclear Fuel Assurance Act. As you know, a vote was taken on Friday in which we were defeated by 2 votes. I hope to persuade those of you who felt it necessary to vote against this legislation that there are some very strong reasons for supporting it.

2. Your votes on this issue will to a great extent determine the future of the electrical utility industry in this country. If we don't establish now a competitive private industry, we can be sure that the future will be one in which one of the major fuel supplies of the utility industry is a government monopoly. That is an expansion of the government's role which is far greater than any of us I think wish to see.

3. I know there are a number of problems that have been raised about the bill, and I know that each of you who voted against it had some concerns. Those concerns deal with the kinds of guarantees that will be offered, with the question of whether this is real competition, with why any guarantees are necessary. I think we can answer those question for you and I have brought together several members of my staff who can deal with the specific issue.

4. I would like, however, to make a number of initial points:

   First, by voting for this legislation today as we have proposed it, the Congress is not obligating itself to accept any or all of the proposed contracts that would be negotiated between the government and the private enrichers. Those contracts have not been completed yet, they will not be completed until ERDA is satisfied that they are in the best interest of the government and the taxpayers, and they will not be transmitted to the Congress until I am satisfied that they are in the public interest. Finally, the contracts will not go into effect until the Congress has satisfied itself that each one does satisfy the public inte

   Second, the real choice here is between proceeding ahead as we have done in the past with a subsidized government owned industry on a piece by piece basis. If we do that, we will commit ourselves inevitably to

expenditures between $30 to 50 million in the next 20 years. We won't get out of debt in that situation until well into the 21st century. I believe that there are many better uses to which we can put the taxpayers' money, in the nuclear area, in other areas of energy, in other kinds of programs, and in just giving it back to the taxpayers to spend as they see fit. But, make no mistake about it, once the Congress , by action or inaction, makes it the government's responsibility, we will have to lay out that kind of money on a regular and predictable schedule.

Third, there has been a lot of talk about excessive guarantees. The fact of the matter is that we are not talking about guarantees here, and when you receive the contract for your scrutiny, you will realize that what we are talking about primarily are warranties for government technology, warranties for government supplied technology which the private plant operators will purchase from the government at a commercial rate. What we are really saying is that we are willing to stand behind what we are selling. To me that seems simple enough and fair enough.

Fourth, there are some circumstances that people can conceive of when they lay awake at night which might result in the private operators not being able to bring these plants into existence. Most of this springs from the fact that, unlike other kinds of technology, this technology has been and will remain very highly classified. Financial institutions cannot get a broad range of independent advice through which they can assure themselves that they are abiding by their fiduciary duties when they invest other people's money in such large scale projects. If these extremely unlikely circumstances occur, the government is inclined to buy out the private plants and operate them as they would government plants. If that occurs , the equity of the investors is at risk. If the investors abide by all of the requirements we impose on them, if they are on schedule and on budget, they will be entitled to a full return of their equity. The government then would operate the plants and pay off the debt through the sales of material. If the operators do not meet budgets or schedules, then their equity will be reduced. Accordingly, there is no guarantee of the equity except insofar as there is performance. Now, the chances of some of these very unlikely events occurring are very, very slim--1 in 100, 1 in 1000, perhaps even greater. If those situations occur,

then the government is no worse off essentially than it would have been had it built the plants itself to start with. But, given the odds I have talked about, we are a lot better off if we get this obligation to continue to supply nuclear fuel off the government's back.

5. Now, any questions that you might like to ask either of me or my staff, we will be glad to answer.

THE WHITE HOUSE

WASHINGTON

August 3, 1976

MEETING WITH SELECTED HOUSE REPUBLICANS
ON THE NUCLEAR FUEL ASSURANCE ACT
Wednesday, August 4, 1976
8:30 a.m. (30 minutes)
The Cabinet Room

From: Jim Connor

I. PURPOSE

To obtain support for your Nuclear Fuel Assurance Act from Republicans who either were not present for the vote last Friday, or who voted against our position.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

Last Friday, the Bingham amendment to strip the NFAA of all provisions except the Portsmouth add-on passed by a vote of 170-168. That vote was in the committee of the whole. Further action on the bill was deferred until 10:00 a.m., Wednesday, August 4 when the bill will be brought to the floor and another vote taken on the Bingham amendment.

The vote on the Bingham amendment was as follows:

	For	Against	Not Voting
Democrat	148	69	71
Republican	22	99	24

The principal reasons for Republican votes against the bill appear to be:

- Perception of a give-away; i.e., too much in the way of guarantees to industry.
- The basic choice of Government versus private industry is not understood. Some are approaching the bill as if it is a choice between Government assurances versus private industry proceeding on its own. They have not recognized that the

real choice is between maintaining a Government monopoly versus limited assurances to provide a transition to a private industry.

- The fine distinction between loan guarantees (as in the Syn Fuels Bill) and the guarantees in the NFAA are not understood.
- Charges of special treatment for Bechtel Corporation, and George Shultz and Cap Weinberger.
- Environmentalists and anti-nuclear groups are working against the bill.

The Speaker and Majority Leader are supporting the bill. Support is also coming from the nuclear industry, the Alabama and Ohio delegations, and the construction craft unions. The UAW and the UMW are opposing the bill.

B. Participants. See TAB A.

C. Press Plan: White House Photographer

III. TALKING POINTS: See Tab B.

PARTICIPANTS

The President
The Vice President
The Administrator of FEA

HOUSE

Anderson, John
Biester, Pete
Cohen, Bill
Conte, Sil
Coughlin, Larry
Crane, Phio
du Pont, Pete
Fenwick, Millicent
Fish, Ham
Gilman, Ben
Heckler, Peggy
Heinz, John
Jeffords, Jim
Kasten, Bob
Kemp, Jack
Lujan, Manny
Peyser, Peter
Quie, Al
Railsback, Tom
Rhodes, John

STAFF

Marsh, Jack
Cheney, Dick
Cannon, Jim
Seidman, Bill
Greenspan, Alan
Friedersdorf, Max
Connor, Jim
Leppert, Charlie
Mitchell, Jim
Loeffler, Tom
Rowland, Pat
Wolthuis, Bob

REGRETS

Broyhill
Gradison
Mosher
Paul
Rinaldo
Schulze
Whalen
Steiger, Sam
Frey
Hansen
Findley
Hillis
Sebelius
Esch
Ruppe
Lott
Steelman
Wampler
Whitehurst
Conlan
Skubitz
Michel
Gude
Eshleman
McCollister
Cochran (says he will vote with us)
Clancy (says he will vote with us)
Schneebeli (says he will vote with us
Armstrong (says he made a mistake las
week)

TALKING POINTS - Meeting with Selected House Republicans on the Nuclear Fuel Assurance Act

1. I am glad you could all come down to meet with me today. We have an extremely important vote coming up on the Nuclear Fuel Assurance Act. As you know, a vote was taken on Friday in which we were defeated by 2 votes. I hope to persuade those of you who felt it necessary to vote against this legislation that there are some very strong reasons for supporting it.

2. Your votes on this issue will to a great extent determine the future of the electrical utility industry in this country. If we don't establish now a competitive private industry, we can be sure that the future will be one in which one of the major fuel supplies of the utility industry is a government monopoly. That is an expansion of the government's role which is far greater than any of us I think wish to see.

3. I know there are a number of problems that have been raised about the bill, and I know that each of you who voted against it had some concerns. Those concerns deal with the kinds of guarantees that will be offered, with the question of whether this is real competition, with why any guarantees are necessary. I think we can answer those question for you and I have brought together several members of my staff who can deal with the specific issue.

4. I would like, however, to make a number of initial points:

   First, by voting for this legislation today as we have proposed it, the Congress is not obligating itself to accept any or all of the proposed contracts that would be negotiated between the government and the private enrichers. Those contracts have not been completed yet, they will not be completed until ERDA is satisfied that they are in the best interest of the government and the taxpayers, and they will not be transmitted to the Congress until I am satisfied that they are in the public interest. Finally, the contracts will not go into effect until the Congress has satisfied itself that each one does satisfy the public inte

   Second, the real choice here is between proceeding ahead as we have done in the past with a subsidized government owned industry on a piece by piece basis. If we do that, we will commit ourselves inevitably to

expenditures between $30 to 50 million in the next 20 years. We won't get out of debt in that situation until well into the 21st century. I believe that there are many better uses to which we can put the taxpayers' money, in the nuclear area, in other areas of energy, in other kinds of programs, and in just giving it back to the taxpayers to spend as they see fit. But, make no mistake about it, once the Congress , by action or inaction, makes it the government's responsibility, we will have to lay out that kind of money on a regular and predictable schedule.

Third, there has been a lot of talk about excessive guarantees. The fact of the matter is that we are not talking about guarantees here, and when you receive the contract for your scrutiny, you will realize that what we are talking about primarily are warranties for government technology, warranties for government supplied technology which the private plant operators will purchase from the government at a commercial rate. What we are really saying is that we are willing to stand behind what we are selling. To me that seems simple enough and fair enough.

Fourth, there are some circumstances that people can conceive of when they lay awake at night which might result in the private operators not being able to bring these plants into existence. Most of this springs from the fact that, unlike other kinds of technology, this technology has been and will remain very highly classified. Financial institutions cannot get a broad range of independent advice through which they can assure themselves that they are abiding by their fiduciary duties when they invest other people's money in such large scale projects. If these extremely unlikely circumstances occur, the government is inclined to buy out the private plants and operate them as they would government plants. If that occurs , the equity of the investors is at risk. If the investors abide by all of the requirements we impose on them, if they are on schedule and on budget, they will be entitled to a full return of their equity. The government then would operate the plants and pay off the debt through the sales of material. If the operators do not meet budgets or schedules, then their equity will be reduced. Accordingly, there is no guarantee of the equity except insofar as there is performance. Now, the chances of some of these very unlikely events occurring are very, very slim--1 in 100, 1 in 1000, perhaps even greater. If those situations occur,

then the government is no worse off essentially than it would have been had it built the plants itself to start with. But, given the odds I have talked about, we are a lot better off if we get this obligation to continue to supply nuclear fuel off the government's back.

5. Now, any questions that you might like to ask either of me or my staff, we will be glad to answer.