

The original documents are located in Box 52, folder “1975/10/03 - President” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

PA The war
can form
Proton

MEETING WITH THE PRESIDENT
RE: Uranium Enrichment

Friday, October 3, 1975
10:30 a.m.

Oval Office

* Commitment from
Proton as to
a definite date

Report + ✓
Hearings + ✓
with
Mtn "

out
Jules 5/31

Try for in later phase
would say 11/3

* (Horn) Baker
* form Anderson



October 3, 1975


THE WHITE HOUSE

WASHINGTON

October 2, 1975

MEETING WITH ROBERT SEAMANS
AND ROBERT FRI

Friday, October 3, 1975
10:30 a.m. (15 minutes)
The Oval Office

From: Jim Cannon 

I. PURPOSE

To encourage Administrator Seamans and Deputy Administrator Fri to continue and strengthen their efforts to gain Congressional acceptance of your June 26 uranium enrichment proposal.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background:

- . Once your June 26 proposal was sent to Congress, Seamans delegated lead responsibility for follow-up to an ERDA committee headed by one of his Assistant Administrators (Roberts). ERDA did not mount an effective effort to communicate and sell the plan on the Hill, or to counter the expected initial wave of negative Congressional reaction.
- . Domestic Council staff pushed ERDA to undertake a strong follow-up effort with considerable participation by Seamans and Fri. Some progress is now being made but much remains to be done. Over the past month:
 - . Seamans or Fri have personally briefed 13 of the 18 members of the Joint Committee on Atomic Energy (a summary of members' reactions previously provided for your meeting with Senator Baker is again attached at Tab A).
 - . Seamans has now created a project office and is developing an action plan.

- Other developments include:
 - ERDA negotiations with UEA are continuing with a draft contract expected by October 15.
 - The UEA formal partnership agreement with Goodyear, previously promised by September 30, is now expected on October 7. UEA indicates another major industrial firm will also become a partner within the next few days.
 - The first draft of the GAO report is poor in quality and critical of the Administration's proposal. ERDA, OMB and Domestic Council staff are working with GAO to get a fair report and are planning for a quick response to the report once it becomes available publicly -- to counter its expected negative impact.
- B. Participants: Dr. Robert Seamans, Robert Fri.
Staff: Jim Cannon.
- C. Press Plan: Meeting will be announced routinely;
White House Photographer.

III. TALKING POINTS

- I would like to have a brief report on your progress in getting acceptance of our uranium enrichment program.
- We knew that a major effort would be needed to explain and sell the program to the Congress. I am pleased that (1) you are making good progress, and (2) you are committed to a strong effort, with considerable personal involvement in the weeks ahead.
- I recognize that there is strong pressure (e.g., from Senator Baker) to proceed with a Government-owned add-on diffusion plant and put off private industry involvement. Though I want planning for an add-on plant to continue on a low key basis, this should not interfere with the primary thrust of our plan to have industry finance and build the next plant.



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

September 26, 1975

TO: GLENN SCHLEEDE
DOMESTIC COUNCIL

FROM: HOLLISTER CANTUS
ERDA CONGRESSIONAL RELATIONS

Handwritten signature/initials

PRESIDENTIAL BRIEFING PAPER ON NUCLEAR FUEL ASSURANCE ACT

Per our telephone conversation this morning, the following information may be of assistance to you in preparing a briefing paper for the President on initial Congressional reaction to the proposed Nuclear Fuel Assurance Act.

ERDA has been pursuing this subject at two levels simultaneously: our Administrator, Bob Seamans, our Deputy Administrator, Bob Fri, and our Assistant Administrator for Nuclear Energy, Dick Roberts, have been briefing the members of the Joint Atomic Energy Committee individually. As of this morning we have been able to talk to 13 of the 18 members of the JCAE plus Senator Bellmon. In addition there have been numerous staff-level briefings for non-JCAE staffers.

The general reaction has been two-fold: There is a reluctance on the part of some of the JCAE members to commit themselves to a position prior to the release of the GAO study -- presently expected out on October 1st-- and a universal recognition of the need for additional enrichment capacity for the United States. No strong opinions have been propounded in opposition to the President's proposal as a whole, although the Chairman, Senator Pastore, has declined to be briefed and several members have serious concerns for certain aspects of the plan.

Individual reactions expressed to us have been as follows:

Senator Jackson -- Generally favorable since it fits into his basic philosophy on the government role in the commercialization of the synthetic fuels industry. His concern was whether private industry could raise the required capital without additional financial guarantees. He was very receptive, as one might expect, to the impact this industry would have on the employment problem, specifically in the plumbing and building trades. He is concerned that the so-called "environmentalists" would seize this opportunity to challenge nuclear growth.



Senator Symington -- Generally favorable to the plan but has very great concerns for the growing trend of Government guarantees for private industry, the potential for proliferation of nuclear enrichment technology to foreign countries, and the problems associated with safeguarding nuclear material. The Senator recognizes that the uranium enrichment "genie" is out of the bottle and therefore, if the U.S. is to play a role in the formation of regulations and international agreements to safeguard materials and technology, it has to be a participant in the world market arena.

Senator Montoya -- Somewhat surprisingly, Senator Montoya approves of the concept of a competitive nuclear fuel enrichment industry. While tending toward the preservation of the government's role in gaseous diffusion plants, he had no objection to the commercialization of the centrifuge technology. He managed to work into the conversation his belief that the enrichment plants ought to be close to the source of uranium ore -- like New Mexico? He agrees that all interests will be best served by prompt hearings. He is not yet aware of which subcommittee Sen. Pastore will task with this subject. (Sen. Montoya chairs the Legislative Subcommittee).

Senator Baker -- According to his speech before the American Nuclear Society, he favors the commercialization of the centrifuge technology after the government builds and operates a centrifuge demonstration plant (at Oak Ridge). In the interim, he stated that the Government ought to add on to the existing plant (diffusion) at Portsmouth rather than the UEA proposal. There may have been more of a "home consumption" element to his speech than a firm commitment to his suggestion. He left himself some maneuvering room. Nonetheless, his apparent opposition to the President's proposal leaves the JCAE Minority in a difficult position.

Senator Case -- His reaction was one of benevolent neutrality. He may support the proposal once he has sorted out in his own mind what the proper level of government participation should be -- in this and all other areas of the private sector industries. He is reassured by the lack of direct financial involvement on the part of the government unless there is default or a clear need for the add-on at Portsmouth. He also expressed concern over the need for clear definition, by ERDA and NRC, of the roles each will play to ensure the safeguarding of the technology.

Senator Buckley -- Fully supports the proposal "because of my basic philosophy which would include the sale by the Government of TVA."

Rep. Price -- Will withhold judgement until after he has seen the GAO Report. It is likely that Mel will oppose the proposal since he has fully supported the retention of "this technology built by and for the taxpayers" within the federal Government.

Rep. Ponce -- "You will have no problem with me on this one". He is concerned, however, by the inability of the IAEA to exercise real control over nuclear materials and technology overseas. He also expressed



concern that the Government might be moving too far and too fast in the whole area of guarantees. This statement was made the day after the EIA announcement and so can be taken with a grain of salt.

Rep. McCormack -- Mike is increasingly concerned by the anti-big business and anti-energy positions being expressed by the Congress and the Nader-ites respectively. He sees this issue as another opportunity to fight the anti-nuclear growth issue. However, since he is so busy elsewhere, he cannot play a significant role on this one. He strongly suggests that the President commence a series of "fireside energy chats" addressing the most difficult subjects first and, weekly if possible, using these chats to educate the public on energy issues and their complex interrelationships. He sees this as also a means through which to focus and control the debates. With regard to this specific program, Mike indicated that it made more sense to him to make the switch to commercialize uranium enrichment at the same time we switch to the centrifuge process.

Rep. Moss -- As a co-sponsor of the request for a GAO audit, John did not want to comment on the proposal without seeing the GAO study. He expressed concern over the trend toward big petroleum companies moving into the other energy areas, such as uranium enrichment. Chet Holifield is John Moss's mentor on the JCAE and may be guiding his present views.

Rep. Anderson -- John is one of the most knowledgeable members on this subject. He will lead the charge on the minority (House) side on this issue. He suggests we continue to brief the members with high-level but low-profile efforts until the GAO study is out. Then he suggests we bring out the technical experts to refute the expected unfavorable report.

Rep. Horton -- Frank has done his homework on this issue but is not committed one way or the other. He expressed concern over the partnership arrangements in UEA, both as to the extent of foreign involvement and the personalities involved in the domestic corporations. He suggests a fixed timetable for the initiation of the "hedge plan" be made public as soon as possible. He is also concerned over the extent to which the JCAE would be able to exercise control over all contractual agreements which impose burdens or obligations on the Government. He is categorized as neutral/leaning against on this issue. Ed Bauser, former staff director on the JCAE, has been hired as a consultant to Horton on this program.

Senator Bellmon -- Although not a JCAE member, the Senator is very current on this proposal through his visits to the centrifuge experiment at Oak Ridge and a series of briefings by UEA and the centrifuge companies. He fully supports the program and has spoken to Senator Pearson to urge that he lead the minority side (Senate) on this issue in the face of a possible Baker fallout. He reports that Senator Pearson is willing to do so. ERDA-Pearson discussions have been scheduled.



NOTES ON MEETING WITH THE PRESIDENT

RE: Uranium Enrichment

Friday, October 3, 1975

10:30 a.m.

Oval Office

Conversation for Follow Up

The President and Seamans estimate the following timetable:

1. The GAO report will take about two weeks.
2. The JCAE will meet in about two weeks to study the report before they start hearings.
3. The hearings will take at least a week.

The President wants to get a firm commitment from Pastore on a definite date to start the hearings - hopefully no later than Monday, November 3rd.

The President wants to call Senator Pastore about setting a definite date, and wants me to suggest a time for the call after

- a) GAO report is out
- b) I have had a chance to talk to Senator Baker about what Senator Pastore is willing to do.

The President emphasized we should also keep in close touch with John Anderson about the hearings, our proposal, and the legislation.

On the question of when we should make some judgment as to the viability of the UEA plan, Seamans emphasized we should do this before the hearings began.

We would not make any public comment on UEA's viability but our witnesses could be guided by whether we think UEA can bring together partners and financing.

The President made these points:

1. We believe we have a viable plan for private enterprise to be bringing into commercial production, new forms of energy, and we have put that plan forward.
2. UEA believes they come under that umbrella.

3. Other groups producing energy also believe they come under that umbrella, e.g. with centrifuge.
4. If UEA cannot meet the standards we have set we have a responsibility, in terms of meeting energy needs, to go another route, i.e. the diffusion add-on at Portsmouth.

Seamans made two important points about UEA's potential foreign investors:

- a) Iran wants assurances that they can have their own uranium enrichment plant - which we don't think Congress would in any sense accept.
- b) Japan wants to buy enriched uranium from the United States, but is not committed to either UEA, centrifuge, or the United States Government's production.

Exxon and Signal Unit Propose Facilities To Enrich Uranium at Total \$1.6 Billion

Kan
By
Ag

By WILLIAM M. CARLEY
Staff Reporter of THE WALL STREET JOURNAL

Two more companies stepped into the increasingly controversial program to build huge uranium-enrichment plants.

The only U.S. plants currently turning out enriched uranium are three facilities owned by the government that were originally built to provide material for the atom bomb. The rapid growth of nuclear power plants, however, has led to heavy demand for enriched uranium that will soon outstrip production of the government plants.

Both Exxon Corp. and a Signal Cos. subsidiary said yesterday that they propose to build enrichment plants. Exxon's unit is to cost an estimated \$700 million and Signal's an estimated \$900 million.

Earlier, a joint venture of Atlantic Richfield Co. and Electro-Nucleonics Corp. proposed building a \$1 billion plant, and another partnership, including Bechtel Corp. and Goodyear Tire & Rubber Co., proposed a bigger, \$2.75 billion project.

All the proposed plants, however, rely on legislation that President Ford recently submitted to Congress. The Ford proposal aims to switch the enrichment business from a government monopoly to private enterprise. But some legislators are beginning to question the guarantees that would be extended to the companies against certain risks, with the government picking up the tab. If the government is going to shoulder these risks, perhaps it should build the plants itself and reap any subsequent financial benefits, it's been suggested.

Even if President Ford's proposed legislation gets through Congress, the government then must decide whether to give some or all of the proposed ventures the green light. Another potential stumbling block is the technology involved—three of the four plants proposed by industry would use a technology never before tried in the U.S. on a commercial scale.

Federal Workers Granted Only a 5% Increase in Pay

By a WALL STREET JOURNAL Staff Reporter
WASHINGTON — Federal workers will get only a 5% pay raise following action by the House.

By a 278-to-123 vote, the House rejected a move to substitute the 8.6% increase recommended by an advisory committee on federal pay for the 5% boost proposed by President Ford. The Senate had already accepted the President's suggestion, 53 to 39.

The pay increase, which affects most federal employees, including military personnel, top officials, judges and members of Congress, took effect yesterday.

The advisory committee said an 8.6% increase was required to keep federal workers even with those in private industry. But Mr. Ford said a 5% raise would save \$1.6 billion this fiscal year and help fight inflation. In July Congress voted to bring itself under the pay-raise plan, which has stirred much opposition from the public.

The large votes in both the House and the Senate against an 8.6% increase and in favor of the President's more modest proposal probably reflect the lawmakers' fear of angering voters even more.

The Exxon, Signal and Atlantic Richfield-Electro-Nucleonics plants would all use the gas-centrifuge process. In this process, uranium ore that has been refined and turned into a gaseous state is whirled in centrifuges. Gradually, the Uranium-235 atoms are separated from the more common and heavier Uranium-238 atoms. It's the Uranium-235 that's needed as fuel for nuclear power plants.

The Bechtel-Goodyear plant would use the gas-diffusion process, in which gaseous uranium is pumped through miles of filters that gradually separate the Uranium-235. While this technology is proven—it's been used for decades in the government plants—it uses immense amounts of electricity. In a world of power shortages, a plant using less electricity would be desirable.

Proposals to the Energy Research and Development Administration, the government agency overseeing the uranium-enrichment project, were due yesterday.

Exxon's proposal indicated its plant would eventually produce 3,000 SWUs annually. An SWU is a measure based on the enrichment of uranium. Exxon said its plant would begin operating in 1982, producing 1,000 SWUs a year. If the plant proved technically and economically viable at that level, it would be enlarged to the 3,000-SWU level.

Exxon's announcement on its proposed plant said that "governmental assurances as proposed by President Ford in the (legislation) are assumed to be available." But Exxon didn't disclose just what assurances it was seeking. The Exxon release did say its project would be accomplished with private financing, apparently indicating there wouldn't be any direct government subsidy. But financing details weren't given.

The Signal Cos. proposal, made by its Garrett Corp. subsidiary, also envisions a 3,000-SWU plant, with operation beginning in 1980 and the plant fully completed by 1987. Signal said that the plant would be built in Texas and that Houston Lighting & Power Co. and Texas Utilities Services Inc. would contract for the output of the first portion of the plant on a long-term basis, with options on the output from the expanded facility.

The Signal proposal, unlike Exxon's, called for an \$85 million government subsidy. It also called for the government to assume the obligations and operation of the facility should the project prove unsuccessful commercially. Of the \$900 million estimated capital cost, debt would account for about 85% and equity the remainder. The project, over 20 years, would produce a 17% rate of return, it was estimated.

Many details of the various proposals, including assumptions underlying certain of the cost estimates, aren't available. To some extent this is due to the fact that the government is keeping much of the program under wraps to keep the nuclear technology secret. In some cases, however, some of the companies are keeping even the nonclassified material secret, at least for the time being. "We're going to wait and see what the government does with the proposals before we release ours," an official at Electro-Nucleonics said yesterday.

In the meantime the companies are drumming up support, partly by starting public relations campaigns and partly by lining up investment bankers to help lay financing plans. Signal's financial plans, for example, have been drawn with the help of Kuhn, Loeb & Co., and the Atlantic Richfield-Electro-Nucleonics venture's plans have been aided by Dillon, Read & Co.



we have a workable plan
of not entering
can be put forward
preemptive by other

U E H come under
that umbrella

If they can't -
we're clean
and go the other way

* P - check w/ Baker
before F call
Porter

we have a workable plan
of not entering
can be put forward
preemptive by the

OEI come under
that umbrella

If they can't -
we're clear
and go on our way

*P - check w/ Baker
before F call
Pastore