The original documents are located in Box C23, folder "Presidential Handwriting, 6/25/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE

WASHINGTON

June 25, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON

FROM: JIM CONNOR JC

SUBJECT: Draft Message - Uranium Enrichment

The President has reviewed your memorandum of June 24th on the above subject and indicated the following:

> "Good but it must be double checked technically."

On page 8 the third paragraph was changed to read as follows: "ERDA would also be able to purchase from a private firm design work on components that could be used in a Government plant in the unlikely event that a private venture fails."

Please follow-up with appropriate action.

cc: Don Rumsfeld

INFORMATION

THE WHITE HOUSE

WASHINGTON

June 24, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Draft Message - Uranium Enrichment

Attached is the latest draft message to the Congress describing your plan for involving private industry in the expansion of U.S. capacity for enriching uranium.

The draft includes material contributed by ERDA, FEA, State Department, OMB, CEA and others on the Senior Staff. It has been reviewed and edited by Paul Theis. We will continue to work on an improved version for your final consideration.

JRT.

Good but it must be double checked technically.

TAB A

6/24/75
7:00 p.m.

The Nation has an opportunity to take a major step now that will contribute significantly in the 1980's and beyond to our energy independence goals.

As our supplies of oil and natural gas run low, nuclear power grows in importance, year by year, as a source of electrical energy. Nuclear power is one of the most reliable, ecnomical and safe forms of energy for America's future.

The enrichment of uranium -- concentrating the amount of U-235 in uranium that is used for reactor fuel -- is an essential step in nuclear power production. As the use of nuclear power becomes more wide-spread, the demand for enriched uranium is growing as well.

For the past 20 years, the United States Government has supplied the enrichment services for every nuclear reactor in America, and for many others throughout the world. Our leadership in this important field has enabled other nations to enjoy the benefits of nuclear power under secure and prudent conditions. At the same time, this effort has been helpful in persuading other nations to accept international safeguards and forgo development of nuclear weapons. In addition, the sale of our enrichment services in foreign countries has returned hundreds of millions of dollars to the United States.

Our ability to provide uranium enrichment services can be an important part of our energy cooperation with other oil consuming nations.

These services have been provided by enrichment plants--owned by the Government and operated by private industry--in Oak Ridge, Portsmouth, Ohio, and Paducah, Kentucky. A $1-billion improvement program is now underway to increase the production capacity of these plants by 60 percent. But this expanded capacity will not meet all the anticipated needs of the next 25 years.

The United States is now committed to supply the fuel needs for several hundred nuclear power plants scheduled to begin operation by the early 1980's. Since mid-1974, we have been unable to accept new orders for enriched uranium because our plant capacity--including the $1-billion improvement--is fully committed.

Further increases in enrichment capacity therefore depend on construction of additional enrichment plants, with seven or eight years required for each plant to become fully operational.

Clearly, decisions must be made and actions taken today if we are to insure an adequate supply of enriched uranium for the nuclear power needs of the future.

It is my opinion that American private enterprise is best suited to meet those needs. Already, private industry has demonstrated its willingness to pursue the major responsibilities involved in this effort. I believe that with proper licensing, safeguards, cooperation and temporary assurances from the Federal Government, the private sector can do the job effectively and efficiently--and at great savings for the American taxpayer.

Accordingly, I am proposing legislation to the Congress to authorize the Government assistance necessary for private enterprise to make its entry into this vital field.

A number of compelling reasons argue for private ownership, as well as operation, of uranium enrichment plants. The market for nuclear fuel is predominantly in the private sector. The process of uranium enrichment is clearly industrial in nature.

The uranium enrichment process has the making of a new industry for the private sector in much the same tradition

as the process for synthetic rubber--with early Government development eventually being replaced by private enterprise.

One of the strengths of America's free enterprise system is its ability to respond to unusual challenges and opportunities with ingenuity, vigor and flexibility. A significant opportunity may be in store for many firms--old and new--to participate in the growth of the uranium enrichment industry. Just as coal and fuel oil are supplied to electric utilities by private firms on a competitive basis, enriched uranium should be supplied to them in the same fashion in the future.

The energy consumer also stands to benefit. Nuclear power now costs between 25 and 50 percent less than electricity produced from fossil fuels. It is not vulnerable to the supply whims or unwarranted price decrees of foreign energy suppliers. And based on the past fifteen years of experience, commercial nuclear power has had an unparalleled record of safe operation.

The key technology of the uranium enrichment process is secret and will remain subject to continued classification, safeguards and export controls.

But for several years, a number of qualified American companies have been granted access to the Government's technology under carefully controlled conditions to enable them to assess the commercial potential for private enriching plants.

The Government-owned gaseous diffusion enriching plants have run reliably and with ever-improving efficiency for more than a quarter of a century. One private group has chosen this well-demonstrated process as part of its $3.5 billion proposal to build an enrichment plant serving 90 nuclear reactors here and abroad in the 1980's. Others are studying the potential of the newer gas centrifuge process. Though not yet in large-scale operation, the centrifuge process--which uses much less power than the older process--is almost ready for commercial application.

I believe we must move forward with both technologies and encourage competitive private entry into the enrichment business with both methods. A private gaseous diffusion plant should be built first to provide the most urgently needed increase in capacity, but we should proceed simultaneously with commercial development of the centrifuge process.

With this comprehensive approach, the United States can reopen its uranium enrichment "order book," reassert its supremacy as the world's major supplier of enriched uranium, and develop a strong private enrichment industry to help bolster the national economy.

For a number of reasons, a certain amount of governmental involvement is necessary to make private entry into the uranium enrichment industry successful.

The initial investment requirements for such massive projects are huge. The technology involved is presently owned by the Government. There are safeguards that must be rigidly enforced. The Government has a responsibility to help ensure that these private ventures perform as expected, providing timely and reliable service to both domestic and foreign customers.

Under the legislation I am proposing today, the Energy Research and Development Administration would be authorized to negotiate and enter into contracts with private groups interested in building, owning and operating a gaseous diffusion uranium enrichment plant.

ERDA would also be authorized to negotiate for construction of several centrifuge enrichment plants when more definitive proposals for such projects are made by the private sector.

Contract authority in the amount of $8 billion will be needed, but we expect almost no actual government expenditures to be involved. In fact, the creation of a private enrichment industry will generate substantial revenues for the United States Treasury through payment of Federal income taxes and compensation for use of Government-owned technology.

Under our proposed arrangements, significant opportunities for foreign investment in these plants will be presented, although the plants will remain firmly under U.S. control. In addition, there will be limitations on the amount of capacity each plant can commit to foreign customers.

Also, all exports of plant products will continue to be made pursuant to Agreements for Cooperation with other Nations, and will be subject to appropriate safeguards to preclude use for other than agreed peaceful purposes.

Foreign investors and customers would not have access to sensitive classified technology. Proposals from American enrichers to share technology would be evaluated separately, and would be subject to careful Government review and approval.

Finally, low enriched fuel produced in the gaseous diffusion plant would be suitable only for commercial power reactors--not for nuclear explosives.

In the remote event that a proposed private venture did not succeed, this legislation would enable the Government to take actions necessary to assure that plants will be brought on line in time to supply domestic and foreign customers when uranium enrichment services are needed.

I have instructed the Energy Research and Development Administration to implement backup contingency measures, including continuation of conceptual design activities, research and development, and technology assistance to the private sector on a cost recovery basis.

ERDA would also be able to purchase from a private firm design work on components that could be used in a Government plant in the unlikely event that a private venture fails.

Finally, I pledge to all customers--domestic and foreign--who place orders with our private suppliers that the United States Government will guarantee that these orders are filled as needed. Those who are first in line with our private sources will be first in line to receive supplies under this assurance. All contracted obligations will be honored.

The program I have proposed takes maximum advantage of the strength and resourcefulness of industry and Government,

and it will reinforce the world leadership we now enjoy in uranium enrichment technology. It will also help insure the continued availability of reliable energy for America.

Our program to assure development of a competitive nuclear fuel industry is an important part of our overall energy strategy. But we must continue our efforts to conserve the more traditional energy resources on which we have relied for generations. And we must accelerate our exploration of new sources of energy for the future--including solar power, the harnessing of nuclear fusion and development of nuclear breeder reactors which are safe, environmentally sound, and reliable. To move the United States one step nearer to our objective of energy independence, I ask the Congress for early authorization of the program I have proposed.