

MEMORANDUM

INFORMATION - 3001

NATIONAL SECURITY COUNCIL

May 5, 1975

DOS REVIEWED 07-Mar-2011: NO OBJECTION TO DECLASSIFICATION.

MEMORANDUM FOR: GENERAL SCOWCROFT
FROM: DAVID ELLIOTT
SUBJECT: REFER TO DOS Uranium Enrichment and UEA

DOE REVIEWED 16-Dec-2010: NO OBJECTION TO DECLASSIFICATION.

I am told that Jim Lynn may be calling you on the above topic to solicit your support for having ERDA negotiate the government support package with UEA. He will probably indicate that (1) it is OMB's expectation that this can be done in two to three weeks, and (2) it is important for the President to have this information before making the decision whether or not to propose such a support package to Congress or, alternatively, to seek Congressional authorization for the government to build the next enrichment plant. Below are some talking points you may want to use with Lynn:

- This issue has dragged on much longer than it should have and we are costing ourselves in terms of international nuclear leadership as well as nuclear sales.
- The State Department believes it would be very valuable for the U.S. to be able to clarify its position vis-a-vis uranium enrichment by the time of the IEA ministerial meeting (May 27).
- The time for negotiation might well be months rather than weeks. We could not realistically expect to get a final position from UEA until we have some idea of where the threshold lies for obtaining Administration and Congressional approval. (I. e., what limit is acceptable to us for the Government liability for UEA's cost overruns, or how far are we willing to go in paying off UEA in case of "economic frustration" of the project.) It would take weeks for the Administration to establish its own position before meaningful negotiations could start with UEA. If, on the other hand, we simply ask UEA for its bottom line, ERDA says we should expect to get generalities in response.
- Bob Seamans has pretty thoroughly evaluated the UEA request and is ready now to propose to the President that we move ahead with a government plant. He does not think it would be useful to try to negotiate the support package with UEA because the basic issues are

understood and tuning the matter will not change the fundamentals. He would, of course, conduct such negotiations if directed by the President. However, inasmuch as UEA is not the only company with which we are dealing in this area, trying to accommodate UEA through negotiation will just underscore to Congress the chosen instrument character of this company, and will probably guarantee Congressional disapproval.

- Bob Seaman's proposal to build a gaseous diffusion add-on at Portsmouth, while opening the way for private entry using the new centrifuge technology, makes good technical as well as good public policy sense.
- The UEA proposition will be next to impossible to sell on the Hill because the deal looks like a risk-free monopoly propped up with Government supports, with no major commitment by the entrepreneur (6% equity investment), and little domestic support (hence the need to get 60% foreign investment).

If you decide to agree to the "negotiation" route, try to get a fixed date at which the matter must be completed (e.g., May 15). I'll bet, though, that the issue will be dragged out.