

contractual arrangements. This is the problem we were faced with at the end of 1958. Eldorado pressed for this notice well in advance of the expiry date of the options—March 31, 1961—in order that the Canadian producers would have the maximum time possible in which to adjust to the new conditions.

65. There were a number of factors inherent in the situation which could, if properly used, prevent a complete collapse of the industry in 1962-63. Paramount was the desire of the two customers, the United States atomic energy commission and the United Kingdom atomic energy authority, to bring their current purchases more in line with their actual requirements by deferring part of the scheduled purchases into the post-contract period. At the same time it was quite evident that although most of the Canadian contracts would be filled, some of the Canadian companies could not generate enough cash to pay off all their bonded indebtedness, let alone achieve a profit. Therefore, if nothing were done, the outlay by the customers would be the same, but approximately half of the producers would suffer financial loss in some degree. However, if the profitable operations were encouraged to take over the financially less sound, it might be possible to achieve the following desirable objectives:

1. Reduce the customers' contractual rate of purchase.
2. Eliminate or minimize default in funded debt repayment.
3. Effect a gradual closing of mines over a long period rather than all the mines closing almost simultaneously with attendant disastrous effects upon employment and the communities.
4. Extend the life of the low-cost producers as far as possible with the purpose of reducing the gap between the end of the contracts and the time when there will be sufficient world demand for uranium for peaceful purposes to support the industry.

To accomplish this, a plan had to be developed that was not only feasible economically, but acceptable to all three parties. Negotiations continued for many months, thirteen as a matter of fact. In the early stages an attempt was made to have the customer exercise the options in part, in return for deferring deliveries into the post-contract period. This proved unacceptable to the United States and finally a plan was evolved in which advance payments on account of deferred deliveries provided the necessary assistance to make the program feasible.

66. This plan, now known as the "stretch-out" program, was announced on November 6, 1959. The announcement appears in full as Appendix J. The principal features of the arrangement agreed upon between the United States atomic energy commission, the United Kingdom atomic energy authority and Eldorado were:

- (a) A consolidating contract replaced the 16 individual contracts which Eldorado held with the United States atomic energy commission covering production from various producers, now referred to as the master contract.
- (b) The consolidating contract specifically covered all the material still undelivered by the companies which were in production on July 1, 1959. You might note that that is fifteen months after the date in the contracts, which the producers held, which called for production after March 31, 1958.
- (c) Any contract delivery rights acquired by one producer from another may only be used to effect a genuine stretch-out of deliveries.
- (d) The United States atomic energy commission and the United Kingdom atomic energy authority agreed to advance \$2.50 for each pound delivered any time between the termination date of the existing con-