SUPREME COURT, 20543 WASHINGTON, D.C. 20543 WASHINGTON, D.C. SUPREME COURT OF THE UNITED STATES

In the Matter of:

v.

F. CLARK HUFFMAN, ET AL.,

Petitioners

No. 87-645

1,

ORIGINAL

WESTERN NUCLEAR, INC., ET AL

PAGES: 1 through 45 PLACE: Washington, D.C. DATE: April 27, 1988

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1	IN THE SUPREME COURT OF THE UNITED STATES
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3	F. CLARK HUFFMAN, ET AL., :
4	Petitioners :
5	v. : No. 87-645
6	WESTERN NUCLEAR, INC., ET AL. :
7	x
8	Washington, D.C.
9	Wednesday, April 27, 1988
10	The above-entitled matter came on for oral argument
11	before the Supreme Court of the United States at 10:56 a.m.
12	APPEARANCES:
13	THOMAS W. MERRILL, ESQ., Department of Justice,
14	Washington, D.C.;
15	on behalf of Petitioners.
16	PETER J. NICKLES, ESQ., Washington, D.C.;
17	on behalf of Respondents.
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1	PROCEEDINGS
2	(10:56 a.m.)
3	CHIEF JUSTICE REHNQUIST: We'll hear arguments now in
4	No. 87-645, F. Clark Huffman v. Western Nuclear, Inc.
5	Mr. Merrill, you may proceed whenever you're ready.
6	ORAL ARGUMENT OF THOMAS W. MERRILL, ESQUIRE
7	ON BEHALF OF THE PETITIONERS
8	MR. MERRILL: Thank you, Mr. Chief Justice, and may
9	it please the Court.
10	This case presents an important question of statutory
11	interpretation involving the Department of Energy's Uranium
12	Enrichment Program. Section 161(v) of the Atomic Energy Act
13	authorizes the Atomic Energy Commission, now the Department of
14	Energy, to provide enrichment services for utilities, both
15	domestic and foreign, that operate nuclear power plants.
16	That section goes on to provide that DOE shall
17	restrict its enrichment of foreign uranium for use in domestic
18	power plants to the extent necessary to assure the maintenance
19	of a viable domestic uranium industry.
20	The Court of Appeals in this case construed this
21	language to mean that when the domestic uranium industry is not
22	viable, DOE must automatically stop all enrichment of foreign
23	uranium, even if this would not make the domestic industry
24	viable.
25	We disagree. In our view, the Statute instructs DOE

to restrict enrichment of foreign uranium only to the extent that such restrictions will in fact make the domestic industry viable and does not instruct that DOE must impose enrichment restrictions when it would not have the effect of making the domestic industry viable.

6 This case was decided below on Respondent's Motion 7 for Summary Judgment. The key fact under the Court of Appeals 8 theory is that the status of the domestic uranium industry 9 whether or not it is currently viable. As to that fact, there 10 is no dispute.

11 The Secretary of Energy has found in a series of 12 annual viability determinations that the domestic uranium 13 mining and milling industry is not currently viable.

QUESTION: What does that mean in the context of that finding? That it can't make a profit, or that it won't be sufficient to satisfy all our domestic needs?

MR. MERRILL: The meaning of viability is spelled out in some detail, first of all, by Congress. Congress passed a statute in 1982, Section 170(b) of the Atomic Energy Act, which sets forth eight criteria the Department of Energy is to look at in making a viability determination.

The Secretary has in turn issued regulations under that Statute which further spells out the method that will be followed in determining viability.

25

QUESTION: Does the Congressional statute require

1 that viability be determined by ability to meet national needs, 2 rather than profitability?

3 MR. MERRILL: We think clearly yes. Although the 4 criteria are complex that the gist of the statutory criteria 5 and of the Secretary's regulations are to focus on the 6 capability of the domestic industry in satisfying the needs of 7 the nuclear power industry in the event of certain future 8 contingencies such as an interruption of imports.

9 Neither the statutory criteria nor the regulations 10 focus merely on the profitability of the domestic industry. So 11 for example if you had one or two domestic uranium plants that 12 were very profitable but nevertheless did not have the capacity 13 to satisfy the needs of the domestic industry, that would not be a viable industry. A viable industry is one which has the 14 resources, both in terms of reserves production capacity and 15 16 financial strength to satisfy the needs of the domestic power 17 industry.

18 QUESTION: It's a strange use of the word, I must 19 say.

20 MR. MERRILL: Well, whether it's a strange use or 21 not, Congress clearly set forth the criteria in 1982 which were 22 to be used, and the criteria focused on things like the 23 production capacity of the industry and its financial 24 resources.

25

QUESTION: Mr. Merrill, in opposing the Motion for

Summary Judgment, is that the position the Government took that that's what viability meant?

3 MR. MERRILL: The meaning of viability was never 4 really confronted in this case. It was raised in Count V of 5 the Respondents' Complaint and there was some pleadings in the 6 District Court on the question. But the District Court never 7 reached the issue and the Respondents then dismissed that count 8 from their complaint without prejudice. So there's been no 9 focus exactly on what the meaning of viability is.

10 The case was decided below on the assumption that the 11 domestic industry was not viable. The Department of Energy has 12 a view as to what that means.

QUESTION: What my question really was directed to was what position the Government took in opposition to the Motion for Summary Judgment. Did they espouse a particular theory of viability at that time?

MR. MERRILL: The Department's theory throughout this case has been that the statute, contrary to the lower court's, does not require restrictions be imposed whenever the domestic industry is not viable. The statute requires an inquiry into the effects that restrictions would have on the viability of the domestic industry.

23 So in our view, what the statute requires is that the 24 Secretary look at the condition of the domestic industry and 25 consider the effect of restricting enrichment of foreign uranium on that condition and act accordingly. If the domestic
 industry is viable and does not need any restriction on foreign
 imports, no restrictions are appropriate.

On the other hand, if the industry is not viable and restrictions on imports would not do anything to make it viable, the statute also does not require restrictions.

QUESTION: I'm still not quite sure I've got an answer to my question. Let me phrase it this way, if I may: I take it there would be a distinction between saying that even if we impose restrictions, that will not make the industry viable. That might be one position you'd take.

A second position might be that even if we impose restrictions, that will not help the industry even in the slightest. Do you understand?

15 MR. MERRILL: I understand.

16 QUESTION: Which if either of those two positions did 17 you take in the trial court?

18 MR. MERRILL: I'm not sure what position we've taken 19 up to this point. Our position --

20 QUESTION: I'm talking in opposition to the Motion 21 for Summary Judgment?

22 MR. MERRILL: Our position has been throughout that 23 the statute requires an examination of the effects of 24 restrictions and restrictions must be such as are necessary to 25 insure the maintenance of a viable domestic uranium industry. 1 It must make the industry viable.

2 QUESTION: So you're saying that even if the 3 restrictions might tend to improve the condition of the 4 industry, they still would not be imposed unless they would 5 have the ultimate benefit of making a non-viable industry 6 viable?

7 MR. MERRILL: Yes, we think that's correct. If the latter interpretation that you're suggesting were the 8 9 appropriate one, we think the statute would have used words 10 like, promote, the viable of the domestic uranium industry. But the statute uses the word instead, assure, the maintenance 11 12 of a viable domestic uranium industry. So we think the 13 statutory language requires not just restrictions that would 14 make the industry a little better off, but that it would produce an industry with the capability of serving the needs of 15 16 the domestic nuclear power industry.

17 Furthermore, even if the statute meant what you're suggesting, that restrictions would have some beneficial 18 19 effect, that would require reversal of the judgment in this 20 particular case, because the Court of Appeals' theory of the 21 statute is that no inquiry into effects is required whatsoever. Once you find that the domestic industry is not viable, bang, 22 23 that ends the matter, and the Department of Energy must impose 24 one hundred percent restrictions.

25

QUESTION: Mr. Merrill, on the meaning of viable

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question, it is a little hard to understand how a domestic industry could be available to meet national needs if it can't make any money.

MR. MERRILL: Yes, Your Honor, and in fact, one of the four factors that the Department of Energy looks at in determining whether or not the industry is viable are the financial resources of the industry. And the key in recent years to finding --

9 QUESTION: It just seems to be necessarily tied in if 10 the companies simply can't make any money producing, how can 11 they be available to meet national needs?

MR. MERRILL: We agree with that, Your Honor. The financial resources of the industry are an integral part of determining whether or not they have the capability of serving the needs of the domestic industry.

But in order to be capable of serving the needs of the domestic power industry, they must have considerable financial resources to raise the capital that's necessary to build the production facilities that will produce a substantial quantity of uranium.

And it's the Secretary's determination that those financial resources are not in the picture at this particular time and that imposing restrictions on foreign uranium would not put those financial resources into the picture. In fact, it's the Secretary's view that such restrictions would be counterproductive. They would not in the long run help the
 domestic uranium industry.

3 But again, that issue was not addressed below. The question of the effects one way or the other was not addressed 4 by the lower courts. They went off on this legal theory that 5 6 that kind of inquiry just was not required by the statute. 7 So the reason for the non-viability OUESTION: determination by the Secretary is relevant to our consideration 8 9 of this case and to the operation of the statute? 10 MR. MERRILL: I don't think that the issue before this Court requires the Court to get into an analysis of the 11 Secretary's reasoning about the effects of --12 13 OUESTION: Not his reasoning, but his reasons. 14 MR. MERRILL: Well, it requires of course that the 15 Court consider the legal reasons that we're advancing for the proposition that Section 161(v) does not impose this automatic 16 17 shutoff whenever the domestic industry is not viable. 18 OUESTION: No. My point is suppose the report said 19 that the industry is not viable because there's too much enrichment being given to foreign materials. I take it then 20

21 the reason for non-viability would be critical to the operation 22 of this statute?

23 MR. MERRILL: Yes, in that case it would, Your Honor. 24 QUESTION: And so then it follows that the reasons 25 that the Secretary gives for the non-viability determination

should be consulted in determining the operation of the
 statute.

MR. MERRILL: We agree with that, Your Honor. In a 3 proper proceeding under this statute, as we interpret it, the 4 Secretary of Energy would examine the effects of restrictions 5 6 on foreign uranium to see whether or not they would produce a 7 viable domestic industry. Once that determination had been made, then some type of judicial review proceeding would be 8 appropriate we think to examine that reasoning and that 9 10 rationale to see whether or not it was arbitrary and capricious 11 or whether or not it comported with the statute.

12 That's not the case that you have here. The District 13 Court and the Court of Appeals did not review any of the 14 reasoning that the Secretary advanced in the 1986 rulemaking. That was not before the Court. The lower courts went off on a 15 16 pure legal theory to the effect that Section 161(v) does not 17 require any inquiry into effects. It simply requires an automatic imposition whenever the domestic industry is not 18 19 viable.

20 QUESTION: Well, should the case go back or should we 21 assess the viability report here and say the statute cannot 22 possibly operate. Is that your view?

23 MR. MERRILL: No. This Court in our view should 24 simply examine the legal rationale the lower court gave in 25 support of the District Court's summary judgment order, and if the Court finds that the statute does mandate an inquiry into effects, that the judgment should be reversed. The case would then go back to the District Court for further appropriate proceedings.

5 We think that two things are critical with regard to 6 those further proceedings. One, that they should take place 7 under a correct interpretation of the statute which is that the 8 statute requires an inquiry into the effects of restrictions. 9 And secondly under the statute, it's the Department of Energy's 10 responsibility to make the findings about effects.

11 The District Court is not to conduct a trial de novo 12 into the conditions of the uranium industry but rather, it's 13 the Department's responsibility to make that, subject of course 14 to appropriate judicial review under the Administrative 15 Procedure Act.

QUESTION: My problem, Mr. Merrill, is that to some extent, my determination of what the statute means when it says that they will provide it if necessary to assure the viability, depends to some extent upon what I think the statute means by viability. If it means one thing by viability, it is more likely to bear the meaning you want it to bear, and if it means another, somewhat less likely.

That's why I wanted to know what your interpretation of what it means is.

25

MR. MERRILL: As best I recollect, the dispute that

was raised in Count V of the Complaint in this case was a very 1 narrow one. The Respondents argued that viability means 2 3 capability of serving all the needs of the domestic industry 4 and they criticized the fact that the Secretary, in his 1983 rulemaking to define viability, had tinkered with that and had 5 said that it only, it deleted the word, total needs, and just 6 said, needs. And also had qualified it by talking about future 7 contingencies, in the face of future contingencies. 8

9 There is no basic dispute between the parties in this 10 case, I don't think, based on that at least, that viability 11 refers to the question of what can the domestic uranium 12 industry do for us, rather than what can we do for it. The 13 statute was not intended as a measure to simply provide 14 financial relief for the domestic uranium industry.

15 And it's quite clear, I think, from the original 16 legislative history that --

QUESTION: Yes, but I'm still not sure if you're saying the statute does not operate here because of what was said in the report or because the ultimate finding of nonviability was made. And it seems to me that the answer to that question is necessary for us to determine what we're supposed to do with this case, whether we're supposed to decide it here or send it back for more findings.

24 MR. MERRILL: Well, Justice Kennedy, I don't think 25 that the issue before the Court is whether or not restrictions 1 should now be imposed on domestic uranium.

The only issue before the Court is whether the Court of Appeal's legal theory was correct, which states that restrictions have to be imposed now because the statute mandates that without any further inquiry into the nature of the domestic uranium industry and its relationship to the world uranium market.

8 And so since there's nothing technically in the 9 record that would allow this Court to review the Secretary's 10 determination of effects, we think that that question properly 11 has to be sent back to be decided through proper proceedings 12 before the Secretary and that the District Court should 13 probably be the appropriate forum to decide what the nature and 14 form of those further proceedings should take.

15 QUESTION: So you're asking for a remand? 16 MR. MERRILL: Yes. We're asking for this Court to 17 reverse the judgment below and remand for further appropriate 18 decisions in light of that.

19QUESTION: Has the Department's view of the necessity20or propriety of restrictions, has that view always been held by21the Department, or did it at one time have a different view?22MR. MERRILL: We think that the Department and its23predecessor agency, the Atomic Energy Commission, have always24articulated a consistent vision of Section 161(v) which is that

the statute requires an examination of the effects of

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1 restriction on the domestic industry. There are a number of 2 statements --

3 QUESTION: Well, that isn't really my real question,
4 is it. I probably haven't put it very well.

5 Suppose there's a finding -- or I'll put it this way: 6 even if there's a finding, if there is a finding of non-7 viability, then is restrictions even proper? The Department 8 says, no, it is not. They should not have any restrictions..

9

Is that right?

MR. MERRILL: Well, in an appropriate case, if the Department found that the domestic industry was not viable and that restrictions would return it to viability and assure its viability, of course restrictions would be required. That's what the statute says.

15 QUESTION: All right, all right. But has the 16 Department always said no restrictions if the industry's non-17 viable and restrictions would not make it viable?

18 MR. MERRILL: We are unaware of any statement that is 19 inconsistent with what you just said.

20 QUESTION: And when did the rulemaking take place in 21 this case?

22 MR. MERRILL: The rulemaking?

23 QUESTION: The current regulations.

24 MR. MERRILL: The current enrichment criteria were 25 reconsidered in 1986. 1 QUESTION: Was that after the District Court action? 2 MR. MERRILL: It occurred in the middle of the 3 District Court proceedings. The notice of proposed rulemaking 4 I think came down in January of 1986.

5 QUESTION: Well, did the rule when it was made merely 6 reflect what the practice had been before?

7 MR. MERRILL: The 1986 rulemaking took a position 8 which is completely consistent with the position which has been 9 taken in this litigation.

10 QUESTION: Well, that isn't -- did it just reflect 11 what the prior practice was, or not?

12 MR. MERRILL: The 1986 rulemaking retained in effect 13 the enrichment criteria which had been in effect before. The 14 current enrichment criteria originate in 1974 and the 15 Department of Energy decided that the domestic industry was --

QUESTION: Was that by a rule or?

16

MR. MERRILL: That was by regulation. That the domestic industry was on its feet sufficiently so that restrictions on foreign uranium could be phased out. In 1974, the Secretary promulgated a phase-out schedule which started in 1977 and in increments proceeded to 1984.

From time to time, in the early 1980s, informal inquiries were made as to whether or not some kind of postponement of this phase out or reimposition of restrictions were appropriate. There were Congressional hearings held in

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1 1981 in which the issue was aired.

Throughout this period of time, including the most recent rulemaking, the Secretary has taken the position that no modification of this 1974 schedule was appropriate.

5 QUESTION: Well, as they phased out the restrictions, 6 the industry went downhill.

MR. MERRILL: Justice White, the industry really
8 suffered a precipitous decline in the early 1980s.

9 QUESTION: Partly caused by the removal of 10 restrictions or?

MR. MERRILL: We think that really it had virtually nothing to do with the removal of restrictions. In the early 13 1980s, restrictions were still in effect but were being phased out. There were some imports at that time but they were well below ten percent of the total energy requirements of the domestic industry.

And the industry collapsed at a point in time when imports were really a relatively minor aspect of the picture. Now, since then imports have increased. In the last three years imports have been running at around the range of 35 to 45 percent of domestic energy needs.

But the Secretary's position is that because Section 161(v) applies only to enrichment of raw uranium and does not restrict imports of enriched uranium and because there are now two European consortia that actually compete with DOE to provide enriched uranium that the imposition of restrictions on unenriched uranium would simply induce domestic utilities in large numbers to flee overseas to these other competitors of DOE and purchase enriched uranium for direct import into the United States.

6 So for that reason at this point in time, even though 7 imports are a fairly large aspect of the picture, the 8 particular mechanism that Section 161(v) establishes would not 9 provide any relief to the industry.

Another aspect of the industry which has emerged is 10 there's now an active secondary market. Because the demand 11 projections that were made in the 1970s about the increased 12 13 demand for uranium in the future led to a tremendous production 14 exploration activity and created a huge imbalance between 15 supplies and demand, there is now a large stockpile of surplus enriched uranium that many utilities own. And there's an 16 17 active secondary market trading in this enriched uranium. And that's another source the utilities could turn to if in 18 19 fact restrictions were imposed on the enrichment of foreign 20 uranium.

21 So those are the reasons which the Secretary has 22 given in the 1986 rulemaking for not at this point in time 23 reimposing restrictions.

24 QUESTION: May I go back historically in the period 25 before say in 1979, is it generally understood the industry was 1 viable?

2 MR. MERRILL: I think, yes, Your Honor. In 1974 in 3 particular, when DOE announced that it was going to phase out 4 restrictions, there were some Congressional hearings held, but 5 there's nothing that really reflects --

6 QUESTION: Well, if it was viable then, and your test 7 of viability doesn't depend on profits but rather on capacity, 8 what happened to decrease the capacity of the industry to serve 9 the possible national needs in the event that we had to shut 10 off imports?

MR. MERRILL: Well, the initial determination of nonviability was made in 1985 with respect to 1984. And the primary rationale there was that the industry lacked sufficient financial resources to have the production capacity ten years hence to supply the domestic nuclear power industry in the event of something like an interruption of imports.

17 QUESTION: So it was a financial problem rather than 18 a physical exhausting mines or anything of that kind.

MR. MERRILL: The Secretary has found that there are sufficient economic reserves, and that for present needs there is sufficient production capacity but the concern is that because of the financial weakness of the industry that somewhere down the future, it will not have sufficient productive capacity in order to satisfy the needs of the domestic industry.

QUESTION: What it means is, if -- and I'm not suggesting they should -- but if the Government were willing to subsidize production costs or something, there's no suggestion that there isn't the physical capacity to make the industry viable in the sense of being able then to supply them.

6 MR. MERRILL: The physical capacity in the sense of 7 reserves or? I think there are more than adequate reserves. 8 The question is whether or not there will be in the future 9 production capacity, mines, milling equipment and things like 10 this is the basic reason for the non-viability finding at this 11 point in time.

QUESTION: Mr. Merrill, if you mean by viability what 12 13 you say you mean by viability, I find it very implausible that Congress intended what you say it intended. You're essentially 14 15 saying that Congress so much cared about whether we had a 16 domestic capacity to produce this uranium that it said we want 17 you to continue to subsidize this domestic industry up to the point where that subsidy is no longer needed for that industry 18 19 to fullfil one hundred percent of our domestic needs.

However, if you find that that industry is only at best going to be able to fullfil 90 percent of our domestic needs, well, then we don't want you to subsidize it at all. That's an absolutely weird intent. All or nothing at all. Either give us a domestic industry that can produce a hundred percent of everything we need, or else, don't give us any at

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1 all.

2 Why would Congress intend something like that? 3 Now, if you mean something different by viability, if 4 you mean profitability, that I could understand.

MR. MERRILL: Justice Scalia, I think Congress when 5 it enacted Section 161(v) was basically concerned about two 6 They were concerned about the possible weakness of the 7 things. domestic industry in the transitional period from a totally 8 controlled market where the Government was the sole purchaser 9 10 to an open market where private property rights existed in 11 uranium and there was free buying and selling. And they wanted 12 to cushion the impact of that transition.

And they were also concerned that no one really knew what was going to happen in the next five to ten years and therefore that it was important to have a flexible standard that would be able to accommodate different things that might have happened.

And the net result was that they enacted the particular statute which has purposeful language that adopts a means end relationship and says that we have a goal. The goal is a viable domestic industry. We have a tool, enrichment restrictions. And we want you to use this tool when it will assure the maintenance of a viable domestic industry.

24 QUESTION: By viable you mean can fullfil a hundred 25 percent of our capacity, and it is an accurate description of your position to say, Congress wanted this industry to be subsidized if it could fullfil a hundred percent of our capacity. But if it could fullfil only 95 percent of our capacity, Congress wanted the subsidy to be withdrawn.

5 What, out of spite? Why would Congress enact a 6 statute like that?

7 MR. MERRILL: Well, I don't know, a hundred percent, 8 95 percent. The concept of viability is not keyed to 9 particular percentages like that. It's a judgmental concept 10 which again focuses on the question of whether or not the 11 industry will be able to overcome certain types of future 12 contingencies.

And I'm not sure that a conclusion that the industry could serve 95 percent of the industry as opposed to a hundred percent --

16 QUESTION: Well, make it 80. I mean, 95 percent 17 isn't it. It's just -- well --

MR. MERRILL: I think it's fair to say that Congress 18 in 1964 thought that this tool would do the job. I don't think 19 20 there's any dispute about that. But Congress did not enact that particular understanding into law. Congress adopted a 21 22 purposeful standard. That purposeful standard as applied today 23 we think can only dictate one result which is that the 24 Secretary has to look at the effects and under that type of an 25 examination --

1 QUESTION: Well, Mr. Merrill, why isn't profitability 2 part and parcel of viability?

MR. MERRILL: It is, Justice O'Connor, financial
 resources.

5 QUESTION: Well, why wasn't that your answer to 6 Justice Scalia? I mean, you're responding to his questions as 7 though that isn't part of it at all.

8 MR. MERRILL: It is part of the inquiry, absolutely. 9 The Secretary looks to see whether or not there are sufficient financial resources to render a viable industry. What the 10 Secretary does not do, however, and I think this was the thrust 11 12 of your question, is say, would restrictions help a little bit. QUESTION: That's not my problem. I think you would 13 14 say if the subsidy would enable an industry to be profitable that could only produce 80 percent of our national capacity, 15 then there's no viability and no subsidy is needed. 16

Wouldn't that be your answer?

MR. MERRILL: All I can say, Justice Scalia, is - QUESTION: Is, yes.

20 MR. MERRILL: Is that I'd like to reserve the 21 remainder of my time for rebuttal.

22 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Merrill.
23 We'll hear now from you, Mr. Nickles.

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 1
 ORAL ARGUMENT OF PETER J. NICKLES, ESQ.

 2
 ON BEHALF OF RESPONDENTS

 3
 MR. NICKLES: Mr. Chief Justice and may it please the

 4
 Court.

It is correct as my brother says that we are confronted with a question of statutory interpretation. But I think in light of the questions, it's important to understand very briefly the procedural history.

9 This view of the Department which I think Justice 10 Scalia correctly characterized is a new view. When in 1974, the Atomic Energy Commission proposed to phase out the one 11 hundred percent restriction, it told Congress that we will 12 watch over the industry and if there should be any doubt as to 13 its continuing viability, that is, it's ability to meet the 14 15 nation's civilian and military needs, we will step in and restrict enrichment. 16

We litigated in the District Court and the Judge had granted a summary judgment imposing an injunction and requiring a rulemaking for the Department to explain why it should not impose restriction in light of its concession as to nonviability. And it was only, Justice White, after Judge Carrigan issued the injunction that the Department published its rule.

24 QUESTION: Well, they had undertaken to make it. The 25 rulemaking proceedings had been going on? 1 MR. NICKLES: The rulemaking proceedings, Justice 2 White, commenced after the filing of the summary judgment and 3 in the midst of the litigation. The rule was not complete as 4 of the time the summary judgment was granted. And the Court 5 can look in vain in the Joint Appendix for the findings that 6 have been mentioned by my brother.

7 There are no such findings in the record.
8 QUESTION: Yes, but how about the prior practice?
9 MR. NICKLES: The prior practice, Justice White, is
10 --

QUESTION: I would suppose that the Department said to the Congress, we'll watch over the industry, we'll impose restrictions if it is going down the tubes. But at some point, they must have refused requests for restrictions. And I suppose the reason they gave was that it wouldn't do any good. MR. NICKLES: Not at all.

QUESTION: Well, that's what I want to know about. MR. NICKLES: In 1981, the Department explained that restrictions would impact its enrichment enterprise. When Congress enacted Section 161(v), the Atomic Energy Commission had a monopoly on enrichment, and therefore Congress knew that imposing restrictions would have an impact.

In 1974, the Department then had some competition, and when the Congress asked the Atomic Energy Commission, how do you intend to assure that the industry meets our national

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security needs, the Atomic Energy Commission said, we have
161(v) which we will use. We also have the power over import
licenses.

The practice had been, Justice White, to impose one hundred percent restriction. It was phased out between 1974 and 1984. When the industry in 1981 said to the Department, we need your help now. We are non-viable. The Department said, you are viable.

9 We then had the Congress pass in 1982, amendments 10 that required an annual determination of viability. And for 11 the first determination made by the Department in 1984, the 12 Department said in 1983, the industry, although flat on its 13 back, is viable. I think very much along the lines of Justice 14 Scalia's remarks.

Finally, in 1986, and in 1985, and in 1987, the Department conceded, yes, the industry now is not viable and the Department in effect stands here before the Court today and says, by reason of the fact that we have abandoned the industry, we no longer can do anything for the industry.

This interpretation of the Department has never been put before the Congress of the United States before July of 1986. And what happened when it put this interpretation before the Congress? The Congress said in Public Law 99-500, that the Court should pay no attention, should give no weight to this interpretation of the Department of Interior.

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I submit, Justice White, that one can look at the legislative history and the administrative practice from 1964 on and one will not see any suggestion of this Departmental interpretation that says in effect that we have the discretion to decide that if we don't believe that 80 or 100 percent of the needs of this country can be met by imposing restrictions, we can simply throw up our hands and do nothing.

QUESTION: What do you think the legal affect of what Congress did is? Do not give any weight to it. It didn't purport to revoke the Rule. It just said, just don't pay any attention to the Department's construction of the Statute. You go back and just construe the statute without regard to the DOE's views?

MR. NICKLES: I think that's correct, Justice White.
That what you have in effect is, unlike the Young case, -QUESTION: Don't defer. Don't defer.

MR. NICKLES: Don't defer. Unlike the <u>Young</u> case, which is heavily relied upon by the Government, where the Court was confronted with a fifty year interpretation practice by the FDA which had in effect been endorsed by the Congress, the very first time the Department of Energy puts this interpretation before the Congress, the Congress says, don't defer.

23 QUESTION: Is there some legislative history about 24 that statute or --

25

MR. NICKLES: I don't believe so, Justice White. It

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was one of these continuing resolutions passed in the middle of 1 2 the night to keep the Government going, and as part of that, 3 the Congress saw fit to take note of this particular matter. Well considered. 4 **OUESTION:** 5 MR. NICKLES: As well considered as most matters. 6 QUESTION: Precisely what is the statutory provision 7 that was enacted in 1986? 8 MR. NICKLES: The statutory provision --9 QUESTION: I don't mean the legislative history of 10 the conference report but exactly what was enacted into law. 11 MR. NICKLES: What was enacted into law --OUESTION: And where do we find it in the materials 12 13 before us. 14 QUESTION: I'm looking at page 31 of your brief which 15 seems to --16 It's quoted on page 36 of your brief, in QUESTION: 17 part, anyway. It's in our Brief in Opposition and 18 MR. NICKLES: 19 notwithstanding the effectiveness of the criteria, --20 QUESTION: Where are you reading? 21 MR. NICKLES: This is in 2A of the Respondent's Brief 22 in Opposition. In effect, the Congress was providing funds in 23 Appendix A, so that this enrichment program which is an 24 important program could work. And the Congress said in effect that funds provided in the joint resolution shall be used to 25

1 operate the enrichment program.

2 QUESTION: Well, I was interested in the precise 3 language that was enacted into law. MR. NICKLES: Right, Your Honor. But notwithstanding 4 5 6 QUESTION: Now you're reading from page 2? 7 MR. NICKLES: 2A. 8 OUESTION: 2A. MR. NICKLES: Down at the bottom. Provided, further, 9 that no provision of this joint resolution or the July 24, 1986 10 11 criteria shall affect the merits of the legal position of any 12 of the parties concerning the questions whether Section 161(v)13 of the Atomic Energy Act requires restriction of enrichment of foreign origin source material destined for use in domestic 14 15 utilization facilities. 16 That is the precise language of the Congress. 17 QUESTION: It seems to me like Congress just wanted to duck responsibility. 18 19 QUESTION: That doesn't sound like it helps you or it 20 helps the other side, to me. 21 QUESTION: How does that help you? 22 QUESTION: What are the July 24, '86 criteria. 23 These are the criteria, Justice White, MR. NICKLES: 24 that announce for the first time --25 QUESTION: In the rulemaking.

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1 MR. NICKLES: -- in the rulemaking that the 2 Department will not, in effect, impose the requirements of 3 Section 161(v).

4 QUESTION: It seems they won't take a position one 5 way or another whether they're right or wrong.

6 MR. NICKLES: I think it sustains our position 7 because in effect when the Department for the first time over 8 this long history of the statute put forward an interpretation 9 which I suggest is not revealed in any of the legislative or 10 administrative history, that Congress did not permit those 11 criteria to go into effect.

As the Court knows, 161(v) when the Department promulgates criteria, they go into effect in forty days.

QUESTION: I would have some doubt as to whether Congress had spoken very clearly in a continuing resolution appropriating money, we ought to defer to that speaking when it's talking about a particular case. But if there's doubt about it, I mean, this is not an ordinary form of enacting a substantive law. It's an appropriations bill.

20 MR. NICKLES: Well, the reason it's important, Chief 21 Justice Rehnquist, is that under 161(v), if the Congress had 22 not taken this action under the terms of Section 161(v), the 23 criteria would have become effective.

24 QUESTION: What if Congress says in an appropriations 25 resolution, we want the Supreme Court to affirm the Tenth 1 Circuit in a particular case? What weight should we give that?

2 MR. NICKLES: Such weight as the Court believes it 3 deserves. I don't believe --

QUESTION: Well, you're like Congress.

4

5 MR. NICKLES: Mr. Chief Justice, this Court 6 interprets the law. I think the importance of the provision is 7 made manifest when one reveals and reviews the Government's 8 position deriving from the <u>Young</u> case where the Government 9 places heavy emphasis on the fact that this case is governed by 10 Young.

11 And what we have here is a situation where the 12 Congress has stepped in.

QUESTION: Well, not any more. This is no longer effective, right? It was just in an appropriations. It's in effect for one year and then it's no longer in effect. So I assume we can now assume that just the opposite of this is true, that is, that those criteria now can affect the merits of a legal position.

MR. NICKLES: I don't believe so, Justice Scalia. I think Congress was speaking to the fact that this new interpretation of the Department announced in July of 1986 would not be permitted to pass into effectiveness under the provisions of 161(v).

QUESTION: They should have put it in the statute if they wanted it to have that effect. This is only in a one year

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1 appropriation. And once that -- Congress knows that -- once 2 that appropriation bill goes out of effect, so does that 3 provision of law.

The Executive Branch would be in terrible shape if everything that's ever been put in an appropriation's rider continues in effect. You know that. They wouldn't be able to function.

8 MR. NICKLES: I think it important, it bears on this 9 question to review the <u>Young</u> case because the position taken by 10 the Government I think is inconsistent with the decision of the 11 Court in the <u>Young</u> case. There is no claimed ambiguity in the 12 words of the statute. The statute uses the words of command, 13 the Department shall not enrich foreign uranium.

The qualifying phrase informs the Department of the percent limitation that is to be imposed. The Department's position, as I understand it, is not that restrictions are not needful, is not that restrictions will not help the industry, it is that 161(v) standing alone will not achieve this 80 or 100 percent ability to meet the needs of the nation.

Now, in contrast, -- yes?

21 QUESTION: Could I ask you about your interpretation 22 of viability? As you gather, I didn't agree with the 23 Government's. You know, it seems to me hard to understand 24 that.

25

20

I'm not sure I understand yours, either. I gather,

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do you think it means ability to produce 100 percent of the
 domestic needs, or not? Or it just means economic viability?

3 MR. NICKLES: Justice Scalia, I think it means both, 4 but most importantly, it means the ability of the domestic 5 uranium industry in times of total disruption, that is, a cut 6 off of foreign uranium, to meet the civilian and military 7 requirements of this country.

And that's reflected in the eight items that are set forth in the 1982 amendments that focus time and again on the prospects and the current data on imports of foreign uranium and do not use the word, profitability, but use the word, financial strength. But the direction is on the ability of the industry to meet the nation's civilian and military requirements in time of disruption of foreign --

15 QUESTION: So you agree with the Government, then, 16 essentially, as to what viability means?

MR. NICKLES: I think there's agreement on that
point, yes, Your Honor.

In contrast to the administrative practice in the Young case where the Food and Drug Commissioner had taken other measures to protect the public health under Section 346, so that the imposition of tolerance levels were not necessary for the protection of public health, we have a situation here where the Department has abandoned the industry, taken no measures that would assure the viability of the industry, but simply

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1 thrown up its hands.

In fact, the Department seeks to take credit for the fact that since 1981, it has done nothing, contrary to the representations it made to Congress in 1974 when it said it would assure the viability of the industry.

6 Thirdly, in the <u>Young</u> case, it was important to the 7 Court that this consistent administrative practice had been 8 reviewed by Congress in 1954 and endorsed. I submit that 9 whatever the impact of the continuing resolution that I brought 10 to the Court's attention, that this interpretation announced 11 for the first time in July of 1986, has never received 12 Congressional endorsement.

13 The Department's position on 161(v) would render that 14 statute superfluous. The Department has not announced any 15 measures, and it has a host of powers it could employ, that 16 would assure the viability of the industry, none.

17 QUESTION: Well, you say we shouldn't defer to their 18 judgment at all in this case. You say it's new and all it does 19 is reflect some vague policy about free trade.

20 MR. NICKLES: Well, I think, Justice White, the Court 21 will find when it looks at the July 1986 rule that there's more 22 attention paid by the Department of Energy to free trade, on 23 non-proliferation, on the status of its enrichment enterprise, 24 on the impact of imposing restrictions on various alleged GATT 25 problems that the Department had rather than on the focus of

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1 the industry.

19

25

2 QUESTION: Well, maybe, but are you submitting here 3 that the language of the statute with respect to restrictions 4 just can't be read as the Department does? Is their reading a 5 defensible reading?

6 MR. NICKLES: We do not believe it's a defensible 7 reading. We do not believe --

8 QUESTION: I know you think there's another better
9 one, but do you think it's even defensible?

MR. NICKLES: We don't believe it's defensible, Your Honor. When Congress in 1964 enacted this statute, it made sure that this restriction would work, and as a result of the statute, one hundred percent restrictions were imposed. The statute does not say, the Department shall not enrich foreign uranium if the Department determines it will work.

16 QUESTION: Well, but it does say that you are to 17 impose those restrictions which are necessary to assure the 18 viability of the domestic industry. Is that what it says?

MR. NICKLES: It says that, Your Honor.

20 QUESTION: And the Department sits down and says, 21 well, there's no number of restrictions, we can't think of any 22 restrictions that would assure the viability of the domestic 23 industry, and so we can't think of any that would even be 24 necessary. There's just none that would work.

MR. NICKLES: I don't think they say that exactly,

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1 Justice White. What they say is, we are not saying the 2 Department says that restrictions are not needful, that they're 3 not necessary. What they're saying in their papers and what they said to the Court this morning is that restrictions 4 5 standing alone, and we don't intend to use any of those other 6 powers that Congress gave us, they're saying restrictions 7 standing alone will not assure that 80 or 100 percent of the 8 nation's needs.

9 That is not a reasonable interpretation of the 10 statute, either literally or substantively.

QUESTION: Let me just be sure, let's focus on the statutory language for a minute. To the extent necessary to assure the maintenance of a viable domestic uranium industry, that's what they have to do. Now, is it your view that we do not even have to have any fact finding to determine whether or not the imposition of restrictions would result in a viable industry?

18

MR. NICKLES: That is our position.

19 QUESTION: But then how do you get around the 20 language that the purpose of the restriction is to create or 21 maintain -- they use the word, maintain -- to create what does 22 not now exist. Everybody agrees there's not now a viable 23 domestic industry. But if it were perfectly clear that the 24 imposition of restrictions would not result in the creation of 25 a viable industry, then how do you come within the language of

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1 the statute?

2 MR. NICKLES: First of all, Justice Stevens, I don't 3 believe the Department contends that the restrictions are not necessary. But we believe that Congress made the finding in 4 5 1964 and has reiterated that position that when viability is in 6 doubt, --QUESTION: But viability is not in doubt in this 7 8 case. 9 MR. NICKLES: Well, the Department should have 10 imposed these restrictions some years ago. 11 QUESTION: Well, maybe so, but --12 MR. NICKLES: There is non-viability, and as the 13 Tenth Circuit said, restrictions must be imposed going up to 100 percent until the industry is restored. Now, if the 14 15 Department wishes to take other measures, and it has other 16 powers it can take, --17 QUESTION: No, but you still haven't dealt with the problem I presented to you. What if we assume, because there's 18 no finding to the contrary, that restrictions would not result 19 20 in viability. 21 Then it is our position, Justice MR. NICKLES: Stevens, that the Department must take that argument to the 22 23 Congress. But the statute just says, I don't see how 24 OUESTION: you get within the language of the statute. You have agreed 25

37 Heritage Reporting Corporation (202) 628-4888 1 with their definition of viability. You're not assuring the 2 maintenance of a viable industry if you put some restrictions 3 in place that will not achieve that goal.

I don't understand your argument, is what I'm saying. Maybe you're saying they have to do this and subsidize the industry in addition, but surely this statute doesn't say that. You know, provide them with money and personnel and things like that.

9 MR. NICKLES: What we're saying is that Congress 10 assumed in 1964 that these restrictions would work. In 1974, 11 --

QUESTION: Well, you may be dead right that they shouldn't have taken off the restrictions, but that's past history now. We have a problem of what they must do, given the present factual situation that everybody seems to agree on.

MR. NICKLES: Justice Stevens, Congress equipped the Department with the powers that could assure the viability of the industry. It has many powers but Congress said this is one that must be used. The extent to which it must be used may very well depend upon the other powers you exercise.

But there is no question on this record that the Department believes that these restrictions are necessary. The quarrel between the parties --

24QUESTION: Necessary to do what?25MR. NICKLES: Necessary to assure the viability of

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1 the industry. What the Department says, Justice --

2 QUESTION: Necessary to assure an unattainable goal. 3 MR. NICKLES: Well, the unattainable goal that the 4 Department talks about, Justice Stevens, is this 100 percent 5 meeting of the civilian and military needs of the country. And 6 this is the --

7 QUESTION: Which you agree is the correct definition 8 of viability.

9 MR. NICKLES: Absolutely. But our position is that 10 the Congress was not giving the agency a power that would not 11 work. And if the Agency today believes it will not work, it 12 should go back to the Congress and say, because this will not 13 work standing alone, and because we are unwilling to impose 14 other restrictions that may antagonize our trading partners, 15 and because of non-proliferation, because of a lot of things, 16 please change the statute.

They have not done that, and on this record and in the light of the legislative history, these restrictions must be imposed if Congress doesn't change the words.

20 QUESTION: Actually, if I understand your position, I 21 think I understand it even less than Justice Stevens does, 22 because you're not just saying that if you can't make a hundred 23 percent of total needs or 80 percent, pick your number, you 24 still have to keep subsidizing. You are also saying you have 25 to keep subsidizing even if it is fully established that the

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subsidy will not do any good at all. Not only that it won't bring it up to 100 percent, but it will do no good whatever. Isn't that your position, that it doesn't matter that the Agency has no, and the Court has no right to inquire whether it'll bring you up from 27 percent to 28 percent, even? Right?

MR. NICKLES: That's correct. That's correct.
 QUESTION: We've got a clash of very difficult
 positions, here.

10 MR. NICKLES: I believe so, Justice Scalia. 11 QUESTION: I must say, I think you read the words, to 12 the extent necessary, etcetera, out of the statute. You just 13 say the Commission shall not offer services.

MR. NICKLES: It is our reading of the statute that Congress has made the determination that these restrictions are necessary and that they must be imposed.

17 QUESTION: Well, then why did they give the agency 18 any discretion?

MR. NICKLES: They gave the discretion to the agency to determine what limitations should be imposed. And the District Court, Your Honor, in imposing an injunction, told the Agency to come forward with a rulemaking to show the Court why one hundred percent restrictions would not be necessary. What other measures the Department might take --

QUESTION: When you say, necessary, it means

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necessary in aid of some end. You just use necessary as if it were a word hanging out there. Necessary to do what? To achieve a hundred percent, quote, viability. Everybody agrees these restrictions wouldn't do that. Necessary to do what?

5 MR. NICKLES: The objective is obviously the 6 viability of the industry.

7	QUESTION: Which is a hundred percent?
8	MR. NICKLES: I don't believe it's a hundred percent.
9	QUESTION: Well, then what is it?

10 MR. NICKLES: There's no fixed percentage on it under 11 the Department's determination but it is enough so that if 12 there were to be a disruption in the imports of foreign 13 uranium, this nation could be assured that the domestic 14 industry was viable enough to meet the nation's needs.

QUESTION: But I thought a minute ago you said that even though the subsidies would accomplish not even raising it from 27 percent to 28 percent, they still would have to be allotted.

MR. NICKLES: In our view, Congress made the determination that these subsidies would work to assure the viability of the industry, and that other powers --

25

QUESTION: Well, why would there be any hearing as to whether the subsidies ought to be imposed? I mean, it would just be automatic I think in your view.

MR. NICKLES: In our view, Your Honor, when the

Department concedes non-viability based on the criteria that
 are set forth in the 1982 amendments --

QUESTION: Then subsidies are automatic.
 MR. NICKLES: That triggers the requirement to impose
 restrictions.

Thank you.

6

10

7 CHIEF JUSTICE REHNQUIST: Thank you, Mr. Nickles.
8 Mr. Merrill, you have three minutes remaining.
9 ORAL ARGUMENT OF THOMAS W. MERRILL, ESQ.

MR. MERRILL: A good deal of the discussion here is focused on questions like what is the proper definition of viability and will the restrictions work or won't they work, and whether the 1986 criteria were proper or improper. None of those questions are really before the Court.

ON BEHALF OF PETITIONERS - REBUTTAL

The only question before the Court is the Court of Appeals' statutory interpretation which said that you don't have to look to the effects, all you have to do is look to the status of the industry and if it's not viable, you must impose one hundred percent restrictions.

If that is an erroneous reading of the statute, the Court should so determine, and that's really the end of the matter before the Court.

I think for that reason, the discussion about the 1986 continuing resolution is also quite irrelevant. All that resolution says on its face is that nothing in the resolution or in the 1986 criteria are to affect the position of the parties in this litigation. And as I've just indicated, the criteria are not at issue in this litigation. They were not something that the District Court or the Court of Appeals passed on, and clearly we don't rely on the resolution in any way in this case.

8

And so that's just a large --

9 QUESTION: Would you say that the Department could 10 have decided to impose a hundred percent restrictions even 11 though the industry was not viable? Would that have been 12 contrary to the statute?

MR. MERRILL: The Department has a mandatory --QUESTION: Because if it is, if it isn't contrary to the statute, then the language of the statute just doesn't compel your result.

17 MR. MERRILL: Your question, I take it is, even if we 18 have no duty to impose, do we still have the authority to 19 impose?

20

QUESTION: Yes.

21 MR. MERRILL: That I think is a close question. I 22 don't think that the answer to that question needs to be 23 reached here.

24 QUESTION: Well, if it's only close, I take it you 25 think that arguably the language of the statute could be read

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1 as your opposition suggests.

2 MR. MERRILL: No. The opposition suggests that we 3 have a mandatory duty to impose restrictions when the domestic 4 industry is not viable whether or not that would have any 5 effect whatsoever on the restoration of the viability of the 6 industry.

QUESTION: Well, I know, but if the Department could impose the restrictions even though the industry is not viable, you're saying they could impose the restrictions even though they would do no good whatsoever, even though they would not restore viability.

MR. MERRILL: I said it was a close question. We think the answer to the question is, no. We think that Congress spoke to this issue in 1964. It provided a specific tool and that that tool is to be used only in one circumstance when necessary to assure the viability, and not otherwise.

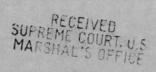
17CHIEF JUSTICE REHNQUIST: Thank you, Mr. Merrill.18The case is submitted.

19 (Whereupon, at 11:53 a.m., the case in the above-20 identified matter was submitted.)

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REPORTER'S CERTIFICATE

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4	CASE TITLE: F. CLARK HUFFMAN, ET AL., v. WESTERN NUCLEAR, INC.
5	HEARING DATE: April 27, 1988
6	LOCATION: Washington, D.C.
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8	I hereby certify that the proceedings and evidence
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