

U.S. NUCLEAR REGULATORY COMMISSION

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ELEVENTH ALL-HANDS MEETING WITH THE COMMISSION

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AFTERNOON SESSION

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WEDNESDAY,

JUNE 26, 2002

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ROCKVILLE, MARYLAND

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The Commission Meeting with All Employees was held in the Auditorium at the Nuclear Regulatory Commission, 11455 Rockville Pike, Rockville, Maryland, at 1:30 p.m., Richard A. Meserve, Chairman, presiding.

Present:

RICHARD A. MESERVE, Chairman

NILS J. DIAZ, Commissioner

GRETA JOY DICUS, Commissioner

JEFFREY S. MERRIFIELD, Commissioner

P-R-O-C-E-E-D-I-N-G-S

(1:37 p.m.)

MS. NORRY: Could I just let you know that the reason for this is we are having -- the reason for this delay is we're having some technical difficulties getting through to the regions and apparently we don't have either audio or video and there's a solution about to come in the door, so that's why we've delayed a couple of minutes.

(Off the record.)

MS. NORRY: Okay, we think we have the technical difficulties under control, so we're ready to get started and sorry for the delay.

I'd like to welcome all of you formally to this Eleventh All Hands Meeting with the Commission. We've been doing this for quite a while and you are among the lucky ones. The people in the tent this morning were not as comfortable as this, although I see the Commissioners have retained their attire of this morning when they all took off their jackets.

We will have, if we don't already have, the Regions and the Technical Training Center, as well the Resident sites and we have microphones, as you know, which you can use to ask questions. Or if you prefer, you can write down questions and they will be read, as well as the questions that were furnished ahead of time. Some of you may have sent in questions ahead of time and we'll get to all of those.

And we have two volunteers, who are going to be reading the questions and that's Cathy Grimes from Research and Keith Everly from NSIR. And so we thank you for that. I'd also like to acknowledge there are officials of the National Treasury Employees Union here with us seated in the front and with that, I'll turn it over to Chairman Meserve.

CHAIRMAN MESERVE: Thank you, Pat. Good afternoon and welcome to the NRC's Annual All Employees Meeting. Joining me this afternoon are my colleagues, Greta Dicus, Nils Diaz and Jeffrey Merrifield. Commissioner McGaffigan had a prior commitment, but he asked me to express his regret that he could not join us today.

As Pat noted, we've moved this afternoon session indoors because of the intense heat. As a result, those of you who chose to attend this meeting will not as warm a welcome as we were able to provide your colleagues who came to the morning meeting.

We also want to welcome, however, employees in the Regional Offices at the Technical Training Center in Chattanooga, and at various remote sites around the country, and I hope that they're finally able to tune in.

In preparing for this meeting, I was struck by the fact that the Commission has held 11 of these sessions since 1991. This is long enough for the meeting to acquire the status of a tradition. As you know, this is your opportunity to ask questions of the Commission and we will do our best to respond.

I have been told that over the years there have been some very spirited sessions. As I look out at this audience this afternoon, I can sense a few spirited and possibly even legendary questions in the early formative stages. I thus expect our interactions this afternoon will be at least as interesting as our session this morning.

Before we turn to the questions, however, I want to take a few moments to give you my sense of the challenges that the NRC faces. Since our last All Employees Meeting, the NRC's external environment has changed significantly. You may recall that this time last year, I outlined a series of issues, most of which are still with us: improving our communications, inside and outside the Agency; making progress on risk-informed regulation; and preparing for the renaissance and the prospects for nuclear power, among others.

The set of challenges I want to discuss today have nearly all arisen within the past year, reflecting the extraordinary times in which we live. Of course, extraordinary times call for extraordinary responses and a willingness to look at the world in new ways.

If that sounds complex, I want to assure you that it is complex. If it suggests to you that the Agency must demonstrate flexibility and faster response, you are correct. And if sounds as if there was a new sense of urgency and importance in the work that all of you perform, you are right again. These extraordinary times call for a renewed sense of commitment if we are to meet the challenges that lie ahead of us.

The first of the challenges relates to security. The events of September 11th had a profound impact on nearly every American, but they have had an even greater impact and a permanent one, of all performance and public perceptions of government, including the NRC.

National security issues, of course, have always come within the province of the federal government. What is new following the events of September 11th is the expansion of the scope of national security concerns. For example, it would have been hard to imagine that a lost Troxler gauge would have been seen to have national security implications last year.

Today, the same lost gauge might be seen to provide the means for terrorists to make a radiological dispersal device. This possibility puts the NRC not only at the center of a developing controversy, but also thrusts us even more centrally into the national security arena.

I can remember not long ago when we would emphasize one aspect of our mission, the obligation to protect the public health and safety. Now attention is focusing as well on another phrase from the Atomic Energy Act, need to provide for the common defense and security. Depending on your perspective, this development can be seen as something entirely new or as a return to a much earlier phase in the history of nuclear regulation. But what is beyond doubt is that the current security concerns must be addressed, basing a premium on high quality performance by the NRC.

As you know all too well, the current and growing concern about radiological dispersal devices are only the latest in a wave of issues that have arisen in the aftermath of September 11th. The NRC acted within minutes of the terrorists' attacks placing our licensees on high alert. As I speak to you this afternoon, our licensees are still on high alert.

We also initiated a comprehensive review of all of our security policies in a move that affected many of you directly. We created the Office of Nuclear Security and Incident Response. At the same time we have issued and are continuing to issue a series of orders to our licensees imposing interim compensatory measures to enhance security. We have taken timely and appropriate steps in our obligations.

On behalf of the Commission, I want to thank you for your extraordinary response to the security challenges. I believe that we have performed well. Nonetheless, we have more that needs to be done. The Commission is addressing ICMs, further licensees and is engaged in revising the design basis threat who have to work out a relationship with the new Cabinet level Department of Homeland Security which the Congress has pledged to complete action by September 11th of this year. We also must establish genuine cooperation among NRC component offices of security issues, develop a stronger skill base in the security area and work to achieve a balance between our long-established policy of openness and need for protection of sensitive security information.

For the longer term, we need to avoid complacency about security in the absence of specific, credible threats, to acknowledge that the events of September 11th have generated new public concerns about nuclear power that need to be addressed, and to recognize that safety and security of licensed facilities and materials are inextricably intertwined.

Although security by itself presents challenges that could occupy our attention for the indefinite future, we also have another major

challenge looming just over the horizon. I'm referring to the licensing of a possible waste repository at Yucca Mountain. I spoke about this subject at the OIG Planning Conference a week or two ago, so I will keep my comments brief here. I am convinced that the Agency is rapidly approaching one of the most formidable challenges in its history.

If Congress approves the President's recommendation, then we may receive an application from the Department of Energy for permit to construct the repository as early as December 2004. The NRC would then have three years with a possible additional year extension to decide whether to grant the license. This may sound like ample time, but if an application is submitted, the administrative proceeding will be massive, perhaps as large as any the Agency has ever seen. I reach this conclusion because of the complexity of the technical issues and the vigor with which the opponents of the repository are expected to litigate.

Indeed, I anticipate that no single NRC decision or set of decision since the response of Three Mile Island is likely to be scrutinized as closely from a technical, legal and public policy standpoint as the decision regarding this one of a kind facility.

Our proceeding and our decision making process will become the primary focus point for all opposition to the repository, as well as the subject of extensive media coverage. We need to maintain technical excellence, procedural fairness and schedule discipline.

Let me turn now to the reactor arena. Hereto, we continue to face challenges, not the least of which is the need to maintain our focus on safety. My earlier comment that security and safety are intertwined does not mean that we can afford to become preoccupied with security at the expense of safety. Indeed, assurance of safety is the one issue that will never go away, as the recent experience with

Davis-Besse incidents. In fact, the degradation of the vessel head at Davis-Besse was a very serious event. It was made worse by the failure to detect the degradation sooner. This issue has implications for licensee performance, as well as for the NRC in its reactor oversight program.

One important challenges continues from last year, maintaining pace with the nuclear renaissance. Enthusiasm for nuclear power is reflected in the continuing flow in application for power up rates and license renewals and in TVA's decision to restart Brown's Ferry I. We anticipate three applications for early site permits in 2003 and 2004. And the interest in new reactor design continues although now involving somewhat different technologies, we would have expected just a few months ago.

Exelon has pulled back from its commitment to the pebble bed module reactor, but we are seeing growing interest in other designs. We are undertaking design certification for the Westinghouse AP-1000 and the staff are undertaking preapplication discussions with regard to four other designs. All of these develops show that we have to be very flexible in applying resources to ensure that we are ready to respond to new initiatives as they develop.

Finally, let me mention just one other fundamental issue, the human capital challenge. When I first expressed concern about this issue a year ago, we had a crisis on our hands arising from the demography of the Agency. The ratio of employees over 60 and those under 30 was 6 to 1. We have taken aggressive action to reduce this ratio to 3 to 1 as of today, largely through persistent recruiting efforts that have helped turn the tide.

We now need to focus attention on assuring the appropriate skill mix for the NRC. In that regard I have already alluded to the need for more security expertise as a direct result of the increased threat environment. Also, I believe, we need to evaluate our organizational framework on a continuing basis to ensure that we are structured to address effectively the many challenges before us.

Let me stop there. It is not that I have run out of challenges, but I want to leave room for your questions. If there is a common theme to the issues I have mentioned today, it is the need for flexibility, looking at the world with the perspective that is informed by the past, but not bound by it and for bold thinking and action where warranted.

If this were a typical federal agency, I would have some concern about our ability to handle so many new challenges. My colleagues and I know, based on our experience, that if any organization can handle this complicated web of issues it is this one. This is a great Agency of skilled and dedicated people. The Commission looks forward to working with you today and on into the future.

Thank you. Let me now turn the session over to questions.

QUESTION: Mr. Chairman, I'd like to ask you a question about a security incident that I believe occurred last week. My sources were only the rumor mill, but since the issue was raised, I'd like to see if we could get some information on it and it really involved someone taking pictures of the building and I wondered if you could provide us some insight on that as security for all the employees is a significant concern.

CHAIRMAN MESERVE: Yes. My understanding is that we did have an incident that occurred about a week ago in which someone was observed outside the building with a camera. The issue is whether they were taking photographs of the building. Our guards went out and approached the person and talked with them and the person responded to their questions. Indicated that he was there, it was the early evening, he was there taking photographs of the sunset in front of the building. He was brought into the building and there was some further questioning and the Federal Protective Service came. The person was a foreign national. Had a passport, examined. There were checks that were run through the FBI and the other criminal record checks and there was nothing that showed up there and there was also a query that was made of that person's embassy and there was a person at the embassy

who was able to vouch for the individual.

So this was a case that we are very concerned, obviously, as I think you all know about assuring the safety and security of our own employees. This was one where our guards acted appropriately and they did pursue this issue and it does, based on the information that we've received, there's no suggestion of any particular problem arising out of this incident, but as you know, we significantly tightened security after September 11th at this building and we're going to be looking at some other things in the future. Your safety is important to us.

COMMISSIONER MERRIFIELD: Mr. Chairman, I would also say I think this is a good point for us to tip our hat to our security force who had to spend a lot of hours outside, particularly on days like this, in the hot sun with extra long shifts and overtime and things of that nature. They really have stepped up to the bat to protect all of us here at White Flint 1 and 2, so I did want to make a mention of the appreciative, our appreciation for the hard work that they're doing to protect us.

CHAIRMAN MESERVE: Okay, other questions?

Keith, do you have one?

MR. EVERLY: Yes, this is a question from Headquarters. Considering the potential disruption to our operations and possible contamination of staff and the public during public meetings, if a radioactive source were brought into the White Flint complex with malicious intent, why hasn't the Agency acted on the recommendation to install radiation detectors in lobbies and mail room?

CHAIRMAN MESERVE: Let me say that I think all of you know, as part of our process of coming into this building, we have made changes since September 11 and that does mean that our bringing bags or not NRC staff, do have their bags x-rayed and they're subject to examination as well. So this is -- we have taken steps that are like those that we encounter at many other facilities and similar to those at other federal agencies in order to assure protection of people from the fact that a visitor who conceivably tried to bring a weapon or some other device into the building and we are taking steps to try to prevent that from occurring.

Other questions?

Cathy, do you have one?

MS. GRIMES: Yes. This question is from Headquarters. And it's a three-part question. Many activists want to shut down Indian Point 2 because of its emergency plan's inability to evacuate 10 million people. First question: what can NRC do to enhance Indian Point 2's emergency plan? Second, why is Indian Point still on the low end of our scale for problem plants? And three, can NRC stop Indian Point 2 from being shut down?

CHAIRMAN MESERVE: As I think all of you know, Indian Point has been an extraordinarily controversial plant in recent years. That reflects the fact that the plant is close to a large population center. It's understandable sensitivity to terrorist incidents in the New York City area, the bulk of what happened on September 11th, and the fact that this plant has been singled out, really. The plant has been, in recent times, been a poor performer.

Let me deal with why do we keep it as a problem plant and that we have only have credibility as an Agency as long as we call the situation as we see it. We have an obligation to treat all of our licensees equitably and the fact that Indian Point may be subject to criticism, the bulk of what we find does not mean that we should pull our punches.

Our capacity as an Agency is going to be judged by our willingness to say what we see and stand behind it and stand behind the facts. So I think this is a plant that we have continued -- degraded cornerstone area. We've been spending a lot of inspection resources there to try to enhance the plant and we've been telling the public that although it warrants this continued additional inspection effort, this is a plant that is improving. We're seeing steady progress and it does not, in our view, warrant us to take extraordinary step, for example, of ordering a shutdown or something of that nature.

Problems are being addressed, but we'd all like them to be addressed more quickly, but they are being addressed.

This is a plant, I should say on the security side that does have the benefit of perhaps the strongest security capability of any plant in the country as a result of circumstances in which it finds itself. That involves not only the commitment of resources by the licensee, subject to our scrutiny, but also there's a force of National Guard and State Police that are present at that site that are providing perimeter security. It's a facility that has quite a strong security capability.

You asked the question about the emergency plan and as you know, this is a site that has a challenge because of the density of population in being able to deal with emergency planning. The off-site component of that plan is one that is the responsibility of FEMA, a federal agency, to pursue in concert with state and local governments and of course, subject to our engagement as well. And there has been very close examination and revision of that security plan that has been underway to try to make sure that it is up to date. We are obviously monitoring that situation closely. The state has been prepared to validate that the plan is adequate. This is a matter that's subject to FEMA review at the present time, leading to an exercise that's scheduled to occur this fall, so that this is, the issues associated with the emergency plan are being taken seriously. There are modifications that are being made and a variety of federal and state and local agencies are engaged in trying to make sure that the emergency plan is adequate.

COMMISSIONER MERRIFIELD: Mr. Chairman, if I may add, I think recently the Commission was questioned by Congress about

can't we be more involved in setting the record straight relative to IP 2. Part of the answer that we provided them was reflective of the fact that as a result of the history of our Agency and our roots revolving around our being spun off from the Atomic Energy Commission, there has always been a reticence about our doing or saying things that would be perceived as being promotional nuclear power.

On the other hand, there is an issue about the challenge to our regulations and the assertion that we are not acting in the public's best interest in terms of protecting public health and safety. And the answer that we gave them is that we are, in fact, and are perceived internationally as being leaders, as far as international regulators of health and safety and I think the Commission is reflecting on whether there is more that we can do to talk about the role that we have and the role that our fellow member of the federal -- FEMA has in terms of protecting individuals who live and work around the IP 2 site. So that, I think, is a take away from both Congress as well as the question from our own staff is there may be more we should do, but perhaps we need to think about that some more.

I think it would also be important to say that there's an awful lot that's being done. I think a tip of the hat would go to Hub Miller who has personally taken a tremendous amount of involvement in interacting with local government as well as stakeholders surrounding that site and furthermore, the staff of Region 1 who have had a tremendous amount of effort attempting to respond to public concerns and I think the Commission is reflective and aware of the huge involvement that they've had in dealing with this significant public interest concern at that site.

CHAIRMAN MESERVE: Other questions? Keith, do you have one?

MR. EVERLY: This is a two-part question with a bit of an intro. Since 9-11, dirty bombs have been mentioned in the press almost weekly. Our own Agency has publicized a fact sheet on dirty bombs on public websites. According to an IEA Bulletin article, it has been recommended that exporters of radioactive sources should consider the reshipment and disposal of these sources and a recipient cannot do so.

Question One: Do we have any idea how many radioactive sources exist and to whom U.S. companies are shipping.

The second question is what are we doing to ensure radioactive sources that U.S. sends overseas are under appropriate regulatory control?

CHAIRMAN MESERVE: Let me preface the remarks by saying that the regulatory environment for -- that is going to govern radioactive sources is changing before our eyes right now and that the focus on the system in the past has been assuring the safe transport of use of these sources for their intended purposes. The focus was not on assuring the security of these sources so that they could be prevented from malevolent uses.

And we have had to deal with a reality that our regulatory system was not one that was focused on the issue with which we and the public is concerned now which is the possible use of these devices by a terrorist. We have taken steps since September 11th to deal with that situation and that there are advisories that went out to our licensees and that we had agreement states send out to their licensees to deal with such things as enhancing the physical security of these devices to assuring controls on access, make sure there was awareness of and reporting of any suspicious activities in the vicinities of the sites. But it is clear to me that there is going to have to be a lot more that is going to be done. The Commission has been working on some ICMs that would be directed at the more significant materials licensees and there are no doubt many regulatory changes that will have to be put in place.

These will encompass such things as enhanced security and controls over shipping. Will enhance -- no doubt will have to deal with ways we have not in the past with the import and export of these materials. In the past, we've given the general license to a situation in which a source is going to be imported into the United States and so that the importer would indicate on the form, the manifest bringing in the device that it was going to such and such a person with such and such a license. And we are not involved, of course, at the entry points in the United States. Customs Service has been alerted to this issue and is checking to verify that in fact, with us to verify that there is, in fact, a license for the intended recipient of the material.

But there still is a hole in the system that we all have to acknowledge, if somebody doesn't declare, they're submitting a radioactive material, then you have the problem that it could be imported. To try to deal with that, there's been a lot of discussion.

We've all seen in the papers about the cost and problems associated with having detectors of various sorts at entry points in order to determine whether there is radioactive material that is undeclared, that is being shipped into the United States. So there are actions that are under way. This whole area is one where the United States government and foreign governments are having to deal with situations that we had not really contemplated as thoroughly as we should have in the past.

Okay, any other questions? Cathy, do you have one?

MS. GRIMES: This question comes from Headquarters and it's addressed to the Chairman. I see a lot being done at the NRC for young interns, women and minorities in terms of promoting. However, I am a member of the least popular group, middle-aged Caucasian male. Like many, I feel stuck at my present level, GS-13, where I've been for 11 years. Is the NRC not interested in keeping experienced people like me and what are you, the Chairman, instructing upper level managers to do in order to retain good,

middle-aged white males?

(Laughter.)

CHAIRMAN MESERVE: Well, let me say that when I mentioned this issue last year I talked about the human resource challenge we have which is one of the reality that in 15 years or so of declining budgets we had handled the fact that there was less funds for us to spend and less allocation of staff that we allowed to have by allowing attrition to deal with the situation and we never had a RIF at the NRC. And we have handled the need to have sort of fewer staff by allowing retirements to take care of the problem for us.

And that is what resulted in a demography where the average age in this Agency was older than I think we would have -- that was healthy for the future. I mentioned the 6 to 1 ratio before. And we have tried to deal with that issue by aggressive recruiting. We have had the benefit over the last couple of years of growing budgets and we've had particular emphasis on recruiting and we're trying to bring in people at all levels, but we have emphasized people at the entry levels because we need to feed people into the system who are part of our career.

But I don't want to have anyone think that that we can -- we don't value the contributions of staff at all levels. As a statistical matter, we had a problem with the aging work force and we were trying to deal with this. But we need to get the benefit of the insights of people of all backgrounds, of all ages, of all genders, of all races, if we're going to be able to fulfill our mission. It's in the Commission's interest to have everyone being challenged on their job and to feel that their skills are being put to optimal advantage.

I don't want to have there any sense that because we talked about the demography issue in the aggregate that there is any sense the Commission doesn't see that people of all types, ages, genders, races are important to us and we want to have them have a useful and productive work life here.

COMMISSIONER MERRIFIELD: Mr. Chairman, I would make one addition to that. I agree completely with what you said. I think there's an issue of looking at both ways from the standpoint of an individual member of our work force. We said this morning and I repeat again what the Chairman has said. We highly value all the members of this Agency. They are the human capital that makes us the great regulator that we are.

And from the standpoint of each member of our work force, we should and I believe we do have a program which allows for ability to access training programs, individual development plans and opportunities for each of our employees to grow as long as they are here within the Agency. It would not be my expectation that anyone here is using the same set of skills and knowledge that they had when they came on board. Hopefully all have taken advantage of the many very good and highly diverse training programs that we have, either at the TTC or here at White Flint.

The other part of that challenge is I think for our management. There is a tendency, sometimes, to find someone who has a very good set of skills and sometimes be so satisfied in the excellent work that they do that that person gets buttonholed and I don't think that that's the intention and certainly we should be mindful of trying to make sure that people have opportunities for rotations and an ability to move throughout the Agency. And I think to the individual that raised that question, I think it's an issue of going back to your management folks in your chain, making sure that your IDP is in the right place, thinking about new training classes you can take, so that there are opportunities for you to do rotations and for you to continue to develop as you are here as a member of the NRC staff.

COMMISSIONER DIAZ: Let me just add to that that it is obviously important that everybody has a chance for promotion and to be recognized. I think that sometimes we tend to look at places where we see the grass is greener, but sometimes the grass is greener closer to where we are and I think that people do deserve to be considered.

Having said that, I mean that -- and having made a comment a couple of years ago that I had a special interest in people that were over 55, I personally know that the Chairman has strong interest in the retention of good, middle-aged white males in the Agency.

(Laughter.)

COMMISSIONER MERRIFIELD: I am not touching that one.

(Laughter.)

CHAIRMAN MESERVE: Any other questions?

QUESTION: You raised the issue of our guards and security and while I recognize there's a very low probability that our particular building will be the target for an actual target, I am nevertheless frustrated when I arrive in the morning and the guards are either facing the guard house or facing Rockville Pike and I approach Marinelli from the opposite direction and I have to wait to get their attention before I can enter into the driveway and so I'm concerned about their 270 degree vigilance and the fact that they're not really looking in all directions.

I guess it's also not only a frustration, but a feeling of not really being safe if something were to happen because they're not --

CHAIRMAN MESERVE: I'm sorry, I didn't hear the last part.

QUESTION: Not only is it a frustration from having to wait, but it's also a feeling of not being safe because of the lack of true vigilance.

CHAIRMAN MESERVE: Let me say I think that anyone who has served in a guard position no doubt is aware that it's a hard job, that you have the obligation sometimes when things may be pretty boring, to stay vigilant, to stay alert, to stay on top of things. You may have all had different experiences, but I have been struck myself with a degree of attentiveness that the guards do provide and I've come in in the morning, as I come in on Marinelli Drive, there are usually two entry lanes that they provide and one is for those who are taking immediate right turn and the other one is for those who are taking the left and coming in the other direction. There usually is a guard that's there to deal with cars coming from both directions and they are on top of things.

So my experience is a little bit different with yours, but we will certainly pursue the issue and make sure that they have -- maintain appropriate vigilance status. But quite frankly, I've been quite impressed with the capacities that the guards have demonstrated and the seriousness with which they have taken on their responsibilities.

MR. EVERLY: This is another Headquarters question. What is the Commission doing to avoid taking excessive steps in response to or overreacting to the new risks of possible terrorism?

CHAIRMAN MESERVE: One of the things that we are all constantly having to do in this job is just try to find the appropriate balance in the activities that we are taking. And that is an issue which has been very much on the Commission's mind as we've issued our advisories and issued the interim compensatory measures, is to try to strike some balance in the activities to have an appropriate level of security.

I think that is a task that is a difficult one, but is one that all of us have been attentive to as we have tried to work through these issues.

Let me say that that has involved, I think, all of us at one time or another in some dealings with people from other agencies and which we have tried to assure that not only the seriousness of the things we have done, but also to make the case so that there is not an overreaction with regard to events.

Let me say one thing and I think the NRC staff has provided in the public debate which has been important. When the issue of the radiological dispersal devices first came up, it was many of the press reports had the impression that there was some gradation from an actual nuclear weapon and then something was slightly less serious would be a radiological dispersal devices, that they were somehow on some same scale with these other. Well, nothing could be further from the truth, that nuclear weapons is many many orders of magnitude different consequences than a radiological dispersal device.

We had done analyses that suggested that the likelihood, serious health consequences arising from our radiological dispersal devices was rather slight. But you have to take them seriously because of the panic effect they would have. We have to take them seriously because there would be, could be an expensive clean up and obviously disruption that arises from the fact that you might have evacuate an area for the time. But we made the case about the health effects on this issue and we have trumpeted that and tried to provide that guidance within the federal government.

Now I should say a common theme of the press articles that you read on radiological dispersal devices is that the health consequences are not very great. It's not attributed to us, but we were the voice in the federal government that was bring realism to that issue from the very earlier stages and that is, I believe it to be the case, but it also, I think has helped to shape some of the public and governmental reaction to these issues. Taking them seriously, but they're not the type of weapons that people were describing them as in the early days after September 11th.

CHAIRMAN MESERVE: Cathy?

MS. GRIMES: This question is from Headquarters. As a result of budget constraints, several agreement states have indicated that they are unable to send their people to NRC-sponsored training courses located outside of their states. Some are developing alternative in-state training programs. Is the Commission concerned about the possible fragmentation of NRC and agreement state training programs which would result in the loss of shared experiences among the students attending a common training session?

CHAIRMAN MESERVE: That's a very good question and I think it raises a -- to me, an even more fundamental and broader issue with which Commission has to grapple and that has to do with the fact that we have more and more states are becoming agreement states and are assuming regulatory responsibility for materials. We'll soon have 35 or so agreement states. And that creates the prospect of greater fragmentation of the process for regulating and licensing materials in that you have more and more regulatory authorities it conceivably can go in different directions. And that can have adverse consequences, obviously, and that skills that each can bring to the problem may be different and the very fact that there are differences in regulatory approaches can create some complications.

Before I came to the NRC, I represented a radiopharmaceutical manufacturer who was interested in acquiring another company that had one drug. It had a novel radiopharmaceutical and the sole issue they were trying to make the judgment as to whether they made their acquisition or not was the cost of getting this drug licensed in various states.

And with the problems that were created by the very different regulatory regimes that covered this particular material from one

state to the next, and the really crucial question in deciding whether a big transaction went forward and whether this drug would be available because they really needed the bigger company to be able to do the necessary development and marketing of the drug was a regulatory question of how hard is it going to be to get licenses in a sufficient number of states to make this worth going into this business?

I mean there were serious consequences as a result of the way we've headed under the instruction from the Atomic Energy Act and the way we're regulating nuclear materials. And it reflects itself -- training is one component of the competence issue and this is an issue I don't have an easy answer for, but it is something with which the Commission does have some papers either before it and we have some more that we're going to have to deal with with regard to how we restructure the materials' program to deal with the changed world in which we find ourselves.

COMMISSIONER DICUS: Let me add a little bit to that because clearly it's an issue for the states. It was some few years ago that we used to provide some travel funding, etcetera for agreement state personnel and even non-agreement state personnel of states perhaps considering agreement state status to come in to NRC training courses and for budget cut reasons we had to eliminate that particular program. It may be necessary as we watch the further development of agreement state programs and more states becoming agreement states that perhaps to some extent this has to be revisited.

I think -- I know the organization of agreement states, together with the conference of regulatory control program directors are watching this as well. Certainly, at those meetings they've tried to provide their amount of training, then go back to people that attend, can go back to their states and then share what they learned at these things, but it's not as ideal as it would be under another set of circumstances.

I think it's something we need to watch and monitor through the IMPEP program which I think can be very instrumental. I think it's an issue and we need to watch it.

COMMISSIONER MERRIFIELD: I would add, another way of looking at this question goes to the heart of the ability of states to fund the programs. My own home state of New Hampshire recently went through the IMPEP program, with Paul Lauhaus and those folks, and they didn't do very well.

And the problems associated with the New Hampshire state program was a lack of funding by the state of New Hampshire. They had frozen the work force so they couldn't hire anyone new and they didn't have the money necessary to compete to get health physicists. They just couldn't offer what is being offered by either us or by utilities and so they couldn't get qualified people.

One of the things that the State of New Hampshire is doing right now is some soul searching. Does it make sense for a small state with a very small number of material licensees to be even part of the agreement state program? And one of the things that they're going to look at over the course of the next year at their own behest is does it make sense for them to continue to be part of the program or should they give that authority back to the NRC which has a different set of capabilities and obviously much greater resources to bring to bear. They are not the only state that is thinking along those lines and so while there may be some states that be thinking about joining the agreement state program, there very well may be some who may be thinking about getting out of the agreement state program.

MR. EVERLY: Another question from Headquarters. At the recent Health Physicists Society annual meeting, an entire day was devoted to a session on homeland security. From the presentations, it was clear that awareness of the problem is very high, however, specific programs to deal with the issue are lacking. Are federal agencies such as NRC, EPA and FEMA, along with the states, cooperating to ensure that each understands its role in the event of radiological dispersal incident? And have they agreed upon specific limits for unrestricted release of contaminated sites?

CHAIRMAN MESERVE: Let me say that there is a federal radiological response plan that does allocate responsibility for dealing with radiological incidents of all types. It does designate certain agency responsibilities, if it's NRC-regulated material, the NRC would be in the lead. I believe if it's other types of material, FEMA would be in the lead.

So there is planning that's in place that is part of an older response plan. Of course, if it's a terrorist incident that results in there being a radiological release, then there is FBI responsibility for dealing with the law enforcement-related issues that arise from this area.

So there is a plan that's in place. There have been some exercises, a limited number of exercises to see how that would work, some of them involving a variety of different types of incidents that would use a set of sequence of exercises that were run through the Department of Justice. There's no doubt a lot more that we could do and I think that there is awareness of this issue that is growing within the federal government and I would anticipate as one of the offshoots of the creation of the new Department of Homeland Security is a need to go back and reexamine all of those plans for dealing with terrorist incidents, going through and revising them to reflect the new realities and no doubt, there will be extensive exercises to test the plans. So I see this as an area that is changing and there are -- there is an allocation of responsibilities today. I would think there would be a lot more extensive planning in preparations that will be undertaken in the future.

Cathy, do you have a question?

MR. EVERLY: Yes. This is from Headquarters. In the latest "Inside the NRC" the Nuclear Energy Institute, NEI, has recommended the consolidation of the regions in the short term. For the long term, NEI recommends regional offices should be eliminated and the inspection function moved to Headquarters. Does the Commission have any comments?



CHAIRMAN MESERVE: The NEI had submitted such a recommendation to us as an aspect of the comments on our P rule. We had received similar comments from the NEI last year and we had a question about this last year at the same session and the answer that I gave last year is still the case. We have no plans to undertake a consolidation of the regions or collapse all the regions back to Headquarters. There's nothing before the Commission of that nature.

Keith, do you have a question?

MR. EVERLY: This is from Headquarters. These meetings don't seem to reveal any new information. What's the purpose and do you think they're necessary?

(Laughter.)

CHAIRMAN MESERVE: If that's the generally held view, why are you all here?

(Laughter.)

I mean this meeting was as it was advertised. We're here to answer the questions that people have and we're trying our best and people should view this as an opportunity that they should take. There's nothing that's out of bounds. There may be some areas in personnel that we can't get into, but you have questions you want to raise, this is your chance to ask them.

Cathy, do you have a question?

MS. GRIMES: Yes. This is from Headquarters. The amount of panic that would follow throughout the nation is what will make a terrorist attack devastating. What can NRC do to educate the citizens and how can our Public Health Service be included in the thought process so families can make wise choices?

CHAIRMAN MESERVE: Well, I think that's a very serious problem we as an agency confront and we as a nation confront. I come back to the radiological dispersal devices. Is that the analyses would show and we're not alone in this, that the health consequences arising from the radiological health consequences from the use of such device is not very great. They're not in the armament of any country for the reasons that they're not very good weapons.

Nonetheless, there is the accepted wisdom and I think perhaps the reality is that if one were to be used, there would be extensive public fear and panic would result. Now I would hope that merely educating people about the real risks would be reassuring to them and people in an orderly way should evacuate from the area if it's presumed there's extensive contamination.

And I think that the press have gotten to be more responsible in this issue over time in that they simultaneously talk about the panic effects while mentioning the fact that the health effects are not very great.

So there's sort of a dilemma that we confront and that we seem to have succeeded in having and understanding develop about what the real consequences of the weapons are, but the fear still exists.

I think this reflects a problem that has been one that plagues the nuclear industry and has plagued this Agency over its entire life, is the special fears that people have of things that are related to nuclear issues and radioactivity and we can and should do the best we can to provide people with accurate information and try to educate people, but the reality is is that we're working in a field where the public perception are ones that are very grave and they're sometimes misguided.

Keith, do you have a question?

MR. EVERLY: This is a two-part question and these are the last of our questions. What is the Commission's perspective on the success and cost effectiveness of the recent information technology initiative such as ADAMS and Star Fire?

The second question is when the Agency accounts for savings to the public from ADAMS does the Agency include the added and higher cost for members of the public when they print documents themselves?

CHAIRMAN MESERVE: Let me say one thing at the outset. I think we're making progress in that last year by this time in the sessions I think we had gotten 5 or 10 questions about ADAMS and we had managed to get this far into the program where we got this first question about ADAMS.

I think that reflects a couple of things is that our aspirations through ADAMS were ones that were much greater than have been achieved to date, that perhaps people's expectations have diminished over time. But I also think that people have become more familiar with it and it's now somewhat more accepted. It isn't completely what we had hoped to get.

It isn't what we aimed for at the beginning, but we're getting closer. We have a work plan to try to deal with the issues associated with ADAMS and to improve it over time. There are upgrades in the software that will give us greater capabilities that will make it more of a web-based system that should facilitate its use. So I think that this is -- I think we should view ADAMS as a work in

progress still and it's unfortunate, but it is the reality that it is basically a system that still has some flaws, but we're working to correct them.

COMMISSIONER MERRIFIELD: Mr. Chairman, I would say a couple of things too. I think we are always at risk because we are a highly technical agency and we have a work force that is among the most highly educated in the United States government and so we have a tendency when we get new programs to try to push the edge in terms of capabilities and ADAMS may be one of those cases where we perhaps bit off more than we can chew.

The second thing which I think has been resolved is that there was a disconnect, I believe, previously between what were the needs of the program offices versus what could be provided by the folks within the CIO's office? And the Commission, and I know there were some in the Agency who didn't want this or appreciate this, but the Commission made the decision last year that would be greater realignment and so we now have our CIO who is now in the reporting structure to our EDO.

One of the benefits and I don't think we've seen all of the results from this yet, but one of the benefits that has been promised and I think we will have delivered is a greater realignment between those program office needs and the ability of our CIO's office to provide success and I think that's going to be a win-win for everyone and hopefully down the road, having learned our lessons, we won't have a replication of what happened with ADAMS and we will have indeed programs that are needed to fulfill our mission provided to us in a methodology that is cost effective and timely.

CHAIRMAN MESERVE: Cathy, do you have any more questions? Good, if there are no further questions, this has been a very interesting afternoon for us. Oh, there is one. I'm sorry, we have a question.

MS. GRIMES: I assume this is from Headquarters. And it's a two-part question. Where do you believe budget shifts will be made at the NRC in the next five years, besides more for various security issues, where else will programs possibly grow or shrink and what are the influencing factors?

The second part is nuclear medicine isn't such a media magnet, but certainly a very important area for us all. What can you tell us about trends and issues?

CHAIRMAN MESERVE: As a regulatory agency, we of course, have the responsibility to deal with work that our applicants bring to us to deal with the inspection of those facilities that we have already licensed. So I think that we ought to, in our budget process, we ought to anticipate that we will have to consider changes to the budget that reflect changing work that the Agency has. I'm not saying anything very profound here.

But I think the fact of the matter is is that we do see at the moment, great interest in relicensing, that work is going to continue and expand. We see continuing interest in power up rates, reactors and we see interest in the prospects for new construction in that we have in 2003, as I mentioned or 2004, three early site permits.

We have a whole series of either certifications for designs or the preapplication process for designs, a couple of different plants than we thought were going to be coming to us just a few months ago will be -- and now they've indicated they're going to come to us for work.

Atomic Energy of Canada, for example, has visited the Commission just two weeks to say that they were going to start the process for certification of an advanced CANDU reactor. It's a heavy water automated white water cooled reactor. So we're going to have to devote and will be devoting resources to deal with those sorts of issues.

I think we have to anticipate that we may see some entirely different reactor designs than we have seen in the past in that there's less interest in the double bed reactor as a result of decisions made by Exelon, but there seems to be a stronger interest in the General Atomics gas reactor. So that's an area where investment is going to be necessary if we, in fact, are going to be put in the position where we have to certify a design, require us to rethink the regulatory foundation which are, of course, designed for light water reactors. So I see those kinds of shifts that we're going to have to undertake in the reactor arena.

In the waste arena, we see the prospect, for example, of Yucca Mountain, and the possibility that Congress will approve that and that it will have an application there. So we have had an investment in that area in the past. It's going to have to grow to be able to handle that license application.

We have a whole series of other waste issues. We had a question this morning about problems with low level waste. That is an issue which the government as a whole and Congress is going to have to grapple. It will have implications for us when the situation dealing with low level waste is corrected. So we'll have some business in that area.

In the materials area, it's clear that as a result of security, that there is going to have to be a renewed change, regulatory focus on the way we regulate materials to deal with security issues. I've already mentioned the need for us to rethink how that program should be shaped, where we have possibility, at least of more agreement states and how we do our business that we can maintain a central focus here and capability here to try to deal with being able to be the leader on materials issues, but recognizing a lot of licensing authority is elsewhere.

Above and beyond that, we have these human capital issues that we've been dealing with to oversee the strengthening and rebuilding of the Agency in the human capital area. We'll no doubt have continued evolution in information technology that will be

important for us to stay even with, and I see a whole range of areas where they're going to have to be adjustments that we ought to expect. They're just part of life in a modern agency.

COMMISSIONER DIAZ: If I may add something to that? I know that we all get concerned that as we put resources in the security, the physical security area, that that might take away from everything else. We, of course, hope that is not the case, but there is something that always happens in democratic systems like ours and that is when you have concerted efforts to make something better like in the area of security, there is always something good that happens in the area by the side of it. I really am an optimist. I would expect that efforts that we put into making the materials area better or the security of reactors better, that essentially we learn from all those processes and they become part of a more effective organization. So I would expect to see that as the years go by that all of these efforts actually will improve the way we do business over all.

CHAIRMAN MESERVE: The second part of the question had to do with nuclear medicine and some of my colleagues may have some views on this, but as you know, we have a new Part 35 that is in place. There is guidance documents being developed in that area and I would not see that as an area for very heavy Commission engagement other than the need perhaps if some issues arise in the actual implementation of Part 35, there might be some small changes we need to consider. But I'm hopeful, and I think and suspect that all of us are hopeful, that with the new Part 35 we have brought stability to that area from the regulatory point of view. There may be some corrections that need to be made that will reveal themselves, but that is not an area where I would anticipate a lot of policy action by the NRC over the next couple of years.

QUESTION: May I ask a question? Reading the "Do I Have News for You" from the NRR Office, every month same welcome to new employees. Presumably, some of those employees are switched from the private industry to the government sector. Also, we all know that private sector operates differently from the government agencies. Do you have words of wisdom for those new employees so that to make their switch over more timely, effective and maybe contributing more to the NRC organization?

CHAIRMAN MESERVE: I guess I'm trying to think about my own experience. I'm somebody who most of his career was in the private sector and came here. I must say that the transition was one that was in my case I didn't find to be very difficult in that I had been grappling with many of the same policy issues, perhaps representing licensees rather than being on the NRC side of the table. But that my experiences in the private sector were not all that different in terms of the kinds of considerations that you were weighing that I've had to try to deal with since I've been here at the Commission.

So I would not, myself, have expected that the experiences that people would have in the private sector in terms of what the problems are and how you address them would be ones that would be all that foreign to the way that they'd be expected to interact here at the NRC.

There are, obviously, ways in which the government does business that you need to respect and everyone needs to learn those as being part of the process and that's part of the introductory process that is provided to new employees.

Perhaps some of my colleagues have some insights?

COMMISSIONER DIAZ: Learn to speak the language.

(Laughter.)

It's a good thing to do quickly.

COMMISSIONER MERRIFIELD: I'd say in the first piece of guidance I would give to people is to leave the word "bureaucratic" at the door. There's a lot of baggage that people have about working for the government, or at least a preconception of what it means to be in government service. Now like the Chairman, I've been in and out of government service during the entirety of my career, far more in the government than out of the government. During the time I spent up on Capitol Hill, I had a significant amount of interactions with EPA, DOE, DOD and this Agency and I had, actually had involvement with a lot more beyond that.

Now without commenting on some of the other agencies and departments, I've said frequently and I'll repeat it again, that we are blessed here with having a highly qualified, dedicated, committed work force. I mean it really is a blessing. And one of the things, and I'm not b-s'ing on this one, one of the things I say to myself quite frequently is how lucky I am to be surrounded by people who are as good as they are because it is all of you and all of the hard work that you do that continue to make us look good as a Commission. The success that we have had in the three and a half years, plus, I've been three and a half; Commissioner Dicus and Commissioner Diaz have been here longer. The success that this Commission has had over the most recent past is a result of the hard work that our staff has committed. So if you're entering this work force, be ready to be engaged by people who are smart, who ask challenging questions and who really are committed to doing the best for public health and safety. And so leave the word "bureaucratic" at the door. That is not this kind of agency.

CHAIRMAN MESERVE: Final question?

MR. EVERLY: It's a Headquarters question. Where should the line be drawn when considering providing information to the public and ensuring that we are not giving too much information to the wrong people/organizations, e.g., revealing how well safety systems work?

CHAIRMAN MESERVE: I think that's hard to answer that question in the abstract. One of the realities since September 11th is that I

think all of us have to have a heightened sensitivity that we have information in our possession, many of us in our jobs that is information that would be of interest to a terrorist and would facilitate an attack. And we need to think much more seriously about how we handle that information than perhaps we did before September 11th.

The Commission has tried to deal with this issue with regard to sort of providing some guidelines for the kinds of information that should be protected. There is staff work that is going to be underway to sort of revise the guidance and guidelines processes for handling safeguards information, so that is an area that we will be sharing some additional information with the staff in the future as that work unfolds.

But I think that was the last question. I'd like to thank you all. This has been a very interesting afternoon for us and I hope it's been interesting to you as well.

(Applause.)

(Whereupon, at 2:55 p.m., the meeting was concluded.)