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No. S-98-15

**CHAIRMAN'S ADDRESS TO STAFF
FRIDAY, JUNE 5, 1998, 2:30 P.M.**

Good afternoon, everyone. I must tell you it gives me no small degree of good cheer--and perhaps I should say relief--to see this week coming to a close. I want to begin by thanking you all for your patience and professionalism--and, in many cases, for your remarkable levels of effort and support. The events of the past several days, to say the least, have been tumultuous. I am certain that many of you have been quite concerned, wondering whether your jobs were on the line, or mulling over what significant changes to expect. I can assure you that it has been a period of intense activity for me, as well as for the Commission as a whole, and for NRC management. We have experienced some rather bleak moments, but there also have been some extremely positive and encouraging episodes. This afternoon I would like to talk with you about a few of these events, in sequence, and to provide you with my perspective on where we presently stand.

Over the past few months, the nuclear power industry has been pressuring the Congress intensely. The gist of the industry message is that the NRC is over-zealous in its oversight of nuclear reactor safety--that we are inefficient, that we over-regulate, that we inspect too much, assess too much, enforce too much, take too long on licensing actions, and employ an overly restrictive body of regulations. As you know, many of these claims have been longstanding assertions by the nuclear power industry. On the other hand, you are all aware that, during my tenure as NRC Chairman, the entire Commission has sought vigorously to improve the effectiveness and efficiency of not only our reactor regulatory program, but of all our areas of responsibility. There certainly is room for improvement. But, we have not been standing still. When we have had opportunities to testify before our Congressional oversight committees, or to respond to questions from members of Congress, we have explained the current status and direction of our regulatory programs and initiatives. We also have tried to be and will continue to be responsive to concerns of our various stakeholders, but especially the Congress.

Early this week, we received the first concrete sign of Congressional action on our budget appropriation for FY 1999. This action was a draft proposal, in the form of draft legislation and an accompanying report, from one of our Senate oversight subcommittees--the Subcommittee on Energy and Water Development. This subcommittee reports to the full Senate Committee on Appropriations.

That original draft proposal, if carried out in full, would have eliminated over 700 of the current 2934 NRC staff over a two-year period, beginning in FY1999, with over 500 staff being

cut directly from the oversight of nuclear power plants. The other major staff cuts would have been about a 50 percent reduction in the category entitled "common defense and security and international involvement," and about a 16 percent reduction in our "management and support staff."

As you might expect, we responded immediately, to express our concerns about the ability of the agency to maintain its vital health and safety mission in the face of such reductions, as well as to counteract the inaccurate comparisons upon which certain elements of the draft report were based. Other members of Congress also supported an approach which would not subject us to the severe cuts proposed, but which would have the NRC and its regulatory approach and programs carefully examined by our Senate authorization Committee.

The NRC chapter of the National Treasury Employees Union, as you know, took a strong stance against the proposed reductions, and encouraged bargaining unit employees to join in making their concerns known to their Congressional representatives.

The result of all of these efforts led to the following outcomes when the full Senate Committee on Appropriations met to mark up the measure for presentation to the full Senate. While we understand that the revised version of the bill still contains reductions from our original FY99 budget request of \$488 million, the proposal is considerably less severe than the original. The basic elements of change are as follows:

- ◆ We are reasonably certain that the references to FTE reductions will be deleted.
- ◆ While the original proposal designated approximately \$22 million for offsetting the up-front costs of staff reductions, we understand that the new version will retain the \$22 million but no longer specify its purpose.
- ◆ Therefore, the total appropriation, as currently proposed, would be \$466 million, including the budget for the NRC Office of Inspector General--an overall reduction of about \$22 million from our original request.

Please note, as I stated in the bulletin to all employees earlier this week, that once again this does not represent final Congressional action. It is quite clear that many of those who directly oversee this agency still believe that certain NRC programs and approaches are profoundly in need of reform. I have just returned from a meeting with Senator Domenici. I am encouraged by his support for a strong effective regulatory agency, by his willingness to work with the agency, and his commitment to ensure that necessary reform in our regulatory approach and programs are, in fact, carried out.

In the coming weeks, as the legislative process proceeds, the Commission will continue to work with the Congress to ensure that we are provided the resources needed to achieve program improvements in a timely, responsive and non-disruptive fashion. I want to make it clear that, while this latest development does signal a willingness by the Congress to work with us on these issues, it does not mean "back to business as usual." Rather, it means the following:

1. We have been granted the time and opportunity to look at the criticisms raised by the Committee in their report, to determine which issues are valid, to compare their concepts of necessary changes to the initiatives that we already have underway, and to develop solutions ourselves rather than to have solutions imposed on us externally.
2. We also now have the opportunity to work with our authorizing committees in the Congress, to determine what NRC program changes should be made and to work with our appropriators in determining the dollar and resource implications of those changes.
3. In short, we have the opportunity to make our case, which includes appropriate renormalizations in regulatory approach and agency management. This is consistent with what you have heard from me over the past three years about the need for change and positioning for change.

In summary, we will continue and accelerate the re-alignment of our regulatory approach to be responsive to legitimate concerns of our stakeholders -- even shifting the regulatory paradigm, as appropriate. We will continue to explore creative approaches that would accomplish our goals more effectively and efficiently. And as always, we will take every measure within our grasp to ensure that the NRC remains able to perform its statutory mission of protecting public health and safety, preserving public confidence as a strong, competent, and effective regulator.

Again, I wish to express my gratitude to Senator Domenici for meeting with me, and in his willingness to work with the NRC on the issues of concern.