

October 24, 2002
U.S. Nuclear Regulatory Commission
Mail Stop 012-D3
Washington, D.C. 20555-0001
Attn: Mr. Marvin Mendonca

Dear Mr. Mendonca:

I have been asked on behalf of Aerotest Operations, Inc. to respond to certain questions in connection with the transfer of ownership of the Aerotest San Ramon, California facility. The original questions and my responses appear below.

1. License conditions to limit foreign involvement and indebtedness in the ARRR have been proposed as follows:

Neither Aerotest Operations, Inc., OEA Aerospace, Inc., nor OEA, Inc., shall incur any foreign indebtedness. Additionally, Aerotest Operations, Inc., OEA Aerospace, Inc., and OEA, Inc., will ensure that their boards of directors and all management involved in safety decisions at the ARRR will remain U.S. Citizens. Further, U.S. citizens will maintain control of all special nuclear material at the ARRR.

Because OEA Aerospace, Inc. is the parent of Aerotest Operations, Inc. please verify that adding OEA Aerospace, Inc. to the license condition is acceptable.

Response: Adding OEA Aerospace, Inc. to the license condition is acceptable.

2. Provide verification that only U.S. citizens within the organization will be responsible for special nuclear material.

Response: So verified.

3. NRC staff understood that Autoliv ASP, Inc., will guarantee the decommissioning fund per 10 CFR 30, Appendix A, and that Autoliv ASP meets the financial test for a parent company guarantee, since more than 90 percent of Autoliv ASP, Inc.'s assets are in the U.S., total assets are more than six times the current estimated decommissioning costs, and tangible net worth is at least \$10 million. Moody's had Autoliv, ASP, Inc., rated as Prime-2 in its short-term issuer ratings, which qualifies as investment grade. Please verify this understanding of the decommissioning funding arrangement with letter from Autoliv ASP personnel authorized to make this commitment or provide acceptable alternate decommissioning funding assurance.

Response: See Attached letter.

4. To ensure the NRC staff has a full understanding, please verify, update or correct the following points:

Reactor Description

Michael S Anderson
Vice President for Legal Affairs
and General Counsel

Phone (248) 475-0442
Fax (248) 475-9296

American Technical Center
1320 Pacific Drive
Auburn Hills, MI 48326

Phone: (248) 475-9000

The ARRR is a 250-kilowatt reactor licensed for research and development. The ARRR uses low-enriched TRIGA fuel. The ARRR is primarily used as a neutron radiography tool for research and development of personnel safety systems such as air bags, pilot escape systems, turbine blades for military and commercial jet engines, and pyrotechnic hardware for the space shuttle. It is also been used to inspect medical equipment, e.g., cardiac pacemaker batteries, components of devices for the timed release of drugs within the body, and phenolic hips. The ARRR is also used for training in nondestructive examination techniques using neutron radiography, research and development of patented boron nitride conversion screen and the development and evaluation for new film and no-film systems in the field of neutron radiography.

Response: Correct.

Licensee Ownership Change

Aerotest Operations, Inc., is licensed to operate the ARRR. Aerotest Operations is a wholly owned subsidiary of OEA Aerospace, Inc. OEA Aerospace is a wholly owned subsidiary of OEA, Inc. (OEA). OEA is the owner of the facility.

Response: Aerotest Operations, Inc. is the owner of the facility.

All the senior management and members of the board of directors of OEA and Aerotest Operations are U.S. citizens. Aerotest Operations and OEA have no foreign indebtedness and no interlocking directors or interlocking officers of foreign corporations. OEA is incorporated in Delaware and Aerotest Operations is incorporated in California. All Aerotest Operations management appointments and compensation are determined by U.S. citizens.

Response: All of the statements contained in this paragraph are accurate.

On May 5, 2000, the total number of tendered shares gave Autoliv, ASP at least 90 percent of OEA. Effective May 9, 2000, all the outstanding shares of the stock of OEA (which had been previously publicly traded) were acquired by Autoliv ASP. The purchase agreement had no indication of an NRC-licensed research reactor.

Response: All of the statements contained in this paragraph are accurate.

Autoliv ASP operates many manufacturing facilities in the United States producing mainly automotive safety products. Autoliv ASP is incorporated in Indiana. Autoliv ASP employs more than 6000 people in North America. All senior managers of Autoliv ASP are U.S. citizens.

Response: All of the statements contained in this paragraph are accurate.

Autoliv, Inc. (Autoliv), the ultimate parent company of the ARRR, was incorporated in Delaware in 1997 and has its headquarters in Stockholm, Sweden. Recent annual reports show that between 33 and 40 percent of the stock in Autoliv is held in the U.S. No one country has more than 40

percent of the stock. No one country appears to have a majority representation on the board of directors and 3 of the 9 members appear to be U.S. citizens. However, the senior managers of Autoliv appear to be Swedish.

Response: All of the statements contained in this paragraph are accurate.

All of the entities in the ownership chain of Aerotest Operations are U.S. corporations, including Autoliv. Autoliv is four levels of ownership above the licensee and is widely held.

Response: All of the statements contained in this paragraph are accurate. Autoliv's annual report for 2001 states that Autoliv "is a Fortune 500 company and the world's largest automotive safety supplier with sales to all the leading car manufacturers in the world* Autoliv has nearly 80 subsidiaries and joint ventures with almost 30,000 employees in over 30 vehicle-producing countries." Autoliv has approximately 100,000,000 outstanding shares of stock and more than 60,000 shareholders. "Autoliv estimates that 40% of the shares in the company are held in the U.S. and another 40% in Sweden. Most of the remaining shares are held in the U.K. and central Europe." From the most recent annual report, the largest shareholder of Autoliv is TIAA-CREF of the United States with 6.9 percent of the share capital (the only shareholder with more than 5 percent). Handelsbanken Funds of Sweden is next with 2.8 percent, followed by Franklin Resources of the U.S. with 2.5 percent, Alecta of Sweden (an insurance company) with 2.1 percent, and Robur Funds of Sweden with 1.9 percent. The 2001 annual report showed that management as a group held about 0.1 percent of the share capital and the 60,000 other shareholders held 83.7 percent. The previous annual report stated that U.S. interests held more than one-third of the shares and over 40 percent were held in Sweden. In the 2000 annual report, the Robur Funds held about 10 percent of the stock followed by Franklin Resources of the U.S. with 4.3 percent. The company's common stock is on the New York Stock Exchange. Its Swedish Depository Receipts are listed and the company's options are traded on the OM-Stockholm Stock Exchange. Options in Autoliv's securities are also offered on the Chicago Board Options Exchange.

Response: All of the statements contained in this paragraph are accurate.

5. Although the guidance is applicable to power reactors, "NRC REGULATORY ISSUE SUMMARY 2001-06 CRITERIA FOR TRIGGERING A REVIEW UNDER 10 CFR 50.80 FOR NON-OWNER OPERATOR SERVICE COMPANIES" can be considered to determine the extent of control of licensed activities. The NRC staff developed criteria for judging whether the use of a different or new nuclear power plant operating entity involves a transfer and requires NRC review and consent under 10 CFR 50.80. The criteria are to be used in conjunction with the concept of final decision making authority: if an entity, for example, a service company, provides advice but does not have the authority to make a final decision (i.e., a decision that cannot be modified, overruled, or is not subject to reversal by the current licensee), there has been no transfer of authority. That is, final decision-making authority is defined as authority to make a decision that cannot be modified, overruled, or is not

subject to reversal except by the decision maker. A senior manager reviewing contractor decisions after the fact would not be considered to have final decision making authority, unless the senior manager could reverse or overrule the contractor decisions.

The following are a list of areas the staff considers in determining whether the transfer of final decision making authority makes 10 CFR 50.80 review necessary:

- Decision to continue operation or shut down for repairs
- Decision to start up the plant
- Authority to make operable determinations for safety-related equipment
- Authority to change staffing levels for licensed personnel
- Authority to make organizational changes for TS required positions
- Decision to defer repairs on safety-related equipment
- Authority for quality assurance responsibilities (selecting audits, approving audit reports, accepting audit responses)
- Budget-setting and spending authority
- Authority to control the terms of employment for licensed staff
- Authority over the design control of the facility
- Decision to continue operations or permanently cease operation
- Authority to determine whether NRC approval is needed under 10 CFR 50.59
- Authority to perform maintenance on safety-related equipment
- Authority for the emergency preparedness program
- Authority to approve licensee event reports
- Authority to decide whether to make an event report
- Authority to provide health physics program services
- Authority to provide chemistry program services
- Authority to provide fire protection program services
- Authority for engineering work on safety-related systems
- Authority for maintaining design basis documentation
- Authority for compliance engineering or licensing engineering services

Provide which organization or combination of organizations, i.e., Autoliv, Inc., Autoliv ASP, Inc., OEA, Inc., OEA Aerospace, Inc., or Aerotest Operations, Inc., controls these functions as described.

All of the above functions are controlled by the Board of Directors of Aerotest Operations, Inc.

Please contact me at your convenience if I can provide any further clarification of these issues.

Very truly yours,



Michael S. Anderson
Vice President for Legal Affairs and
General Counsel of Autoliv ASP, Inc. and
Secretary, Aerotest Operations, Inc.