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UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555

OFFICE OF THE
CHAIRMAN

July 7, 1982

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Frey:

This responds to your request of July 1, 1982 for the views and recommendations of the Nuclear Regulatory Commission on enrolled bill S.881, the "Small Business Innovation Development Act of 1982".

The provisions in Section 4(f)(1) of the bill imposing percentage expenditure requirements for a set-aside for small business would affect NRC's research program. We expressed our concern with similar requirements in our comments to the Congress on the bills (S.881 and H.R. 4326).

NRC has a research program of about \$200 million dollars annually to assist in carrying out its statutory responsibilities. The enabling legislation of the NRC channels the research program in a narrow, highly technical area of nuclear research. Consequently, the firms which are willing and able to conduct research of the type required by the NRC are extremely limited in number. Due to the nature of the work, the major capability to conduct such research within the United States is at U.S. Government-owned, contractor-operated Federal research centers ("National Laboratories"). Although some capability other than the Federal centers does exist, that research is almost totally conducted by the regulated industry.

Enactment of the enrolled bill could require the NRC to contract for research which would be unnecessary for technological innovation to meet its needs, and possibly for activities not authorized by the NRC's enabling legislation, in order to meet the percentage expenditure requirements for a set-aside for small business.

For these reasons, we would have preferred legislation which would have established goals and provided incentives to support a small business innovation development program, but which would have precluded the purchase of irrelevant research to meet required percentage expenditures.


The NRC supports the intent and purpose of the enrolled bill to strengthen the growth and support of small business with innovation capabilities. The agency has conducted an aggressive campaign to

interest and support small and disadvantaged businesses in its research program. Unfortunately, most of these firms find that the technical expertise required, capital cost of equipment and limited application are not conducive to a reasonable business investment. Even with this aggressive program, the total research dollars awarded to small businesses in FY81 was less than $\frac{1}{2}$ of one percent (.45%). This is attributable to the lack of a small business market for conducting nuclear research.

Contracts with commercial sources constituted about 10% of the research budget (\$20 million) in FY81. The dollar amounts (in millions) of the percentage requirements under the enrolled bill (exclusive of administrative costs and any additional resource requirements) for each of the first five fiscal years after the implementation of the program should be around .39, 1.2, 1.9, 2.3 and 2.2.

For the reasons stated, we may experience difficulties in meeting the percentage expenditure requirements in the enrolled bill. Nevertheless, on balance, these concerns are not expected to have such a substantial impact which would warrant a recommendation that the President not sign the bill. If enrolled bill S.881 is enacted into law, we will do our best to carry out its provisions.

Sincerely,



Nunzio J. Palladino
Chairman