

March 15, 1988

SECY-88-79

For: The Commission

From: James R. Shea, Director  
International Programs  
Office of Governmental and Public Affairs

Subject: TRANSNUCLEAR, INC. EXPORT LICENSES

Purpose: To inform the Commission of the staff's conclusions regarding the reliability of Transnuclear, Inc. as a nuclear exporter in view of recent developments in Europe concerning Transnuclear, FRG, and NUKEM.

Discussion: On February 2, 1988, the staff forwarded to Transnuclear, Inc. (TN) a Demand for Information concerning its qualifications to continue as an NRC-licensed exporter of nuclear materials (Appendix A). On February 17, the staff met with TN officials on this matter and a memorandum of this meeting is enclosed (Appendix B). On March 1, TN provided to NRC its formal response to the Demand (Appendix C).

Based upon a review of TN's response and other information on the NUKEM/Transnuclear affair which has been reported separately to the Commission, (such as Mr. Denton's report on his recent trip to Europe and State Department cables on the affair), the staff believes that TN can continue to export under its existing export licenses and can be issued future export licenses. The staff is confident that TN's activities have been, and continue to be, in compliance with applicable NRC license requirements and that no modifications to TN's practices and procedures are necessary. Future licensing actions involving Transnuclear, Inc. will be processed on this basis.

*James R. Shea*  
James R. Shea, Director  
International Programs  
Office of Governmental and  
Public Affairs

Appendices:  
A. Demand for Information  
B. Memorandum of Conversation, 2/24/88  
C. Response to Demand for Information

Contact:  
Marvin R. Peterson, GPA  
49-20344

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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

In the Matter of )  
TRANSNUCLEAR, INC. )  
2 Skyline Drive )  
Hawthorne, N.Y 10532 )

Docket No. 11003871  
License No. XSNM02285

DEMAND FOR INFORMATION

I

Transnuclear, Inc., (licensee) is the holder of a number of active export licenses issued by the Nuclear Regulatory Commission including license no. XSNM02285, issued October 6, 1987, which authorizes the export of 220.55 kilograms of uranium enriched to 93.3% in the isotope U-235, for the Thorium-Hochtemperaturreaktor (THTR-300) at Uentrop near Hamm, FRG.

II

Recently, the NRC learned that West German authorities had suspended the transportation licenses of Transnuklear (FRG), part owner of the licensee, because of charges of illegal shipments of nuclear waste between the FRG and Belgium and financial irregularities. NRC also learned that these authorities have suspended the operating licenses of NUKEM in Hanau, FRG, a part owner of Transnuklear (FRG), for the same reasons. While the primary charges reported relate to Transnuklear's and NUKEM's nuclear waste handling operations, West German officials are also investigating allegations that the firms have been involved in illegal shipments of nuclear material to Libya and Pakistan. U.S. Government authorities continue to investigate this matter and are awaiting receipt of official reports from responsible governmental authorities in Europe.

III

In view of the licensee's current authorizations under NRC export licenses to ship nuclear material from the U.S. to the FRG (including to NUKEM) and its connections with the FRG companies whose licenses have been suspended, these developments raise questions concerning the continued reliability of the licensee as an exporter of nuclear material.

IV

Accordingly, pursuant to Sections 161c and 182 of the Atomic Energy Act of 1954, as amended, and 10 CFR 110.52(b), the licensee is required to submit the following information to the undersigned under oath or affirmation:

App. A

1. A full description of the legal, financial and organizational relationship of the licensee to Transnuklear (FRG) and NUKEM, including the nature and extent of management involvement by Transnuklear (FRG) and NUKEM in the affairs of the licensee. Include a full explanation of the management independence of the licensee from management direction, policy and programs of Transnuklear (FRG) and NUKEM and state to what extent Transnuklear (FRG) and/or NUKEM can direct the licensee's actions.
2. A description of the specific actions that have been taken or are planned by your parent company or companies or by Transnuclear, Inc. that would assure that nuclear-related commodities authorized for export from the U.S. under Transnuclear, Inc.'s NRC export licenses will continue to meet U.S. export license requirements; and that such material will not be shipped to unauthorized recipients, including Transnuklear (FRG) and NUKEM, while their licenses remain suspended.

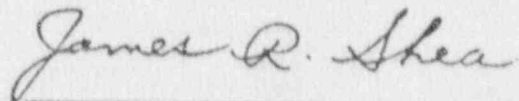
## V

After reviewing your response and other relevant information, the NRC will determine whether further action is necessary to assure compliance with statutory and regulatory requirements.

## VI

Your response is requested within 20 working days of the date of this Demand for information.

FOR THE NUCLEAR REGULATORY  
COMMISSION



James R. Shea, Director  
International Programs  
Office of Governmental and Public  
Affairs


Dated at Washington D.C.  
this 2<sup>nd</sup> day of February 1988



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

February 24, 1988

MEMORANDUM FOR: Harold R. Denton, Director  
Office of Governmental and  
Public Affairs

FROM:  James R. Shea, Director  
International Programs, GPA

SUBJECT: MEETING WITH TRANSNUCLEAR, INC. OFFICIALS.

On February 17 Mr. Alan Hansen, President, and Mr. John Mangusi, General Manager of Operations, Transnuclear, Inc. (US), Hawthorne, N.Y., met, at their request, with Marvin Peterson and Neal Moore, staff members of NRC/GPA/IP, and myself in my office in Rockville, Maryland. The purpose of the meeting was to discuss Transnuclear's response to the NRC February 2 Demand for Information on the Company's financial and legal relationships to its parent companies in the Federal Republic of Germany (NUKEM and Transnuklear, Inc.) in light of suspension of licenses for these companies following charges of illegal nuclear waste shipments and financial irregularities. The Transnuclear officials wanted to review with the NRC staff the information they planned to provide to ensure that it would be responsive to the NRC Demand.

Mr. Hansen began the discussion with the observation that the problems which resulted in the suspension of the NUKEM and Transnuklear, Inc. (FRG) licenses were uniquely European, not involving Transnuclear (US). He emphasized the positive Transnuclear (US) record for many years regarding nuclear exports and their cooperation with NRC since the Company's beginning (about 1965).

The NRC staff attendees expressed appreciation for the company's good cooperation with the NRC over the years and noted that they did not recall any significant irregularities in the export/import area regarding the company.

According to Mr. Hansen, Transnuclear, Inc. is a privately held U.S. corporation, incorporated in the State of New York, owned 50-50 by Transnuclear, Paris (TNP) and Transnuklear, GmbH, Hanau (TNH), both of which hold stock in his company. Transnuklear Hanau is owned by the NUKEM Company in the FRG, whose management has been taken over by its parent companies since the license suspensions.

Mr. Hansen said his company employs approximately 45 people, all U.S. citizens except for two foreign engineers. Three employees are "Q" cleared; the rest of the U.S. citizens are "L" cleared. The company's



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major activities are engineering, development, and rental of nuclear material shipping casks. Making arrangements for shipping of nuclear fuel constitutes a minor portion of their overall business. They do not transport nuclear waste.

Mr. Hansen said the Board of Directors of Transnuclear (US) consists of seven members. Three directors are appointed by TNP and three by TNH, while one is appointed by consensus of TNP and TNH (currently the President of Transnuclear (US), Mr. Hansen.)

He noted that one of the TNH-appointed members (an officer of NUKEM) left the Board recently because of managerial changes within NUKEM (one of the owners of TNH), changes that were brought about by the problems in the FRG that resulted in NRC's Demand for Information. A vacancy, therefore, exists at this time.

Mr. Hansen said the TNP-TNH ownership/management of TN (US) is "passive," that is, the Board only meets a "couple of times" each year for funding approvals. There is limited oversight, with no day-to-day direction from Europe, although a major decision such as a large capital expenditure would be a matter for the Board's consideration.

In recent years, less than 20% of his company's business has been with the European parent companies, and less than 10% with Transnuclear and NUKEM in the FRG. (The latter part of the business has now gone to zero because of the FRG license suspensions.) Mr. Hansen stated that he has total independence of the European parent companies where matters of U.S. national security are involved, and, in general, there is an arms-length relationship with them. He said, further, that Transnuclear, Inc. (US) has complied strictly with U.S. laws and regulations in the past and will continue to comply with the laws and regulations in the future. He indicated his intention to respond formally to NRC's Demand for Information, on or before the March 2 date indicated by the Demand. He also said he was very surprised to hear in December of the developments in the FRG and Belgium as he had no prior knowledge of the irregularities currently under investigation in those countries. He also noted that his company had given NRC assurances that it would, until further notice, tell NRC of planned shipments under existing export licenses.

The NRC participants thanked the Transnuclear representatives for coming in and indicated that information such as they had provided would appear

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to be responsive to the Demand. They also said any proprietary information provided by the company would be protected from public release, although the Transnuclear officials said they hoped to provide information that was fully releasable.

- cc: Chairman Zech
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- Commissioner Bernthal
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5520/SCHULTZE/MEMO TO H. DENTON 2/24/88

|                 |   |   |   |   |   |   |
|-----------------|---|---|---|---|---|---|
| OFC : <i>JS</i> | : | : | : | : | : | : |
| NAME : JShea:ts | : | : | : | : | : | : |
| DATE : 2/24/88  | : | : | : | : | : | : |

Rec'd 3/1/88  
1:30 PM

UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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|                           |   |                         |
|---------------------------|---|-------------------------|
| In the Matter of          | : | Docket No. 11003871     |
|                           | : | License No. XSNM 02285  |
| TRANSNUCLEAR, INC.        | : | AFFIDAVIT IN RESPONSE   |
| 2 Skyline Drive           | : | TO DEMAND FOR           |
| Hawthorne, New York 10532 | : | INFORMATION DATED       |
|                           | : | <u>FEBRUARY 2, 1988</u> |

-----X

STATE OF NEW YORK                    )  
  ) SS:  
COUNTY OF WESTCHESTER            )

ALAN S. HANSON, being duly sworn, says:

1. I am the President and Chief Executive Officer of Transnuclear, Inc. (TN), a New York corporation, and the holder, inter alia, of license No. XSNM 02285 issued by the Nuclear Regulatory Commission (NRC) October 6, 1987.

2. I make this affidavit in response to NRC's Demand for Information dated February 2, 1988.

3. As has been regularly reported to NRC, TN common stock (voting) and preferred stock (non-voting) is owned equally by Transnucleaire S.A. (SA), a French corporation, and Transknuklear GmbH (GmbH), a West German corporation. Since the two shareholders each own 50% of the voting stock of TN, neither shareholder can control TN.

4. Each of TN's two shareholders provided half of the original share capital. TN presently has adequate working capital and is not indebted to either shareholder. It has been the policy of TN to retain earnings rather than to pay dividends on its common shares so that to date the total dividend distribution has been insignificant. TN derives some of its revenues from business transactions with its shareholders, but this business represents only about 20% of total revenues and the GmbH and Nukem portion of this is less than half of this 20%.

5. The seven member Board of Directors of TN generally consists of three nominees from each of S.A. and GmbH plus the President and Chief Executive Officer of TN. At the present time there are only two members nominated by GmbH on the Board since one of the directors resigned earlier this year. At no time have the directors nominated by GmbH held a controlling fraction of the Board. The Board of Directors is not involved in the day-to-day management of TN.

6. The management of TN, i.e., myself as President and Chief Executive Officer and Treasurer, and the other operating officers and managers, are all U.S. citizens who hold NRC security clearances and none of whom has ever been employed either by GmbH or its controlling parent, Nukem GmbH (Nukem). While the Chairman of the Board is a non-employee and



a French national, he has no management function but as chairman presides at meetings of the board of directors.

7. While Nukem, the controlling shareholder of GmbH, has a minority interest in SA, as does SA in GmbH, Nukem has no control of SA, the control of SA being held by a consortium of major French corporations.

8. Nukem's parents, several major German corporations and an English corporation, have removed the top management of Nukem and GmbH in place at the time the alleged irregularities occurred and replaced them.

9. In summary, TN is adequately capitalized, neither GmbH nor Nukem can control TN since GmbH lacks a majority of the voting stock, the directors of TN who were nominated by GmbH cannot control TN's board of directors since they are not and have never been a majority of the board, and GmbH does not control the management of TN, all of whom are U. S. nationals with no direct affiliation with GmbH or its majority parent, Nukem. In addition, the management of GmbH and Nukem have been removed by Nukem's shareholders.

10. TN has always endeavored to comply strictly with all statutory and regulatory requirements. To the best of my knowledge no material has ever been shipped by TN to unauthorized recipients. As President and Chief Executive

Officer of TN and a member of its Board, I undertake to continue TN's compliance with NRC license requirements, and which compliance is beyond the reach of any possible interference from GmbH or Nukem.

Alan S. Hanson  
Alan S. Hanson

Sworn to before me this  
19 day of February 1988

Antoinette Bruno  
Notary Public

NOTAR: ANTOINETTE DRUNO  
C. E. of New York  
F. J. CO. 5. 12. 1988  
Qualified in Westchester County  
Commission Expires March 30, 1988

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