

January 27, 1988

SECY-88-29

For: The Commissioners

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

Subject: DEMAND FOR INFORMATION FROM TRANSNUCLEAR, INC.

Purpose: To request Commission approval of a proposed Demand for Information to be sent to Transnuclear, Inc.

Discussion: As information has become available on financial irregularities and questionable nuclear waste handling practices in the FRG and Belgium, leading to the suspension of licenses for the NUKEM and Transnuclear companies in the FRG, we have followed developments closely. In particular, we are assessing implications for the NRC export licenses for Transnuclear, Inc., a U.S. company owned in part by these FRG companies.

We have discussed the situation with the State Department, among others, and have reviewed State cables from abroad reporting on the situation, including investigations of allegations that FRG and Belgium firms have been involved in possible violations of the Nuclear Non-Proliferation Treaty.

At this point we have concluded that it is advisable to demand information from Transnuclear (U.S.) on its financial and legal relationships to its parent companies in the FRG to determine whether Transnuclear can be considered a reliable exporter and shipper of nuclear-related commodities. Accordingly, attached for your approval is a proposed Demand for Information to accomplish this.

EX. 5

Contact:
R. Neal Moore, GPA/IP
49-20743

9102080182 901206
PDR FJIA
WALDRON90-355 PDR

ELC

Discussion:
(Continued)

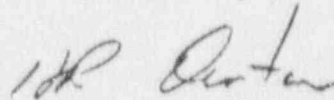
At this time the Commission does not have under review any new export license applications involving Transnuclear or NUKEM and the staff will not process any such license applications until the situation is further resolved. Several other Part 810 and DOE retransfer cases are now pending review by the Commission. Since these cases do not involve Transnuclear or NUKEM, the staff sees no reasons to withhold final Commission action on them.

Coordination:

The staff review of the Transnuclear (FRG) and NUKEM issues has been coordinated with NMS, and NMSS concurs in the proposed Demand for Information. OGC also concurs in the proposed action.

Recommendation:

That the Commission approve the dispatch of the enclosed Demand for Information to Transnuclear, Inc. EX 5



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

Enclosure:
Demand for Information

GPA/IP has requested expedited treatment of this paper, Commissioners' comments (or consent) should be provided directly to the Office of the Secretary A.S.A.P.

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EX-5
DRAFT

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

In the Matter of)
TRANSNUCLEAR, INC.)

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 Transnuclear (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 Transnuclear (FRG), for the same reasons. While the primary charges reported relate to Transnuclear'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:

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.

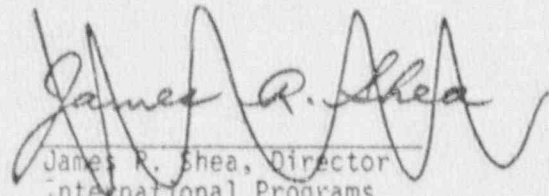
V

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 order.

FOR THE NUCLEAR REGULATORY
COMMISSION



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

Dated at Washington D.C.
this ___ day of January 1988

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Feb