

August 5, 1968

NOTE TO MR. SHAPAR

SUBJECT: MEETING WITH U. S. NUCLEAR CORPORATION

John McBride, Bob Engelken and I met with representatives of U. S. Nuclear Corporation at the Region V Compliance offices in Berkeley on July 24. Dick Smith and Herb Book of the Region V Compliance office were also present. Attending for U. S. Nuclear were Mr. Panic, President of International Chemical and Nuclear Company (ICN), the parent company of U. S. Nuclear, Mr. Fallis, Dr. Dunn, Dr. Darnell, Dr. Koch and Bernard Segal, attorney for ICN and U. S. Nuclear.

The company's two main concerns and the reason for their requesting the meeting were (1) the effect that the denial of their application and outstanding order were having on the activities of the parent corporation and the subsidiaries, particularly with respect to obtaining necessary financing and (2) the effect which the denial and order might have on a subsequent application by U. S. Nuclear to the AEC for authority to engage in activities similar to that authorized by the previous license.

Generally, the company takes the position that its operations under its license (including the NSEC operation at Pittsburgh) have been satisfactory; that while they have made "a few mistakes", they have also initiated many improvements in the operations of the companies which ICN has acquired; that both the AEC and the state have not adequately taken these "improvements" into account; and that the enforcement orders issued by the AEC and the state were unduly harsh and, in fact, unnecessary. Specifically, with respect to the AEC order, the company contends that the provisions requiring them to cease and desist from further activities under the license was unnecessary because they had already voluntarily suspended operations; that the order to decontaminate the facilities was unnecessary because they had already decontaminated parts of the facility and fully intended to complete the job; and finally, that the denial of their application for renewal was unnecessary because they had no intention of continuing the operation under the AEC license and had merely filed the request for renewal to enable the company to wind up its affairs under the license.

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We, of course, pointed out that any improvements that had been made in the operations of the newly acquired subsidiaries were considered; that the company was nevertheless expected to operate the facilities in complete compliance with the license and AEC regulations; that although eight months had elapsed since the accident which caused the contamination, the company had decontaminated only those portions of the facility which were required for use under their state license.

The company indicated it wanted to avoid any further proceedings in this matter, including the public hearing, and work out some arrangement for complying with the requirements of the order which would have less adverse effects on their activities of the parent company, particularly in financing matters. However, U. S. Nuclear did not have any specific proposals to offer at the meeting although I had been assured by Segal that the company would have detailed proposals to discuss.

They explained that they intend to fully carry out the requirements of the order in disposing of the materials and decontaminating the facility. However, because of operations being conducted in the same building under the state license, the pending proceeding by the state which may result in an order to decontaminate the facility and the company's plans to move a new facility in Orange County, make it difficult to establish a definite schedule for the decontamination at this time. We indicated that we were aware of the problem from our discussions with the state on the previous day and would be willing to consider an arrangement which would provide for the immediate decontamination of the areas with gross plutonium contamination (principally the PU lab) and a schedule for decontamination of the remainder of the facilities which would take these other matters into account. The company indicated it would submit a proposal for such an arrangement within ten days from the date of the meeting. In the meantime, it has requested that a hearing on the matter be postponed until such a proposal has been submitted and can be considered. (See letter attached.)

We also discussed the effect that the denial and order might have on subsequent applications for licenses. The effect of such discussions was to make it clear to the company that it is not precluded from filing such an application and that the

granting of such an application is not necessarily barred by this proceeding. It was pointed out to U. S. Nuclear that the activities under its license would be considered in our evaluation of any subsequent application as would other matters such as the adequacy of the facilities, the qualifications of the individuals involved, the procedures and so forth. We pointed out that one of the principal considerations would be the ability and willingness of the applicant to comply with the Commission's regulations and the conditions of the license and that past experience under previous licenses was one of the best indications of such ability and intentions. It was also pointed out that carrying out the requirements of the outstanding order to decontaminate the facility in an efficient expeditious manner would be a factor in our evaluation of any future application.

The operations at their Pittsburgh facility, Nuclear Science & Engineering Company, were also discussed. We pointed out that the situation there was remarkably similar to that which exists at U. S. Nuclear at Burbank; that several inspections have revealed numerous items of non-compliance, many of them repeat violations and that we were very much concerned with the operation of that facility. It was pointed out that NSEC has pending an application for renewal of its license for that facility and that if subsequent inspections disclosed further violations, some action similar to that taken with respect to U. S. Nuclear might be expected.

The company also inquired concerning its application for an amendment of its byproduct material license to permit them to install a teletherapy source for Dr. H. H. Dunham at Wavash, Indiana. They were told that the applicant could not be acted upon until certain additional information had been submitted and that final action might be withheld until the matters relating to their SNM license had been satisfactorily resolved.

Panic complained several times in the course of the meeting that AEC did not give adequate consideration to the many improvements in procedures in safety matters which ICN had initiated at the various facilities after their acquisition by ICN. He maintained that ICN had acquired very marginal