

United States Nuclear Regulatory Commission  
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"ADJUSTING THE REGULATORY BALANCE"

REMARKS BY

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U.S. NUCLEAR REGULATORY COMMISSION

AT THE

ALL EMPLOYEES MEETING  
PLAZA AREA, WHITE FLINT COMPLEX  
ROCKVILLE, MARYLAND  
THURSDAY, OCTOBER 17, 1996  
10:30 A.M.

Good morning, ladies and gentlemen. On behalf of my Commission colleagues, I want to welcome you to this special meeting of the Commission with the NRC staff. These "All Employees" meetings have been held annually since 1991 and are intended to facilitate communication between the Commission and individual members of the staff, and to enable employees to become better acquainted with newly-appointed Commissioners. Today's meeting serves both of these purposes.

Because this is the first "All Employees" meeting in some time in which we have had a full five-member Commission and since many of you may not have had the opportunity to meet all current members of the Commission, I would like to introduce my colleagues to you. On my immediate right is someone all of you know well - Commissioner Kenneth C. Rogers is serving his second five year term as Commissioner and is the dean of the corps. He previously served as President of the Stevens Institute of Technology. On my immediate left is Commissioner Greta Joy Dicus, who previously served the State of Arkansas as a Commissioner and as Chairman of the Central Interstate Low Level Radioactive Waste Commission, and was a member of the Board of Directors of the U.S. Enrichment Corporation. On my far right is Commissioner Nils J. Diaz. Dr. Diaz came to the NRC from the University of Florida, where he was a professor of Nuclear Engineering Sciences and Director of the Innovative Nuclear Space Power and Propulsion Institute. On my far left is Commissioner Edward McGaffigan, Jr., formerly a senior advisor to U.S. Senator

Jeff Bingaman of New Mexico, and a member of the U.S. Foreign Service. All of us have been looking forward to this meeting with you.

Our format today will be the same as that used for our session last year -- following my brief opening remarks, the Commission will entertain questions from NRC employees here "on the green" as well as from our regional and field offices, which are connected to us by open telephone lines. Again this year, we will be holding a second session of this meeting this afternoon at 1:30 p.m. since we have insufficient space to accommodate all of our employees in a single session.

I want to remind all of you that this is your meeting. The agenda will be determined by your questions, and this is your opportunity to ask us the questions you would like to have answered. I strongly encourage you to participate actively and to be candid in expressing your concerns - the Commission needs to know what your concerns are if we are to be effective in directing agency policy, and you need to hear our responses so that you can be effective in carrying out your responsibilities as members of the NRC staff. My Commission colleagues and I will respond to your questions to the best of our ability based on our understanding of your concerns and our individual perspectives on those concerns. This informal exchange of views is our sole reason for being here this morning.

Before I turn the microphones over to questions, however, I would like to take a few moments to outline for you my assessment of what we have accomplished in the year since our last All Employees Meeting and where I think we as an agency need to be moving in the future. As you will recall, shortly after becoming Chairman, I described my early impression of the NRC as an excellent technical organization that was finding itself subject to an internal and external environment undergoing rapid change. In light of the strong impact of this changing environment, I suggested that it seemed inevitable that the NRC would have to change, as well, if we were to carry out our regulatory responsibilities successfully.

In retrospect, I think the picture I drew last year was reasonably accurate. The agents of change were very busy last year. Competitive pressures and economic deregulation did have a strong impact on the nuclear industry, and the industry has begun to react, somewhat tentatively to be sure, by consolidating its activities and merging to form new, larger operating units. Interestingly, one of the first such mergers took place right in our own backyard, so to speak, when Baltimore Gas and Electric and PEPCO announced their plans to merge. In the meantime, several state public utility commissions, some of the most active agents for change, have begun to define rather precisely the responsibilities that existing utilities and new entities in the business of producing and distributing electric power will have

in a new, competitive, local area marketplace. The U.S. Congress, always a source of new concepts, ideas, and plans affecting the regulatory agencies, including the NRC, has had a fairly broad agenda of energy-related legislative proposals to consider this year and can be expected to maintain its strong interest in such matters next year no matter what the outcome of the November elections.

At the NRC, we have been busy reacting to change and challenge over the past year, and I think we can be proud of what we have accomplished. We have continued to carry out our regulatory mission of protecting public health and safety and to maintain our fundamental regulatory activities despite continuing budget restrictions and the national effort to reduce the size of government.

Sometimes, when we look at ourselves and our budget, which has been shrinking, we think of ourselves as a "small," not-so-important agency. However, if we look at the importance of our mandate: "adequate protection of public health and safety, and the environment; and the common defense and security, in the use of nuclear materials in the U.S.," and if we look at the scope of that responsibility, together with the net capital investment in the range of activities we regulate, our importance is very great indeed. Potential new activities will give even greater weight to what we do, at a time when significant changes are occurring for those we regulate.

I believe that we have taken significant steps to position ourselves for future changes that are likely to have an impact on us. Last month, we issued a draft policy statement on economic deregulation of nuclear power plants outlining our concerns about the adequacy of decommissioning funds and the potential impact on reactor operational safety. Our relationship with the Department of Energy is being rapidly redefined. As you know, the Department has requested NRC involvement in its pilot project to develop a High-Level Radioactive Waste Solidification System at Hanford, Washington in order to facilitate possible NRC licensing of a privatized Hanford facility soon after the year 2000. During FY 1997, NRC will begin the development of an overall review strategy to be made available as guidance for potential DOE contractors at the site. Also in FY 1997, the NRC will begin assisting DOE, through a memorandum of understanding, in evaluating alternative approaches to tritium production. One alternative under consideration by DOE for evaluation is the production of tritium in commercial light-water reactors. The NRC will be evaluating potential policy issues and licensing requirements to implement this approach. Possibly even more far-reaching, we are being considered for a major role in the oversight of DOE's nuclear activities. Such an increase in our regulatory responsibilities to encompass DOE facilities, if

adopted by the Congress, would require adequate resources and sufficient time to develop a sound regulatory program. Finally, we intend to assume regulatory oversight of the operations of the United States Enrichment Corporation by March 3, 1997, as well. On the international scene, the Convention on Nuclear Safety, negotiated over a three year period by representatives from over 65 nations, will enter into force on October 24, thereby helping to ensure a safer global environment. In the United States, ratification of the treaty, which the U.S., and the NRC, had major roles in developing, is currently before the Senate and we hope to obtain early Senate approval in the new Congress. We also are finding international support for my proposal to establish an International Nuclear Regulators Forum, in which nuclear regulatory officials from all over the world can exchange views, coordinate approaches, and harmonize arrangements for the safe and secure use of nuclear energy for peaceful purposes. Finally, within the agency, we have made significant progress in our Strategic Assessment and Rebaselining Initiative. Although I will have more to say about this in a few minutes, I want to note here that the issue papers are out for public and NRC staff comments, and we intend to be in a position to reach final decisions on them in the December-January time frame.

While we have been busy preparing ourselves for future changes, we have also continued to improve our existing major safety programs. In the reactor area, we are expanding our use of probabilistic risk assessment to ensure that the agency's resources and activities are focused on the issues that are most important to safety; we have modified our processes for evaluating nuclear plant performance; and we are taking steps to improve our program for protecting allegers against retaliation. In the nuclear materials and waste area, we have improved our cooperation with states on regulation of radioactive material; we have streamlined our materials licensing and inspection processes; we have adopted a new performance-based licensing approach with respect to uranium recovery facilities; and we have started a process, initially with respect to our medical program, to evaluate whether our materials program, standards, and regulations are appropriately focused on the health and safety issues of significance for these licensees. In research, we are focusing our efforts on PRA, on understanding the reactor component aging process, and on consolidating our efforts in thermal hydraulics into a comprehensive long-range plan.

Taken together, all of these efforts represent a significant attempt to improve our performance and adjust to changing circumstances, and we as an agency have much to be proud of in our record over the past year. I certainly am proud of our accomplishments and our efforts to be ready to address the new responsibilities we may take on during the next twelve months and

beyond, and I think each of you should take pride in the individual roles you have played in this overall effort.

Unfortunately, much of what we have accomplished has been seriously overshadowed by events in New England. Millstone and Connecticut Yankee are likely to leave in many people's minds a more permanent stamp on the record of the last twelve months and to characterize the performance of the NRC far more than any of the accomplishments I have described over the same period of time. In part, this result is only to be expected - the role of regulator is a difficult one to play. Those of you who are sports fans or have participated in a formal debate know how much more difficult it is to maintain a defensive posture than it is to mount an effective offense since the latter requires only a plan for a single course of action and some ability to actually carry it out, while the former must have effective plans against all possible contingencies. Regrettable as it may seem, it only takes one event to call into question the ability or willingness of a regulator, umpire, referee, or traffic cop to accomplish his mission.

Yet it would be a serious mistake on our part to dismiss the events at Millstone in particular as presenting merely an interesting set of technical problems that will ultimately be addressed and resolved with time and a certain amount of increased attention on the part of the NRC. As I noted last March when I addressed all of you on the Time magazine article about Millstone, if we honestly assess the performance of the utilities in question and our own, we would have to agree that not all aspects of nuclear regulation and nuclear operations are as they should be despite all our efforts to the contrary.

Although we have much to learn about the situation at Millstone, and it would be premature to reach any firm conclusions, we do know enough about the conditions at the plants to begin to ask ourselves some thought-provoking, probing questions about whether we have succeeded in establishing the safety culture we have been trying to establish throughout the industry, whether we are succeeding as well as we should in anticipating problems in advance, whether we are asking ourselves the right questions about the way we have done things in the past or are doing them now, and whether NRC personnel both in headquarters and on-site, in evaluating licensee activities, are sufficiently familiar with regulations and requirements that apply to the specific activity being carried out.

When I look at the recent events at Millstone, I see two broad decisions that if we could go back and change, we would. We should have put more NRC resources on discovering the problems at Millstone at an earlier stage and possibly turned the facility around prior to its reaching its current condition. The other is

that we stopped doing design basis inspections too early, and relied on industry to address the problem without maintaining an appropriate regulatory focus to assess whether in fact they were dealing with the issue in a timely manner. This is not to say that we cannot rely on the industry -- we have to because they are responsible for the safe operation of these facilities. However, it is our responsibility to regulate, to set appropriate safety requirements, and to insist upon compliance with existing requirements. We cannot delegate regulatory responsibility to the industry.

I want to address a few remarks toward our expectations of licensee performance and the emphasis of our own regulatory oversight. I see a real danger in being ensnared by false distinctions between safety and compliance in our regulatory program. In fact, the concepts are bound tightly to each other. A licensee's compliance with our regulations and license conditions is fundamental to our confidence in the safety of licensed activities. As I have said any number of times, if there are requirements on the books that do not have to do with safety, we should remove them through the well-established processes to make such changes. It is untenable as a regulatory agency to imply that regulatory requirements can be ignored. I recognize that, as an agency with limited resources and staff, we must make informed choices in applying our resources to the most safety significant activities or challenges requiring our oversight. This drives the importance of a risk-informed approach to regulation. By focusing our resources on those significant issues and maintaining high expectations for licensees' adherence to existing requirements (until and unless they change), we will strengthen the quality of our oversight and public confidence in it. We will enhance consistency and objectivity in our evaluation and enforcement, and thereby help to ensure fairness to all.

Of course, an event like Millstone quite obviously suggests the need for change - change in the industry and change at the NRC, and we should welcome the opportunity that Millstone affords to correct and improve our performance as a regulatory body responsible for protecting public health and safety. I have concern, however, that some of you may view any suggestion for change as a criticism of both your personal performance and the agency's overall performance. I personally believe that such a view is mistaken, for any organization must change over time and in response to challenges of the moment. We are, in effect, learning as we go, and Millstone provides a timely lesson. In fact, change and learning are built on the foundation of our past.

I especially want to make it clear to you that I recognize that the NRC is a highly competent technical agency that employs many

extraordinarily gifted and dedicated people. What we need to do is to work together to continue to have a strong, respected organization, and an important part of working together is communicating clearly with others and listening carefully and attentively to what is being communicated to us.

Communication and improvements in how we do business are also the key features of our Strategic Assessment and Rebaselining initiative at this stage in its evolution. As you know, issue papers have been published for comment, and we will soon be holding a series of meetings across the country to obtain comments from the general public and other stakeholders. We are also looking forward to hearing from each of you in that process. I know many of you are concerned about the impact of the Strategic Assessment and Rebaselining on your own careers, but I want to assure you that to date we have only made preliminary decisions on the issue papers. We are counting on your input to help guide us in making final decisions, and we want you to identify any and all concerns that you may have. Be candid, be straightforward, be thoughtful - but by all means provide us your comments. In that regard, I would draw your attention not just to those issue papers that may directly impact your job, but to issue paper # 23 as well- "Enhancing Regulatory Excellence," which is directly applicable to the issues I have discussed today and to the general direction of the agency - we welcome your comments on what you see as the major problems affecting the agency and any solutions you may care to offer.

Now I would like to turn this meeting over to you. I would ask each of you who wishes to ask a question to use one of the microphones available so that everyone can hear your question. Please feel free to direct your question to any one of us. If your question is intended for all of us, I will refer it to each of my colleagues in turn. May we have the first question, please?