

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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BRIEFING ON OFFICE OF INTERNATIONAL PROGRAMS (OIP)
PROGRAMS, PERFORMANCE AND PLANS

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THURSDAY,
JUNE 2, 2005

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The Commission met in the Commissioners' Conference Room, One White Flint North, 11555 Rockville Pike, at 9:30 a.m., Nils J. Diaz, Chairman, presiding.

COMMISSIONERS PRESENT:

NILS J. DIAZ	Chairman
EDWARD McGAFFIGAN, JR.	Commissioner
JEFFREY S. MERRIFIELD	Commissioner
GREGORY B. JACZKO	Commissioner
PETER B. LYONS	Commissioner

ALSO PRESENT:

JANICE DUNN LEE, Director, Office of

International Programs

MARTIN VIRGILIO, OEDO

P-R-O-C-E-E-D-I-N-G-S

CHAIRMAN DIAZ: Good morning, and welcome to our annual meeting on international activities.

Commissioner McGaffigan is running a little late, but we're going to go ahead and get started.

We are, as I said, trying to make these meetings into an open forum every year, so we can get our stakeholders informed of our international activities. Usually the Commission also learns one or two things in these meetings, but you keep us well informed all the way to here.

Really, this update on major international activities has several characters. Some of them are our statutory obligations regarding exports and imports. Some of them actually goes to our bilateral agreements. Some of them include the research agreements that are multinational in nature, as well as many of our obligations with different countries regarding both safety and security.

We have seen over the last few years increased demands on agency resources to support foreign regulatory bodies and international organizations. One of the key challenges that the staff is presented with is how to prioritize, manage, organize this activity to serve the agency and the country, and as well as fulfilling our strategic goals.

The Commission looks forward to the staff presentation. I'm sure it's going to be another one of our lively meetings.

Do my fellow Commissioners have any comments?

COMMISSIONER MERRIFIELD: Mr. Chairman, I'd like to say a couple of comments. The first one, to underscore what you said, I think there's an awful lot that the Office of International Programs accomplishes on a yearly basis, and I think they have made a lot of progress in terms of keeping us fully and currently informed on the activities that they have before them.

Progress has been made. I think perhaps some progress still is there for some of the issues of overall agency planning and the part that the office plays in that in its interaction with the EDO and the other staff officers.

I would say a couple of notes before I turn it over. I think we've talked before, and I think it's worthy of talking again, the progress that we've made in the Part 110 agreements and authorities with moving that rule forward. I think that's a real noteworthy achievement for the Office of International Programs this year.

Something else I think which is a bit unheralded is the work that the IP folks do behind the scenes, and there are a number of members of that staff, some of whom are retiring this year who have long served this agency far and wide in places that Commissioners, frankly, have never gone. And I think that work should certainly be appreciated.

The last thing I would mention -- and I normally don't pick out one individual, but I am going to do that today. There is a person who doesn't get a lot of notoriety for the work that he does, but Clarence Breskovic provides a variety of different documents to the Commission that keep us informed about a myriad of activities in front of the agency and in regard to the many activities we have with our foreign counterparts and members of our own federal family.

That's hard work. It's something he does with a lot of dedication and doesn't necessarily get a lot of recognition, and I think I would like to take the occasion today to point out my appreciativeness for all that he does to keep us informed.

CHAIRMAN DIAZ: Well, thank you very much Commissioner Merrifield. I certainly agree with your support and your comments.

Janice?

MS. LEE: Thank you, Mr. Chairman, and also, Commissioner Merrifield, for your opening comments. I agree very much with what you said. In fact, you've taken away half my briefing already. But with regard to Clarence in particular, he is --

CHAIRMAN DIAZ: Cut her time in half.

(Laughter.)

MS. LEE: -- he is --

COMMISSIONER MERRIFIELD: She can have some of Commissioner McGaffigan's time.

(Laughter.)

MS. LEE: As you say, does a lot of work for us, and it's really behind the scenes. And he is behind the scenes today again. He's in the booth helping me with the slides, and he has been a big part of the work that has gone into this briefing. So I appreciate your recognition of him.

Well, good morning. I'm pleased to address the Commission today on NRC's international programs. I'm also pleased to be joined at this table by Mr. Martin Virgilio, the Deputy Executive Director for Materials, Research, State and Compliance Programs, who today is Acting Executive Director for Operations.

Our joint presence before you underscores the necessary and essential connectivity between the Office of International Programs and the technical offices. I have structured this morning's presentation to provide a summary of major accomplishments over the last year and address strategies for achieving continuous programmatic and management improvements.

By way of introduction to the broad topic of the NRC's international program, I would like to take a minute to reflect on our 30 years of experience in international activities. While the NRC participates in a variety of

international activities, for the sake of simplicity they break down into five main areas.

The first and foremost mandated international activity is to license the export and import of nuclear components and radiological materials. Over the course of the 30 years, the licensing function has evolved into a stable, predictable tool in support of U.S. Government foreign policy, allowing for ongoing, legitimate, safe and secure international commerce.

NRC also has an important role in implementing U.S. Government obligations relating to nonproliferation, such as assisting licensees selected for safeguards verification activities by the International Atomic Energy Agency. Our willingness over the years to subject ourselves to the same scrutiny that we demand of others helps to concretely demonstrate the United States' commitment to equal treatment for all states party to the Nuclear Nonproliferation Treaty.

NRC has a robust program of bilateral and multilateral cooperation and assistance, and an active international cooperative research program about which I will elaborate later on in this briefing. To implement these activities, the NRC, in cooperation with executive branch agencies and our foreign counterpart agencies, has negotiated a series of technical information exchanges and research agreements.

The creation of the current web of international arrangements began in the predawn hours of NRC's origins. During 1974 as the Energy Reorganization Act passed through the Congress, the about-to-be-abolished Atomic Energy Commission negotiated and defined the first technical information exchange agreements.

These agreements were with Japan, France, Spain, Sweden, and Switzerland. Later, they were seamlessly passed from the AEC to the NRC on January 19, 1975, and were soon followed by arrangements with the United Kingdom, Italy, and Germany. These original eight standard arrangements have been augmented by 22 for a total of 30.

In addition, we have a handful of other arrangements, which are tailored to specific circumstances, generally reflecting more limited cooperation. These arrangements have led to over 300 foreign assignees receiving on-the-job training, returning to their national regulatory organizations prepared to implement the technical and managerial knowledge they gained at NRC. These individuals have often risen to top positions in the regulatory agencies in their countries.

Over the 30 years of its existence, NRC has also negotiated 95 bilateral research agreements under the framework of these bilateral safety arrangements. These agreements and assignees have bolstered the network of close ties with NRC and implementation of Western regulatory practices.

Bilateral arrangements have fostered close cooperation in the areas of power reactors, materials, and waste safety-related matters. Since September 11, 2001, there has also been emphasis on the sharing of sensitive safeguards and/or classified information with specific international counterparts. This has been made possible in large part by the groundwork laid in the traditional bilateral technical information exchanges.

Over the 30 years, what benefit has NRC and its licensees gained from these international activities? Of the approximately 330 nuclear power reactors operating outside of the U.S., over 60 percent are based on or derived from U.S. technology. Our bilateral cooperation, especially with countries with similar technology, contribute significantly to the overall operational experience/knowledge base for U.S.-designed nuclear power reactors.

I believe the Commission can be proud of what it has achieved over the past 30 years under the small, but wide-ranging and vital program, and can look to the future with confidence that the NRC has earned its position as the premier nuclear regulator in the world.

With this 30-year perspective in mind, I'd like to now turn to the present.

NRC's program of international activities is recognized in the agency's strategic plan where success in the primary areas of safety and security are seen within the global context. In the safety arena, NRC shares information,

resources, best practices, and lessons learned from operating experience and influences the development of standards and guidance consistent with U.S. objectives.

In the security arena, NRC shares, as appropriate, information relating to security and control to prevent the proliferation of special nuclear materials and technology, and to reduce the potential harmful use of high-risk radionuclides.

Per Commission direction, the staff prepared a comprehensive review and prioritization of the NRC's international request and activities for fiscal years 2005 and '06, what I will refer to as the priorities paper.

The development of this paper was useful for a variety of reasons. First, it confirmed that the activities that we undertake are consistent with the Commission's program priorities. Second, it provided a vehicle for the staff to identify and take an integrated look at relatively new areas of activity which will impact the NRC.

Among the key actions taken by the Office of International Programs was the Commission-directed revision to the rule concerning the export and import of high-risk sources. In addition to addressing the Commission's concern that certain materials pose a risk if diverted for malicious use, the revised rule will bring the United States into conformity with the internationally-negotiated Code of Conduct for the safety and security of

radioactive sources. Over 70 countries have committed to implementing the code.

However, consultations with major counterparts show that the U.S. is the first to have all of the legislative and mission mandates needed to fully implement the rule. This will pose some challenges as we process the first license applications under the new rule.

We commit to keeping the Commission informed of progress made by other countries and work with the executive branch and with the IAEA, and with our international counterparts to transition into this new licensing regime.

The Commission has reviewed and approved several high-profile export license applications during this fiscal year. The Commission approved the license for the export of a U.S.-origin reactor and associated fuel to China. This is a key Bush administration goal in improving relationships with a strategically important country.

The Commission recently approved the export of high enriched uranium targets to Canada for use in the production of radiopharmaceuticals, ensuring that the world supply will not be interrupted, and the first ever export to Iraq of high-risk source material for use in oil well logging equipment was also approved.

All of these actions were politically and time-sensitive, and I want to take this moment to thank my colleagues from the program and legal offices for their support in moving them forward expeditiously.

Two activities relating to internationally, legally binding treaties and conventions should also be mentioned. The first is the ongoing effort to achieve U.S. ratification of the Additional Protocol. The Bush administration has made worldwide adherence to the Additional Protocol a cornerstone of its nonproliferation policy.

In addition to participating in interagency briefings for the Congress to prepare a way for ratification, the staff has drafted a proposed rulemaking package for its implementation. It should be noted that this activity is in addition to the extensive support the NRC already provides in ensuring the application of safeguards in the U.S., and in the development of strengthened and integrated safeguards for applications around the world.

I'd also like to take note of three other major activities related to treaties and conventions. First is the successful March 2005 third review meeting of the state's party to the Convention on Nuclear Safety. Commissioner Merrifield and the Executive Director for Operations, Luis Reyes, were widely praised by parties for their presentations and the dialogue that followed.

It was a first-class team effort, which offered senior NRC staff an opportunity to serve in leadership positions, and at the same time a learning experience for many up-and-coming junior staff, including a recently hired intern.

Second is the ongoing staff preparation for the May 2006 Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management. This is called the Joint Convention.

Like the CNS, the NRC will support the development of the U.S. national report, demonstrating compliance with the obligations of the Joint Convention. And third is the staff support to the revision of the Convention on the Physical Protection of Nuclear Materials. The U.S. has long supported a revision to this convention, to extend its coverage to domestic use and states.

Following several years of international negotiation with NRC staff on U.S. delegations, it has been agreed that a diplomatic conference will be convened in July at the IAEA. An indicator of the breadth of the NRC's bilateral programs is the sizable flow of visitors to the NRC and Commission and staff level travel.

We are taking a closer look at how to better manage new requests within our regular program to make these activities possible within current budget constraints. Some of these new requests include high level and staff level exchanges of security-related information. In this regard, we have

joined executive branch initiatives related to security discussions with countries possessing large quantities of separated nuclear materials.

During the last year, we have gained more experience in the security and administrative duties for arranging such exchanges, and anticipate that they will become a routine part of NRC's comprehensive international regulatory programming.

Other examples of new activities include participation in the IAEA-led radiation safety and security infrastructure assessment missions, assistance activities related to improving control of radioactive sources, and bilateral cooperation and assistance with China, India, and Pakistan.

In addition, the staff is considering ways to address the Commission's interest in continuing assistance to countries of the former Soviet Union, being mindful of the diminishing funds available through the U.S. Agency for International Development.

On the multilateral front, NRC supports the work of the IAEA in developing global standards and assisting other countries to improve their regulatory regimes through workshops and assessment missions, and in developing and implementing the safeguards program. We currently have an ongoing OSART mission that's being conducted at the Brunswick Nuclear Power Plant now.

Similarly, the NRC has supported the Nuclear Energy Agency in addressing complex technical safety issues through its leadership roles in NEA's committee. An example of NRC's successful support for these two organizations is the adoption of the IAEA standard for geological disposal, which was jointly done with the NEA.

I would like to acknowledge the close interoffice cooperation which has resulted in an updated paper to the NRC's activities in support of the IAEA and NEA. This comprehensive review of staff participation in these important multilateral organizations has been revamped to better serve Commission interests in knowing how staff are implementing strategic plan goals, providing management oversight and policy implementation, staff travel, and ensuring elimination of unnecessary overlap or duplication of effort.

The NRC's international cooperative research program covers a wide range of activities and technical disciplines. Through 95 agreements in over 22 countries, the staff participates in major experimental programs using test facilities that are not available in the U.S.

Access to foreign test facilities expands our knowledge base and contributes to the effective and efficient use of NRC's resources in conducting research on high priority and safety issues.

The OIP and the EDO program offices are committed to continuous improvement of our international activities, both within the agency

and externally. Internally to NRC, OIP has provided input to the EDO's road map to improve communications in the execution of Commission policies and direction.

OIP is also improving connectivity with the EDO, the deputy EDOs, and with program office directors. For example, OIP is now providing the EDO with a monthly listing of anticipated international actions requiring EDO signature or concurrence.

Along with a bi-monthly list of NRC management travel and the list of visits from regulatory counterpart representatives, the monthly look-ahead will improve management's ability to plan for and attend to international activities in a timely manner.

OIP has approved its outreach to international liaisons in the EDO and the program offices by hosting regular meetings to discuss work in progress as well as to provide interim information on emerging issues. The staff is also receiving more consistent dialogue and feedback from management in relation to Commission policies in deciding on how international activities are prioritized.

Staff is improving its follow through with the Commission by such means as the EDO daily notes, D-notes, or JDL-grams, which provide time-sensitive updates on issues of interest or concern.

The successful joint development and timely dispatch of the priorities paper and the annual report for the IAEA and NEA activities is a result of this greater dialogue between the offices.

In response to the Commission's encouragement, OIP has undertaken a number of outreach activities. We have initiated contacts with the European Commission, and I hope to have a meeting arranged in early July.

In countries where we have frequent interactions, we have sought to engage with new Embassy personnel before they start their assignments. We have also been invited to speak at forums such as the Foreign Service Institute and the Conference on Radiation Control Program Directors.

I was also recently able to participate in a counterpart meeting in Region II, which was a mutually beneficial opportunity to strengthen our connectivity. It also gave me an opportunity to thank our regional staff for being host to many foreign assignees and visitors over the years.

In addition to meeting with licensees, we are meeting with regulatory counterparts responsible for the implementation of international programs in their countries. One question that is frequently asked is how we keep the Commission informed and how we provide integration in international activities with the NRC staff. This is a problem that's occurring around the world.

Some achievements, as a result of better external connectivity, where the Commission itself has assisted in achieving international

accomplishments, are the international adoption of the Code of Conduct from the safety and security of radioactive sources. Also, the communications between the Commission and the staff regarding the IAEA action plan on the International Committee on Radiation Protection -- the ICRP -- recommendations on protection of the environment.

This was a success in terms of communicating the right information at the right time with the right focus with timely feedback and full alignment.

Securing sufficient resources, staff, and funding for the conduct of international activities are a high programmatic priority. Efficiencies for larger international activities are being addressed through the budget process. The smaller unanticipated near-term activities are evaluated on a case-by-case basis, and resources are readjusted as appropriate.

Efficiencies in the management of our programs are sought through such means as more extensive use of video conferencing, participation in multilateral or regional initiatives, and delaying or deferring the implementation of program or specific requests.

And because not all requests can be honored, my staff are working closely with the program offices to not only understand better how to prioritize requests but to advise when the answer is a diplomatic no.

As a way of visualizing the difference that enhanced communications on international activities within the NRC and with other agencies of the U.S. Government, stakeholders, and with our foreign counterparts, I offer the next two slides. Our goal is to maintain the benefits of synergistic, transparent cooperation.

OIP has also focused on how to address staff skills needed to ensure the NRC's future program of international activities. The office, like much of the agency, has a critical population of experienced staff who either have recently retired or are eligible to retire. Of a total staffing plan of 28 FTE in FY05, OIP has seen the retirement of two senior-level staff and anticipates that one or more will retire in the very near future.

I am mindful of the often-repeated fact that 30 percent of the federal workforce will be eligible to retire in five years, and that 20 percent more could seek early retirement. I have talked to and learned from my EDO colleagues in the establishment of good practices such as the entry level nuclear safety professional development program, strategic workforce planning effort, and the comprehensive diversity management program.

We are actively recruiting both entry-level and mid-level staff with a mix of broad policy and specific technical backgrounds to further diversify the OIP staff. Further, we have developed a unique international internship program, which will provide cross-cutting training opportunities for the new hirees.

The two-year internship will feature rotational assignments within OIP, such that individuals will spend time fulfilling desk officer, export/import licensing, and rulemaking duties. Paired with senior mentors from the OIP staff, these interns will benefit from the transfer of knowledge, and will enable OIP to continue to serve the Commission through the retention of critical skills.

I'd like to take a moment to introduce some of our current new hires in OIP, who have worked with management to develop and will pilot the new internship program. I'd like to ask Kirk Foggie, Amy Prible, and Jaclyn Becker to stand.

These are some of the faces of NRC's future international programs. Unfortunately, Cindy Rosales-Bush was not able to be present due to another engagement.

Because of OIP's unique placement as a Commission office --

COMMISSIONER MERRIFIELD: I think you can tell them to sit down now.

(Laughter.)

They're getting nervous.

(Laughter.)

MS. LEE: All right. You can sit down.

(Laughter.)

Because of OIP's unique placement as a Commission office, these young people will have ample and meaningful opportunities supporting the Commission in the process of setting international and related agency policy, traveling with Commissioners to learn first hand how the NRC engages in productive interactions with foreign regulatory agencies, and interacting with program offices to have a broader appreciation for the agency as a whole.

I, too, started my career as a newly hired intern in OIP, and after 30 years can view myself as the poster child for the NRC OIP program.

Now, I would like to turn to the road ahead. Where our original international program began with agreements to cooperate with countries with mature nuclear programs, we now depart in a slightly different direction reflecting recent geopolitical changes.

The executive branch has approached the NRC informally to indicate an interest in having support for the development of regulatory authorities in Iraq and Libya. The new Iraqi government, with the assistance of the U.S., has established a regulator with the authority to exercise control over high-risk radioactive sources but not at this time over other nuclear materials or facilities in the country.

This development is critical to not only the security of the materials within Iraq but also for the use in the countries' industrial, agricultural, and medical redevelopment. Similarly, the executive branch has notified staff

that the Libyan government is requesting U.S. assistance in establishing a regulatory authority that conforms with international standards.

The Libyan regulatory program would include the country's research reactor, as well as the control of nuclear materials and sources. The State Department is exploring holding meetings with the Libyan regulatory authorities in Washington this summer, and has requested that NRC be represented to better understand their regulatory needs.

As the Commission is aware, now that the NRC has renewed its nuclear safety arrangement with the Israeli Atomic Energy Commission, they have requested exchanges focused on research reactor safety, and the Indonesian government has also indicated an interest in sending their nuclear regulatory staff to the NRC to be trained.

While their program currently is small and focused on research reactors materials and sources, their longer term goal is to develop a nuclear power program. Each of these countries is likely to request training from NRC, either at the Technical Training Center, or through on-the-job assignments as foreign assignees.

Given the security sensitivities of hosting foreign assignees at NRC, OIP will continue to keep the Commission apprised when formal requests are received, and will provide an analysis of the political, programmatic, and management impact related to accepting such requests.

The Commission has also indicated an interest in participating in several new international activities. First has been the Chairman's leadership in the two group of eight G-8 senior regulators meetings. The first was held in Moscow in June 2004 to develop guidelines for nuclear regulators. And the second was convened in March 2005 in London to discuss how regulators handle the interface between safety and security.

It is anticipated that Russia, as head of the G-8 in 2006, will seek to host a third review meeting in Moscow.

Meanwhile, at Chairman Diaz's urging, the IAEA Director General ElBaradei has agreed to consider hosting a special conference in 2006 to address the needs of regulators for discharging their responsibilities in the areas of nuclear safety and security.

In addition, the staff is closely monitoring the nuclear security initiative begun by Presidents Bush and Putin at their summit in Bratislava earlier this year in anticipation of a regulatory component to this wide-ranging bilateral effort.

Well, looking back over the 30 years, NRC was, and still is, a pioneer of international nuclear safety and security cooperation. It has proven its value through occasionally trying times. The last 30 years provides a solid base of experience from which we can examine our successes and learn from our

failures. We ask: what have we learned that is of value? And will it continue to have value in the future?

We continually examine our strengths and weaknesses and our limitations. We look for new opportunities and recognize that maintaining the course does not mean stagnation. History tells us that challenges will continue to confront us, and we will work for greater efficiencies and effectiveness through innovative approaches.

So through our annual reviews we ask ourselves: what is in the foreseeable future? How well are we prepared? What do we need to do right now? Should we only focus on realistic deliverables? And what will we say about the next 30 years?

Thank you.

I'm pleased to receive questions from the Commission. I'd like to offer Marty Virgilio an opportunity to comment on any of the things that I've mentioned in the briefing.

MR. VIRGILIO: Thank you, Janice. I'd just add to Janice's summary that I believe that we have successfully influenced and improved safety, security, and emergency preparedness worldwide through our individual bilateral interactions, and more generically I think through the standards development work that we have participated in.

I think we have learned through our information exchanges in a manner that have improved our domestic programs, but we have challenges. I'd just sort of summarize the challenges from one perspective in three areas.

I think we have challenges in managing the work. In that area, we have problems associated with forecasting the work, and Janice talked about some of the initiatives that we're going to be doing to improve our ability to forecast emergent work and the planned activities.

And we also have challenges around prioritizing our work. The prioritization paper that Janice spoke to I think is a major step forward in helping us align with the Commission about what is important, and making sure that each of our activities have a purpose and an objective.

The second area where I think we face some challenge is in maximizing the value added, both externally and internally, from each one of our international interactions. We've taken some initiatives in that area as well, as Janice spoke to, but I think we have some room for improvement.

The third area I would say -- and Janice touched on this -- is in ensuring that we maintain alignment between the Commission and the staff that are engaged in each one of our international interactions.

That is my summary, and we look forward to any questions you might have.

CHAIRMAN DIAZ: Thank you very much, Janice and Marty. We appreciate your summary of a wide array of activities. I believe that Commission Jaczko is due today.

COMMISSIONER JACZKO: Thank you.

CHAIRMAN DIAZ: And I want to comment that you look good standing up. We're going to -- I would have let you stand there for another hour, see how disciplined you are.

(Laughter.)

COMMISSIONER JACZKO: Well, first, I want to say I think the work of the Office of International Programs is very important. I think it's crucial. One of the things I have really learned is how much of a leader the NRC is worldwide, and how much of an influence the work that we do here has on other countries. And I think it's really important to maintain those relationships and keep a healthy program.

One of the things that you talked about was you touched a little bit on the export-import rule and the Code of Conduct and how to keep the NRC informed of where other states were. I'm wondering if you could -- and if you don't have this right now, you could give it to us afterwards, but if you do, just briefly could touch on where you think each of the G-8 countries are in terms of implementing the code at this point, and when they'll likely get to implementing it as fully as we have.

MS. LEE: Yes. We've been able to discuss the implementation of the Code of Conduct in G-8 forums, and we come to the table and everyone does a little brief overview of kind of where they're at. I would reaffirm that we are the most advanced in terms of rule completion and also beginning implementation.

The Canadians are behind us, but not far behind. We had a meeting with them within the last two weeks. It was a very good meeting, actually, because they discussed some of the issues that are currently confronting them in terms of managing the workload ahead and preparing and positioning themselves with resources, where are they going to get the staff, how are they going to fund it, and we had a very, very good dialogue about this. But they believe that they have tools that are already in place to exercise oversight over some of the new activities that the Code covers.

Other countries are not that well advanced, although they're all making progress and taking steps in that direction. Some of them have passed legislation -- I know that the Germans have -- in terms of having the right authorities in the appropriate agencies to oversee those activities. But as far as actual regulations, they have yet to do those.

Some of the European Union countries -- Italy, for example, is a little bit behind, waiting for more guidance from the European Commission.

Let's see. So I can -- you know, as we learn more, we don't have, you know, full breadth of, you know, this is what the status is now. We hear about these in meetings, but we do continue to talk about this. We are having a big conference in Bordeaux at the end of June where countries will come together and talk specifically about Code implementation. So we hope to learn a lot more about the different countries at that time, and we'll be happy to report it.

COMMISSIONER McGAFFIGAN: I think the Japanese have recently told us that they need to go to their Diet, and they won't be able to do that until spring 2006, to get a statutory change, and then there's going to be a longer term regulatory process. So Japan seems to be the one that the nation -- because of internal processes -- that's going to take the longest.

MS. LEE: Well, and the Brits are a little like them, too. They've just identified, I think, the proper agency that will have the authority.

COMMISSIONER McGAFFIGAN: I guess that's progress.

COMMISSIONER JACZKO: Well, and do you see -- in terms of, then, focusing back on the NRC and the export-import rule, do you expect an increase in workload, then, for your office as a result of that? And are you prepared right now, do you think, to meet the expected increase in workload?

MS. LEE: Yes. We do anticipate an increase in workload. And when we really think about it, it's a little bit frightening at the time, because there

could be this onslaught of a lot of new applications. And how we handle that, there's a lot of paperwork to be done. And we are short on help right now. We're filling the gaps with rotational assignees, but we do have plans to address the staffing of our export and import licensing unit.

We've reorganized the office to place a dedicated section chief over our licensing activities. And as I said, we are really examining our staffing plan to ensure that this activity is well covered. It's an important one, it's a priority, and we are addressing it.

COMMISSIONER JACZKO: Have you sent us kind of an overview of what the plans are to do that? Or, if not, if you could send that.

MS. LEE: We'll be happy to keep you informed about that. I think Marty wanted to --

MR. VIRGILIO: I would just like to add as part of the budget that we've just developed and we'll be presenting --

COMMISSIONER JACZKO: Okay.

MR. VIRGILIO: -- to the Commission, we've included the additional resources. We've done our best estimates at forecasting what that workload would be in terms of additional import-export licensing, and that is included.

MS. LEE: And as we progress in the review of these, and processing of this new workload, we are going to be looking for ways to gain

efficiencies in the review of these things by either issuing broad licenses, asking for delegation of authority, that type of thing. So we're going to be examining those things along the way.

COMMISSIONER JACZKO: One final question. I think I still have a little bit of time. The very first thing you said I think was that there are about 300 foreign assignees who, over the last 30 years who have been at the NRC.

What do you think that they are getting the most from that experience, their broad categories -- are they learning management skills? Are they learning technical skills? Are they learning safety skills? What do think really they're getting from that?

MS. LEE: Well, I think it's all of the above. I think initially in the inception of the foreign assignee program it was probably very technically focused. We actually assign real work to these individuals. They go to program staff offices. They work side by side with staff. They have projects. They are a staff resource in many ways.

I've seen, over the more recent years, an interest in increasing managerial competencies, and there has been more expressions of what kind of training programs you have, do you have anything at the Technical Training Center, can you send us to -- recommend courses to us outside of your agency, because I think they want to have more management focus.

So it's sort of a growing area, but it is -- it had started out technically. It still is technical. And it's been a really fruitful program. I think that when Commissioners travel -- when staff travels, they run into our foreign assignees all over the world, and it's a very special relationship that has been created as a result of them spending time here.

They speak very fondly of that experience. They attribute much of their career success to their assignment at NRC, so I think it's been a really beneficial program.

COMMISSIONER JACZKO: Thanks. Thank you.

CHAIRMAN DIAZ: All right. Thank you, Commission Jaczko.

Commissioner Lyons?

COMMISSIONER LYONS: I'd like to start by echoing what Commissioner Jaczko said about how he and how I, in the time I've been here, have come to recognize the importance of the international work that the NRC conducts. I, too, very much support and compliment the efforts.

I think it's a real contribution to improving international nuclear safety, which is critical, and the opportunities to leverage research that we need, as well as other countries need. I think it's very, very positive.

I wanted to also compliment the intern program that you mentioned. I think that's very important and very important throughout the

Commission, that wherever opportunities are presented for intern types of assignments, I think that's very positive.

And you also mentioned that the exchanges that are requested from other countries that are developing their regulatory programs, and that, too, strikes me as one of the strongest ways that we can help some of these countries get off hopefully on the right foot.

I really only had one question, and it may be more for Marty. I'm not sure. But I mentioned, and certainly you mentioned, the importance of international research programs and the opportunity to leverage resources. In ensuring a process, we are obtaining access to facilities and data and knowledge that we need.

And what I'm leading up to is: have we ever tried to put even a vague dollar value -- I realize it would be highly uncertain, but have we ever tried to estimate how much of this leveraging is actually going on on a dollar basis, both of what we're gaining and what we're providing, because I think it probably is working both ways.

MR. VIRGILIO: Yes, Commissioner, we have. Janice mentioned the I think 95 cooperative agreements, more negotiations underway involving 22 countries. We have had access to facilities, data, and models that we would not have otherwise had -- and we have done an estimate, and the most

recent estimate I've seen is for an investment of about \$4 million we have yielded about \$40 million in terms of access, knowledge, and results.

Again, as you point out, that's probably a crude estimate. But I think it gives you an order of magnitude as to what we see we've derived from the program.

COMMISSIONER LYONS: That's an impressive figure. I guess I was anticipating a number that might be that large. So I guess I would compliment you on -- compliment both of you, and you'll continue to find that I'm very supportive in this area.

MR. VIRGILIO: Thank you.

COMMISSIONER LYONS: That's really my only question, Mr. Chairman.

CHAIRMAN DIAZ: All right. Thank you, Commissioner Lyons. We do appreciate the fact that you both are sitting in here together, because I have tried for the last year strongly to make sure that there is a very strong relationship between OIP and the EDO, because what is not obvious in here -- but I'm sure Janice and Margie and all the people of OIP recognize, is that a lot of this work, while directed and managed from OIP, is done by the statutory offices with support from OGC as you recognize.

It's -- this issue, how the work gets done, and the manner in which it gets done, the priorities that it gets done, is, of course, of interest not

only to the Commission but to me fundamentally. I have seen it, how it gets improvement, but still you have challenges.

MS. LEE: I believe you coined the word "connectivity," and it really is a part of our vocabulary now.

CHAIRMAN DIAZ: I try to make sure that you guys get link.

And in this respect, I know you put the priorities papers -- you know, there is increased connectivity. There is no doubt you sitting together, Luis goes to the Council.

From this work of the last few months, are there any additional steps or issues that you both have found that would contribute to make sure that OIP is plugged into the EDO and the EDO is plugged into OIP?

MS. LEE: Well, yes. The more we interact, the more we learn from each other. And the more we find that -- there are ways to improve our systems and our processes. I really am very grateful that we have international liaisons in the program offices.

I think this has very much helped to facilitate all of the activities that go on, because it's very difficult for us to know exactly who in the Office of Research or NRR is the right person to participate in any given activity.

So the international liaison function has been quite critical, and it has even been strengthened in the EDO's office, which is very, very helpful to us. You know, as you said, the office of -- the international activities, you know, kind

of touches everybody in the organization. It's conducted by a lot of different people from top to bottom, and to reach out, to connect with this group of people, is often difficult.

We are in a different kind of position because of where our office is positioned. You know, we're a Commission-level office versus the EDO offices, which report to the EDO. And so I think that we've tried very hard to strengthen the relationship between OIP and the EDO's office, because I think -- and I think we've seen the fruits of that interaction.

I think that this year I can say with pleasure that we delivered some really tough papers to the Commission on a fairly timely basis. I mean, the priorities paper was a work that required both sides to negotiate and to develop and to issue, and the same thing with the annual report on IAEA and NEA activities. That, too, was a very big effort between our two offices and couldn't have been done without some real commitment and dedication from the EDO program offices.

MR. VIRGILIO: Mr. Chairman, I would just sort of underscore the increased staff-to-staff interactions, we've dedicated one staff member in the EDO's office full-time now to coordinating international activities -- Doug Weaver. It is noticeable improvements by both Janice and I with respect to the coordination at that level.

We've increased the ad hoc interactions between our managers, and we've really taken the international council, which meets periodically -- it was originally established by Janice as her initiative, and involved our office directors. We've taken that to a new level this year with either Luis or I participating at each of the meetings and a more structured agenda purpose around each of the meetings. So I think that has been a major change, and it led to a number of improvements.

We have some challenges. As Janice mentioned in her presentation, a number of our senior staff that have been involved in our international activities, from the program office side as well as from IP side, are now retiring. So we face that challenge of getting the right people with the right talent into those positions, and the knowledge transfer.

CHAIRMAN DIAZ: All right. How about the same question, but directed to, how do we improve communications and maybe even connectivity with Department of State, Department of Energy? We continue to work with these agencies. Occasionally we find some small gaps in our interactions. Have you identified this year, as you look at resolving all of these issues, any additional steps that we should take to be able to increase our connectivity with these agencies?

MS. LEE: Well, we have a number of issues that we're working closely with our sister agencies. And, in fact, I think a demonstration of your

point is that several of our colleagues are here at this briefing today. We have representatives from the Department of Energy, from the Department of State, so I welcome them to come and learn more about our international programs, because we work very closely together.

We have very good contacts -- you know, and things change with people changing positions, and you're always having to work these issues pretty hard. But I think that -- I think there is good dialogue and connection that goes on, because I think because of our strengthened communications with the program offices, when they hear of things with their counterparts in other agencies, they let us know.

And so there is -- people are aware of what's going on, and we have a point to make sure that others are aware of it, too, including the Commission.

CHAIRMAN DIAZ: Okay. Commissioner McGaffigan?

COMMISSIONER McGAFFIGAN: Thank you, Mr. Chairman. I want to express my appreciation for what staff has done in this area. I think about what -- how our activities were managed or not when I first got here, and we've made an enormous step forward. That doesn't mean that we don't have more steps to take, and some of the issues there I may wait until this afternoon's meeting, because they involve papers that are non-public.

But one of the issues that I think it's fair to raise publicly is the -- is there any progress whatsoever -- I guess this is towards -- directed towards both of you, maybe Marty more -- any progress whatsoever to report about the IAEA's process for inventing security guidance?

As I understand the situation -- and I'll say it publicly. As I understand the situation, that group does not work through the Commission on Safety Standards. It doesn't -- it has an Advisory Committee on Security, to which nation states are not represented; individuals go. And it promises consultant meetings, and our staff was involved in one consultants' meeting and the document that emerged had no relation to what the staffer saw.

Aside from that, everything was swell. And I know it's been a priority for us and for other agencies to try to get IAEA security into a disciplined process such as the Commission on Safety Standards. But is there any glimmer of hope that that's going to be done?

MR. VIRGILIO: Commissioner, I think we've made progress domestically. And going back to the Chairman's last question about connectivity with Department of State, Department of Energy. I think we're getting an alignment here. But if I look internationally, I feel like I've lost ground in the last six months. And I say that because we're getting ready to go to the Commission on Safety Standards meeting. I leave Saturday for that meeting.

The agenda has just come out, and looking at the agenda I'm concerned that the progress that I think we made at the last meeting with regard to working with IAEA and, in particular, DDG Taniguchi, with respect to getting agreement that the IAEA secretariat would propose a process -- if you look at the agenda, it is not consistent with what I expected to see come up on the agenda.

So I think we're in for --

COMMISSIONER McGAFFIGAN: I wish you an interesting dialogue next week, and I believe you have almost all our fellow regulators -- all of our fellow regulators in every nation that I've talked to are on our side on that. And DOE is on our side, in the sense that they want to have a disciplined process, and State is on our -- so it's -- but what apparently is not on our side is bureaucrats in Vienna.

And I don't know whether they're going to have -- well, whatever.
I'll --

MS. LEE: Let me just add one additional thing that we've done very recently, and we're about to go out with a cable, is to actually suggest a process by which the IAEA could consider it. I mean, this is --

COMMISSIONER McGAFFIGAN: Has that been shown to us?

MS. LEE: It's about ready to be shown to you, yes.

COMMISSIONER McGAFFIGAN: Okay. I had ideas I've turned out before. The CSS could be augmented with the Security Subcommittee. But if that's not what the interagency --

MS. LEE: Well, actually, we have shared this with you. I can refresh your memory. We've sent up a note about our discussions and an outline of the process, and so I'll be happy to --

COMMISSIONER McGAFFIGAN: I mean, one of the issues -- is NRC going to be the U.S. representative to whatever process -- I mean, we are the representative in each of the safety standards subcommittees co-represented with DOE on ways, co-represented with DOT on transportation. We're the regulatory authority in the United States for most materials. DOE self-regulates some materials.

So I could imagine DOE being a co-chair or something. Is it clear in whatever is happening that we are the U.S. representative to the security group?

MS. LEE: It's the U.S. Government position. It's everybody believes in this process. Okay. It's not an NRC process. It's not a DOE process. This is --

COMMISSIONER McGAFFIGAN: I'm asking -- but the process presumably involves somebody going to Vienna, as Marty will next week, to represent the U.S. Government on security matters. Is that us?

MS. LEE: I think we're being represented -- this issue is being discussed in multiple fora. It's being discussed in the ADSEC Group, which we are not a participant in, but we have a pipeline into. We have good interface with the current representative.

I believe Marty will be speaking for -- looking for opportunities to raise this at the CSS meeting. So I think there are sort of multiple fora where this can be discussed.

COMMISSIONER McGAFFIGAN: I guess I'm not going to get an answer this morning. Could you answer it this afternoon, if there is some sensitivity that I'm not aware of? Okay.

MS. LEE: We'll try.

COMMISSIONER McGAFFIGAN: The last issue I'll just mention -- and I wouldn't mind having another round if there's time, you know, but -- is the issue of funding for some of these activities. The executive branch is very good at coming in and saying, "Oh gosh, gee golly gosh, could you help the regulator here, there, and everywhere?"

And we don't necessarily -- we don't have money for that. In Eastern Europe and the former Soviet Union, we were dependent on State Department money. In some other places we were dependent on DOE money.

You know, so -- and it's very hard, as Marty says, to plan when you don't know what you're planning for. And sometimes getting money from

those agencies takes a long time, and by the time the money becomes available you don't have the staff any more to do it.

But I would just point out to my two new colleagues that this is an issue that's been created by the Congress. I mean, the combination of fee legislation, and Congress' willingness to assign to -- not wanting to assign missions to us because it's going to be 90 percent paid for by the nuclear industry means that it's -- as everybody said, these are our ideas, this is our regulatory system, everybody is proud of it, but it's oftentimes DOE's money or State's money.

It would be a lot better if it were our ideas, our regulatory system, and our money, but it would have to be done outside the 90 percent fee base. And we do a little bit of it. We're pretty good about it.

Commissioner Merrifield --

COMMISSIONER MERRIFIELD: Just a clarification, though. I mean, the 10 percent that we receive off the fee base, part of that is -- does go towards IP programs. Now, there are some areas, as you mentioned, that are more than what we are able to budget for under that context. But I wouldn't want -- and I figure you're not intentionally leaving it --

COMMISSIONER McGAFFIGAN: It's potentially in the 10 percent. Unfortunately, as we have said several times, the number nowadays, if

security were fairly off -- most of security, other than inspections and whatever, were off the fee base, the number is getting to be like 16 or 17 percent.

And so at the margin, since we're at 10 and the real fairness equity number is 17 or 16, whatever it is, we are at the margin. We take it -- any additional activity that we do comes 90 percent from licensees and 10 percent from -- from that pot.

And it just isn't good public policy in my view, but we've never been able to figure out how to fix this. We tried a couple times with the appropriations staffs, and just didn't get anywhere. But it's the fee money. And I don't know how to fix it, but it's just not a good situation that we're in today.

CHAIRMAN DIAZ: Thank you, Commissioner McGaffigan.

Commissioner Merrifield?

COMMISSIONER MERRIFIELD: Thank you, Mr. Chairman.

I had an occasion to look back at an SRM. We were talking about these issues. I was looking back at the SRM from this very same meeting that occurred four years ago, and we had a very detailed SRM, a three-page SRM that came out of the Commission of things that we were expecting of the Office of International Programs.

In looking back then, and my staff can pass it off to the two new Commissioners, I think it's a very noteworthy SRM on the part of the

Commission. I think a lot of progress has been made. I think that there are some areas I'd like to investigate a little bit today referencing that.

One of the issues that came out of the SRM was the notion that there ought to be a greater sense of understanding of participants from sponsoring offices who were involved in issues in the international arena prior to talks to the issue of prioritization.

One of the issues that it did address in the meeting was dollars. How do we track some of this money, and how do we manage it? Coming out of that has been an effort to create a new management directive, Management Directive 5.13, which deals with NRC international activities, practices, and procedures. Apparently, that has gone to the Office of Administration for final review. At least that's what we were told in a memorandum dated October 12th.

Where are we relative to that particular management directive?

MS. LEE: It's my understanding that there is a fairly lengthy process for these management directives, and I believe that the Commission has -- or the Chairman's office has an opportunity to make a final determination whether to clear or not, and that was my last understanding of it.

I believe that the staff has completed its work. It is a final document as far as we are concerned, but we're making -- we have to get it through the final approvals.

COMMISSIONER MERRIFIELD: Well, I would be interested -- I didn't realize it was this Chairman's office, but he's out of the room now, so --

(Laughter.)

-- but I'm sure his staff is here and we can appropriately engage with him. This is an issue that has been of long-standing interest, and one I'd like to see us resolve.

MS. LEE: Well, I'd like to see the completion of that.

CHAIRMAN DIAZ: I did hear it. Okay.

(Laughter.)

COMMISSIONER MERRIFIELD: We can talk about that one offline. That wasn't a set up, by the way.

Another issue is prioritization. And, again, this -- I think this goes back to the 2001 memorandum. I think there has been a lot of progress. I think the most recent memo that we received from the staff is helpful in that regard.

That having been said, having looked through that memo, one of the -- I think one of the things that was incorporated within it was the note that a consistent budget and travel code structure is needed to achieve the goal of being able to appropriately manage this particular program. And I think that was a clear finding that came out of that.

We got a request up -- the Commissioner gets these extension requests, and we have an extension request -- you know, this particular issue

has been pending for some while, but there is a request to kick that back further in terms of developing a process for approving travel. And we still have to work on this issue of consistent budgeting and travel code structure.

How do we get this together? I mean, if we can't -- if we're having a real difficulty in terms of completely getting our handle around priorities, and the difficulties in part associated with the fact that each individual office tracks the stuff differently, in terms of how they account for it, in terms of how they manage it, how are we going to get this together to meet the expectations that the Commission, frankly, set out in 2001?

MR. VIRGILIO: Commissioner, it's a very broad challenge, and I don't know if Jesse or any of the CFO staff are here today, but he and I have had many conversations about our cost accounting systems.

Let me separate prioritization for a minute from cost accounting, because prioritization I think a major step forward was the February paper that you referenced, and now the offices have more of a structure as they sit down annually and say, "What is my forecast? What is it I'm going to do next year? What are my objectives, and what do I intend to accomplish?"

So I think that that paper and the structured process that we're going through annually as far as planning for our budget activities for the next two years help us with respect to prioritization.

The other half of your question I think goes to cost accounting.

COMMISSIONER MERRIFIELD: Well, before you go to my second -- answering my second -- I think it's a step forward. I don't want to make anybody feel bad about it; I think it is a major step forward. However, it's not the last step.

MR. VIRGILIO: No, sir.

COMMISSIONER MERRIFIELD: And, clearly, the direction that we were going in 2001 was to say, "We want the staff to understand what it has as its priorities." But at the end of the day there's got to be an alignment between that and the priorities of the Commission. And I would say that step is -- we clearly have not quite gotten there. I think there's more that can be done in that regard.

But anyway, I interrupted you.

MR. VIRGILIO: We agree. And I see that paper as just a first step in a process of getting an agreement and alignment around how we prioritize our work. It is not to the same level of detail today as what we do with our program activities. You know, common prioritizations from our discussions with the Commission on planning budget and performance management -- that same rigor is not yet into the international activities, but we're working on it.

The second part of your question goes to cost accounting. And right now it's a challenge to us, because we don't have the kind of systems that

we'd like to have in order to track individual activities. We have tac codes and tac systems. We're working with the system we have.

We have a vision of where we want to go in the future with regard to being able to account for every hour of staff and management time that we devote to not only the international activities but our program activities that are not in this arena as well.

COMMISSIONER MERRIFIELD: Well, okay, I'll take that -- I'll take that in part. I mean -- and I don't mean this to be -- I mean, frequently we say, you know, "If I had the right computer and the right program, I could really fix this." But the point is, everybody is working presumably with the same program right now, and we have offices all over the place.

So, yes, we could have a computer, and we could have the computer programs that could help to align that. But it seems to me, even in the absence of getting that, there ought to be an ability to get greater alignment within the offices that come under the jurisdiction of the Office of the EDO.

MR. VIRGILIO: Yes, sir. And we're working with the current system. What we're doing now is standardizing the tac -- the system that we use to charge time, so that each office within the EDO's domain will be charging time consistently to our international activities, including the management time, which in the past we've not done, we've not broken that out separately.

So using the existing systems we intend to make improvements this year in standardizing and harmonizing how we track and account for our time in the international activities across the enterprise.

COMMISSIONER MERRIFIELD: Okay. Mr. Chairman, like Commissioner McGaffigan, I'm not quite done, but I --

CHAIRMAN DIAZ: I think none of us is quite done. Let's start another round, and I think we have enough time.

COMMISSIONER JACZKO: I don't have any additional questions. I'm just interested in learning -- listening to the questions of other Commissioners.

CHAIRMAN DIAZ: All right.

COMMISSIONER LYONS: And I am done.

CHAIRMAN DIAZ: Oh, we've got --

(Laughter.)

-- it's my turn. Let me go back to something that Commissioner McGaffigan started, and I had it as one of my key issues in here, because we are concerned, as we get into the budget arena, and how are we going to proceed to properly fund the multitude of activities that are coming to the agency.

And that is increasing activities with Pakistan, India. We continue to be concerned with the activities with the former Soviet Union, and now with the Russian Federation. We have, like you described, activities with potentially Iraq,

Libya. I mean, all of these things -- every little one of them takes time. They are unique. They take special care. They might require special assistance from the offices.

And we do have the fact that the funding that has always been there for the Freedom Act is expiring this coming year. And so I believe it is important for the Commission and it may be vital to prioritize in the budget what is it that we have, and what is it that we don't have, and what is it that we would like to have. We think we can make a contribution.

But even right now, at this present time, what are those key activities that you believe are unfunded, or are shortly to be unfunded that the Commission has been asked to do that represent a significant amount of investment?

MS. LEE: Well, you've mentioned several new areas that we're getting into, and, yes, we do not have -- these are unfunded activities that we would have to take on, if the Commission decides to proceed with them. Countries like Libya and Iraq, they're new, and we do not -- we have never budgeted for that. We know they're coming down the pike.

When we work with our sister agencies in these activities, when they ask us to provide support, we do ask them is there funding available, because we are unfunded for this type of request.

Now, I have not -- the answer has been, "Well, we'll look into to," okay, but we have not defined or come up with a pot of money that can be allocated for these activities. But it does go on in the conversation. It has gone on for many years with the Department of Energy in terms of, can we work together on our mutual interest programs to enhance each other's work.

And while there is philosophically an agreement, it's been difficult to come up with the actual money to implement these programs.

There are new things that we want to do, and more things probably in the area with India, Pakistan -- China is a growing country, building more reactors. I think that there are requests that will be coming in for more workshops, more technical discussions.

Countries of the former Soviet Union, we would like to continue to maintain our good working relationship with them, and if we had more money, we could do more things. And I'm speaking about not only the Russian Federation, but Ukraine, Kazakhstan, Armenia, the countries that we have been working with.

CHAIRMAN DIAZ: Let me put this as a formal request. In about three weeks, I have to submit to the Commission my request for the budget for fiscal year '07. I certainly would like to have before that time --

MS. LEE: Sure.

CHAIRMAN DIAZ: -- an analysis of what is it that we need, what is it that we should have, and what are the funding mechanisms that you believe are appropriate.

MS. LEE: Okay.

CHAIRMAN DIAZ: So we can take it into consideration and then submit it to the Commission for the Commission's deliberation, so we can take the appropriate actions in this area.

MS. LEE: Okay.

CHAIRMAN DIAZ: All right? Commissioner McGaffigan?

COMMISSIONER McGAFFIGAN: Thank you, Mr. Chairman.

I guess I'll stay on the funding theme, at least initially. One place we've had no trouble in funding with DOE has been the support for the MOX activities with GAN, and I don't know what GAN's new initials are. They're a lot longer, and I don't know the --

COMMISSIONER McGAFFIGAN: We've been fully funded. The staff has made several trips to Moscow. Everything works fine. Why do we have success there and not elsewhere? Is it just the personalities of the people involved at the Department of Energy, or are there --

MS. LEE: Well, there are different people that implement those programs.

COMMISSIONER McGAFFIGAN: Okay.

MS. LEE: And they want us in that program –

(Laughter.)

-- as part of the going in position –

COMMISSIONER McGAFFIGAN: I wish they'd want us more.

MS. LEE: Well, they know that the regulatory piece is very important.

COMMISSIONER McGAFFIGAN: The regulatory piece is very important everywhere.

MS. LEE: It is important everywhere. But I think people in that program –

COMMISSIONER McGAFFIGAN: Particular office know what --

MS. LEE: -- have great appreciation for that.

COMMISSIONER McGAFFIGAN: Okay.

MS. LEE: Yes.

COMMISSIONER McGAFFIGAN: Our internal processes, you mentioned that you aren't going to try to improve, especially in the export licensing area. And I will say that I, speaking only for myself, there is an immense effort to get these papers to us. I appreciate that. But I think we're over bureaucratized in these areas.

There are a number of things that have to come to us -- the form of the paper. If I spend more than a few minutes on most of these papers,

because it's only a rare case, and that means you're doing a swell job, right? But it may mean that you're a little bit over the top, and then we have to figure that out.

I mean, or the Commission has to help you figure it out, because next year, as you said, you've got lots of potential licensing. A lot of it is going to be innovative, and the Commission has to know what's going on. But some of the provisions I regard in Part 110 are sort of a little bit archaic in terms of another era, and we become an impediment to some degree. So I'd just throw that out.

The last item is going back to the security issues in IAEA space, which also tends to be working with our domestic partners as well, is it clear that that is a very high priority? I know we have very good people -- Skip Young, Steve McGuire, Marty himself. Lots of good people go over there to meetings.

But in terms of paperwork with the other agencies, does that receive early and adequate attention from senior staff? Because it moves fast. You know, some of this stuff moves pretty fast. And I feel irrelevant at times, to be honest with you, because I see the pieces of paper the day after the meeting occurred. And so I'm not able to give any guidance. My colleagues aren't able to give any guidance.

But the sense I have is that we were very formal in our interactions with these other entities, and we sometimes get invited to meetings

and sometimes don't, and we sometimes send the right level person and we sometimes don't. And this stuff is important. If IAEA diverges from NRC, we have a problem.

So this isn't -- the reason I raised this is I had a conversation recently with somebody, and they basically said, "Oh, that's international." And I said, "Wrong answer," because all the knowledge is in the EDO chain of command. I mean, you pick up knowledge, you and Karen and all these folks, going to these meetings, but you're not the expert in the agency about why something should read some different way.

So I just raised -- do you have adequate resources? Is this a real priority for the staff when you're figuring out what to do each day?

MR. VIRGILIO: I would say definitely there's a high priority. I know the security issues move quickly. We do try to engage the Commission as they come through. But it is a very high priority, especially knowing the differences that exist between us and IAEA at this moment.

COMMISSIONER McGAFFIGAN: Okay. Well, I hope that that gets reflected in the staff's day-to-day work.

Thank you.

CHAIRMAN DIAZ: Thank you.

Commissioner Merrifield?

COMMISSIONER MERRIFIELD: Thank you, Mr. Chairman.

I want to follow through a little bit on the issue of prioritization looking -- and I won't go into great detail on it -- but looking at the paper that the staff brought up to us, I mean, I think it does a relatively good job of explaining what the individual programs are and the involvement, and perhaps some of the relation.

One could come away with it, and I have to say honestly I do, there is somewhat of a feeling of -- I don't want to use the word stovepipe, because that's not really the right word, but it sort of explains the different programs, and I think what I'm looking for -- and I think the Commission is going to need to grapple with -- is how do these roll up together, and how do we, based on all of these different programs, really make some determinations about which really are more important than others? If, in fact, we're put in a position of having to make some budgetary calls.

In terms of looking at some of the explanations, I noted one of the questions that this paper asked is: to what extent will there have to be Commission involvement in these areas? And we looked at one that was prepared by NRR, and I won't go into any further detail, but, you know, will the Commission be involved? Yes. On policy issues, the Commission will be informed.

Recommendations for Commission involvement will be made on a case-by-case basis and anticipated in the future. Well, it's a policy issue.

We're not -- it's not just keeping us informed --we should be more actively involved in the development of what this agency is going to do, and --

COMMISSIONER McGAFFIGAN: Mr. Chairman, I agree entirely with Mr. Merrifield. That's my frustration. I tend to follow the materials and the IAEA issues more closely. But the staff, if it doesn't -- the staff is making policy on some of these matters. You know, and by the time it gets to us, our hands are basically tied, and I'm not comfortable with that. I think we're doing an enormously better job today than we were doing before --

COMMISSIONER MERRIFIELD: Absolutely. I agree. We've made huge progress.

COMMISSIONER MERRIFIELD: But it still occurs where we have individual members of our staff who are going abroad, who we get a set of slides after the plane has taken off, where they're going to be making -- they're going to be making speeches that have policy implications. And there have been occasions this year where we've had to try to track them down, and perhaps correct the impression that they're leaving with folks abroad. And I think --

COMMISSIONER McGAFFIGAN: The slides always have a note at the end, the D note, that says there is no policy implications.

COMMISSIONER MERRIFIELD: Right. But, in fact, there is.

COMMISSIONER McGAFFIGAN: That has to be there. But there is, right.

COMMISSIONER MERRIFIELD: So, and I think even in here -- in some of these -- well, these issues are of a technical nature, and, therefore, you know, this really doesn't involve the Commission, you know.

Good grief. The Commission is still involved in the prioritization of how we spend the money. We don't simply wrap a cloak of -- well, this is a technical issue; the Commission doesn't have to be involved. It certainly shouldn't -- that certainly shouldn't be the case with international programs.

So there's not really a question coming out of that, but I think certainly my own expectation is that this is a great step forward, but there are more steps yet to go.

A couple quick questions, Mr. Chairman. Going back to the 110, and you're going to have a gap in terms of -- you see a lot of work coming down the road. You may or may not have the folks there within IP to deal with it.

Have you at all given any consideration -- is this an activity, or are there some elements of the review activity that could be conducted by contractors or getting assistance from individuals who previously retired from the agency? Is there some way to bulk up your capabilities without necessarily having to add additional FTE?

MS. LEE: Well, yes. We are discussing that very actively these days. We haven't made any final decisions, but we are considering all those

kinds of things. In fact, there are people who have retired from NRC who have actually come back to help us out in certain areas.

I think, we actually have somebody on a rotational assignment now in the licensing area that is helping us out. So we are very much tuned in to the need to address this. We are trying to find different options that are available to us. We will have to hire some new people, too, I mean, in the end, I think. In the interim, there are probably resources that we could tap on to get us through.

COMMISSIONER MERRIFIELD: Okay. Well, I know in other parts of the agency we have offices that do rely on contractors, that may or may not be appropriate in this regard, but certainly I think worth looking at.

The last one, we talked a lot about bilateral involvement in some of the countries aforementioned. I don't need to repeat. Have you all thought about some way of providing perhaps some criteria to rank -- I mean, some countries have great needs.

Iraq is probably a pretty good example of not having a whole lot, but having responsibility for dealing with some of these issues. And that may fall at a certain place on the priority screen. There are other countries which are very well developed.

MS. LEE: Right.

COMMISSIONER MERRIFIELD: Which one might say have graduated from the need for as much involvement with the agency. Have you all

thought about the creation of some type of a matrix or some type of a criteria that would assist the Commission making some of these calls? You know, where we have 10 countries come in that want to have assistance, but we really can only help to afford five --

MS. LEE: Yes.

COMMISSIONER MERRIFIELD: -- afford to help five. Is there a way that we can rank that?

MS. LEE: Yes, very definitely. We are trying to better assist staff and the Commission in terms of defining these priorities. You know, I've been working very closely with my desk officers in terms of them being sort of the resident sort of experts of what goes on in their countries.

Program offices go and do, but they don't often know sort of the context for which they are operating on. And I'm continuing to try to emphasize the need to sit down with people who are conducting international activities to say, "What is this that you're going to do, and how does it compete with the other priorities that are on your plate?"

"Let me tell you how it fits within our overall relationship with any given country." And so we talk about those things. We talk about, does this have to be done right now? Can we defer it? Can we bin it up in a different way? Can we encourage the country to go to the IAEA for assistance? I mean, there is that kind of dialogue that goes on on a daily basis here.

And, yes, we are getting more formal. We're going to formalize that.

COMMISSIONER MERRIFIELD: I just -- last comment, Mr. Chairman. I appreciate the reference to the desk officer concept. This is something that we've talked about repeatedly. I know Commissioner McGaffigan has spoken on it; I have as well. I applaud your efforts in that regard.

It's certainly my vision that if a member of my staff or I have a question about a given country that we ought to know the desk officer that we need to talk to, and that that desk officer ought to have the familiarity with those issues to deal with that in a comfortable way.

I do think in terms of the Chairman's notion of connectivity, I think it's important for the EDO's office to make sure to the office directors that the staff who are involved with countries make sure that they keep those desk officers knowledgeable of those interactions, so that we don't have a circumstance where we have staff members who are interacting with foreign partners, and our Office of International Programs doesn't know about it. I think that connectivity is quite -- it goes both ways in that regard.

CHAIRMAN DIAZ: Thank you, Commissioner Merrifield.

I want to thank my fellow Commissioners for obviously a very interesting morning. I think next year we're going to add half an hour to this meeting, because obviously there are enough issues that we want to ask about.

Let me try to make a couple of comments, which I think in a certain way goes and addresses the fact that this word that I coined -- connectivity -- is always dealing with interfaces. That's what it is, okay, and those interfaces really need to be defined, and once you define the interface then you can deal with and you can connect and maintain it connected.

In this case one of the things that we're seeing is that there is an awareness that this is a critical issue. One of the things that we tried to do the last few months, which is in addition to the interoffice understandings and connectivity and work together, is the fact that when we look at these interfaces, in many occasions there is an issue of policy, and we keep asking our senior managers to identify those policy issues.

And those policy issues need to be connected to the Commission. That's what policy is. Once policy has been made, then the staff executes the policy, and that's -- that's clearly -- I think we need to be conscious that that effort is still going on, and the Commission keeps looking for improvements to make sure that interfaces or issues that have policy are identified and identified early.

The other thing that -- we were going to all of these countries and budgets and things, it just occurs to me that there might be a need -- and you might be able to answer this afternoon or in the near future -- for us to revisit

what is the type of relationship that we have with Department of State, Department of Energy?

When was the last time that we visited them a memorandum of understanding of what are the areas that we work? Is there a need for doing that? Are we at a time where so many changes have taken place, so many countries, so many different policies, that we might need to revisit that? And if that is the case, then I think you need to inform the Commission, so the Commission can be engaged early on these issues.

And unless my fellow Commissioners have any additional comments, we want to thank the staff -- all of the staff that participated in your presentation. And, Marty, thank you for being with us.

And with that, we're adjourned.