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UNITED STATES NUCLEAR REGULATORY COMMISSION  
BRIEFING BY THE INDEPENDENT EXTERNAL REVIEW PANEL TO  
IDENTIFY VULNERABILITIES IN THE U.S. NRC'S MATERIALS  
LICENSING PROGRAM

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Tuesday

March 18, 2008

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The Commission convened at 9:30 a.m., the Honorable Dale E. Klein,  
Chairman presiding.

NUCLEAR REGULATORY COMMISSION

DALE E. KLEIN, CHAIRMAN

GREGORY B. JACZKO, COMMISSIONER

PETER B. LYONS, COMMISSIONER

1 INDEPENDENT EXTERNAL REVIEW PANEL

2 THOMAS E. HILL, Panel Chairman

3 BENJAMIN W. NERUD, Panel Member and Deputy Branch

4 Chief, CSAS, Defense Threat Reduction Agency

5 MICHAEL T. RYAN, Panel Member and Chair, ACNW&M

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

2 CHAIRMAN KLEIN: Good morning. Today we're going to  
3 hear from our Independent External Review Panel on recommendations  
4 on NRC's materials licensing activities. This is about the third activity I  
5 think we have in looking at how we can improve our processes and  
6 activities. I know the staff has implemented some of your  
7 recommendations already, but we appreciate your activities.

8 Obviously, a lot of this information is also recommendations that  
9 have been obtained from the GAO, Congressional oversight committees  
10 and the NRC's IG. So, we want to take all of this information to make our  
11 processes better. So, we thank you for your involvement and look forward  
12 to hearing your report. Any comments before we get started?

13 COMMISSIONER JACZKO: No.

14 COMMISSIONER LYONS: Looking forward to the report.

15 CHAIRMAN KLEIN: Okay. Tom?

16 MR. HILL: Thank you, Mr. Chairman, Commissioner Jaczko  
17 and Commissioner Lyons. I'm Tom Hill. I retired from the Georgia  
18 Department of Natural Resources Radioactive Materials Program. And  
19 with me today are Benjamin Nerud and Michael Ryan. Ben is the Deputy  
20 Branch Chief for the Combat Supports Assessment Division of the  
21 Defense Threat Reduction Agency. His specialties include both terrorist

1 and security operations.

2 Mike, who you know, is Chairman of your Advisory Committee on  
3 Nuclear Waste and Materials. We are pleased to present our  
4 recommendations to you this morning. Next slide, please.

5 The Independent External Review Panel was charged to identify  
6 agency vulnerabilities concerning the Nuclear Regulatory Commission's  
7 materials licensing and tracking programs and validate the agency's  
8 ongoing byproducts materials security efforts. The panel held seven  
9 meetings to fulfill the task enumerated in the Charter and in the action  
10 plan.

11 All meetings were conducted following the requirements of the  
12 Federal Advisory Committee Act and accordingly noticed in the Federal  
13 Register at least 10 days in advance of the meeting. At each open  
14 meeting members of the public in attendance were afforded opportunities  
15 to provide comments to the panel.

16 The panel was briefed by Michael Stevens, a representative of the  
17 Agreement State of Florida and Ralph Leito, representative of the  
18 American College of Radiology. The draft report was distributed to the  
19 Agreement States, the Organization of Agreement States, the Conference  
20 of Radiation Control Program Directors and was noticed in the Federal  
21 Register.

1           We appreciate the review and feedback provided by the  
2 officers of the Organization of Agreement States, the Board of Directors of  
3 the Radiation Control Program Directors and by industry representatives.

4 We could not have completed our task without the assistance and  
5 cooperation of NRC staff here at headquarters and in the regions.

6           Aaron McCraw has done a yeoman's job of helping us navigate  
7 through the Federal Advisory Committee Act process, scheduling meeting  
8 space, building agendas for our meetings and scheduling the briefings we  
9 requested.

10           NRC staff have been engaged, open, forthcoming in their briefings  
11 and discussions with the panel. We acknowledge and appreciate the  
12 assistance they gave us. They worked to accommodate and coordinate  
13 their busy schedules with the panel's schedule and we appreciate that.

14           This morning Ben will discuss security and the good faith  
15 presumption. Mike will address web-based licensing and National Source  
16 Tracking System and I will conclude with a discussion of licensing and  
17 training. Next slide, please. Ben?

18           MR. NERUD: Good morning, gentlemen. Ben Nerud, I'll be  
19 discussing the security related observations that we've found. Next slide.  
20 The NRC and Agreement States have an exemplary record of protecting  
21 health, safety and the environment of the nation. Security of radioactive

1 material has been a consideration; however, it has not been  
2 afforded the same degree of emphasis as the first three.

3 With the changes in our threat environment, this aspect must be  
4 elevated so it's equivalent to health safety and environmental protection.  
5 The NRC and Agreement States are in the business of issuing licenses.  
6 The overarching sentiment in the review process was trust but verify.  
7 While this is a genuine belief, practices created a policy that favors trust  
8 over verification.

9 Basically, rather than truly verifying the information on the  
10 application, it is assumed that the application is factual and real giving the  
11 benefit of the doubt to the applicant. Missing or incorrect information can  
12 be explained away by the applicant or the applicant can agree to perform  
13 specific recommendations or requirements without providing details.

14 In addition, many procedures contained on the applications are  
15 replicated word for word from regulation guidance. This results in an easy  
16 application review process, but I'm not sure it really meets the spirit and  
17 intent of the guidance that's there. The problem with this policy is that until  
18 the GAO operation, the NRC has never had a bad experience in licensing.  
19 And this has created that impetus to relook at the whole process. Next  
20 slide.

21 Appropriate security of radioactive materials requires seamless

1 control and coordination between all stakeholders including the  
2 NRC, the Agreement States, license applicants and licensees, license  
3 reviewers, inspectors, vendors, transportation, import/export  
4 organizations; everybody has a role in the security process.

5 Our report and the things that we've done here have taken a  
6 defense in depth approach and spread the wealth of the security  
7 measures across that spectrum, not just the licensing aspects. The  
8 defense in depth strategy that we've offered here incorporates three  
9 distinct types of countermeasures.

10 The first type affects the behavior of the adversary. It affects their  
11 ability to orient themselves to be able to conduct an attack.

12 The second type affects their operational capability and limits the  
13 courses of action that are available to them.

14 The third type is the traditional physical and security  
15 countermeasures that we think of: the guards, guns, gates, those types of  
16 things. License procedures that are designed to deter a terrorist -- deter  
17 adversarial activity. Next slide.

18 Regarding the good faith presumption, the panel recommends that  
19 the good faith presumption be suspended until a new applicant has  
20 established a record of credible performance. The practice of relying on  
21 the good faith presumption and that is applicants will be honest in

1 providing information on an application has been demonstrated  
2 as a vulnerability.

3 We believe there are many qualified, conscientious license  
4 reviewers in the NRC and the Agreement States who diligently issue  
5 licenses and make licensing decisions in a timely manner. The validation  
6 process used by a license reviewer may not adequately ensure that the  
7 entity applying for a license is legitimate. Rather, a shift to verify and  
8 establish trust may be necessary. This is another example of that cultural  
9 change we talked about, incorporating security into NRC. Next slide.

10 As a result of the good faith presumption being suspended for new  
11 applicants, the panel recommends an on-site visit be performed including  
12 all locations identified on the license application where the material will be  
13 stored and used. This does not include portable gauges, well loggers,  
14 those types of things that have multiple use locations.

15 A review of health, safety, environmental and security plans be  
16 performed ensuring that the plans are tailored to the operation, rather than  
17 just a reiteration of the requirements in the licensing guidance.

18 Background investigations be conducted on key personnel, including  
19 members of management, the radiation safety officer and personnel with  
20 unescorted access to radioactive material.

21 And finally, a review of plans be conducted to further assess



1 whether the requested radioactive materials comport with the  
2 use that the business intends to use them for. This review will ensure that  
3 the applicant is legitimate and establish a foundation for building that  
4 credible record of performance. Next slide.

5 Establishment of trust provides significant advantages to the  
6 licensee, including reduced rigor in licensing processes when applying for  
7 amendments, although not to a higher risk category, inspection frequency  
8 and fidelity and reciprocity. As a result, the means by which a licensee  
9 establishes a credible record of performance should be established and  
10 some examples of the criteria that could be used is an appropriate length  
11 of time, three to five years, compliance with all regulations concerning  
12 health, safety, environmental protection and security.

13 And finally, stability in key positions in the management, in the  
14 radiation safety officer and the authorized users that they're relatively  
15 stable for the organization. Next slide.

16 Information provided in documents used by license reviewers  
17 discussed decision making and further lines of inquiry that a license  
18 reviewer might take during an application review. This information may  
19 have the unintended consequence of providing a malevolent applicant  
20 with information on how to exploit the licensing system.

21 The panel recommends that the licensing guidance be included in

1 the NRC Operational Security Program. Specific actions would  
2 include identifying information used to make licensing decisions that may  
3 provide exploitable information to an adversary, assessing the benefits of  
4 releasing that information against the advantage gained by an adversary,  
5 and developing measures to safeguard and control the information that we  
6 don't want the adversary to have access to.

7 The panel recognizes that increasing control of regulatory  
8 information is contrary to current NRC practice and the panel is not  
9 advocating the abandonment of an open program. Providing the  
10 necessary information to an applicant is critical to having an efficient and  
11 effective licensing process. We're looking at those decision making and  
12 lines of inquiry processes that are internal to NRC and Agreement State  
13 approval. Next slide.

14 The next one deals with the physical security of the radioactive  
15 material itself. When the licensing process is finalized and there's enough  
16 restrictions that an adversary can't exploit the licensing process they're left  
17 pretty much with stealing the radioactive material. So, therefore, we need  
18 to include the users in this process.

19 And we believe that detailed standards should be developed on a  
20 risk informed graded approach based on risk significant materials as  
21 currently being determined by the NRC staff. The process is currently

1 used to make risk informed decisions for health safety and  
2 environmental protection are identical to those used to determine risk as it  
3 applies to security.

4 However, the strategies for responding to security threats are  
5 different from the strategies for responding to health safety and  
6 environmental concerns in that they must consider malevolent action.

7 Once threats have been characterized controls to protect radioactive  
8 material can be developed in a risk informed manner. Rather than  
9 focusing solely on the specific physical and procedural countermeasures  
10 security plans should be developed by identifying the requirements  
11 necessary to protect radioactive material rather than identifying specific  
12 countermeasures. Next slide.

13 The first recommendation that we made, the panel recommended  
14 that the good faith presumption be suspended and this is a continuation of  
15 that in which the guidance that is provided be reviewed to eliminate that  
16 good faith presumption wording. I'll give an example of what we're talking  
17 about here.

18 The guidance in implementation guidance for completing the  
19 checklist to provide a basis for confidence that radioactive materials will be  
20 used as specified on the license dated 11 January 2008. Paragraph  
21 0303B states in part: "When authorized to possess <insert radionuclide>

1 you will be required to comply with the additional requirements  
2 for increased controls before the date you possess the material. Please  
3 submit your schedule for implementing the increased controls and provide  
4 confirmation that you will not take possession of additional radioactive  
5 materials in risk significant quantities until you are in full compliance with  
6 the increased controls."

7 By eliminating the good faith presumption, this paragraph would  
8 read: "When authorized to possess <insert radionuclide> you will be  
9 required to comply with additional requirements for increased controls  
10 before the date you possess the material. Please submit your schedule  
11 for implementing the increased controls. You will not be allowed to take  
12 possession of the increased radioactive material in risk significant  
13 quantities until you are in full compliance with the increased controls and  
14 these controls have been confirmed by inspection."

15 And that takes out that good faith process and ensures they are in  
16 compliance with the regulations. Thank you.

17 DR. RYAN: Good morning, Mr. Chairman and  
18 Commissioners Lyons and Jaczko. I'd like to turn your attention now to  
19 our thoughts on the Web-based Licensing and National Source Tracking  
20 System. The panel believes that the combination of these two activities  
21 into a single system that the staff is currently undertaking is really the best

1 way to approach and address some of the vulnerabilities  
2 identified in the GAO report.

3 The panel recommends that the National Source Tracking System  
4 and Web-based Licensing system be integrated to allow for real time  
5 sharing of information between the systems and in fact to make it a  
6 seamless system. This combined system should be developed so that it's  
7 easy for the NRC and Agreement States and licensees to use.

8 To realize the full potential of the system, it should have the  
9 following features: The system must be integrated to present licensees,  
10 vendors and regulators controlled access as appropriate to license  
11 information; the system must allow verification of license information to  
12 properly accomplished transfer of radioactive materials between  
13 authorized users in full compliance with the licenses of the parties involved  
14 in each transfer.

15 The system should be designed so that the record of transactions is  
16 accomplished at the time the transaction is made and to allow for real time  
17 verification of sources. For example, the panel believes that a combined  
18 Web-based Licensing/National Source Tracking System can work in a  
19 similar manner to banking or credit card transaction with the following  
20 attributes.

21 A licensee would have an account with a balance of authorized

1 possession limits. To purchase risk significant sources of  
2 radioactive material, a licensee would notify a vendor of an intended  
3 purchase and would authorize the vendor to log into the license and  
4 validate the simple fact that that license is authorized for the material they  
5 wish to purchase.

6           They don't get any detailed information about the license or they  
7 can't do any marketing surveys or analysis from the licenses. They simply  
8 get as an authorized vendor in a restaurant gets an authorization code to  
9 say, "Yes, that transaction is authorized." That vendor could then be  
10 given a tracking number or tracking identification, put it on the paperwork  
11 and then when that source arrives at the licensee's location, that licensee  
12 could log in and say I have received shipment; whatever that authorization  
13 number is and it's deducted from their balance.

14           So, it could happen, I think, in a real time simple way in the same  
15 way we do banking and credit card transactions and it could work, I think,  
16 in an efficient way.

17           It could also address trying to do simultaneous purchase of  
18 sources. If, for example, I order one curie of cesium and I haven't  
19 received it yet, that's still reserved from my credit limit or my license limit.  
20 So, we can set it up so that you couldn't simultaneously order a large  
21 amount of material from many different vendors at the same time because

1 each time you made an order that amount would be reserved  
2 as well. And then it would be resolved once that shipping was verified on  
3 the receiving end.

4 This approach, we believe, provides the basis for an integrated  
5 real-time inventory into a single system that incorporates licensing and  
6 source tracking into a real-time system.

7 The panel did consider alternatives to developing more robust  
8 licensing documents; that is paper documents with more robust security  
9 features to them. They would be harder to counterfeit, but concluded that  
10 is a really an incremental improvement. It doesn't eliminate the possibility  
11 for tampering or for other kinds of security breaches and therefore  
12 concluded that this would be an interim step that would really divert away  
13 from what we think the real solution is, which is a real-time electronic  
14 system like the one I just described to you.

15 COMMISSIONER JACZKO: Can you just define what  
16 "real-time" means?

17 DR. RYAN: In exactly the way that we said. When a  
18 purchase is made, that that amount of material is reserved on that  
19 licensee's license. So, when it arrives at that licensee's location, they'll be  
20 required to log in and say I've received shipment one, two, three, four.

21 COMMISSIONER JACZKO: So, currently the National

1 Source Tracking I think it's a 24 hour reporting requirement for -  
2 - if you receive a source, you're required to report that within 24 hours. Is  
3 the real-time - what you're talking about - the real-time interface between  
4 Web-based Licensing and National Source Tracking or that National  
5 Source Tracking should be modified so that it updates in real-time rather  
6 than with say the 24 hour reporting requirement?

7 DR. RYAN: Yes, the minute that purchase order is placed  
8 that amount is reserved against the license limit because if you have it as  
9 a 24 hour reporting, you can order 10 at once and still don't exceed the  
10 limit.

11 So, it's a simple kind of thing to do in the same way that you have a  
12 credit limit on your credit card. If you go over it, sorry, that charge isn't  
13 allowed. It could be just that simple. That's what I think we mean by live  
14 and current and real time. I think that's readily achievable, there's lots of  
15 examples for that gets done.

16 Again, back to the alternate documents. We felt like that would  
17 really divert the staff and resources away from what would be an ultimate  
18 solution that can then be rolled out to Agreement States rather than  
19 looking at how to make complicated documents or more robust paper  
20 documents that would be harder to counterfeit but it's still not impossible to  
21 overcome. Next slide, please.



1           The panel recommends that the licenses be confirmed  
2           for all transfers of radioactive material in risk significant quantities and that  
3           is Category 1, 2 or 3 or otherwise determined by the Commission. I think  
4           the panel is sensitive to the fact that there's a very active staff effort in this  
5           area and they presented their information to us and we agree that they are  
6           heading in the right direction though they may not have finalized their  
7           recommendations to you, but it seemed that they were well on their way to  
8           identifying where the lines of risk significant sources versus not risk  
9           significant sources might be. And we did not want to try and second  
10          guess that effort. We feel that's appropriately on track.

11          The panel recognizes that there are cases where there may be  
12          frequent transfers of radioactive materials and risk significant quantities  
13          between parties where there is a record of credible performance leading to  
14          the establishment of trust as we identified in Recommendation 1b. This  
15          may require an exception to this recommendation.

16          So, we recognize there might be special cases where alternate  
17          views could be held. For example, the panel also was made aware that  
18          transfers of larger quantities of unsealed radioactive materials are made  
19          under 10 CFR 35.100, 10 CFR 35.200 and 10 CFR 35.300. The panel  
20          really does not intend this recommendation to apply to those transfers.

21          They're typically larger quantities of short-lived material used in

1 nuclear medicine and other medical applications. So, we want  
2 to recognize that we're not trying to extend this to all radioactive materials.  
3 Next slide please.

4 The panel recognizes that the Web-based Licensing/National  
5 Source Tracking System will take some time and resources to develop  
6 and recommends that a plan be developed for a phased approach to first  
7 develop and test the system.

8 Second and very importantly to get Agreement State and licensee  
9 input and participation in the development of the system and trials using  
10 the system and a rollout in implementation finally of the system.

11 Resources to support this effort will need to involve planning for  
12 NRC and Agreement State participation during particularly the  
13 development and rollout and ongoing support for the use of the system.

14 As we all know, the number of licenses that we're talking about are much  
15 larger in the Agreement State programs than they are at the NRC. So,  
16 they will of course be an important and major user of any system that is  
17 developed. Next slide, please.

18 The panel believes that such a real-time Web-based Licensing  
19 System and National Source Tracking System integrated into a single  
20 system will respond to the vulnerabilities identified by the GAO report.

21 The panel also believes that this system can be developed to provide a

1 risk informed response to those vulnerabilities.

2 And with that, I'll turn it back to Mr. Hill.

3 MR. HILL: Thank you. Next slide. Recommendation 5a.

4 Security must be incorporated into the licensing culture of NRC and  
5 Agreement State license reviewers. Security should be elevated to be  
6 equal with health, safety and the environment in evaluating license  
7 applications in a risk informed fashion. Security awareness must be  
8 aimed at recognizing the malevolent applicant. Next slide, please.

9 Recommendation 5b. Licensing personnel must be provided the  
10 tools and training necessary to make risk informed decisions that address  
11 security as well as the health, safety and environmental protection.  
12 Security needs to be incorporated into the licensing process and  
13 procedures course. This is the primary course for both NRC and  
14 Agreement State license reviewers.

15 The core training, curriculum and qualifications programs should  
16 place an increased emphasis on security aspects of risk informed decision  
17 making. Commission and Agreement State license inspectors have  
18 already received security training specific to inspecting for compliance with  
19 increased control orders. And staff has begun to outline challenges to  
20 incorporating security into the licensing process and procedures course.

21 The tools for risk informed licensing decisions could include a threat

1 awareness program. This program being designed to inform  
2 personnel on current tactics, techniques and procedures of adversaries.

3 Also, a process to report and investigate all suspicious applications,  
4 including reporting procedures to involve local and Federal law  
5 enforcement agencies as necessary.

6 And finally, an information management database such as Choice  
7 Point for use by NRC and Agreement State licensing programs. Those  
8 are three possible tools that could be used by license reviewers.

9 Resources to support this effort will need to involve planning for NRC and  
10 Agreement State participation during development and roll out and  
11 ongoing support for design and use of the program. Next slide, please.

12 Recommendations 6a and b. The panel recommends that staff  
13 verify that new import and export license applicants possess a valid and  
14 current license to which the material will be imported and that the license  
15 was issued according to the objectives outlined in recommendation one.

16 For first-time applicants for import/export licenses, the panel  
17 recommends that more detailed assessments be made than for licensees  
18 with established records of satisfactory performance prior to authorization.

19 Currently, import and export licensees are required to provide  
20 reports either prior to shipment or annually. The panel recommends that  
21 importers and exporters operating under the GL granted by 10 CFR Part

1 110 be required to report electronically in real-time into the  
2 Web-based Licensing/National Source Tracking System when it becomes  
3 available. Next slide, please.

4 Recommendation 7. The panel learned that approximately 10% of  
5 licenses have possession limits without upper bounds. We recommend  
6 the Commission and Agreement States continue to encourage licensees  
7 to carry only as needed possession limits. This helps to determine  
8 appropriate financial assurance and applicable increased controls.

9 Maximum possession limits provide awareness to licensees that  
10 disposition of unwanted or unused radioactive material is preferred over  
11 accumulation. The panel recognizes that this recommendation may not  
12 be appropriate to apply to medical use licensees under 10 CFR Part  
13 35.100, 35.200 and 35.300 that use unsealed, short-lived radioactive  
14 material. Next slide, please.

15 Mr. Chairman, Commissioners, this concludes our prepared  
16 presentation. We will be happy to answer your questions.

17 CHAIRMAN KLEIN: Thank you very much for a good  
18 presentation. I'd like to thank the panel for their efforts and certainly what  
19 we try to do is get input from Agreement States, our advisory committees  
20 and certainly from DTRA that usually is concerned about other sources  
21 that are a lot greater than what we deal with here.

1 I hope Mike Evenson is behaving himself at DTRA.

2 MR. NERUD: Yes, sir.

3 CHAIRMAN KLEIN: Good. I think we'll begin our questions  
4 with Commissioner Jaczko.

5 COMMISSIONER JACZKO: I thank you for the work you did.  
6 I think it's been a very good report. I think challenges now, I think, are for  
7 us to take these recommendations and implement them. I think that's  
8 really where the focus will be.

9 I have some questions that will help me better understand some of  
10 the recommendations and some of the intent of the panel. The first one,  
11 and this goes back to, I think, slide eight and its Recommendation 1 -- the  
12 various recommendations number one.

13 Specifically on Recommendation 3, there are specific reference to  
14 having this be a risk informed process. When talking about new licenses  
15 was the panel's intention that we would do this for every specific license  
16 through all categories at this point? What would we do about general  
17 licenses? You weren't intending that somehow we should be doing this  
18 with general licenses -- probably not really the way to do it?

19 MR. NERUD: When we went through the GAO report, they  
20 dropped down a category. Down to Category 4 and used accumulation to  
21 obtain Category 3 quantities of material. So, wherever that risk significant

1 quantity is that the Commission decides to adopt that's really

2 where the start -- that's the absolute minimum that you want to go to.

3 Now, considerations at least in the licensing aspect of it where you  
4 do have the opportunity to go back and validate if a person is a legitimate  
5 applicant, they have a legitimate business, you may want to drop that  
6 down to take the accumulation into consideration. That doesn't mean that  
7 every licensee needs to get that.

8 And again, this is only for new applicants; people we don't know.  
9 We have no idea who they are, where they came from, what their skill sets  
10 are, their abilities to protect themselves, the environment, the public. So,  
11 wherever that line gets drawn for risk significant quantities, that is the  
12 minimum. Beyond that, it's again a risk management decision.

13 COMMISSIONER JACZKO: Okay. That's helpful, I think.  
14 It's clear, I think, in the Recommendation 3 the importance of that and that  
15 wasn't -- certainly in what you described wasn't as clear. Not to say that  
16 doesn't mean we shouldn't go down to as low as we can. I think that  
17 something we'll have to look at certainly as we do this.

18 Another question I had. This is on Recommendation Number 4.  
19 You talk about the need for physical security requirements. Can you talk  
20 about that in light of what we've done with the increased controls? Again,  
21 not getting into specifics, but were you talking about enhancements to the

1 increased controls or was that a reflection that the increased  
2 controls cover the kinds of things you're talking about or do you think more  
3 needs to be done there?

4 MR. NERUD: I believe more needs to be done in that regard.  
5 The increased controls provide a wide degree of latitude towards the  
6 actual countermeasures that come into play and the example I'm going to  
7 use is I got to visit a licensee in Region I. They had many portable gauges  
8 in a room. They had all the increased controls for those gauges. They  
9 had double barriers, two doors.

10 The first door was a wooden frame door similar to an interior door  
11 in your house. Basically, no security controls on it. You could push the  
12 door open with your shoulder. The second door was a steel door with a  
13 steel frame, a very good quality sturdy door. The lock on the door was a  
14 knob lock. Five feet away from both doors was a crowbar.

15 You can defeat both doors with that in literally seconds. And the  
16 only thing they needed to do would be to install a deadbolt lock on there.  
17 You can get a \$40 lock and they achieved a tremendous amount of  
18 security.

19 COMMISSIONER JACZKO: So, the --

20 MR. NERUD: And that's what -- excuse me, sir; I'm sorry.

21 But that's what we're talking about is defining what are the results that you



1 want from your security system? In this case they had a delay  
2 mechanism of seconds.

3 COMMISSIONER JACZKO: That was when you were talking  
4 about changing the focus to be on the security points that you talked  
5 about, the requirements for security, not so much the countermeasures.  
6 Would you say that right now the increased control is focused more on the  
7 counter measure?

8 MR. NERUD: More on the counter measures. You have to  
9 have these things in there. What we'd really like to see is what are the  
10 end states to your security program based on the quantity of material, the  
11 activity, the state of the material. Some need more security than others.  
12 So, we describe the end state that they must achieve and leave that up to  
13 the inspectors and the users to determine what is the best program for  
14 me, my considerations, my environment to do that. And when those goals  
15 are identified when inspector goes out, you've met those goals.

16 COMMISSIONER JACZKO: Okay. That's helpful. I  
17 appreciate that. I want to switch gears a little bit here and get to the  
18 Web-based Licensing and National Source Tracking issues. Right now,  
19 Web-based Licensing is for NRC licensees only. Mike or anyone, if you  
20 want to give us your thoughts on how -- I don't know if the panel look at  
21 what is the best way to expand Web-based Licensing.

1           Is it a unified system that everyone would use or does  
2 each Agreement State have a requirement that they need to have their  
3 own system that can interface with National Source Tracking? I don't  
4 know if you thought about those different approaches.

5           DR. RYAN: We did. I think we see it as a national system  
6 where the Agreement States are given access to load up their licenses  
7 and manage their license obligations the same way the NRC would do.  
8 We are seeing a shift where most of the licensees are going to be in  
9 Agreement States or are already. I think it's important as the NRC rolls  
10 out the entire Agreement State program that would be one tool that could  
11 be offered as a national asset to manage these materials.

12           COMMISSIONER JACZKO: Did you get comments from the  
13 Agreement States on that approach?

14           DR. RYAN: Yes, we did. I think the key issue for the states  
15 was resources and support to develop it. It would be difficult and probably  
16 a little bit wasteful to try and develop it 30-some-odd times over now. So,  
17 if it was developed as a national system and then rolled out -- again, with  
18 the appropriate training and implementation periods, the vision for that  
19 down the line is a very robust system that everybody has access to. It  
20 could even factor into inspection activities, both in the states and at the  
21 NRC. It could be the source of information about any licensing program.

1                   COMMISSIONER JACZKO: Let me turn to slide  
2 nine -- actually, sorry, slide 10. I'm sorry; slide 11. Recommendation  
3 Number 8 gets to this issue of the good faith presumption, which is in  
4 Recommendation 1 as I see it one of the big issues.

5                   In many ways, do you see the specifics of how we get there is  
6 really contained in Recommendation Number 8 or were there other things  
7 that you think would go towards that issue of changing the trust or the  
8 good faith assumption. Are there things other than doing prelicensing  
9 visits, for instance, or other kinds of things that you looked at?

10                  MR. NERUD: Sir, it's a cultural change. It's an entirely  
11 different shift in the mindset of the industry basically. It's going to take  
12 time. This is one aspect. Changing the guidance so that a license  
13 reviewer or license applicant understands this is what I need to do now is  
14 one step, but you still have to create that culture that says security is just  
15 as important as the other three items.

16                  COMMISSIONER JACZKO: I guess the fundamental  
17 question here is how do we do that? We can do some training and it  
18 certainly is a recommendation here that we change training. That gets  
19 certainly to our staff, but how do we change that culture on the part of the  
20 licensees?

21                  If we're going to have a level of verification that has to happen for

1 transactions, that's going to depend then on the licensees. Do  
2 you think we can get there with mandatory training for licensees? How do  
3 we change that culture among the licensees as well?

4 MR. NERUD: It's going to have to be changed through the  
5 inspection process and it's going to be a very long, painful process. The  
6 increased physical security controls that they have to implement, the fact  
7 that they can't get the material until they have these controls in place and  
8 it's been validated by inspection may impact business opportunities.

9 So, there's timeliness. There's a lot of factors that need to come  
10 into play here and the logistics of this are going to be something that's  
11 incredible to work through. And it's going to take time. This is not a six  
12 month, one-year project. This is years.

13 DR. RYAN: One of the things -- I'm sorry, Ben -- I was going  
14 to add, Commissioner Jaczko. One of the things I think we heard a lot  
15 about and talked a lot about in our meetings was the difference between  
16 an experienced licensee, not just an experienced licensee, one who has  
17 experience with material, but one who is known to the regulator. There  
18 are lots of licensees that know the Agreement State staff by name and  
19 they see them on a regular basis and they talk to them about issues on a  
20 regular basis.

21 That's a licensee with a record of trust and communication with the

1 regulatory authority. I'm sure the same exists for some NRC  
2 licensees as well. Where that record of trust is established, I think that's  
3 when you can say we have a credible understanding of this licensee.

4 I've met with the RSO seven times over the last six years in  
5 inspections and everything is whatever that level of performance is. The  
6 vulnerability is really on the new applicant side. I think all the  
7 recommendations we've discussed within the report details some things.  
8 For example, vetting the people who are there, the principles of the  
9 company, the RSO, who will be the authorized users.

10 Not just by name and position, but what are their backgrounds? Is  
11 there anything that causes concern? Where is the physical facility? The  
12 requirement to have a required visit. Florida, by the way, does that. They  
13 require that all the new applicants they visit. It's that simple. They just do  
14 it because they want to put their eyes and hands and see and touch and  
15 get some feel for what this licensee is all about.

16 So, I think our emphasis is on that very early part of a new  
17 licensee's existence as a licensee. Are there any risk factors? Of course,  
18 from my own experience, health, safety and environmental issues are  
19 focused on with exactly that same question. Are there any risk factors to  
20 their performance for what are considered the more well-exercised  
21 requirements?

1 I think what we're saying is security needs to be added  
2 to that for a new applicant and the same vigor has to be put into their  
3 application as well as the other aspects of health, safety and  
4 environmental protection.

5 COMMISSIONER JACZKO: Thank you.

6 MR. HILL: Commissioner, if I may. I think I heard also in  
7 your question about the practice of the good faith presumption. A little  
8 more maybe generically than just licensing since that was the area we  
9 looked at. Having done inspections in the Agreement States, we have  
10 and NRC does also have good faith presumption in the inspection  
11 program.

12 And when you have an experienced licensee, okay, that's fine. You  
13 go and do an inspection, issue a notice of violation, they respond. They  
14 say, "We'll have this corrected in 30 days this way." And you respond  
15 back and say, "Good, that's a good response. We'll accept it. We'll verify  
16 that during our next inspection." Two years, three years, whatever away.

17 For an experienced licensee who you know, okay, that's probably a  
18 very good practice. But the question we did not attempt to answer is for  
19 that new applicant how many times do you inspect them and how much  
20 more frequently till you build that up?

21 COMMISSIONER JACZKO: On the one hand, we appreciate

1 you leaving those challenging questions to us as the regulator.

2 On the other hand, I think that's the crux of the issue is how do we define  
3 what an experienced licensee is and how do we -- if we can. I don't know.  
4 Somewhere we're going to come up with something, I think, to do it.

5 MR. HILL: We did suggest three to five years as a possibility.

6 COMMISSIONER JACZKO: Thank you.

7 CHAIRMAN KLEIN: Commissioner Lyons?

8 COMMISSIONER LYONS: Let me start by echoing the  
9 comments of our Chairman and Commissioner Jaczko in commending the  
10 panel very, very highly. I think it's an absolutely excellent report. It has  
11 many, many good ideas which also means I don't have a whole lot of  
12 questions.

13 But as I'm commending you folks, Tom I know you came back out  
14 of retirement and brought your Agreement State expertise. Ben bringing  
15 the security background from DTRA was obviously critical in pulling the  
16 report together. And Mike, your risk perspectives and knowledge of our  
17 licensing procedures obviously had a role in this, too.

18 I guess one extra complement or commendation would be that you  
19 prepared a report that is publicly -- that is appropriate for public distribution  
20 without redaction and I'm guessing that was one of your goals from the  
21 start and certainly my compliments because that's sometimes hard to do.

1 It's a difficult area, but I think you did it very, very well.

2 I don't have a lot of questions. Let me start with one, though. Tom,  
3 you talked about slide 18. This is probably a question where I would  
4 appreciate perspectives from each of you if you'd like to contribute. It talks  
5 about incorporating security into the culture of the NRC. And the  
6 Commission and the staff are interested in the perspective of how one --  
7 start over.

8 We're wrestling with the question of we already have safety culture  
9 statements in policy. There are strong interest in trying to expand or build  
10 into or perhaps create another statement that deals with security culture.

11 And I'd be curious in the comments that any of you might have on  
12 your perspectives of whether security is logically part of the safety culture  
13 or whether they are distinct attributes deserving of a separate statement?  
14 And Tom, not to pick on you, but you're the one that talked about that side,  
15 but I'm guessing that each of you would have a perspective on this.

16 MR. HILL: I think it's a separate statement and the reason  
17 that I say that is the education that I've gotten from Ben as we have gone  
18 through this process. That we look at safety and I've looked at it as  
19 protecting public health and safety. And you are looking to protect the  
20 worker. You're looking to protect the public. This is the security of the  
21 materials and the devices to prevent a malevolent action that impacts



1 safety. Is that a fair statement do you think, Ben?

2 MR. NERUD: Yes, sir. The function that I really see with the  
3 culture of security is the prevention and deterrents of an adversary from  
4 doing bad things. When they get and if they were to get the material, do  
5 bad things; the clean up, the safety, the response is all covered in our  
6 normal procedures. We do that. We do it great. No issues there.

7 What we really are talking about in the culture is recognizing that  
8 there are adversaries out there that do want to harm the country and those  
9 types of things and incorporate that into our thought process. The good  
10 faith presumptions assumes that the person is legitimate, that they're  
11 doing that. Now, with the GAO report and the things that we learned and  
12 we believe is we need to have a degree of suspicion and incorporating  
13 that.

14 And that's why I said earlier that this is a long term project to get  
15 that suspicious mind set - for lack of a better term, that cop mentality - on  
16 protecting radioactive material and its use by an adversary against the  
17 public. It's time. It's a lot of time. It's a very significant shift. It is definitely  
18 the hardest thing that we have in our report. Web-based Licensing,  
19 National Source Tracking; that's easy compared to this.

20 DR. RYAN: I think on slide five the three attributes that Ben  
21 wrote eloquently about in the report helped me as a health physicist to

1 understand. If I think about a health physics program, whether  
2 its dosimetry or instruments for monitoring and monitoring schedules or  
3 requirements, I'm always in the mode of thinking all the staff want to do  
4 the right thing, we just have to teach them what the right thing is and what  
5 the right aspects of those things are to get the job done to do proper  
6 health physics.

7 In this case we're thinking about somebody who doesn't necessarily  
8 want to do the right thing or their right thing is the wrong thing from our  
9 perspective. The security matters really are trying to affect the behavior of  
10 somebody, not train them, but actually change their behavior or prevent it,  
11 or to affect their operational capability.

12 For example, a lock or a sign for somebody who wants to do the  
13 right thing is simply a speed bump that says you can't go past here.  
14 There's the sign and the door's locked. I can't go in there without the  
15 health physics support or whatever it might be.

16 But an adversary is just going to blast through the lock and the door  
17 irrespective of the sign. So, in my own mind as a health physicist I'm  
18 thinking people are wanting to do the right thing, whereas when you think  
19 about adversaries you have to think they're not going to do the right thing.

20 So, I think where's the biggest risk that we thought through is really  
21 this new licensee where that is not as well experienced through granting a

1 license and inspection as might be with an experienced  
2 licensee. And the third, of course, is how do you limit their course of  
3 action? What is the appropriate way to limit their success even if they do  
4 want to violate barriers and cross ropes and do whatever else they want to  
5 do to gain access to the material?

6 So, I see it, Commissioner Lyons, as perhaps complementary to  
7 health, safety and environmental protection, but I see it having a different  
8 attribute that people's goals aren't aligned that are trying to breach  
9 security. They're not aligned with trying to get it right; that they're aligned  
10 with the idea they want to circumvent the right thing.

11 COMMISSIONER LYONS: I appreciate those different  
12 perspectives and this also shows the different skills and backgrounds that  
13 each of you brought to the panel, which is very positive. Just one other  
14 very small question. It goes back to slide, I guess, seven  
15 Recommendation 1a, Ben, that you talked about where you talked a little  
16 bit about background checks. We do do background checks now.

17 I'm curious if you're suggesting that we should be going further in  
18 our background checks or if the reference is to background checks here  
19 and then the recommendations are more saying to keep on doing what  
20 we're doing?

21 MR. NERUD: Keep on doing what you're doing, sir. To go

1 back, when I looked at the licensing process that was here from  
2 a purely adversarial security perspective, I honestly didn't see any of these  
3 vulnerabilities, those open doors, the guards asleep; those types of things  
4 that were out there. It was really the presumption, the good faith  
5 presumption limited just how far we actually went with that and the  
6 background investigations of key personnel.

7           What you're doing is -- it may be adequate. As you increase in the  
8 risk significant quantities, you may want to go higher. Again, remember  
9 that this is only for the new person, the unknown person; not those that  
10 have had licenses before and have been vetted, so, we're not talking -- I  
11 don't believe a significant quantity of people here where we can't go back  
12 and dig a little deeper and check business references.

13           The example that really kind of lead to that was an individual talked  
14 about their process for validating someone who is applying for a license  
15 and he got on the Web. He did a Google search on the individual and  
16 yes, he'd done this, he'd done that. He had some papers and he said,  
17 "Good enough. That satisfies my background check."

18           Well, I think in that case we're actually talking about let's go a little  
19 bit deeper. You didn't know who this was. You should have done some  
20 more checking in that. So, a formalized process that goes beyond just  
21 Googling the person.

1 DR. RYAN: There could be simple things that  
2 may not be on the checklist now. Do they have a business license? Are  
3 they a member of the Chamber of Commerce? Have they filed a tax  
4 return as a corporation? Simple, basic things that say they are an up and  
5 running business. Are they brand new? Have they been anywhere  
6 before? Those are some of the channel markers that we discussed as  
7 potential.

8 Again, I think the idea is perhaps to get the sort of expert security  
9 thinking through that. I don't think it's a lot of extra work, but there may be  
10 some key things that would help overcome at least the vulnerabilities  
11 identified by the GAO. A simple check of did they have a business license  
12 would have told you they're not a business.

13 So, and again, I think we're trying to offer insight that we've gained  
14 in our process, but not trying to be very prescriptive because there are a  
15 lot of variables here that we just didn't have the time to dive into all the  
16 details. But I think the idea is that for a new applicant perhaps there are  
17 some simple checks on the people and on the entity that could help you  
18 determine, yes, this is a legitimate entity.

19 COMMISSIONER LYONS: Well, to conclude my time and  
20 my questions, again, I just really appreciate the efforts that all of you put  
21 out to produce this report. I think it's a very, very positive contribution and

1 maybe one last comment, which I think Tom you made; maybe

2 Mike did.

3 I appreciate the suggestion that as we move forward, we do need  
4 to involve the Agreement States very carefully as we develop approaches  
5 to address your recommendations. Thank you.

6 CHAIRMAN KLEIN: I think one of the challenges we have is  
7 -- I think all of your recommendations are very sound and very solid and  
8 it's where the rubber meets the road that's going to be the challenge; is  
9 how do you implement it and how do you develop that trust? And then  
10 how do we go through that? I thought your comment, Ben, was  
11 interesting; the fact that the only bad experience we've ever had was with  
12 the GAO, the sting operation.

13 Because we had been operating a process that has been fairly  
14 reasonable and I guess I know that DTRA has some assets that are  
15 obviously very worth guarding. So, the problem we have I think the  
16 challenge is those assets that are very much of a concern you do one  
17 thing, but then when you go all the way down to Category 4 or 5 and what  
18 do you do for the person that might just want one moisture density gauge?  
19 What kinds of things we do for that one individual?

20 Do you have any thoughts on how do you run the spectrum? I  
21 know what we do at the high end. Category 1 and 2 we know what to do.

1 What do we do at the low end?

2 MR. NERUD: Perhaps nothing. Perhaps that is an  
3 acceptable risk and that's maybe going to be the key decision that needs  
4 to be made is -- what is acceptable risk? Where is that line? From my  
5 very limited knowledge of radioactive material, that line is somewhere in  
6 Category 4, in my opinion. The quantity of material that's there is not that  
7 bad when an adversary gets something like that. It's not going to be this  
8 catastrophic problem that I envisioned before I came on the panel.

9 So, that may be where that line is, but it's where does that  
10 acceptable risk occur? We went to great lengths with 100, 200, and 300 -  
11 35.100, 200, and 300 quantities of material, categories of material to say  
12 these are exempt. They're short. They're not that bad. And if somebody  
13 steals them, they're going to go away very quickly.

14 That's not a risk significant quantity and acceptable risk. There can  
15 be a different standard of acceptable risk in there. A risk informed graded  
16 approach, which has been a common theme through this is at what point  
17 do we determine it is acceptable risk in Category 4, in Category 3?

18 The overall process that we've talked about here in integrating the  
19 three types of countermeasures affect the adversaries behavior, their  
20 ability to orient themselves; affect their ability to develop plans and  
21 courses of actions and then finally protect the things.

1           As we've integrated all the stakeholders and all the  
2 different types of countermeasures on this, that acceptable risk and that  
3 degree of protection goes down with each one of those levels. We will  
4 know that the applicant, the licensee, is a legitimate person. Not the same  
5 degree of risk out of that person as someone who is unknown.

6           We've done enough to keep the licensing process, like in the GAO,  
7 out of the hands of the bad guy. We've taken that away from them with  
8 Web-based Licensing, National Source Tracking, on-site visits and  
9 eliminating their ability to orient themselves by taking out the guidance so  
10 they don't understand what's going to happen when they apply for a  
11 license. We're eliminating that potential.

12           We've created a scenario that is too difficult, too easy for them to  
13 be detected in that process; discovery. They're going to abandon that  
14 course of operation. So, when we start going through those different  
15 levels, acceptable risk changes and it's where that line is. I really wish I  
16 could give you a Category 3.5, sir. That's the answer right there. I really  
17 can't.

18           DR. RYAN: We did try to recognize and heard several  
19 briefings from the staff on their work in that area and felt like they were on  
20 the track of coming to a good conclusion on that. So, rather than give you  
21 two answers, we thought they're in the middle of that process and it would



1 probably be not as helpful for us to try and guess where that  
2 train is going to end at this point, but let that technical work take its course  
3 and see what they come up with. We felt like it's on the right track.

4 MR. HILL: I think it's fair to say when we were talking about  
5 acceptable risk when we were thinking about it, most of the time what we  
6 were thinking about was risk to health and safety, not economic risk or risk  
7 to reputation. If something goes bad, something along that line. And  
8 maybe those are risks that need to be considered, too. But we were  
9 looking, I think, from health and safety.

10 CHAIRMAN KLEIN: Thanks. I think, Mike, you had put this  
11 in your slide on slide 13; a single system for NRC and Agreement States.  
12 I think that's very important. And I guess you commented a little bit about  
13 how that should be done where the NRC might take the lead in  
14 consultation with the Agreement States. Could you comment a little more  
15 about how we might do that?

16 DR. RYAN: Well, I think there are many examples. For  
17 example, the licensing guidance, the 1556 series of NUREGs. States use  
18 that all the time. And states who trained to that standard. So, there's a  
19 commonality among Agreement States and the NRC on licensing. I think  
20 we envision that the Web-based Licensing and Source Tracking System  
21 could operate in exactly the same way.

1           It's really a national tool. It makes sense, I think, to have  
2           it maintained by a parent, if you will, of all the Agreement State programs  
3           because they do ultimately get their authority from the NRC.

4           Having a national system that's common among all the Agreement  
5           State programs, at least in how it works and how information is managed,  
6           we think gives the highest degree of credible access to all that information  
7           for security questions in the best way.

8           Now, how it would work in the details, I think it's going to have to be  
9           a fairly simple system. Credit cards work in multiple states and it's the  
10          same American Express card and I can use it anywhere in all 50 states,  
11          actually in Europe, too. I think it's that kind of system where everybody's  
12          given the access to use it.

13          You don't necessarily, I think, need to be involved in the gory  
14          details of the technical development of the computing systems and all that  
15          sort of stuff, but they sure have to be trained in how it's used, how to enter  
16          a license, what's required information and then who has access to it.

17          Certainly, the licensee can have access to it. If it's an Agreement  
18          State, the state regulator can have access to it. And any transactions that  
19          are handed off between one licensee to the next in the Agreement State  
20          would have access to all that record.

21          So, I think that's probably the important part of the development.

1 What are the needs we're trying to fit? And then how do we  
2 design the system to do that? I think you'll see probably a little bit of a  
3 different flavor from different Agreement States and how they currently  
4 manage that sort of data, but ultimately I think a common system that  
5 serves everybody is the right way to go.

6 CHAIRMAN KLEIN: And since we brought Tom out of  
7 retirement to work on the panel, are there any specific things that we  
8 should do to help the Agreement States as we go down this path in terms  
9 of training, consultation, resources that they may need?

10 MR. HILL: I think working -- all the Agreement States, they're  
11 all different. There's always something different, something unique in  
12 each one. Part of the program may be in some of the states they may be  
13 in health agencies and others an environmental agency and others.

14 So, I think being able to coordinate the basics of what is needed.  
15 Mike said keep it simple. It's going to have to have the basics so that  
16 each of the Agreement States can plug into it and use it and it's that basic  
17 design that I think is going to be important when it comes to getting it up  
18 and operational with the states.

19 DR. RYAN: One other additional aspect is from my  
20 experience in working in various Agreement States is that they're often  
21 strapped for resources. So, I think provision for training and supporting of

1 implementation and those kinds of things would be very  
2 important in the planning to make sure that they are supported until they  
3 can get the system up and running.

4 I guess my own view is that if a system like that is developed and if  
5 somehow you could say it's here today, and everybody's trained on it, it  
6 would work, I think, very efficiently. You may even get to a point where all  
7 the sources irrespective of category can be licensed in that system. Why  
8 not?

9 So, I think if they can be supported both financially and with the  
10 training and tools and time to participate that's necessary to get it right,  
11 that's going to be a key. And I know that's a larger ticket item is who's  
12 going to support, where are the funds going to come from to support a  
13 national effort on this. Again, we thought and debated it long and hard,  
14 but it is the one that answers the mail on the GAO's vulnerabilities that  
15 they identified.

16 CHAIRMAN KLEIN: Thanks. Commissioner Jaczko, any  
17 more questions?

18 COMMISSIONER JACZKO: Just a bit of a clarification, I  
19 think on - we talked a little bit about the -- a lot of these issues are focused  
20 on new licensees, but certainly going back to Recommendation Number 4,  
21 I would assume that that's an issue that deals perhaps with all licensees;

1 that there's not necessarily experience if the cultural issues are  
2 not fully incorporating security that doesn't matter if you're an experienced  
3 licensee or not. That's an area where we're going to make changes.

4 MR. NERUD: Yes, sir.

5 COMMISSIONER JACZKO: Okay. The last question I had  
6 was just if you could touch a little bit more on the international issues. I  
7 know, certainly, you did address issues of import and export sources. And  
8 Tom, I think that was in your discussion and how that interplays.

9 It seems that the solution there is again, Web-based Licensing  
10 based or National Source Tracking based, but until those systems are up  
11 and running, do you have any thoughts on how we can address issues of  
12 generically licensed -- import/export licenses that are generically issued?  
13 Are there things we need to do until we get the web-based licensing  
14 system ready to handle that?

15 MR. HILL: One of the things that I guess is unique about the  
16 Office of International Programs and their import/export is that they deal  
17 with folks who already have a radioactive materials license. They are  
18 those individuals are known by NRC or by an Agreement State. But  
19 occasionally, they will have a new applicant to them and especially as I  
20 understand it with the rulemaking that removes some of the larger general  
21 devices from the GL provisions of the rules and they have to apply for a

1 specific license to import/export.

2 If the applicant is new to OIP, we recommend they do a little more  
3 in-depth investigation into the applicant. Maybe contacting the state or the  
4 NRC. We're not asking them to go back and do a reference check on all  
5 of that, but to ensure that that has been done. Ask some more questions  
6 if it's a brand new applicant to the state or to the NRC.

7 Also, they may want to do a little more; a little more investigation  
8 and background work. That adds to, as Ben mentioned, defense in depth  
9 as more than just one license reviewer looking at this applicant and  
10 making the determination that their intentions are honorable or not.

11 COMMISSIONER JACZKO: As I understand our  
12 import/export rules right now for sources, essentially if it's less than  
13 Category 2 you can get a general license device. I think this is what's  
14 going on. I can't always remember, but I think the Commission is now  
15 considering changing that so that we would raise that threshold or lower  
16 the threshold so that only Category 1 sources would be specifically  
17 licensed now for import/export. That's a rulemaking that the Commission  
18 has ongoing.

19 Is that something -- I think and I'm looking to get some feedback  
20 from the folks behind me. Is that incorrect? If it's incorrect, then I'll stop  
21 right here?

1 MR. MILLER: I don't know if our office knows  
2 that, Commissioner.

3 COMMISSIONER JACZKO: Okay. And OIP? Is OIP here?  
4 I think that's under consideration by the Commission right now. Is that  
5 something that -- again, this may be putting an issue in front of you that  
6 you haven't really discussed, but if you have any thoughts on that or do  
7 you feel more comfortable with the level that we've established right now  
8 for the general licensing? Again, I'm operating on the assumption that I'm  
9 correct. I may be incorrect. If that's the case, this will be largely moot.

10 MR. HILL: I was under the impression that there was more  
11 sources being added to this requirement for specific licensing instead of  
12 going the other way is the way I understood your question.

13 COMMISSIONER JACZKO: I think there's been a switch to  
14 go back the other way. I think. I'm waiting for somebody to --

15 COMMISSIONER LYONS: I thought it was as Tom said, but  
16 I'm not sure enough to say.

17 COMMISSIONER JACZKO: I could be wrong. Since  
18 nobody's confirmed that, there's the possibility that I am. We'll just  
19 perhaps leave it at that.

20 CHAIRMAN KLEIN: Thanks. Any more questions, Pete?

21 COMMISSIONER LYONS: No.

1                   CHAIRMAN KLEIN: Marty, could you just give us  
2    kind of an overview of how you plan to take the results of this independent  
3    panel, wrap them into the GAO activities and how -- at the 50,000-foot  
4    level -- how we're going to proceed ahead.

5                   MR. VIRGILIO: Marty Virgilio, EDO's Office. Chairman, your  
6    opening remarks, I think, covered it pretty well. We have the GAO action  
7    plan now and I see that there's a lot of overlap and opportunities to  
8    integrate these activities into the plan that we've already established.

9                   Now, we had a meeting yesterday and we discussed it's not only  
10   the GAO action plan now, but we have our own initiatives that we have  
11   ongoing with respect to cesium chloride sources. We have the National  
12   Academy's report and we have the work that we're doing with the trilateral,  
13   that's DOE and NNSA to look broadly at what the entire U.S. government  
14   is doing to protect radioactive sources.

15                  But I see as you did in your opening remarks, the work that's been  
16   done here is very complementary to that. It does add -- I won't deny that it  
17   adds to the programs that we already had in mind. The issue of good faith  
18   presumption has not come up anywhere else, so that's a new twist and  
19   new requirements, new training, changes to our licensing and inspection  
20   program that we'll have to integrate, but again as you said in your opening  
21   remarks, we're going to have to integrate this into the other activities.



1                   CHAIRMAN KLEIN: Great. Thanks. Thank you  
2    again for your added value. I think it's always good to get an outside  
3    perspective from people who deal with security a lot through DTRA and  
4    from Agreement States and from your activities, Mike. So, appreciate all  
5    your contributions. And with no further comments, the meeting is  
6    adjourned. Thank you.

7                   (Whereupon the meeting was adjourned)