

1 planned oversight model will address this issue. That  
2 concludes my remarks this morning subject to any  
3 questions from the Board.

4 I look forward to hearing from the  
5 representatives of the Department.

6 CHAIRMAN CONWAY: Mr. McSlarrow, welcome.

7 MR. McSLARROW: Thank you, Mr. Chairman.  
8 Mr. Chairman, Members of the Board, I appreciate  
9 having the opportunity to address you today. In my  
10 role, as the Deputy Secretary of Energy, I serve as  
11 the Department's Chief Operating Officer, and I have  
12 responsibility for providing direction to all DOE  
13 organizations, including NNSA.

14 The subject of today's event, safety  
15 oversight, is a critical component of the Department's  
16 management system. The Secretary and I take our  
17 responsibility to ensure the Department's missions are  
18 performed safely very seriously. And the Secretary  
19 has made this clear from his first year in office.

20 Just to give you one example, the  
21 Secretary's stated remarks at the 2001 Executive  
22 Safety Conference, and I quote: "I want to speak  
23 about safety, because nothing is more important. If  
24 we do this well, everything else will fall into place.  
25 If we fail, nothing else we can do can make up for

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 that failure."

2           There is almost nothing I can add to that  
3 statement to make it more clear how important this is  
4 to the Secretary. All of our Department leaders share  
5 that commitment. And we honor this commitment by  
6 understanding our operations and the associated  
7 hazards in establishing appropriate systems for  
8 controlling the hazards and managing the inherent  
9 risks in the work that we do.

10           We strive to cultivate a questioning  
11 attitude in every level of the organization. We are  
12 committed to continuous improvement of our operations.  
13 Our goal is to establish and maintain a strong and  
14 enduring safety culture, with safety as an integral  
15 part of all of our work practices.

16           I personally appreciate having had the  
17 opportunity to work with the Board, and I strongly  
18 believe the Board plays an important role in providing  
19 an independent and critical perspective on the  
20 Department's defense nuclear facilities activities.

21           External scrutiny is necessary and helps  
22 us to improve. We believe the Department is on a good  
23 path, but one that will require continued attention by  
24 the Department senior leadership and continued close  
25 scrutiny by the Board, which will benefit the

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealgross.com](http://www.nealgross.com)

1 Department and help us to stay on course.

2 An effective safety management system  
3 includes senior leadership commitment and focus on  
4 safety, a comprehensive set of safety requirements, a  
5 technically skilled and qualified federal work force,  
6 and effective contracts that communicate clear  
7 expectations, [and] allow us to hold contractors  
8 accountable.

9 Oversight is conducted to ensure all parts  
10 of the safety management system work as intended.  
11 Integrated Safety Management, ISM, remains the  
12 foundation of the Department's safety strategy. In  
13 addition to safety hazards, safeguard security  
14 environmental issues are and should be considered when  
15 planning any of our activities.

16 Over the past five years, ISM has proven  
17 to be an effective system for improving safety  
18 performance by ensuring that safety is an integral  
19 part of all our work activities, from the initial  
20 planning stages through project closure.

21 As a key part of ISM, the Department  
22 requires that contractors establish feedback and  
23 improvement mechanisms to verify that safety  
24 requirements are being implemented and ensure  
25 continuous improvement.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1           However, we cannot and do not rely solely  
2           on contractors assurance programs. ISM also requires  
3           DOE line management engagement oversight to ensure  
4           that contractor programs are effectively implementing  
5           DOE safety expectations.

6           We believe that ISM has improved safety  
7           performance. The benefits of this approach are seen  
8           through the review of various performance metrics,  
9           such as the downward trend in injury and illness rates  
10          at our facilities.

11          And I believe Bob is going to go into some  
12          more detail on that. Our plan is to continue to use  
13          the ISM framework to further enhance our safety  
14          systems in the coming years.

15          But we recognize that there is more to do.  
16          While ISM continues to improve and mature we,  
17          nevertheless, recognize that there are weaknesses in  
18          our implementation that need continued attention and  
19          improvement.

20          For example, we do not always identify all  
21          hazards adequately. And the feedback and improvement  
22          steps still need significant work. We believe that a  
23          fully developed ISM system will address these and  
24          other problems, however, and are committed to the ISM  
25          system as an enduring part of our safety culture.

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS

1323 RHODE ISLAND AVE., N.W.

WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 I can just take a moment to talk a little  
2 bit about oversight. Oversight is a required element  
3 of any rigorous safety management system. Oversight  
4 is the method by which our Department is assured that  
5 its policies are implemented.

6 And appropriate oversight must be  
7 performed at every level of the organization. The  
8 missions and goals of the Department are set by the  
9 Secretary. The environmental, safety, and health  
10 framework under which we conduct those missions and  
11 meet those goals are articulated in DOE orders, rules,  
12 manuals, and guides.

13 We have rigorous processes in place for  
14 managing changes to those requirements. The  
15 Department has, for example, continued its multi-year  
16 focus on improving its requirements by removing overly  
17 prescriptive, redundant, and conflicting requirements,  
18 where possible.

19 I recognize that many people question  
20 whether or not we are throwing out rules that are  
21 necessary, or whether or not we need to even conduct  
22 a review. But let me just suggest that there is no  
23 government agency anywhere on earth that can't  
24 usefully benefit from such a review.

25 And for us what matters is that the

1 primary principle in our efforts to streamline  
2 requirements has been and remains that DOE  
3 requirements must ensure adequate safety.

4 The two Under Secretaries implement our  
5 missions through their program offices and contracts  
6 with private companies. Appropriate contract clauses  
7 ensure that contractors perform missions in a manner  
8 that is consistent with DOE safety expectations and  
9 requirements.

10 So we use performance-based contracts to  
11 encourage innovation, to ensure progress towards  
12 goals, and to promote cost effective approaches. We  
13 must continue to strive to clearly define safety  
14 requirements, as well as mission goals, in our  
15 contracts, so that the contractors are held  
16 accountable and rewarded for accomplishing work  
17 safely, and not rewarded if safety is degraded.

18 There are a number of examples that I have  
19 provided in my written testimony, Mr. Chairman. And  
20 in the interest of time I'm going to skip over them.  
21 But let me just say that it is clear that we have been  
22 willing to hold, if you look at these examples over  
23 the last few months, contractors accountable.

24 And what is key about that is that DOE  
25 took these actions long before performance reached a

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 level where workers were seriously injured.

2 CHAIRMAN CONWAY: We will include them in  
3 the record as if read.

4 MR. McSLARROW: Ultimately each of the DOE  
5 program organizations are accountable for determining  
6 that their directions and policies are implemented  
7 correctly. They can only do this by performing  
8 effective oversight.

9 The Secretary and I have insisted that the  
10 contractor responsibilities for safety are clearly  
11 defined and that we aggressively hold them accountable  
12 for the performance.

13 The DOE line organizations have recently  
14 reviewed and restructured their organizations, or are  
15 in the process of doing so now. The overall  
16 Department goal is to clearly define roles and  
17 responsibilities, promote efficiency so that finite  
18 resources are used most effectively, improve our  
19 oversight efforts, and make sure that the appropriate  
20 technically qualified staff are available at all  
21 levels.

22 Both Under Secretaries will speak to the  
23 actions they are taking for their areas of  
24 responsibility. I want to make clear that I expect an  
25 effective and efficient organization that clearly

1 communicates the Department safety requirements and  
2 policies, verifies that these policies are being  
3 followed, and validates appropriate outcomes as being  
4 achieved as a result of those policies.

5 And this verification and validation can  
6 only come through proper oversight. The Office of  
7 Independent Oversight and Performance Assurance [OA]  
8 provides an independent verification of the  
9 effectiveness of line management's implementation of  
10 safety requirements.

11 OA evaluates the effectiveness of the  
12 oversight programs of the contractors, the field  
13 element, and the program offices. They also provide  
14 critical information on the effectiveness of the  
15 policies in meeting our safety goals.

16 This feedback is important to allow DOE to  
17 continuously improve our safety performance, our  
18 oversight, and our safety requirements. We have long  
19 recognized the need for a comprehensive DOE oversight  
20 policy.

21 As the Board is aware, we initiated an  
22 effort, early this year, to develop departmental  
23 directives to guide more effective and consistent  
24 oversight for safety, as well as for critical  
25 functions, such as security, cyber security, and



1 emergency management.

2 We have drafted a new policy, and  
3 associated DOE notice, that provides implementation  
4 instructions. Copies of these draft directives have  
5 been provided to the Board, concurrent with our  
6 internal review. And we welcome input, from the  
7 Board, as we move forward with implementing this  
8 important --

9 CHAIRMAN CONWAY: We were waiting the  
10 conclusion of these hearings before we submitted back  
11 to you our comments.

12 MR. McSLARROW: One final note, Mr.  
13 Chairman, because we had, actually, this discussion  
14 when we met last. I know everybody here agrees that  
15 one of the hallmarks of a strong safety culture is  
16 learning from experience, including the experience of  
17 others, such as the tragic Columbia accident.

18 The Secretary and I have each reviewed the  
19 Columbia Accident Investigation Report. In reviewing  
20 this report I was struck by some parallels between  
21 NASA and the Department of Energy.

22 For example, our pride in our long history  
23 of technical accomplishment could lead to  
24 overconfidence, and the loss of the critical eye and  
25 questioning attitude essential for sustained

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 excellence.

2 We have organizational barriers that  
3 sometimes prevent prompt and effective communication,  
4 and we both depend on contractors for significant  
5 portions of our work. All of these challenges are  
6 issues that we have identified and are in the process  
7 of correcting. But there are, undoubtedly, others.

8 And, therefore, the Secretary has directed  
9 all Headquarters and field senior managers to review  
10 the Columbia investigation report and take necessary  
11 actions based on lessons learned.

12 We have also begun scheduling meetings  
13 with NASA senior managers on specific topics of common  
14 interest. I know that Ambassador Brooks will update  
15 you on some initiatives along these lines that he has  
16 directed.

17 The bottom line is; we are committed to  
18 learn from the events that led up to the Columbia  
19 accident and make changes to the Department's policies  
20 and procedures, as appropriate.

21 Mr. Chairman, in summary, I believe that  
22 our safety management system has a sound foundation,  
23 and individual components are substantially in place  
24 and functioning. What is important is that the DOE  
25 record shows that we are steadily improving our safety

1 performance, while aggressively expanding the kinds of  
2 missions that we are implementing.

3 So we are proud of that, but we also  
4 understand that we need to stay on top of this. Our  
5 senior management team fully intends to continue this  
6 trend. And we believe that working with you, and the  
7 other Members of the Board will allow us to achieve  
8 that goal.

9 Thank you, Mr. Chairman.

10 CHAIRMAN CONWAY: Thank you. I have two  
11 questions I would like to put to you. DOE already has  
12 a policy, 450.5 [Line Environment, Safety and Health  
13 Oversight], that establishes a policy for line  
14 management oversight. Why do you need a new policy?

15 MR. McSLARROW: Well, there are a couple  
16 of reasons. First, the new policy is more  
17 comprehensive; it is more than just safety. As I  
18 mentioned in my testimony the new policy covers  
19 security, emergency management, and cyber security.

20 And we feel that it is important to have  
21 a common approach, that you can't stovepipe safety  
22 oversight and the others because in many ways they are  
23 all linked together. They are certainly linked in  
24 terms of how we approach management.

25 And we would argue, and the reason for

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 fashioning the policy this way, they are linked at the  
2 oversight level too. Part of the challenge when it  
3 comes to oversight, and I know you will probably have  
4 questions for others later on this, is the tempo and  
5 duration of oversight activities themselves, whether  
6 at Headquarters, or in the field office, or at the  
7 contractor site.

8 And what we are trying to do is ensure  
9 that we have the most streamlined, most effective  
10 oversight that canvasses all of those activities,  
11 ideally, at once, but at least in a coordinated  
12 fashion.

13 The other thing I would say is the policy  
14 that you referenced, 450.5, addresses DOE line  
15 management but does not address DOE independent  
16 oversight assessment processes. So we believe all of  
17 these should be pulled into the same policy.

18 CHAIRMAN CONWAY: And do you believe that  
19 DOE management and oversight can be streamlined  
20 without degrading its ability to ensure safety?

21 MR. McSLARROW: Absolutely. You can go  
22 too far, and that always has to be a concern. But  
23 there is no question, in my mind, that you can  
24 streamline how we do business.

25 The Board knows, as well as I do, there

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 was a time when every single element in the line  
2 management chain conducted oversight of operations.  
3 And people were literally tripping over each other.  
4 I doubt, seriously, they were getting as much done as  
5 they possibly could.

6 And I doubt, very seriously, that the  
7 people who ultimately were responsible for undertaking  
8 our missions were doing their jobs. The goal here is  
9 to ensure that we empower, ideally at the Site Office,  
10 as much of the people as possible who technically are  
11 qualified and have the responsibility and the  
12 authority to back it up, to ensure that the contractor  
13 assurance program is working properly.

14 CHAIRMAN CONWAY: But is this extra  
15 dependence, if you will, on the Site Office -- they  
16 have to have the technical competency --

17 MR. McSLARROW: Absolutely.

18 CHAIRMAN CONWAY: -- to do that. And we  
19 are finding, now, that at a number of Site Offices,  
20 because of restrictions on hiring, they don't have the  
21 proper technical personnel to do this. So I would  
22 suggest, to you, that you check with your Site Offices  
23 and find those that don't have the personnel that they  
24 need right now. You see that.

25 MR. McSLARROW: Right.

1 CHAIRMAN CONWAY: And notwithstanding the  
2 restrictions on hiring, that they be given the muscle  
3 that they will need to do this job.

4 MR. McSLARROW: Let me just note, Mr.  
5 Chairman, we are in midstream. We agree that that is  
6 a problem, we know that. And I know the Under  
7 Secretaries will go into more detail when they  
8 testify, in a moment.

9 But I have talked about this very subject  
10 with both of them, so I know that they are committed  
11 to achieving the end result that you have just  
12 identified.

13 VICE CHAIRMAN EGGENBERGER: Mr. Secretary,  
14 I basically agree with what you have said. The things  
15 that I do not understand are the details in the  
16 implementation of your policies on a very low level.  
17 And that is where it all happens.

18 So I look forward to hearing from the  
19 Ambassador, and from Mr. Card, on the details. One  
20 thing that I have seen, over my career, is as time  
21 marches on, people forget things. The nuclear  
22 industry is built on more than 50 years of experience,  
23 and we have learned a lot of things.

24 Those things, many times, get thrown out  
25 with the bath water. And we don't, the Board

1 certainly does not, want those things to happen.  
2 Yesterday, in discussing some things at one of our  
3 weapons labs, some very fundamental concepts, we  
4 found, were forgotten, and they had to be reminded  
5 that those are very important to the overall success  
6 of operations, and hence oversight must consider those  
7 things.

8 So that is my focus: understanding what  
9 the details are. I must say, in our session that we  
10 had a month ago, Naval Reactors [NR] was able to  
11 articulate these very carefully, and down to the last  
12 line, at the lowest level, and I could understand  
13 those.

14 Since your program is in the developmental  
15 stage here, we have not seen all those details. So  
16 that is what my interest is.

17 DR. MATTHEWS: Yes, I was glad that you  
18 referred to Integrated Safety Management as a  
19 framework for where you are going, because I believe  
20 that has made a significant difference in safety, and  
21 I would be really disappointed if you didn't stay on  
22 that track, because I think it is an important one.

23 You also referred to the Columbia Accident  
24 Report and a need for a critical eye to eliminate  
25 complacency. I think that was sort of the synthesis

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 of what you said.

2 But it seems like the policies are doing  
3 two things. One is: they are reducing redundancy in  
4 oversight, Jim talked about that, but besides that  
5 story. In some things, redundancy is important in  
6 [safety] oversight.

7 And also streamlining Headquarters  
8 oversight. So I was kind of curious how you assure  
9 yourself, as you put more responsibility at the Site  
10 Office and the contractor, that Headquarters is  
11 confident that this complacency that was one of the  
12 root causes for a terrible accident isn't going to  
13 occur.

14 MR. McSLARROW: The first point I would  
15 make is that I don't think we should ever be confident  
16 that the complacency won't exist some place. I think  
17 that is part of our challenge. We have to assume, we  
18 have to be skeptical every single minute of the day,  
19 every day of the year.

20 And we have to fear that some place,  
21 somewhere, something is going wrong. I mean, that has  
22 to be our attitude, or otherwise this just doesn't  
23 work.

24 What I would say, first, as the Chairman  
25 and I discussed, we need to ensure that the people at

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)



1 the Site Office are properly staffed and equipped  
2 technically with the responsibility and authority to  
3 back them up to do their job.

4 Headquarters oversight, I don't think, is  
5 synonymous with oversight, at least in the sense I  
6 would understand Glenn Podonsky's organization. What  
7 Headquarters needs to do, I would submit, is not  
8 repeat the oversight that is being done, but is to  
9 ensure that the people in the Site Office, and  
10 obviously they have more than just oversight  
11 responsibilities, are doing their jobs.

12 So it is a validation of how they do it,  
13 making sure that whatever quality assurance programs  
14 they have are being conducted. But I wouldn't submit  
15 that they need to repeat it. Podonsky's organization,  
16 OA, I think is the proper oversight vehicle to ensure  
17 that Headquarters is holding the Site Office  
18 accountable, the Site Office is actually doing the  
19 oversight at the site, arguably with the people who  
20 know the site best, and the people and all the way, of  
21 course, down to the place where it matters most, which  
22 is the contractors.

23 Ensuring that whatever strengths the  
24 contractor assurance program has can stand up to being  
25 validated. I mean, that is really the nub at the end

**NEAL R. GROSS**

COURT REPORTERS AND TRANSCRIBERS  
1323 RHODE ISLAND AVE., N.W.  
WASHINGTON, D.C. 20005-3701

[www.nealrgross.com](http://www.nealrgross.com)

1 of the day. And I accept what you are saying, that  
2 there probably could be arguments about redundancy on  
3 either side.

4 But I think what we need to point to is,  
5 and where I don't think it is arguable, is we need to  
6 eliminate redundancy that isn't adding value. If it  
7 is adding value, okay, then we can work through that.

8 But I would submit, right now, we are  
9 confusing redundancy and duplication with actually  
10 getting the job done. And that is what we need to  
11 pull back from and make sure that whatever we are  
12 doing actually adds value and is aimed at some object  
13 other than just people feeling like they've satisfied  
14 themselves.

15 It is that redundancy, that tendency to  
16 duplicate, that I think is the most concerning thing,  
17 because that is what leads to the complacency. People  
18 think all of this will do it, and it won't. So let's  
19 make sure that the procedures are right, let's never  
20 be complacent, and let's have an effective oversight  
21 organization that has the independence and the tools  
22 to do the job which, I believe, OA has.

23 CHAIRMAN CONWAY: Thank you. Ambassador  
24 Brooks?

25 AMBASSADOR BROOKS: Thank you very much,