

January 21, 2000

MEMORANDUM TO: Chairman Meserve
Commissioner Dicus
Commissioner Diaz
Commissioner Merrifield

FROM: Edward McGaffigan, Jr. /S/

SUBJECT: COMNJD-99-006 - THE EFFECTS OF INDUSTRY CONSOLIDATION ON NRC OVERSIGHT

On the whole I am of the view that the staff has been doing a fine job of keeping the Commission informed of emerging policy issues related to industry consolidation. Examples of such issues that have either been resolved or are being actively considered by the Commission include foreign ownership and control, antitrust provisions, and financial assurance requirements. The General Counsel's periodic updates on restructuring legislation at both the state and federal levels, as well as opportunity for the Commission to provide its views on proposed national restructuring legislation, are yet other mechanisms that keep the Commission informed of potential policy issues arising from industry consolidation.

I agree with Commissioner Diaz that economic deregulation of the electric utility industry and the resulting ongoing industry restructuring may raise additional potential policy issues affecting NRC's oversight programs, and may at some future point raise infrastructure issues which impact NRC's organizational alignment. As Commissioner Merrifield intimated in his vote, industry consolidation is not limited to the reactor community. For example, the BNFL acquisition of first Westinghouse and now ABB and the proposed merger of Siemens and Framatome potentially affect several fuel cycle facilities.

I understand that over the past year the staff has actively been considering the broad policy implications of industry consolidation. I agree with Commissioner Diaz that now, as the pace of industry consolidation appears to be accelerating, the staff should intensify its interactions with the Commission on any emerging policy issues. Therefore, I support tasking the staff with periodically (perhaps annually) reporting to the Commission on policy implications of industry restructuring and on the need to consider policy changes in the areas Commissioner Diaz has cited in his January 20, 2000, memorandum. I believe that this should be a modest effort (i.e., a small fraction of an FTE) that might grow if it indeed proves to be a useful mechanism for identifying and resolving issues.

cc: OGC
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