

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

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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

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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.

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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.

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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

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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

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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

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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

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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

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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

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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

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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

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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,