

JANX Integrity Group
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July 20, 2012

Mr. Roy P. Zimmerman
Director, Office of Enforcement
U.S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, MD 20852-2738

RE: Reply to "Notices of Violation and Proposed Imposition of Civil Penalties - \$49,000; JANX Integrity Group, Inc. NRC Inspection Report NOS: 03011772/2011005(DNMS) and 03011772/2011006(DNMS) and Investigation Report NO: 3-2012-003"

Dear Mr. Zimmerman:

JANX Integrity Group has received and reviewed the document referred to above dated June 25, 2012. Please accept this letter as our formal response to the notice.

JANX has decided to forego mediation in this matter. We will agree to pay the civil penalties. We understand the importance of compliance to NRC regulations and the severity of these violations.

Please note that our response below will address each paragraph in the order as they were presented in your notice of violation.

Page 1, Paragraph 1: Acknowledged and in agreement.

Page 1, Paragraph 2: Acknowledged and in agreement.

Page 1, Paragraph 3: Acknowledged and in agreement.

Page 2, Paragraph 1: Acknowledged and in agreement.

Page 2, Paragraph 2: Acknowledged and in agreement.

Page 2, Paragraph 3: Acknowledged and in agreement.

Page 2, Paragraph 4: Acknowledged and in agreement.

Page 3, Paragraph 1: Acknowledged and in agreement.

Page 3, Paragraph 2: We have agreed to pay the civil penalty, however we do not agree that JANX has had particularly poor overall past performance. JANX has been in business and held a license to perform radiography for 31 years. Over those 31 years, JANX has held a very good record of compliance with NRC and Agreement State regulations. It is true that the radiographers who caused JANX these violations did what they did and we are not arguing the fact that we are accountable for their actions, but we have not had any

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violations of this magnitude in the past. Our recent problems stemmed from the IC regulations and management failure to keep up with establishing LLEA plans with various police departments in the areas where we had radiographic materials stored. These IC violations occurred for several reasons. One was the fact that we did not understand the IC rules completely. Another was the fact that we did not get any cooperation from many of the police departments when we did try to set up LLEA plans. Another was the fact that we had just been purchased by Applus RTD and due to all of the changes that were taking place during that period, our oversight of our LLEA plan progress fell behind. Even though this problem with the IC regulations extended over a period of two years during which we were cited, we do not believe that this situation is related to what happened on Spy Island. We had gotten our IC regulations under control via many means. Never before have we had an inspection in which the radiographer did not allow the inspector to complete their inspection. The violations at Spy Island were willful as the technicians involved knew what their responsibilities were, but they were not willful by JANX management. Our intent to adhere to regulations has always been paramount to JANX. We have always taken our responsibilities and the regulations seriously and always will. We believe that JANX is a good company and that escalation of the civil penalties is excessively harsh considering our previous good record.

Page 3, Paragraph 3: Acknowledged and in Agreement.

Page 3, Paragraph 4: Acknowledged and in Agreement.

Page 3, Paragraph 5: JANX understands that the violations did occur and that we are accountable for the actions of our employees. We feel that it is not warranted to multiply the base penalty by three due to the wrongdoings of the employees on Spy Island as we feel that this situation was an isolated occurrence and not a repeat violation.

Page 3, Paragraph 6: No one was more shocked at what occurred at Spy Island than JANX was. As we stated, we had no reason to believe that any of these violations would occur. We do have to depend on the integrity of our people as does every business and governmental entity. JANX knows the importance of complying with NRC requirements and we deeply regret and respectfully apologize for the situation that occurred during the Spy Island project. JANX has always had the best intentions to comply with regulations, train our employees to comply with regulations, and run a safe and law abiding business.

Page 4, Paragraph 1: Acknowledged and in agreement. JANX is appreciative of this consideration.

Page 4, Paragraph 2: Acknowledged and in Agreement.

Page 4, Paragraph 3: We understand your position. However we have had a long record of compliance with regulations, working safely with radiation and cooperation with NRC and Agreement State inspectors resulting in a very good safety culture throughout our company dating back to the 1980's. We understand the problems that occurred the past three years and attribute them to lack of clearly understanding the newly implemented Increased Control order and LLEA requirement, coupled with the confusion that accompanied the acquisition of JANX by APPLUS RDT. We consider the past violations a result of administration issues not a field related issue. This violation is a field issue that quite frankly took everyone involved in our safety program by surprise. We have a great respect for the guidelines set forth by the NRC and Agreement States. We have increased the number of our audit personnel, who are instructed and encouraged to bring any issues such as this regardless of how big or small, to our attention. We have implemented new procedures

regarding the training and audit process to address the issues presented in this document and we have increased the number of audits that we will be performing every year. We have added staff to assist us with our radiation safety program. We are switching to an electronic version of the required rules, regulations, licenses, notice to employees and documents to more easily update records. Our recently created electronic distribution list of employees has already has several distributions of important safety bulletins, with excellent feedback from field personnel. We are more frequently reviewing the issues with field personnel in our Annual Refresher Training, Tailgate Meetings, and during General Safety Meetings.

We have implemented a Health and Safety Committee to meet on a regular basis to review audit results, identify issues, discuss corrective and preventative action options, evaluate and follow up on incidents, make recommendations to management, and assist with the development and implication of safety policies. This committee includes members of Senior Management, Safety, Operations, and Shop Management along with field and shop personnel.

The actions of one rogue crew does not destroy, nor define decades of safe work practice and a company's Safety Culture. Please see the attached copies of NRC Inspections that have documented compliance with safe work habits and following proper procedures.

Page 4, Paragraph 4: We do not request Alternative Dispute Resolution (ADR).

Page 5, Paragraph 1: We do not request Alternative Dispute Resolution (ADR).

Page 5, Paragraph 2: Acknowledged.

Thank you for your help and understanding in this matter. Please do not hesitate to contact me should you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'John A. Newland', is written over a horizontal line.

John A. Newland
C.E.O. JANX Integrity Group

CC: Charles A. Casto
Regional Administrator
U.S. Nuclear Regulatory Commission, Region III
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