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Testimony of the

Retail Industry Leaders Association (RILA)

before the

United States House of Representatives

Committee on Energy and Commerce

Subcommittee on

Commerce, Trade, and Consumer Protection

Hearing on

Protecting Children from Lead-Tainted Imports

September 20, 2007

Good morning Chairman Rush, Ranking Member Stearns and Members of the Committee. My name is Al Thompson, and I am the Vice President of Global Supply Chain Policy at the Retail Industry Leaders Association, or RILA.

RILA represents members including the largest and fastest growing companies in the retail industry, which together account for more than \$1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores and distribution centers domestically and abroad.

At RILA, I am responsible for representing the industry on all policies that impact our member companies' global supply chains. This includes issues involving transportation, logistics and security. In addition to my work at RILA, I also am the father of two young children, so the issue of toy safety is one that carries both personal and professional importance for me.

RILA appreciates this opportunity to showcase the steps that our members are taking to ensure product safety and integrity all along the supply chain. Our industry knows that it has no higher duty than assuring the safety and quality of the products we sell to our customers, most especially toys and children's products.

RILA believes that implementation and verification of product safety protocols are rightly the roles of private industry. Through rulemaking and laws, government can provide guidelines that are clear, uniform, and national in scope, so that manufacturers can better-issue detailed specifications to their suppliers and enforce those specifications with tests, inspections and follow-up.

But before I fully describe the processes and product safety procedures that our members have in place, I want to describe some of the steps that our individual member companies have taken to ensure greater accountability from manufacturers in light of several recent high-profile product recalls.

Because no two RILA members sell exactly the same merchandise, they each have slightly different protocols and procedures for evaluating the safety and integrity of supplier operations, as well as the safety of products on their shelves. In light of recent incidents, many of our members have:

- Enhanced product testing;
 - For example, some retailers are now requiring testing and verification of safety compliance for all toys, regardless of the manufacturer. Others are implementing more rigorous protocols to confirm the safety of toys through multi-layered testing and documentation.
- Reviewed their internal policies and procedures for product testing, supplier compliance and the sanctions for noncompliant suppliers and manufacturers; and
- Joined with other allies seeking better government standards and guidelines for product safety, with a particular focus on products manufactured for children.

Retailers Expect Their Product Vendors to Produce Safe, High-Quality Products

One thing that has not changed in light of recent events is the commitment of our members to provide safe, effective and affordable goods for their customers. We believe that ensuring product safety is a shared responsibility. As such, retailers have vigorous quality assurance requirements and enforcement mechanisms for their suppliers that manufacture goods for their stores.

To assure the safety of toys and children's products, many RILA members require their suppliers and manufacturers – through contracts and product specifications – to:

- Understand and adhere to U.S. government standards and regulations for toys and other products. Many of our members' specifications actually exceed U.S. government standards;
- Operate secure factory environments, and rely on known and approved subcontractors to produce safe, quality products;
- Maintain and document production processes that conform to safety standards beginning at the design phase and continuing through completion of the finished product; and
- Open their factories and production processes to periodic quality and safety inspections.

Retailer Efforts to Assure Safe Toys and Children's Products

RILA members are actively working to reassure parents that toys and children's products sold in their stores are safe.

In addition to the national toy brands and smaller brands, some RILA members sell what are commonly known as "private-label" toys. These are toys manufactured for and sold exclusively in a single retailer's stores. With these products, many RILA members conduct enhanced multistage testing through independent labs to confirm compliance with all U.S. safety standards and regulations. Such testing occurs throughout the design and production process, as well as on samples of production lots destined for store shelves. Retailer specifications for private-label toys meet or exceed the U.S. safety standards and regulations for toy safety.

With respect to branded children's toys, retailers work with their suppliers to confirm that sufficient product testing is occurring and to verify compliance with all U.S. safety and regulatory requirements. Retailers may also conduct independent testing on samples destined for their shelves.

Retailer Actions in the Event of a Recall

When a product is recalled – either at the insistence of the government or a supplier – retailers take action:

- To immediately remove the product or products from the stream of commerce, and properly dispose of them so that they are not resold; and
- To notify purchasers, when possible, that they should return the product for a refund or replacement.

These prompt actions are the result of protocols that virtually every RILA member has in place to respond to a recall and protect consumers.

- RILA members proactively monitor and research recalls and U.S. regulatory agency alerts to keep apprised of product safety issues. Some retailers have an entire department devoted solely to this effort;
- As soon as a product recall is initiated, RILA members implement existing recovery plans to remove the subject merchandise;
- Retailer inventory systems produce an error message at the point of sale if such products reach check-out cash registers; and
- After implementing a recall, RILA members review their suppliers' testing protocols to minimize the potential for future problems, and take appropriate action, or levy sanctions, as needed.

Policy Recommendations and Conclusion

Retailers place the highest priority on the safety and quality of the products they sell to their customers, including toys and children's products, regardless of whether the products are produced domestically or abroad. RILA believes that the most effective way to ensure safe products is to focus on the design and production of products so that product safety is built into products as they are made.

A successful product safety regime requires a close partnership between the private sector and the U.S. government, as well as other governments that may be responsible for ensuring the quality of goods leaving their shores.

The U.S. government can help by creating a clear framework of requirements for product safety standards. RILA:

- Welcomes the opportunity to work with Congress and other regulators to develop enhanced industry safety standards and protocols that are clear and predictable;
- Believes that safety standards for toys and children's products should be uniform nationwide;

- Supports increased federal funding for the Consumer Product Safety Commission (CPSC);
- Would support mandatory recall authority for the CPSC, and a legal prohibition against knowingly selling a recalled product;
- Would support federal legislation to promulgate the lead standards for all types of jewelry, similar to those enacted under California law; and
- RILA would support efforts to enhance product traceability for children's products.

RILA stands ready to work with government policymakers to enact policies that strengthen consumer confidence and advance the production of safe, high-quality products that are affordable and readily available for consumers.

Thank you for the opportunity to testify today.