



1700 N. Moore Street, Suite 2250, Arlington, VA 22209
Phone: 703-841-2300 Fax: 703-841-1184
Email: info@retail-leaders.org www.retail-leaders.org

Testimony of the

Retail Industry Leaders Association (RILA)

before the

United States Senate
Committee on Finance

Hearing on

“Growing Trade, Growing Vigilance, Import Health and
Safety Today and Tomorrow”

October 18, 2007

Good morning Chairman Baucus, Ranking Member Grassley, and Members of the Committee.

My name is Sandy Kennedy, and I am the President of the Retail Industry Leaders Association, or RILA. RILA represents the largest and fastest growing companies in the retail industry. Together, RILA's members account for more than \$1.5 trillion in annual sales, and provide millions of jobs and operate more than 100,000 stores and distribution centers domestically and abroad.

I appreciate this opportunity to highlight the steps that our members are taking to protect consumers by ensuring product safety and integrity all along the supply chain, and to provide recommendations on policies to improve product safety. Retailers place the highest priority on the safety and quality of the products they sell to their customers, regardless of whether the products are produced domestically or abroad.

Retailer Efforts to Assure Safe Products

RILA believes that ensuring product safety is a shared responsibility between and among manufacturers, retailers, the U.S. government, and other governments. Implementation and verification of product safety protocols are rightly the roles of private industry. Manufacturers are the first line of defense, and they must be diligent in designing and building safety into the products they make. Retailers work with their suppliers to ensure safety standards are implemented through contracts and specifications. Congress and the Administration can help by establishing clear guidelines and regulations that facilitate product safety, and they can provide important oversight and inspections to ensure that such regulations are met.

In the private sector, retailers' first line of defense is the vigorous quality assurance requirements and enforcement mechanisms that they set for their suppliers that manufacture goods for their stores.

Optimally, retailers seek to identify and remedy any product safety problems long before the product enters the supply chain or reaches U.S. stores. Therefore, RILA believes the critical point in the supply chain where product safety compliance efforts should be focused is at the point of design and manufacture. Safety must be built into products as they are made, whether that is overseas, or here at home.

To assure product safety, 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 the particular products they produce. Many of our members' specifications actually exceed U.S. government standards for product safety;
- Operate secure factory environments, and rely on known and approved subcontractors to produce safe, quality products;
- Maintain and document production processes that conform to U.S. safety standards beginning at the design phase and continuing through completion of the finished product; and

- Open their factories and production processes to periodic and sometimes unannounced quality and safety audits.

Individual member companies have taken even further steps 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 taken the following steps to ensure supplier compliance:

- 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.

Retailer Efforts to Assure Food Safety

Food safety is also a high priority for retailers. RILA members use a multi-layer approach to assure the highest food quality and safety. Individual RILA members require their suppliers to:

- Adhere to USDA, FDA and other applicable government standards for food products sold in the United States.
- Hold an independent, accredited factory certification based on internationally recognized standards and undergo periodic certification audits to maintain approved supplier status;
- Proactively undertake due diligence to assure the safety of all products and materials used in products; and
- Submit product samples for independent testing for compliance with chemical, physical, microbiological, nutritional, shelf life, safety, labeling, and packaging standards.
 - Such tests are conducted on preliminary samples as well as samples pulled from actual lots to be shipped to stores.

Retailer Actions in the Event of a Recall

While most product safety issues are identified early in the process, RILA members are prepared to take action in the event of a product recall. RILA members proactively monitor and research recalls and U.S. regulatory agency alerts to keep apprised of product safety issues, and take action if needed. In fact, some retailers have an entire department devoted solely to this effort. 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;
- To notify purchasers, when possible, that they should return the product for a refund or replacement;
- To ensure that retailer inventory systems produce an error message at the point of sale if such products reach check-out cash registers, preventing recalled products from being inadvertently sold to consumers; 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.

Policies to Improve Import Safety

RILA welcomes the opportunity to provide comments on ways to improve import safety. As the title of this hearing recognizes, trade is growing—and at an unprecedented rate. Last year, nearly \$2 trillion of imported goods entered the United States, and some experts predict that trade volumes could triple by 2015. This expansion of trade has allowed retailers to provide their customers with a wider variety of goods at affordable prices.

Retailers expect high standards on product safety from their suppliers, regardless of whether the products are produced domestically or abroad. On that note, RILA believes that product safety standards should apply equally to all products, and that product safety should not be used as the pretext for erecting trade barriers that apply to goods imported from one country or one region.

With respect to products imported into the United States, the federal government has two important mandates – trade facilitation – to promote the exchange of goods in international commerce – and trade enforcement – to ensure that all actors adhere to internationally recognized trade rules.

RILA believes that U.S. Government trade policies should advance these two goals by emphasizing collaborative programs with importers that facilitate legitimate trade while focusing enforcement efforts on those who attempt to evade U.S. safety standards.

RILA welcomes the Interagency Working Group on Import Safety's innovative approach to the issue of import safety by characterizing the flow of commerce as a life-cycle "video," where risks are identified and mitigated throughout the supply chain, rather than focusing on the port of

entry. Design and manufacture are the most effective points in the supply chain to ensure product safety, and a retailer's primary goal on product safety is to identify and remedy any problems long before a product enters the supply chain and reaches U.S. stores.

Furthermore, public-private partnerships such as those forged through the Customs-Trade Partnership Against Terrorism (C-TPAT) program can serve as an effective model to achieve the shared product safety goals of U.S. Government and industry. At the same time, I caution the committee against expanding C-TPAT to address product safety because that program may not be the best way to ensure stronger product safety. For example, C-TPAT focuses on the physical security of the supply chain and the container, not an individual product. Moreover, the fundamental focus of product safety should be to ensure that safety is designed and built into a product. This objective would be difficult to achieve through C-TPAT.

RILA also offers some more specific policy recommendations that are not necessarily within the jurisdiction of the Finance Committee, but which we believe would greatly improve product safety.

- RILA supports increased federal funding for the Consumer Product Safety Commission (CPSC);
- RILA supports swift, mandatory recall authority for the CPSC, and a legal prohibition against knowingly selling a recalled product;
- RILA supports federal legislation to promulgate the lead standards for all types of jewelry, similar to those enacted under California law;
- RILA supports a requirement to provide tracking information on products to enhance traceability for children's products; and
- RILA also supports a requirement that private safety testing laboratories be credentialed by an independent third party such as the American National Standards Institute (ANSI) or the International Organization for Standardization (ISO). Such an accreditation would give the U.S. Government and consumers confidence that private testing is effective and objective, and it would complement government testing efforts.

Conclusion

RILA appreciates the opportunity to provide comments to the Committee as it considers ways to improve import safety. RILA stands ready to work with Congress and the Administration 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.