

FOIA b (7) (D) Cleared
3/30/94
Classified By
Date

REMARKS OF
THE HONORABLE JACQUELINE JONES-SMITH
CHAIRMAN
U.S. CONSUMER PRODUCT SAFETY COMMISSION
BEFORE THE
International Consumer Product Health and Safety Organization
Thursday, March 3, 1994
Hotel Royal Plaza
Walt Disney World Village
Lake Buena Vista, Florida

THE REMARKS CONTAINED HEREIN ARE THE VIEWS OF CHAIRMAN JACQUELINE JONES-SMITH AND DO NOT NECESSARILY REFLECT THE OFFICIAL POSITION(S) OF THE U.S. CONSUMER PRODUCT SAFETY COMMISSION OR THE VIEWS OF THE AGENCY'S COMMISSIONERS OR ITS STAFF. THIS TEXT IS THE BASIS OF CHAIRMAN JONES-SMITH'S ORAL REMARKS. IT SHOULD BE USED WITH THE UNDERSTANDING THAT SOME MATERIAL MAY BE ADDED OR OMITTED DURING THE FORMAL PRESENTATION.

Thank you, Tom and thank you all for your warm welcome. Wow!!! Let me say that I am impressed -- 175 business, industry, government and consumer leaders gathered together at this first International Consumer Product Health and Safety Organization Symposium. Like the city we're in -- it's almost magical. But I know it took more than magic to convene this meeting and give "birth" to this new organization, ICPHSO. Now I've been told it took six months of hard negotiating to come up with the acronym ICPHSO. Just think what they could have done in a year!

A special thanks to the Association of Food and Drug Officials who planted the seed and took the first steps necessary to cultivate this new group. AFDO President Mary Logan; President-Elect Dennis Baker; Executive Director for Public Policy, Mary Heslin; and past Presidents Jim Sevchik and John Misock need to be recognized.

Finally, we need to thank the 18 members of the ICPHSO steering committee with special recognition to Chairman Tom Messenger, Vice Chairman Mike Brown, Program Coordinator John Liskey and CPSC's liaison to AFDO Ross Koeser.

The AFDO conference has been an annual event on my calendar. During my chairmanship I've attended all four of AFDO's conferences and including this meeting, that makes five. Thank you for making my visits so productive and comfortable.

The Symposium's theme, Product Safety: A Shared Responsibility, is on target and significant. As you know, much of CPSC's success in recent years has been furthered by the Commission's purposeful cultivation of relationships with outside organizations. CPSC has found (like AFDO did almost 100 years ago) that the promotion of certain basic understandings between government, industry and consumers is healthy and productive for everyone. ICPHSO will provide an important forum for all of us to work together informally and formally through annual meetings and ongoing policy making committee work. I look forward to the challenge.

Clearly, a willingness on the part of government, industry and consumers to work together in areas of mutual interest is efficient for government, profitable for industry and in the interest of consumers.

I want to begin this morning by touching on some recent significant international events which will affect all of us. Following that I would like to update you on what's happening with CPSC's budget; discuss one of my favorite subjects -- "safety sells," which is also on your program agenda; and, finally, discuss the importance and potential power of this new organization.

Then, depending on time constraints I hope we will have time for some questions and answers.

INTERNATIONAL EVENTS

The first word in the name of your new organization is "international." I'm certain that the leaders of ICPHSO reflected on this word and came up with the only logical conclusion, "It's a small world after all." Common sense advises that Washington, D.C. is no longer the epicenter of the regulatory universe. Washington is no longer able to either define or regulate risks simply in accordance with its own cultural preferences. Washington is now part of a larger partnership -- a much larger regulatory community.

Perhaps no period in the Commission's history contains as many significant international events as occurred during the past six months.

The U.S. Congress approved the North American Free Trade Agreement (NAFTA), as did the governments of Canada and Mexico. NAFTA became effective January 1, 1994. This agreement contains provisions to help reduce technical barriers to trade resulting from regulations and mandatory standards. Provisions of the agreement address the need to give member nations advance notification of proposed rule making, the need to use international standards as a basis for standards-related measures, and the need to work jointly to enhance the level of safety and protection of human, animal or plant life or health; the environment; and consumers.

In December 1993, the Uruguay Round of the General Agreement on Tariffs and Trade was negotiated, subject to approval by member countries. This agreement includes provisions which call for member nations to use relevant international standards as a basis for technical regulations except when such international standards would be an ineffective or inappropriate means for fulfilling the legitimate objective which is being pursued. A legitimate objective would be consumer product safety.

President Clinton hosted a meeting of the Asian Pacific Economic Community (APEC) leaders to discuss long-term economic trends and issues facing the Asia-Pacific region. The President has called APEC the centerpiece of our crucial economic strategy in the Pacific Rim and the economic foundation of his vision of a Pacific community. The Office of the U.S. Trade Representative met in January 1994 with representatives of U.S. regulatory agencies and other federal organizations in order to solicit ideas for further cooperation between the U.S. and APEC members. Ideas suggested included identifying, establishing contacts, and increasing liaison with counterparts in APEC. For example, in the case of CPSC, should the need arise, established contacts might help to promptly shut off the flow into the U.S. from APEC countries of any consumer products found to be unsafe.

In the United States, the Office of Management and Budget issued its revised Circular A-119 which advocates that government organizations (including independent agencies like CPSC) rely on international and domestic voluntary standards whenever feasible and consistent with law and regulation pursuant to law.

All of this illustrates that the term global marketplace is not just another beltway catchword -- and its impact goes beyond the economics of international trade. As the U.S. regulatory community is beginning to understand, the restructuring of the international marketplace is having a profound effect upon health and safety regulation.

The Commission is working with other Federal and international agencies to foster the global harmonization of safety standards. This development benefits consumers, by enhancing product safety, universally; and it acts to reduce the regulatory burden upon those businesses -- including some represented in this room -- overwhelmed by layers of conflicting and redundant safety and health requirements.

CPSC BUDGET CONCERNS

Many of you have inquired about the status of the agency's budget. The OMB recommended a 1995 funding level for the CPSC of \$40.2 million. This is \$1 million above OMB's initial mark of \$39.2 million. However, it is \$2.1 million below the agency's current budget, and \$4 million below the Commission's original 1995 request to OMB.

The OMB proposal would require a wide range of reductions in hazard contract support, project related travel, staff training and development, information technology support, and a host of other infrastructure needs.

While the agency's recently completed long-range plan and its strategic implementation provide a guide for thoughtful decision making that would enable the agency to rationally address a reduction of this size over several years, a reduction of this magnitude and this suddenness will cripple the CPSC, making it impossible for the agency to fulfill its current inventory of responsibilities.

In the Hazard Assessment and Reduction program, for example, vital contract support funds for nine hazard reduction efforts would be reduced by 86 percent and laboratory equipment replacement funds are deleted harming the future readiness of the laboratories. In the Hazard Identification and Analysis program, hazard screening and analysis, cornerstones of the long-range plan's implementation would be impaired.

In the Compliance and Enforcement program, all contracts with state and local agencies would be eliminated, thus reducing the number of investigations and recall assistance.

The Consumer Information program would incur a significant loss of contract dollars for important information and education initiatives including deletion of the Vulnerable Populations project.

During the last three years, the CPSC budget has increased a total of 22 percent. This increase has been characterized by responsible, incremental investments necessary to make the agency realistically solvent in order to carry out its important mission.

These investments have resulted in management and program improvements such as, the reinstatement of priority projects, an increase in the number of NEISS hospitals to a statistically representative sample, refined hazard screening and analysis, improved standards and enforcement activities, enhanced productivity through computerization and staff training and empowerment of a more diverse American population with vital safety information.

These investments in CPSC have yielded tremendous returns for the American consumer, such as responsible standards, including a standard for child resistant cigarette lighters, which has the potential to save more lives than any standard issued in the agency's 20 year history; recalls including the largest electric heater recall in the history of the agency; national safety efforts including an effort to increase the number of residences with working smoke detectors and voluntary standards including safety innovations such as carbon monoxide detectors and ground fault circuit interrupters. These are but a few examples of the recent successes of this agency that have accrued to the American public as a result of increased funding.

The CPSC's actions result in immediate and long-term reductions in the nation's health care costs. In the last decade alone, the Commission's work made a significant contribution to the 20 percent reduction in the annual death and injury rate. This saved billions in dollars associated with emergency room treatment. For an agency with a budget of a little more than \$40 million, this is an excellent return on the American taxpayer's dollar.

The Commission is the only federal agency that identifies and systematically acts to reduce consumer product safety hazards. The OMB mark will severely hamper the federal presence in consumer product safety and it challenges the Administration's commitment to carrying out the Consumer Product Safety Act.

The proposed reduction to \$40.2 million for 1995 will be seen as -- and is in fact -- a backwards step that seriously weakens a valuable tool in the President's efforts to reduce health care costs.

In its deliberations on the \$39.2 million budget proposal, the Commission voted to submit to Congress its September budget rather than accept the initial OMB mark. We have done that.

It is my hope that Congress will seriously consider this proposal and restore some or all of CPSC's original budget request.

I would like to thank all who have advocated on behalf of the agency for increased funding. We will keep you informed.

SAFETY SELLS

As many of you know I'm very interested in your panel tomorrow on "Safety Sells." I have been on the safety sells bandwagon for the past two years and it is a bandwagon that I will not get off. It makes too much sense.

Look around you. In every facet of our lives safety is a top priority because consumers want it that way. From the safety of our children in schools to the safety of the air we breathe in our homes. From designating a safe driver to knowing about safe sex, the consumer of the '90s is looking to reduce risk, and increase safety for a reasonable price. Safety sells!

The theme -- Safety Sells -- is quite evident in many product areas. I own a car with air bags. How many of you have a car with an air bag or the next time around would consider buying a car with an air bag -- or maybe you would prefer a car equipped with two air bags, one for the driver and one for the passenger? Let's have a show of hands. I'm not surprised.

In a heavily competitive industry, where quality and comfort are a given, most auto manufacturers use their safety records to gain a competitive edge. They know safety sells.

Recently, Volvo abandoned its safety pitch in its sales campaigns and soon gained only modest profits. According to the *Wall Street Journal*, earlier this year Volvo put the brakes on that approach and steered in a new direction. It has launched an elaborate print and television campaign featuring actual Volvo owners who believe they survived terrible car crashes all because of the car they were driving. The ads include a toll-free telephone number to get more information, including details on the "Volvo Saved My Life Club."

Mercedes-Benz has a similar story. After car sales dropped in 1991 below 59,000 from its peak of nearly 100,000 five years earlier, it reviewed its advertising campaigns. The new strategy? Come back to the basics: tell the public about the safety of their product.

Safety was not a major theme in encouraging people to fly the "friendly skies" until an Aloha Airlines plane lost part of its fuselage in flight. Because of that 1988 accident, air travelers are both cognizant of and concerned about the concept of "aging aircraft." Several major domestic and international carriers now advertise the youth of their fleet compared to that of their competition.

Certainly there has been a shift in consumer attitude over the years. People are realizing that paying for an ounce of prevention is worth a lot more than paying for a pound of cure. Besides, that pound of cure can be expensive for us all -- the cost of regulatory compliance, recalls, product liability expenses, increased medical expenses, and bad publicity. All of those expenses, of course, eventually translate to higher product costs for every member of society.

Two years ago, I began several CPSC "Safety Sells" initiatives with an emphasis on the toy and juvenile products industries -- industries that cater to the most vulnerable segment of our population. In partnership with such companies as Hasbro, Fisher-Price, Toys R Us, and Mattel, CPSC provides child-safety information to consumers in a variety of ways. Further, toy stores are selling the most popular dolls seated in late model cars equipped with safety belts, and dolls on rollerblades wearing helmets and protective elbow and knee padding.

Other consumer product industries have gotten on the "safety sells" bandwagon. To help reduce iron pill poisonings -- the single largest cause of child poisoning deaths -- the Nonprescription Drug Manufacturers Association (NDMA) voluntarily agreed to put warning labels on iron pills and to remove the sweet outer coating on iron medications and food supplements. NDMA also produced and distributed a video news release and a magazine advertisement warning consumers about childhood poisonings with iron pills.

Recently the Gas Appliance Manufacturers Association implemented a public information campaign -- including print and electronic media -- warning residents of the Midwest of the dangers of flooded appliances.

I believe that promoting safety is an excellent way for a corporation to develop a lasting bond with its customers. I believe that those of you in industry who honestly and successfully cater to customer concerns and expectations will march out in front in the on-going marketing battles. Ultimately, we all will win by having a profitable *but* safer America.

ICPHSO

Finally I would like to say four words about ICPHSO -- get a new acronym! Seriously, I believe there is a real need for an organization that provides a forum for regulators, (international, federal, state and local) members of the regulated industries, members of public interest and consumer groups to discuss and debate various issues and concerns and to carve out practical solutions to common problems.

I understand that a number of programmatic committees will be formed at this meeting. I believe these committees will be the heart and soul of this organization's activities. In fact, I would guess the CPSC will be the recipient of well thought-out positions emanating from ICPHSO. Preparing position papers or model codes or resolutions is an extremely useful contribution to rational regulation. And because the committees that develop them will be composed of professionals, government, industry and consumers, the quality of such work will be high and the content will not be slanted.

Most of us in consumer product safety work are members of fair sized bureaucracies and bureaucracies are hardly organizational structures known for creativity or consensus. But through ICPHSO and your committees each one of you will have a chance to apply your knowledge to improving product safety -- saving lives.

Do I have high expectations for this organization? You bet I do! I expect more than networking, I expect practical solutions. I'm sure you will live up to the challenge.

I wish you only the best.