

SUMMARY OF TESTIMONY

CPSC can and should do more to facilitate legitimate trade through public-private partnerships – not unlike similar CBP, TSA, and FDA programs. Harmful and non-compliant consumer goods should be intercepted and rejected, while legitimate cargo should be identified and carried down the stream of commerce without disruption.

- This concept – a Trusted Trader model – moves beyond incremental improvements in targeting to a more evolved, account-based understanding of importers’ demonstrated commitment to make safe products.
- To earn CPSC’s trust, traders would undergo intense scrutiny, including thorough reviews of their supply chain competencies. To attract applicants, Trusted Trader status would offer fewer inspections and faster, more predictable, time-to-market.
- However, my potential support for the import surveillance funding CPSC has requested – whether from user fees or appropriations – is predicated on implementation of a properly resourced Trusted Trader program capable of attracting robust participation. If we’re going to ask for more money – particularly if it comes from the very importers whose shipments we’re rooting around in – we need to spend some of that money making life easier for the good actors who voluntarily subject themselves to intense scrutiny.

Testimony of CPSC Commissioner Joseph P. Mohorovic before the
U.S. House Committee on Energy & Commerce
Subcommittee on Commerce, Manufacturing, and Trade

TESTIMONY

Chairman Burgess, Ranking Member Schakowsky, and members of the Subcommittee, I appreciate the opportunity to be here. I would like to discuss with you the substantial challenges and tremendous opportunities CPSC has in the area of imported consumer products.

Imported products make up 80% of our recalls, not because they are more dangerous, but because there are so many imports – over \$700 billion worth in 2013. Our most effective safety strategy is to evolve our import surveillance and keep more violative products out of the country. Under the leadership of our Import Surveillance team, including Chairman Kaye, who also represents the agency as Vice Chair of the Border Interagency Executive Council, we are improving, but there is much more we can do.

The next evolution is not inspecting *more*, but inspecting *more intelligently*. It is in finding a way to remove large segments of the roughly 230,000 importers-of-record we see each year before targeting or inspections are even a thought. The path to achieving that evolution is a Trusted Trader program that allows importers to volunteer for greater scrutiny in exchange for lower risk classification.

We have seen this concept succeed in programs like TSA's Pre-Check and CBP's Customs-Trade Partnership Against Terrorism (C-TPAT), and more are on the way, including FDA's Voluntary Qualified Importer Program (VQIP). Pre-Check flyers and C-TPAT importers receive substantial benefits – usually in the form of shorter wait times – in exchange for greater scrutiny. Those agencies cannot enroll volunteers fast enough, and the agencies are better off, as well.

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They gain information and conserve limited resources. I believe CPSC needs to emulate that model with a robust, sophisticated Trusted Trader program.

The Consumer Product Safety Improvement Act required the agency to institute a Risk Assessment Methodology, or RAM, to spot imports likely to be violative. The pilot RAM has improved our targeting, but even the best targeting will still result in false positives. Anytime we delay and inspect cargo we should have known was compliant, we do so at significant economic cost¹ that adds no direct safety value.

RAM helps us find the needles in our import haystack. Trusted Trader shrinks the haystack. Even if the number of inspections remains constant, those inspections would be concentrated among the importers who have not undergone the additional scrutiny necessary for us to verify the robustness of their compliance and safety efforts.

To reach that level of confidence, Trusted Trader should not only put the *applicant* under a microscope, but pull back the curtains on its *suppliers*, as well. To interest companies in this poking and prodding, we should offer significant benefits, primarily in fewer inspections and faster, more predictable time-to-market.

My priority is strengthening our safety efforts. While Trusted Traders would enjoy real benefits, those would come only after CPSC has developed empirical evidence of the competency of their supply chains. The bar should be reachable, but high. The program should give the agency sufficient confidence that inspecting Trusted Traders' shipments would be a waste of scarce

¹ "Each shipment held costs industry an average of \$1,500 in port charges and unknown losses resulting from delays to market." U.S. Consumer Prod. Safety Comm'n, *Staff Report to Congress Pursuant to Section 222 of the Consumer Product Safety Improvement Act of 2008: Risk Assessment Methodology*, 6 (Sept. 9, 2011).

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resources that we should be focusing on higher-risk companies. Of course, if we learned of a Trusted Trader falling short of its responsibilities, the response would be strong and swift.

President Reagan espoused the principle that we should “trust, but verify.” In an evolved CPSC import surveillance system, we would verify, then trust – and continue to verify.

No discussion of CPSC import surveillance is complete without addressing the \$36 million annual funding level we outlined in our most recent budget request and the user fees we hope will pay for it. I am not entirely convinced of the legality of the user fee mechanism. Moreover, while I am generally supportive of what we want to spend that money on, I look forward to further discussions with our staff to develop a more nuanced understanding of that expenditure.

However, my potential support for that spending – whether from user fees or appropriations – is predicated on implementation of a properly resourced Trusted Trader program capable of attracting robust participation. If we’re going to ask for more money – particularly if it comes from the very importers whose shipments we’re rooting around in – we need to spend some of that money making life easier for the good actors who voluntarily subject themselves to intense scrutiny.

If we can develop the confidence necessary to take those good actors’ shipments out of our haystack, finding the needles will be much easier.