

NATIONAL PRESS CLUB LUNCHEON SPEECH BY NANCY NORD, ACTING CHAIRWOMAN,
U.S.

CONSUMER PRODUCT SAFETY COMMISSION

SUBJECT: THE FUTURE VISION FOR THE AGENCY

MODERATOR: SYLVIA SMITH, PRESIDENT-ELECT, NATIONAL PRESS CLUB

LOCATION: NATIONAL PRESS CLUB, WASHINGTON, D.C.

TIME: 1:00 P.M. EST

DATE: MONDAY, JANUARY 7, 2008

(C) COPYRIGHT 2005, FEDERAL NEWS SERVICE, INC., 1000 VERMONT AVE.
NW; 5TH FLOOR; WASHINGTON, DC - 20005, USA. ALL RIGHTS RESERVED. ANY
REPRODUCTION, REDISTRIBUTION OR RETRANSMISSION IS EXPRESSLY
PROHIBITED.

UNAUTHORIZED REPRODUCTION, REDISTRIBUTION OR RETRANSMISSION
CONSTITUTES A MISAPPROPRIATION UNDER APPLICABLE UNFAIR COMPETITION
LAW, AND FEDERAL NEWS SERVICE, INC. RESERVES THE RIGHT TO PURSUE ALL
REMEDIES AVAILABLE TO IT IN RESPECT TO SUCH MISAPPROPRIATION.

FEDERAL NEWS SERVICE, INC. IS A PRIVATE FIRM AND IS NOT
AFFILIATED WITH THE FEDERAL GOVERNMENT. NO COPYRIGHT IS CLAIMED AS TO
ANY PART OF THE ORIGINAL WORK PREPARED BY A UNITED STATES GOVERNMENT
OFFICER OR EMPLOYEE AS PART OF THAT PERSON'S OFFICIAL DUTIES.

FOR INFORMATION ON SUBSCRIBING TO FNS, PLEASE CALL JACK GRAEME
AT 202-347-1400.

MS. SMITH: (Gavel sounds.) Good afternoon and welcome to the
National Press Club. My name is Sylvia Smith, I'm the Washington
editor of the Fort Wayne Journal-Gazette, and president-elect of the
National Press Club.

I'd like to welcome club members and their guests, as well as
those of you watching on C-SPAN. We're looked forward to today's
speech and afterward I will ask as many questions from the audience as
time permits. Please hold your applause during the speech so that
there's enough time to ask questions.

For our broadcast audience I'd like to explain, if you hear
applause, it may be from members' guests and members of the general
public who attend our luncheon. It's not necessarily from the working
Press.

I'd now like to introduce our head table guests and ask them to
stand briefly when their names are called. From your right, Mike
Happins (sp), -- (inaudible) -- Broadcast; Paula Cruickshank, CCH News
bureau chief and senior White House correspondent; Patsy Semple,
executive director of the U.S. Consumer Product Safety Commission; Joe

Enoch, a member of the staff of the ConsumerAffairs.Com; Quin Dodd, chief of staff of the Consumer Product Safety Commission.

Skipping over our podium for a moment: Angela Greiling Keane, of Bloomberg News, and chairwoman of the NPC Speakers Committee; we'll skip our speaker for a moment; Bob Carden, of Carden Communications and today's Speakers committee member who organized today's event -- thanks Bob; Julie Vallese, director of the Office of Information and Public Affairs of the Consumer Product Safety Commission; Lisa Zagaroli, of McClatchy Newspapers; and Neil Roland of Bloomberg News.

(Applause.)

Last month Michael Leavitt, the secretary of Health and Human Services addressed the Press Club. He was asked about today's guest, Nancy Nord. He paused and said, I gotta tell you, I'm glad I don't have her job, that's a really tough job. And all you had to do was pick up the papers in the last couple of months and see how tough it is. The Consumer Product Safety Commission has had to deal with a number of high profile recalls, particularly toys from China -- not welcome news for retailers in the midst of the Christmas shopping season. A lot of parents are nervous about buying toys for fear that they are not safe.

The Consumer Product Safety Commission has been criticized by consumer groups and many politicians for not exercising oversight and not lobbying for funds to do the job more effectively -- at the center of all this, today's guest, Nancy Nord. Ms. Nord has been acting chairman of the CPSC since May, 2005. An attorney, Nord was general counsel to the White House Council on Environmental Quality before going to the Consumer Product Safety Commission, and before that she worked in the private sector for Eastman Kodak. She's here today to talk to us about the Consumer Product Safety Commission's increased efforts to police imports and what future funding increases might mean for the agency. Please help me welcome Nancy Nord.

(Applause.)

MS. NORD: I'm delighted to be here to speak to the National Press Club about what our agency does. I have nothing but the utmost respect for the members of the press, and a great deal of sympathy for the challenges that you face. You need your stories to be accurate. They need to be based on facts. You are often accused of either being too conservative or too liberal. Believe me, I understand the challenges you're facing in that regard.

Angela and I were talking at lunch about the challenges of this past holiday season. And then she said to me, frankly, that she was concerned about buying toys, especially toys from China. And that is a comment that I have gotten from a number of people over the last couple of months, so I am really very, very pleased to be here. This is a great opportunity for me and for the agency to talk directly to the members of the Fourth Estate, and also to American consumers about what it is we're doing at the U.S. Consumer Product Safety Commission.

We were very popular in the Press this past year, at least as a topic of coverage, so this is really a good opportunity for me to talk

to you about what happened over the last couple of months -- why they happened, and, moving forward, what we're going to be doing, so that you have a better sense of what the stories about us this coming year are going to be looking like.

This last year has been a very interesting and challenging one for the agency. 2007 was called "the year of the recall," and product safety was the second most heavily reported business story of the year. And being so prominently in the spotlight is a change for our agency. In some ways this is good, and in some ways it was not so good. But change is inevitable and that's where my focus will be in 2008.

And two things in particular I want to share with you. We are going to be establishing a new import surveillance division at the agency, and we've set up an early warning system to better identify earlier possible product problems -- but I'll talk about these in more detail a little bit later. As I said, the last half of 2007 the CPSC was really in the spotlight, but very few of the people that put us in the spotlight took the time to learn about the actual mandate that Congress gave the agency, or to provide the necessary context so that consumers could make truly informed judgments about the safety of marketplace.

The CPSP was set up 35 years ago to regulate products that present an unreasonable risk of injury. Today we have jurisdiction over upwards of 15,000 different types of products. Perhaps the easiest way to understand what we regulate is to understand what we don't regulate. We don't have jurisdiction over food, drugs, cosmetics, transportation -- that's cars, boats and planes, guns, alcohol or tobacco. We have everything else that consumers use.

Congress was also quite specific about how we're supposed to be doing our jobs. Our job is to encourage the development of voluntary safety standards and to issue mandatory product safety standards when voluntary standards are not sufficient. This is a point that I think is worth emphasizing to you. Congress recognized that a voluntary standards process can usually more quickly address a problem than can government regulations.

I should also note here that the term "voluntary" does not necessarily mean that manufacturers can pick and choose whether they will use the standard. It simply means that it did not take a government process to make it happen. When we find products that do not meet safety standards, or otherwise present dangers to consumers, we will supervise recalls and other kinds of corrective actions. We also seek penalties from product sellers who do not comply with our standards or our reporting rules.

We're a very small agency -- about 400 full-time employees nationwide, and by government standards, that is very tiny. And while the media has reported correctly that the number of employees at the CPSC has declined during the current administration, most reports have also failed to mention that it declined each of the eight years of the Clinton Administration as well, and, in fact, has been consistently shrinking since 1981.

Many people ask me, with so few people, how do you inspect all those products coming in from overseas? Well, the answer, of course, is that we don't. We can't. And Congress never intended us to do this. I've been to some of our nation's busiest ports, including the country's busiest in Long Beach, California. And once you see the thousands of cargo containers off loaded every single day, you realize that to try to inspect everything would be unrealistic, not to mention the drag that such an effort would have on the global economy, our economy, and certainly ultimately higher consumer prices.

There's a false impression about the CPSC that has been infused in recent news stories about the agency. And that is that the commission is supposed to be standing at the border to prevent dangerous products from entering the country and landing on store shelves. And while that might or might not be a laudable goal, it is not what Congress asked us to do or has given us the resources to do. Congress did not design the CPSC to have the same powers and responsibilities, for example, as the FDA, which pre-approves all drugs prior to their introduction into the market, and which tests food and food production facilities, again, before they go onto the marketplace. This is not to say that product safety is not as important as drug or food safety, but the sheer number and volume of products under our jurisdiction simply makes it impossible to pre-market test or pre-approve all products before they go onto the market.

But while we can't inspect everything, we can and do conduct limited, smart, targeted port and other field inspections in close cooperation with the U.S. Customs and Border Protection Service. And we do plan to be expanding those operations in coming months. But I think it's really important for you all to understand that this inspection activity is not across the board. It is very focused. It is very targeted. And it's targeted on products identified as high risk.

So looking at the full scope of what it is we do, you see that the agency is really multi-tiered. First of all, we try to prevent problems through standards activities. We also engage in data collection to make sure that we have accurate information on which to base our activities. Education is one of our key functions -- Education of both industry and of consumers about product safety standards and other safety issues. We do targeted port inspections enforcement when something goes wrong, and post-recall surveillance to make sure that products that are supposed to be off the market actually are.

Last year was marked by intense media scrutiny at the agency and of toy recalls in particular. And as I mentioned earlier, some of the press have called this the year of the recall. In fact, the coverage reached near hysteria levels. And then, of course, some politicians, sensing a possible political issue, jumped on the bandwagon -- further fueling the coverage -- and the cycle continued.

Now, I don't want anyone to get me wrong in this: I'm all for appropriate congressional oversight of the executive branch. I am a

former congressional staffer. That's partly what I used to do. It's healthy for the agency; healthy, ultimately, for a democracy. But an agency and an issue that has rarely been politicized -- consumer product safety -- found itself at the center of partisan politics last year. Even the presidential candidates were stepping all over each other to get part of the action. And while using the CPSC as a political tool may yield some short-term gains both for the politicians who use us this way -- as well as, actually, for the bottom line of the agency -- I think in the long run this is not a good trend and will ultimately disserve the American people.

Whatever its flaws, one of the core strengths of the CPSC is that it has always been above politics. It has acted when the science and the facts dictate. It has not acted for somebody's political advantage or to appease any particular interest group. Its leadership and its professional staff are committed to our mission and simply want unsafe products out of the hands of consumers. The fact is that consumer products are safer today than they have ever been. Having said that, we did see an increase in product safety recalls in fiscal year 2007. It wasn't a dramatic increase -- even though it seemed to be, probably because more news outlets and people were paying attention to it.

But what's really very ironic about all this is that the agency has always viewed recalls as a testament to effective enforcement. Recent news coverage has seemed to imply that the recalls amount to a failure of the consumer product safety process, when in fact, recalls represent what Congress really intended us to be doing. We are tackling more types of issues than ever before. And the increase in recalls indicates more effective enforcement on a broader range of product attributes. They do not indicate that there are more dangerous products on store shelves than in previous years. That conclusion would be an incredibly simplistic way of looking at this. And most of the coverage of the agency over the past couple of months has missed this important piece of context.

In fiscal year 2006, we had a total of 467 recalls, which increased to 472 in fiscal year '07. That's an increase of five. Of those in 2006 there were 40 recalls of toys and that increased to 61 in 2007. And among those toy recalls, three were for lead paint in '06 and 19 were for lead paint in '07. The reason why we had the spike in lead paint recalls is that after one very well publicized recall last summer -- and that's, of course, the "Thomas the Tank Engine" recall -- industry, at the insistence of our agency, began to aggressively look at their entire inventory of toys for similar violations. The result was a large number of recalls in the late summer and into the fall. And we're still seeing even now a few lead paint recalls. But several things must be borne in mind regarding these recalls.

First of all, the mechanism that I outlined earlier about how the agency operates worked here. The lead paint recalls occurred because there was a standard in place. The product sellers found violations and notified the agency and we worked together to initiate a recall. This is the system that Congress designed. And since -- unlike the FDA -- Congress very deliberately did not give us pre-market testing

and approval authority, that is the system we carry out. Moreover, despite all the hoopla, we did not have a single reported death, injury or illness caused by lead paint from any of the recalled toys. In fact, lead paint on toys is not the principal lead hazard or the greatest toy hazard. We continue to see deaths and injuries to children associated from more traditional toy hazards -- particularly choking on small parts, balls, marbles, that kind of thing -- as well as significant numbers of serious injuries to children from power-riding toys, bicycles, scooters and skateboards.

Nevertheless, because of the concern that if ingested, lead can accumulate in a child's body, the CPSC and I have taken a very aggressive enforcement policy with respect to lead paint on toys. This position is consistent with the agency's long history of working to eliminate lead exposure -- particularly in children's environments. However, rather than reporting on the agency's aggressive stance, it was reported that the marketplace was awash in toxic toys, totally distorting the actual hazard to children.

Beyond the enforcement of regulations, we also take action when we find dangerous products that may not necessarily be covered by a regulation or a ban. As an example of this, in 2005, we began an aggressive enforcement policy to recall children's metal jewelry containing lead because our concern was that kids inevitably mouth the jewelry -- put it in their mouths -- and this mouthing action can expose them to lead. And that's a real concern. This policy -- our enforcement policy has resulted in the recall of millions of pieces of children's jewelry as well as changing production methods and standards of manufacturers around the world, especially in China.

These issues, and the literally hundreds of other important product safety issues that we deal with every day at the commission, are, to a greater or lesser degree, impacted by the surge of imports that we have seen over the past decade. At the inception of our agency, imports were a relatively small percentage of the products under the CPSC's jurisdiction. Today, the opposite is true, and the level of imports from all over the world, especially from China, is growing very rapidly.

With this changing reality, we have adopted some new strategies. My predecessor as chairman, seeing the importance of China to our overall agency mission, began an initiative in 2004 that culminated in a historic agreement that I signed with my counterpart from China this past summer. And as a part of that agreement, China has pledged to increase pre-export inspections, crack down on repeat violators of U.S. safety standards and undertake a number of other initiatives to increase compliance with both mandatory and consensus standards. But with tens of thousands of manufacturers and suppliers, and hundreds of millions of dollars worth of daily exports, this is no small undertaking in China. But we expect that both the Chinese industry and the Chinese government will live up to that responsibility, and we're closely monitoring progress here.

But this is not just a China problem. Who orders all those toys and toasters that are bound for the United States? U.S. companies do. And they have the responsibility not only to demand that the products they order meet U.S. safety standards, but to test to make sure that

they do before they go on sale for consumers. So if we as an agency are going to better assure that products manufactured far from U.S. shores are safe to bring into our homes, then I firmly believe that the CPSC must change. We will accomplish this change in the first instance by modernizing the statutes that govern how we conduct our mission.

This past July, I sent up to the Congress a package of 41 specific legislative recommendations to update our statutes with regard to imports. I recommended granting the agency the power to require that all products covered by a mandatory safety standard be tested and certified to that standard. Any shipment that had not been so certified would be refused admission into the United States -- bottom line, end of story. In addition, I asked Congress to amend our laws for the first time to make it actually unlawful to sell a recalled product. This change is long overdue. I also asked for an increase in the cap on our civil penalties and other enhancements to our ability as an agency to do our job.

I'm pleased to report, as many of you already know, that on the last day of this last session of Congress, the House of Representatives unanimously passed a bill that had many of the key recommendations that I had requested, including the three I just mentioned. And I was equally pleased with the way in which the House Energy and Commerce Committee went about crafting their legislation. And they did this with full bipartisan support and participation, and with the input of the CPSC and of consumer groups and business groups as well. I will tell you that our technical staff spent many, many hours with the House committee's staff, helping them craft that piece of legislation.

Now not only -- not everyone is 100 percent happy with the final product. But I think, probably most people are about 80 percent happy with it and, as a former House Commerce Committee staffer who worked on the original CPSC statute and on subsequent amendments to the statute, I can tell you that that is the sign of good piece of legislation. As for the Senate, I'm not sure what to say other than that the process used to develop the legislation was, simply put, a different one than that pursued by the House, and the final product clearly shows that. While the Senate bill does contain some of the recommendations I made, it also contains some provisions that will change our mandates in ways that may not be helpful. But in any case, I hope that what ultimately comes out of the Senate will be a sensible, workable and bipartisan product, and I stand ready to continue to assist in making that happen.

In addition, then, to our China Initiative and what I hope will be new enforcement tools for the agency, we're undertaking a number of other new and expanded activities to address not only imports, but other safety issues as well. And I'd like to give you just a quick overview of some of these new initiatives. First of all, as we wait for Congress to act, the agency is working very closely with the toy industry to fashion a program that will result in industry-wide testing and certification of all toys imported into the United States. In addition, a new import surveillance division is being established at the agency. I mentioned this in my opening remarks.

This will mark the first permanent full-time presence of CPSC at key ports of entry throughout the United States. They will utilize

both their expertise and the new cargo tracking system being implemented with Customs to stop and inspect suspect shipments. Using this new tracking system, CPSC personnel will have access to real-time information and data about shipments bound for the U.S. even before they leave foreign ports. Again, this will not be a broad-based inspection system similar to that that the FDA has, but rather will focus on suspect shipments and high-risk products. To compliment this activity, we will increase what we call special programs for high-impact port and other inspections of toys, fireworks, electrical products and other key product categories. We are undertaking a study of the existing compliance rates of specific imports to measure -- better measure progress of these activities over time.

And then finally, I have directed the creation of an early warning system involving key departments within the agency to better identify and respond to children's product safety hazards, starting with cribs, bassinets and play yards. This initiative is an important one because it's designed to address possible emerging hazards more quickly and effectively. And through the system, we hope to catch any discrepancies and information and find product hazards as they emerge.

But I would be doing a real disservice to the professionals at the CPSC -- like me, parents and consumers themselves. If I did not point out that for every time there is a problem in identifying an emerging product safety issue or implementing a recall, there are hundreds of times when it's done right. And I'll give you one example that is probably known to many of you, and that's the Aqua Dots toy. This is a popular toy that turns out to have a chemical adhesive that can metabolize into a coma-like inducing compound, not really what you want to give your children.

On Friday, November 2nd we had a report from Australia about a hospitalization involving a child who swallowed a number of these dots; however, the product was marketed under a different product name. Our folks in epidemiology began looking at what might have caused the incident. On Monday, we received a similar report from the United States about this product -- this time it was under the "Aqua Dots" name. We immediately accelerated our investigation, identified the chemical at issue and affected the recall on Wednesday, November 7th -- within days of getting that a very first report.

Not only did the media coverage not mention the lightening speed at which we acted in this case, but it also failed to mention -- and this is, I think, really important for you all to understand -- that there was absolutely no way the CPSC could have anticipated or tested for this product defect at the ports -- or anyplace else as far as that is concerned -- until the incident manifested itself. And when we became aware of it, we acted very quickly.

In fact, I think you should understand that only about 10 percent of our product recalls are for so-called regulated products -- products that are covered by a mandatory safety standard and for which we typically have tests that allow us to readily detect any violations of those standards. For the other 90 percent of recalls that involve

a product safety defect, outside the scope of any of our product safety standards and established tests, the types of defects are as numerous as the products themselves and no two are ever quite alike. And that is the challenge that the men and women of the CPSC grapple with every single day.

The world has changed quite a bit since the CPSC was established 35 years ago. The number of products has changed, the kinds of products have changed, the places where products are manufactured has changed. To address this new marketplace, and to remain the world's foremost authority on product safety, we're going to have to change as well. We now have new resources and hopefully will soon have some new enforcement and regulatory tools which will better allow us to do our safety mission. And I can assure you that I am personally very, very excited about the opportunity to remake the agency that is being presented by the legislation that's being considered. I'm also pleased to see, finally, that the press and the public are paying attention to what the CPSC does.

I look forward to working with you as we move forward to address the challenges and opportunities that are going to be presented by this coming year. And I'd be happy to respond to any questions you might have. (Applause.)

MS. SMITH: We have a very inquisitive audience today. I have tons of questions.

MS. NORD: Why am I not surprised? (Laughter.)

MS. SMITH: Do Americans who smoke, drink, eat too much and otherwise challenge their health have an unrealistic expectation that you will keep them risk free?

MS. NORD: Well, that's an interesting question on which to start our conversation.

Congress told us to try to rid the marketplace of unreasonable risks of injury. And I think we have to underline the word "unreasonable." Our agency can't make the marketplace and consumers' homes totally safe. But what we can do is try to anticipate those products that present an unreasonable risk, whether it's because they were not designed properly or because they were not manufactured properly. And when we see those two things occurring, we will take action; however, we can't assure safety 100 percent. We don't do that. That's not what Congress designed us to do, but we do try to address unreasonable risks. We try to do it in a way that's prioritized and makes sense.

MS. SMITH: Quite a few questions on the initiatives you talked about today: Can you expand a little bit, particularly on port inspections, and would the inspectors have the authority to deny entry to a shipment?

MS. NORD: It's important for you all to have, I think, a context for this question. As I said during my remarks, the CPSC is very small and even at 400 people, 500 people, 600 people -- you name it --

we would not have the personnel to sit at the ports and inspect cargoes as they are being offloaded. What we try to do -- what we have tried to do -- is be smart about this and look at suspect shipments or shipments that, in our experience, tell us that they may have problems.

Under our new program and with our new resources, we are going to be expanding that. Just using Southern California as an example, we've got a number of field personnel in California. Several of them spend a great deal of time at the port, but they also do other things. So what we hope to do with our new import surveillance division is have people assigned full time at the busiest ports working very, very closely with Customs -- and with this new cargo tracking system that I mentioned -- so that we will have even more reach in this area.

MS. SMITH: Will they be able to turn away a shipment, though? Is that their authority?

MS. NORD: The agency -- well, the statute is very clear about our authorities here. Basically, Customs has the responsibility to refuse shipment into the United States. And Customs can do that based on advice from the CPSC. They can do that when we find a problem or a product that does not meet a safety standard -- it violates a standard, for example -- or when the commission, through a vote of the commission, has determined that there is a substantial product hazard. So their authorities are pretty constrained by the statute.

Now, having said that, we've worked very closely with Customs. We find a number of suspect problems. When we do that, we hold them. We look deeper. We take products to our laboratory in Gaithersburg, Maryland and test them. If we find problems, then we do stop the shipment.

MS. SMITH: Can you give us a little bit of information about how large the staff will be for this port inspection program, what the budget be? In other words, how much will it grow from what you have now?

MS. NORD: Well, these issues are now being determined, because we've just gotten these new resources within the last two weeks, but we're going to start small. We're going to start in a very focused way and then build on that base.

MS. SMITH: Will you be expanding the ports that you already have a presence in?

MS. NORD: Well, we will be starting at the busiest ports. The ports where the most product comes in. You know, that's Long Beach; it's Seattle; there's a number of other ones. But we really have to put our people where the problem is and that's what we will be doing.

MS. SMITH: So does that mean there will be additional ports or more people at the same ports?

MS. NORD: It means both. We will have permanent resident -- permanent employees at the biggest ports. And as we look at shipments

coming in -- where the problem shipments are coming in -- if we have to reallocate personnel, we'll certainly do that.

MS. SMITH: This questioner asks: Where do you cast blame for substandard imports: China and other countries; retailers and other companies that import; your agency?

MS. NORD: There is an old line in Washington, you know, I don't want to be in the blame game business. But at the end of the day, the entity that has to assure that products that are sold in the marketplace, on our store shelves, is the product seller -- the U.S. company that sells the product. They have the ultimate responsibility at the end of the day to make sure that their products are safe. If they are not safe, then we will take enforcement activity against those product sellers.

Now as product sellers, they need to look down their supply chain and make sure that they have got the process in place to assure that products are manufactured to their specifications; that the types of component parts that go into their products are what they ordered; that the designs have been tested; and that substitutions were not made. They need to test their products. And, hopefully -- if I have my way, and Congress passes what I've requested, they will also have to certify that their products meet U.S. safety standards.

MS. SMITH: When you say the retailer, are you -- are you talking about the corner toy store? Are you talking about the importer? What level are we talking about here?

MS. NORD: The answer to that question is yes -- (laughs). Under the Product Safety Act, the person who sells the product to the public is responsible for making sure that that product does not present unreasonable risk of injury -- and that does mean the retailer. Now the focus of this agency has been -- up until, oh gosh, the early part of the century, has really focused on product manufacturers. And we hadn't really paid an awful lot of attention to retailers, and making sure that retailers understood their responsibilities as well.

With the change in the marketplace, with the big-box retailers coming in, that focus has changed. And about -- what, four years ago, this agency started experimenting with something that we call our "retailer reporting system." And what we've done is structured agreements with some of the biggest retailers -- well, specifically Wal-Mart, whereby Wal-Mart is now sending us information about any product safety complaints that they get. So that has been a very interesting experiment and it has provided us with a great deal of information about what's going on out there in the marketplace.

The beauty of it is also that we do request, require, whatever Wal-Mart to notify the product manufacturer as well, so the information is flowing into the agency, it's flowing back to the manufacturer. But that was put in place because of our recognition that the product retailer has a responsibility here.

MS. SMITH: Quite a lot of questions about lead paint. I mean, it was interesting that you mention in your speech that while it's

something to be concerned about, it hasn't caused any deaths that we know of. Nonetheless, let me ask some of these questions.

Given that lead paint has been banned for more than a quarter century in the U.S., why is it still such a big problem with its prevalence?

MS. NORD: Well, it has been banned in the United States for the last quarter century. And, believe me -- as a consumer, as a mom, as the head of the CPSC, when we started to see these lead paint violations I was incredibly angry, incensed, and made it very clear to our enforcement staff that violations of our lead paint ban would not be tolerated.

Why has it happened? I think it has happened because a great deal of our product is being outsourced -- the manufacture of our product has been outsourced to China. There hasn't been the kind of quality control that we have a right to expect. There hasn't been the kind of testing and certification that we should have. And I think that with the focus of the public, this agency, the world, on what has been happening here, that will change.

One of the things -- one of the shortcomings of our statute, and one of the things I have asked Congress to change is to give us the authority to require that product importers certify that the products that they import into the United States meets our standards. And that one change would go so far to addressing this problem because what it does is that it pushes testing down to the manufacturer -- and the testing would have been done; the certification would have been made; the certification would have followed the imported product; and we would have -- we would have proof that the violation wasn't occurring.

And that would be a very, very helpful change in our statute. This is something I've asked for and I hope Congress responds.

MS. SMITH: Who would oppose that?

MS. NORD: I am not aware that anyone would oppose that. It's the question of making sure that the provision makes its way through Congress. Look, all of us know how laws are made, and it's not an easy process. So I'm hopeful that, at the end of the day, if Congress can do one thing for us, in addition to giving us more money, it's to give us that authority.

MS. SMITH: Would retailers, manufacturers, importers -- are they all on-board on that?

MS. NORD: That's a question that you would best put to them. But, at the end of the day, I cannot imagine a product seller saying that, I'm not happy with a provision that makes me certify that my product meets U.S. safety standards. I wouldn't be real sympathetic to that point of view. But, again, having certification authority across all our statutes would be a very, very helpful tool for us to have.

MS. SMITH: Are there any concrete examples that your agency has made progress in curbing Chinese imports of defective and lead painted

products?

MS. NORD: Yes, there are -- let me just point to the example I gave during my remarks, and that's the Aqua Dots example. When we did that recall we also reached out to the Chinese government and let them know what had happened. And within just a few day's time, that manufacturing facility had been shut down and the product had been quarantined.

But that's -- that's just one example. I think it's important to know that this agency has been looking at this problem systematically and across the board. That's why we signed this agreement this past summer with our counterpart Chinese agency. Basically, that agreement, for the first time, commits them to undertake some very specific example -- or, very specific activities, so that the Chinese government is committed that they are also going to police their marketplace in a more effective way.

Now the challenge, of course, is going to be to make sure that they live up to their commitments and that progress is made. But, you know, we have to start some place, so we did start. And we are moving forward. And at this point, it appears that the Chinese government is taking this issue very, very seriously.

MS. SMITH: How would the -- and given that lead is a naturally-occurring element, how would industry cope with a total ban on lead? Is that even a realistic thing to expect in our modern society?

MS. NORD: Well, that, of course, is a provision in the Senate bill. And, at this point, neither the agency, industry or anyone else has really focused on what the number of products, the type of products that are going to be pulled into this lead ban. And that will be one of the first things that we're going to be doing.

I have asked the Senate for some regulatory flexibility there so that we can make decisions that are smart, focused, and based on science and facts, as opposed to just banning things across the board.

I'm hopeful that they will give us that regulatory flexibility. If they don't, then I have to say you're just starting to see the beginning of recalls because it will be kind of wild if that goes into effect, and we don't have the ability to regulatorily deal with this in a smart way.

MS. SMITH: Could you share with us some examples of maybe some products that might end up having to be -- leave the shelves completely if that ban goes into effect?

MS. NORD: Well, I think the problem is with the Senate bill is that we don't -- we haven't done that catalog so we don't really know the kinds of products that we're talking about. But what we should be doing is focusing on how -- on the exposure rates and exposure patterns of lead. We want to make sure that if a child is exposed to lead, then that is the product that we want to get out of the kid's -- the child's home, out of his environment and out of the marketplace. And so we should be focusing on the products that have the biggest potential for harm and then working on a way to others.

MS. SMITH: This questioner says: Chinese toy exports to the U.S. rose 13 percent in the first 10 months of 2007. Given the number of Chinese recalls, what do you think of that trend?

MS. NORD: Well, the trend in increased of imports is basically happening across the board in many industries, just not the toy industry. Many of our products are being manufactured outside the United States, whether it be in China or in other places, and our challenge, as the CPSC, is to make sure that we're positioned properly to deal with that change in the marketplace.

That's why I've asked for new authorities. That's why we're setting up this import surveillance division within the agency. That's why we're doing a number of the other things I outlined in my remarks.

But the reality is that we live in a global economy, and our agency has to make sure that we can deal with the challenges of that global economy.

MS. SMITH: This questioner asks, the National Transportation Safety Board today is calling for more attention to the problem of lithium batteries on planes. The Consumer Product Safety Commission has also looked into this issue. What does the federal government broadly need to do to draw attention to this issue?

MS. NORD: Let me give you just a little bit of background on this issue. The CPSC has been very, very proactive in recognizing and dealing with the problem of lithium ion batteries. Basically, what happens here is when there is a manufacturing defect, the battery can start on fire in unpredictable situations. This is something that we were concerned about early on. We've done a number of recalls, and our people are working with the trade group and the manufacturers to work on a standard that would address the way these products are manufactured.

But this is not just an issue for the CPSC; this is an issue that involves other parts of the federal government. And you mentioned the Transportation Safety Board. The concern there is that there have been instances where these things have caught on fire in airplanes, and so they have put in place some new regulations -- just, I believe, at the end of the year -- that would address how and when lithium ion batteries can be transported in airplanes. Our folks work very closely with the Transportation Safety Board. We've testified at their hearings. We are in contact with them about the changing science here and what we're doing, what they're doing.

So the federal government is pretty well coordinated on this issue. The question is: How do we make sure that industry is working as quickly as they can to address any manufacturing problems here? And that is a challenge, and we are working hard to address that.

MS. SMITH: I understand there is an aspect of the Senate bill that you oppose, and that would be to make reports about faulty products more available to the public. Should consumers have that sort of information?

MS. NORD: The question goes to a provision of our statute which has become somewhat infamous, and that's 6(b). I think that -- well, the Consumer Product Safety Commission, since its inception, has been one of the most transparent agencies in the federal government. That's really a hallmark of our agency. Generally, we put things up on our website. We make things public, even meetings that I have as the chairman are wide open for anyone to attend if they wish to do so.

Section 6(b) of the Consumer Product Safety Act was put into the act by Congress recognizing that the agency gets lots and lots and lots of information. And we need that information, because that we need to funnel through that information to determine whether there's a real problem or not.

So anything that would disincent people to come and talk to us early and often would be very -- would not be a helpful thing for this agency to experience.

Now, I have absolutely no issue with consumer complaints being made public or other kinds of consumer information being made public. That is not the issue here. The concern that we have with what is being proposed in the Senate bill is that it would also create a disincentive for companies to come to us at an early stage and say, "We want to figure out if we have a problem and work it through." And it's during that process that I think that it is very appropriate to not make that particular process public. Other federal agencies don't do it. People have said NHTSA doesn't. NHTSA doesn't. And it is that part of the process that we do need to, I think, protect. It's a tool that we use. It's a helpful tool.

But having said that, I think 6(b) needs to be amended -- 6(b) -- the time deadlines in 6(b) are out of date. There are other things in 6(b) that could be changed. But I do have concern about taking that very useful tool away from the agency.

MS. SMITH: We're almost out of time, but before asking the last question, we have a couple of important matters to take care of.

First, let me remind our members of future speakers. On January 10th, Margaret Spellings, who's secretary of the Department of Education, will be here; on January 14th, the prime minister of Finland; and on January 17th. Bill Marriott of Marriott International.

And second, I'd like to present our guest with our typical gifts, the NPC certificate, suitable for framing, although it already is --

MS. NORD: (Chuckles.) Thank you.

MS. SMITH: -- and the much-coveted NPC mug.

MS. NORD: (Chuckles.)

MS. SMITH: Has this been tested for lead?

MS. NORD: (Laughs.)

STAFF: (Off mike.)

MS. NORD: Thank you very much. I will use it.

MS. SMITH: And let me ask the last question.

What did you buy for the young children on your holiday list this year?

MS. NORD: Oh, gosh, you know, I'm tempted to answer that question rather fliply. But I'm not going to because I think it actually goes to an important issue. And that is, I think, that consumers have to understand that toys are the most regulated product under our jurisdiction. And this year, toys were inspected and tested more than any other year in the history of our agency.

So toys are safer than they have ever been, and we are building on the activities of this past year to make sure that toys in the future are even more heavily tested and inspected. So I think consumers can have confidence in the marketplace. Consumer confidence is something I care about deeply. And there are 400 people at the CPSC who get up every day, and the thing they care about, the reason they go to work, is to protect consumers. And toy safety is something that is of paramount importance to us, so we take it very seriously.

MS. SMITH: Nancy Nord, thank you so much for being here today. (Applause.)

And I'd like to thank you for coming today as well. I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's luncheon. And thanks to the NPC Library for its research.

A video archive of today's luncheon is provided by the National Press Club Broadcast Center. Press Club members can also access free transcripts of our luncheon at our website, www.press.org. Non-members may purchase transcripts, audio and videotapes by calling 1-888-343-1940. For more information about the National Press Club, contact at (202) 662-7511.

Thank you, and we're adjourned. (Sounds gavel.)

####

END