

INTERNATIONAL TRADE

By Rick Woldenberg

LABELING'S RUSH TO JUDGMENT

WHEN CONGRESS PASSED the Consumer Product Safety Improvement Act last year, it unleashed a volley of measures designed to improve children's product safety. As the months have passed, serious unintended consequences have become evident because of the law's overly broad definition of children's products, its unrealistic deadlines and its ban on the sale of existing inventory.

The result has been massive economic damage to manufacturers and retailers, particularly small businesses that already were reeling from a difficult recession. The pain is not over for the small business community.



The law's new tracking label requirement will take effect in August. Intended to facilitate more effective recalls, the tracking labels requirement instead is creating more chaos in the marketplace.

Because of a deluge of conflicting priorities caused by the CPSIA, the Consumer Product Safety Commission has yet to issue rules for implementing the label requirement, leaving little time for manufacturers to prepare.

Manufacturers need long production lead times, as long as one year in some industries. The addition of tracking labels to production processes will generate countless new tasks. Retraining factories, retooling processes, making new molds, hiring qualified administrative staff and developing new manufacturing protocols take

time and money. Manufacturers are being forced to guess as to the labeling requirements.

Even when the new rules are released, tracking labels will create practical problems for small businesses. Processing labels is expensive and adds significantly to the complexity of small production runs.

The challenge of managing tracking labels for large product lines can be even more daunting. At our company, we estimate we will have to change as many as 600 tracking labels every week for our 2,000-item product line.

In addition, some products have more than one source or are assembled from components made at different times, and in the case of private-labeled commodity items (such as paper clips or magnifiers), it may not even be possible to know where items come from.

Small businesses are throwing up their hands over this new burden. In return for these disruptions and costs to businesses — and higher prices — consumers should at least expect the result to be safer products.

Unfortunately, this is not likely to be the case. Far less than 1 percent of all children's products have ever been recalled. If all children's products must now be labeled, vast resources will be expended on labeling that will never benefit anyone.

Our company has a 25-year recall rate of 0.00001 percent, yet we will outspend that expected recall expense by 50,000 times every year under the new law. Ironically, the CPSIA is designed to make recalls even less likely, and that of course means tracking labels will be less useful.

The math gets worse and worse.

While some products such as cribs or playpens might usefully sport tracking labels because of long life, high value and a special purpose, most children's products

don't present the same special need or potential risks.

Many products only need a brand name to be identified. In addition, companies always have the option to recall everything that cannot be accurately tracked.

Interestingly, the CPSC has had the power to impose tracking labels for years — Congress apparently believed it was better qualified to impose tracking labels than the CPSC's professional staff.

The stakes for manufacturers are high because every violation of the new law must be self-policed and reported to the CPSC within 24 hours. It seems likely big investments in software and new teams of experts will be necessary just to manage tracking labels on children's products. Many small companies have begun to leave the children's market altogether to avoid the expense and hassle. This trend won't help clothe our children or equip our schools.

Unfortunately, the two-member CPSC deadlocked one-to-one on the National Association of Manufacturers' petition to postpone the tracking label requirement, effectively denying the petition.

The CPSC needs to reconsider, or Congress should step in and hit the pause button on the requirement. With more time for discussion and implementation, the CPSC can retool the system to keep children safe without choking off commerce. A common sense approach will ensure everyone's interest in safer children's products can be met at an acceptable cost. **joc**

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