

Questions for American Apparel and Footwear Association
Escrow for Recalled Consumer Products (250419)

Mandate for GAO Studies

The Consumer Product Safety Improvement Act of 2008 (CPSIA) contained a mandate for GAO to study the feasibility of requiring manufacturers and importers to post an escrow, proof of insurance, or security to cover the cost of product recalls or the destruction of domestic and imported consumer products regulated by the Consumer Product Safety Commission (CPSC).

Background

1. Please briefly describe your organization and the types of industries or companies you represent.

Product Recalls in the United States

2. Please describe the economic impact of consumer product recalls on companies.
 - a. Which entities are generally responsible for covering the costs of product recalls and the destruction of recalled products and how do these responsibilities differ, if at all, for manufacturers compared to retailers and distributors, for example?
 - b. Which entities bear responsibility for conducting the recall or destruction of products that are manufactured overseas?
 - c. Or for products manufactured by companies that have been acquired?
3. How do companies generally cover costs related to the recall and destruction of consumer products? How does this vary for domestically-produced versus imported products, if at all?
4. What would trigger the decision to destroy products instead of repairing, exporting, or handling them in another way?

Feasibility of Establishing New Federal Requirements

5. We are studying the feasibility of requiring companies to establish financial resources to cover the costs of potential product recalls or the destruction of recalled products. Please comment on the feasibility of requiring companies to do the following:
 - a. Post an escrow with a financial institution in the form of cash, security (e.g., Treasury bond), or line of credit?

- b. Provide proof of insurance covering product recalls and the destruction of recalled consumer products.
 - c. Provide proof of a surety bond in which the federal government is a party.
6. We are considering conducting an expert panel to discuss the feasibility of requiring companies to post an escrow, proof of insurance, or security to cover the costs of product recalls or the destruction of products. What individuals, organizations, or entities should participate?

Data / Other

- 7. Do you have data on consumer product recalls in the United States - by country of origin, industry or firm, mandatory vs. voluntary, costs of conducting recalls, etc.?
- 8. Do you also have data related to the destruction of recalled products – percentage of products destroyed compared to those that are repaired, exported, etc., cost of destroying products, etc.?
- 9. Please refer us to publications, reports, organizations, or individuals you believe could be useful to us.