

**Statement of Jerry Storch, Chairman and Chief Executive Officer, Toys “R” Us,  
Inc.**

**On “Strengthening Toy Safety Standards”**

**Before the Senate Appropriations Subcommittee on  
Financial Services and General Government**

**September 12, 2007**

Good morning Mr. Chairman and members of the Committee. I am Jerry Storch, Chairman and Chief Executive Officer of Toys “R” Us. Thank you for the opportunity to provide a retailer’s perspective on this important subject.

First and foremost, however, I speak to you as a parent. My wife Jacquie and I have five children, and they are the most important part of our lives. On a very personal level we understand the passion we parents have about toy safety.

Toys “R” Us is the largest dedicated toy and baby products retailer in the United States, with 842 Toys “R” Us and Babies “R” Us stores nationwide, and we employ approximately 65,000 Americans. Globally, we have retail stores in 35 countries and employ approximately 100,000 people directly. Children are in our DNA and helping parents keep their kids safe is part of our brand mission. Safety is core to who we are and that was so long before this year’s events.

Given the current focus on toy safety, our position is unique. We are the touchpoint for the customer and the conduit between them and the manufacturers.

We recognize that the issue of toy safety goes well beyond business and directly to the well-being of the families we serve. We have reiterated that simple, single fact to our employees, suppliers, and business partners. We will not tolerate products that do not meet our rigorous safety standards.

And that is why I am eager to be here this morning to speak with you in support of change, and in support of many of the initiatives I understand you’re considering.

As the recalls this year unfolded, it became clear to us that change was needed. Like many of you, we were frustrated by some of the large recalls earlier this year, especially by what appeared to be an unacceptably long timeframe between discovery of a problem and the actual consumer recall. And so, as you know Mr. Chairman, we reached out to you and Senator Klobuchar after one of the recalls earlier this year.

We know consumers are asking how they can be sure the toys they buy for their families are safe. It is our belief that a combination of strong safety practices when toys are manufactured and reinforcing federal legislation can help provide the answer. We also believe a strong, well-financed Consumer Product Safety Commission (CPSC) is needed, rather than a patchwork quilt of potentially contradictory state legislation.

As the only retailer here today, I thought it might be helpful to share what happens at Toys "R" Us when a recall is announced, and our thoughts on how we can get at the issue of reducing or eliminating the very need for recalls at all.

### **When Recalls Occur**

When a recall takes place we act rapidly to ensure the safety of our consumers. We have strict and non-negotiable procedures in place, which include immediately removing items from the sales floor, our stockrooms, our websites, and our distribution centers. Each of the pulled items must be properly accounted for in our systems and a stop-sale is instituted on the product. This ensures that the item may not be sold at the register, and that recalled items do not leave the warehouses for stores.

Our store managers are also deeply accountable for ensuring the recalled products are never on our shelves from the first day forward and also for on-the-ground communications with customers. Store managers are required to display recall posters on our Safety Boards and audit them daily for accuracy. We also post all recall information on the "Product Recalls" section of the Toys "R" Us website.

Finally, we have implemented a system to help customers return recalled products immediately and efficiently. This is regardless of whether the recalled toy was purchased at Toys "R" Us or another retailer. When it comes to product recall returns, we have a "no quibble" policy.

This week we are announcing further enhancements that will ensure our customers receive the most rapid and detailed information regarding toy safety issues. As the toy authority, we believe we can play an important role in communicating directly with customers about important safety issues. These enhancements include launching a dedicated toy safety microsite, introducing an email notification system for recalls and adding bilingual recall notices to our communications protocols.

Given the processes we have in place, we believe our response to CPSC recalls or manufacturer failures is immediate, rapid, and decisive. Our objective is perfect execution. However, we believe the recall process itself could be improved in two ways:

First, we support legislation shortening the timeframes during the period between identification of a problem and the eventual recall of that product. We are troubled by the possibility that we could be continuing to sell toys that someone knows may have a problem, while we remain unaware until we receive word that a recall is coming - usually just a day or two at most before the recall.

Second, we believe that production code stamping of products and packaging would significantly help in tracing potential safety issues. It would make it easier for retailers and parents to identify recalled product, and avoid the guessing game when a mom or dad is trying to remember whether they bought the product before or after the recall date.

### **Why recalls occur and how to reduce and prevent them in the future**

Ultimately, of course, the objective should be to reduce and prevent recalls in the future, so let me turn to that now.

As you know, most of this year's recalls were for lead violations, and this is something manufacturers should be able to eliminate. There are three prongs to effective prevention of these problems: setting standards, comprehensive testing to ensure compliance with those standards, and deterrence through real consequences if the standards are violated.

On standards, these have been clear - from the CPSC and from retailers.

In terms of deterrence, we have long held our vendors accountable for meeting strict safety standards. There is no room for compromise. And if a vendor does not meet our standards, we take immediate action, including, when warranted, termination of our relationship with them. We have terminated two vendors this year alone, and believe me, this is a strong message about the dire consequences of unacceptable performance.

To strengthen deterrence even more, we support the concept in the proposed legislation of increasing penalties for noncompliance - higher penalties will have a significant impact, and we need that.

So, if the standards have been clear, and there has been deterrence, what went wrong?

And that's where testing comes in. To our knowledge, based on the recalls this year, the problem was not that testing wasn't happening, or that testing wasn't being done properly, but rather that testing was not done frequently enough.

Prior to recent events, toy makers would test the initial batch of a product, then periodically re-test batches to make sure the factory was still complying. What appears to have happened in the recent cases is that someone replaced the compliant paint with non-compliant paint at an unknown point between tests.

Therefore, while we have long required testing from our vendors, we are moving to require that our vendors submit to us certification of testing for each batch coming to Toys "R" Us, and we have been told many vendors are already moving to this practice. To reinforce this direction, we strongly support strengthening third-party testing requirements. Specifically, we advocate for legislation requiring accredited certification of testing facilities. It is a sensible way for all of us – including retailers and consumers – to know that the manufacturers have or use quality testing facilities.

Earlier this year, Toys "R" Us asked Bureau Veritas, a world leader in independent testing, to spot-check and re-test products right off our store shelves – and, in recent months, we have substantially increased these efforts. We have alerted our manufacturers and advised them that this targeted re-testing currently underway at Toys "R" Us will become a permanent part of our safety protocols.

We understand that many manufacturers and others are re-testing both here and overseas. And so, I agree with the CPSC that I wouldn't be surprised if we see further recalls in the coming weeks as a result of all this re-testing of products. We should watch very carefully to distinguish between relatively limited recalls caused by the intensity of the re-testing – essentially cleaning up the market – and recalls which indicate larger, more systematic problems needing special action.

Ultimately, more change is needed. And the federal government is a welcome and crucial partner in this effort. Mr. Chairman, we believe proposed legislation such as the Children's Products Safety Act and the Consumer Product Safety Modernization Act can play an important role in enabling us to make America's toys safer.

I would like to close with the following thought: Safety is, and has always been, the highest priority at Toys "R" Us. It is not the cause of the day. As you do your work, we'd like to be a resource to you and help in any way we can. Recent events have catalyzed increased scrutiny in manufacturing, tighter controls and substantially more and more product testing. This is good news for us and our customers. Against this backdrop, and with the combination of these efforts by retailers, regulators, and manufacturers, we believe that together we will make this the safest of holiday seasons for American consumers.

Thank you again for your leadership, and I look forward to answering any questions you may have.

###