



Recommendation of the Council
concerning Risk Management and
Cost-Benefit Analysis in the
Product Safety Field

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Please cite this document as:

OECD, *Recommendation of the Council concerning Risk Management and Cost-Benefit Analysis in the Product Safety Field*, OECD/LEGAL/0196

Series: OECD Legal Instruments

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Date(s)

Adopted on 25/10/1982

Background Information

The Recommendation concerning Risk Management and Cost-Benefit Analysis in the Product Safety Field was adopted by the OECD Council on 25 October 1982 on the proposal of the Committee on Consumer Policy. The Recommendation calls for a harmonisation of risk management and cost-benefit analysis in relation to product safety in order to facilitate co-ordinated development of consumer safety legislation and avoid non-tariff barriers to international trade.

THE COUNCIL,

HAVING REGARD to Article 5 b) of the Convention on the Organisation for Economic Co-operation and Development of 14 December 1960;

HAVING REGARD to the Recommendation of the Council of 18 December 1979 concerning the Safety of Consumer Products [C(79)202(Final)];

HAVING REGARD to the report by the Committee on Consumer Policy of 4 June 1982 on Risk Management in connection with Consumer Product Safety [CCP(81)2(1st Revision)];

HAVING REGARD to the Report by the Committee on Consumer Policy of 4 June 1982 on Cost-benefit Analysis and Consumer Safety [CCP(82)2];

CONSIDERING that the adoption in Member countries of similar and systematic approaches towards risk management and cost-benefit analysis would contribute to making the decision-making process in the product safety field more transparent and facilitate a co-ordinated development of consumer safety legislation in Member countries, thus avoiding the creation of non-tariff barriers to international trade;

On the proposal of the Committee on Consumer Policy;

RECOMMENDS that Governments of Member countries should consider taking the following action:

I. Risk Management in Connection with Consumer Product Safety

1. In order to attain greater uniformity in the management of risks and to avoid that approaches towards similar product safety problems differ significantly both within and across national boundaries, Member countries should as far as possible adopt systematic procedures. For this purpose Member countries should:

- a) Undertake research projects aimed at the development of routines and methods for analysis of risks in respect of consumer products;
- b) Accept, wherever possible and appropriate, risk data produced in other Member countries, including:
 - Tests made in other countries;
 - Reproducible test methods developed in other countries;
 - Other countries safety standards, until international safety standards are agreed upon;
 - Risk analysis made in other countries;
 - Certificates or statements issued in other countries concerning the safety of products.
- c) Encourage enterprises to use risk management methods with respect to consumer products so that safety hazards can be dealt with at an early stage, including, *inter alia*, the development of check-lists for control of product safety aspects, instructions for use, information about maintenance of the product and warning labels.

2. In their management of risks Member countries should not judge imported products differently than domestic products.

II. Cost-benefit Analysis

3. Cost-benefit analysis is one of the tools available to aid decision-making in the consumer safety field. In order to ensure comparability of the approaches used by Member countries the following methodology could be used:

- a) Benefits accruing from actions should be assessed in terms of savings in:
- Medical costs (accident and emergency department costs, in-patient costs, ambulance costs, out-patient costs);
 - Loss of output (lost output of victim, lost output of others);
 - Other service costs (e.g. Fire fighting costs, social service costs);
 - Property damage costs;
 - Other costs (e.g. Additional costs experienced by the victim and his family for transportation, provision of home care, legal costs, etc.).
- b) Against these benefits should be considered the cost of the proposed action:
- Manufacturers' costs (change in set-up costs, change in operating costs);
 - Social costs of compliance (cost of testing procedures, cost of initial legislation, cost of information and education campaigns, cost of implementation and additional monitoring procedures, cost of any changes in the pattern of consumer behaviour, cost of any new hazard that might be inseparable from the application of this new regulation);
 - Product/market information needed to provide unit costs over time (manufacturing and sales information, life of the product, market stock and use-of-product information).
- c) In addition, evaluation of intangible factors should be attempted, but should be clearly distinguished from the tangible costs and benefits outlined above.

III. Transparency of the Decision-making Process

4. With a view to making the decision-making process on product safety measures more transparent and facilitating the development of internationally comparable criteria in this area Member Governments should consider the possibility of making available to the public relevant information including criteria and examples of risk management and the cost-benefit methods they apply.

IV. Exchange of Information

5. Member countries should report to the Organisation in the framework of the informal notification procedure of any relevant developments in the areas of risk management and cost-benefit analysis for product safety.

V. Follow-up by the Committee

6. The Committee on Consumer Policy is invited to review at an appropriate time the progress made in the implementation of the Recommendation.

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