

Nonmaterial/Nonsubstantive Change to a Currently Approved Collection
Federal Trade Commission
Appliance Labeling Rule, 16 C.F.R. Part 305
(OMB Control Number: 3084-0069)

As explained in the Notice of Proposed Rulemaking (“NPRM”), the Federal Trade Commission (“FTC” or “Commission”), under the direction of Congress, is proposing to expand the coverage of the Appliance Labeling Rule (“Rule”) to require the labeling of ceiling fans. 71 FR 35585 (June 21, 2006). Specifically, the proposed Rule expands the scope of pre-existing recordkeeping, labeling, and reporting requirements to include manufacturers for a product not previously covered, ceiling fans. The Commission is not proposing to amend the substantive requirements of the Rule. In accordance with the Paperwork Reduction Act (“PRA”), as amended, 44 U.S.C. 3501, *et seq.*, the Commission submitted the proposed Rule to the Office of Management and Budget (“OMB”) for review. OMB approved the Rule’s information collection requirements through August 31, 2009 (OMB Control No. 3084-0069).¹

Changes made to the Rule subsequent to publication of the NPRM have not affected the Commission’s previous burden estimate. Nonetheless, as discussed below, the Commission has adjusted its previous burden estimate based on data available from the California Energy Commission and the ENERGY STAR program, as well as, a comment received from the American Lighting Association (“ALA”) in response to the NPRM.² The adjustments to the

¹ The Commission sought and obtained OMB approval for the information collection requirements contained in both the proposed Rule and the existing Rule. Unless otherwise specified, references herein to the “Rule” pertain to both the existing Rule and the proposed amendments.

² The comments received in response to the NPRM are available at <http://www.ftc.gov/os/comments/ceilingfans/index.htm>.

Commission's previous burden estimate solely pertain to the Rule's coverage of ceiling fans (*i.e.*, other components of the Commission's previous burden estimate remain unchanged). As required by the PRA, the FTC is submitting its revised burden estimate to OMB for review.

As set forth in the NPRM and the Commission's corresponding June 2006 Supporting Statement to OMB, the Commission's burden estimates are based on census data, Department of Energy figures and estimates, general knowledge of manufacturing practices, and trade association advice and figures. Because the burden of compliance falls almost entirely on manufacturers and importers (with a *de minimis* burden relating to retailers), the Commission has calculated the burden estimates based on the number of ceiling fan units shipped domestically.

Annual Hours Burden

The Commission estimates that there are 2,500 basic models (*i.e.*, units with essentially identical functional physical and electrical characteristics) of ceiling fans sold in the U.S.³ Consistent with reporting estimates for other products covered by the Rule, the Commission estimates that the average reporting burden for manufacturers will be approximately two minutes per basic model. Accordingly, the estimated annual reporting burden for ceiling fans is approximately 83 hours (2 minutes x 2,500 models ÷ 60 minutes per hour).

With regard to labeling burdens, manufacturers will require approximately four minutes to create a label for each basic model. Thus, the approximate annual drafting burden involved in labeling is 167 hours per year [2,500 basic models x four minutes (average drafting time per

³ The Commission's previous estimate of basic models as stated in the NPRM and corresponding Supporting Statement to OMB (1,500) has been modified to reflect ceiling fan data available from the California Energy Commission and the ENERGY STAR program.

basic model) ÷ 60 minutes per hour]. In addition, the Commission estimates that it will take, on average, six seconds to place labels on the packaging of each unit. Based on 2004 U.S. census data, the Commission estimates that there are approximately 6,000,000 ceiling fan units shipped each year in the U.S. Thus, the annual burden for affixing labels to ceiling fans is approximately 10,000 hours [six (seconds) x 6,000,000 (the total products shipped in 2004) divided by 3,600 (seconds per hour)]. Accordingly, the total annual labeling burden would be approximately 10,167 hours.

With regard to testing burdens, manufacturers will require approximately three hours to test each new basic model. The FTC estimates that, on average, 50% of the total basic models are tested each year. Accordingly, the estimated annual testing burden would be approximately 3,750 hours [1 hour x 3 (average number of tests run per model) x 1,250 (50% of 2,500 basic models)].⁴

The Rule also requires ceiling fan manufacturers to keep records of test data generated in performing the tests to derive information included on labels. The Commission estimates that it will take ceiling fan manufacturers one minute per record (*i.e.*, per model) to store the data. Accordingly, the estimated annual recordkeeping burden would be approximately 42 hours (1 minute x 2,500 basic models ÷ 60 minutes per hour).

In addition, the Rule requires sellers offering ceiling fan products through retail sales catalogs (*i.e.*, those publications from which a consumer can actually order merchandise) to disclose energy information for each fan model in the catalog. Because this information is

⁴ The Commission's previous estimate of two fan tests per model has been increased to three tests per model based on comments provided by ALA.

supplied by the product manufacturers, the burden on the retailer consists of incorporating the information into the catalog presentation.

Based upon staff research concerning the number of manufacturers and online retailers of ceiling fans, the Commission estimates that there are an additional 200 catalog sellers of ceiling fans (paper catalogs and online sellers) who are subject to the Rule's catalog disclosure requirements. The Commission estimates that these sellers each require approximately 17 hours per year to incorporate the data into their catalogs. This estimate is based on the assumption that entry of the required information takes on average one minute per covered product and an assumption that the average online catalog contains approximately 1,000 covered products. Given that there is great variety among sellers in the volume of products that they offer online, it is very difficult to estimate such numbers with precision. In addition, this analysis assumes that information for all 1,000 products is entered into the catalog each year. This is a conservative assumption because the number of incremental additions to the catalog from year to year is likely to be much lower after initial start-up efforts have been completed. Thus, the total annual disclosure burden for all catalog sellers of ceiling fans covered by the Rule is 3,400 hours (200 sellers x 17 hours annually).

Thus, the Commission now estimates that the total annual burden due to the inclusion of ceiling fans under the scope of the Rule will be 17,000 hours (83 hours for reporting + 167 hours for drafting labels + 10,000 hours for affixing labels + 3,750 hours for testing + 42 hours for recordkeeping + 3,400 disclosure hours for catalog sellers), rounded to the nearest thousand.⁵

⁵ This results in an approximate increase of 2,345 burden hours to the Commission's previous burden estimate for the Rule.

Annual Labor Costs

The Commission has derived labor costs by applying appropriate estimated hourly cost figures to the burden hours described above. In calculating the cost figures, the FTC assumes that test procedures, recordkeeping and reporting, labeling, marking, and preparation of fact sheets are conducted by electrical engineers at an hourly rate of \$40.59.⁶

Based on the above estimates and assumptions, the total annual labor cost for the five different categories of burden under the Rule, applied to ceiling fans, is derived as follows: 1) annual testing labor cost is approximately \$152,213 (3,750 hours x \$40.59 (electrical engineer wage category)); and 2) all other annual labor costs including labeling, recordkeeping, reporting, and catalog disclosures are approximately \$555,758 (13,692 hours x \$40.59 (electrical engineer wage category)).⁷ Thus, the total annual labor cost is approximately \$708,000 rounded to the nearest thousand.⁸

Annual Non-labor Costs

⁶ The ALA comment indicated that all recordkeeping, reporting, and fact sheet preparation will be conducted by engineering personnel at a rate of \$40.59 per hour. The hourly rate of \$40.59 is based on data recently released by the U.S. Department of Labor's Bureau of Labor Statistics. See <http://www.bls.gov/ncs/ocs/sp/ncbl0757.pdf>. Accordingly, the Commission has modified its previous assumption that such work would be conducted by skilled technical personnel at an hourly rate of \$29.40.

⁷ In response to the NPRM, ALA further commented that a cost estimate from one of the three certified facilities is \$1,785 per fan. The Commission assumes that labor costs make up only a portion of this estimate. Accordingly, the additional cost for testing proposed by ALA is addressed in the non-labor costs section of this document.

⁸ This results in an approximate increase of \$471,000 to the Commission's previous labor cost estimate for the Rule.

In its previous submission to OMB, Commission staff examined the five distinct burdens imposed by the proposed Rule -- testing, reporting, recordkeeping, labeling, and retail catalog disclosures -- as they affect non-labor costs incurred by manufacturers and catalog sellers of ceiling fans. The manufacturers and retailers who make the required disclosures in catalogs already are producing catalogs in the ordinary course of business; accordingly, capital costs associated with such disclosures would be *de minimis*. Nonetheless, ceiling fan manufacturers that submit required reports to the Commission directly (rather than through trade associations) incur some nominal costs for paper and postage. Ceiling fan manufacturers must also incur the cost of procuring labels. The Commission retains staff's previous estimate that ceiling fan manufacturers will incur approximately \$420,500 for such costs.⁹ However, as discussed below, the Commission has decided to revise staff's previous non-labor cost estimate to take into account additional costs associated with testing.

The ALA comment indicated ceiling-fan manufacturers will contract with third-party labs to test their products. According to ALA, manufacturers incur a testing cost of \$1,785 per ceiling fan at such labs. The Commission believes this calculation overestimates the cost because it does not account for price adjustments based on high-volume testing orders, and it assumes that all manufacturers will use third-party labs.¹⁰ Therefore, the Commission estimates that

⁹ This estimate is comprised of an estimated 6 million ceiling fan units shipped in the U.S. each year (based on 2004 U.S. census data) at an average cost of seven cents per label plus approximately \$500 in nominal paper and postage costs.

¹⁰ At least one large ceiling fan manufacturer has its own testing facility. See http://www.energystar.gov/ia/partners/manuf_res/cflabs.pdf.

manufacturers will incur testing costs of \$1,000 per ceiling fan. The Commission further estimates that approximately \$120 of that cost is attributed to labor.¹¹ Accordingly, the Commission estimates that the average annual non-labor cost associated with testing will be \$1,100,000 [(\$880 (non-labor test cost per fan) x 1,250 (number of basic models tested per year)].

ALA's comment also indicated that manufacturers must dispose of tested units. Assuming that, on average, 50% of the basic models are tested each year, the Commission estimates that the annual capital cost of disposal to be \$750,000 (\$200 disposal cost per fan x 3 tests per fan x 1,250 basic models tested each year). ALA also indicated that manufacturers incur costs for shipping fans to third party test labs at an average of \$9 per model. Although such costs are not incurred by manufacturers which do their own testing, the Commission conservatively estimates that the cost for shipping fans to third-party test labs will be \$11,250 (\$9 per fan x 1,250 models).

Accordingly, the total annual non-labor cost imposed by the Rule, as applied to ceiling fans, will be approximately \$2,282,000, rounded to the nearest thousand (\$420,000 for procuring labels + \$500 for nominal paper and postage costs + \$1,100,000 for testing + \$750,000 for disposal costs + \$11,250 for shipping to third-party test labs).¹²

¹¹ As discussed above, the Commission estimates manufacturers will require approximately three hours to test each new basic model. Assuming an electrical engineer performs the test at an hourly wage rate of \$40.59, the Commission estimates that approximately \$120 of the total testing cost incurred by ceiling fan manufacturers is appropriately categorized as a labor cost.

¹² This results in an approximate increase of \$1,861,422 to the Commission's previous non-labor cost estimate for the Rule.

