

**Supporting Statement
Power Output Claims for
Amplifiers Utilized in Home Entertainment Products
16 C.F.R. Part 432
(Control Number: 3084-0105)**

(1) Necessity for Collecting the Information

Before the Federal Trade Commission issued its Trade Regulation Rule entitled Power Output Claims for Amplifiers Utilized in Home Entertainment Products (“Amplifier Rule” or “Rule”), the affected industry had been engaged in what was referred to as the “War of the Watts,” during which manufacturers and retailers were making misleading power output claims. When the Commission initially proposed the Rule on January 12, 1971, there were at least seven commonly used methods of determining amplifier wattage ratings, all of which would yield different results.

Thus, on November 4, 1974, the Federal Trade Commission issued the Amplifier Rule, which assists consumers by standardizing the measurement and disclosure of power output, distortion, and the associated power bandwidth and impedance ratings of amplifiers in stereos and other home entertainment equipment. By requiring uniform power output disclosures in the advertising of audio equipment, the Rule makes it easier for consumers to make comparisons, including price comparisons, among the many types and brands of audio equipment. The Rule also specifies the test conditions to be used in order to make the requisite disclosures.

(2) Use of the Information

Consumers use the information to compare different brands and types of audio equipment and to intelligently shop for the best price.

(3) Consideration of the Use of Improved Information Technology to Reduce Burden

Consistent with the aims of the Government Paperwork Elimination Act, Pub. L. No. 105-277, § 1704, 12 Stat. 2681-749, 44 U.S.C. § 3504 note, regulated entities may use any information technology available, so long as the disclosures the Rule requires appear in advertisements and promotional materials.

(4) Efforts to Identify Duplication/Availability of Similar Information

In issuing the Rule, the Commission determined that information concerning the power performance characteristics of amplifiers was not being made available to consumers in a clear and uniform manner. There is no other federal or state regulation that requires these disclosures.

(5) Efforts to Minimize Burden on Small Businesses

Date: September 2008

Although the Rule applies to retailers, some of which are small, the burden is minimal. Manufacturers supply the disclosures directly to retailers, without cost. The only costs that retailers incur are associated with advertising the product, which would occur anyway in the ordinary course of business.

(6) Consequences of Conducting Collection Less Frequently

The Rule requires a power output disclosure whenever a representation is made about any of four performance characteristics of home audio equipment: power output, power band, power frequency, or distortion characteristics. In addition, whenever a representation is made about any of the aforementioned four performance characteristics in any product brochure or manufacturer specification sheet, the Rule also requires disclosures of total rated harmonic distortion and the associated power bandwidth and impedance ratings. These disclosures are necessary to effectuate the purpose of the Rule – to give consumers the necessary information to make informed decisions regarding the purchase of audio equipment.

(7) Circumstances Requiring Collection Inconsistent With Guidelines

The collections of information in the Rule are consistent with all applicable guidelines contained in 5 C.F.R. § 1320.5(d)(2).

(8) Consultation Outside the Agency

The Commission gave all interested parties the opportunity to appear and submit comments during the course of the initial rulemaking proceedings. Comments were received from industry members, research institutions, state consumer protection agencies, and the Consumer Electronics Association.

In early 2008 as part of its systematic rule review program, the Commission initiated a periodic review of the Rule to assess the Rule's efficacy, costs, and benefits, and requested public comments as to the impact of the Rule. 73 Fed. Reg. 10403 (Feb. 27, 2008). The comment period closed on May 12, 2008. Staff is currently reviewing the two comments that were received and anticipates Commission action by the end of the year. Neither of these comments relates to the Hours Burden or Associated Labor Costs imposed on affected entities by the PRA (as already set out by our answer to Specification #12).

Finally, the Commission also has sought public comment in connection with its latest PRA clearance request for this Rule. See 73 Fed. Reg. 34750 (June 18, 2008) (no comments were received), and is doing so again contemporaneous with this submission.

(9) Payments or Gifts to Respondents

Not applicable.

(10) & (11) Assurances of Confidentiality/Matters of a Sensitive Nature

There are no recordkeeping or reporting requirements in the Rule. Accordingly, confidentiality issues and issues involving questions of a sensitive nature are not involved.

(12) Hours Burden and Associated Labor Costs

Estimated annual hours burden: 450 hours (300 testing-related hours; 150 disclosure-related hours)

The Rule's provisions require affected entities to test the power output of amplifiers in accordance with a specified FTC protocol. The Commission staff estimates that approximately 300 new amplifiers and receivers come on the market each year. High fidelity manufacturers routinely conduct performance tests on these new products prior to sale. Because manufacturers conduct such tests, the Rule imposes no additional costs except to the extent that the FTC protocol is more time-consuming than alternative testing procedures. In this regard, a warm-up ("precondition") period that the Rule requires before measurements are taken may add approximately one hour to the time testing would otherwise entail. Thus, staff estimates that the Rule imposes approximately 300 hours (1 hour x 300 new products) of added testing burden annually.

In addition, the Rule requires disclosures if a manufacturer makes a power output claim for a covered product in an advertisement, specification sheet, or product brochure. This requirement does not impose any additional costs on manufacturers because, absent the Rule, media advertisements, as well as manufacturer specification sheets and product brochures, would contain a power specification obtained using an alternative to the Rule-required testing protocol. The Rule, however, also requires disclosure of harmonic distortion, power bandwidth, and impedance ratings in manufacturer specification sheets and product brochures that might not otherwise be included.

Staff assumes that manufacturers produce one specification sheet and one brochure each year for each new amplifier and receiver. The burden of disclosing the harmonic distortion, bandwidth, and impedance information on the specification sheets and brochures is limited to the time needed to draft and review the language pertaining to the aforementioned specifications. Staff estimates the time involved for this task to be a maximum of fifteen minutes for each new specification sheet and brochure for a total of 150 hours [(300 new products x 1 specification sheet) + (300 new products x 1 brochure)] x 15 minutes).

The total annual burden imposed by the Rule, therefore, is approximately 450 burden hours for testing and disclosures.

Estimated annual cost burden: \$19,000, rounded to the nearest thousand¹

¹ Staff's labor cost estimates are based on recent data from the Bureau of Labor and Statistics found here: <http://www.bls.gov/news.release/pdf/ocwage.pdf>.

Generally, electronics engineers perform the testing of amplifiers and receivers. Staff estimates a labor cost of \$12,300 for such testing (300 hours for testing x \$41 per hour). Staff assumes advertising or promotions managers prepare the disclosures contained in product brochures and manufacturer specification sheet and estimates a labor cost of \$6,600 (150 hours for disclosures x \$44 per hour). Accordingly, staff estimates the total labor costs associated with the Rule to be approximately \$19,000 per year, rounded to the nearest thousand (\$12,300 for testing + \$6,600 for disclosures).

(13) Estimated Annual Capital and/or Other Non-labor Related Costs

The Rule imposes no capital or other non-labor costs because its requirements are incidental to testing and advertising done in the ordinary course of business.

(14) Estimated Cost to Federal Government

Staff estimates that the current year fiscal cost of administering this requirement is approximately \$10,000. This estimate includes attorney, economist, and other support costs.

(15) Changes in Burden

The FTC staff is not requesting any change in the burden hours.

(16) Statistical Use of Information

There are no plans to publish any information for statistical use.

(17) Display of the Expiration Date for OMB Approval

Not applicable.

(18) Exceptions to the Certification for Paperwork Reduction Act Submissions

Not applicable.