

Supporting Statement
Proposed Amendments to the Appliance Labeling Rule
16 C.F.R. Part 305
(OMB No. 3084-0069)

(1) Necessity for Collecting the Information

The Federal Trade Commission (“FTC” or “Commission”) is seeking comment on proposed labeling requirements for residential furnaces, central air conditioners, and heat pumps to help consumers and industry members install products that comply with Department of Energy (DOE) efficiency standards for the regions where it will be installed (“regional standards”).

Under the Energy Policy and Conservation Act (“EPCA”), the FTC must develop new disclosures for heating and cooling equipment. Specifically, the law requires the Commission to “determine the appropriate 1 or more methods for disclosing information so that consumers, distributors, contractors, and installers can easily determine whether a specific piece of equipment that is installed in a specific building is in conformance with the regional standard that applies to the building.” The statute also authorizes the Commission to modify the EnergyGuide label or develop other disclosure “methods that make it easy for consumers and installers to use and understand at the point of installation.” In response to this mandate, the Commission published an Advance Notice of Proposed Rulemaking (“ANPR”) on November 28, 2011, seeking comments on the development of new disclosures related to the regional standards.¹

After reviewing the comments received on the ANPR, the Commission proposes amending the EnergyGuide label content for heating and cooling equipment. The Commission also proposes to expand the label’s availability by requiring it on manufacturer websites, on product packaging, and at the point-of-sale. These changes should help industry members comply with the regional standards and aid consumers in their purchasing decisions for these products. The labels’ proposed new content discloses efficiency ratings in a simple format and provides regional information to help installers comply with the law. In addition, the proposal directs contractors to make the labels available to consumers prior to purchase. These changes should help industry members and consumers easily use and understand the labels.

(2) Use of the Information

The Rule’s primary purpose is to encourage consumers to comparison shop for energy-efficient household products; in this instance, heating and cooling equipment.

¹ 76 Fed. Reg. 72,872.

(3) Consideration of Using Improved Technology to Reduce Burden

The proposed amendments permit the use of any technologies that covered firms may wish to employ and that may reduce the burden of information collection. Disclosing energy usage information to consumers, however, entails physical labels on products or packaging; as such, electronic disclosure pursuant to the Government Paperwork Elimination Act, 44 U.S.C. §3504 note, is impracticable.

(4) Efforts to Identify Duplication

The Commission staff has not identified any other federal statutes, rules, or policies that would duplicate the proposed Rule.

(5) Efforts to Minimize Burden on Small Organizations

Although EPCA requires the Rule to apply to all manufacturers of covered products, the Commission is seeking comment about minimizing impact on small businesses. While some entities subject to the Rule's requirements may be small businesses, the staff does not expect the proposal will pose significant burdens on small entities. In addition, the proposal consolidates disclosures on a single label, which should minimize burden.

(6) Consequences of Conducting the Collection Less Frequently

Not applicable; there is no flexibility within the framework of EPCA to "collect" less frequently the information contained in the proposed new labeling requirements.

(7) Circumstances Requiring Collection Inconsistent With Guidelines

The proposed amendments' information collection requirements are consistent with all applicable guidelines contained in 5 C.F.R. § 1320.5(d)(2).

(8) Consultation Outside the Agency

In developing the proposed requirements, the staff has consulted with staff from the Department of Energy and the Environmental Protection Agency, in addition to having sought public comment previously through the ANPR mentioned above.

(9) Payments and Gifts to Respondents

Not applicable.

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

The information to be disclosed is of a routine business nature. It is collected and disseminated by the industry among its membership and made available to the public. No

personal or sensitive information is involved nor is any commercially confidential information included.

(12) Estimated Annual Hours Burden and Associated Labor Cost

Total Incremental Burden of the Proposed Rulemaking: 13,667 hours

Total Associated Labor Cost: \$ 239,870

Manufacturer EnergyGuide Images Online: The proposed Rule would require manufacturers to post images of their EnergyGuide labels on their websites. Given approximately 6,000 total models² at an estimated five minutes per model, this requirement will entail a burden of 500 hours. Assuming that the additional disclosure requirement will be implemented by graphic designers at a mean hourly wage of \$23.42 per hour, the associated labor cost would approximate \$11,710 per year (500 hours x \$23.42).

Updating EnergyGuide Labels: The proposed rule would require heating and cooling equipment manufacturers to change the EnergyGuide labels to the new design. The new label design would require a one-time drafting change for the manufacturers. Consistent with similar label changes in the past, the Commission estimates that this one-time change will take 40 hours per manufacturer. As with other recent labeling changes, the FTC staff plans to provide template labels to manufacturers to minimize the burden associated with such labels changes. The Commission estimates that there are approximately 100 manufacturers of affected covered products. Therefore, the label design change will result in a one-time burden of 4,000 hours (100 manufacturers x 40 hours). In calculating the associated labor cost estimate, the Commission assumes that the label design change will be implemented by graphic designers at an hourly wage rate of \$23.42 per hour based on Bureau of Labor Statistics information. Thus, the Commission estimates that the new label design change will result in a one-time labor cost of approximately \$93,680 (4,000 hours x \$23.42 per hour).

EnergyGuide Labels on Packaging: The proposed amendments would require manufacturers to affix a copy of the EnergyGuide on packaging for split-system and single-package air conditioners, and non-weatherized and mobile home gas furnaces. DOE has estimated past annual shipments of these units at about 5,500,000. The Commission estimates the burden for package labeling at 9,167 hours [6 seconds x 5,500,000 units]. In calculating the associated labor cost estimate, the Commission assumes that the label design change will be implemented by packaging and filling machine operators at an hourly wage rate of \$14.67 per hour based on Bureau of Labor Statistics information. Thus, the Commission estimates that label placement on packaging will result in an annual labor cost of approximately \$134,480 (9,167 hours x \$14.67 per hour).

² This estimate is based on information from industry sources.

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

Any capital costs associated with the amendments are likely to be minimal.

(14) Estimated Cost to Federal Government

Staff believes that the cost to the FTC for administering the proposed Rule changes will be minimal.

(15) Program Changes/Adjustments

The proposed additional labeling disclosures will result in an estimated additional 13,667 burden hours, annualized, and cumulative of all affected manufacturers, at an estimated labor cost of \$239,870.

(16) Plans for Tabulation and Publication

Not applicable.

(17) Failure to Display the OMB Expiration Date

Not applicable.

(18) Exceptions to Certification

Not applicable.