

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

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. 10,403 (Feb. 27, 2008). The Commission received two comments in response, one from Richard Myslinski and one from Sony Electronics Inc. ("Sony"); these comments are available at (<http://www.ftc.gov/os/comments/amplifierrule/index.shtm>). Mr. Myslinski's sole comment was, "I think the FTC should let the free market reign and avoid further burdensome regulation." Mr. Myslinski did not submit any further evidence with his comment. Sony commented that the Amplifier Rule serves a useful purpose, noting that "the Rule gives manufacturers a 'brightline' standard against which to measure themselves and the claims of their competitors." Sony further stated that "although [power output of amplifiers] can be objectively measured, the measurements can be done in different ways, thus making the claims susceptible to manipulation," and that "[t]his combination of factors makes the Rule an important element in the manufacturer-customer relationship, and it should remain as such." Moreover, Sony stated that "[w]ithout a clear rule, such as the current Rule...., Sony believes that there is a great deal of risk that, at best, consumers would not receive information useful to their purchasing decision, or, at worst, could be deceived by certain power output claims."

On January 26, 2010, the Commission announced it was retaining the rule as currently written while also issuing guidance concerning testing requirements for measuring power ratings of multichannel amplifiers. 75 Fed. Reg. 3,985. The Commission concluded that there is a continuing need for the Amplifier Rule. Sony's comment provides evidence that the

Amplifier Rule serves a useful purpose, while imposing minimal costs on the industry, and the Commission has no evidence to the contrary.

Finally, on August 18, 2014, the Commission also sought public comment in connection with its latest Paperwork Reduction Act clearance request for this Rule. See 79 Fed. Reg. 48,748. No comments were received. The Commission is seeking comments 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's 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 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 (or 0.25 hours) for each new specification sheet and brochure for a total of 150 hours (derived from [(300 new products x 1 specification sheet) + (300 new products x 1 brochure)] x 0.25 hours). The total annual burden imposed by the Rule, therefore, is approximately 450 burden hours for testing and disclosures.

Estimated annual cost burden: \$22,200.

Generally, electronics engineers perform the testing of amplifiers and receivers. Staff estimates a labor cost of \$14,100 for such testing (300 hours for testing x \$47 mean hourly wages). Staff assumes advertising and promotions managers prepare the disclosures contained in product brochures and manufacturer specification sheet and estimates a labor cost of \$8,100 (150 hours for disclosures x \$54 mean hourly wages). Accordingly, staff estimates the total labor costs associated with the Rule to be approximately \$22,200 per year (\$14,100 for testing + \$8,100 for disclosures).¹

(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.

¹ The wage rates for electronics engineers and advertising and promotions managers are based on recent data from the Bureau of Labor Statistics Occupational Employment Statistics Survey at <http://www.bls.gov/news.release/ocwage.htm>.

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

Not applicable.