

**Supporting Statement for Information Collection Provisions of Rules and
Regulations Under the Wool Products Labeling Act of 1939
16 C.F.R. § 300
(OMB Control #: 3084-0100)**

1. Necessity for Collecting the Information

The Wool Products Labeling Act (“Wool Act” or “Act”), 15 U.S.C. § 68 *et seq.*, and its implementing Wool Act Rules and Regulations (“Wool Rules” or “Rules”), 16 C.F.R. § 300, impose disclosure requirements with respect to wearing apparel and other products containing wool fiber. The purpose of the Act is “[t]o protect producers, manufacturers, and consumers from the unrevealed presence of substitutes and mixtures in spun, woven, knitted, felted, or otherwise manufactured wool products.” Section 6(a) of the Act authorizes and directs the Federal Trade Commission (“FTC” or “Commission”) “to make rules and regulations for the manner and form of disclosing information required by this Act, and for segregation of such information for different portions of a wool product as may be necessary to avoid deception or confusion, and to make such further rules and regulations under and in pursuance of the terms of this Act as may be necessary and proper for administration and enforcement.” Section 6(b) of the Act requires that every manufacturer of wool products maintain proper records showing the fiber content of all wool products made by the manufacturer, and preserve such records for at least three years. Finally, Section 4(e) of the Act requires that advertisements of wool products in any mail order promotional material that is used in the direct sale or direct offering for sale of such wool product state in a clear and conspicuous manner that such wool product is processed or manufactured in the United States of America, or imported, or both.

The Wool Rules provide for the collection of information and fall into the following three categories. These category designations will be used throughout this supporting statement.

Labeling

(16 C.F.R. §§ 300.2, 300.3, 300.5, 300.10, 300.11, 300.12, 300.13, 300.14, 300.15, 300.20a, 300.25, and 300.25a)

Section 300.2 sets forth the general requirement that “[e]ach and every wool product subject to the Act shall be marked by a stamp, tag, label or other means of identification, in conformity with the requirements of the Act and the rules and regulations thereunder.” Other sections of the Rules prescribe the appropriate labeling for various factual situations. In brief, the Rules call for each covered wool product to contain a label that discloses: (1) fiber content, (2) country of origin, and (3) the identity of the manufacturer or other marketer of the product.

The various sections of the Rules that comprise this category merely implement Section 6(a) of the Act; disclosures required pursuant to the Act are deemed necessary because they provide material information about the products. Lacking this information, potential purchasers could not make informed buying decisions.

Recordkeeping
(16 C.F.R. § 300.31)

Section 300.31, implementing Section 6(b) of the Wool Act, requires manufacturers and those marketers who substitute labels (*e.g.*, resellers) to maintain records that reflect the basis relied upon in making fiber content and country of origin disclosures shown on labels attached to wool products. Records must be retained for three years, and their purpose is “to permit a determination that the requirements of the Act and Regulations have been met and to establish a traceable line of continuity from raw material through processing to finished product.” 16 C.F.R. § 300.31(c).

Country of Origin Disclosure in Mail Order Advertising
(16 C.F.R. § 300.25a)

Section 300.25a implements Section 4(e) of the Wool Act, which requires each item description of a covered product offered for sale in catalog or mail order promotional material to include a clear and conspicuous disclosure of whether “such wool product is processed or manufactured in the United States of America, or imported, or both.”

Application to Exclude Products
(16 C.F.R. § 300.35)

Section 4(d) of the Act permits the FTC to determine whether these disclosures must be made for certain classes of articles or products. Thus, the FTC may determine that representations of fiber content are customarily made as to a certain class of linings, paddings, stiffenings, trimmings, or facing, and that the disclosures must be made as to that class. The FTC may also determine that certain products have insignificant or inconsequential textile content and that disclosures as to those products need not be made. Any person may apply to the FTC for a hearing to propose such a determination. Such an application must include a detailed technical description of the class or classes of articles or products at issue.

2. Use of the Information

Labeling

Potential purchasers, both consumers and businesses, rely upon the disclosed fiber content and country of origin information to make informed buying decisions in the marketplace. Disclosure of company identification is used by the Commission for enforcement purposes, *i.e.*, to identify the manufacturer of a misbranded item. It is also used by other companies seeking to identify the manufacturer or distributor of a particular item for business purposes.

Recordkeeping

The information collected pursuant to the recordkeeping section is used by manufacturers and marketers of covered products. The records serve as support for the fiber content claims made on labels and provide a deterrent against misbranding. The records are also available to the Commission and may be used in an investigation or law enforcement action.

Country of Origin Disclosure in Mail Order Advertising

Section 300.25a ensures that consumers who purchase covered products by catalog or other mail order sale, who cannot examine the label on the product before purchase, will be apprised of whether a covered product offered for sale by catalog or other mail order promotional material is made in the U.S.A., imported, or both. The records are also available to the Commission and may be used in an investigation or law enforcement action.

Application to Exclude Products

The Commission would use information contained in such an application to determine whether it would be in the public interest to hold a Section 4(d) Wool Act hearing. If such a hearing results, the information in the application would be used in the hearing as well.

3. Consideration of the Use of Improved Information Technology to Reduce Burden

The labeling, recordkeeping, and mail order advertising sections of the Rules merely set forth certain performance standards. For example, fiber content labels must clearly and conspicuously disclose the required information. However, companies may avail themselves of any improved technology (*e.g.*, mechanization, typesetting, printing) in meeting these performance standards. In addition, covered entities have flexibility with regard to the placement of information on labels and the attachment of labels to products.

For information that is required to be disclosed on wool product labels, an electronic disclosure option, pursuant to the Government Paperwork Elimination Act, Pub. L. No. 105-277, Title XVII, 112 Stat. 2681-749 (“GPEA”), is impracticable. For non-labeling disclosures, however, the Commission, in compliance with the Act, has previously amended relevant Wool Rules definitions so that they are either format-neutral or explicitly recognize and permit such disclosures in electronic format. *See* 16 C.F.R. § 300.1(j) (incorporating by reference 16 C.F.R. § 303.1(h) (“invoice” or “invoice or other paper” – issued “in writing or in some other form capable of being read and preserved in a tangible form”) and § 300.1(h) (“mail order catalog” or “mail order promotional material” – materials disseminated “in print or by electronic means”)). Likewise, the Rules permit the maintenance of relevant records in any format, including electronic, that a manufacturer chooses. 16 C.F.R. § 300.31.

4. Efforts to Identify Duplication/Availability of Similar Information

There is no other federal law or regulation that requires the collection of information contained in the Wool Act or Rules.

The Act and Rules were placed into effect because companies were not voluntarily providing material product information or were not providing it in a meaningful, standardized format that facilitated informed buying decisions in the marketplace. The record collection and retention requirements simply require recording and maintaining the same type of general information that most covered companies now routinely undertake in the normal course of business.

5. Efforts to Minimize Burden on Small Businesses

The Wool Act allows the Commission no latitude to treat small businesses differently. The Act specifically requires “any person” marketing covered products to label and keep records; “person” is defined as, “. . . an individual, partnership, corporation, association or any other form of business enterprise” (emphasis added). Thus, Congress intended to cover all concerns, of whatever size, engaged in the marketing of wool products. The regulatory requirements are designed to impose no more than the minimum necessary burden on the persons who complete them. The burden on small companies with respect to the labeling, recordkeeping, and mail order advertising sections of the Rules is minimal because their suppliers (*e.g.*, mills, wholesalers) must provide them with accurate information regarding fiber content and country of origin.

6. Consequences of Conducting Collection Less Frequently

The disclosure of information required in labeling applies to each covered product in the marketplace. If disclosure were not required in every case, the objective of informing purchasers of important, material information would be defeated.

The recordkeeping section of the Rules requires manufacturers and those who substitute labels (*e.g.*, resellers) to record and retain substantiation for the labeling claims pertaining to covered products. In the absence of this requirement, the country of origin disclosure would be unsupported and the chain of fiber content continuity from raw material through finished product would be lost. This would remove an important deterrent against misbranding and would complicate any Commission inquiry or enforcement action.

If origin information were not required in mail order advertisements, consumers would not receive any country of origin information until after they purchased a product.

7. Circumstances Requiring Collection Inconsistent with Guidelines

The collection of information under the Rules is consistent with all applicable guidelines contained in 5 C.F.R. § 1320.5(d)(2).

8. Consultation Outside the Agency

Most sections of the Wool Rules have been in effect for more than three decades. Before their promulgation, the Commission sought and considered input of affected individual companies and trade associations at each step in the rulemaking proceedings.

Over the years the FTC has had recurring contacts with affected companies and major trade associations. For example, Commission staff has an on-going liaison relationship with the American Apparel and Footwear Association. Further, Commission staff has regular contact with companies subject to the Wool Rules, both large multi-national corporations and small businesses entering the market.

Based on recurring contacts with covered companies and the FTC's own experience (*e.g.*, from conducting routine compliance investigations), the Commission staff concludes that, with regard to the sections of the Rules pertaining to labeling and mail order advertising, virtually all covered companies: (1) are aware of the Rules; (2) know that the FTC will freely provide copies of the Wool Act and Rules and additional explanatory materials upon request; and (3) consider the Rules to be clear and reasonable. Experience further indicates that the information collection required merely calls for minimal, routine records that generally would be maintained by a responsible company, even absent the provision.

As it has in the past, Commission staff sought public comment in connection with its latest PRA clearance request for the Rules, in accordance with 5 C.F.R. § 1320.8(d). *See* 80 Fed. Reg. 1,411 (January 9, 2015). No comments were received. Consistent with 5 C.F.R. § 1320.12(c), it is doing so again contemporaneous with this submission.

The Commission has also recently completed a review of the Wool Rules under its regulatory review program. Among other things, the Commission sought comment on the overall costs, benefits, necessity, regulatory and economic impact of, and possible modifications to, the Wool Rules. On June 4, 2014, the Commission retained and amended the Wool Rules to conform to the 2006 Wool Suit Fabric Labeling Fairness and International Standards Conforming Act which amended the Wool Act¹ and the amended Textile Rules. 79 Fed. Reg. 32,157 (June 4, 2014). The changes included incorporating the law's new definitions for cashmere and very fine wools, clarifying descriptions of products containing virgin or new wool, and allowing certain hang-tags disclosing fiber trademarks and

¹ Public Law 109-428 (Dec. 20, 2006), *codified* at 15 U.S.C. § 68b(a)(5)-(6).

performance even if they do not disclose the products' full fiber content. The amended rules were effective on July 7, 2014. Industry commenters supported retention of the amended Wool Rules.

9. Payments of Gifts to Respondents

Not applicable.

10. & 11. Assurances of Confidentiality and Matters of a Sensitive Nature

The records involved do not concern matters of a sensitive nature.

12. Estimated annual hours burden: 1,880,000 hours (160,000 recordkeeping hours + 1,720,000 disclosure hours).

Recordkeeping: Staff estimates that approximately 4,000 wool firms are subject to the Wool Rules' recordkeeping requirements. Based on an average annual burden of 40 hours per firm, the total recordkeeping burden is 160,000 hours.

Disclosure: Approximately 8,000 wool firms, producing or importing about 600,000,000 wool products annually, are subject to the Wool Rules' disclosure requirements. Staff estimates the burden of determining label content to be 30 hours per year per firm, or a total of 240,000 hours, and the burden of drafting and ordering labels to be 60 hours per firm per year, or a total of 480,000 hours. Staff believes that the process of attaching labels is now fully automated and integrated into other production steps for about 40 percent of all affected products. For the remaining 360,000,000 items (60 percent of 600,000,000), the process is semi-automated and requires an average of approximately ten seconds per item, for a total of 1,000,000 hours per year. Thus, the total estimated annual burden for all firms is 1,720,000 hours (240,000 hours for determining label content + 480,000 hours to draft and order labels + 1,000,000 hours to attach labels). Staff believes that any additional burden associated with advertising disclosure requirements would be minimal (less than 10,000 hours) and can be subsumed within the burden estimates set forth above.

Estimated annual cost burden: \$22,620,000, rounded to the nearest thousand (solely relating to labor costs). The chart below summarizes the total estimated costs.

Task	Hourly Rate	Burden Hours	Labor Cost
Determine label content	\$ 26.00	240,000	\$6,240,000
Draft and order labels	\$ 17.00	480,000	\$8,160,000

Task	Hourly Rate	Burden Hours	Labor Cost
Attach labels	\$ 5.50 ²	1,000,000	\$5,500,000
Recordkeeping	\$ 17.00	160,000	\$2,720,000
TOTAL			\$22,620,000

13. Estimated Capital or Other Non-Labor Costs

Staff believes that there are no current start-up costs or other capital costs associated with the Wool Rules. Because the labeling of wool products has been an integral part of the manufacturing process for decades, manufacturers have in place the capital equipment necessary to comply with the Rules. Based on knowledge of the industry, staff believes that much of the information required by the Wool Act and Rules would be included on the product label even absent their requirements. Similarly, recordkeeping and advertising disclosures are tasks performed in the ordinary course of business so that covered firms would incur no additional capital or other non-labor costs as a result of the Rules.

14. Estimated Cost to the Federal Government

Staff estimates a representative year's cost imposed by the Rules during the course of the three-year clearance period sought will be \$50,000. Attorney, clerical, and other support staff costs are included in this estimate, as are employee benefits.

² For imported products, the labels generally are attached in the country where the products are manufactured. According to information compiled by an industry trade association using data from the U.S. Department of Commerce, International Trade Administration and the U.S. Census Bureau, approximately 97.5 % of apparel used in the United States is imported. With the remaining 2.5 % attributable to U.S. production at an approximate domestic hourly wage of \$10 to attach labels, staff has calculated a weighted average hourly wage of \$5.50 per hour attributable to U.S. and foreign labor combined. The estimated percentage of imports supplied by particular countries is based on trade data for the year ending in September 2014 compiled by the Office of Textiles and Apparel, International Trade Administration. Wages in major textile exporting countries, factored into the above hourly wage estimate, were based on 2012 data from the U.S. Department of Labor, Bureau of Labor Statistics. See Table 1.1 Indexes of hourly compensation costs in manufacturing, U.S. dollar basis, 1996-2012 (Index, U.S. = 100) available at: <http://www.bls.gov/fls/#compensation>.

15. Program Changes or Adjustments

There is a substantial upward adjustment in estimated burden due to a revision in the industry association's estimates of the time needed to comply with the Rule.

16. Statistical Use of Information

There are no plans to publish, for statistical use, any information required by the Wool Act and Rules.

17. Display of Expiration Date for OMB Approval

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

Not applicable.