

**Supporting Statement for Information Collection
Provisions of Rules and Regulations Under the
Fur Products Labeling Act
16 C.F.R. § 301
(OMB Control # 3084-0099)**

1. Necessity for Collecting the Information

The purpose of the Fur Products Labeling Act (“Fur Act” or “Act”), 15 U.S.C. § 69 *et seq.*, and its implementing Fur Act Rules and Regulations, 16 C.F.R. § 301 (“Fur Rules” or “Rules”), is to protect consumers and others against misbranding, false advertising, and false invoicing of fur products and furs.¹

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

Labeling and Invoicing

(*e.g.*, 16 C.F.R. §§ 301.2, 301.27, 301.29, and 301.37)

Section 301.2 generally provides that: “Each and every fur product . . . shall be labeled and invoiced in conformity with the requirements of the act and rules and regulations” (emphasis added); and, “[e]ach and every fur [*i.e.*, pelts] shall be invoiced in conformity with the requirements of the act and rules and regulations.”

The various rules require covered products to be labeled/invoiced in a prescribed manner to disclose: fur content, animal name, country of origin of imported furs, whether the product is composed of natural or dyed fur, name or registered identification number of the manufacturer or other marketer, and certain other related information. These rules merely implement provisions of the Fur Act. The disclosures are deemed necessary because they provide material information about the products. Lacking this information, potential purchasers could not make informed buying decisions.

Recordkeeping

(*e.g.*, 16 C.F.R. §§ 301.35, 301.41, and 301.44)

Section 8(d)(1) of the Fur Act states: “Every manufacturer or dealer in fur products or furs shall maintain proper records showing the information required by this Act with respect to all fur products or furs handled by him, and shall preserve such records for at least three years.” The various sections in this category merely implement this and other specific provisions of the Act. For example, Sections 301.35 and 301.41 require manufacturers and other marketers who

¹ The Fur Act states: “The Commission is authorized and directed to prescribe rules and regulations governing the manner and form of disclosing information required by this [Act], and such further rules and regulations as might be necessary to and proper for purposes of administration and enforcement of this [Act].” 15 U.S.C. § 69f(b).

substitute labels to maintain records, invoices, and other documents that will readily identify each fur and fur product and reflect all required information (*e.g.*, animal name, country of origin of imported fur, whether the product is dyed or natural, etc.). In addition, Section 301.44(e) requires retail furriers and others who make price savings claims in advertisements to maintain records disclosing the facts upon which the representations are based.

These recordkeeping requirements are necessary to establish a continuous line of product composition from raw material through sale of finished product in order to provide substantiation for representations about the fur product, and to support price savings claims made in advertisements.

Disclosure in Advertisements
(16 C.F.R. § 301.38)

Section 301.38, pursuant to Sections 3 and 5(a) of the Fur Act, requires manufacturers and other marketers of covered fur products to disclose certain information in advertising. The information must be disclosed in a prescribed manner and is necessary in order to properly inform prospective purchasers and avoid deception.

Petition for Exemption
(16 C.F.R. § 301.19)

Section 301.19 provides that processors (*e.g.*, dressers, dyers) of fur pelts are required to mark each pelt in a manner indicating whether it is natural or dyed. Subsection (k), however, allows an exemption for pelts that are always dyed or always natural and the pelts cannot be marked or stamped as the section requires. In this case, the processor may file an affidavit with the Commission requesting an exemption.

2. Use of the Information

Labeling and Invoicing

Potential purchasers, both consumers and businesses, rely upon the disclosed 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 sections is used by manufacturers and other marketers of covered products to support claims made on labels and invoices, and to support price savings representations made in advertisements. The records may

be inspected by Commission staff for law enforcement purposes.

Advertising

Consumers and other potential purchasers rely upon disclosures contained in advertisements; these disclosures are necessary to preclude misinformation and misleading representations. The records may be inspected by Commission staff for law enforcement purposes.

Petition for Exemption

The Commission would use the information in the affidavit to determine whether the public interest would be served by allowing the exemption.

3. Consideration to Use Improved Information Technology to Reduce Burden

For the most part, the Rules merely set forth certain performance standards. For example, labels must disclose certain required information in a prescribed format; however, companies may avail themselves of any improved technology (*e.g.*, in the areas of mechanization, typesetting, and printing) in meeting these performance standards.

Disclosing fur content and other required information to consumers, however, requires labeling of fur products. As such, providing an option for electronic disclosure pursuant to the Government Paperwork Elimination Act, Pub. L. No. 105-277, Title XVII, 112 Stat. 2681-749 (GPEA), is impracticable. Nonetheless, the Rules comply with GPEA by permitting invoicing to be accomplished (*see* § 301.37) and necessary records to be kept (*see* Sections 301.35, 301.41, 301.44) without regard to format, so that a regulated entity, if it chooses, may conduct these activities electronically.

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 Fur Act or the Rules.

The Act and the Rules were promulgated because companies were not voluntarily providing material product information in a meaningful, standardized format that facilitated informed buying decisions in the marketplace. It should be noted that the collection and recordkeeping provisions simply require retention of information which most covered companies would routinely retain in the normal course of business, and the recordkeeping burden for PRA purposes excludes records that would otherwise be kept in the normal course of business. 5 C.F.R. § 1320.3(b)(2).

5. Efforts to Minimize Burden on Small Businesses

There is no specific exemption or differential treatment for small organizations under

either the Fur Act or Rules. Small businesses (*e.g.*, retailers and dealers) can, however, rely on invoices and other information provided by the manufacturer or other sources in order to comply with the labeling, invoicing, advertising, and recordkeeping requirements of the Act. The Act, as recently amended by the Truth in Fur Labeling Act (“TFLA”), and section 301.39 of the Rules provide a new exemption for furs sold directly by trappers and hunters to customers in certain face-to-face transactions.

6. Consequences of Conducting Collection Less Frequently

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

Recordkeeping requirements apply to manufacturers and those who substitute labels (*e.g.*, resellers) and require them to record and retain substantiation for the labeling claims made. Without such records, it would be impossible to trace the chain of fur content from raw material to finished product, which means that an important deterrent against misbranding would be removed.

Advertising disclosure requirements apply to all advertisements for fur products. Less frequent disclosure would impede the objective of preventing misinformation and misrepresentation.

7. Circumstances Requiring Collection Inconsistent with Guidelines

This collection of information is consistent with the guidelines contained in 5 C.F.R. § 1320.5.

8. Consultation Outside the Agency

Commission staff responsible for the administration and enforcement of these rules has had repeated contact with industry members and their trade associations, such as the Fur Information Council of America. Based on recurring contacts with covered companies and the FTC’s own experience (*e.g.*, from conducting routine compliance investigations), Commission staff concludes that: companies are aware of the Rules; they are aware that the FTC will freely provide copies of the Fur Act and Rules and additional explanatory materials upon request; and they consider the Rules to be clear and reasonable.

In 2014, the Commission completed a review of the Fur Rules under its regulatory review program.² Among other things, the Commission had sought comment on the overall costs, benefits, necessity, regulatory and economic impact of, and possible modifications to, the Fur Rules. The Commission amended the Rules to update the Fur Products Name Guide, provide businesses with more flexibility in labeling, incorporate provisions of the Truth in Fur

² Final Rule, 79 Fed. Reg. 30,445 (May 28, 2014) (effective date of November 19, 2014).

Labeling Act of 2010 (TFLA),³ and conform the Rules' guaranty provisions to those governing textile products.

As it has in the past, Commission staff sought public comment in connection with its latest PRA clearance request for these Rules, in accordance with 5 C.F.R. § 1320.8(d). *See* 80 Fed. Reg. 4,264 (January 27, 2015). No comments were received. Consistent with 5 C.F.R. § 1320.12(c), it is doing so again contemporaneous with this submission.

9. Payments or 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. Burden Estimate

Estimated annual hours burden: 249,541 hours (64,440 hours for recordkeeping + 185,101 hours for disclosure).

Recordkeeping: The Fur Rules require that retailers, manufacturers, processors, and importers of furs and fur products keep certain records in addition to those they may keep in the ordinary course of business. Staff estimates that 1,230 retailers incur an average recordkeeping burden of about 18 hours per year (22,140 hours total); 90 manufacturers incur an average recordkeeping burden of about 60 hours per year (5,400 hours total); and 1,230 importers of furs and fur products incur an average recordkeeping burden of 30 hours per year (36,900 hours total). The combined recordkeeping burden for the industry is approximately 64,440 hours annually.

Disclosure: Staff estimates that 1,320 respondents (90 manufacturers + 1,230 retail sellers of fur garments) each require an average of 30 hours per year to determine label content (39,600 hours total), and an average of ten hours per year to draft and order labels (13,200 hours total). Staff estimates that the total number of garments subject to the fur labeling requirements annually is approximately 1,610,000.⁴ Staff estimates that, for approximately 50 percent of these garments (805,000), labels are attached manually, requiring approximately four minutes per

³ The TFLA amended the Fur Act by: (1) eliminating the Commission's discretion to exempt fur products of relatively small quantity or value from disclosure requirements; and (2) providing that the Fur Act will not apply to certain fur products obtained through trapping or hunting and sold in face-to-face transactions ("hunter/trapper exemption").

⁴ The total number of imported fur garments, fur-trimmed garments, and fur accessories is estimated to be approximately 1,400,000 based on industry data. Estimated domestic production totals 210,000.

garment for a total of 53,667 hours annually. For the remaining 805,000, the process of attaching labels is semi-automated and requires an average of approximately five seconds per item, for a total of 1,118 hours. Thus, the total burden for attaching labels is 54,785 hours, and the total burden for labeling garments is 107,585 hours per year (39,600 hours to determine label content + 13,200 hours to draft and order labels + 54,785 hours to attach labels).

Staff estimates that the incremental burden associated with the Fur Rules' invoice disclosure requirement, beyond the time that would be devoted to preparing invoices in the absence of the Rules, is approximately one minute per invoice for garments and thirty seconds per invoice for pelts.⁵ The invoice disclosure requirement applies to fur garments, which are generally sold individually, and fur pelts, which are generally sold in groups of at least 50, on average. Assuming invoices are prepared for sales of 1,610,000 garments, the invoice disclosure requirement entails an estimated burden of 26,833 hours (1,610,000 invoices x one minute). Based on information from the Fur Industry Council of America, staff estimates total sales of 8,900,000 pelts annually. Assuming invoices are prepared for sales of 178,000 groups (derived from an estimated 8,900,000 pelts ÷ 50) of imported and domestic pelts, the invoice disclosure requirement entails an estimated total burden of 1,483 hours (178,000 total invoices x thirty seconds). Thus, the total burden for invoice disclosures is 28,316 hours.

Staff estimates that the Fur Rules' advertising disclosure requirements impose an average burden of 40 hours per year for each of the approximately 1,230 domestic fur retailers, or a total of 49,200 hours.

Thus, staff estimates the total disclosure burden to be approximately 185,101 hours (107,585 hours for labeling + 28,316 hours for invoices + 49,200 hours for advertising).

Estimated annual cost burden: \$4,657,902 (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	39,600	\$1,029,600
Draft and order labels	\$ 17.00	13,200	\$224,400

⁵ The invoice disclosure burden for PRA purposes excludes the time that respondents would spend for invoicing, apart from the Fur Rules, in the ordinary course of business. See 5 CFR 1320.3(b)(2).

Attach labels	\$ 10.00 ⁶	54,785	\$547,850
Invoice disclosures	\$ 17.00	28,316	\$481,372
Prepare advertising disclosures	\$ 26.00	49,200	\$1,279,200
Recordkeeping	\$ 17.00	64,440	\$1,095,480
TOTAL			\$4,657,902

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 Fur Rules. Because the labeling of fur products has been an integral part of the manufacturing process for decades, manufacturers have in place the capital equipment necessary to comply with the labeling requirements. Industry sources indicate that much of the information required by the Fur Act and Rules would be included on the product label even absent the Rules. Similarly, invoicing, recordkeeping, and advertising disclosures are tasks performed in the ordinary course of business; therefore, covered firms incur no additional capital or other non-labor costs as a result of the Act.

14. Estimated Cost to the Federal Government

Staff estimates that a representative year's cost of administering the rule during the 3-year clearance period sought will be approximately \$50,000. Attorney, clerical, and other support staff costs are included in this estimate, as are employee benefits.

15. Program Changes or Adjustments

The Federal Trade Commission is requesting a change from its burden estimate of 168,098 hours under its current OMB clearance up to 249,541 hours, partially from a program change and partially from an upward adjustment. The program change derives from recent statutory amendments to the Fur Act by Congress which eliminated the Commission's power to exempt from the labeling requirements items where either the cost of the fur trim to the manufacturer or the manufacturer's selling price for the finished product is less than \$150. This accounts for part of the increase in the number of garments subject to the Fur Act and Rules

⁶ Per industry sources, most fur labeling is done in the United States. This rate is reflective of an average domestic hourly wage for such tasks performed in the United States, which is derived from recent BLS statistics.

(1,610,000 in 2015 and 1,336,000 in 2011), which imposes higher recordkeeping and labeling costs on manufacturers, importers, and retailers. In addition, sales of fur garments that would not have fallen under the exemption increased.

There was also an upward adjustment derived from updated compliance estimates provided by Fur Information Council of America for recordkeeping and disclosure. For example, it is estimated that entities spend more time on average complying with disclosure requirements that determine label content (30 hours per year in 2015 and 26 hours in 2011) and for drafting and ordering disclosure labels (10 hours in 2015 and 7 hours in 2011).

16. Statistical Use of Information

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

17. Display of Expiration Date for OMB Approval

Not applicable.

18. Exceptions to the Certification for Paperwork Reduction Act Submissions

Not applicable.