



GE Consumer & Industrial

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Federal Trade Commission
Office of the Secretary
Room H-135 (Annex O)
600 Pennsylvania Ave., NW
Washington, D.C. 20580

RE: *Appliance Labeling Rule*

Dear Secretary Clark:

GE is one of the largest manufacturers and marketers of major home appliances many of which are subject to mandatory energy-usage labeling program administered by the Federal Trade Commission's ("Commission" or "FTC") pursuant to the National Appliance Energy Conservation Act ("NAECA")¹.

GE submits these comments in response to the Commission's request for comments on the effectiveness of its appliance-labeling program and ways that it might be improved.² Specifically, the Commission seeks comments on the effectiveness of the *EnergyGuide*, possible changes to the guide and stakeholders assessment of specific sections of the guide. In addition to the comments below, GE, a member of the Association of Home Appliance Manufacturers ("AHAM"), adopts and incorporates herein the comments filed by AHAM in this matter.

¹ 42 U.S.C. § 6291 *et seq*

² Rule Concerning Disclosures Regarding Energy Consumption and Water Use of Certain Home Appliances and Other Products Required Under the Energy Policy and Conservation Act ("Appliance Labeling Rule"), 70 Fed. Reg. 66,307 (Nov. 2, 2005) (the "November 2 Notice")

I. Background

The purpose of the *EnergyGuide* label is to provide information to consumers regarding the energy *usage* of certain home appliances. Clothes washers, dishwashers, and refrigerator/freezers and air conditioners are among the products manufactured by GE that must be labeled.³ The current label design displays energy usage in a *continuous-scale* format. It displays a horizontal scale bounded by the energy values of models of the same type that use the most and the least amount of energy. By providing this “range of comparability” the label allows consumers to take into consideration the relative energy consumption of available models in making the purchase decision.

The design of the current label fulfills Congress’ mandate that labels:

“disclose to the estimated annual operating cost of such product (determined in accordance with test procedures prescribed under section 6293 of this title)” and “information respecting the range of estimated annual operating costs for covered products to which the rule applies...”⁴

Estimated annual operating cost is also clearly defined:

The term “estimated annual operating cost” means the aggregate retail cost of the energy which is likely to be consumed annually...in representative use of a consumer product, determined in accordance with section 6293 of this title.⁵

Any changes to the label must effectuate this policy to provide comparative energy consumption information. The statute does not authorize the Commission to provide comparative energy efficiency information. This is a critical distinction explicitly acknowledged by the Commission in its 1998 rulemaking to provide an exemption to the Commission’s rule that prohibited adding other than energy consumption information on the *EnergyGuide* so as to allow the Energy Star logo to appear on the label.⁶

³ The rule requires clothes washers, dishwashers, and refrigerator/freezers display the energy usage of these products in the *continuous-style* format. However, the label for Room Air Conditioners is measured in terms of an EER rating.

⁴ 42 U.S.C. § 6294(c)(1).

⁵ *Ibid.*, (c)(7).

⁶ Rule Concerning Disclosures Regarding Energy Consumption and Water Use of Certain Home Appliances and Other Products Required Under the Energy Policy and Conservation Act (“Appliance Labeling Rule”), 63 Fed. Reg. 64,921 (Nov. 24, 1998).

II. GE's Position

Over the more than 20 years that the appliance labeling rule has been in effect, GE has seen the benefit that the label has provided to consumers. It achieves its purpose to provide comparative energy consumption information to consumers. GE has supported the Commission's labeling program by training its sales force to explain the label to dealers and their sales floor personnel. It has structured marketing campaigns around the energy benefits documented on the label. Based on our experience with real dealers and consumers we know the label does its job.

Our experience was confirmed by AHAM's consumer research. Consumers were asked to evaluate the current *EnergyGuide* label and several alternative versions. They were probed for their understanding of the label and the information it communicates. Not surprisingly, by a statistically significant measure, consumers preferred the current continuous-style label, revised slightly to segment the range-of-comparability bar. Perhaps even more significantly, consumers found that the 5-star *categorical-style* label touted by the petitioners was confusing: instead of conveying relative energy usage, consumers believed that it evaluated overall product efficiency and performance.⁷

Adopting label version #2 would require relatively minor changes to the current label. Those changes, by adding segments to the range-of-comparability bar, would improve consumer comprehension of relative product energy usage. Such a change, by building on salespersons' and consumers' long experience with the continuous-style bar, would require a minimal education effort. Finally, this version of the label best allows for continued inclusion of the Energy Star logo, the logo developed by the Department of Energy as part of the successful public-private market-transformation Energy Star partnership.

The fact that consumers might find the 5-star *categorical-style* label version #3 confusing and possibly misleading is more than a sufficient basis for rejecting it.⁸ But GE urges the Commission to reject it for other reasons.

GE has spent billions of dollars to manufacture appliances that meet—and usually exceed—mandatory energy standards. The Commission must not adopt a labeling scheme that would deprive GE and other manufacturers of the benefit of their investments. This

⁷ A full discussion of the research, conducted by Synovate, a nationally recognized consumer research firm, can be found in the AHAM comments.

⁸ Some of the full statements from the respondents are as follows: "I think [Label #2] is the easiest to understand without confusing me. For instance, the one with the stars might make someone believe that it is an overall rating (if they did not read it properly, which most people don't). The one I chose lets me know that this label is strictly talking about energy usage and giving some other information about efficiency of gas vs. electric."

"I find it easier to understand the energy usage by reading the gauge bar concept as opposed to the concept using stars, as that might fool some people into believing that it's a rating system of the product and not an energy guide."

would occur in two ways if the 5-star label were adopted. First, appliances that exceed the minimum standard might not do so sufficiently to qualify for an additional star. The additional energy could thus not be displayed on the *EnergyGuide* and consumers would be misled to believe there was no difference between it and the at-standard model.

Second, the 5-star label, which is likely to be understood by consumers to be a product quality rating, would mislead consumers to believe that products that meet the lawful standard are of poorer quality or not otherwise up to par.

The Commission has not been authorized by Congress to address either of these issues. Any doubt must be resolved against proceeding down that road given the harm that would result.

Finally, the Energy Star program would suffer if the 5-star *categorical-style* label were adopted. Consumers who participated in AHAM's market research indicated that 5-star label with the Energy Star logo was confusing, most likely because it contained too many symbols, the significance of which was difficult to understand.

Sincerely,

Earl F. Jones