

IN THE MATTER OF
NORTHWEST AIR COLLEGE, INC., ET AL.

ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket 7091. Complaint, Mar. 20, 1958—Decision, Nov. 11, 1958

Order requiring two associated corporate sellers in Spokane and Seattle, Wash., of correspondence and residence courses in "Specialized Airlines Training" purporting to prepare enrollees for employment in commercial airline positions, to cease using deceptive employment offers and other misrepresentations concerning their schools, opportunities for students, etc., in advertising in newspapers and periodicals and through commissioned sales agents who followed up leads to interested prospects.

A similar order was consented to by two individual respondents, officers of the schools, on Sept. 25, 1958, *supra*, p. 463.

Mr. Ames W. Williams and Mr. John J. McNally for the Commission

No appearance for respondents.

INITIAL DECISION AS TO CORPORATE RESPONDENTS AND INDIVIDUAL
RESPONDENTS JAMES E. MURTHA AND EDWIN R. POSSENRIEDE
BY LOREN H. LAUGHLIN, HEARING EXAMINER

The Federal Trade Commission (sometimes also hereinafter referred to as the Commission) issued its complaint herein, charging the respondents named herein with having violated the provisions of the Federal Trade Commission Act in certain particulars.

Respondents, other than John W. McBride and Anna M. Searle as to whom other appropriate disposition of this case has heretofore been made, were each and all duly served with a copy of the complaint and all other jurisdictional and other processes of the Commission but have failed and neglected to answer the complaint. Upon due notice of the time and place of the initial hearing set for 10:00 a.m. (local time), on August 27, 1958, in Room 262, Federal Trade Commission Building, Sixth and Pennsylvania Avenue, NW., Washington, D.C., by order dated August 6, 1958, and served upon each of said respondents in accordance with the rules of the Commission, the said respondents and each of them also failed to appear at said hearing, and, upon motion of counsel supporting the complaint, the default of answer and of appearance of each was taken and entered of record herein, and

said respondents were and are in default in this proceeding under the Commission's Rules of Practice for Adjudicative Proceedings, particularly §3.7(b) thereof. The hearing examiner, therefore, without further notice to the respondents has found the facts to be as alleged in the complaint, and at said hearing was requested by counsel supporting the complaint to issue a form of order which is deemed to be appropriate, and this initial decision is, therefore, entered containing such findings and order.

The hearing examiner finds that the following facts as set forth in the complaint are true:

1. Respondents Northwest Air College, Inc., and American Air College and Training School, Inc., are Washington corporations with offices at 2225 Inland Empire Way, Spokane, and 3146 Eastlake Avenue, Seattle, Wash., respectively. Respondents James E. Murtha and Edwin R. Possenriede, alias E. R. Riede, are or were officers of the aforementioned corporations. The post office address of James E. Murtha is East 1002 Nora, Spokane, Wash., and of Edwin R. Possenriede, alias E. R. Riede, is 3146 Eastlake Avenue, Seattle, Wash.

In performing the acts and practices hereinafter charged, the said corporations, are, or were, under the management, control and direction of the above-named individual respondents.

2. The respondents, under the corporate names hereinabove mentioned, have engaged for sometime past in the sale and distribution of a course of study and instruction in so-called "Specialized Airlines Training" purporting to prepare enrollees for employment in commercial airline positions as stewards, station agents, hostesses, reservationists, ticket agents, telephone sales agents, teletype operators and ground radio officers which course of study and instruction is given and pursued through the medium of the United States mails in its entirety or in combination with a period of residence study in Spokane or Seattle, Wash.

Said respondent corporations, in the course and conduct of their business under the said corporate names and during the time aforesaid, have caused, and now cause, said course of study and instructions to be transported from their places of business in the State of Washington to purchasers thereof located in various other States and maintain and have maintained a course of trade in commerce, as "commerce" is defined in the Federal Trade Commission Act. Their volume of business in such commerce has been, and is, substantial.

3. In the course and conduct of their business as hereinbefore

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described, Northwest Air College, Inc., American Air College and Training School, Inc., and their officers, the individual respondents hereinbefore named and each of them, have made, published and caused to be published certain statements in various printed periodicals and newspapers of which the following is typical:

AIRLINES NEED
MEN AND WOMEN

We need Reservationists, Station Agents, Passenger Agents, Stewards, Radio Operators, Hostesses, Communicationists for public contact positions. If you are 18 or over, a High School Graduate or equivalent and have a good personality, U. S. Citizen, don't miss this opportunity, Good salaries, rapid promotions, free travel passes, security. Preliminary training need not interfere with present employment.

4. By means of the statements appearing in said advertisement, respondents represented, directly or by implication, that the advertisement was an offer of employment for the positions set out therein.

5. Said statement and representation is false, misleading and deceptive. In truth and in fact, said advertisement is not an offer of employment for any of the positions listed.

6. Respondents employ commission sales agents, who call upon prospects whose interest has been aroused by reason of the aforesaid advertisement, and others of the same import, and endeavor to sell respondents' course of study. Respondents furnish such salesmen with various kinds of printed material for exhibition to such prospective customers and also mail printed material to prospective customers located in various States.

7. The hearing examiner finds that respondents, by their said advertising as well as by oral statements made by their sales agents, have made numerous false, misleading, and deceptive statements and representations concerning their so-called "Specialized Airlines Training" in the numerous particulars alleged in the complaint as follows:

a. That there are positions presently open in all of the categories set out in paragraph 3 hereof and that such positions will be available to those who complete respondents' course of instruction;

b. That persons who complete their course of instruction thereby become qualified for employment by 17 major airlines;

c. That thousands of persons have been employed by commercial airlines by virtue of completing their course of instruction;

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- d. That respondents provide a lifetime placement service to all graduates;
- e. That commercial airlines employ men and women from age 17 to 39;
- f. That Northwest Air College and American College and Training School, Inc., are recognized and accredited by the State of Washington;
- g. That there is a great demand for graduates of the schools conducted by respondents;
- h. That respondents' schools use a system of rigid selectivity in selling their courses of instruction;
- i. That part time employment is obtained by respondents for students while attending their resident schools;
- j. That class room space is limited in their resident schools and prompt enrollment is necessary in order to attend;
- k. That scholarships are available for selected students;
- l. That respondents' schools are adequately equipped to teach the specified courses;
- m. That respondents' schools are connected with leading airlines;
- n. That the starting salaries for their graduates range between \$275 to \$300 a month;
- o. That their schools are centrally located and near supervised living facilities;
- p. That only two students are required to share a room in the living facilities;
- q. That a swimming pool is provided for the use of students;
- r. That fraternity and sorority houses are established at the schools.

8. The hearing examiner further finds that through the use of the word "college" in their corporate names, respondents Northwest Air College, Inc., and American Air College and Training School, Inc., have falsely and deceptively represented that their schools are institutions of higher learning, as the word "college" is usually understood in the educational field and by the general public.

9. The hearing examiner further finds that respondents employ sales agents which they designate as "registrars" to sell their course of instruction upon a commission basis, but that said salesmen are not registrars as that word is commonly accepted and understood, that is, professional persons who are affiliated or employed by educational institutions and who are

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engaged in the evaluation of academic credentials, and the formal registration of qualified students.

10. Respondents, in the conduct of their business are in competition, in commerce, with corporations, firms and individuals in the sale of courses of instruction covering the same or similar subjects as are covered by respondents' courses.

11. The use by respondents of the aforesaid false, misleading, and deceptive statements and representations has had, and now has, the tendency and capacity to mislead a substantial portion of the purchasing public into the erroneous and mistaken belief that said statements and representations of respondents are true; and into the purchase of a substantial number of said courses of instruction because of such erroneous and mistaken belief. As a result thereof trade in commerce has been unfairly diverted to respondents from their competitors and injury has thereby been done to competition in commerce.

CONCLUSIONS

There being jurisdiction of the persons of the respondents, upon the findings of fact hereinbefore made, the hearing examiner makes the following conclusions of law:

1. The acts and practices of the respondents hereinabove found to be false, misleading, and deceptive are all to the prejudice and injury of the public and constitute unfair and deceptive acts or practices and unfair methods of competition in commerce within the intent and meaning of the Federal Trade Commission Act.

2. The Federal Trade Commission has jurisdiction over all of the respondents' acts and practices which have been hereinabove found to be false, misleading, and deceptive.

3. The public interest in the proceeding is clear, specific, and substantial.

Upon the foregoing findings of fact and conclusions of law, the following order is hereby entered:

ORDER

It is ordered, That respondents Northwest Air College, Inc., a corporation; America Air College and Training School, Inc., a corporation; and James E. Murtha, and Edwin R. Possenriede, alias E. R. Riede, individually and as officers of the aforesaid corporations, and respondents' representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale or distribution in commerce,

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as "commerce" is defined in the Federal Trade Commission Act, of courses of study or instruction, do forthwith cease and desist from:

1. Representing, directly or by implication:

(a) That employment is being offered when, in fact, the purpose is to obtain purchasers of such courses of study or instruction;

(b) That positions are open or will be available to those who complete such courses, unless such is the fact;

(c) That persons who complete such courses are thereby qualified for employment by commercial airlines;

(d) That thousands of persons have been employed by commercial airlines by virtue of completing such course; or otherwise misrepresenting the actual number of graduates who have been so employed;

(e) That respondents provide a placement service to the extent that any significant number of graduates of such courses are placed in positions with commercial airlines by respondents;

(f) That 17-year old persons are ordinarily employed by commercial airlines, or otherwise misrepresenting the ages at which persons are ordinarily so employed;

(g) That Northwest Air College, Inc., or Amercian Air College and Training School, Inc., are recognized or accredited by the State of Washington; or otherwise misrepresenting the accredited status of any firm or institution commercially engaged in the sale of courses of instruction;

(h) That there is a great demand for graduates of respondents' schools or courses, or otherwise misrepresenting the demand for such graduates;

(i) That such courses are sold only to selected persons;

(j) That part-time employment is obtained by respondents for resident students;

(k) That prompt enrollment in respondents' resident schools is necessary because of limited class room space; or for any other reason, that is not the fact;

(l) That scholarships are available for selected students;

(m) That respondents' schools are adequately equipped to teach the subjects covered by such courses of instruction;

(n) That respondents' schools are connected or associated with commercial airlines;

(o) That the starting salaries for the positions covered by such courses are from \$275.00 to \$300.00 a month, or otherwise misrepresenting the starting salary for any position so covered;

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(p) That respondents' schools are centrally located or that the living facilities are supervised;

(q) That only two students are required to share a room in the living facilities, or otherwise misrepresenting the number of students that are required to share a room;

(r) That a swimming pool is provided for the use of students;

(s) That fraternity or sorority houses are established at the schools;

2. Using the word "college," or any other word of similar meaning either alone or in conjunction with other words as a part of the corporate name of either of the corporate respondents; or of any other firm or corporation commercially engaged in the sale of courses of instruction; or representing in any manner, directly or by implication, that either of the corporate respondents or any firm or corporation commercially engaged in the sale of courses of instruction, is a college or constitutes a school of higher learning;

3. Using the word "Registrar" in designating or referring to respondents' salesmen.

DECISION OF THE COMMISSION AND ORDER TO FILE
REPORT OF COMPLIANCE

Pursuant to Section 3.21 of the Commission's Rules of Practice, the initial decision of the hearing examiner shall, on the 11th day of November 1958, become the decision of the Commission; and, accordingly:

It is ordered, That respondents Northwest Air College, Inc., a corporation; American Air College and Training School, Inc., a corporation; and James E. Murtha, and Edwin R. Possenriede, alias E. R. Riede, individually and as officers of the aforesaid corporations, shall, within sixty (60) days after service upon them of this order, file with the Commission a report in writing, setting forth in detail the manner and form in which they have complied with the order to cease and desist.

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IN THE MATTER OF
GIRARDIAN INSURANCE COMPANY, ET AL.ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF
THE FEDERAL TRADE COMMISSION ACT

Docket 6281. Complaint, Dec. 28, 1954—Order, Nov. 12, 1958

Order dismissing on jurisdictional grounds, on the authority of the Supreme Court's per curiam opinion in the combined cases of *Federal Trade Commission v. National Casualty Company* and *Federal Trade Commission v. The American Hospital and Life Insurance Company*, 357 U.S. 560, complaint charging a Dallas, Tex., insurance company with falsely advertising the benefits of its accident and health insurance policies.

Before *Mr. J. Earl Cox*, hearing examiner.

Mr. Francis C. Mayer and *Mr. Eugene Kaplan* for the Commission.

Blakley & Walker, of Dallas, Tex., for respondents.

FINAL ORDER

This matter having come on to be heard upon the appeal of counsel supporting the complaint from the hearing examiner's initial decision dismissing the complaint upon the grounds of (1) lack of jurisdiction in the Commission; (2) failure of proof of the allegations of the complaint; and (3) discontinuance of the practices alleged to be unlawful; and

It appearing that said appeal was filed prior to the per curiam opinion of the Supreme Court in the combined cases of *Federal Trade Commission v. National Casualty Company* and *Federal Trade Commission v. The American Hospital and Life Insurance Company*, 357 U.S. 560 (decided June 30, 1958); and

The Commission having concluded that the proceeding should be dismissed solely on jurisdictional grounds on the authority of the aforesaid Supreme Court decision:

It is ordered, That the initial decision herein, filed January 20, 1956, be, and it hereby is, vacated and set aside.

It is further ordered, That the complaint herein be, and it hereby is, dismissed.

Commissioners Kern and Tait not participating.