

It is further ordered, That the respondents herein 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 this order.

IN THE MATTER OF
RAILROAD COMMUNICATIONS SCHOOL, INC., ET AL.
CONSENT ORDER, ETC., IN REGARD TO THE ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-119. Complaint, Apr. 16, 1962—Decision, Apr. 16, 1962

Consent order requiring Kansas City, Mo., sellers of correspondence courses intended to prepare students for jobs with railroads as telegraph operators, station agents, etc., to cease representing falsely by such means as advertisements in the "Help Wanted" columns of newspapers and statements of solicitors that they were offering employment and guaranteeing jobs in chosen areas and at high starting salaries to trainees, among other false claims, as in the order below indicated.

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and by virtue of the authority vested in it by said Act, the Federal Trade Commission, having reason to believe that Railroad Communications School, Inc. a corporation, Arthur C. Henry, Victor Pardun and Eugene Kane, individually and as officers of said corporation, hereinafter referred to as respondents, have violated the provisions of said Act, and it appearing to the Commission that a proceeding by it in respect thereof would be in the public interest, hereby issues its complaint, stating its charges in that respect as follows:

PARAGRAPH 1. Respondent Railroad Communications School, Inc. is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal place of business located at 1302 McGee Street, Kansas City, Mo.

Respondents Arthur C. Henry, Victor Pardon and Eugene Kane are officers of the corporate respondent. They formulate, direct and control the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondent.

PAR. 2. Respondents are now, and have been for more than one year last past, engaged in the sale and distribution of a course of study and instruction intended to prepare students thereof for employment as

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telegraph operators, station agents and kindred employment by railroad companies, which said course is pursued by correspondence through the United States mail, as well as in residence training at the school.

PAR. 3. In the course and conduct of their business respondents have caused said course of study and instruction to be sent from their place of business in the State of Missouri to, into and through states of the United States other than the State of Missouri, to purchasers thereof located in such other states. There has been at all times mentioned herein a substantial course of trade in said course of study and instruction, so sold and distributed by respondents in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their said business, as aforesaid, respondents have published and cause to be published, advertisements in the "Help Wanted" and other columns of newspapers distributed through the United States mail, and by other means, to prospective enrollees and students in the several states in which said course is sold, of which the following is typical:

OPPORTUNITY

MEN 18 TO 35

With high school education and no physical defects for lifetime career as

RAILROAD

AGENTS-OPERATORS

if not experienced, must be willing to spend minimum of 15 hours per week training at home and night school until qualified. Arrangements will be made for those accepted so training will not interfere with present employment. Positions pay from

\$400 TO \$450 MONTHLY

PLUS—Free medical care and transportation, outstanding pension plan and many other railroad benefits. Opportunity for advancement into \$525 to \$775 positions. For confidential interview Call LI 9-1802, Sunday, Nov. 1, 9:30 a.m. 6 p.m.

MEN

WANTED

FOR

Station Agents-Operators

Starting salary \$400-450 per month. No experience necessary for those willing to train at own expense under the supervision and guidance of experienced railroad men. Your training will be arranged at home and night school so not to interfere with your present job. QUALIFICATIONS—Ages 17-35, high school education, no physical defects. For interview write Box ----,

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c/o -----, give age, race, address, phone and time usually available.

MEN URGENTLY
NEEDED
AGES 17-35

To train for Agents-Operators. Railroads pay \$400-450 per month plus pensions, free transportation, hospitalization, many other railroad benefits. Opportunity to advance into \$525-775 positions. Jobs waiting in Missouri, also many other states upon completion of training qualifying you as agent or operator. Training will not interfere with your present income. If sincerely interested in a better job opportunity with future security, have good health and high school education, personal interview will be granted. Write Box ----, c/o -----, give name, race, age, address, phone.

RAILROADS
NEED MEN

17-35. Due to retirement—Station agents, Telegraphers, Teletype Operators. Clerks, urgently needed. High school or equivalent required. WE TRAIN YOU. Starting salaries \$400 month up, plus many outstanding benefits. JOBS WAITING on completion of training which will not interfere with your present income. For qualifying interview, give address, age, race, phone number, time usually available. Write Box G-89 Enquirer.

PAR. 5. By means of the statements appearing in said advertisements, as set out in paragraph 4 above, respondents have represented, and are representing, directly or by implication that:

1. The advertisement was an offer of employment;
2. Job openings for railroad station agents and telegraph operators existed in numerous geographical areas;
3. Respondents were a railroad company or affiliated with one or more railroad companies;
4. Their training would qualify trainees to become railroad station agents and telegraph operators;
5. Employment as station agent or telegraph operator was guaranteed to any person who had completed respondents' course of training and who was accepted by respondents as a trainee;
6. The starting salary would be from \$400 to \$450 monthly; and
7. Respondents' course of study will not interfere with a person's present employment.

PAR. 6. The aforesaid statements are false, misleading and deceptive. In truth and in fact:

1. The said advertisement was not an offer of employment, but was published for the purpose of obtaining purchasers of respondents' course of study and instruction;
2. The statements are false, misleading and deceptive for the further reason that when job openings for railroad station agents and

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telegraph operators occur, generally these positions are filled by the railroad companies with their own employees on a seniority basis;

3. The respondents are not a railroad company, nor are they affiliated with one or more such companies;

4. The respondents' course of study and instruction will not qualify students for employment as railroad station agents or telegraph operators inasmuch as an apprenticeship period is customarily required by railroads for such positions.

5. The respondents do not have arrangements with railroad companies whereby they can guarantee to enrollees in their school that they will be employed by such railroad companies as station agents or telegraph operators upon graduation from respondents' school;

6. The monthly salary of \$400 to \$450 greatly exceeds the starting salary that graduates of respondents' school would receive should they be employed by railroad companies as railroad station agents or telegraph operators, and before acquiring seniority in any other positions of employment;

7. Respondents' course of instruction does interfere with the enrollee's present employment, as the enrollee is required to spend from several weeks to several months in residence training at respondents' school in Kansas City, Missouri, in order to complete the course.

PAR. 7. In the course and conduct of their said business, as aforesaid, respondents employ commission sales agents or representatives who call upon prospective purchasers and solicit their purchase of said course of study and instruction.

In the course of such solicitation, such sales agents or representatives have made directly or by implication many statements and representations to customers and prospective customers of said course of study and instruction.

Typical, but not all inclusive of which, are the following:

1. Railroad station agents and telegraph operators were in great demand with the railroad companies;

2. Respondents had a placement service and had helped and were then helping to meet the demand by placing their graduates in positions of employment as railroad station agents and telegraph operators with many railroad companies;

3. They would guarantee to graduates of respondents' school employment as railroad station agents and telegraph operators at starting salaries ranging from \$400 up monthly;

4. They would obtain employment for those students who so desire and needed it to defray expenses while taking in residence training at the School in Kansas City, Missouri;

5. The average student could complete the entire course in seven months; that only six weeks is required to complete the in residence training at the school in Kansas City, Missouri;

6. Over fifty percent of the railroad station agents and telegraphers are retiring and immediate replacements are needed;

7. Only a limited number of persons would be accepted from the specified area to take the training;

8. A person can select whatever area and locality in which he or she chooses to be station agent or telegrapher, and respondents will obtain such employment for their students completing respondents' course of study.

PAR. 8. The statements, representations and implications set out in paragraph 7 above were exaggerated, false, misleading and deceptive. In truth and in fact;

1. Whereas some employment opportunities are afforded in the railroad field because of retirements, deaths, and shifts of personnel to other industries, such opportunities are reduced by closing or the dualizing of railroad stations, and accordingly, there was not, and is not, a great demand for railroad station agents or telegraph operators as represented by respondents;

2. When graduates of respondents' school obtain employment with railroads customarily they must serve a period of apprenticeship before being assigned to a permanent position as station agent or telegrapher, and respondents therefore do not place their graduates in positions of employment as station agents or telegraphers;

3. Respondents do not in all cases obtain employment with railroads for their graduates, let alone as station agents or as telegraph operators. When graduates or students of respondents' school are employed, it is not at the rate of pay represented in paragraphs 4, 5, and 7 herein; furthermore, when students or graduates from respondents' school are first employed, they are paid by the hour and not at a monthly rate;

4. Respondents do not obtain employment for their students to enable them to defray expenses while taking in residence training.

5. The average student can not and does not complete the course of training in seven months. In truth and in fact, said course of training requires a considerably longer period of time for completion. The residence training at the school in Kansas City, Missouri requires considerably more time than that stated.

6. The claim as to the number and percentage of railroad station agents and telegraph operators retiring is exaggerated and greatly in

excess of those actually retiring and there is no urgent need for immediate replacements.

7. Respondents do not limit acceptance of enrollees to a specified number of persons from a specified area to take the training.

8. The openings for employment with railroad companies for station agents and telegraph operators are not so numerous as to enable a student to select and succeed in obtaining the desired position at a desired location, as specified, nor do respondents obtain same for their graduates; such employment in many instances is not steady and requires a person to wait his or her turn, based on seniority, and after being placed on the "extra board" have often required a person to move several times a month in quest of steady employment. The average starting salary is generally \$1.00 to \$1.50 per hour and requires a person to serve an apprenticeship at that rate of pay for a period of from one to several months;

PAR. 9. Respondents at all times mentioned herein, have been, and are now, in substantial competition in commerce with individuals, firms and corporations engaged in the sale and distribution of like correspondence courses.

PAR. 10. The use by respondents of the aforesaid false, misleading and deceptive statements, representations and practices, has had, and now has, the tendency and capacity to mislead and deceive a substantial portion of the purchasing public into the erroneous and mistaken belief that said statements, and representations were and are true, and to induce a substantial number thereof to subscribe to, and purchase, respondents' said course of study and instruction.

PAR. 11. The aforesaid acts and practices of respondents, as herein alleged, were, and are, all to the prejudice and injury of the public and of respondents' competitors and constituted, and now constitute, unfair methods of competition in commerce and unfair and deceptive acts and practices in commerce, in violation of Section 5(a) (1) of the Federal Trade Commission Act.

DECISION AND ORDER

The Commission having heretofore determined to issue its complaint charging the respondents named in the caption hereof with violation of the Federal Trade Commission Act, and the respondents having been served with notice of said determination and with a copy of the complaint the Commission intended to issue, together with a proposed form of order; and

The respondents and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by

respondents of all the jurisdictional facts set forth in the complaint to issue herein, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the law has been violated as set forth in such complaint, and waivers and provisions as required by the Commission's rules; and

The Commission, having considered the agreement, hereby accepts same, issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent, Railroad Communications School, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal place of business located at 1302 McGee Street, Kansas City, Mo.

Respondents Arthur C. Henry, Victor Pardun and Eugene Kane are officers of said corporation and their address is the same as that of said corporation.

2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is ordered, That respondents, Railroad Communications School, Inc., a corporation, and its officers, and Arthur C. Henry, Victor Pardun and Eugene Kane, individually and as officers of said corporation, and respondents' representatives, agents and employees, directly or through any corporate or other device, in connection with the offering for sale, sale and distribution of courses of study, training and instruction in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from representing, directly or by implication, that:

1. Employment is being offered when, in fact, the purpose is to obtain purchasers of such courses of study, training and instruction;

2. Positions of employment as railroad station agents or telegraphers are open to all those who complete such courses;

3. Respondents are a railroad company or are affiliated with a railroad company;

4. Respondents' said courses qualify purchasers thereof to become railroad station agents or telegraphers on completion of said courses;

5. Respondents guarantee employment to persons completing said course;

6. There is a great demand for graduates of respondents' school to fill positions of railroad station agent or telegrapher or otherwise misrepresenting the employment demand in the railroad field;

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7. Respondents place their graduates in positions as railroad station agents or telegraph operators; or that the starting salaries of respondents' graduates will be any amounts in excess of those customarily received by such graduates;

8. Respondents will obtain employment as station agents or telegraph operators for its graduates at locations selected by such graduates.

9. Respondents will obtain employment for their students to enable them to defray expenses while taking in residence training in their school;

10. Respondents' course of study will not interfere with a person's present employment;

11. The student can complete the entire course of study and training in seven months or any other period of time which is less than that usually required by respondents' students who actually complete the course;

12. The in-residence training at respondents' school can be completed in a period of time which is less than the time usually required for graduates of respondents' school;

13. The number of railroad station agents and telegraphers retiring at any time or any period of time is a given number or percentage which is in excess of those actually retiring;

14. The number of enrollees to take the training in respondents' school is limited to a specified number of persons from a particular area, contrary to fact.

It is further ordered, That the respondents herein 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