
IN THE MATTER OF
MIDWEST AUTOMATION TRAINING—KANSAS CITY, INC.,
ET AL.

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

Docket C-1203. Complaint, May 2, 1967—Decision, May 2, 1967

Consent order requiring a Kansas City, Mo., correspondence school in electronic data processing to cease making deceptive claims as to employment

Complaint

71 F.T.C.

and earnings for its graduates, exaggerating its equipment and facilities, making deceptive offers of interest free tuition loans, and falsely claiming affiliation with a large equipment manufacturer.

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 Midwest Automation Training—Kansas City, Inc., a corporation, and Jule M. Blum, individually and as an officer 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 Midwest Automation Training—Kansas City, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its principal office and place of business located at 2022 Main Street, Kansas City, Missouri.

Respondent Jule M. Blum is an individual and an officer of said corporation. He formulates, directs and controls the acts and practices of the corporate respondent, including the acts and practices hereinafter set forth. His address is the same as that of the corporate respondent.

Said corporate respondent was initially incorporated under the name of Center for Automation Training and operated and did business under that name until some months last past when the present corporate name was adopted.

PAR. 2. Respondents are now, and have been for some time last past, engaged in the advertising, offering for sale, sale and distribution of courses of instruction intended to prepare students thereof for employment in the field of electronic data processing. Said courses are pursued by correspondence through the United States mails and by resident training in the operation of equipment used in electronic data processing.

PAR. 3. In the course and conduct of their business, respondents have caused their courses 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. Respondents also utilize the services of salesmen who call on prospective purchasers of their courses of instruction in States

other than the State of Missouri. There has been at all times mentioned herein a substantial course of trade in said courses of instruction in commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. In the course and conduct of their business, as aforesaid, respondents have caused to be published in newspapers distributed through the United States mails and by other means to prospective purchasers in the several States in which respondents do business, advertisements of which the following are typical and illustrative but not all inclusive:

(1)

JOB OPPORTUNITIES

In IBM:

IBM DATA PROCESSING
IBM PANEL WIRING
IBM OFFICE AUTOMATION
IBM KEY PUNCH

EARN \$350-\$750 A MONTH

The automation industry's growing fast. See if you can qualify now. Interest free tuition loans available for a limited number of qualified applicants. Placement service for all graduates. Write today giving age, education, address, present employment and phone number to:

Director of IBM Automation Development
Box No. 1005, The Daily Gate City, Keokuk, Iowa

NOTE: SPECIAL PROGRAM FOR GRADUATING HIGH SCHOOL SENIORS

(2)

JOBS OPEN

IBM AUTOMATION
IBM DATA PROCESSING
IBM PANEL WIRING
IBM OFFICE AUTOMATION
IBM KEY PUNCH

WE TRAIN YOU TO

EARN \$350-\$750

Solid security opportunity for both men and women—ages 18-49. Send your name, address, phone, education, marital status and present employment today to:

Director of IBM Automation Development

Box K

Carrollton Democrat

Carrollton, Missouri

NOTE: SPECIAL PROGRAM FOR GRADUATING HIGH SCHOOL SENIORS.

PAR. 5. By and through use of the statements and representations appearing in the advertisements as set forth in Paragraph Four hereof, respondents represent, directly or by implication,

that inquiries are solicited for the ultimate purpose of offering employment to qualified applicants who will be trained to operate various types of data processing equipment manufactured or distributed by the International Business Machines Corporation, or "IBM" as it is popularly known.

PAR. 6. In truth and in fact, inquiries are not solicited for the purpose of offering employment to qualified applicants, but for the sole purpose of obtaining leads to prospective purchasers of respondents' courses of instruction.

Therefore, the statements and representations as set forth in Paragraphs Four and Five hereof were, and are, false, misleading and deceptive.

PAR. 7. In the course and conduct of their business, as aforesaid, and for the purpose of inducing the sale of their courses of instruction, respondents have made certain statements and representations, directly and by implication, in advertisements such as but not limited to the foregoing, in brochures and promotional material sent to prospective purchasers through the United States mails, in material exhibited to prospective purchasers by respondents' salesmen or representatives, and through oral statements made to prospective purchasers by said salesmen or representatives.

Typical and illustrative, but not all inclusive, of such statements and representations are the following:

1. Respondents' school was well established at the time the statements and representations were made.

2. Respondents, at the time the statements and representations were made, possessed the requisite facilities for providing the resident training which is a part of respondents' courses of instruction.

3. Respondents, at the time the statements and representations were made, provided a placement service which had obtained employment for respondents' graduates.

4. Persons completing respondents' courses are assured of employment in the geographical area of their choice.

5. Interest free tuition loans are available which will enable the recipient thereof to pay the cost of respondents' course in installments without any additional cost for that privilege.

6. Persons who agree to pay the cost of respondents' course in installments will not be required to complete those payments until the resident training portion of the course has been completed and employment obtained.

7. Respondents' school or course has been accredited or ap-

proved by the International Business Machines Corporation (IBM) or respondents' school is sponsored by or in some other way affiliated with IBM.

8. Respondents limit the enrollment in their courses.

9. Respondents' graduates earn from \$350—\$750 per month.

PAR. 8. In truth and in fact:

1. Respondents' school was not well established at the time the statements and representations were made.

2. At the time the statements and representations were made, respondents did not own, control or otherwise have available the equipment or facilities for providing the resident training which is a part of respondents' courses.

3. At the time the statements and representations were made, respondents did not provide a placement service and had not obtained employment for graduates of respondents' courses. At the time the statements and representations were made, respondents had no graduates.

4. Persons completing respondents' courses are not assured of any job much less a job in the geographical area of their choice.

5. Respondents do not make loans of any kind available to their students. While respondents may allow the tuition to be paid in installments, the cost when paid in that manner is \$75 more than the cost when paid in cash in full at the time of enrollment.

6. Persons who agree to pay the cost of respondents' course in installments are not permitted to defer those payments until such time as the student has completed the course and obtained employment. Such promissory notes as are obtained by respondents from persons purchasing respondents' courses are discounted with a third party finance company and demand is made for payment on a regular basis at once.

7. Neither respondents' school nor respondents' course is in any way accredited, approved, or sponsored by IBM nor are respondents or their school in any way affiliated with that company.

8. Respondents do not limit the number of enrollees in their courses.

9. Respondents' graduates do not earn \$350—\$750 per month. Respondents had no graduates at the time such representations were made.

Therefore, the statements and representations as set forth in Paragraph Seven hereof were, and are, false, misleading and deceptive.

PAR. 9. In the course and conduct of their business and at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals engaged in the sale of courses of study and instruction covering the same or similar subjects.

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 members of the purchasing public into the erroneous and mistaken belief that said statements and representations were, and are, true and into the purchase of substantial numbers of respondents' courses of study and instruction by reason of said erroneous and mistaken belief.

PAR. 11. The aforesaid acts and practices of the 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 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 Midwest Automation Training—Kansas City, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of Missouri, with its

office and principal place of business located at 2022 Main Street, in the city of Kansas City, State of Missouri.

Respondent Jule M. Blum is an officer of said corporation and his 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 Midwest Automation Training—Kansas City, Inc., a corporation, and its officers, and Jule M. Blum, individually and as an officer of said corporation, and respondents' agents, representatives and employees, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale or distribution of courses of instruction in electronic data processing or any other subject, in commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, that employment is being offered when the real purpose of the offer is to obtain leads to prospective purchasers of respondents' courses.

2. (a) Representing, directly or by implication, that respondents' school is well established or that respondents possess the requisite equipment and facilities for providing the resident training which is a part of respondents' courses of instruction: *Provided, however,* That it shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that respondents' school is well established and respondents have the physical facilities, equipment, instructional material, personnel and other resources necessary to provide training of the quality needed to obtain the stated objectives of respondents' courses.

(b) Misrepresenting in any manner the length of time that respondents' school has been in existence.

3. (a) Representing, directly or by implication, that respondents provide a placement service: *Provided, however,* It shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that they operate an active and effective service to assist persons completing respondents' courses to obtain employment in the positions for which such persons have been trained.

(b) Representing, directly or by implication, that persons completing respondents' courses are assured of placement in the geographical area of their choice; or misrepresenting in any manner respondents' ability or facilities for assisting graduates in finding employment.

4. Representing, directly or by implication, that respondents provide interest free tuition loans; or representing in any manner that payment of the cost of respondents' courses in installments will involve no interest or other costs in addition to the cash price of the course.

5. Representing, directly or by implication, that when the cost of respondents' courses is to be paid in installments, payment need not be completed until after the resident training has been completed and the graduate has obtained employment: *Provided, however*, It shall be a defense in any enforcement proceeding instituted hereunder for respondents to establish that in each instance when such representation is made, an express provision to that effect is endorsed on the enrollment contract and completion of payment is not required until after the course is completed and the graduate obtains employment.

6. Representing, directly or by implication, that respondents' school or courses have been accredited or approved by the International Business Machines Corporation (IBM) or respondents' school is sponsored by or in any other way affiliated with IBM; or misrepresenting in any manner the status or affiliation of respondents' salesmen, their representatives or their school.

7. (a) Representing, directly or by implication, that there is any limitation on the number of persons who can be enrolled in respondents' courses: *Provided, however*, That nothing herein shall be deemed to prohibit respondents from making truthful and nondeceptive references to the maximum number of students who can be provided resident training at any given time.

(b) Misrepresenting in any manner the selectivity exercised by respondents in enrolling students in their courses.

8. (a) Representing, directly or by implication, that upon completion of respondents' courses, graduates will obtain employment with a starting salary of \$350 per month or any other specific salary or range of salaries: *Provided, however*, It shall be a defense in any enforcement proceeding insti-

tuted hereunder for respondents to establish that the represented starting salaries are typical of those obtained by such persons.

(b) Misrepresenting in any manner the earnings of persons completing respondents' courses of instruction.

It is further ordered, That respondents shall deliver, and obtain acknowledgment of receipt thereof, a copy of this order to all sales agents, representatives or other persons who solicit enrollments in respondents' courses.

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.
