

Complaint

IN THE MATTER OF

VOLVO, INC.

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

Docket C-2421. Complaint, June 26, 1973—Decision, June 26, 1973.

Consent order requiring a Rockleigh, New Jersey, seller and distributor of a Swedish-built automobile, among other things to cease representing certain quantitative data as to the economy of its product without substantive information to support its claims; and failing to maintain adequate records.

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 Volvo, Inc., a corporation and Scali, McCabe and Sloves, Inc., a corporation and 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 Volvo, Inc., is a corporation, organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its principal office and place of business located at Rockleigh, New Jersey.

PAR. 2. Respondent Scali, McCabe and Sloves, Inc., is a corporation organized, existing and doing business under and by virtue of the laws of the State of New York with its office and principal place of business located at 345 Park Avenue, New York, New York.

PAR. 3. Respondent Volvo, Inc., is now, and for some time last past has been, engaged in the sale and distribution of 142, 142E, 144, 145 and 164 models of Volvo automobiles.

PAR. 4. Respondent Scali, McCabe and Sloves, Inc., is now, and for some time last past has been, an advertising agency of Volvo, Inc., and now and for some time last past, has prepared and placed for publication and has caused dissemination of advertising material, including, but not limited to the advertising referred to herein, to promote the sale of 142, 142E, 144, 145 and 164 models of Volvo automobiles.

PAR. 5. Respondent Volvo, Inc., causes the said product, when sold, to be transported from its place of business in New Jersey to

purchasers located in various other States of the United States and in the District of Columbia. Respondent Volvo, Inc., maintains, and at all times mentioned herein has maintained, a course of trade in said product in commerce as "commerce" is defined in the Federal Trade Commission Act. The volume of business in such commerce has been and is substantial.

PAR. 6. In the course and conduct of their businesses, respondents have disseminated and caused the dissemination of, certain advertisements concerning the said automobile by the United States mails and by various means in commerce, as "commerce" is defined in the Federal Trade Commission Act, including but not limited to, advertisements inserted in magazines and other advertising media, and by means of television broadcasts and radio broadcasts transmitted by television and radio stations located in various States of the United States, and in the District of Columbia, having sufficient power to carry such broadcasts across state lines, for the purpose of inducing and which were likely to induce, directly or indirectly, the purchase of said automobile in commerce as "commerce" is defined in the Federal Trade Commission Act.

PAR. 7. Typical of the statements and representations in said advertisements, disseminated as aforesaid, but not all inclusive thereof, are the following:

A. Television

1. A television commercial portrays a Swedish family in the kitchen of their home. While their young daughter is occupied at drawing a picture, the father is seated at the table with a pencil in his hand going over a ledger book containing various numerical entries and the mother is putting away the groceries. The audio portion of the commercial begins as follows:

ANNOUNCER: (Voiceover)

The cost of living in Sweden is as high as it is in the United States. But the average income is lower.

So when it comes to buying things, the Swedes are inclined to be exceedingly practical.

Especially when it comes to something as expensive as a car.

A 40% down payment is required.

A car *has* to be economical. Gasoline is 80¢ a gallon.

At this point, the father picks up a brochure for Volvo and begins going through its pages. His wife comes to look over his shoulder. They converse in Swedish, apparently about the brochure while the voiceover audio continues:

This family could buy an inexpensive import. But their car has to hold up through many long, cold, Swedish winters.

They can't afford to buy a new car every couple of years.

So like most Swedes, they'll spend a little more and get the car that will live up to these demands.

Volvo. We build them the way we build them, because we have to.

2. A television commercial in the form of an animated cartoon depicts a house with an attached garage and a car in the garage. The car begins to take on the characteristics of a tiger-like animal as it emits a loud roar. Then it changes into a barking dog and begins eating the garage and the house. After it has eaten away half of the house, a man who has been throwing it pieces of furniture to eat gets into the car-dog and drives it away. This portion of the video is accompanied by the following narration by an off-screen announcer:

Do you sometimes get the feeling they named your old car after the wrong animal. [As the tiger changes into a dog]. Between the gas and the repairs. Has your once sleek wild animal turned into something else. [As the car-dog eats the garage, house and furniture]. Trade it in on a Volvo. [As the man gets into the car-dog and drives it away].

The scene then depicts the man returning driving a Volvo which he parks in the space where his garage was located. He begins to replace his house and garage and adds on a skylight, a swimming pool and a fence. As this is taking place, the off-screen announcer is saying:

Volvo is economical. About 25 miles to a gallon. It is also reliable. Ninety-five percent of all the Volvos registered in the United States in the last eleven years are still on the road. You can keep a Volvo a long time. Get out from under car payments. [As the house is being replaced] And put your money into additions-for-your-house payments [As the skylight is being added] Swimming pool payments. [As the swimming pool is added] And fence payments. [As the fence is added] So you don't lose everything your Volvo helped you accumulate.

The last scene shows the man's house with additions, swimming pool and Volvo in the garage surrounded by a high fence. On all sides the neighbor's houses are being devoured by car-dogs.

B. Radio

1. A radio commercial prepared for use by local dealers contains the following text:

When you buy a Volvo, you save on the two biggest expenses of owning a car.

The cost of repairing your car so often.

And the cost of replacing it so often.

Nine out of every 10 Volvos registered here in the last eleven years are still on the road. And any car that holds up like that, doesn't do it by breaking down.

Of course, there's no guarantee exactly how long a Volvo will last. But if you buy a Volvo, you should be able to keep it awhile, instead of going through one new car after another.

Then, after you've saved a lot of money as a result of owning your Volvo, you can make more money by selling it.

Because Volvos last longer, they, depreciate slower than most other cars. It's not unusual for five-year-old Volvos to command higher prices than some three-year-old compacts.

So if you don't want to buy a Volvo for how much it saves you, visit (*Deal name & address*).

And buy a Volvo for how little it loses you.

C. Magazine

1. A magazine advertisement shows a picture of a Volvo being driven past an automobile repair shop with many competing makes of automobiles undergoing mechanical repairs and the following text appears under the picture:

THE LESS YOU KNOW ABOUT CARS, THE MORE YOU NEED A VOLVO.

The cost of keeping a car up, is going up.

According to the most recent figures, Americans spend about \$25 billion repairing cars. That's for one year.

Some automobile manufacturers are countering this problem by providing owners with free fix-it-yourself kits.

Volvo is countering this problem by trying to build cars that don't need a lot of fixing in the first place.

Volvos are tough. The design of the wheels, springs and shock absorbers have been tested the equivalent of 75,000 miles over ruts, bumps and potholes.

Volvo engines have been driven continuously for 60,000 miles at 90 mph. So the likelihood of you driving it to pieces is highly unlikely.

And the 4-wheel disc brakes never need adjustment. Or relining, because there's no need to reline them. Volvos have brake pads that can be inexpensively replaced in minutes.

These are just some of the reasons why you so rarely see a Volvo in a repair shop.

And if you do, it's probably because the guy who owns the place owns it.

2. A magazine advertisement contains the following text:

TRUE ECONOMY ISN'T MORE MILES TO THE
GALLON. IT'S MORE YEARS TO THE CAR.

These days, a lot of people think the way to save a little money is to buy a small cheap car.

We agree. That is the way to save a little money.

To save a lot of money, buy a Volvo.

Volvos are built to last. While we can't guarantee how long, we do know

Volvos hold up an average of eleven years in Sweden. So once you get your Volvo paid for, you should be able to hang on to it for a few years.

Then you can bank the money you'd normally spend on car payments. Not counting interest, that's almost \$1000 a year.

This is the basic difference between a Volvo and an economy car.

Economy cars are for people who are interested in economy. Volvos are for people who are interested in money.

PAR. 8. Through the use of said advertisements and others similar thereto not specifically set out herein, disseminated as aforesaid, respondents have represented and are now representing, directly and by implication, that respondents had a reasonable basis from which to conclude that said automobiles are substantially more economical to own and operate than competing makes of automobiles.

PAR. 9. In truth and in fact, respondents had no reasonable basis from which to conclude that said automobiles are substantially more economical to own and operate than competing makes of automobiles.

Therefore, the statements and representations set forth in Paragraphs Eight and Nine were and are deceptive or unfair acts or practices.

PAR. 10. Respondents have represented, through the use of the aforesaid advertisements and otherwise, directly or by implication, that said automobiles are substantially more economical to own and operate than competing automobiles. At the time of said representations, respondents had no reasonable basis to support said representations pertaining to the economy of said automobiles.

Therefore, the aforesaid acts and practices were, and are, deceptive or unfair.

PAR. 11. Respondent, Volvo, Inc., at all times mentioned herein has been and now is in substantial competition in commerce with individuals, firms and corporations engaged in the sale and distribution of automobiles of the same general kind and nature as that sold by respondent.

PAR. 12. The use by respondent of the aforesaid deceptive statements, representations and practices has had, and now has, the capacity and tendency to mislead members of the purchasing public into the purchase of substantial quantities of respondents' product. As a result thereof, substantial trade has been and is being unfairly diverted to respondent from its competitors.

PAR. 13. 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 or deceptive acts or 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 respondent named in the caption hereto with violation of the Federal Trade Commission Act, and the respondent 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 respondent and counsel for the Commission having thereafter executed an agreement containing a consent order, an admission by the respondent 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 respondent that the law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's rules; and

The Commission having considered the agreement and having provisionally accepted same, and the agreement containing consent order having thereupon been placed on the public record for a period of thirty (30) days, and having duly considered the comments filed thereafter pursuant to Section 2.34(b) of its rules, now in further conformity with the procedure prescribed in Section 2.34(b) of its rules, the Commission hereby issues its complaint in the form contemplated by said agreement, makes the following jurisdictional findings, and enters the following order:

1. Respondent Volvo, Inc., (now known as Volvo of America Corporation) is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at Rockleigh, New Jersey.

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

ORDER

1. *It is ordered*, That respondent Volvo of America Corporation, a corporation, its officers, agents, representatives, employees, suc-

cessors, and assigns, directly or through any corporate or other device, in connection with the advertising, offering for sale, sale, or distribution of motor vehicles in commerce as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from:

1. Representing, directly or by implication, through advertising, sales promotional material, or any other written or oral statement tending to promote the sale of motor vehicles, that any such motor vehicle is more economical, in any manner, to own, operate, or own and operate than any or all competing motor vehicles unless, at the time of such representation, said respondent has a reasonable basis for such representation which may consist of quantitative data based on a statistically valid sample, or competent scientific, engineering, cost or other similar objective data compiled by respondent or others;

2. Failing to keep adequate records which may be inspected by the Commission staff members upon reasonable notice:

- a. Which contain documentation in support of any economy characteristics (as defined in Paragraph I(1) hereof) so claimed by said respondent or its agents for motor vehicles, insofar as such material is prepared, or such statement is made, by or under the direction of, or is approved (expressly or by implication) by, an officer or employee of said respondent or any of its divisions or subsidiaries; and

- b. Which provided the basis upon which said respondent relied at the time such claims were made; and

- c. Which shall be maintained by said respondent for so long as such material is disseminated or approved for dissemination, or such statement is made, by said respondent, and for a further period of three (3) years after said respondent's last dissemination of such material or termination of approval for dissemination of such material, or last such statement (whichever period is the longer).

It is further ordered, That respondent Volvo of America Corporation notify the Commission at least thirty (30) days prior to any proposed change in said corporate respondent such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any

other change in said corporation which may affect compliance obligations arising out of the order.

It is further ordered, That the respondent shall forthwith distribute a copy of this order to each of its operating divisions.

It is further ordered, That the respondent 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 man-