

IN THE MATTER OF

SAAB-SCANIA OF AMERICA, INC.

CONSENT ORDER IN REGARD TO ALLEGED VIOLATION OF SEC. 5 OF THE
FEDERAL TRADE COMMISSION ACT

Docket C-3183. Complaint, April 16, 1986—Decision, April 16, 1986

This consent order requires an Orange, Conn. wholly-owned subsidiary of a Swedish automobile company, among other things, to make repairs or reimburse consumers for costs they incurred because of paint problems with Saab cars assembled at the company's factory in Malines, Belgium, from 1976 to 1978. The offer to repair or reimburse will be made to consumers who bought a new Belgian-made Saab after Dec. 31, 1977 and to subsequent owners who bought their vehicle within the first 36 months after the original purchase. The repair or reimbursement cost will be up to \$2,000 per car, except for cars purchased in Massachusetts. The Attorneys General in Massachusetts, Maine and Vermont have reached separate agreements with Saab in those states over the paint problem, but Saab consumers in Maine and Vermont are eligible for the repair or reimbursement program.

Appearances

For the Commission: *Eloise Gore.*

For the respondent: *Jeremy G. Zimmermann and Linda L. Randell, Wiggin & Dana, New Haven, Conn.*

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 Saab-Scania of America, Inc., a corporation, hereinafter sometimes referred to as respondent, has 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 Saab-Scania of America, Inc., is a Connecticut corporation, with its principal office and place of business at Saab Drive, Orange, Connecticut.

PAR. 2. Respondent is now, and has been, engaged in the advertising, offering for sale, sale, and distribution of Saab automobiles to authorized dealers for sale to members of the public.

PAR. 3. In the course and conduct of its aforesaid business, respondent causes and has caused automobiles to be shipped to dealers in

various states, and therefore maintains, and at all times mentioned herein has maintained, a substantial course of trade in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act.

PAR. 4. Among the automobiles that respondent offered for sale, sold, and distributed were 1976 through 1978 model year Saab automobiles that were assembled at respondent's factory in Malines, Belgium.

PAR. 5. These Belgium-assembled Saabs were subject, in a significant number of instances, to a paint condition which resulted in the incomplete adhesion of the exterior paint to the underlying metal. This paint condition causes the paint later to lift, peel, or blister. The paint condition does not include paint problems or rust caused by accident, normal road hazard, or other external conditions.

PAR. 6. The paint condition described in Paragraph Five is costly to repair and significantly diminishes the economic value of the automobile.

PAR. 7. On or before December 31, 1977, respondent knew or should have known that a significant number of its Belgium-assembled Saab automobiles were subject to the paint condition described in Paragraphs Five and Six.

PAR. 8. Even after respondent knew or should have known that a significant number of Belgium-assembled Saab automobiles were subject to the paint condition described in Paragraphs Five and Six, respondent failed to disclose to prospective purchasers of Belgium-assembled Saab automobiles, facts about the existence, nature, extent, likelihood of occurrence, or cost of correcting the paint condition.

PAR. 9. The facts described in Paragraph Eight would have been material to many purchasers because such facts, if known, likely would have affected their decisions concerning the purchase of Saab automobiles. Absent disclosure of these facts, purchasers could not otherwise reasonably determine that the paint condition was likely to occur or take action to avoid the economic injury attendant to the paint condition.

PAR. 10. Respondent's failure to disclose the material facts described in Paragraph Eight, above, to purchasers of Saab automobiles has and has had the capacity and tendency to mislead members of the public, particularly those who purchased Belgium-assembled Saab automobiles after December 31, 1977.

PAR. 11. Respondent's actions described above have caused substantial and ongoing injury to consumers that is not outweighed by countervailing benefits to consumers or competitors and is not reasonably avoidable by consumers.

PAR. 12. The acts and practices of respondent in failing to disclose

material facts as alleged above were and are to the prejudice and injury of the public and constitute unfair or deceptive acts or practices in or affecting commerce in violation of Section 5 of the Federal Trade Commission Act as amended.

DECISION AND ORDER

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Federal Trade Commission Act; and

The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing all the jurisdictional facts set forth in the aforesaid draft of complaint, 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 matter and having determined that it had reason to believe that the respondent has violated the said Act, and that complaint should issue stating its charges in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, and having duly considered the comments filed thereafter by interested persons pursuant to Section 2.34 of its Rules, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues its complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Saab-Scania of America, Inc. (Saab) is a corporation organized, existing and doing business under the laws of Connecticut, with its office and principal place of business located at Saab Drive, Orange, Connecticut.

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

For the purposes of this order, the following definitions shall apply:

1. *Saab* means Saab-Scania of America, Inc., its successors and assigns.
2. *Saab-Scania AB* means Saab-Scania AB, of Sweden, the parent corporation of Saab-Scania of America, Inc.
3. *Motor vehicle* means a passenger car.
4. *Belgian Saab* means a Saab motor vehicle that was assembled at the factory of Saab-Scania AB in Malines, Belgium and that was delivered to the first retail purchaser on or after January 1, 1978, as indicated by the date the warranty period began according to Saab's records.
5. *Paint condition* means the incomplete adhesion of the exterior paint to the underlying metal of a Belgian Saab causing the paint later to lift, peel, or blister. This term does not include paint problems or rust caused by accident, normal road hazard, or other external conditions.
6. *Repair* means the performance of all tasks necessary to restore completely the area where the paint condition exists, whether visibly or latently. The repair includes, but is not necessarily limited to, stripping the paint on the exterior surface of the motor vehicle to the sheet metal surface; correcting all rusting; and preparing, priming and repainting the surface in a color matching the exterior body color.
7. *Complete repair* is a repair which was performed by Saab at no charge to the owner and which was valued at \$800 or more according to Saab's records.
8. *Person* means any individual, partnership, corporation, firm, trust, estate, cooperative, association, or other entity.
9. *Dealer* means any person who, pursuant to a sales and service agreement with Saab, purchases or receives on consignment motor vehicles from Saab for resale or lease to the public, including any dealer owned or operated by Saab.
10. *Months-in-service* is calculated as beginning on the date on which Saab or a dealer delivered the motor vehicle to the first retail purchaser.
11. *Warranty period* means the first twelve months-in-service.
12. *Owner* means any person who lawfully acquired custody and/or possession of a Belgian Saab within the vehicle's first 36 months-in-service. This term includes, but is not limited to, any past or current registered owner or person acting on such owner's behalf. This term does not include a dealer or person in temporary possession of the vehicle by right of a lien.

13. *Original owner* means that owner who was the first retail purchaser.

14. *Subsequent owner* means any owner who owned a Belgian Saab after the original owner.

15. *Attorney General settlement* means any formal or informal agreement with the Attorneys General of the states of Maine, Massachusetts, or Vermont.

I.

It is ordered, That respondent, Saab-Scania of America, Inc., a corporation, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division, or other device, in connection with the advertising, offering for sale, sale or distribution in the United States of any motor vehicle, in or affecting commerce, as "commerce" is defined in the Federal Trade Commission Act, do forthwith cease and desist from failing to:

NOTIFICATION

A. Identify owners to be notified of their potential eligibility for repair of the paint condition and/or reimbursement for past repairs to correct the paint condition, as specified below:

1. Each original owner shall be notified except: a) any owner who has received a complete repair of the paint condition or b) any owner who purchased his/her Belgian Saab in a state in which there was an Attorney General settlement; and

2. Saab will use its own records to obtain the names and addresses of original owners to be notified;

B. Within sixty (60) days after the date of the service of this order, send, by first-class mail in an envelope on which is disclosed the vehicle identification number (VIN), to each original owner, as identified in Paragraph I.A., a self-addressed, postage pre-paid envelope and a copy of the Notice Package (using the exact language and format used in Attachment A) which shall include: a) one (1) copy of the "Notice of Program to Determine Eligibility for Free Repair or Reimbursement," b) one (1) copy of the "Request Form" and c) one (1) self-addressed, postage pre-paid postcard;

C. Within thirty (30) days of an inquiry or sixty (60) days after the date of service of this order, whichever is later, send the Notice Package to each owner of a Belgian Saab who inquires of Saab or one of its dealers about Saab's program for repair and reimbursement due to the paint condition; however, it shall not be necessary to mail the

Notice Package if the owner states that the paint condition did not appear within the first 36 months-in-service or that he/she did not own the Belgian Saab within the first 36 months-in-service or that he/she previously received a complete repair;

D. Within thirty (30) days of identification, send a copy of the Notice Package and return envelope, as described in Paragraph I.B., by first class mail to each subsequent owner of a Belgian Saab that has been identified by an original owner as having been sold within the first 36 months-in-service or within an unspecified time; *provided*, that, if the original owner fails to specifically or completely identify the subsequent owner by name and/or address, Saab shall expeditiously attempt to identify the name and address of the current owner of that Belgian Saab, based on the Vehicle Identification Number, using either Saab's corporate or dealer records or state motor vehicle records and send the Notice Package to that address within thirty (30) days of identifying the current owner;

E. For any Notice Package (other than those sent pursuant to Paragraph I.F.) that is returned to Saab as being undeliverable, make a reasonable attempt to obtain the original owner's present address and send the Notice Package and return envelope by first class mail to that address; however, if unable to locate the original owner, send the Notice Package and return envelope by first class mail to the person identified as the current owner of that Belgian Saab based on the Vehicle Identification Number in Saab's corporate or dealer records, and, if unable to so identify and locate the current owner, take additional steps to make a reasonable attempt to obtain the current owner's present address and send the Notice Package and return envelope by first class mail to that address; however, such additional attempts need not include use of a commercial locator service except as provided in Paragraph I.F.;

F. Use a commercial locator service to endeavor to obtain correct addresses and locate owners if, at any time within ninety (90) days of the date the Notice Packages were sent, as provided in Paragraphs I.B. and I.D., Saab learns from dealers, the United States Postal Service, or otherwise that the Notice Packages have not been or will not be delivered to twenty percent (20%) or more of the number of owners eligible pursuant to Paragraph I.A.;

INSPECTION

G. Within sixty (60) days after the owner submits the Request Form to Saab requesting an inspection, schedule and perform inspections of each Belgian Saab for which:

1. the owner has completed and mailed to Saab the Request Form

requesting inspection/repair within sixty (60) days after Saab sent the Notice Package to this owner;

2. the owner can provide reasonable proof that he/she owned and/or legally possessed the Belgian Saab within its first 36 months-in-service; and

3. the owner has stated in a signed statement that the paint condition occurred within the first 36 months-in-service;

H. Have a representative of Saab conveniently available to the owner to arrange for inspections and repairs, to review documentation, and to determine eligibility for repair;

REPAIR

I. Determine which owners are eligible for repair based upon the following criteria:

1. the owner owned the Belgian Saab within the first 36 months-in-service;

2. the paint condition occurred within the first 36 months-in-service;

3. the owner owned the Belgian Saab at a time when the paint condition occurred;

4. the owner has not previously received a complete repair; and

5. the original owner did not purchase the Belgian Saab in Massachusetts;

J. Except as provided in Paragraphs I.K. and I.M., send by first class mail within thirty (30) days after the inspection, described in Paragraphs I.G. through I.H., to each owner whose Belgian Saab was inspected, a letter informing the owner whether he/she is eligible for repair, and if not eligible, the reasons therefor, which letter shall contain the following:

1. If the owner's Belgian Saab is eligible for repair: a) what Saab will do to repair the paint condition; b) when Saab will provide repair, which shall not be at a time greater than sixty (60) days after receipt of the owner's request for repair following Saab's notification to the owner of his/her eligibility; c) where the repair will be provided, whether at a dealership or other location convenient to the owner; d) how the owner can arrange the date and time for the repair, or set the date and time for the repair with allowance for change by the owner if necessary; e) how long the owner has to respond and request repair, but this period shall not be less than thirty (30) days from the date the owner receives this letter nor more than forty-five (45) days after Saab sends it; and f) whom the owner should contact with questions about the repair procedure, with appropriate telephone number(s) and address(es); and

2. If Saab rejects the request for repair: a) the reason(s) why the request was rejected and (b) instructions on how the owner can seek reconsideration of the rejection by Saab within forty-five (45) days of the date Saab mails this letter rejecting the repair request;

K. At its option, authorize dealers to arrange for performing repairs simultaneously with or immediately following the inspection; provided that such arrangements shall be at a time and place mutually convenient to the owner and the dealer, and if such arrangements are not made at the time of inspection, comply with the notification requirements as set forth in Paragraph I.J.;

L. Repair the paint condition on each eligible Belgian Saab at no cost to the owner within sixty (60) days after the owner requests an appointment for repair following Saab's notification to the owner of his/her eligibility; provided that:

1. the owner has not accepted any offer of cash settlement made by Saab, as set forth in Paragraph I.M., if Saab makes such an offer; and
2. Saab shall not be responsible or liable under this order for repair costs in excess of \$2000.00 per Belgian Saab;

CASH SETTLEMENT

M. At Saab's option, offer the owner a cash settlement in lieu of repairs, as follows:

1. Any offer for a cash settlement shall be made to the owner in writing and shall be sent by first class mail to the owner, in duplicate, within thirty (30) days after the inspection and include a self-addressed, postage-paid envelope;

2. The offer shall explain that the owner may accept the cash settlement by signing and returning one (1) copy of the written offer within thirty (30) days in the envelope provided;

3. Saab may determine the amount of the cash settlement, but the letter, as described in Paragraph I.M.2., must include: a) an explanation that accepting the cash settlement nullifies the owner's right to a free repair; b) what Saab would do to repair the paint condition if the owner does not accept the cash settlement and the other information as required by Paragraph I.J. 1. and 2.; c) Saab's estimate of the cost of repairing the vehicle if the owner has the repair made on his/her own; and d) instructions on how to obtain the cash settlement;

4. If the owner accepts Saab's offer, Saab shall send the cash settlement within thirty (30) days of receiving the owner's acceptance;

5. If the owner does not accept the offer within the later of thirty (30) days after the owner receives it or forty-five (45) days after Saab sends it, Saab shall perform its obligations to repair, as set forth in Paragraph I.L. as if no cash settlement had been offered;

RECONSIDERATION OF REJECTION

N. Within thirty (30) days after an owner requests reconsideration pursuant to Paragraph I.J., review the rejected request and either a) determine that the owner does not qualify for repair and send to the owner by first class mail a second letter describing the reason(s) for the rejection; or b) determine that the owner does qualify for repair and notify the owner and provide repairs as set forth in Paragraphs I.J. and I.L. or offer cash settlement as set forth in Paragraph I.M.;

REIMBURSEMENT

O. Determine which owners are eligible for reimbursement for past repairs based upon the following criteria:

1. the paint condition occurred within the first 36 months-in-service;
2. the owner owned the Belgian Saab within the first 36 months-in-service;
3. initial repair(s) was (were) attempted within the first 42 months-in-service;
4. the owner has not previously received a complete repair;
5. the original owner did not purchase the Belgian Saab in Massachusetts;
6. the owner provides adequate documentation of the amount of expenses incurred and evidence that the expenses incurred were due to the paint condition; provided that a) such documentation and evidence shall include but is not limited to itemized receipts for work done by dealers, auto body shops, or other providers of repairs; or cancelled checks paid to dealers, auto body shops, or other providers of repairs if accompanied by related evidence of prior contact with Saab or a dealer regarding the paint condition; or other records reasonably demonstrating that the owner's Belgian Saab had the paint condition and was repaired either partially or completely and b) Saab shall instruct its dealers to provide, upon request, copies of repair bills or receipts for repairs performed by or through a dealer to assist the owner in obtaining documentation; and
7. the owner's request for reimbursement is mailed within sixty (60) days after the date Saab sent the Notice Package to this owner;

P. Within thirty (30) days after the owner has returned to Saab the Request Form requesting reimbursement and submitted evidence of repair expenses, as described in Paragraph I.O.4., reimburse in person or by first class mail each eligible owner of a Belgian Saab for all reasonable repair expenses (not to exceed \$2,000.00) incurred for attempts to eliminate the paint condition, whether or not they eliminated the condition;

Q. In each instance where Saab rejects an owner's request for reimbursement or reimburses an amount less than the amount requested, provide the owner, in writing, within thirty (30) days after Saab receives the owner's request for reimbursement: 1) the specific reasons for the decision; and 2) how the owner may seek reconsideration by Saab;

LIMITATIONS

R. In the event that an owner (or owners) qualifies for both repair and reimbursement, provide free repairs and reimbursement as outlined in Paragraphs I.L. and I.P.; however, Saab shall not be responsible or liable under this order for a total of reimbursement and repair costs in excess of \$2000.00 per Belgian Saab, and if the total amount for which the owner(s) would be eligible would exceed \$2000.00, offer the owner(s) the choice of how to allocate the money as between repair and reimbursement;

S. Saab shall have no obligations under this order

(1) to any owner who has received a Notice Package from Saab, unless the owner has notified Saab of a request for inspection, repair, or reimbursement within sixty (60) days of the owner's receipt of the Notice Package; or

(2) to any owner who has not received a Notice Package from Saab, unless the owner has requested information from Saab concerning inspection, repair, or reimbursement related to the paint condition within 240 days from the date of Saab's initial mailing of the Notice Package to original owners pursuant to this order.

II.

NOTICE TO DEALERS

It is further ordered, That, within twenty (20) days after the date of service of this order, Saab shall:

A. Provide to every dealer a copy of the "Notice to Dealers" as provided in Attachment B to this order; and

B. Notify all dealers in writing to forward owner inquiries, as described in Paragraph I.C., to Saab within five (5) business days after the owner inquires.

III.

It is further ordered, That for three (3) years after the date of service of this order, Saab shall maintain and upon request make available

to the Federal Trade Commission for inspection and copying, documents demonstrating compliance with this order, including but not limited to:

A. a log stating the name and address of each owner sent the Notice Package, the date on which the Notice Package was sent, the date of any response(s), and the nature and date of Saab's ultimate disposition of the owner's request for repair or reimbursement;

B. copies of all correspondence and other communications to, from, or concerning any such owner;

C. the name and last known address of each original owner known to Saab who was not sent a Notice Package and the reason why the Notice Package was not sent; and

D. all documents relied upon, or concerning, any decision by Saab about inspecting, repairing, or offering a cash settlement for the paint condition.

IV.

It is further ordered, That Saab shall notify the Commission at least thirty (30) days prior to any change in its corporate structure, 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 the corporation which may affect compliance obligations arising out of this order.

V.

It is further ordered, That Saab shall, within 65 days and 510 days after the date of service of this order, file with the Commission reports, in writing, setting forth in detail the manner and form in which it has complied with this order.

ATTACHMENT A

Notice Of Program To Determine Eligibility for FREE REPAIR or REIMBURSEMENT

[DATE SENT]

Dear Saab Owner:

You may be eligible for a free repair or reimbursement for past repairs if your Saab developed a particular paint condition that occurred on a percentage of Saab automobiles built before 1979. It appears that the paint finish on some Saabs that were assembled in Belgium was not up to the usual high quality of Saab automobiles.

On some of these Belgium-assembled Saabs, the paint may lift or blister, sometimes

causing rust to form. The paint condition was caused by incomplete adhesion of the paint to the sheet metal. This condition is different from rusting that may result from road conditions, such as snow and salt. To repair the paint condition properly, affected body panels should be stripped to the sheet metal surface and prepared, primed and repainted. The paint condition does not affect the performance, operation, or safety of the car.

Because Saab-Scania has a continuing interest in the quality of our cars and the satisfaction of our customers, we have agreed with the Federal Trade Commission that under certain circumstances we will offer free repairs or reimbursement for repairs previously performed at your expense. It will be necessary to inspect your car to determine eligibility for free repairs.

You need not be the original owner or own the car now to be eligible. But, you must meet the following conditions and return the attached form within 55 days of the date of this letter.

YOU MAY BE ELIGIBLE FOR *INSPECTION* and *FREE REPAIR* IF:

- your car was originally purchased on or after January 1, 1978,
- the paint condition appeared within 36 months after the car was delivered to the first owner, and
- the car was never repaired or a partial repair was attempted and the condition reoccurred.

IF YOU REQUEST *INSPECTION* AND *FREE REPAIR*:

- Please complete the enclosed form and send it to us within 55 days of the date of this letter.
- We will get back to you within 60 days of receiving your completed form with the results of our review.
- We may then schedule a date for inspection of your car at a Saab dealer in your area.
- Within 30 days after the inspection, we will tell you whether and how your car will be repaired.

YOU MAY BE ELIGIBLE FOR *REIMBURSEMENT* IF:

- your car was originally purchased on or after January 1, 1978,
- the paint condition appeared within 36 months after the car was delivered to the first owner, and
- you paid for a repair that was performed within the first 42 months.

IF YOU REQUEST *REIMBURSEMENT*:

- Please complete the enclosed form and send it to us, with copies of all your supporting documentation, within 55 days of the date of this letter.
- We will get back to you within 30 days of receiving your completed form with the results of our review.

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- If we approve your request, in whole or in part, we will include a check for your reimbursement.
- If we do not approve your request, in whole or in part, we will tell you the specific reasons for our decision.

If you believe you qualify for repair, reimbursement or both, please complete and sign the enclosed form and return it to us in the return envelope we have provided for your convenience. To be eligible for free repair or reimbursement, *you must return the form with any necessary documents within 55 days of the date of this letter.*

If you have any questions about this letter or Saab's offer, please call us at 203-795-5671 and ask to speak to our National Consumer Relations Coordinator.

Very truly yours,
Saab-Scania of America, Inc.

/s/Alex S. Lieuwma
National Service Manager

P.S. In order to be sure we reach all Saab owners who may be eligible for repair or reimbursement, we need your help. *If you sold your Saab within the first 36 months, and you are not seeking reimbursement for repairs made while you owned the car, please send us the name and address of the person you sold the car to and the approximate date on which you sold the car.* You may use the enclosed postage-paid postcard, to let us know that you sold your car. Even if you don't know the buyer's name or address, please return the card indicating that the car was sold within the first 36 months. Thank you for your assistance.

[REQUEST FORM]

SAAB-SCANIA OF AMERICA, INC.

Request for Inspection/Repair or Reimbursement for the Cost of Repair of Paint
Conditions on Belgian-assembled Saabs

(Please return this form within 55 days.)

Name _____
Address _____

Vehicle Identification Number (VIN) _____ (The VIN is the number written on the envelope next to your address.)

1. When did you purchase your Saab? _____

2. From whom did you purchase your Saab?

Name: _____

Address: _____

3. Since you bought your Saab, either new or used, has the paint peeled or blistered:
yes _____ no _____

4. If the paint peeled or blistered, please answer the following questions. (If the paint has *not* peeled or blistered, please use the attached postcard instead of this form.)

a) When did the peeling or blistering first occur? _____
month year

b) Please describe the extent and location of the peeling or blistering. _____

c) Did you try to have the condition repaired?

yes _____ no _____

5. If you tried to have the condition repaired, please answer the following questions.

a) When were the repairs done? _____

month year

b) Who did them?

Name: _____

Address: _____

c) Did you pay any money attempting to have the condition repaired?

yes _____ If yes, how much did you pay? \$ _____

no _____

d) Have you been reimbursed by Saab or the dealer for any of this cost?

yes _____ If yes, when? _____ How much? \$ _____

no _____

6. Has the paint condition reoccurred on any portion of the car?

yes _____ no _____

7. If the paint condition reoccurred, please answer the following questions.

a) When did it reoccur? _____

month year

b) Please describe the extent and location of any peeling or blistering. _____

c) Did you try to have the condition repaired?

yes _____ no _____

8. If you tried to have the paint condition repaired, please answer the following questions:

a) When were the repairs done? _____

month year

b) Who did them?

Name: _____

Address: _____

c) Did you pay any money attempting to have the condition repaired?

yes _____ If yes, how much did you pay? \$ _____

no _____

d) Have you been reimbursed by Saab or the dealer for any of this cost?

yes _____ If yes, when? _____ How much? \$ _____

no _____

9. If you paid for repairs and were not reimbursed, you may be eligible for reimbursement.

Please supply copies of the following documents if you have any of them:

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a) Repair orders, letters or other written records to or from any Saab dealer, Saab-Scania of America, Inc., and any government or consumer organization, or others discussing the paint condition and the date it occurred.

and

b) Paint repair bills or invoices showing the date of repair, a description of the repair and the actual cost of the repair.

If you do not have all of the forms mentioned, send copies of whatever relevant records you do have. The repair shop or dealer may have copies of bills, and you may be able to get copies from them.

You may be eligible for reimbursement even if you no longer own your Saab.

10. If you own a Saab in which the paint condition occurred during the first 36 months and the condition is still unrepaired, you may be eligible for free repair of the condition. If you are in this category and would like Saab to inspect your car to determine if it is eligible for free repair, please tell us the name and address of the dealer most convenient for you.

Dealer Name: _____

Address: _____

11. If you have sold your Saab, please provide the approximate date on which you sold it and the name and address, if you know them, of the person to whom you sold it.

Date Saab Sold: _____

Buyer's Name: _____

Address: _____

The above information is accurate to the best of my knowledge.

Your signature

Date

Thank you for filling out and returning this form. If you have requested free repair, we will let you know within 60 days whether you qualify for inspection and, if so, schedule an inspection date. If you have requested reimbursement, we will respond to you within 30 days.

Very truly yours,
Saab-Scania of America, Inc.

/s/Alex S. Lieuwma
National Service Manager

[separate postcard]

1) Your Name: _____

Address: _____

Vehicle Identification Number (VIN) _____

(The VIN is the number written on the envelope next to your address.)

- 2) If you have sold your Saab, please provide the approximate date on which you sold it and the name and address, if you know, of the person to whom you sold it.

Date Saab Sold: _____

Buyer's Name: _____

Address: _____

(Please return this card even if you don't know the name of the person who bought your Saab. Just write in the approximate date on which you sold it.)

- 3) If you own your Saab and the paint condition has *not* occurred, please check here.

Thank you.

ATTACHMENT B

Dear Dealer:

I am writing to inform you of an agreement which Saab-Scania of America, Inc. has entered into with the Federal Trade Commission. This agreement relates to a particular paint condition that developed on some model year 1976 through 1978 Saab automobiles that were assembled in Malines, Belgium. As you know, that factory was closed in 1978.

On some of these Belgium-assembled Saabs, the paint may lift or blister, sometimes causing rust to form. The paint condition was caused by incomplete adhesion of the paint to the sheet metal. This condition is different from rusting that may result from road conditions, such as snow and salt. To repair the paint condition properly, affected body panels should be stripped to the sheet metal surface and prepared, primed and repainted. The paint condition does not affect the performance, operation, or safety of the car.

Because Saab-Scania has a continuing interest in the quality of our cars and the satisfaction of our customers, Saab-Scania has agreed with the Federal Trade Commission that under certain circumstances Saab-Scania will offer free repairs or reimbursement for repairs previously performed at the owner's expense. Saab-Scania has reached this voluntary agreement for settlement purposes only, and does not believe that the FTC Act has been violated.

Generally the agreement provides that a Belgium-assembled Saab is eligible for inspection by a Saab-Scania representative (District Service Manager) and free repair if:

- the car was originally purchased on or after January 1, 1978,
- the paint condition appeared within 36 months after the car was delivered to the first owner,
- the current owner requesting repair is either the original owner of the car or has owned the car since sometime during the first 36 months after the car was delivered to the first owner,
- the car was never repaired, or partial repair was attempted and the condition reoccurred.

Put only
in letter
to Mass.
dealers

- the car was not originally purchased in Massachusetts, and therefore was not included in a prior voluntary agreement entered into in that state.

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Generally, the agreement further provides that an owner is eligible for reimbursement for expenses incurred in repairing the condition in the past if:

- the car was originally purchased on or after January 1, 1978,
 - the paint condition appeared within 36 months after the car was delivered to the first owner,
 - the owner requesting reimbursement owned the car sometime during the first 36 months (regardless of whether the owner still owns the car) and paid for a repair that was performed within the first 42 months,
 - the owner requesting reimbursement did not already receive a complete repair (that is, at a cost to Saab-Scania of \$800 or more) free of charge,
 - the car was not originally purchased in Massachusetts.
- put only
in letter
to Mass.
dealers

An owner may qualify for both repair and reimbursement.

Saab-Scania is identifying original owners of Belgium-assembled cars purchased on or after January 1, 1978 and will be sending information directly to these owners about Saab-Scania agreement. An owner seeking inspection/repair or reimbursement will be required to complete a Request Form which will be included in the Notice Package sent by Saab-Scania to the owner.

All determinations of eligibility for inspection, repair and/or reimbursement will be made by Saab-Scania.

If an owner contacts you for information about eligibility for inspection, possible free repair or reimbursement, please refer the owner to our National Consumer Relations Coordinator at Saab-Scania in Orange, and tell the owner that you will pass along the owner's name to Saab-Scania. We are requesting that all dealers notify Saab-Scania of the owner's name within 5 days after the owner makes such an inquiry. The National Consumer Relations Coordinator can be reached at 203-795-5671 or by writing to her at Saab-Scania, on Saab Drive, Orange, CT 06477.

Very truly yours,

/s/Alex S. Lieuwma
National Service Manager

IN THE MATTER OF
AMERICAN HOME PRODUCTS CORPORATION

MODIFYING ORDER IN REGARD TO ALLEGED VIOLATION OF THE
FEDERAL TRADE COMMISSION ACT

Docket 8641. Order, June 9, 1970—Modifying Order, May 22, 1986

The Federal Trade Commission has modified a 1970 order with American Home Products Corp. (77 F.T.C. 726) by removing some restrictions on the company's advertising for Preparation H. The modified order allows respondent to use in its advertising any claims that the Food and Drug Administration has tentatively approved.

ORDER REOPENING THE PROCEEDING AND
MODIFYING CEASE AND DESIST ORDER

On January 21, 1986, American Home Products Corporation (Petitioner) filed a petition pursuant to Rule 2.51 of the Commission's Rules of Practice, 16 C.F.R. 2.51, and Paragraph III of the order in question to reopen the proceeding and modify the final cease and desist order entered against it by the Commission on June 9, 1970, in Docket No. 8641 (77 F.T.C. 726).

The final order in this matter was the product of extended litigation concerning therapeutic advertising claims for Preparation H Ointment or Suppositories. The order effectively proscribes all therapeutic advertising claims for Preparation H Ointment or Suppositories, or any other non-prescription drug product for the treatment or relief of hemorrhoids or any of its symptoms, except for three specifically enumerated claims. The three claims permitted under the order are (1) that the use of the product will help reduce swelling of hemorrhoidal tissue caused by edema, infection, or inflammation; (2) that the use of the product will help reduce swelling of hemorrhoidal tissue by lubricating the affected area; and (3) that use of the product will afford temporary relief of pain and itching of hemorrhoidal tissue in many cases. The order concludes with a proviso (Part III) that if the Food and Drug Administration (FDA) should approve for such products any other claims as permissible in labeling, respondent may petition for a modification of the order on that ground.

Subsequently, the Food and Drug Administration (FDA) undertook a comprehensive review of the safety and effectiveness of over-the-counter (OTC) drug products under the "Drug Amendments of 1962" to the "Federal Food, Drug and Cosmetic Act." As part of this review, the FDA appointed panels of independent experts in medicine and