

Speech by: Robert Morgan
Attorney General

To: Tar Heel Capital Chapter of American
Business Women's Association
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Thank you for honoring me tonight by asking me to be your speaker. I am glad to have the opportunity of visiting with a group whose purpose is to provide scholarships for young girls in our State. Despite our apparent affluency today, the lack of money available for our young people to attend college has reached the point of being a crisis in our land. The other day, I received a letter from Mr. H. C. Evans, President of Lees-McRae College, pointing to the urgency of the situation now in Washington. The Higher Education Bill (S.659) is tied up in a conference committee, and unless some conclusion is reached soon, all authorizations for higher education expire on June 30, 1972. If this bill does not pass, 80% of the colleges' requests for economic opportunity grants for new students could go unfunded next year. In other words, four out of five applicants could be turned away!

So you see, your purpose has even more meaning today, and I wish you every success in your bake sale.

at North Hills Saturday. Ladies, our young people need your cakes!

I admire you, too, for all of this activity is a little more difficult to do after eight long hours at the office. I would suggest to the bosses who are here tonight that you delay that long report until after Saturday. Not that this will excuse you from a cake purchase, but this slight reprieve will be an additional contribution on your part.

I was asked to speak tonight on the Consumer Protection Division within our office. I am always pleased to respond to this request for this was one of my primary objectives when I decided to run for the Office of Attorney General. Statistics for the month of March will show you why there was such a need.

In March 1972, the Consumer Protection Division helped settle 184 disputes between consumers and businesses. We assisted North Carolina consumers in their recovery of \$23,182 through payment of refunds, exchange or replacement of merchandise, the receipt of goods or services, and settlement of disputed charges. .

We received 640 requests for assistance.

Since the beginning of the year the Division has received 1673 requests for assistance and 916 cases have been set up as new files for investigation. A total of 655 cases have been closed, resulting in savings of \$37,491 for North Carolina consumers.

Each month for distribution to the news media, we have a Consumer Protection News Report, and on the front, there is a statement which I have made many times and reads: "The concept of free enterprise, as known to the people of our State and Nation, has never included the right to deceive through misleading or false representations." I hope that this concept will never change, and I intend to do my part to see that it doesn't!

The 1969 North Carolina General Assembly gave us the legal tools with which to work to preserve this proud tradition. They moved in a very positive and effective way. The Attorney General's Office was given the statute we needed in G.S. 75-1.1, which reads in part as follows:

Unfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce are hereby declared unlawful.

Please note with me what the Legislature stated as the purpose for this legislation. The statute says in these very words:

The purpose of this section is to declare, and to provide civil legal means to maintain ethical standards of dealings between persons engaged in business and the consuming public within this State, to the end that good faith and fair dealings between buyers and sellers at all levels of commerce be had in this State.

This is our objective, and it is vital to the preservation of the free enterprise system.

I believe that open and free competition generated by the initiative and imagination of privately owned enterprises is the best regulating influence in the marketplace. However, overzealous businessmen, along with natural avarice and greed, quite often generates conditions which eliminate free competition in the marketplaces and compel even the most conservative to acknowledge the need for some government assistance to

to protect the consumer as well as other enterprises.

To illustrate, let us consider only two of the many cases of "bait and switch" advertising which have come to the attention of the Consumer Protection Division.

Several months ago, a large full-page ad appeared in a large metropolitan newspaper. This ad, placed by a national company, which has stores in major cities in North Carolina as well as across the country, offered automobile tires at an unusually low price. A prospective customer from a small town near the city, on the morning the advertisement appeared, drove directly to that store to make a purchase. He arrived about 10:30 a.m. and was told that all of the tires as advertised had been sold, and an effort was then made by the salesman to switch the customer to a higher priced tire.

Fortunately, this customer was not taken in. Two weeks later, when the same ad appeared again, he was waiting at the door when the store opened and went directly to the tire department. Again, he was told that they

had sold out and when he complained to the manager,
he was advised that the store had had only seven tires!

The other case of "bait and switch" advertising,
which is an even more unfair method of doing business,
involves the name of the business, which is in itself
deceptive.

In newspapers around the State, the following
want ads appeared along with many others from time to
time.

SLIGHTLY SCRATCHED

In shipment, 7 new model zigzag sewing machines.
Nationally advertised brand with full factory
guarantee. \$35 each or small monthly payments.
These machines may be inspected in warehouse
at Unclaimed Freight.

BANKRUPT STOCK

6 new model zigzag sewing machines to be sold
for \$35 each. Monthly payments available. These
nationally advertised machines carry a full
factory guarantee. They may be inspected in
warehouse at Unclaimed Freight.

The conspicuous use of the trade name "Unclaimed Freight" on its stores and in its advertisements, especially when used in conjunction with a variety of statement such as "Slightly Scratched" and "Bankrupt Stock," carried a definite connotation that such items were being sold at distressed prices because the items had been damaged in shipment or because the prior owner had become bankrupt. The fact of the matter, by admission of the operators, was that no bankrupt stock was ever sold and little if any unclaimed freight was sold, but instead prospective customers were urged to buy new and more expensive merchandise.

Now, in connection with these two illustrations, I pose these questions to you:

(1) Was it fair to the customer who drove miles to purchase tires at the attractive price advertised when the businessman did not intend to sell at these prices?

(2) Was it fair for the lady who traveled more than 150 miles to purchase a \$35.00 dewing machine to arrive there and find no such machines but instead found

herself subjected to the high pressure sales technique of "bait and switch?"

(3) Was it fair to the merchant in the hometown of these people and hundreds of others in similar cases who could hardly afford such expensive and deceptive advertising, and who pay their taxes to support local schools and other public institutions?

We took the Unclaimed Freight advertisers to court, and they are now doing business under another name, and we have no reports of unethical business practices.

Let me further illustrate how deceptive practices in the marketplace injure both the consumer and the legitimate businessman with an actual case of "Special Price," and "Special Deal Advertising."

In a major city located in the Piedmont, a business engaged in the retail sale of televisions, air conditioners and other appliances, periodically ran advertisements in the newspapers making one or more of the following misrepresentations in each ad:

They used the words "Carload Sale," when in fact our investigation disclosed the company never received a carload of appliances at any one time.

They used the words "Cost Plus 10% Sale," when a check of invoices indicated that there were only a few such sales while most sales were made at prices at least 25% above cost.

They advertised "Over a Thousand Frigidaire Air Conditioners" and "Over 800 Air Conditioners - Big Admiral," when this business had never possessed this many air conditioners over a period of an entire year, let alone at a given time.

They proclaimed "Don't Miss This Once a Year Deal," when such "deals" were offered at least once a month.

They advertised "Water Damage Sale - 30 Color TVs and Appliances at Less than Wholesale Cost," when by their own admission, they had never had any such appliances or TVs.

These misrepresentations led the average reader to believe that because it was overstocked, or because of

certain damaged merchandise he could obtain a "Special Price" or a "Special Deal." But, in fact, such prices were as much or more than one would normally pay for merchandise of the same quality.

I would pose the same questions with regard to this type of advertising as I posed before - were such advertisements fair to the consumer and to the businessmen of that community and to the commerce of the community itself?

The answer to all of the questions posed is an emphatic "NO" - it is not fair to the consumer, to the other businessmen and to our concept of government.

Fortunately, for you, the consumer and the legitimate businessmen here tonight, many of these deceptive practices have been stopped, but we have to wage a continuing battle. I am discovering the con-artist is thinking up new schemes everyday; however, North Carolina is gaining a national reputation of having a most unfavorable climate for such schemers. And, we like it that way.

I mentioned just a few minutes ago that we had acted on 1,673 complaints just since the first of the year.

Taking this amount and getting a monthly average, we have acted on approximately 28,500 complaints since I took office in 1968, and the Consumer Protection Division was established.

Some of these complaints may not seem important to you, but they are important to the man that feels he "had been had."

For instance, back in 1964, a man from the east caught a 23-inch bass. As any prideful fisherman would do, he decided to have it mounted, and paid \$5.00 down to a firm for this purpose. Months went by and no fish! He had written many letters, but to no avail. Finally in desperation - his friends kept questioning his verity - he contacted the Consumer Protection Division in May of 1969. A letter was written to the firm and in December of '69, the gentlemen finally received his 23-inch bass. In his letter of thanks he said that not only did the Consumer Protection Division help him save face, but also solved his problem of what to give his wife for Christmas!

Now, while I would agree that probably his wife was not overwhelmed with the service of the Consumer Protection

Division, the office was an advocate for the fisherman and just as important, he had a place to turn to in his dilemma.

We will continue our efforts to keep the marketplace free of unfair and deceptive trade practices, and we will continue to be the people's advocate.

Thank you again for letting me share this most pleasant evening with you.