



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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APR 30 1981

PROGRAM ANALYSIS
DIVISION

B-196324

Request for Information
by Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
House of Representatives

The Honorable Sam M. Gibbons
Chairman, Subcommittee on Trade
Committee on Ways and Means
House of Representatives

RELEASED



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Dear Mr. Chairman:

Subject: [Corporate Automotive Data] (PAD-81-72)

In response to your letter of March 13, 1981, requesting financial and other data on General Motors Corporation, Ford Motor Company, and Chrysler Corporation, we have compiled the following information from the currently available corporate 10-K and annual reports to stockholders for the years 1975 through 1979. The 1980 reports are not available as of this date, but will be available by the end of April or the beginning of May. As agreed to by your staff, we will provide the 1980 information in addendum form when it becomes available. With regard to the quoted material you requested, in many cases, we have provided the most recent quotations from the annual reports and 10-K filings because they are merely repetitions of statements made in earlier reports.

1. Net income--profit/(loss) after taxes

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	(\$ millions)				
General Motors	1,253	2,903	3,338	3,508	2,893
Ford	323	983	1,673	1,589	1,169
Chrysler	(259)	423	163	(205)	(1,097)

2. Actual U.S. Federal tax payments/(refunds)

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	(\$ millions)				
General Motors	816	2,025	2,314	2,250	1,644
Ford	(77)	253	523	249	(567)
Chrysler	(8)	50	9	(103)	(17)

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3. Annual amount of new investment

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	(\$ millions)				
General Motors	2,249	2,401	3,786	4,766	5,930
Ford	927	1,059	1,826	2,514	3,613
Chrysler	406	424	723	671	748

New investment includes expenditures for real estate, plant and equipment, special tooling, plus other investments in non-consolidated subsidiaries and associates. Data were not disaggregated in the reports on the basis of geographical location.

4. Compensation of top executives

Information on compensation (salaries and fringe benefits) to top executives was not revealed in either the 10-K reports or the annual reports.

5. Costs of meeting Federal regulations for fuel efficiency, safety, pollution controls, etc., plus legal costs and liabilities in dealing with the Federal Government

General Motors Corporation reported the following expenditures for safety and auto emission control research and development:

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	(\$ millions)				
Safety	347	354	423	466	512
Emissions control	185	188	247	446	601

General Motors also reported the following expenditures for its industrial environmental control:

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
	(\$ millions)				
Industrial Environmental Control	58	65	97	154	220

General Motors reached agreement in 1979 with the Federal Trade Commission and the attorneys general of 48 states to settle litigation concerning the interdivisional usage of engines produced by General Motors car divisions. As of January 31, 1980, the number of pending lawsuits was reduced from 359 to 114 through dismissals and settlements. The Corporation was unable to predict the potential monetary exposure arising from the settlements, but it was "of the opinion that the ultimate liability, if any, will not have a material adverse affect on the Corporation's consolidated financial position or results of operations" (10-K report, 1979, p. 16).

The Ford Motor Company was not as detailed in its estimates of regulatory compliance expenditures; however, Ford estimated that it spent "more than \$5 billion for compliance with emission control, vehicle safety, damageability, noise, and fuel economy standards relating to cars and trucks sold in the United States and Canada." Ford also claimed that the requirements "have increased the average consumer cost of Ford-built cars sold in the United States by more than \$550 per vehicle on a cumulative basis" (Ford 10-K report, 1979, p. 11).

Ford further stated that of the \$20 billion to be spent for the development of North American passenger cars and trucks between 1978 and 1985, a "substantial portion" of the expenditures would go to meet governmental standards (Ford 10-K report, 1978, p. 6).

In the category of industrial environmental control, Ford and Ford of Canada spent \$276 million since 1970 to reduce air and water pollution from their plants. By 1984, Ford expects to spend more than \$490 million for industrial environmental control to comply with pollution control standards which, according to recent government plans, were in effect or scheduled to come into effect (Ford 10-K report, 1979, p. 11).

With regard to meeting the costs of government regulation, Chrysler stated that it would require "substantial capital expenditures... to bring new products to market." In order to meet the costs, the Company stated that the funding would be "generated principally from depreciation, amortization, future earnings, other financing and the possible sale of non-essential properties or operations." Chrysler believes that "[t]he standards will also increase product costs and may have an unfavorable effect on revenue and production resulting from consumer resistance to product pricing necessary to recover these increased costs. In the near term, these standards can be expected to have an adverse impact on productivity." Chrysler was, however, "unable to predict the impact of the above on its medium- and long-term future sales and profits" (Chrysler 10-K report, 1977, p. 8).

Chrysler further stated that "certain of the proposed Federal safety standards could result in very costly vehicle design changes if sufficient lead time is not provided for compliance with those standards" (Chrysler 10-K report, 1979, p. 13).

Chrysler was able to state, however, that "compliance with Federal, State, and local industrial environmental control standards will not have a material effect on [its] capital expenditures, earnings or competitive position in the industry" (Chrysler 10-K report, 1979, p. 13).

Information on recalls

General Motors, Ford, and Chrysler discussed at length in their most recent 10-K reports the background and circumstances of various legal proceedings relating to product performance, but did not mention, as far as could be ascertained, whether these legal proceedings either resulted from or resulted in a product recall. The reports do not volunteer any information on product recalls under other circumstances. With regard to the cost of recall programs to remedy safety defects alleged by the National Highway Traffic Safety Administration, Ford stated that such costs could be "substantial" (Ford 10-K report, 1977, p. 11).

Import competition

In their 10-K reports for 1979, General Motors and Ford said very little about import competition's impact on domestic performance. For example, Ford stated that its U.S. operations "incurred an after-tax loss of \$199 million" due to "lower industry volume, a smaller Ford market share as demand in the marketplace shifted to smaller cars, the impact of inflation on the costs of labor and materials, the high cost of redesigning Ford's lineup, and increased marketing costs resulting from weaker consumer demand...." No direct mention was made of import competition (Ford 10-K report, 1979, p. 17).

Chrysler, on the other hand, states clearly that its 1979 loss was due to "decreasing domestic sales of cars and trucks, reflecting Chrysler's declining domestic market share and lower sales by the domestic automotive industry as a whole resulting from the general economic slowdown and progressively increasing competition from foreign automotive manufacturers. Most of these factors are continuing in 1980." In commenting further on the state of the domestic auto industry "[a]nnual unit sales of the industry and of individual manufacturers within it have fluctuated widely over the years. This has been due to a number of factors, including progressively increasing foreign competition" (Chrysler 10-K report, 1979, p. 5).

More efficient autos, investment abroad,
changes in Federal legislation

General Motors stated, "a significant part [of its efforts] was concentrated on its forward product program... to meet the government requirements for more fuel-efficient cars; ...the forward product program will have resulted in the alteration of the size, weight, and shape of most car models General Motors builds. In addition, to weight reduction of future models, the forward product program will trim outside dimensions without sacrificing interior roominess and will increase operating efficiency, and thereby fuel economy" (GM 10-K report, 1979, p. 7). In the area of alternate power plants, General Motors was working on development of the direct injection stratified charge (DISC) engine, heavy-duty gas turbine engines, and the application of ceramics in the turbine (p. 13).

Aside from mentioning the liquidation of its Argentine automotive operations during the 1978-79 period in the 1979 10-K report, General Motors chose not to comment on its investment activities abroad as a separate and distinct item. These activities are to be distinguished from investment and expansion activities conducted by General Motors' (and Ford's) foreign subsidiaries for their own purposes. The Company had no suggestions for changes in Federal legislation, presumably relating to the auto industry.

Ford "plans to make a general reduction in the overall size and weight of cars in future model years to increase fuel efficiency in an effort to meet fuel economy standards applicable to future cars" (Ford 10-K report, 1978, p. 6). Ford had no comment or suggestions for Federal legislation, however.

Chrysler commented that it was exploring "a number of different ways of meeting future emissions and fuel economy standards, including further modifications of its present engines and exhaust systems, development of smaller and other types of engines and reducing the size and weight of vehicles" (Chrysler 10-K report, 1979, p. 13). Concerning investment abroad, "Chrysler's operations ...have been materially reduced as a result of the sale of several of its former European subsidiaries to P.S.A. Peugeot-Citroen ("PSA") ...and the sale of all or part of Chrysler's interests in its various South American and Australian operations" (Chrysler 10-K report, 1979, p. 9). Chrysler seems also to have chosen not to comment on suggestions for changes in Federal legislation.

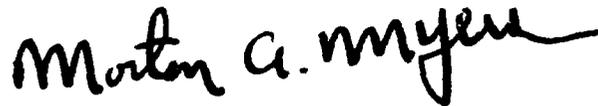
In accordance with your request, we are releasing this report only to you at this time. No further distribution of this report will be made until 30 days after the report date.

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At that time, we will send copies to interested parties and make copies available to others upon request.

We hope that this satisfies your request. If we can be of further assistance, please do not hesitate to contact us.

Sincerely yours,

A handwritten signature in black ink that reads "Morton A. Myers". The signature is written in a cursive style with a long, sweeping underline.

Morton A. Myers
Director