

Report of
GENERAL MOTORS
CORPORATION
FOR THE
Calendar Year Ended December 31, 1922

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GENERAL MOTORS CORPORATION

224 West 57th Street
New York, N. Y.

General Motors Building
Detroit, Mich.

Officers

PIERRE S. DU PONT, <i>President</i>	Wilmington
HARRY H. BASSETT, <i>Vice-President</i>	Flint
ARTHUR G. BISHOP, <i>Vice-President</i>	Flint
DONALDSON BROWN, <i>Vice-President</i>	New York
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ALFRED H. SWAYNE, <i>Vice-President</i>	New York
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FRANK TURNER, <i>Comptroller</i>	Detroit

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HENRY F. DU PONT
IRÉNÉE DU PONT
LAMMOT DU PONT

PIERRE S. DU PONT
J. AMORY HASKELL
SEWARD PROSSER
ALFRED P. SLOAN, JR.
EDWARD R. STETTINIUS

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FRED J. FISHER
J. AMORY HASKELL

ALFRED P. SLOAN, JR.

CHARLES S. MOTT
JOHN J. RASKOB

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Vice-President,
New York, N. Y.

REPORT TO THE STOCKHOLDERS

OF

GENERAL MOTORS CORPORATION

For the Calendar Year ended December 31, 1922

NEW YORK, MARCH 19, 1923

To the Stockholders:

The automobile industry is notable in having passed through three distinct phases in a brief period of three years and at the same time having transformed itself from a member of the luxury class to that of a prime necessity. To many the culmination of the period of inflated prices in the latter months of 1920 marked also the probable culmination of the wide demand for automobiles then commonly known as "pleasure cars." At that time growth in the use of automobiles was compared with and attributed to the period of inflation and extravagance brought about by the redistribution of wealth in the war years and those immediately following. Two years ago the term "pleasure car" applied to all cars excepting commercial vehicles, and properly described the then popular conception of the position of the automobile in modern life. The year 1920 witnessed the development of the automobile to its limit, as a supposed luxury, with the natural accompaniment of careless and extravagant production and sales methods.

Deflation, following in the year 1921, furnished two lessons: first, that the automobile, no longer a pleasure vehicle, had become a neces-

sary tool—one which, as measured by its use in gasoline consumed, is not to be lessened in utility by the pinch of a severe financial and industrial readjustment; and, also, that the automobile, as shown by the registrations of 1921 and 1922, may be repaired and continued in use longer than normally expected. This first lesson was delivered not only to manufacturers but to the public in general. The second lesson applied more strictly to those catering to the public. It was to the effect that the manufacture and sale of the automobile as a commercial necessity must follow the same careful economic and resourceful methods as those found necessary in other standardized industries.

The development of the year 1922—a natural outcome of the year preceding—has dealt with the re-establishment of the automobile industry along sane lines and with the same aims that mark the successful conduct of other industries. To be sure, the effects of the past are not yet wholly blotted out, but the wave of reform has nearly overcome the mistakes of prior years. The future will have its problems, its inflations and depressions, but it is impossible to forecast a return to the critical conditions that have marked the regeneration of the industry during the three years now happily passed.

General Motors Corporation has followed the trend of the industry; its regeneration was necessary and it has been complete. Facilities for manufacture and sale have been revised, bettered and made more economical. Cars are more carefully designed, with a view to longer life, and greater economy in maintenance and operating costs. The aesthetic and useful have been studied in combination. System in management and control has been developed. In the year 1920 the Corporation may properly have been considered a maker of pleasure cars, to-day it furnishes economical transportation with appropriate comfort and appearance. To many this period of transformation has been one of doubt, fear and misgiving, confused by large and unfinished developments but to those of clearer vision the possibilities of a greater, stronger and more useful and prosperous corporation have been constantly in mind. To them the period of regeneration is distinct from and independent of the development of the Corporation as planned in earlier years.

DEVELOPMENT PROGRAM

The Annual Report for 1920 made mention of the construction and expansion program of the years 1918, 1919 and 1920. At that time plans

were not wholly completed and working capital requirements were not determined. It is now possible to give account of the expenditures of this development period and the sources of capital provided. With the exception of the final payments on the General Motors Building in Detroit, for which funds are held in reserve, the program is now finished, so that further construction or expansion will be determined entirely from current and future needs of the business independent of plans and commitments laid down prior to the year 1921.

On January 1, 1918, General Motors Corporation had total assets of \$133,789,724, including \$11,971,603 goodwill, patents and copyrights. On January 1, 1923, assets total \$522,335,034, including \$22,370,811 goodwill, patents and copyrights. At the earlier date the Corporation consisted of the four passenger car manufacturing divisions—Buick, Cadillac, Oakland and Oldsmobile—and the General Motors Truck Division, having a capacity of about 223,000 cars and trucks per annum, as measured by maximum quarterly sales prior to 1918. The Corporation owned no plant manufacturing small cars, had no owned supply of accessories, such as lighting, starting and ignition sets, roller bearings, ball bearings, etc.; it had no central experimental or development laboratories. Since January 1, 1918, the construction and expansion program has brought the Corporation to a manufacturing capacity of 750,000 passenger cars and trucks per annum, has placed it in position to manufacture all of its electrical equipment, including spark plugs and warning signals, all radiators, anti-friction bearings, wheel rims, steering gears, transmissions, engines, axles and open bodies. Through its stock holdings in Fisher Body Corporation, it controls the manufacture of its supply of closed bodies. The program was not developed as a whole but resulted from the constructive planning of three years. Confidence in the future was not misplaced, as sales in the last nine months of 1922 were at the rate of 515,000 units per annum, or 70% of the present manufacturing capacity; and single months have reached 80% of capacity. Estimates for the future indicate that the full manufacturing output will be required at no distant date.

The total cost of carrying out this program may be summed up as follows:

Real Estate, Plant and Equipment, Tools, etc., acquired three years, 1918 to 1920, inclusive.....	\$214,605,825
Invested in allied and accessory companies.....	66,950,279
Total.....	<u>\$281,556,104</u>

The cash for carrying out this work was supplied from several sources as follows:

FROM EARNINGS:

Net earned income, three years, 1918 to 1920, exclusive of extraordinary write-offs of year 1920.....	\$193,801,804	(100%)
Less: Federal taxes paid.....	\$47,274,750	(24%)
Dividends paid.....	57,386,370	(30%)
Balance of earned income available for program...	89,140,684	(46%)
Net amount available from reserve accounts	<u>13,394,246</u>	
Total cash available for construction and expansion program, from operations of 1918 to 1920 inclusive.		\$102,534,930 (27%)

FROM SALE OF SECURITIES:

Proceeds from sale of Common Stock.....	\$ 98,494,835	
Proceeds from sale of 6% Debenture Stock	25,425,000	
Proceeds from sale of 7% Debenture Stock	<u>10,998,700</u>	
Total cash due for construction and expansion program from sale of securities, 1918 to 1920, inclusive.		134,918,535* (35%)

FROM FUND FOR BONUS, ETC.:

From funds set aside in cash for bonus, etc., but paid in newly issued stock.....	13,569,144	(3%)
Total cash available from all sources.....	<u>\$251,022,609*</u>	(65%)

SECURITIES ISSUED IN PAYMENT FOR PROPERTIES WERE:

Debenture and Common Stock.....	\$122,141,520	
Purchase notes for part payment Fisher Body Corp. stock.....	9,840,000	
Mortgages assumed on properties purchased	<u>1,629,070</u>	
Total value of securities issued.....	133,610,590	(35%)
Total amount available for construction and expansion program.....	<u>\$384,633,199</u>	(100%)

* Of this total \$3,881,879 only remained uncollected on January 1, 1921.

SUMMARY

Total funds, provided.....	\$384,633,199
Total expended on capital account.....	281,556,104
Balance available for working capital.....	\$103,077,095
Net working capital, January 1, 1918.....	65,605,969
Net working capital provided under program.....	<u>\$168,683,064</u>

As the net working capital requirement of today, operating under a schedule almost identical with that laid down for the year August, 1920, to August, 1921, is about \$126,000,000, the net working capital available

under the original program, about \$168,000,000, should have been much more than sufficient for the lesser operations of the year 1921. From the above it is clear that full provision for the construction and expansion program of the years 1918 to 1920, including working capital, was made prior to the end of the year 1920. Therefore, this program was in no wise responsible for the financial difficulties under which the Corporation labored during the latter part of 1920 and the year 1921. Explanation of these difficulties lies in another quarter.

OPERATIONS OF THE YEARS 1920, 1921 AND 1922

At the close of the year 1920 the net working capital, exclusive of notes payable, in use prior to the write-off of inventories, was \$242,830,271 or \$116,354,034 above the amount required (December, 1922) to carry more than double the production of the earlier period. This made it necessary to borrow a maximum of \$82,784,824 (on October 31, 1920). The reduction of the surplus materials purchased at high prices, and of inventory and other commitments made prior to December, 1920, resulted in a total liquidation loss of \$84,869,893.

This condition of affairs was not reached without anticipatory warning. In the month of March, 1920, the President presented to the Executive Committee a schedule of proposed production made possible by the construction and expansion program then well on toward completion. He proposed that this schedule be adopted for the year August, 1920, to August, 1921. Though approved at the time, the schedule was revised in the month of May, 1920, to a proposed production almost identical with that in force during the last nine months of 1922. At this early date (May 13, 1920), the Executive Committee and Finance Committee noted the continued increase of inventories (to \$167,965,641 on April 30, 1920). The Chairman of the Finance Committee explained fully to those in charge of operations of the Corporation the necessity of control, and, at his suggestion, a committee was appointed to allot among the Divisions of the Corporation the \$150,000,000 considered available for inventories. The Chairman also stated that it was necessary not to increase inventories beyond this amount during the succeeding twelve months.

The report of the Inventory Allotment Committee was presented and approved before June 1, 1920. It was unfortunate that the rulings of the Executive and Finance Committees and their cautions remained unheeded. As a result, inventories reached a total of \$209,000,000 at the end of October, 1920, exceeding by \$60,000,000 the allotments of the

Executive and Finance Committees and by \$100,000,000 the amount in actual use during the active summer of 1922. This excess accounted for about 70% of the borrowings at that time.

It was doubly unfortunate that the spirit of the committee rulings was totally disregarded by a few of the Divisions, the losses of which, due to expanded inventories and commitments for the future, amounted to \$48,579,872, or much more than the total operating deficit of the whole Corporation during the year 1921. The operating losses of these Divisions during the liquidation and reconstruction period of 1921 added \$15,330,938, making a total of \$63,910,810 on their account.

Though the losses above enumerated were enormous, it should be fully realized that they were not typical of the operations of the Corporation as a whole; in fact, they related to ten Divisions only out of a total of thirty-four. The sales and profits of the twenty-four normally operated Divisions are shown below in Group I; the sales and profits of the ten unsatisfactory Divisions are shown in Group II. Of these ten, five were of small importance and were liquidated in 1921. Another, the Samson Tractor Division, is dealt with separately. The remaining four Divisions of Group II have since been restored to more normal conditions and to an earning power in line with the Divisions classed as Group I.

The following tabulation will better illustrate the relative importance of the two groups:

	GROUP I 24	GROUP II 10
Divisions involved.....		
NET SALES:		
1920.....	\$362,409,005	\$204,911,599
1921.....	208,438,291	96,048,952
1922.....	296,756,778	161,713,088 (a)
NET PROFITS:		
1920.....	\$ 68,525,545	\$ 18,336,690
1921.....	22,802,537	15,330,938 (b)
1922.....	59,078,448	11,007,517 (c)
Extraordinary write-offs, inventory adjustments and liquidation losses, 1920-1921-1922.....	36,290,020	48,579,872
Extraordinary write-offs compared to 1920-1921- 1922 sales.....	4.2%	10.5%

(a) Does not include liquidating sales of Tractor Division. (b) Loss. (c) Does not include \$5,688,091 liquidating loss of Tractor Division.

TRACTOR INVESTMENT

In the year 1917 General Motors Corporation purchased the stock of the Samson Sieve Grip Tractor Company of California. This company and its product had been under investigation by the President, and the purchase was made by him. He became General Manager of the Samson Tractor Division of the General Motors Corporation. On his recommendation the Executive and Finance Committees voted appropriations for

permanent investment in the Tractor Division amounting to \$10,428,416, afterwards increased by \$3,021,034, principally to cover overrun expenditures, and, in May, 1920, allotted to the division \$7,000,000 for inventories. At the close of the year 1919 the Division's new facilities for the production of 100,000 tractors per annum were reported practically complete. (At that time the total investment amounted to \$7,485,346.) On October 31, 1920, the fixed investment in the Tractor Division amounted to \$10,905,927, and working capital to \$18,595,144, a total of \$29,501,071. The operating losses prior to December 31, 1920, and exclusive of extraordinary write-offs of that year were:

1917.....	\$ 24,467
1918.....	1,868,986
1919.....	1,823,883
1920.....	8,228,956
	<u>\$11,946,292</u>

After the tractor was fully developed and priced at \$650, it was found that it could not be marketed profitably. Prices were raised only to discover that sales could not be made in competition with more cheaply designed tractors. In the meantime, numerous commitments for materials had been entered into, with a view to producing 70,000 tractors of this class; and, in addition, materials for producing 60,000 tractors of another class. This was the situation as it appeared December 1, 1920. The loss in liquidating inventories and commitments of this Division amounted to \$21,293,752, in addition to the operating losses above noted of \$11,946,292, making a total loss incurred of \$33,240,044. Today the plant of the tractor division has been turned, in greater part, to other uses. As the liquidation of this Division has been completed, no further operating loss is to be expected.

The localization of the troubles of 1920-1921 makes it possible to present a fair comparison of the Corporation's earnings of the years 1919-1922 inclusive:

	1919	1920	1921(*)	1922
Gross capital employed at end of year.....	\$469,737,345	\$604,806,868	\$404,914,312	\$522,335,034
Earnings before dividends and Federal Taxes.....	90,517,519	67,779,710	21,116,697	62,611,244
Federal Taxes.....	30,000,000	3,894,000	6,250,000
Earnings for Stockholders before write-offs.....	\$ 60,517,519	\$ 63,885,710	\$ 21,116,697	\$ 56,361,244
Write-offs of inventories and commitments.....	26,002,188	59,796,490(b)	4,553,796
Net earnings as per annual statements.....	\$ 60,517,519	\$ 37,883,522	\$ 38,679,793(c)	\$51,807,448
Sales, cars and trucks.....	391,738	393,075	109,396(d)	456,763

* Group I Divisions only. (b) Includes losses of Group II Divisions. (c) Loss. (d) Sales Group I Divisions only.

The earnings of these four years, 1919 to 1922 inclusive, as shown above, may be summarized as follows:

SUMMARY

EARNINGS:		
Total earnings four years, 1919-1922 before taxes (including Group I Divisions only for 1921).....	\$242,025,170	
Less extraordinary losses (Group I Divisions 1920, 1921, 1922).....	36,290,020	
	<u>\$205,735,150</u>	
DISPOSITION:		
Cash Dividends, Debenture and Preferred Stocks.	\$ 22,572,176	
Cash Dividends, Common Stock.....	65,863,224	
Total Cash Dividends.....	<u>\$ 88,435,400</u>	43%
Stock Dividends paid on Common Stock.....	12,940,435	6%
Federal Tax Provision.....	40,144,000	20%
Total Losses, Group II Divisions.....	63,910,810	31%
Surplus.....	304,505	00%
	<u>\$205,735,150</u>	<u>100%</u>

Thus has General Motors Corporation, in the brief period of five years, expanded its plant investment five times under a program that was completely financed as work progressed. The wisdom of the plan is shown by the fact that there is now demand for 80% of the facilities provided with promise of full use of these facilities at an early date. The plan is one that calls for no apologies for its inception and development, but it should be a source of satisfaction and pride to those who were responsible therefor.

Excepting for the year 1921, earnings of the Corporation have been satisfactory. The year 1921 showed a shrinkage of 45% in number of cars produced, and 44% in volume of sales, when compared with an average of the two preceding years, a record not in itself abnormal, considering the general trend of economic conditions at that time. The greater part (68%) of the Corporation's business in 1921 was satisfactory though suffering losses through the rapid decline in values, but these losses, if averaged into the period in which they justly belong, leave a satisfactory profit for these years as a whole.

Narrowing now to the smaller part (32%) of the business of 1921, involving only four Divisions now active, we find conditions accounting for 70% of the losses that were a matter of great concern during the winter of 1920-1921, and accounting for losses of \$63,000,000. This localization of the source of trouble is a comfort for it reduces the likelihood of recurrence. There seems to have been no real necessity for the management of the Divisions involved in losses to have faced greater troubles than those experienced in other Divisions of the Corporation where conditions were satisfactory.

Three considerations make recurrence of the 1920-1921 disaster seem unlikely, if not impossible. First, it is very doubtful if the sharp decline in prices witnessed during that period will recur. The extreme rise was due to the war and deflation was more precipitate than ever before known. Second, a complete system of inventory and purchase control has been established in the Corporation. This system embraces a monthly statement of inventories and future commitments beyond which the Divisions are not permitted to proceed without specific authority. Under this system a shrinkage in business such as occurred in the years 1920-1921 could not result in a repetition of the inventory troubles of those years. Third, the system of consolidated cash control installed during the year 1922 makes possible more effective use of the funds of the Corporation.

The purpose of the above recital is to show definitely that the troubles of past years were not related to an ill-financed expansion program or to delay in receiving the proceeds of financing. It is quite certain that the funds provided before the close of the year 1920 were sufficient to carry out the whole program and also to finance new business offered during the year 1921 and the first half of the year 1922. It is equally certain that disregard for control of inventories and purchase commitments cost the Corporation a very large sum of money, of which the greater part might have been saved by proper safeguards in Divisions now differently managed. Further, it is important to the stockholders to know that the financial misfortunes of the Corporation in the past were only slightly related to the manufacture and sale of its products, but that these misfortunes were directly related to loose and uncontrolled methods which are now corrected.

CAR, TRUCK, ACCESSORY AND PARTS DIVISIONS

BUICK MOTOR CO. DIVISION.....	Flint, Mich.
CADILLAC MOTOR CAR CO. DIVISION.....	Detroit, Mich.
CHEVROLET MOTOR DIVISION.....	Detroit, Mich.
GENERAL MOTORS OF CANADA, LTD.....	Oshawa, Ont.
GENERAL MOTORS TRUCK CO. DIVISION.....	Pontiac, Mich.
OAKLAND MOTOR CAR CO. DIVISION.....	Pontiac, Mich.
OLDS MOTOR WORKS DIVISION.....	Lansing, Mich.
A C SPARK PLUG COMPANY.....	Flint, Mich.
<i>Spark Plugs and Speedometers</i>	
BROWN-LIPE-CHAPIN COMPANY.....	Syracuse, N. Y.
<i>Differentials and Gears</i>	
DAYTON ENGINEERING LABORATORIES CO.....	Dayton, Ohio
<i>Starting, Lighting and Ignition Sets</i>	
HARRISON RADIATOR CORPORATION.....	Lockport, N. Y.
<i>Radiators</i>	
HYATT ROLLER BEARING COMPANY.....	Newark, N. J.
<i>Roller Bearings</i>	
JAXON STEEL PRODUCTS COMPANY.....	Jackson, Mich.
<i>Wheels, Rims, Tire Carriers and Rim Parts</i>	
KLAXON COMPANY.....	Newark, N. J.
<i>Warning Signals</i>	
LANCASTER STEEL PRODUCTS CORPORATION.....	Lancaster, Pa.
<i>Special Steels</i>	
MUNCIE PRODUCTS COMPANY.....	Muncie, Ind.
<i>Transmissions and Steering Gears</i>	
NEW DEPARTURE MANUFACTURING CO.....	Bristol, Conn.
<i>Ball Bearings, Coaster Brakes, Bells and Bicycle Hubs</i>	
NORTHWAY MOTOR & MFG. CO.....	Detroit, Mich.
<i>Motors and Transmissions</i>	
REMY ELECTRIC COMPANY.....	Anderson, Ind.
<i>Starting, Lighting and Ignition Sets</i>	
SAGINAW MALLEABLE IRON COMPANY.....	Saginaw, Mich.
<i>Malleable Castings</i>	
SAGINAW PRODUCTS COMPANY.....	Saginaw, Mich.
<i>Motors, Steering Gears and Grey Iron Castings</i>	

All of these Divisions are active and in satisfactory shape for the production of high grade products at minimum cost. The Divisions are well balanced and need comparatively little further capital expenditure at present.

FISHER BODY CORPORATION

In the year 1919 General Motors Corporation purchased for \$27,600,000, three hundred thousand shares (60%) of the common stock of Fisher Body Corporation. The latter is now capable of producing all the closed car bodies needed by the several divisions of General Motors Corporation. The product is of the highest quality of workmanship and of durability. Design and finish are most acceptable so that the emblem with words "Body by Fisher" is now well appreciated by customers and is proving a very valuable asset.

To meet the growing demands of the industry, Fisher Body Corporation has recently sold an issue of \$20,000,000 notes and offered for sale \$7,500,000 of common stock at \$75 per share. The latter has been underwritten without commission. These funds will permit the retirement of underlying bonds, bank loans and preferred stocks, approximately \$15,500,000, leaving \$12,000,000 for extension of Fisher Body Corporation facilities including working capital.

The Corporation is in very good position financially, its products are the best of their kind and its business is in very satisfactory condition.

At the close of 1921, General Motors Corporation had outstanding on account of its original acquisition of Fisher Body Corporation stock, Purchase Money Notes in the sum of \$4,000,000, maturing at the rate of \$1,000,000 annually, August 1, 1922 to August 1, 1925. During the year 1922 General Motors anticipated its notes maturing beyond 1923 in the sum of \$3,000,000, thus leaving outstanding at the close of 1922 \$1,000,000 which will be met at maturity August 1, 1923.

RESEARCH LABORATORIES

The Research Laboratories of the Corporation at Dayton, Ohio, are subject to generous appropriation for development and research in the field of the Corporation's operations. The result of this work is encouraging.

One development, the result of several years' study, has been introduced to the public as the "copper cooled" car of the Chevrolet Division. The engine of this car is cooled by means of copper fins brazed directly to the cylinder walls, thus doing away with radiator, water, pump, and water jacket. This feature attains great value in winter as the engine is free from troubles incident to cold weather and freezing; and also in summer or on

heavy roads, where the water cooled car is subject to overheating and consequent loss of water, the "copper cooled" car does not overheat or lose power. In addition, the engine is light and powerful and shows great fuel economy.

DELCO-LIGHT COMPANY

This Division of General Motors Corporation is quite separate from the Dayton Engineering Laboratories Division that manufactures ignition, lighting and electrical starting equipment for automobiles. The Delco-Light Company devotes its energies primarily to production and sale of lighting sets for houses, barns, etc., in districts not reached by public service corporations or other sources of electric current. The Company maintains 53 distributors and 3163 dealers. There are in use 175,000 Delco-Light Plants. The Company also manufactures and sells electrically driven pumps for both deep and shallow wells, and has taken over and brought to satisfactory development the "Frigidaire", electrically operated, iceless household refrigerator, formerly a separate division of General Motors Corporation. The Company has also developed a washing machine of very simple design. This machine, as well as Frigidaire, is satisfactorily operated from the power and lighting sets furnished by the Company or from public service current, direct or alternating.

The Company is doing good and profitable work and its products are increasing in popularity.

GENERAL MOTORS ACCEPTANCE CORPORATION

This Corporation was organized in the year 1919 in order to assist dealers in financing their purchases and sales of General Motors Corporation products. The success of the plan is best measured by the volume of business done. From inception to December 31, 1922, the Corporation has extended to GMC dealers over \$337,000,000 of financial accommodation and by so doing has financed the purchase by dealers of 165,782 cars, trucks and tractors and the sale by dealers of 274,775 cars, trucks and tractors exclusive of other General Motors products and export shipments. The retail value of all products financed is in excess of \$440,000,000. The Corporation has financed its business by the sale of its obligations, in every State of the Union, to over 1,500 banking institutions; numbered among these is nearly every important financial institution of the country. The loss experience of this Corporation is indicative of the care exercised

in extending credits. Actual losses sustained, plus reserve to cover possible additional losses, show a loss ratio of about 3/10ths of 1%. The General Motors Corporation subscribed for and holds the entire capital stock of the General Motors Acceptance Corporation, amounting to \$4,800,000. The surplus and undivided profits are \$1,509,256. However, the Acceptance Corporation is in fact an independent banking institution, managing its own affairs and operating at a profit under principles consistent with sound banking practice and with the one actuating purpose of promoting a maximum distribution of General Motors Corporation products.

GENERAL MOTORS BUILDING, DETROIT

In the last Annual Report attention was called to the sale of \$12,000,000 bonds of this Building for the purpose of repaying in part to General Motors Corporation the investment already made and for finishing the Building. The half of the Building first completed is now fully occupied and the non-occupied space is almost finished and ready for lease.

HOUSING PLANS

During the war period the Corporation was obliged to build a number of dwelling houses at several points in order to accommodate its employes. A total of 1,633 houses were finished, of which 1,039 have been sold. The investment now stands at \$6,274,782, consisting of 2,547 lots, 774 acres of residential real estate, and 521 houses. Of the latter 239 were rented December 31, 1922.

ACQUISITION OF BROWN-LIPE-CHAPIN COMPANY STOCK

General Motors Corporation has for some years past held a 22% stock interest in the Brown-Lipe-Chapin Company, Syracuse, New York, the largest manufacturers of differential gears in the world, and for years a source of supply for General Motors Divisions. At the close of 1922 the Corporation acquired the outstanding capital stock not already owned, paying therefor \$1,725,200 in cash and \$5,250,000 in Seven Per Cent Debenture Stock of the par value of \$100. The increase in outstanding Seven Per Cent Debenture Stock appearing on the balance sheet December 31, 1922, is on account of this purchase.

INSTITUTIONAL ADVERTISING

Two years ago the General Motors Corporation began a systematic effort to give publicity to its affairs through a series of communications to its stockholders.

The time has arrived to reach out to another audience—the employes of General Motors and its dealers, the 3,000 companies from which materials are purchased and the more than two million users of General Motors products. The most effective means of reaching this audience, and the general public of which it is a part, is through national advertising.

Accordingly, after much thought and study, a campaign was prepared for advertising in monthly publications having a nation-wide circulation and a second series of advertisements in business and financial publications. This institutional advertising appeared January, 1923, and will continue monthly. It tells the story of General Motors and is of a different character from the advertising of the manufacturing divisions.

Like every other important force, advertising works slowly; goodwill and public understanding are not won in a day. But as the months go by and the story of General Motors unfolds itself chapter by chapter, the average man and woman will have a much clearer understanding of the scope of General Motors Corporation, and of the force and logic in the union of its varying activities.

BONUS PLAN

To induce employes of exceptional merit to remain with the Corporation over a period of years a Bonus Plan was adopted in 1918. As amended effective for the year 1922 and subsequent years, the Directors each year, after deducting 7% on capital employed, are authorized to set aside an amount equal to not more than 10% of net earnings to be placed in a Bonus Fund and invested in stock of the Corporation.

From this Bonus Fund employes of exceptional merit are awarded bonus in stock. At the time of award one-fourth of the stock is delivered and the remaining three-fourths held in trust to be delivered in equal installments at the end of each of the three following years. Dividends declared upon the stock held in trust are paid to the employes. Awards made under the Bonus Plan during the years 1918, 1919, 1920 and 1922

have been as follows: (No amount was available for distribution for the year 1921.)

7% Debenture Stock awarded.....	20,530 shares
Common Stock awarded.....	767,079 shares
Number of bonuses awarded.....	15,886

NUMBER OF EMPLOYEES

The number of employees of the Corporation for 1922 and prior years has been as follows:

1909.....	14,250	1913.....	20,042	1918.....	49,118
1910.....	10,000	1914.....	14,141	1919.....	85,980
1911.....	11,474	1915.....	21,599	1920.....	25,333
1912.....	16,584	1916.....	25,666	1921.....	35,931
		1917.....	25,427	1922.....	75,214

These figures do not include the employees of the affiliated companies.

SAVINGS PLAN

The continued response by employees to the opportunity for thrift under the Corporation's Savings and Investment Plan, inaugurated in 1919, is gratifying.

Employees are permitted to pay in 10% of their wages or salaries not to exceed \$300 in any year. Interest is credited semi-annually at 6%. Employees may withdraw their savings and interest at any time. Under the original plan the Corporation agreed that if savings remain undisturbed for a period of five years it would match dollar for dollar the savings of the employees. Under the amended plan the Corporation agrees to contribute fifty cents for every dollar paid in by the employees. A summary of the results of this savings fund follows:

Year Ended Dec. 31	Amount Paid in by Employees	Amount Paid in by Corporation	Accumulation of Interest and Income from Investment	Aggregate Receipts	Withdrawals by Employees	Net Amount in Fund
1922	\$ 2,598,090	\$ 1,143,977	\$ 644,576	\$ 4,386,643	\$ 849,898	\$ 3,536,747
1921	2,603,090	2,162,565	603,801	5,369,456	2,376,157	2,993,299
1920	4,502,185	4,502,185	382,476*	9,386,846	2,758,781	6,628,064
1919	2,249,065	2,249,065	22,907	4,521,037	179,382	4,341,654
	<u>\$11,952,430</u>	<u>\$10,057,792</u>	<u>\$ 1,653,760</u>	<u>\$23,663,982</u>	<u>\$ 6,164,218</u>	<u>\$17,499,764</u>

* In addition to this amount, which was received in cash, there was also received as a stock dividend 12,604 39/40th shares of General Motors Corporation Common Stock.

This net amount, \$17,499,764, is the accumulated "Savings" of employees now interested in the plan.

NUMBER OF STOCKHOLDERS

At the end of 1922 there were 65,665 stockholders. Of the 44,000 common stockholders, 37,000 owned less than 100 shares and 13,000 owned 10 shares or less. One-fourth or 11,244 of the stockholders are women.

A comparison of the total number of stockholders of all classes by quarters follows:

Year Ended Dec. 31	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1917.....	1,927	2,525	2,669	2,920
1918.....	3,918	3,737	3,615	4,739
1919.....	8,012	12,523	12,358	18,214
1920.....	24,148	*26,136	31,029	36,894
1921.....	49,035	59,059	65,324	66,837
1922.....	70,504	72,665	71,331	65,665

* In January, 1920, stockholders authorized the exchange of one share of Common stock, par value \$100, for 10 shares of Common stock without par value, the first exchange having been made March 1, 1920.

PROGRESSIVE GROWTH

The growth of the Corporation during recent years is not shown completely in the total of cars and trucks sold, as the sales of accessories and other goods, and the manufacture of parts for its own consumption have added greatly to the volume of business. On the other hand, the net volume of sales does not give a very accurate measure of increased business due to the recession of prices during the two years past; however, both records are given below:

NUMBER OF PASSENGER CARS, COMMERCIAL CARS, TRUCKS AND TRACTORS SOLD

1918.....	246,834
1919.....	391,738
1920.....	393,075
1921.....	214,799
1922.....	456,763

NET SALES, ALL PRODUCTS MANUFACTURED

1918.....	\$269,796,830
1919.....	509,676,695
1920.....	567,320,604
1921.....	304,487,243
1922.....	463,706,733

DIVIDENDS

The regular dividends on the Debenture and Preferred stocks have been paid during the year 1922. A detailed record of the quarterly dividend payments during the year ended December 31, 1922, is as follows:

7% Debenture Stock	6% Debenture Stock	6% Preferred Stock	Date of Payment	Stock of Record
\$1.75	\$1.50	\$1.50	Feb. 1st	Jan. 14th
1.75	1.50	1.50	May 1st	Apr. 7th
1.75	1.50	1.50	Aug. 1st	July 3rd
1.75	1.50	1.50	Nov. 1st	Oct. 9th

Dividends on the Debenture and Preferred stocks have been paid regularly since the stocks were issued, as follows: The 6% Preferred has paid \$1.50 a share quarterly, \$6 a share a year, since February 1, 1917. The 6% Debenture has paid \$1.50 a share quarterly, \$6 a share a year, since February 1, 1919. The 7% Debenture has paid \$1.75 a share quarterly, \$7 a share a year, since May 1, 1920.

The initial dividend on the no par value common stock was 25 cents cash and a stock dividend of 1/40th of a share of common paid May 1, 1920, which rate was also paid on August 2 and November 1, 1920. During 1921 the dividend was at the rate of \$1 per share per annum, payable 25 cents quarterly upon the first of February, May, August and November. During 1922 no quarterly dividends were paid but at a meeting of Directors held November 16, 1922, there was declared a "special" dividend of 50 cents a share on the common stock payable December 20, 1922, to stockholders of record November 27, 1922.

PRESENT POSITION

The present position of the Corporation is one of great strength. The plants are, with few exceptions, modern and the greater part new. Machinery is quite up to date. Each of the six car manufacturing divisions has sufficient capacity to operate at lowest cost and the sales organizations are in strong position. The Corporation owns complete plants for manufacturing essential accessories and has a research and development division extraordinarily well equipped, both as to apparatus and personnel. Working capital is sufficient for present production. The organization is well developed and is operating with great harmony and co-operation.

Financially the situation is satisfactory. The current and working assets as of December 31, 1922, amounted to \$180,239,160, consisting of cash, sight drafts, notes and accounts receivable, materials, etc., substantially all of which liquidate in four months or less. Against these assets there is no indebtedness in the form of notes or bank loans, and the only fixed indebtedness consists of \$2,279,750 purchase money notes and mortgages. Current liabilities amount to \$53,762,923, of which \$16,166,564 is for accrued taxes, payrolls and sundries not due. Debenture and preferred stocks, of which there is a total outstanding at the close of the year of \$109,166,000, are secured by net current and working assets (i. e., current assets with all liabilities deducted, including purchase money notes and mortgages) of \$124,196,487. In addition there is \$291,267,967 permanent investment, exclusive of plant depreciation fund, or a total of assets less liabilities of \$415,464,454, equal to 3.8 times the par value of the debenture and preferred stocks outstanding. Incidentally it may be remarked that the annual dividend on the present total issue of Debenture and Preferred Stocks has been earned every calendar year from 1912 to date, a period of eleven years, excepting the year 1921, when the earnings, exclusive of extraordinary adjustments, of the normally operated divisions were equal to more than three times the present Debenture and Preferred dividend requirements. The earnings of four years, 1919 to 1922 inclusive, even after all extraordinary adjustments and losses, average four times the present Debenture and Preferred dividend charge.

The financial statement of the Corporation may be considered remarkably clean. Current assets are, undoubtedly, liquid and written at conservative values. Investments are worth more than cost (the latter figure is used in this statement). Plant values were subject to appraisal and adjusted in 1919.

GOODWILL, PATENTS, COPYRIGHTS, ETC.

The item of "Goodwill, Patents, Copyrights, etc.", has increased only \$2,046,922 since 1919 to a present total of \$22,370,811. From this it must not be concluded that this account is considered of small or doubtful value; in fact, these intangible values might be rated, conservatively, equal to the manufacturing plants, for of the two items it would be much easier to replace the latter than to build up the goodwill and organization now enjoyed and controlled by General Motors Corporation. The co-ordination of departments and facilities, the development of accounting practice and prompt reporting on all subjects, the systematizing of manufacture and sales, the selection of a sufficient and capable personnel, the

loyalty and effectiveness of sales and manufacturing organizations, all developed during recent years, have added greatly to the goodwill value of the tangible assets; in fact, the latter would quickly return to lifeless materials were it not for the livening influence of the intangible values classed as goodwill. However, these intangibles remain without material increase in their expressed values on the balance sheet, after several years of painstaking development.

PERSONNEL

In closing it is appropriate and just to pay tribute to the zealous co-operation, loyalty and hard work of the organization as a whole. While much has been accomplished, partly under adverse circumstances, the way is now paved for greater accomplishment and to this end all are turning their best efforts.

By Order of the Board of Directors.

PIERRE S. DU PONT
President

GENERAL MOTORS CORPORATION
Condensed Comparative Consolidated Balance

ASSETS	Dec. 31, 1922	Dec. 31, 1921
Current and Working Assets:		
Cash in banks and on hand.....	\$ 27,872,722.92	\$ 40,057,401.53
United States Government Bonds.....	3,950.00	5,228.04
Marketable securities.....	29,618.10	27,009.31
Sight drafts against B/L attached and C. O. D....	13,179,664.05	4,677,241.39
Notes receivable.....	4,455,042.33	4,794,978.99
Accounts receivable and trade acceptances, less reserve for doubtful accounts (in 1922, \$1,431,- 143.55; in 1921, \$1,078,772.26).....	15,921,934.93	17,866,071.83
Inventories at cost or market, whichever is lower.	*117,417,823.05	108,762,625.35
Prepaid expenses.....	1,358,404.98	1,944,988.35
Total Current and Working Assets.....	<u>\$180,239,160.36</u>	<u>\$178,135,544.79</u>
Fixed Assets:		
Investments in allied and accessory companies, etc.	\$ 57,293,864.72	\$ 56,377,031.68
General Motors Corporation common and debenture stock held in treasury.....	3,275,432.65	3,889,799.51
Real estate, plants and equipment.....	255,207,970.82	248,593,751.60
Deferred expenses.....	3,947,794.49	4,609,677.87
Goodwill, patents, copyrights, etc.....	22,370,811.06	22,438,401.22
Total Fixed Assets.....	<u>\$342,095,873.74</u>	<u>\$335,908,661.88</u>
TOTAL ASSETS.....	<u>\$522,335,034.10</u>	<u>\$514,044,206.67</u>

* At some plants demand for product precluded shut-down for taking physical inventory. At such points book values are used, careful scrutiny having led to the conclusion that these values are conservative.

AND SUBSIDIARY COMPANIES
Sheet as of December 31, 1922 and 1921

LIABILITIES, RESERVES AND CAPITAL	Dec. 31, 1922	Dec. 31, 1921
Current Liabilities:		
Accounts payable.....	\$ 34,812,441.20	\$ 15,640,429.41
Notes payable.....	—	48,974,996.29
Taxes, payrolls and sundries accrued not due.....	16,166,563.70	15,894,778.40
Federal taxes.....	1,650,821.93	—
Accrued dividends on preferred and debenture stock, payable February 1.....	1,133,096.23	1,043,763.07
Total Current Liabilities.....	<u>\$ 53,762,923.06</u>	<u>\$ 81,553,967.17</u>
Purchase money mortgages (\$100,602.12 due in 1923).	\$ 1,279,750.12	\$ 1,475,592.82
Purchase money notes, account Fisher Body Corpora- tion stock purchase (\$1,000,000.00 due August 1)	1,000,000.00	4,000,000.00
	<u>\$ 2,279,750.12</u>	<u>\$ 5,475,592.82</u>
Reserves:		
For depreciation of real estate, plants and equip- ment.....	\$ 50,827,907.11	\$ 37,527,774.94
For employes' investment fund.....	1,143,962.50	2,171,885.00
For sundry contingencies.....	7,016,667.35	3,139,579.72
For bonus to employes.....	1,344,098.70	17,630.87
For anticipated losses and unforeseen contingencies of prior years.....	—	14,000,000.00
For completion of office building.....	—	2,499,261.00
Total Reserves.....	<u>\$ 60,332,635.66</u>	<u>\$ 59,356,131.53</u>
Capital Stock:		
Debenture stock 7%.....	\$ 32,181,600.00	\$ 26,931,600.00
Debenture stock 6%.....	60,801,000.00	60,801,000.00
Preferred stock 6%.....	16,183,400.00	16,183,400.00
Common stock, no par value:		
20,557,750 shares issued and outstanding at \$10.00 per share.....	205,577,500.00	206,456,575.25
Common stock (\$100 par value).....	700.00	7,400.00
Total Capital Stock.....	<u>\$314,744,200.00</u>	<u>\$310,379,975.25</u>
Interest of minority stockholders in subsidiary com- panies with respect to capital and surplus.....	1,278,662.18	1,464,379.44
Surplus over and above \$10.00 per share of no par value common stock.....	89,936,863.08	55,814,160.46
Total Capital Stock and Surplus.....	<u>\$405,959,725.26</u>	<u>\$367,658,515.15</u>
TOTAL LIABILITIES, RESERVES AND CAPI- TAL.....	<u>\$522,335,034.10</u>	<u>\$514,044,206.67</u>

Statement 2

GENERAL MOTORS CORPORATION AND SUBSIDIARY COMPANIES

INCOME ACCOUNT

	<u>YEAR ENDED Dec. 31, 1922</u>	<u>YEAR ENDED Dec. 31, 1921</u>
Net earnings for year before deducting interest, but after all expenses of manufacturing (including maintenance), selling and administration, as well as ordinary taxes, insurance, depreciation (\$13,584,788.95 in 1922; \$6,750,674.54 in 1921) of plant and equipment	\$ 66,781,613.52	\$ 13,246,523.30
Less: Provision for employes' bonus	\$ 1,341,997.52	—
Provision for employes' savings and investment fund	1,477,216.28	\$ 2,174,080.00
Interest on notes and accounts payable	1,351,155.40	5,281,084.67
	<u>\$ 4,170,369.20</u>	<u>\$ 7,455,164.67</u>
	<u>\$ 62,611,244.32</u>	<u>\$ 5,791,358.63</u>
Less: Write-down of inventories to cost or market, whichever is lower (in 1922 carried direct to operations in accordance with usual practice).	—	\$ 16,603,073.25
Employes' housing development	—	5,600.00
Provision for refunds due dealers and distributors on account of price reduction effective January 1, 1922	—	2,441,376.07
Adjustments and losses in excess of reserve created at the close of previous years	\$ 4,553,796.10	11,421,102.78
	<u>\$ 4,553,796.10</u>	<u>\$ 30,471,152.10</u>
	<u>\$ 58,057,448.22</u>	<u>*\$24,679,793.47</u>
Less: Provision for Federal taxes and extraordinary expenses	6,250,000.00	—
	<u>\$ 51,807,448.22</u>	<u>*\$24,679,793.47</u>
Less: Special reserve established December 31, 1921, to cover anticipated losses and unforeseen contingencies	—	14,000,000.00
	<u>\$ 51,807,448.22</u>	<u>*\$38,679,793.47</u>
General Motors Corporation proportion thereof	\$ 51,496,135.65	*\$38,680,770.05
Debenture dividends at rate of 7%	\$ 1,860,936.41	\$ 1,807,490.09
Debenture dividends at rate of 6%	3,597,570.05	3,531,515.50
Preferred dividends at rate of 6%	970,721.50	971,004.00
	<u>\$ 6,429,227.96</u>	<u>\$ 6,310,009.59</u>
Amount earned on Common stock	<u>\$ 45,066,907.69</u>	<u>*\$44,990,779.64</u>

* Deficit

Statement 3

SURPLUS ACCOUNT

	<u>YEAR ENDED</u> <u>Dec. 31, 1922</u>	<u>YEAR ENDED</u> <u>Dec. 31, 1921</u>
Surplus over and above \$10.00 per share of outstanding no par value Common stock at the beginning of the year.....	\$ 55,814,160.46	\$121,273,217.00
Additions through acquisition of properties.....	117,111.93	—
Deduction account of cancellation of delinquent Common stock subscriptions.....	884,200.00	—
Amount earned on Common stock as per income account above.....	<u>45,066,907.69</u>	<u>* 44,990,779.64</u>
	<u>\$100,113,980.08</u>	<u>\$ 76,282,437.36</u>
Less: Cash dividends paid on Common stock		
February 1, \$0.25 share.....	—	\$ 5,087,110.40
May 1, .25 share.....	—	5,143,836.00
August 1, .25 share.....	—	5,119,159.25
November 1, .25 share.....	—	5,118,171.25
December 20, .50 share.....	<u>\$ 10,177,117.00</u>	—
	<u>\$ 10,177,117.00</u>	<u>\$ 20,468,276.90</u>
Surplus over and above \$10.00 per share of outstanding no par value Common stock December 31.....	<u>\$ 89,936,863.08</u>	<u>\$ 55,814,160.46</u>

*Deficit

ATLANTA
BALTIMORE
BOSTON
BUFFALO
CHICAGO
CINCINNATI
CLEVELAND
DALLAS
DENVER
DETROIT
KANSAS CITY
LOS ANGELES
MINNEAPOLIS
NEWARK
NEW ORLEANS

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
NEW YORK

NEW YORK
PHILADELPHIA
PITTSBURGH
PORTLAND
SAINT LOUIS
SALT LAKE CITY
SAN FRANCISCO
SEATTLE
TULSA
WATERTOWN
—
HAVANA
LONDON
PARIS
SHANGHAI

GENERAL MOTORS CORPORATION,
Detroit, Michigan.

We have audited your general accounts and those of your subsidiary manufacturing companies for the year ended December 31, 1922, and, subject to our not having examined the minutes of your governing bodies,

WE HEREBY CERTIFY that, in our opinion, the accompanying Condensed Consolidated Balance Sheet, December 31, 1922, and related Summaries of Income and Surplus for the year ended that date, are correct.

HASKINS & SELLS.

New York,
February 23, 1923.

