

**THIRTY-THIRD ANNUAL REPORT OF  
GENERAL MOTORS CORPORATION  
YEAR ENDED DECEMBER 31, 1941**







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**OF**

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**YEAR ENDED**

**DECEMBER 31, 1941**



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## GENERAL MOTORS PRODUCING FOR WAR

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## OFFICERS

ALFRED P. SLOAN, JR., *Chairman*

DONALDSON BROWN, *Vice-Chairman*

CHARLES E. WILSON, *President*

\*HARRY W. ANDERSON, *Vice-President*

ALBERT BRADLEY, *Vice-President*

ERNEST R. BREECH, *Vice-President*

\*GEORGE W. CODRINGTON, *Vice-President*

MARVIN E. COYLE, *Vice-President*

HARLOW H. CURTICE, *Vice-President*

FREDERIC G. DONNER, *Vice-President*

\*NICHOLAS DREYSTADT, *Vice-President*

HARLEY J. EARL, *Vice-President*

RONALD K. EVANS, *Vice-President*

EDWARD F. FISHER, *Vice-President*

LAWRENCE P. FISHER, *Vice-President*

WILLIAM A. FISHER, *Vice-President*

PAUL GARRETT, *Vice-President*

RICHARD H. GRANT, *Vice-President*

\*HAROLD L. HAMILTON, *Vice-President*

\*Elected in January 1942.

HENRY M. HOGAN, *Vice-President*

GRAEME K. HOWARD, *Vice-President*

ORMOND E. HUNT, *Vice-President*

CHARLES F. KETTERING, *Vice-President*

\*HARRY J. KLINGLER, *Vice-President*

FREDERICK C. KROEGER, *Vice-President*

BAYARD D. KUNKLE, *Vice-President*

CHARLES L. MCCUEN, *Vice-President*

R. SAMUEL McLAUGHLIN, *Vice-President*

\*SHERROD E. SKINNER, *Vice-President*

JOHN THOMAS SMITH, *Vice-President*  
*and General Counsel*

FLOYD O. TANNER, *Vice-President*

WILLIAM C. WILLIAMS, JR., *Vice-President*

MEYER L. PRENTIS, *Treasurer*

ANTHONY C. ANDERSON, *Comptroller*

LISLE R. BEARDSLEE, *Secretary*

## TRANSFER OFFICES

BROADWAY AT 57TH STREET  
NEW YORK, N. Y.

DU PONT BUILDING  
WILMINGTON, DEL.

## REGISTRARS

CHASE NATIONAL BANK  
NEW YORK, N. Y.

WILMINGTON TRUST CO.  
WILMINGTON, DEL.



## BOARD OF DIRECTORS

ALFRED P. SLOAN, JR., *Chairman*

DONALDSON BROWN, *Vice-Chairman*

ARTHUR G. BISHOP

ALBERT BRADLEY

WALTER S. CARPENTER, JR.

MARVIN E. COYLE

HARLOW H. CURTICE

\*FREDERIC G. DONNER

HENRY B. DU PONT

HENRY F. DU PONT

LAMMOT DU PONT

PIERRE S. DU PONT

LAWRENCE P. FISHER

WILLIAM A. FISHER

RICHARD H. GRANT

ORMOND E. HUNT

CHARLES F. KETTERING

LORD MCGOWAN

R. SAMUEL MCLAUGHLIN

CHARLES S. MOTT

JOHN L. PRATT

JOHN J. RASKOB

JOHN J. SCHUMANN, JR.

JOHN THOMAS SMITH

GEORGE WHITNEY

CHARLES E. WILSON

## POLICY COMMITTEE

ALFRED P. SLOAN, JR., *Chairman*

ALBERT BRADLEY

DONALDSON BROWN

WALTER S. CARPENTER, JR.

LAMMOT DU PONT

ORMOND E. HUNT

JOHN THOMAS SMITH

GEORGE WHITNEY

CHARLES E. WILSON

## ADMINISTRATION COMMITTEE

CHARLES E. WILSON, *Chairman*

ALBERT BRADLEY, *Vice-Chairman*

\*HARRY W. ANDERSON

ERNEST R. BREECH

FREDERIC G. DONNER

RONALD K. EVANS

LAWRENCE P. FISHER

RICHARD H. GRANT

HENRY M. HOGAN

ORMOND E. HUNT

BAYARD D. KUNKLE

CHARLES L. MCCUEN

ALFRED P. SLOAN, JR.

FLOYD O. TANNER

WILLIAM C. WILLIAMS, JR.

## COMMITTEE ON AUDIT

JOHN L. PRATT, *Chairman*

HENRY B. DU PONT

CHARLES S. MOTT

## BONUS AND SALARY COMMITTEE

LAMMOT DU PONT, *Chairman*

WALTER S. CARPENTER, JR.

JOHN L. PRATT

JOHN J. RASKOB

GEORGE WHITNEY

\* Elected in January 1942.

## A POLICY OF GIVING THE FACTS

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The responsibility of an industrial organization to present the important facts of the business to its stockholders has always been fully recognized by the management of General Motors Corporation. The management, however, further believes that, when the operations reach the scope and magnitude of those of General Motors, there enters an added responsibility—one to the community at large. Every effort has been made to discharge adequately both of these obligations. It has not been considered sufficient to present, even in detailed form, just the important facts of a statistical nature. There also has been presented such salient information of a general character as should enable the stockholders and the public at large to obtain as complete an understanding as possible of the Corporation's position as well as of its operating policies. Any forecast as to the future, however, is considered undesirable.

The management's obligation to state its position extends to such general influences as may, in its belief, alter the Corporation's opportunity for constructive accomplishments and hence its contribution to the general welfare. It extends particularly to such forces as may develop within the economic area, which are of great importance as affecting the stockholders' interests. Such influences are reflected in various economic policies that may be adopted from time to time by the management in the interest of the business, or as may result from the general industrial trend, or as may relate to industry by action of government. Irrespective of their origin, or whether their influence be favorable or unfavorable as affecting the operations of the business, it is considered an essential responsibility to inform the stockholders frankly as to such facts and circumstances.

In accordance with this policy, reports are submitted at the end of each of the first three quarters of a year outlining the results of each quarter's operations, accompanied by such comments as seem pertinent. These quarterly reports in turn are supplemented from time to time by messages on special subjects believed to be of importance to the stockholders. As soon as possible after the close of the year, an annual report is submitted, the purpose being to deal comprehensively, in an historical way, with all the important events that have developed during the year under review.

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**THE**

**1941 ANNUAL REPORT**

**OF THE CHAIRMAN**

**OF GENERAL MOTORS**

**CORPORATION**

**T O O U R S T O C K H O L D E R S**

THERE IS PRESENTED HEREIN a review of the operations of your Corporation and subsidiary and related interests for the year 1941, together with the consolidated balance sheet as of December 31, 1941, and a summary of consolidated income for the year. There is also presented a center spread outlining the contribution that the Corporation is making to the war effort, particularly with respect to the diversity of products—largely in a highly technical area—now in production and in preparation; and showing in graphic form the trend of its responsibility in terms of projected peak annual production, together with actual deliveries of war materials during each quarter of the year under review.

It is recognized that not all stockholders are interested in the detailed presentation of the year's operations as contained in the body of this report. However, a full disclosure therein is essential in order to establish the record for future reference. For those who are concerned only with the more salient points, a resumé is presented in the following section entitled "1941 In Brief."

# 1941 IN BRIEF

## The War

The European war has become a world war. Practically all of the important industrial nations have become active belligerents. In the United States, a defense program, rapidly expanding in scope, became at the end of the year a war effort of titanic proportions. This demands subordination of all normal economic activities and considerations to the single objective of achieving a decisive victory. The increased governmental regulation of industrial activity, made necessary by the constantly expanding scope of the defense program, must now be followed by even more rigid and widespread controls. This will involve severe restrictions on the output of civilian goods, non-durable as well as durable and semi-durable, on a rapidly widening front.

Few industries are to feel the impact of the war economy to as great a degree as the automotive industry. This is logical from the standpoint of this industry's general position, and essential from the standpoint of a maximum contribution to the war effort. It is recognized that the most vital war needs are in the more highly technical areas involving the production of enormous quantities of complicated mechanical products. The automotive industry stands in the forefront in technical knowledge and experience, in demonstrated ability to produce on a large scale and in resourcefulness to deal with the enormous responsibilities involved.

In the first half of the year, the demand for automotive products was stimulated by increased consumer purchasing power, generated by the defense program, and by fear of price increases, higher excise taxes and curtailment of supply. The result was a high level of production and sales. In the second half, facilities newly organized for war purposes developed a demand, as they came into production, for a constantly expanding list of raw materials, a demand which, beginning with certain critical items, soon indicated a broad need in excess of available supply. The result was a curtailment in the production of civilian



goods, culminating abruptly in the case of the automotive industry in a virtual cessation of its normal activities early in the year 1942.

## War Production

During the year production of war materials in General Motors plants increased steadily and sharply, deliveries in the fourth quarter being more than  $2\frac{1}{2}$  times those of the first quarter. For the year 1941 deliveries of war materials by the Corporation amounted to \$406,149,273. In 1940 such deliveries amounted to \$74,857,798.

As indicated in the center spread and developed in the section on "The War Effort," General Motors undertakings for war production, which had been constantly expanded throughout the year, were, with the sudden impact of the war, multiplied more than twofold in two months. These added responsibilities consisted not only of additional orders for materials already in production or preparation, but also of new orders for a variety of other types of materials—all involving special techniques and production processes. Toward meeting these new and vitally important goals the best skills and talents of the entire organization are being directed.

## Sales

Passenger cars and trucks produced and sold for military as well as for civilian uses by the Corporation's United States and Canadian plants were as follows:

1941 . . . 2,257,124  
1940 . . . 2,025,343

Sales of products other than automobiles showed substantial increases in 1941. The Corporation's total sales in value, military and non-military, were \$2,436,800,977 in 1941, compared with \$1,794,936,642 in 1940.

The competitive position of the Corporation in the United States in the automotive field was adversely affected during the first seven months of the year by its inability to meet fully the expanded consumer demand, and during the last five months by the program of curtailed output of automobiles for civilian use, the terms of which allotted to the Corporation 44.2% of the industry's total production of passenger cars for the period. Prior to this curtailment, the Corporation's proportion of the

industry's registrations of new passenger cars in the United States amounted to 48.7% in the seven months ended July 1941, and 49.0% in the twelve months ended July 1941. Even under the circumstances cited above, the Corporation in 1941 accounted for 47.3% of new passenger cars registered by private consumers and 45.3% of total cars and trucks. These proportions were slightly less than in the year 1940.

### Stockholders, Net Income and Dividends

The more important figures with respect to these items are tabulated below for 1941 and 1940:

STOCKHOLDERS	<u>1941</u>	<u>1940</u>
Total number of stockholders at end of year.....	410,759	397,928
<b>NET INCOME</b>		
Net Income available for dividends.....	<u>\$201,652,508</u>	<u>\$195,621,721</u>
Net Income per share of common stock, after deducting dividends on \$5 series preferred stock.....	\$4.44	\$4.32
<b>AMOUNT OF DIVIDENDS PAID</b>		
On \$5 series preferred stock.....	\$ 9,178,220	\$ 9,178,220
On common stock.....	162,608,296	161,864,924
Total.....	<u>\$171,786,516</u>	<u>\$171,043,144</u>
Percentage of net income disbursed through dividends..	85.2%	87.4%
<b>DIVIDENDS PAID PER SHARE</b>		
On \$5 series preferred stock.....	\$5.00	\$5.00
On common stock.....	\$3.75	\$3.75
<b>NET INCOME RETAINED IN THE BUSINESS</b>		
Total.....	\$ 29,865,992	\$ 24,578,577
Per share of common stock.....	\$0.69	\$0.57

Net income in 1941 was reduced by a provision of \$16,598,644 principally for post-war rehabilitation and to provide for possible costs and contingencies not now definitely ascertainable. Also as a result of the cessation of civilian automobile production in January 1942, provision of \$3,430,000 was made in 1941 for inventory write-offs and commitment losses, and an amount of \$2,000,000 was set aside out of 1941 net income for the cost of removal, storage and retention of special tools to be used in civilian automobile production after the war.

Provision for United States and foreign income and excess profits taxes in 1941 totaled \$287,992,343, while in 1940 provision for these taxes amounted to \$125,027,741.

## Net Working Capital, Cash and Inventories

The Corporation continues to maintain a strong financial position. Net working capital at the close of 1941 was \$500,023,010, compared with \$477,940,113 at the close of 1940. Cash and marketable securities totaled \$481,311,891 at December 31, 1941, compared with \$433,207,722 at the close of the previous year. Thus the cash position at the end of 1941 showed an increase of \$48,104,169 over that at the end of the previous year. This increase in total cash and marketable securities is markedly less than the increase of \$163,870,494 in the amount of taxes payable within a year. Included in the total cash and marketable securities of \$481,311,891 at December 31, 1941 are \$265,084,000 of U. S. Treasury Notes—Tax Series B—1943, to be used for the payment during 1942 of United States income and excess profits taxes applicable to 1941 income.

Inventories at December 31, 1941 amounted to \$340,323,633, which compare with inventories of \$265,000,682 at December 31, 1940. The increase in inventories was more than accounted for by the additional inventories required by the expanded volume of war materials production. The amount of inventories that will have to be stored until civilian automobile production is resumed is relatively small, and full provision has been made for writing off such inventories as have questionable value as well as for losses due to cancellation of commitments.

## Plant Development

There were no extensive developments during the year involving new plants or substantial increases in the manufacturing facilities for automotive production. Expenditures for facilities, excluding special tools, dies, etc., suitable to the normal operations of the business, including readjustments and additions to plant facilities necessary for the conservation of critical material needed in the production of war items, amounted to \$33,644,530. Expenditures in 1941 for plants and machinery solely for the manufacture of war materials amounted to \$37,708,648, principally for the expansion of facilities used in the manufacture of Allison aviation engines, airplane propellers and machine guns. Thus expenditures for real estate, plants, and equipment, excluding special tools, dies, etc., in 1941 for the Corporation's own account amounted to a total of \$71,353,178.

In addition to expenditures for the Corporation's own account, expenditures for plants, machinery and equipment, including initial ex-

penditures for tools, amounting to \$23,470,821 were made in 1941 for the account of the United States, Canadian and British Governments, for which the Corporation has been or will be reimbursed. Additional plant expenditures amounting to \$38,044,773 were made by governmental agencies, but under the control and responsibility of the Corporation's organization. Thus, expenditures totaling \$61,515,594 were for new plants, equipment and tools leased or supplied to the Corporation by governmental agencies for the manufacture of war materials.

## Labor Economics

The following table summarizes the Corporation's employment and payrolls for the past three years. The increase for 1941 over 1940 in average annual earnings of the regular hourly rate employes in the United States, including those who had intermittent employment during the year, results principally from a wage increase of ten cents an hour effective in April 1941, and from an increased number of hours worked.

	<u>1941</u>	<u>1940</u>	<u>1939</u>
Average hours worked per week by hourly rate employes in the United States.....	40.7	39.1	34.9
Average annual earnings of regularly employed hourly rate employes in the United States.....	\$2,141	\$1,804	\$1,503
Increase over annual earnings in 1939.....	42%	20%	—
Average number of employes on the Corporation's payrolls.....	303,827	249,386	220,434
Total salaries and wages paid to all Corporation employes.....	\$669,744,870	\$492,246,017	\$386,292,203

## Bonus Plan

As a result of the year's operations, there has been provided under the Plan a bonus fund of \$12,386,479. However, only 80% of the amount credited to the bonus fund for the year 1941 will be distributed currently with the remaining 20% to be carried forward in the bonus fund for future distribution. The bonus fund to be distributed for the year 1941, therefore, is \$9,909,183 which, after deducting amounts provided for awards to employes of foreign subsidiaries, will require 244,008 shares of common stock. Approximately 10,300 individuals will participate in the bonus distribution for 1941. While final allotment of this fund has not been determined as yet, the maximum bonus award to



any one individual will be less than 2% of the bonus fund distributed currently.

### **Group Insurance Plan**

During 1941 there were paid through the Corporation's Group Insurance Plan benefits totaling \$7,696,227. This amount included payments to beneficiaries of 1,255 of the Corporation's employes who died during the year. Also included were benefits paid to 30,023 of the Corporation's employes for temporary disability resulting from sickness or non-industrial accidents and to 35,938 employes under the hospitalization and surgical operation features of the plan. The plan is cooperative. The Corporation assumes the entire administrative expense of the plan and a part of the cost. More than 98% of the eligible employes were participating in one or more features of the Corporation's Group Insurance Plan at the end of 1941.

### **Employes Contributory Retirement Plan**

During the year 1940 the Corporation adopted an Employes Contributory Retirement Plan, which became effective July 1, 1940.

This plan, which is designed to supplement the old age benefits under the present Federal Social Security Act, presently provides that all employes in the United States receiving salaries in excess of \$250 per month, who have completed one year of service and who have reached an age of 40 and are less than 55, are eligible to participate. The benefits under this plan supplement the present Federal social security benefits and apply to that portion of the salary above \$250 per month which is not covered by the Federal plan. The cost of the Contributory Retirement Plan is shared by the employes and the Corporation. Of the eligible employes, over 91% were participating under this plan as of December 31, 1941.

### **Executive Management Compensation**

The executive management group, as defined on page 42, comprised 192 of the Corporation's major executives at the end of 1941. The total compensation of this executive management group in 1941 as in 1940, consisting of salaries and bonus participation, was equivalent to \$0.22 per share of common stock before allowance for Federal corporate income and excess profits taxes.

This executive management compensation was equivalent to \$0.30 for each \$100 of retail price of the Corporation's products sold in 1941, compared with \$0.40 in 1940. For each dollar of total payroll, total compensation of this group in 1941 amounted to 1% cents, compared with 2 cents in 1940.

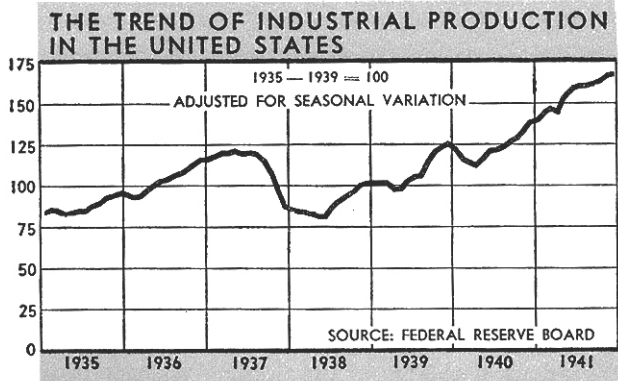
## Taxes

Taxes and tax rates for the year 1941 were of necessity importantly affected by the tremendous expenditures essential to national defense and the war program. Taxes of the Corporation and its subsidiaries, together with the proportionate share of taxes of manufacturing companies in which a substantial interest is held, accrued or paid in 1941 to the various taxing authorities in the United States, including excise taxes paid on products sold by the Corporation and in turn passed on to the consumer, totaled \$424,854,000. This compares with \$210,411,000 in 1940, an increase of 102%. Attention is called to the fact that these figures reflect only such taxes as are payable and definitely ascertainable, and do not, by any means, represent taxes in their entirety.

### TAXES DEFINITELY ASCERTAINABLE FOR 1941 WERE EQUIVALENT TO:

- 211% of net income available to stockholders;
- \$9.80 per share of common stock as against earnings of \$4.44 per share;
- \$17.36 for each \$100 of sales in the United States;
- \$1,428 for each employe in the United States, and
- \$61 for each \$100 of wages and salaries paid in the United States.

# AN ECONOMIC REVIEW



Before displaying the statistical and financial facts and other important circumstances reflected in the operations of the Corporation for the year 1941, it is desirable to review in general terms, for the purpose of establishing a suitable background, the various trends of the world's economy and certain surrounding influences as they affect the Corporation's operations.

The program of national defense, inaugurated in May 1940, immediately became and has continued to be the dominating influence in establishing the trend of industrial production in the United States. The rapid acceleration and expansion of the program, with the resulting increase in the production of defense materials, greatly stimulated industrial activity and had pronounced effects throughout the whole national economy. The trend of industrial production as a whole has been continually upward during the period under review. National income payments, which were at the annual rate of \$74 billion at the time of the inauguration of the defense program, reached for the year 1941 nearly \$90 billion. For December 1941 they reached an annual rate of \$100 billion—an all-time high. Average hourly wage rates rose to the highest levels in the nation's history. Total payrolls increased to a greater

extent than employment, as a result of wage increases and expansion in working hours. The large and rapid growth in national income and in the purchasing power of consumers, together with the fear of rising prices and restrictions on production for civilian purposes, led to increasing purchases of non-durable goods as well as of durable and semi-durable goods. Wholesale commodity prices advanced notably beginning in March of the year under review, although with unevenness and with wide disparities. Agricultural prices were in the van of price increases. Thus we see in broad outline a picture of industrial boom conditions—arising not from normal economic causes but from a war-stimulated demand.

At the end of the year the defense program became a war effort. War, following the attack by Japan, enormously increased the magnitude of the job to be done and the difficulties of accomplishment. It meant enforced diversion of certain highly important strategic materials from use in civilian production. Likewise, the great shipping distances involved materially altered the relative importance of the various war materials. These circumstances not only brought about a tremendous psychological change in the public's attitude toward the problem, but heightened the necessity for a more rapid coordination of the nation's economic resources in order to advance the far greater effort now demanded.

The transition from a peace to a war economy, resulting in the need for greater coordination of industrial effort by governmental agencies, became of increasing importance as the year progressed. Direct controls were exerted principally in the fields of civilian supply and prices. First they took the form of priorities in the allocation of machinery needed in the development of new sources of production, and then of raw materials. There followed the curtailment of output of certain categories of consumer durable and semi-durable goods, particularly, as affecting General Motors, automobiles and mechanical refrigerators. Curtailment of other consumer goods was forced by sheer inability to secure the necessary materials because they either were not available or had been reserved for war purposes.

Concurrently with this, price controls were instituted over certain products and commodities for the purpose of checking inflationary trends. Indirect control was exercised through the medium of taxation. Additional taxes were levied and rates of existing taxes were increased—with the double objective of increasing revenue to meet, in part, the

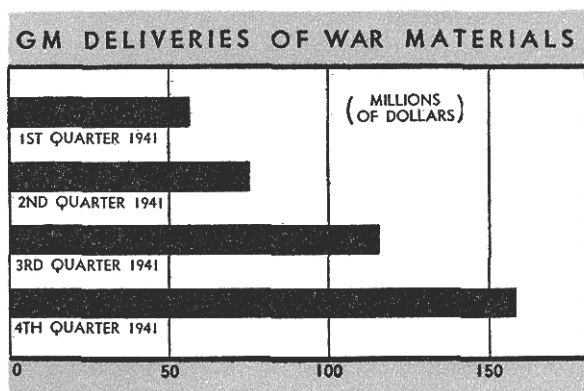
cost of the huge war effort and of reducing the available purchasing power in consumers' hands. Excise taxes in particular were designed to deter consumer purchasing in order to maintain a better balance between the reduced availability of consumer goods and the economic demand for such goods. Again, this was an influence against price inflation. The problem of maintaining a reasonable degree of stability in the price level requires intelligent coordination and control of the various forces involved.

Victory must be ultimately achieved — and complete victory! No expense is too great. No effort should be spared. Far too great human values are at stake. But to achieve such an objective is impossible without recognizing the actualities involved in its accomplishment. It is conceded that victory is importantly related to performance on the American industrial front. It will require the exercise of the most exacting ingenuity, skill, diligence and imagination of industrial management and the wholehearted support of industrial labor. Even granting that this constitutes an essential of victory, there are further required the most effective coordination of all component parts of the economy by intelligent governmental action, the most aggressive strategy on the part of the armed forces, and great sacrifices on the part of each and every citizen. None can escape. It means major social and economic readjustments throughout all areas of the economy, affecting every community. One-half of the nation's expanded national income is to be dedicated to the war effort. That means that civilian consumption—the measure of our standard of living—must be at depression levels, despite the creation of a greater volume of mass purchasing power than ever before in our history.

But to win the war is not necessarily to win the peace. Vital as the task is to win the war, it may be even more difficult to win the peace. The momentous decisions that must be made must give first consideration to the most effective and aggressive prosecution of the war effort. But there also should be considered the effect on the transition back to a peace-time economy and on the longer post-war era. In our determination to win the war, we must recognize that it is not an end objective. National security, the preservation of a representative democracy, with free enterprise as an instrumentality of national progress—that is what we are fighting for. Such issues are difficult to understand. Unfortunately, some people see little relationship between such problems and their individual well-being or opportunity. They assume that a success-

ful conclusion of the war will close another episode in the evolution of America—that the American way of living will be resumed. That is where the danger lies. And it is a real danger. It is clear that lack of adequate preparation to defend the country and its institutions against attack from without has increased immeasurably the dangers in which we now find ourselves. It will greatly increase the cost of the war effort and the sacrifices required to achieve final victory. A similar problem exists today with respect to preparation for the future. Industrial, economic and political statesmanship of the highest order is now demanded in the formation of plans to meet the challenge of the post-war era—a challenge to achieve a full utilization of the nation's expanded production facilities. To the extent that this challenge is not met by industrial leadership it will be met by a demand for enormous expenditure of government funds and the further injection into the economy of various forms of economic panaceas. What is vitally needed is the reconstruction of a foundation of confidence in the future opportunities of accomplishment based upon the American system of free enterprise. Otherwise, we may well win the war but nevertheless lose the peace.

# THE WAR EFFORT



The impact of the program of national defense upon the economy, with its rapidly spreading influence, culminating in the inauguration of a war economy as the year closed, has been previously dealt with. The following discussion presents first in general terms the problems that American industry is facing, and must in the future face to a far more intensive degree, in the production of the materials necessary to bring the war to a successful conclusion. It is essential that the facts and circumstances be spread upon the record, not only because they importantly concern the operations of the Corporation during the year under review, but because they likewise affect the general position of industry before the court of public opinion.

## The Problem

It need scarcely be said that the nation's war program constitutes the greatest industrial effort that has ever been undertaken in the history of the world. American industry as a whole, in terms of both size and diversity, is more than a match for that of the Axis nations combined. The scope of its operations and the effectiveness of its performance have

made possible a higher standard of living than exists anywhere else. It has been built around the principle of mass production, which might be described as the maximum utilization of machinery with the minimum human effort, both in time and skill. Its development has been due in part to the desire of industrial management to stimulate and capitalize technological progress. It reflects the ingenuity and resourcefulness of a highly talented people. It has been encouraged by a large potential primary domestic market unencumbered by tariff restrictions or other artificial barriers. Such, in general, is the foundation upon which rests the tremendous responsibility that industry must assume toward the nation in this time of its greatest danger.

The war materials most critically needed are directly within the area of the mass production process. As a matter of fact, it would be idle to conceive of a successful prosecution of the war effort without mass production being aggressively employed. But notwithstanding the inherent advantages of such a scheme of manufacture there is one fundamental difficulty—a lack of flexibility. To produce any desired piece of apparatus under such a system involves a selection of machinery which must be specially adapted for the particular operations to which it may be assigned. And invariably there must be an intricate system of tooling specific to the particular operations to be performed. The modification of any component part of the product involves retooling in all cases, and often the readaptation of the machinery to the product changes required. Mass production processes in general contemplate a sequence of operations whereby each component part passes from machine to machine, ultimately reaching the stage of final assembly. Maximum efficiency, furthermore, may call for a certain type of building and construction having due regard to a specific layout of machinery used in the production process.

Determination of the quantity required, in planning any system of mass production, is as essential as the determination of the type of product. Quantity establishes the number of machines required, and that in turn involves the size and layout of the factory space. To enlarge the output of any set-up once established involves the reorientation of all the factors considered in the original determination.

Upon the inauguration of the program of national defense, there existed only a negligible amount of productive capacity for many of the categories of war materials, particularly those that were most needed. In most important categories there was none. What did exist, how-



ever, were a wide variety of raw materials in ample quantity, a large body of loyal and intelligent workers, a highly developed technique constituting the "know-how" on the part of industrial management, and the ability to design and build the necessary machinery, tools and buildings to produce what was wanted in almost any conceivable quantity.

Hence, productive capacity for the defense program had to be developed along more or less laborious, time-consuming but in the end time-conserving lines, starting almost from the very beginning. The time required between the start of a project and initial production usually is not far from one year. Any substantial increase in capacity involves further time of preparation before the new plant becomes available—somewhat less perhaps but not greatly different from the original preparatory period. Finally, changes in the product involve a reorganization of the manufacturing processes depending upon the extent of the changes but requiring in all cases new tooling for the different operations.

In view of the fact that the war effort now demands such a large part of the nation's productive capacity and other economic resources, there has been discussion as to the degree of usefulness of existing plant for war production. No rule can be generally applied. Each case is specific unto itself. The answer depends upon the type of equipment available and the characteristics of the products that have been made in relation to those to be made. In general, it might be said that buildings, together with the normal services such as power plants and installations, lighting and heating facilities, etc., can be almost completely utilized, even if in some cases with some loss of efficiency. Here the time element is not greatly involved. It is in the production machinery and in the tooling that the time element becomes important.

Some interesting facts are available regarding one so-called "conversion" in the Corporation's war effort. A plant formerly engaged in the manufacture of automobile engines has been in the process of being adapted to the manufacture of aviation engines. In general, the buildings and supporting services have been utilized, although important building additions were necessary due to the specific demands of the new product to be produced. A portion of the production machinery has been found usable, but it was necessary to replace all the special tooling equipment with which this usable production machinery was originally equipped, and, in some cases, the machines themselves had to be reconstructed. Another division of the Corporation had been charged

with the production of an aviation engine of identical design. There was involved the construction of an entirely new plant in an entirely different location and under the direct supervision of one of our experienced operating organizations. Here, manifestly, all of the production machinery had to be provided as did the special tooling in both cases. In this case the first engine was produced eight months after the building project was started. In the former case production commenced about seven and one-half months after the plant shut down for the change-over. In both projects many weeks, even months, must pass after production began before the planned capacity can be reached. In both projects planning and development were in process some months before actual construction was begun. Further, the so-called "conversion" program was somewhat facilitated by the prior experience gained in the new development.

There are thus involved the following considerations: Adapting existing plants represents a substitution rather than an expansion. It saves little time. The time factor is determined by the new machinery and the retooling. Adaptation involves a somewhat reduced capital expenditure, hence a saving of economic resources principally in the form of buildings, supply services and whatever amount of existing production equipment is usable. Assuming that eventually the plant is to be returned to its former status, there is involved a cost of rehabilitation which may well be equivalent to an appreciable part of the initial savings in capital expenditures. All value as stand-by facilities for future contingencies in such an approach is lost. Furthermore, there is the important consideration that all of the additional capacity that has been created through new construction is today vitally needed in the all-out production effort. In appraising the advantages of using existing buildings as compared with new construction from the standpoint of maintaining equivalent employment, new construction coming first permits at least in principle the gradual transfer of workers. The adaptation of existing buildings, coming before new construction, results in complete unemployment during the entire period of change-over.

While the problem of production is the keystone problem of the war effort, technical design is of tremendous consequence. To both these problems is added that of maintaining the serviceability of such an enormous aggregation and variety of highly technical apparatus on so many different fronts scattered throughout the world. There are involved not only great distances but almost insurmountable difficulties

in transportation of personnel and materiel.

The prime responsibility of every citizen and every organized group, whether in the field of enterprise or otherwise, is to cooperate and to support the war effort without limitation. In any undertaking, definite responsibilities, all properly coordinated, should be assigned and intelligently and aggressively discharged. A comprehensive plan of organization is essential. In the area of industry, the prime responsibility involves production.

The determination of quantities, categories and specifications is within the area of governmental agencies. With the nation's armed services lies the initial responsibility for establishing technical standards which are at least equal, if not superior, to those possessed by the enemy. Military technology advances rapidly during any great war effort. Qualitative superiority of performance might well serve to over-balance a superior quantity of materiel, in its military effect. Here again, if changes, especially of any importance, are made during the preparatory work, time becomes an important factor, for, let it be repeated, time is essential in organizing mass production.

### **Its Expanding Scope**

Upon the greater intensity of war, as distinguished from defense, is superimposed the additional burden of the wider area in which operations must now be conducted—embracing, as a matter of fact, the whole world. Since Pearl Harbor the magnitude of the effort has tremendously increased, as have the difficulties involved in its successful prosecution. It is almost impossible to realize that less than two years have elapsed since a state of limited emergency was declared. Since then the scope of the defense program, now a war effort, has been in a constant state of expansion. It is important to realize these circumstances in attempting to evaluate what has already been accomplished. The nation's budget presents an interesting story of the general trend. Let us look back to 1940.

In January 1940, only two years ago, the budget for the fiscal year beginning July 1st of that year called for less than \$2,000,000,000 for national defense including the maintenance of the existing armed forces. At the time of the declaration of the limited emergency in May of that year, additional appropriations were requested. In January 1941, only one year ago, the budget for the fiscal year beginning July 1, 1941

included \$11,000,000,000 for defense. In January 1942 the budget for war expenditures for the fiscal year beginning July 1, 1942 was set at \$56,000,000,000.

The budget submitted a year ago for the fiscal year beginning July 1, 1941 would have required defense expenditures on an average of about \$900,000,000 a month. Yet actual defense expenditures, representing largely but not wholly the productivity of industry, passed that mark in the first month of that fiscal year. And in December 1941, the sixth month of that fiscal year, they reached a total of nearly \$2,000,000,000, or at an annual rate of approximately \$24,000,000,000—a result, in relation to the planned objective, of which all have every reason to be proud.

### **The Corporation's Participation**

In the annual report for the year 1940, dealing with the initial stages of the then defense program, the policy of the Corporation was very definitely stated as follows:

“It proposes to do not only its part, but more than its part. It proposes to contribute to the utmost the services of its highly organized units of industry together with the experience and ability of its operating and technical staffs, particularly in the development of the many additional specialized production units that are demanded of a program of this character. It believes that its maximum contribution to the objective can be made in the more highly technical area where, as a matter of fact, the needs are by far the most consequential, the difficulties of meeting these needs are the greatest and the available experience in relation to the necessities of the case is the least.”

During the year under review, the Corporation has consistently and aggressively lived up to this concept of its responsibilities. In every instance, in collaboration with governmental agencies, it has accepted every obligation in which its services were needed.

Perhaps the most comprehensive appraisal of the Corporation's performance in the war effort may be obtained by an analysis of the center spread of this report. Here is presented a list of some of the types of war material which the Corporation has in preparation or is now producing in quantity—in some cases, in very large quantities. There is likewise shown the Corporation's responsibility in the war effort as it has been increased from time to time and as it stood at the end of January 1942. While this is a month beyond the normal scope of the annual report, the advent of war so importantly increased the Corporation's respon-

sibility that this period should be included in order to portray the facts as they actually exist. Likewise there is shown, on a quarterly basis in terms of dollar value, the increasing volume of war production as it has expanded throughout the year. While schedules are perhaps subject to many limitations, nevertheless it must be recognized that in such a gigantic effort timing is a factor. Many different sources usually contribute to one complete whole. As measured from that standpoint, the Corporation is ahead of schedule.

The Corporation delivered, prior to 1941, war materials valued at \$77,705,741. Of this amount, \$21,512,360 represented production from Canadian sources and \$56,193,381 from domestic sources. In the year under review, war deliveries were \$406,149,273. Of this \$48,226,142 was from Canadian sources and \$357,923,131 from domestic sources. The production of the fourth quarter of 1941 was at an annual rate somewhat in excess of \$630,000,000. While the operations for the first quarter of 1942 are not yet completed, in all probability the rate of war production on an annual basis will reach in that quarter approximately \$1,000,000,000. This compares with an annual rate of \$226,000,000 for the same period a year ago.

Spectacular as has been the Corporation's rapidly increasing production for war purposes and impressive as its totals have been, it all becomes truly inconsequential in comparison with what must now be accomplished in view of the far greater demands resulting from the fact that defense has become war and on an unparalleled scale.

At the end of June 1941, the Corporation had assumed responsibilities to the then defense program which for comparative purposes we will assume to be 100 in terms of all projects under contract or under study ultimately running at peak production concurrently for a year. Throughout 1941 its responsibility was continually increasing and as of December 1st had reached a level equal to 185% of that of June. Then came Pearl Harbor! By the end of January 1942, additional responsibilities had been assumed for an increased variety of equipment necessitating expanding the capacity of existing facilities as well as requiring new capacity of an entirely different order. This raised the Corporation's maximum war production responsibility on an annual basis to  $2\frac{3}{4}$  times the December 1941 responsibility level and to about 500% of the June 1941 level. Thus we see that as of the end of January 1942 the Corporation's responsibility had multiplied 5 times in a period of less than a year and  $2\frac{3}{4}$  times within a period of sixty days.

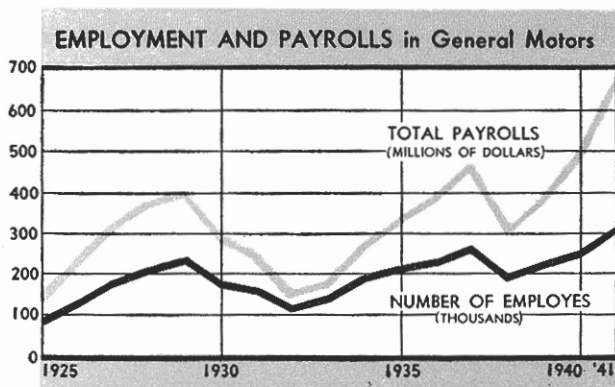
The Corporation's technical staffs have been completely divorced from their normal activities. They are now entirely engaged in the design and development of a wide variety of war materials, some of which are already being prepared for production. In addition to such entirely new engineering developments, its technicians are also intensively engaged in promoting the maximum possible engineering progress in such existing designs as have already reached the production stage, based on the lessons being learned on the various combat fronts.

The part played by the Corporation in the war effort from the financial standpoint is important. Up to the end of 1941 there was expended \$52,486,477 on its own account for new construction and expansion of existing facilities, exclusive of expenditures for special tools, dies, etc. This expenditure is justified on the basis of the probable usability of the facilities for peace-time purposes. A total of \$69,279,797 was expended by the end of 1941 for the account of United States, Canadian and British governmental agencies for plant and facilities to be operated by General Motors Corporation. This includes funds expended by the Corporation for which it will be reimbursed, as well as expenditures by the Defense Plant Corporation to purchase or construct facilities to be operated by the Corporation in the production of war materials. These expenditures for the account of others, principally the U. S. Government, are largely for plants and equipment in character and magnitude not usable by the Corporation in its normal operations.

In order to discharge its production responsibilities under the war program, the Corporation has made available its entire facilities and organization. Eighty-six of the Corporation's ninety factories or producing units, including those specially constructed, are already producing war material or are being rearranged and retooled for war production. War work will be found for the remaining four or they will be sold or leased to other contractors or the government. Before the completion of its present projects, it is estimated that the Corporation will have expended an aggregate of \$66,000,000 for new facilities, exclusive of special tools and dies, required in the production of war material. In addition, facilities at an estimated value of \$349,000,000 have been or will be constructed and acquired for the account of governmental agencies under contracts signed or in process of negotiation. In all probability these amounts may be substantially increased. There is not embraced in these estimates any investment for working capital which has been furnished by the Corporation and which should be substantial.

It is impossible to make a survey of the many areas in which the Corporation is supporting the war effort without the following question arising. Granted the grave difficulty in achieving final and complete victory, what would be the probability of that victory if such highly developed organizations, representing such great aggregations of production facilities and such highly diversified and experienced technical skill, coordinated by effective management, were not available to supply the nation with the instruments of war in its hour of greatest need? After all, history may well establish the fact that the second world war was won because, backing up the valor and skill and sacrifices of the armed forces, were the unparalleled experience and production ability of American industry, as typified by the great industrial organizations which have characterized American enterprise and made its industrial development the envy of the entire world.

# LABOR ECONOMICS



The program of national defense, gradually increasing in magnitude through the year and culminating abruptly in the dramatic precipitation into war conditions following Pearl Harbor, created many special problems from the standpoint of the workers. These it may be said were a part of the larger problems involved in making adjustments in our national economy to meet the growing emergency needs. Many of these special problems are of the utmost importance as affecting aggressive and successful action toward attaining the tremendous war production goals established for industry.

One of the basic long-range policies of the Corporation, outlined in previous reports, recognizes that in the last analysis it is the annual earnings of the worker and especially his annual real earnings in terms of purchasing power upon which his economic position depends. For a number of years the automobile industry had concentrated a great deal of attention upon this subject—especially upon ways and means whereby a greater continuity of employment might be effected. Several helpful policies were adopted by the industry and by General Motors with this objective in view, although progress in this direction had been necessarily limited by the fact that in peace times production schedules of



the automotive industry must be determined largely by consumer demand. Constant efforts over the years, however, had resulted in a steady advancement in this program.

Referring to the special circumstances incident to the year under review involving the impact of a developing war economy upon the worker, employment—as will be indicated by the statistics displayed later in this section—was considerably higher than in any previous year, as measured by the average number of employes on the Corporation's payroll. At the same time the number of hours worked and the wage rates increased. The total payrolls of the Corporation, therefore, reached an all-time high in 1941. The curtailment of automotive production, going into effect with the advent of the 1942 model on August 1st, adversely affected the general upward trend. The cessation of the Corporation's normal production, approximately coincidental with the beginning of the new year, will have an important influence on the record of 1942.

In its approach to the problem of transition from the production of civilian goods to materials needed for the war effort, the Corporation has earnestly striven to deal with the many difficult problems involved—some of which are solvable only in part—by recognizing the fact that it must make a maximum contribution to the war effort irrespective of what the consequences may be. It has planned to provide, so far as possible, war production at least equivalent to normal production in each operating unit. The Corporation's employment in each such production area would thereby remain stabilized so far as possible, and the effect of the transition upon the communities in which the Corporation is operating—in many of which it is by far the largest employer—would be minimized. Any other approach would result in migration of employes from one community to another—highly undesirable from both the social and economic standpoints as affecting not only the employe but the respective communities involved. In other words, so far as it is possible, war production should replace peace-time production through bringing the production to the existing workers rather than transferring the existing workers to other centers of production. In the production of certain categories of war material, there must, of necessity, be exceptions to this general rule, but that in no sense invalidates the highly important principle and the policy that should be followed.

There is very importantly involved in the employment phase of the transition from peace to war a policy, already discussed elsewhere in this report, which relates to the development of facilities necessary for

the production of war materials. It has been pointed out that in most instances the transition of any particular operating unit from peace to war production involves a time element not greatly different from that involved in the development of corresponding capacity from the very beginning. The policy of developing new construction first and retooling, sometimes called "conversion," second has been suggested as having been the most intelligent attack on the objective of the maximum war effort, as well as having been consistent with the maintenance of maximum continuity of employment. While the retooling approach carries with it an unavoidable period of total unemployment, it has frequently been possible in the case of newly constructed plants to transfer men gradually, thus avoiding total, even though temporary, cessation of employment of the workers involved.

### **Income Security and Lay-Off Benefit Plans**

Attention has been called in previous reports to the Income Security and Lay-Off Benefit Plans, which were designed to assist employes by wage advances in periods of low employment, or layoff, due to model changes and the economic cycle, as well as to cushion the effect of the seasonal variation. During 1941, a total of 17,722 employes secured advances under the provisions of the plans. Now come abnormal times. The country is at war. Orders have been issued by the Federal Government to curtail commercial production and to conserve rubber and other critical materials needed for the successful prosecution of the war. Since these employe plans were designed to take care of the fluctuating employment in the automobile industry and were not designed to meet a war emergency, which is a national problem, the Corporation was not justified in extending the plans through 1942. They were not continued beyond December 31, 1941.

### **Employment and Payrolls**

During 1941 the total employment and payrolls of the Corporation throughout the world reached an all-time high. The following summary presents the facts:

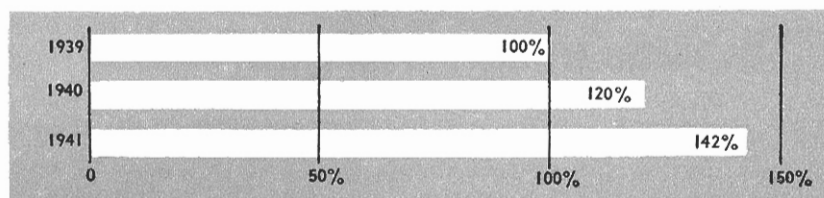
	<u>1941</u>	<u>1940</u>	<u>Increase</u>
Average number of salaried and hourly employes on the Corporation's payroll.....	303,827	249,386	22%
Total payrolls of the Corporation.....	\$669,744,870	\$492,246,017	36%

The following shows the number of hourly workers employed by the Corporation in the United States and wage payments to those employes:

	<u>1941</u>	<u>1940</u>	<u>Increase</u>
Average number of hourly rate employes in the United States only.....	221,709	180,576	23%
Wages paid to hourly rate employes in the United States only.....	\$500,422,165	\$357,252,822	40%

During 1941, all hourly rate employes in the United States who had one or more years' service, were granted one week's vacation with pay, or in lieu of vacation, an allowance equal to 40 hours pay. This allowance was paid during the last half of the year, and similar benefits were extended to hourly rate employes in Canada.

### Annual Earnings per Worker



The average annual earnings of the regular hourly rate employes in the United States, including those who had intermittent employment during the year, have increased steadily during the past few years. In 1941 the average earnings of these employes were \$2,141 compared with \$1,804 in 1940 and \$1,503 in 1939. The increase is partly the result of the Corporation's policy of planning and scheduling work so as to give these workers the maximum possible continuity of employment.

### Working Hours per Week

During 1941 the average number of hours worked per week by the hourly rate employes in the Corporation's plants in the United States was 40.7 hours, compared with 39.1 hours in 1940, an increase of 4%.

### Wage Level

Notwithstanding the fact that its then existing hourly wage rates were as high as or higher than the prevailing rates in the automotive industry

and higher than the rates in manufacturing industries in general, on recommendation of the National Defense Mediation Board the Corporation granted an increase of ten cents an hour to all hourly workers in the United States, effective April 28, 1941.

For the year 1941 the average hourly earned rate of the Corporation's employes in the United States was about 43% higher than that prevailing in all manufacturing plants and approximately 29% higher than the rate in 25 major manufacturing industries.

# EMPLOYEE PLANS

Over the years General Motors, through its Employee Plans, has had two objectives: first, to develop such programs as will promote security and protection, in so far as it is practicably possible, for the benefit of the organization as a whole; and second, to supplement the normal relationship between the Corporation and its executive and supervisory groups, whereby an opportunity is provided for those groups to participate in the success of the business for which they are directly responsible, in proportion to each individual's relative capacity to contribute.

The ability of any organization to accomplish the tasks required of it depends to an important degree upon the elements of initiative and resourcefulness stemming from sound incentives and a basis of confidence in the policies and purposes of the enterprise as a whole. There is thus promoted throughout the organization an esprit de corps, a morale, indispensable to aggressive accomplishment. The Corporation's long-range policy as regards Employee Plans has been directed toward promoting just such morale and spirit of teamwork as today are needed in superlative measure. These attributes serve as the best assurance that the organization's gigantic war production responsibilities will be successfully met.

The Corporation has submitted to the stockholders from time to time various proposals in connection with the above objectives. The results of the various plans have been duly reported in detail in each annual report. At times, altered circumstances have made it desirable to effect changes in the plans.

General Motors Employee Plans now consist of the following:

## **Bonus Plan**

The General Motors Bonus Plan, established in 1918, has been in operation for more than twenty years. It now provides that, after deduct-

ing from net earnings 7% on the net capital employed, there may be set aside as a bonus fund up to 10% of each year's net earnings. This means that, before there was a bonus fund available in 1941, there was earned for the stockholders approximately \$90,174,000, equivalent to \$1.87 per share on the common stock outstanding.

At the inception of the Bonus Plan, all salaried employes who had been with the Corporation for a full year were eligible to participate. Subsequently, the eligibility was confined to those receiving \$5,000 a year or more. This minimum was later reduced to \$4,200 a year. Beginning with the 1936 bonus distribution, the salary limit was again reduced, and the group eligible for bonus consideration now consists of those who receive salaries at the rate of \$2,400 a year or more. This reduction in the salary limit substantially increased the number of eligible employes. Bonus awards, based upon recommendations made by the Chairman of the Board of Directors, are made on the authority of the Bonus and Salary Committee, which is composed of five Directors who are not actively engaged in the management of the Corporation and who are not eligible for bonus. The action of the Bonus and Salary Committee is reported to the Board of Directors of General Motors Corporation. The distribution of the bonus is made in the form of common stock of the Corporation, except in the case of certain foreign subsidiaries which distribute their bonuses in local currency. Awards to employes receiving salaries of \$2,400 to \$4,200 a year are delivered in total immediately. To those bonus beneficiaries receiving salaries at the rate of \$4,200 a year or more, one-fourth of the award is delivered immediately after notification and the balance in three equal annual instalments.

In addition to other requirements, eligibility for bonus participation has been interpreted to mean that the employe must be on the payroll when the bonus is awarded, which is in the spring of the year following the one for which the services were rendered. Last year, however, the occasion arose for a change in this aspect of the plan. In March 1941 the Directors adopted and at the annual meeting in April 1941 the stockholders approved an amendment providing that employes leaving the Corporation after January 1, 1941 to join the armed forces or enter the employ of the United States or Canada shall be eligible for bonus consideration with respect to services rendered after January 1, 1941.

In February 1942 the Board of Directors adopted a further amendment permitting the Bonus and Salary Committee to consider as eligible

for bonus awards for services in the year 1941 those employes who were released after December 1, 1941 on account of the curtailment of normal operations due to the war. It seemed fair to enact the latter amendment to cover those employes who served the Corporation well during 1941 and who, due to the war, were dismissed through no fault of their own prior to the actual award of 1941 bonuses in 1942. This amendment applies only to bonus awards for the year 1941 and to employes who were dismissed after December 1, 1941.

As a result of the year's operations, there will be subject to distribution under the Bonus Plan an amount of \$12,386,479, being 10% of the net earnings available for bonus after deducting 7% on capital employed. Of this amount, 20% has been set aside by direction of the Bonus and Salary Committee to be carried forward available for future distribution and the balance of \$9,909,183, or 80% of the fund, will be distributed currently. After allowing for \$243,800 to be charged to the fund on account of bonus awards in cash to employes of foreign subsidiaries, this distribution will require 244,008 shares of common stock at \$39.61 per share, the average daily closing market price of General Motors common stock during 1941. The stock for bonus awards will consist of shares taken from the Corporation's treasury, including shares purchased during 1941 and 1942. Attention is called to the fact that stock distributable as bonus does not consist of newly issued shares but rather stock that has been purchased by the Corporation for cash. In other words the total number of shares issued is not affected. The amount of \$243,800, which will be deducted from the fund of \$9,909,183 on account of bonus awards in cash to employes of foreign subsidiaries, includes \$65,458 representing a charge against the 1941 bonus fund on account of 1940 bonus awards payable in local currency to employes of foreign subsidiaries, which awards, in 1940, were considered applicable to unremitted net income. The foregoing does not include the equivalent of \$42,000 of local currency bonus awards payable for 1941 to employes of certain foreign subsidiaries and applicable to unremitted net income of these subsidiaries.

The individual bonus awards have not been finally determined for 1941. It is estimated now that approximately 10,300 employes of the Corporation will participate in the distribution of the 1941 fund. The maximum bonus award, however, to any one individual will be less than a 2% participation in the bonus distributed currently. The Chairman of the Board, at his own request, is not to be considered eligible

to participate in the 1941 bonus distribution, and has not participated since December 31, 1936.

The record of bonus awards from the inception of the plan through the year 1941 is displayed on page 83 of this report.

## **Group Insurance Plan**

The Corporation's Group Insurance Plan offers three types of protection at very low rates to eligible employes who have completed three months' service. The insurance coverage, placed with the Metropolitan Life Insurance Company, includes life insurance which is available to all eligible employes. In addition, employes receiving less than \$4,200 a year may participate in sickness and accident insurance and, under certain conditions and at the employe's option, in hospitalization and surgical operation insurance.

The plan is cooperative. The Corporation assumes the entire administrative expense of the plan and a part of the cost.

During 1941 there were paid through the Corporation's Group Insurance Plan benefits totaling \$7,696,227. This amount included payments to beneficiaries of 1,255 of the Corporation's employes who died during the year. Temporary disability benefits resulting from sickness or non-industrial accidents were paid to 30,023 employes, and benefits were paid to 35,938 employes under the surgical benefits and hospitalization insurance features of the plan. Since the inception of the Corporation's Group Insurance Plan in December 1926, claims totaling \$53,895,264 have been paid.

At December 31, 1941 more than 98% of the eligible employes were participating in one or more features of the plan.

During 1941 the Corporation agreed, in localities where concentration of employment existed, to make available to its employes and their eligible dependents the local hospital service plans approved by the American Hospital Association. In so doing it was necessary to terminate the personal hospitalization coverage for hourly rate employes in effect under the Corporation's Group Insurance Plan, although it was permissible for salaried employes to retain the option of continuing the hospitalization coverage under the Corporation's plan, or of subscribing for benefits under the local plans. The Corporation has no financial



responsibility or other interest in the organizations fostering these local plans, but it has offered its assistance in collecting and transmitting the service charges in order to make the plans readily available to such of its employes as desire them.

### **Employees Contributory Retirement Plan**

On April 30, 1940 the stockholders approved the adoption by the Corporation of the Employees Contributory Retirement Plan, which became effective July 1, 1940.

The plan, which is designed to supplement the old age benefits under the present Federal Social Security Act that covers the first \$250 of monthly earnings, provides that all employes in the United States receiving salaries in excess of \$250 per month, who have completed one year of service and who, at the time the other requirements for eligibility have been met, have reached age 40 and are less than 55, are eligible to participate.

The plan as adopted provides that each participating employe will contribute 5% of the amount of his monthly salary in excess of \$250. As of October 1, 1940 the minimum monthly contribution was fixed at \$2 for employes receiving in excess of \$250 and up to \$290 per month. The employe may contribute into the plan only up to age 60, except those employes who become eligible after age 45, who may contribute for a period of 15 years or to the date of retirement, whichever is earlier.

The Corporation contributes the balance of the funds necessary to provide the annuity benefits under the plan. A contract was entered into between the Corporation and the Aetna Life Insurance Company, the Metropolitan Life Insurance Company and The Prudential Insurance Company of America, providing for the purchase from these companies of the annuities payable under the plan. The cost of the plan to the Corporation for the year ending June 30, 1941, the first full year of operation, was \$695,825.

Monthly retirement benefits at age 65 will be equal to 30% of the employe's average monthly contribution into the plan during his participation in the plan, multiplied by the number of years he has contributed. The maximum monthly benefit paid to an employe on his retirement may in no event exceed \$1,250.

All employes eligible to participate in the plan will be retired automatically at age 65, except in special cases. At the Corporation's option,

an employe may be retired at any time between ages 60 and 65, in which event the employe will suffer no reduction in retirement income already provided by his own and the Corporation's contributions. If the employe retires voluntarily between ages 60 and 65, provision is made for the payment of retirement income on a reduced basis.

As of December 31, 1941 over 91% of the total eligible employes were participating in the plan.

The Employes Contributory Retirement Plan as approved by the stockholders in April 1940 provided that the plan should apply to employes in the United States. On February 2, 1942 the Board of Directors adopted an amendment to the plan, subject to the approval of the stockholders at the annual meeting to be held on April 28, 1942, providing that employes who are citizens or residents of the United States, hired in the United States and sent out of the United States to work in foreign operations and whose services would be discontinued by recalling them to the United States and dismissing them in the United States, shall be eligible for participation in the Retirement Plan, with the right to make their participation effective as of July 1, 1940, upon payment of back contributions and compliance with all other requisite conditions of eligibility for participation on July 1, 1940, other than place of work.

### **Separation Allowance Plan**

In March 1940 the Corporation announced the adoption of a Separation Allowance Plan applicable to all salaried employes of the Corporation and its wholly owned subsidiaries in the United States. This plan serves as an immediate financial protection to the employe who loses his position through no fault of his own, by providing him an allowance equal to 25% of average monthly salary for each year of service up to ten years. For each year of service beyond ten years, the allowance is 35% of average monthly salary. The maximum payment under the plan is equal to six months' average salary. During 1941, employes received separation allowances which amounted to \$578,865.

Under the plan, any salaried employe whose separation is recommended is assured a thorough consideration and review of all facts before final action is taken regarding release or layoff. The plan also provides that any released or laid-off salaried employe who has a complaint regarding his separation and who has exhausted all steps for adjusting the complaint within the division from which he was separated may appeal the case to an impartial official of the Corporation.

In 1941, curtailment of the normal business of the Corporation resulted in a reduction, undoubtedly for the duration, in the salaried personnel engaged in sales and other special activities. The Corporation, therefore, has expanded the clearing point facilities in key cities throughout the country to assist salaried employes, who have been released, in applying for employment with other divisions of the Corporation or in any work for which they are qualified through their training and experience. Similar clearing points were established during the year to facilitate the transfer of hourly rate employes between plants or divisions in key plant cities.

## **Education and Training**

New problems in connection with war production necessarily have augmented greatly both the divisional and Corporation attention to the training of personnel. Throughout the divisions of the Corporation, all of which have maintained extensive employe training programs for years, the pressing demand for trained men for war material production required a wide extension of the established programs. The experience of the divisions in this field, together with the skill and ability of trained men, were utilized as effectively and as broadly as possible in the analysis and solution of new training problems.

During the year many thousands of men and women, old employes as well as new employes, were trained in new production methods. All available means including community facilities have been utilized.

The basic training activity of the Corporation itself, as described in previous reports, is centered in the General Motors Institute. Through its facilities and in cooperation with the divisions more than 21,000 men and women received specialized training during the year. Special courses are in progress of development for training military officers as instructors of enlisted personnel in the use and maintenance of General Motors war products. In addition, the training experience, material and methods of the Corporation have been made available to the government for its own training activities.

## **Safety and Health Protection**

The Corporation's program for the safety and health of its employes was carried to a new degree of effectiveness in 1941. Approximately

\$6,000,000 was expended for safety and health protection during the year.

In spite of new and unfamiliar tasks occasioned by the production of war materials, the number of days lost due to accidents in the plants, in relation to the number of hours of work, was the lowest in the Corporation's history. Time lost off the job from any cause usually means time lost on vital production which cannot be made up. For this reason the safety and health program to protect employes while at work takes on increased importance.

Factors contributing to the organization's record were the safety and industrial hygiene organizations developed throughout the plants, mechanical safeguards on machinery, good industrial housekeeping, the interest of management and the safety and health consciousness of the employes themselves.

### **Sale of Defense Bonds to Employes**

During the year, in cooperation with the government, the Corporation recommended and furthered the sale of United States Defense Bonds to its employes by adopting a payroll savings plan. Under this plan the employes can purchase the bonds out of current wages and salaries on a regular and convenient instalment basis. Participation in the plan is entirely voluntary. As the year closed a comprehensive promotional program, covering employes in all the divisions of the Corporation, was being developed to stimulate further the interest in the plan.

# EXECUTIVE MANAGEMENT COMPENSATION

The success of General Motors largely depends upon the individual initiative and ability of a large group of important executives. Many of this group operate independently for the most part, because of the magnitude and geographical distribution of the Corporation's operations and the many divergent phases of the Corporation's activity. The long-established and broad management policy of the Corporation has evolved from the belief that the most effective results and the greater security for progress and stability are achieved by placing such executives in the same relative position, in so far as is practicable, as if they were in business on their own account. In that way managerial talent is attracted to and retained by the Corporation on account of the opportunities offered, and means are provided for developing the talent within the Corporation's organization. Both are vital to success. Today this broad policy proves to be of tremendous importance due to the unprecedented demand for managerial skill, experience and ability in meeting the urgent and all-absorbing needs of the war production effort.

As has been stated in previous reports, compensation of the Corporation's executives is from two sources—a salary and an opportunity to participate in the profits above a return of 7% on the net capital employed. Both factors, as affecting any particular individual, vary with the ability of the individual and with the opportunity for accomplishment. As to ability, there is no need of elaboration. By "opportunity for accomplishment" is meant the degree of responsibility involved in the individual's contribution to the Corporation's performance, affected as it must be by volume possibilities.

It follows that when the volume of business importantly declines, the opportunity to accomplish is likewise reduced. That part of total compensation emanating from a participation in the profits automatically

adjusts itself with the state of business, because as volume recedes profits decline at an increasing rate. That part emanating from salary is also subject to adjustment, depending upon general economic conditions.

The effect of taxes has become a factor of increasing importance. Compensation arising out of profit participation through the Bonus Plan is based upon profits after the deduction of corporate income and excess profits taxes. Thus the increase in corporate taxes results in a reduction in compensation below what it would otherwise be.

Executive management participation in profits comes through the application of the Bonus Plan. Under this plan there is a broad coverage of the Corporation's total salary group eligible for benefits. The Bonus Plan is described under "Employe Plans."

### **Total Compensation of Executive Management Group**

In order to report the cost of executive management, the question is necessarily raised as to what constitutes management in a business of such magnitude, involving as it does a greatly diversified and highly technical line of products with operations normally conducted not only in the domestic markets but in nearly every country throughout the world. In defining the group comprising executive management, for the purpose of discharging the responsibility involved in the above policy, the following formula has been used:

“ . . . the principal executive officers of the Corporation; the executive heads of its general administrative staffs; the executive heads of the operating divisions and wholly owned subsidiaries; the four principal functional executives of the more important operating units; and the executive in charge of each of the assembly and manufacturing plants in the United States located away from divisional headquarters and of the overseas assembly and merchandising operations.”

A total of 192 individuals was included in the above defined list at December 31, 1941. In the comparisons which follow, compensation is represented by salary and bonus participation. As to the latter, it includes that part and only that part of the bonus fund distributed to the executives within the group included in the executive management category as defined above. As previously stated, only 80% of the amount credited to the bonus fund in 1941 will be distributed currently. Further, the amount of the executive management group's participation for the

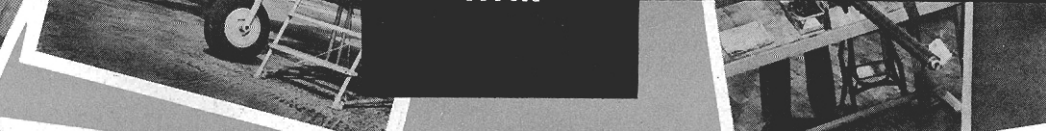


• CADILLAC • CHEVROLET  
 • DETROIT DIESEL ENGINE  
 • PACKARD ELECTRIC  
 • SAGINAW STEERING GEAR  
 • CANADIAN SUBSIDIARIES

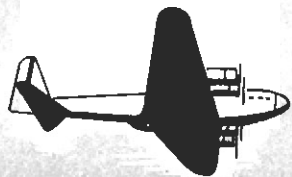


**PRODUCING  
 FOR  
 WAR**

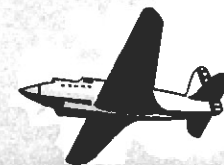
DELCO BRAKE • DELCO RADIO  
 EASTERN AIRCRAFT • FRIGIDAIRE  
 MORAINÉ PRODUCTS • PONTIAC  
 NEW DEPARTURE • OLDSMOBILE  
 GM OVERSEAS OPERATIONS







# GENERAL MOTORS PRODUCING FOR WAR



MILLIONS OF DOLLARS

MILLIONS OF DOLLARS

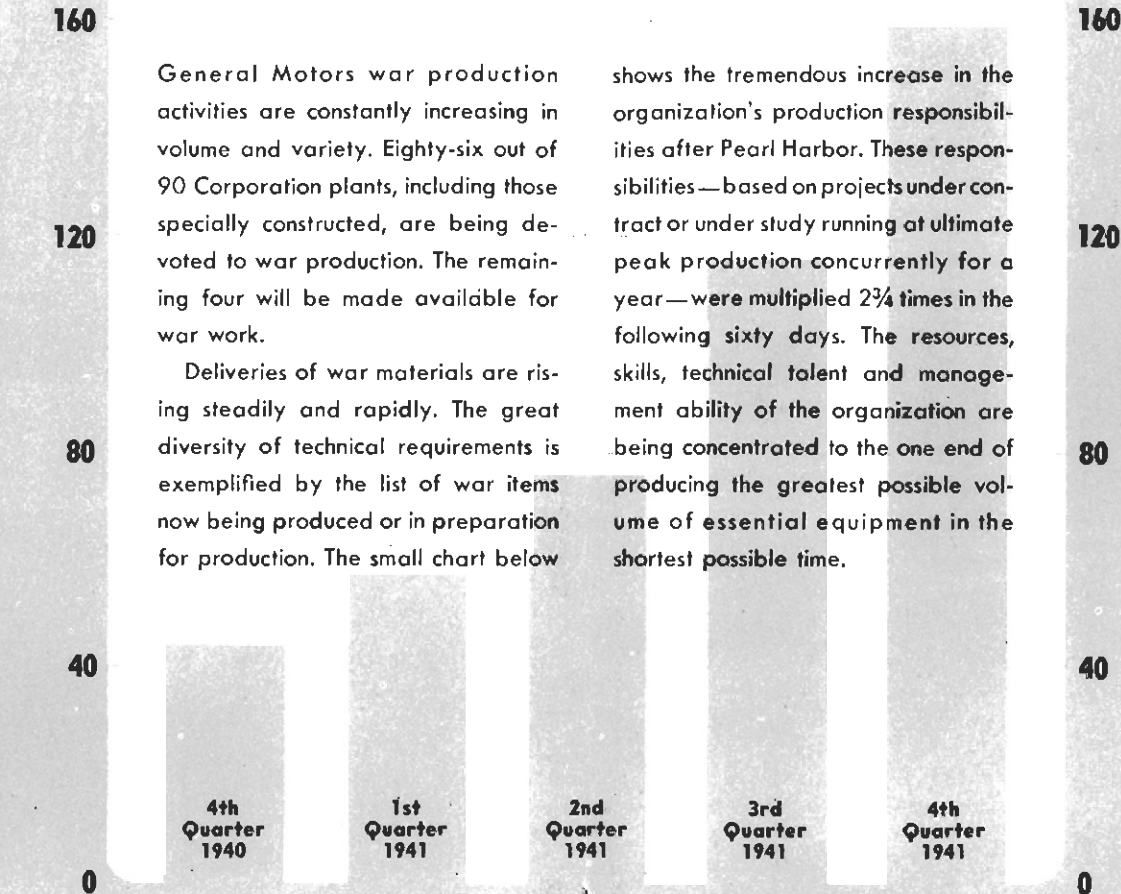
- ALLISON AIRCRAFT ENGINES
- SHELLS
- CARGO TRUCKS
- LANDING GEARS FOR BOMBERS
- TANK ENGINES
- GUN FIRING SOLENOIDS
- BORING AND TURNING MILLS
- ROLLER BEARINGS
- GENERATORS AND REGULATORS
- 4 x 4 TRUCKS (VARIOUS TYPES)



- DIESEL ENGINES FOR SUBMARINES
- TANK GUN MOUNTS
- ANTI-AIRCRAFT GUN MOUNTS
- ARMA STEEL CASTINGS
- PROPELLERS
- TRUCK DIESELS
- LIGHTING PLANTS
- ALUMINUM CASTINGS
- FUEL PUMP MOTORS
- ANEROID VALVES
- SHOT



- HEAVY TANKS
- PRATT & WHITNEY AIRCRAFT ENGINES
- BOMB SERVICE TRUCKS
- TANK TRACKS
- POWDER METAL BEARINGS
- SIGNAL PARTS
- GUN SHOULDER RESTS
- AIRPLANE ENGINE BEARINGS
- BOMB RELEASE SOLENOIDS
- GUN SIGHTS
- MAGNETOS
- BLOWERS
- GUN SYNCHRONIZERS

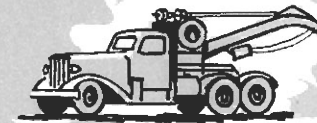


General Motors war production activities are constantly increasing in volume and variety. Eighty-six out of 90 Corporation plants, including those specially constructed, are being devoted to war production. The remaining four will be made available for war work.

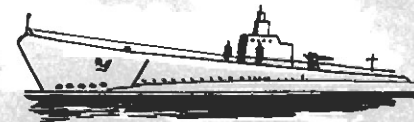
Deliveries of war materials are rising steadily and rapidly. The great diversity of technical requirements is exemplified by the list of war items now being produced or in preparation for production. The small chart below

shows the tremendous increase in the organization's production responsibilities after Pearl Harbor. These responsibilities—based on projects under contract or under study running at ultimate peak production concurrently for a year—were multiplied 2¾ times in the following sixty days. The resources, skills, technical talent and management ability of the organization are being concentrated to the one end of producing the greatest possible volume of essential equipment in the shortest possible time.

- AUXILIARY DIESELS FOR NAVAL USE
- AMBULANCES
- GUN TURRET BEARINGS
- EARTH BORER TRUCKS
- BLACKOUT LAMPS
- FUZES
- MARINE INSTRUMENTS
- OIL COOLERS
- 6 x 6 AXLE SETS
- CARBINES
- SPARK PLUGS



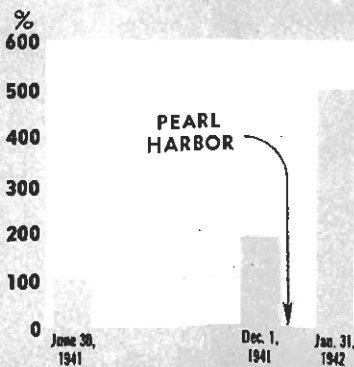
- LIGHT TANKS
- BOMBER SUB-ASSEMBLIES
- MACHINE GUNS
- CONTROL WHEELS
- NAVY WARNING SIGNALS
- HEAVY DUTY GEAR SETS
- SHELL HOUSINGS
- RADIO RECEIVERS
- MARINE WATER COOLERS
- ELECTRICAL EQUIPMENT



- ARMORED CARS
- NAVAL GUN HOUSINGS
- AIRCRAFT CANNON
- ALUMINUM FORGINGS
- CARTRIDGE CASES
- CATAPULT BEARINGS
- REFRIGERATION UNITS
- RADIATORS
- 6 x 6 TRANSFER CASES
- PROPELLER ASSEMBLIES
- INCENDIARY BOMB NOSES
- AIRPLANE JIGS AND FIXTURES

- AIRPLANES
- ANTI-AIRCRAFT CANNON
- PRIMERS
- IGNITION CABLE
- EXHAUST MANIFOLDS
- STEEL FORGINGS, DIES
- FIRE CONTROL EQUIPMENT
- SPECIAL SERVICE TRUCKS
- BATTERIES
- BALL BEARINGS
- BOOSTERS

GM DELIVERIES OF WAR MATERIALS



GM War Production Responsibilities





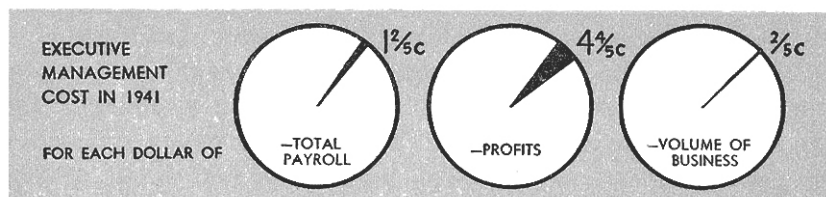
AC SPARK PLUG • AEROPRODUCTS • ALLISON • BROWN-LIPE-CHAPIN • BUICK  
 CLEVELAND DIESEL ENGINE • DELCO APPLIANCE • DELCO PRODUCTS • DELCO-REM  
 DETROIT TRANSMISSION • ELECTRO-MOTIVE • FISHER BODY • GUIDE LAMP • HYATT B  
 HARRISON RADIATOR • INLAND MANUFACTURING • ROCHESTER PRODUCTS  
 SAGINAW MALLEABLE IRON • SUNLIGHT ELECTRICAL • TERNSTEDT MANUFACTURING



year 1941 has not been finally determined. The figures used in the following comparisons, therefore, are based on a preliminary estimate of the 1941 bonus participation of these executives as a group.

#### EXECUTIVE MANAGEMENT COMPENSATION

	1941	1940	1939
NUMBER OF EXECUTIVES INCLUDED.....	<u>192</u>	<u>184</u>	<u>184</u>
PER DOLLAR OF PROFITS EARNED FOR STOCKHOLDERS			
Executive management salaries.....	\$0.02 $\frac{3}{5}$	\$0.02 $\frac{2}{5}$	\$0.02 $\frac{3}{5}$
Supplemental compensation under bonus plan.....	<u>0.02<math>\frac{1}{5}</math></u>	<u>0.02<math>\frac{2}{5}</math></u>	<u>0.02<math>\frac{3}{5}</math></u>
Total.....	<u>\$0.04<math>\frac{4}{5}</math></u>	<u>\$0.04<math>\frac{4}{5}</math></u>	<u>\$0.05<math>\frac{1}{5}</math></u>
PER SHARE OF COMMON STOCK			
Executive management salaries.....	\$0.12	\$0.11	\$0.11
Supplemental compensation under bonus plan.....	<u>0.10</u>	<u>0.11</u>	<u>0.11</u>
Total.....	<u>\$0.22</u>	<u>\$0.22</u>	<u>\$0.22</u>
(Earnings per share of common stock in 1941 were \$4.44, in 1940 \$4.32, and in 1939 \$4.04)			
PER DOLLAR OF TOTAL VOLUME OF BUSINESS			
Executive management salaries.....	\$0.00 $\frac{1}{5}$	\$0.00 $\frac{1}{4}$	\$0.00 $\frac{1}{3}$
Supplemental compensation under bonus plan.....	<u>0.00<math>\frac{1}{5}</math></u>	<u>0.00<math>\frac{1}{4}</math></u>	<u>0.00<math>\frac{1}{3}</math></u>
Total.....	<u>\$0.00<math>\frac{2}{5}</math></u>	<u>\$0.00<math>\frac{1}{2}</math></u>	<u>\$0.00<math>\frac{2}{3}</math></u>
PER \$100 OF RETAIL PRICE OF PRODUCTS SOLD			
Executive management salaries.....	\$0.16	\$0.20	\$0.26
Supplemental compensation under bonus plan.....	<u>0.14</u>	<u>0.20</u>	<u>0.26</u>
Total.....	<u>\$0.30</u>	<u>\$0.40</u>	<u>\$0.52</u>
PER DOLLAR OF TOTAL PAYROLL			
Executive management salaries.....	\$0.00 $\frac{4}{5}$	\$0.01	\$0.01 $\frac{1}{4}$
Supplemental compensation under bonus plan.....	<u>0.00<math>\frac{3}{5}</math></u>	<u>0.01</u>	<u>0.01<math>\frac{1}{4}</math></u>
Total.....	<u>\$0.01<math>\frac{7}{5}</math></u>	<u>\$0.02</u>	<u>\$0.02<math>\frac{1}{2}</math></u>



The above relationships have been developed to enable the stockholders to obtain an understanding of the cost of executive management.

In these relationships the estimated 1941 bonus awards are valued at \$39.61 per share of General Motors common stock, which is the average daily closing market price of the stock for the year 1941. This is also the price used in determining the number of common shares available for distribution from the bonus fund provided out of 1941 earnings. The bonus awards were valued at \$49.24 per share of common stock in 1940, and at \$48.19 in 1939, the average daily closing market prices. In the relationship of executive management compensation to profits, allowance is not made for the fact that such compensation is deductible in the determination of Federal income and excess profits taxes.

### Number of Individuals Receiving Salaries of \$10,000 or More per Annum

The following tabulation shows the number of executives in various salary groups receiving salaries at the rate of \$10,000 or more per annum as of December 31, 1941, whether or not included in the executive management group as defined above:

<u>Amount of Salary</u>	Number of Individuals as of December 31, 1941
\$10,000 to \$ 20,000.....	325
20,001 to 30,000.....	49
30,001 to 50,000.....	23
50,001 to 75,000.....	12
75,001 to 100,000.....	6
100,001 to 200,000.....	2
<b>Total.....</b>	<b><u>417</u></b>

The number of executives in this group is simply indicative of the magnitude, diversity and geographical distribution of the Corporation's operations.

## PUBLIC RELATIONS

The rapid changes in our civilization during the past decade have had a most profound influence on public thinking. The impact on industry has created many problems. It has required important modifications of existing policy and the adoption of new and different points of view. In no area has the effect been more apparent than in the relationships of industrial enterprise with the community at large. Out of this process there has developed in recent years a new industrial function—public relations. Starting in a small way, twenty years ago, public relations, involving as it does very definite and consequential responsibilities, has become a most important activity in General Motors.

To tell the story of industry in such a way that it will be better understood by people in all areas of life is of vital importance—more so today than ever before. What is industry? What does industry accomplish? And how does it accomplish it? What are the forces involved in its operations? There is hardly any chapter in the story of human effort that is any more dramatic than the accomplishment of American industry during the past decades. The story of such an accomplishment is important in itself, but to promote a better understanding of the rules which must govern, if industry is to render the maximum service in today's emergency as well as to capitalize to the fullest possible extent the great potential opportunities of the future, is a responsibility which must be aggressively assumed by industry.

Propaganda is being used to influence public attitude toward various philosophies and projects. It too frequently attacks men and institutions with little or no real justification. It does not always present the case impartially and at times conceals the ulterior purposes of the propagandist. Words have often become weapons to promote the interests of various pressure groups. Industry must more aggressively explain its purposes and accomplishments. It must admit its shortcomings. From the community industry receives a valuable franchise. To the community

it should make an accounting of its social responsibilities, just as to its stockholders it must make a financial accounting. Here again is the industrial function of public relations.

The responsibilities of public relations during the year under review have been of unusual importance. Winning the war involves action, but from the point of view of these broader responsibilities there is a parallel responsibility—to keep the community informed, so far as is practical, as to all the facts and circumstances involved in the discharge by industry of its great obligation to the public cause. Included is the responsibility to maintain with employes those clear channels of communication which alone make possible breadth of understanding, mutual confidence and sound internal morale.

If we agree that vital to victory are the products of the American industrial front, backing up our men in arms, then to American industry has come the opportunity to render inestimable service to the country in this, its day of greatest danger. The dissemination of the facts to the public is a contribution that industry's public relations activities can make toward winning the peace, the perpetuation of American institutions—the end objective for us all.

## PRODUCT EVOLUTION

One of the most important long-range policies of General Motors has been concerned with the promotion of technical progress throughout its research, engineering and production activities, which has resulted in steady, evolutionary advancement in the Corporation's products. Today, the experience thus gained, the adaptability to change and the technique of applying mass production principles have become of inestimable value in dealing with the technical problems presented by the production of intricate machines of war.

The effectiveness of this program of evolutionary progress as applied to the Corporation's peace-time products is shown by the fact that over the course of years the Corporation's proportion of sales of automobiles to consumers in the United States increased from 18% in 1920 to substantially 45% in recent years.

This advanced engineering and designing over the years have been supported by an aggressive distribution program with a strong dealer group trained to present the merits of the products and to maintain their serviceability in the hands of the customer. Dealers in the present emergency are devoting their entire efforts to conserving automotive transportation now existing in the country, to the end that it may render maximum service for the duration.

In April 1941 General Motors announced that, in view of the increasing urgency of the defense program, further new models following those already developed for presentation to the public during the late summer would be suspended for the duration of the emergency. Long before these models were introduced, the Corporation, in line with the government program, had re-engineered its products from the standpoint of conserving critical materials needed in the war and had confined its use of all materials closely within priority limitations. Notwithstanding these limitations, quality was maintained. Its offerings incorporated greater serviceability, including wider bodies, increased wheelbase and

greater carrying capacity. The Torpedo type body, introduced in 1940, was continued as well as the aerodynamic streamlined type, both of which had been favorably received by the public.

From the engineering standpoint, the Hydra-Matic Drive, which first appeared on the market with the announcement of the 1940 models, was further refined. This important feature, really revolutionary rather than evolutionary, eliminates the clutch and takes the operation of manual gear shifting out of driving technique. As a result of intensive engineering effort over a number of years, which has resulted in a high degree of perfection of this device, the Hydra-Matic is now under further development for use in certain types of military vehicles.

The Corporation's technical staffs for many months have been devoting their entire efforts and the Corporation's engineering resources to advancing the war effort on two counts: first, by re-engineering military apparatus to improve its general technical efficiency, increase its serviceability and effectiveness, facilitate production in increased quantities, and meet the demands for quality of the products as indicated by the experience gained on the various combat fronts; and second, by facilitating the design and development of new instrumentalities of war as required by the armed forces. The importance of these approaches as a contribution to the war effort cannot be overestimated. Assuming, as is generally accepted, that victory will depend to a great degree upon the performance of American industry in supplying materials to back up the armed forces, there is involved not only quantity but quality—the last specification reflecting both durability in service as well as a high standard of technical excellence in combat. Quality as thus defined might well offset superior quantity. This is particularly true in certain categories of war material.

Thus we see that the technical ability of the Corporation, starting from its research activity and embracing its engineering and development departments, which has made General Motors products a standard of excellence the world over, is now devoted exclusively to the new and vital objective of helping to win the war. If it were found practical or possible to present a complete picture of what is being accomplished in this area of contribution to the war effort, there would be a far greater appreciation than now exists of the importance to the nation in this emergency of the great units of enterprise symbolizing American industry, of which General Motors is a typical example.

## **AN OPERATING REVIEW**

It has been the practice for many years past to present under this subject statistics of the world's automotive markets. For 1940 only incomplete information as to the facts outside of the United States was available. During 1941, censorship, the inclusion of statistical data in the category of military secrets and other exigencies of the war imposed further limitations both at home and abroad so that the difficulty of obtaining statistics is greatly increased. Accordingly, certain of the tabulations found in this section are modifications of those previously shown. In addition, certain other tabulations have been omitted entirely because of lack of data pertaining to the year under review.

It is reasonable to believe, although it is purely an assumption, that due to war requirements the total production of cars and trucks in 1941 for the world as a whole was not substantially different from that in 1940. In other words, the increased 1941 production of the industry in the United States and Canada, for reasons discussed elsewhere in this report, was sufficient to offset the reduced production of overseas manufacturing plants.

In view of the war effort and the discontinuance of automobile production for civilian use, the data presented under this subject manifestly will have no part in future annual reports for the duration of the war.

### **CAR, TRUCK, BODY AND ACCESSORY OPERATIONS**

The information presented in past years usually has also embraced data on the sales of General Motors cars and trucks to dealers in world markets, including the production of its foreign manufacturing plants. Due to circumstances already explained, statistics now are limited to data on production of domestic and Canadian plants.



## Domestic Operations

The trend of production by the automotive industry in the United States has normally been shown in terms of units and the estimated retail sales value of cars and trucks. This year production in terms of retail sales value has been eliminated due to the fact that the record has lost its significance as a result of the inclusion of high cost military units, the value of which cannot be ascertained with any reasonable degree of accuracy. Because of the increased significance of truck production in relation to passenger car production, both are shown in the following table:

CARS AND TRUCKS PRODUCED BY THE INDUSTRY—UNITED STATES AND CANADA  
Including Output for Military Purposes

Year	Passenger Cars		Trucks		Total Cars & Trucks	
	Units	Percentage of 1929	Units	Percentage of 1929	Units	Percentage of 1929
1929.....	4,791,000	100%	830,000	100%	5,621,000	100%
1930.....	2,906,000	61	603,000	73	3,509,000	62
1931.....	2,038,000	43	434,000	52	2,472,000	44
1932.....	1,186,000	25	245,000	30	1,431,000	25
1933.....	1,627,000	34	359,000	43	1,986,000	35
1934.....	2,271,000	47	599,000	72	2,870,000	51
1935.....	3,388,000	71	732,000	88	4,120,000	73
1936.....	3,798,000	79	818,000	99	4,616,000	82
1937.....	4,068,000	85	948,000	114	5,016,000	89
1938.....	2,125,000	44	530,000	64	2,655,000	47
1939.....	2,975,000	62	758,000	91	3,733,000	66
1940.....	3,802,000	79	890,000	107	4,692,000	83
1941.....	3,838,000	80	1,271,000	153	5,109,000	91

It will be noted from the above that in 1941 passenger car production in the United States and Canada exceeded the previous year by a relatively small margin—1% as a matter of fact—and was 20% below the all-time high in 1929. Truck production in 1941, however, was 43% greater than in the previous year and established a new record, exceeding by 34% the previous record attained in 1937.

The trend of sales by the industry to consumers within the United States is shown in the table on the following page. As in the case of production, the data are segregated between passenger cars and trucks in view of the important position that the latter assumed as a result of the impact of the defense and war effort. The trend of sales to consumers in

the United States differs from that of production by U. S. and Canadian plants because the sales to consumers reflect changes in new car stocks and the production figures include export shipments and Canadian sales.

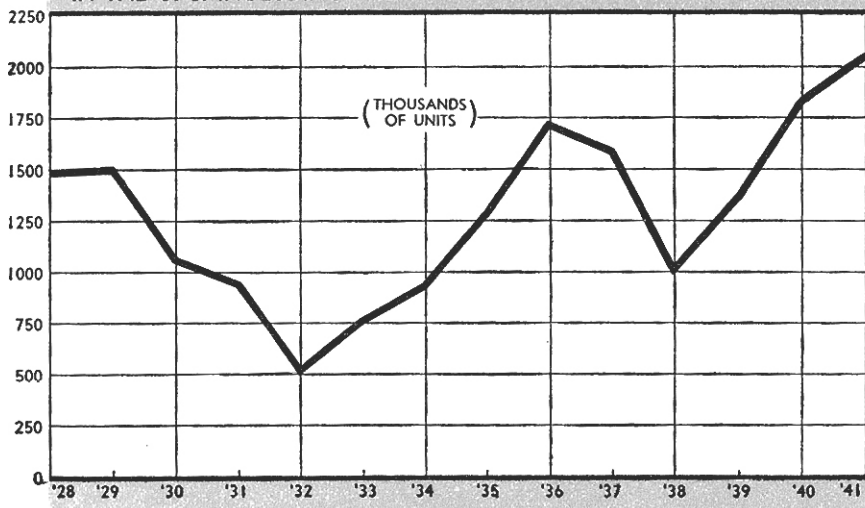
**SALES BY THE INDUSTRY TO CONSUMERS IN THE UNITED STATES**  
Including Sales for Military Purposes

Year	Passenger Cars		Trucks		Total Cars & Trucks	
	Units	Percentage of 1929	Units	Percentage of 1929	Units	Percentage of 1929
1929.....	4,030,000	100%	590,000	100%	4,620,000	100%
1930.....	2,652,000	66	439,000	74	3,091,000	67
1931.....	1,903,000	47	328,000	56	2,231,000	48
1932.....	1,096,000	27	189,000	32	1,285,000	28
1933.....	1,526,000	38	261,000	44	1,787,000	39
1934.....	1,928,000	48	431,000	73	2,359,000	51
1935.....	2,867,000	71	552,000	94	3,419,000	74
1936.....	3,514,000	87	649,000	110	4,163,000	90
1937.....	3,508,000	87	645,000	109	4,153,000	90
1938.....	1,958,000	49	387,000	66	2,345,000	51
1939.....	2,724,000	68	520,000	88	3,244,000	70
1940.....	3,464,000	86	632,000	107	4,096,000	89
1941.....	3,780,000	94	887,000	150	4,667,000	101

It will be seen from the above that consumer sales of passenger cars in the United States in 1941 showed a 9% increase over the previous year. Production increased only 1%. This difference reflects a reduction in dealers' stocks in 1941. The comparison between 1941 and 1929 shows that sales in 1941 were 94% of those in 1929; in other words, the record established in 1929 was not reached. Passing to trucks, we see a substantial increase in 1941 compared with 1940, equivalent to 40%, and likewise a new record exceeding the previous highs in 1936 and 1937 by a wide margin, 37%. As to the total of both passenger cars and trucks, the comparison with 1929 shows that a new record was established by a slight margin as a result of the record truck sales.

Passing from automotive production and sales to consumers by the industry to sales of cars and trucks by General Motors and its dealers to consumers in the United States, we find the trend illustrated in the chart on the following page. Sales in 1941 by General Motors and its dealers to consumers in the United States, including sales of military vehicles to the Federal Government, reached an all-time high, notwithstanding the fact that sales were reduced by limitations on production as hereafter described.

## SALES OF GENERAL MOTORS CARS AND TRUCKS TO CONSUMERS IN THE U. S. INCLUDING MILITARY



The sales of General Motors cars and trucks in the United States in 1941 and 1940 were as follows:

	1941	1940	Increase
General Motors cars and trucks sold to dealers in the U. S. and to the Federal Government . . . . .	2,057,418	1,860,354	11%
General Motors cars and trucks sold by dealers to consumers in the U. S. and sold to the Federal Government	2,037,371	1,827,241	11%

Both the competitive position of the Corporation in the United States and its total sales were limited in the early part of the year by inability to meet the expanded consumer demand, and, during the last five months of the year, by the emergency program of curtailed output for civilian goods. In the seven month period ended July 31, 1941, the Corporation's proportion of the industry's registrations of new passenger cars amounted to 48.7%. In the twelve months ended July 31, 1941, representing the period of the 1941 model, the Corporation registered 49.0% of passenger car sales. For the calendar year 1941, the Corporation accounted for 47.3% of new passenger cars registered by private consumers and 45.3% of total cars and trucks. Passenger car production for private consumer use in the period August 1 to December 31, 1941 was restricted to 61.8% of that in the same period of the previous year for

the Corporation. The restriction for the balance of the industry, due principally to a higher percentage allowed to smaller producers, was limited to an average of 66.6% of the preceding year. The result was to place a ceiling on the Corporation's performance equivalent to 44.2% of the industry's passenger car production quota.

## Overseas Operations

It has been the custom in this section of previous annual reports to present the trend of sales in the overseas markets of the cars and trucks produced in the United States and Canada in relation to the trend of those produced outside these areas. Attention has been called from year to year to the increasing strength of foreign production when measured by its percentage of total world-wide production, due in large degree to the constant trend toward national industrial independence, regardless of the economic consequences. Further, exports of United States and Canadian manufacture have been increasingly handicapped by restrictions on international trade. For the reasons previously stated, statistics relating to foreign production must be omitted.

The following table shows the sales to dealers in overseas markets of cars and trucks produced by General Motors in its United States and Canadian plants:

GENERAL MOTORS SALES IN OVERSEAS MARKETS OF CARS AND TRUCKS OF  
UNITED STATES AND CANADIAN MANUFACTURE  
Including Sales for Military Purposes

<u>Year</u>	<u>Units</u>	<u>Year</u>	<u>Units</u>	<u>Year</u>	<u>Units</u>
1930.....	129,029	1934.....	110,918	1938.....	154,951
1931.....	86,581	1935.....	134,858	1939.....	145,238
1932.....	40,706	1936.....	154,194	1940.....	119,520
1933.....	54,978	1937.....	179,841	1941.....	121,547

It will be seen from the above that cars and trucks produced in the Corporation's domestic and Canadian plants and sold to dealers in overseas markets and to foreign allied governments amounted, during the year under review, to 121,547 units, or slightly more than in the previous year. However, sales in both 1941 and 1940 were lower than those in any of the previous five years. The decline was, of course, accounted for by the dislocation of international trade because of the war, and it would undoubtedly have been far greater except for the greatly increased sales of trucks to foreign allied governments for military purposes.

## **GENERAL ENGINE, HOUSEHOLD APPLIANCE AND MISCELLANEOUS OPERATIONS**

The purpose of this particular section is to present such developments as occur from year to year other than those involving the Corporation's car, truck, body and accessory operations. It has not been the practice to deal with each specific operation in each of these groups separately, but rather to report such facts and circumstances as were more or less unusual as distinguished from those of a routine character. In the case of new activities, it is desired to report their progress until they become established as constructive and productive additions to the Corporation's activities as a whole. In general, constructive progress has been made on all fronts, particularly that of war production, during the year.

### **General Engine Group**

Recent annual reports have traced the evolution of the Corporation's activities in the design and production of Diesel engines. The broadening acceptance of the economies and other advantages of the Diesel type of engine and the promising opportunities lying ahead of the Corporation in this activity have already been made a matter of record.

It will be recalled that the Corporation's activities within the area of Diesel engine production comprise three important operating units. The Electro-Motive Division is engaged in the manufacture of Diesel locomotives for transportation by rail. The new Diesel freight locomotive, referred to in the previous annual report, has already established itself as a constructive addition to the line. The Corporation's line of locomotives now makes it possible completely to dieselize any particular railroad system, with many important resulting economies. Smaller Diesel units for use in trucks and buses are manufactured by the Detroit Diesel Engine Division. Diesel engines are produced by the Cleveland Diesel Engine Division for propulsion and auxiliary use in naval units and commercial ships.

The production in each of these Corporation sources of Diesel power registered all-time peaks during the year under review. The operations of the Electro-Motive Division, where production exceeded any previous year by a wide margin, reflected the rapidly accelerated trend toward that source of motive power for transportation by rail. The Cleveland Diesel Engine operations reflected to a most important degree the impact of the defense program in the form of expansion of the United States

Navy. The Detroit Diesel Engine operations reflected a normal expansion for civilian purposes and, more particularly, a rapidly accelerating demand due to the dieselization of various types of apparatus needed in the war effort, requiring large additions to its productive capacity.

The capacity of the Allison Division, engaged in the manufacture of the Allison liquid-cooled aviation engine, was also very importantly increased during the year, paralleling the rapidly expanding program incident to the defense and war effort.

### **Aeroproducts Division**

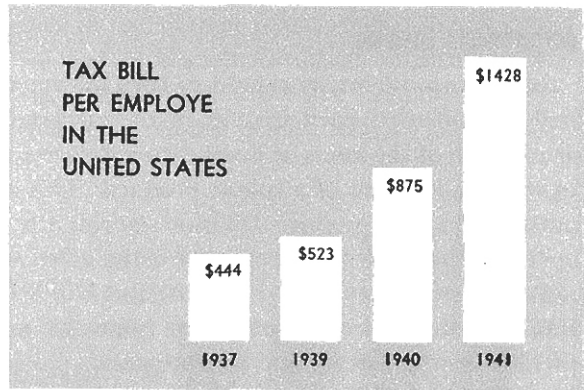
In the 1940 report, stockholders were informed that the Corporation had expanded its participation in the airplane industry through the acquisition of the assets of Engineering Projects, Incorporated, engaged in the development of airplane products. This organization was designated as the Aeroproducts Division. During the year under review this operation passed from the stage of being more or less involved in engineering development and is now in process of becoming a large production unit through development of expanded manufacturing facilities incident to the defense and war program.

### **Household Appliance Group**

The operations of the Frigidaire Division during the year under review were characterized by mounting demands for electric refrigerators, resulting from the economic influences already discussed. During this period Frigidaire's activities in war production were under steady expansion.

Frigidaire's civilian production was maintained at high levels during the first part of the year, but was limited by the government curtailment program during the five months, August through December 1941, to an average monthly output equivalent to 55% of the average monthly sales in the twelve months ended June 1941. For the year, however, Frigidaire sales of household electric refrigerators in the domestic market, in face of the limitations, attained a new high. Over 700,000 units were sold in that period. Previous annual reports have dealt with the addition by the Frigidaire Division of a line of electric ranges. In 1941, sales of such products constituted a new record.

# TAXES



In discussing this subject it is recognized that, under conditions of emergency and for the duration of the war, taxes must of necessity provide as great a share as is practical of the prodigious expenditures made necessary by the war effort.

The economy as a whole faces today the diversion of one-half of its productivity to the war effort alone. The economic impact of that fact will be evident in the manner of living, affecting practically every community throughout the nation. Some will be affected more than others. None can completely escape. But few appear as yet to have realized it. By reason of the very size and duration of emergency expenditures, it is all the more essential that continuing attention be given to the ordinary expenditures of government.

There are presented herein data based upon all taxes accrued or paid directly by the Corporation and its subsidiaries, together with its proportionate share of taxes accrued or paid directly by manufacturing companies in which a substantial interest is held. Also included are excise taxes paid on products sold by the Corporation and in turn passed on to the consumer. It must be recognized that the taxes referred to in

these relationships do not represent, by any means, the total cost of taxes to the stockholder and to the consumer of General Motors products. No effect has been given to taxes as reflected in the cost of materials purchased and consumed or in the cost of services rendered the Corporation and its affiliates in the conduct of their business, or to taxes imposed upon channels of distribution.

### Total Ascertainable Directly Payable Taxes

	<u>1941</u>	<u>1940</u>
Taxes accrued or paid by General Motors Corporation and its affiliates to the various taxing authorities within the United States (including excess profits taxes of \$197,521,000 in 1941 and \$45,932,000 in 1940).....	\$362,959,000	\$170,832,000
Excise taxes on products sold by the Corporation and paid directly to the government.....	<u>61,895,000</u>	<u>39,579,000</u>
Total ascertainable directly payable taxes.....	\$424,854,000	\$210,411,000

Higher taxes were paid in 1941 due in part to increases in corporate tax rates, as well as to other changes in the Federal tax laws.

### Taxes in Relation to Earnings, Sales and Payrolls

Ascertainable directly payable taxes in 1941 of \$424,854,000 were more than twice the corresponding figure of \$210,411,000 in 1940 and were more than twice as great as total net income available for dividends in 1941.

The effect of these total ascertainable taxes can be illustrated by the following relations:

	<u>1941</u>	<u>1940</u>	<u>1939</u>	<u>1938</u>	<u>1937</u>
Taxes per share of common stock...	\$ 9.80	\$ 4.87	\$2.37	\$1.72	\$2.45
Taxes per \$100 of sales in U. S....	\$17.36	\$12.13	\$8.12	\$7.95	\$7.22

The relationships below express the effect of the total ascertainable taxes in still another way:

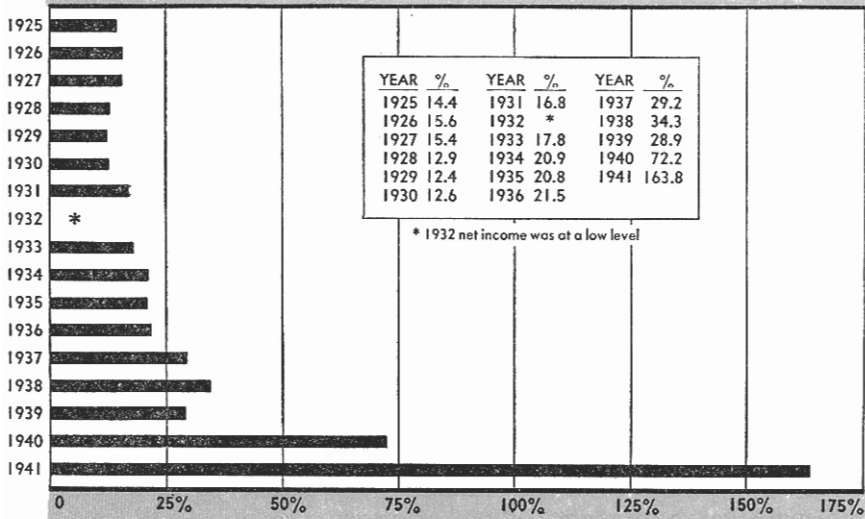
	<u>1941</u>	<u>1940</u>	<u>1939</u>	<u>1938</u>	<u>1937</u>
Taxes per employe in U. S.....	\$1,428	\$875	\$523	\$450	\$444
Taxes per \$100 of payroll in U. S....	\$ 61	\$ 42	\$ 28	\$ 27	\$ 24



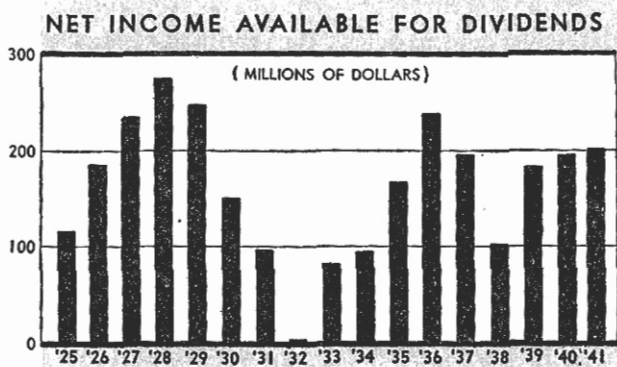
## The Trend of Income and Excess Profits Taxes

Dealing with income and excess profits taxes alone, the chart below shows the trend over a period of years of these taxes in relation to net income available for dividends. These include income and excess profits taxes accrued by General Motors and its subsidiaries together with its proportionate share of such taxes accrued by manufacturing companies in which a substantial interest is held.

INCOME and EXCESS PROFITS TAXES of General Motors and its Affiliates as % of Net Income Available for Dividends



# A FINANCIAL REVIEW



The condensed consolidated balance sheet, summary of consolidated income and summary of consolidated surplus of General Motors Corporation and its consolidated subsidiaries for the year ended December 31, 1941, in comparison with the previous year, are submitted on pages 74 to 77 of this report. As is explained in detail on page 65 the accounts of certain foreign subsidiaries located in enemy-controlled countries are not included in the consolidated accounts of the Corporation at December 31, 1941. A list of certain subsidiary companies, the accounts of which are not consolidated in the accounts of the Corporation, together with certain other investments and miscellaneous assets, is shown on page 78. The following comments refer, of course, to the combined results of both regular commercial and war operations.

## Earnings

Net income available for dividends for the year 1941 amounted to \$201,652,508. This compares with net income of \$195,621,721 for the year 1940. After paying regular dividends of \$9,178,220 on the \$5 series preferred stock, there remained net income of \$192,474,288 available

for the common stock, equivalent to \$4.44 per share on the average number of common shares outstanding during the year. For the year 1940 there remained net income available for the common stock of \$186,443,501, equivalent to \$4.32 per share.

Net income in 1941 was after deducting provision of \$16,598,644, principally for post-war rehabilitation and other contingencies to provide for possible costs and expenses which cannot now be definitely measured. In addition, a provision in the amount of \$3,430,000 was made on account of inventory write-offs and commitment losses resulting from the cessation of passenger car production. Prior to December 1941, production quotas through February 1942 had been released by the Office of Production Management, while tentative quotas through July 1942 had been indicated. In December the quota for that month was reduced 25% and the quotas after January 1942 were revoked.

A reserve of \$2,000,000 was also set aside out of 1941 earnings for the cost of removal, storage and retention of special tools which will be used upon resumption of civilian automobile production after the war.

Provision for United States and foreign income and excess profits taxes in 1941 totaled \$287,992,343. In 1940, provision for these taxes amounted to \$125,027,741. These amounts include provisions for United States excess profits taxes of \$171,931,086 in 1941 and \$40,766,505 in 1940. The United States excess profits tax was computed on the basis of the excess of the income subject to such tax over 95% of the four-year average income, 1936 through 1939, as provided by the Revenue Acts of each year.

It has been the policy since December 31, 1933 to exclude from net income those profits realized abroad which could not be remitted to the United States due to exchange restrictions. The dollar amount of such profits in each year was based upon rates of exchange then current. Net income in 1941 of foreign subsidiaries, other than Adam Opel A.G., which could not be remitted due to exchange restrictions amounted to \$5,626,276. However, net income of \$4,292,400 previously deferred was included in the Corporation's consolidated income account on account of remittances to the United States during the year, so that the net income included in the 1941 consolidated net income of the Corporation was \$1,333,876 less than the total net income excluded in 1941 from consolidation because of exchange restrictions.

On a cumulative basis through December 31, 1941, net income realized abroad but not reflected in earnings because of exchange restric-

tions, excluding Adam Opel A.G., amounted to \$12,811,741, equivalent to \$0.30 per share of common stock.

## Dividend Payments and Net Income Retained in the Business

Dividends paid and net income retained in the business in 1941 compare with 1940 as follows:

	1941	1940
Net Income available for dividends.....	\$201,652,508	\$195,621,721
Dividends paid on the \$5 series preferred stock..	\$ 9,178,220	\$ 9,178,220
Dividends paid on the common stock, \$3.75 per share in 1941 and 1940.....	162,608,296	161,864,924
Total dividends paid to the stockholders.....	<u>\$171,786,516</u>	<u>\$171,043,144</u>
Net Income retained in the business, \$0.69 per share in 1941 and \$0.57 per share in 1940..	\$ 29,865,992	\$ 24,578,577
Total dividend payments as per cent of net income	85.2%	87.4%

In the ten years ended December 31, 1941, dividends paid were 85.7% of the net income available for all dividends.

A record of the Corporation's sales, net income and dividends by years from 1917 through 1941 is shown on page 81.

## Net Working Capital, Cash and Inventories

Net working capital amounted to \$500,023,010 at December 31, 1941, an increase of \$22,082,897 over net working capital of \$477,940,113 at December 31, 1940. This increase in 1941 may be attributed principally to net income of \$29,865,992 retained in the business.

Cash and United States Government and other marketable securities amounted to \$481,311,891 at December 31, 1941, an increase of \$48,104,169 over corresponding items of \$433,207,722 at December 31, 1940. During 1941, the Corporation purchased \$265,084,000 United States Treasury Notes—Tax Series B—1943 to be used in 1942 for the payment of United States income and excess profits taxes applicable to 1941 income. These notes are included in total cash and cash investments of \$481,311,891 at December 31, 1941.

Domestic and foreign tax liabilities at the end of 1941 amounted to \$290,491,677 as compared with \$126,621,183 at the end of 1940. It should be noted that United States and foreign income and excess profits taxes payable within a year continue to represent a substantial claim on cash. The increase of \$48,104,169 in cash and marketable securities is considerably less than the increase of \$163,870,494 in the amount due for

income and excess profits taxes. The Corporation also has received special deposits on foreign government contracts, the balance of which amounted to \$18,217,468 at December 31, 1941. Special deposits at December 31, 1940 amounted to \$38,500,351.

Inventories at December 31, 1941 amounted to \$340,323,633, which compare with inventories of \$265,000,682 at December 31, 1940. The increase in inventories was more than accounted for by the additional inventories required by the expanded volume of war material production during the year. Upon notification early in December that passenger car production would cease after January 1942, steps were taken immediately to cancel all commitments for future deliveries of materials not required for the production of cars in December and January. During these months 161,284 passenger cars were produced, and inventories on hand and commitments reduced accordingly. Production of service parts after January 1942 will require the use of further materials. Most of the balance of commercial product inventories at the end of January 1942 consisted of finished products and parts which will be available for sale to consumers, or of raw materials that will be salable or usable in war material production. The amount of inventories that will have to be stored until passenger car production is resumed is relatively small. Full provision has been made, as pointed out earlier, for writing off that portion of the inventories which has a questionable value and for losses due to cancellation of commitments.

## **Surplus**

Earned surplus of \$493,883,087 at December 31, 1941 compares with surplus of \$471,021,153 at the end of 1940, or a net increase of \$22,861,934. This increase represents an excess of \$29,865,992 in net income over dividends paid during the year less an amount of \$7,004,058 transferred to capital surplus.

Capital surplus of \$11,082,293 at December 31, 1941 represents the transfer to this account in 1941 of the excess of award value over cost of stock distributable as bonus for the years 1940 and 1941.

## **Real Estate, Plants, and Equipment**

Total gross real estate, plants, and equipment amounted to \$851,707,066 at December 31, 1941, an increase of \$37,487,798 over the total of \$814,219,268 at December 31, 1940. Reserves for depreciation

increased \$30,231,830 during the year, or from \$411,600,780 at December 31, 1940 to \$441,832,610 at December 31, 1941. The net book value of real estate, plants, and equipment, therefore, increased \$7,255,968 during the year and amounted to \$409,874,456 at December 31, 1941.

The above amount of plant investment does not include \$69,279,797 of plant and equipment operated by the Corporation in the production of war materials, which has been supplied or for which the Corporation is being reimbursed by United States, Canadian or British governmental agencies.

There was a net decrease during 1941 of \$3,227,825 in special tools, dies, etc., accounted for principally by a reduction in tools used for commercial purposes, which more than offset the increase in special tools, dies, etc. applicable to war contracts. Under the Corporation's procedure, expenditures for special tools, dies, etc. applicable to current production are charged off over the life of the models on the basis of the estimated unit production of such models. Beginning with the production of 1942 models in August 1941, special tools applicable to 1942 models were charged off on the basis of the production allotments for the model year indicated by the Office of Production Management. When passenger car production ceased at the end of January 1942, approximately 50% of the value of special tools applicable to current production of 1942 models had been charged off. At this time it appears that, when passenger car production is resumed, these tools will be used, and it is assumed that a sufficient number of cars will be produced using these tools to absorb the remaining value in them. Accordingly, these special tools are being stored and will be available for use upon resumption of car production.

Excluding such special tools, dies, etc., the increase in gross plant account amounted to \$40,715,623 and, after making allowance for the increase of \$30,231,830 in depreciation reserves, the net plant account increased \$10,483,793. The increase in gross plant account may be accounted for by the following items: (a) gross plant expenditures for additions and improvements applicable to regular operations amounted to \$33,644,530; (b) gross plant expenditures for facilities applicable to the production of war materials amounted to \$37,708,648; (c) a gross amount of \$4,026,208 of idle plant was reinstated as active plant, while conversely \$2,067,972 was transferred from active to idle plant, so that there was a net increase of \$1,958,236 in the gross plant on this account; and (d) property disposed of, amortization of plant and other

adjustments reduced gross plant account by \$32,595,791.

There has been no change during 1941 in the Corporation's policy with respect to the provision for depreciation or in the depreciation rates except that, in certain instances, increased amortization rates have been applied to some of the facilities and equipment utilized in the production of war materials under contract with the United States and foreign governments. The amount of depreciation and amortization charged against net income in 1941 was \$53,161,347, including \$6,424,988 for accelerated depreciation and amortization of defense facilities. In the year 1940, depreciation and amortization in the amount of \$45,971,036, including \$1,237,953 for accelerated depreciation and amortization of defense facilities, was charged against net income.

The policy governing transfers between active and idle plant as described in detail in the annual report for the year 1932 continues to apply to properties in the United States. At December 31, 1941 the gross value of surplus and idle plant in the United States and Canada was \$11,142,743 and was carried on the Corporation's books at a net salvage value of \$2,996,768. Since the difference between the gross value and the salvage value of this idle property had been charged to reserves for depreciation, the net book value of real estate, plants and equipment was not affected by these transfers.

### **Investment Outside the United States**

The net investment of General Motors Corporation and its consolidated subsidiaries outside of the United States at December 31, 1941 amounted to \$71,117,717, after deducting allocable reserves of \$25,427,545 which have been set up to provide against contingent losses that may arise in any locality in which foreign investments are located. This compares with a net investment outside of the United States at December 31, 1940 of \$80,488,444 after deducting allocable reserves of \$24,418,769.

Allocable reserves at December 31, 1941 and 1940 include no portion of the special contingency reserve of \$25,000,000 provided in 1940 and 1939 in view of the continuation of disturbed conditions abroad; nor do they include any portion of the reserve of \$16,598,641 provided in 1941 principally for post-war rehabilitation and contingencies. Amounts included in reserves are considered adequate to take care of losses in foreign investments which may occur as a result of the war.

The net investment outside of the United States as shown above in-

cludes the net assets of consolidated foreign subsidiaries and the net investment in foreign subsidiaries whose assets and liabilities are not consolidated in the Corporation's accounts. Foreign subsidiaries not consolidated include, as in past years, the Corporation's manufacturing subsidiaries in England and Germany—Vauxhall Motors Limited and Adam Opel A.G.—which are carried in Investments in Subsidiary Companies Not Consolidated at cost adjusted to include the Corporation's proportion of undivided profits or losses since acquisition, exclusive of amounts deferred because of exchange restrictions. In addition, there have been excluded from consolidation in 1941, subsidiaries of the Corporation located in enemy or enemy-controlled countries. These comprise subsidiaries located in France, Belgium, Denmark and Japan. The flow of products from the Corporation's domestic plants to these countries has completely ceased, and financial statements are no longer received from these subsidiaries. Under these circumstances, it seemed undesirable to attempt to include in consolidation the assets and liabilities of these subsidiaries. The investment in these additional foreign subsidiaries excluded from consolidation in 1941 has been offset by allocable reserves previously provided.

The Corporation's net investments outside the United States at December 31, 1941 were 6.3% of its total capital stock and surplus of \$1,127,501,980.

Earnings from sources outside of the United States which have been included in consolidated net income in 1941 constituted about 5.6% of net income available for dividends. In regard to including the income of foreign subsidiaries in the Corporation's consolidated net income, the Corporation's accounting practice provides that, in the event it is impossible due to exchange restrictions to transfer profits from the country of origin to the United States, such amounts are excluded in determining the Corporation's net income. Reference has been made on page 60 to the amount of net income excluded in 1941 because of exchange restrictions. Furthermore, in the event that a change in the rate of exchange between any country in which the Corporation may be operating and the United States results in a reduction in the value, as measured in dollars, of the net working capital in use in that operation, the reduction becomes a charge against the Corporation's net income if it exceeds reserves previously provided. Foreign working capital consists mainly of cash, inventories and receivables normally required in the conduct of the business.



The following tables summarize the total General Motors investment outside of the United States:

SUMMARY OF GENERAL MOTORS INVESTMENT OUTSIDE THE UNITED STATES

	December 31, 1941	December 31, 1940
Assets of consolidated foreign subsidiaries:		
Current assets.....	\$ 80,561,683	\$ 68,408,537
Fixed assets (after deducting reserves for depreciation).....	25,127,409	29,099,038
Total assets.....	<u>\$105,689,092</u>	<u>\$ 97,507,575</u>
Investment in subsidiary companies not consolidated:		
Adam Opel A.G.....	34,890,024	34,890,024
Vauxhall Motors Limited.....	19,081,745	19,037,398
Other.....	258,259	—
Total.....	<u>\$159,919,120</u>	<u>\$151,434,997</u>
Less current and other liabilities of consolidated foreign subsidiaries.....		
	<u>63,373,858</u>	<u>46,527,784</u>
Total investment outside of the United States before deducting allocable reserves.....	\$ 96,545,262	\$104,907,213
Less allocable reserves provided against contingent losses..	<u>25,427,545</u>	<u>24,418,769</u>
Net investment outside of the United States.....	<u>\$ 71,117,717</u>	<u>\$ 80,488,444</u>

GEOGRAPHIC LOCATION OF GENERAL MOTORS INVESTMENT OUTSIDE THE UNITED STATES—DECEMBER 31, 1941

	Canada, Mexico and So. America	England and British Possessions	All Other	Total
Assets of consolidated foreign subsidiaries:				
Current assets.....	\$46,769,442	\$27,812,168	\$ 5,980,073	\$ 80,561,683
Fixed assets (after deducting reserves for depreciation)....	17,982,449	6,214,041	930,919	25,127,409
Total assets.....	<u>\$64,751,891</u>	<u>\$34,026,209</u>	<u>\$ 6,910,992</u>	<u>\$105,689,092</u>
Less: Current liabilities.....	30,790,089	19,269,295	5,688,500	55,747,884
Other liabilities.....	<u>1,608,652</u>	<u>4,864,922</u>	<u>1,152,400</u>	<u>7,625,974</u>
Net investment in subsidiaries included in consolidation..	<u>\$32,353,150</u>	<u>\$ 9,891,992</u>	<u>\$ 70,092</u>	<u>\$ 42,315,234</u>
Investment in subsidiary companies not consolidated:				
Adam Opel A.G.....	—	—	34,890,024	34,890,024
Vauxhall Motors Limited.....	—	19,081,745	—	19,081,745
Other.....	<u>258,259</u>	<u>—</u>	<u>—</u>	<u>258,259</u>
Total investment outside the United States before deducting allocable reserves	<u>\$32,611,409</u>	<u>\$28,973,737</u>	<u>\$34,960,116</u>	<u>\$ 96,545,262</u>
Less allocable reserves provided against contingent losses.....				<u>25,427,545</u>
Net investment outside of the United States.....				<u>\$ 71,117,717</u>

In addition to the foregoing, General Motors Acceptance Corporation, a wholly owned non-consolidated subsidiary, had total gross assets outside of the United States of \$32,024,989. After deducting funds borrowed from foreign institutions to finance the wholesale and retail sales of the Corporation's products, and other liabilities and reserves, General Motors Acceptance Corporation's net equity in the assets was \$1,872,446.

## **Investments and Miscellaneous Assets**

The Corporation's investments in subsidiary companies not consolidated, other investments and miscellaneous assets are listed on page 78 of this report. The aggregate of all such items totaled \$267,883,156 at December 31, 1941, compared with \$242,200,056 at December 31, 1940.

The Corporation's investment in subsidiary companies not consolidated amounted to \$215,913,878 at December 31, 1941, which compares with \$188,732,828 at December 31, 1940. These investments include companies which are more than 50% owned by General Motors Corporation and whose business is closely related to the Corporation's normal activities. Dividends and interest realized in 1941 on these investments, together with the Corporation's proportion of undivided profits or losses, amounted to \$22,866,496, which compares with total income of \$18,997,672 in 1940.

Other investments in partially owned companies amounted to \$43,246,453 at December 31, 1941 and compare with \$42,376,575 at December 31, 1940. Total income from such other investments in 1941 amounted to \$14,239,774, representing dividends and interest received, and compares with \$12,962,875 received in 1940.

Prior to 1936 the Corporation reflected in net income its proportion of the undivided profits or losses of certain companies not controlled; i.e., 50% or less owned. Beginning in 1936, however, as stated in the annual report of that year, income of such companies has been reflected in the Corporation's income account only when received as dividends, with adjustments for net losses in any year since December 31, 1935 or net recoveries of losses absorbed to that date. General Motors Corporation's proportion of the undivided profits of companies not controlled, which was excluded from the Corporation's income in accordance with the policy just enunciated, amounted to \$3,740,495 for the year 1941 and to \$9,534,397 for the entire period beginning with the year 1936.

The changes in the more important investments are outlined in the following items:

#### **General Motors Acceptance Corporation**

The investment of the Corporation in General Motors Acceptance Corporation amounted to \$112,007,772 at December 31, 1941 as compared with \$85,898,078 at December 31, 1940. The increase in the investment is accounted for principally by the purchase of \$25,000,000 General Motors Acceptance Corporation Two-Year 1% Notes due June 1, 1943. The balance of the increase is accounted for by the excess of the consolidated net income of General Motors Acceptance Corporation over dividends paid to General Motors Corporation.

#### **General Exchange Insurance Corporation**

The Corporation's investment in General Exchange Insurance Corporation amounted to \$12,010,356 at December 31, 1941 and compares with an investment of \$12,310,205 at December 31, 1940.

#### **Yellow Truck & Coach Manufacturing Company**

The Corporation's investment of \$30,999,416 in Yellow Truck & Coach Manufacturing Company at December 31, 1941 compares with an investment of \$28,715,553 at December 31, 1940. The increase in the Corporation's investment was due to the excess of the Corporation's equity in the net income of Yellow Truck & Coach Manufacturing Company over the dividends received.

#### **Automobile Dealerships**

The Corporation's investment in automobile dealerships held by the Motors Holding Division amounted to \$6,406,706 at December 31, 1941, a decrease of \$1,186,164 from the investment of \$7,592,870 at December 31, 1940.

#### **Ethyl Gasoline Corporation**

The investment of the Corporation in Ethyl Gasoline Corporation amounted to \$16,414,833 at December 31, 1941, an increase of \$1,458,779 over the investment of \$14,956,054 at December 31, 1940. This increase in the investment during 1941 represents the purchase of preferred stock. The funds derived from the sale of the stock were used by Ethyl Gasoline Corporation for the expansion of its manufacturing facilities.

## **National Bank of Detroit**

The investment of the Corporation in the National Bank of Detroit amounted to \$6,375,000 at December 31, 1941, a decrease of \$58,251 from the investment at December 31, 1940. During the year, 3,844 shares of stock of the National Bank of Detroit were sold to executives of the bank.

## **Treasury Stock**

At December 31, 1941 General Motors Corporation held in its treasury stock account 211,740 shares of common stock, carried at \$4,486,510, and 39,722 shares of preferred stock, carried at \$3,267,219.

The common stock held in the treasury at December 31, 1941 showed a decrease during the year of 137,531 shares, or \$788,087. This decrease is due principally to the use of 224,598 shares for the bonus awards made for the year 1940, partly offset by purchases during the latter part of the year of 86,500 shares to be used for 1941 bonus awards.

Stock required for distribution of bonus awards out of earnings for the year 1941 has been provided by setting aside for this purpose 209,045 shares of common stock held in the treasury at December 31, 1941, and by the purchase of 34,963 shares early in 1942.

There was no change during the year in the 39,722 shares of preferred stock held in the treasury and carried at \$3,267,219, or \$82.25 per share.

## **Goodwill, Patents, Etc.**

The Corporation's goodwill and patent account as of December 31, 1941 amounted to \$50,322,686 and shows no change from the balance at December 31, 1940. Patents are carried at a nominal amount of \$1.

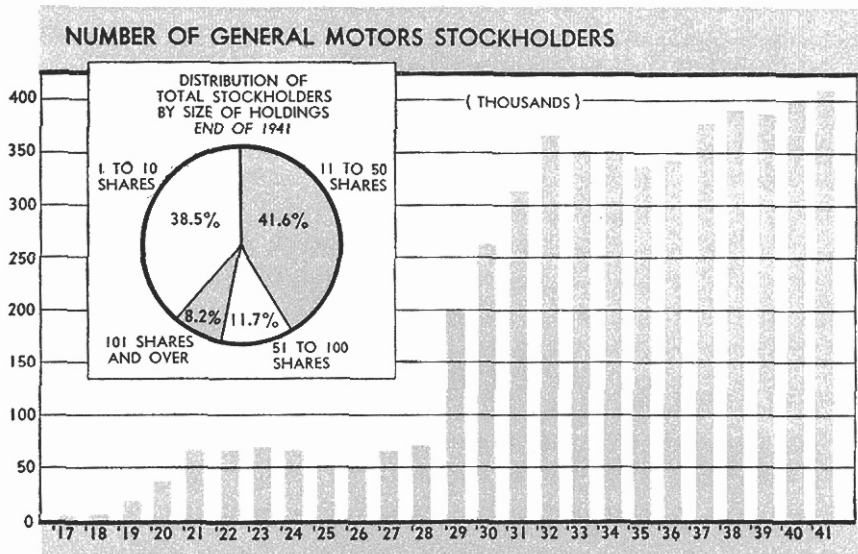
Goodwill under the Corporation's standard accounting practice is the difference between the purchase price and the book value of properties acquired.

Goodwill as reported in the balance sheet is not intended to represent an appraisal even in a minor degree of the intangible value of an outstanding group of highly specialized manufacturing organizations and their executive personnel, supported by vast distributing organizations, operating in many countries in the world. Neither does it include the likewise intangible value of the favorable attitude of world markets toward a group of products, the quality and excellence of which are well established in practically every market in every country.

## STOCKHOLDERS

The ownership of General Motors Corporation is widely distributed geographically and among a large number of individuals. At the last date of record in 1941 there was a total of 410,759 stockholders. It is particularly interesting to note that, of this large number of stockholders, approximately 158,000 individuals have holdings of ten shares or less. It is not only to the interest of the Corporation but to the interest of the community as well that American business should be owned in the broadest possible way by the American public. Its security and the opportunities for accomplishment are enhanced thereby.

The total number of preferred and common stockholders at the end of each year since 1917 is shown below.



**NUMBER OF STOCKHOLDERS—FOURTH QUARTER OF EACH YEAR**

1917 . . . . .	2,920	1925 . . . . .	50,917	1934 . . . . .	350,164
1918 . . . . .	4,739	1926 . . . . .	50,369	1935 . . . . .	337,218
1919 . . . . .	18,214	1927 . . . . .	66,209	1936 . . . . .	342,384
1920 . . . . .	36,894	1928 . . . . .	71,185	1937 . . . . .	375,755
1921 . . . . .	66,837	1929 . . . . .	198,600	1938 . . . . .	389,509
1922 . . . . .	65,665	1930 . . . . .	263,528	1939 . . . . .	386,100
1923 . . . . .	68,063	1931 . . . . .	313,117	1940 . . . . .	397,928
1924 . . . . .	66,097	1932 . . . . .	365,985	1941 . . . . .	410,759
		1933 . . . . .	351,761		

## CONCLUSION

The operations of the Corporation during the year were importantly and progressively affected by the growing needs of the defense program which suddenly and dramatically became a war program on December 7th. The steady expansion of defense material production throughout the year, the need for redesigning products to conserve critical materials and the adjustments required under the curtailment program which culminated in the cessation of civilian automobile production in January 1942—all combined to present a series of unforeseen problems, requiring the utmost adaptability and resourcefulness. Viewed in this light, the accomplishments of the Corporation during the year were outstanding.

The transition from normal peacetime activities to those essential to the war effort threw a burden on management far beyond anything previously demanded. The development of manufacturing facilities, requiring the construction, layout, tooling and organization of such a considerable number of units for new types of production, involved a responsibility that cannot be realized without being experienced. This is particularly true in view of the highly technical products that the organization is called upon to produce. And it must be remembered that even the normal responsibilities of the Corporation, due to the magnitude of its operations and the complication of its problems in the face of rapidly changing conditions, have been in no sense of the word small. It should be a source of satisfaction to the stockholders to learn of the effectiveness with which expanding war production responsibilities have been met. It may be looked upon as a measure of the ability of the organization to meet the even greater problems that will appear in the not distant future.

In addition, the loyalty of every member of the organization to the institution and to each other and the eagerness to make the maximum contribution to the prime objective of winning the war, willingly accept-

ing any sacrifices of time and effort, have been clearly demonstrated by the spirit and aggressiveness with which these great problems have been attacked and the inherent difficulties surmounted. Thus, under these unusual circumstances the standards that characterize General Motors performance have been maintained.

On behalf of the Board of Directors and for ourselves as well, we express and record our appreciation of the efforts of the organization during the year under review.

By order of the Board of Directors,

CHARLES E. WILSON,  
*President*

ALFRED P. SLOAN, JR.,  
*Chairman*

March 17, 1942.

**FINANCIAL STATEMENTS  
AND STATISTICS**



# GENERAL MOTORS CORPORATION AND CONSOLIDATED SUBSIDIARIES

## SUMMARY OF CONSOLIDATED INCOME

FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	<u>Year 1941</u>	<u>Year 1940</u>
<b>Net Sales</b> .....	\$2,436,800,977.49	\$1,794,936,642.32
General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated (dividends and interest received amounted to \$19,955,336.65 in 1941 and \$20,163,724.13 in 1940) .....	22,866,496.22	18,997,671.82
Other income (including dividends received of \$14,011,659.63 in 1941 and \$12,239,907.97 in 1940) less sundry income deductions .....	17,310,065.47	16,866,334.19
Total .....	<u>\$2,476,977,539.18</u>	<u>\$1,830,800,648.33</u>
<b>Less:</b>		
Cost of sales (excluding provision for depreciation) ..	\$1,803,608,246.99	\$1,346,113,993.71
Selling, general, and administrative expense .....	101,480,273.85	98,589,914.90
Provision for:		
Depreciation and amortization of real estate, plants, and equipment .....	53,161,346.73	45,971,036.19
Special contingency reserves .....	16,598,644.22	15,000,000.00
Employes bonus (see Note A) .....	12,386,479.33	4,382,952.82
United States and foreign income and excess profits taxes--includes provision for United States excess profits taxes of \$171,931,085.50 in 1941 and \$40,766,505.55 in 1940 .....	287,992,342.67	125,027,741.30
Total .....	<u>\$2,275,227,333.79</u>	<u>\$1,635,085,638.92</u>
<b>Net Income for the Year</b> .....	<u>\$ 201,750,205.39</u>	<u>\$ 195,715,009.41</u>
<b>General Motors Corporation's Proportion of Net Income</b> ..	\$ 201,652,508.00	\$ 195,621,720.63
Dividends on preferred capital stock--\$5 series .....	9,178,220.00	9,178,220.00
<b>Amount Earned on Common Capital Stock</b> .....	<u>\$ 192,474,288.00</u>	<u>\$ 186,443,500.63</u>
Average number of shares of common capital stock outstanding during the year .....	43,366,660	43,165,398
<b>Amount Earned Per Share of Common Capital Stock</b> ..	<u>\$4.44</u>	<u>\$4.32</u>

### Notes to Summaries of Consolidated Income and Surplus

**NOTE A:**

The provision for employes bonus consists of the following items:

Employes bonus distributable in stock on basis of average daily closing market price of stock .....	\$ 9,665,383.46	\$ 11,136,977.29
Amounts provided for bonus payments in cash to employes of certain foreign subsidiaries .....	243,800.00	250,033.00
Amount not awarded for 1941 and carried forward in the bonus fund for future distribution .....	2,477,295.87	—
Total bonus fund for year (including amounts provided by subsidiaries not consolidated) .....	<u>\$ 12,386,479.33</u>	<u>\$ 11,387,010.29</u>
Less excess of bonus fund over cost of acquisition of treasury stock distributable as bonus (in 1941 the excess of \$4,078,234.82 was credited to Capital Surplus) .....	—	7,004,057.47
Net amount of employes bonus distributable in cash and stock (in 1940 based upon cost of acquisition of stock to the Corporation) .....	<u>\$ 12,386,479.33</u>	<u>\$ 4,382,952.82</u>

Note A continues on following page.

**GENERAL MOTORS CORPORATION  
AND CONSOLIDATED SUBSIDIARIES**

**SUMMARY OF CONSOLIDATED SURPLUS**

FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

**EARNED SURPLUS**

	Year 1941	Year 1940
<b>Earned Surplus</b> at beginning of year . . . . .	\$471,021,152.95	\$446,442,575.81
Transfer to Capital Surplus of excess of award value over cost of treasury stock distributable as bonus for the year 1940 (see Note A) . . . . .	7,004,057.47	—
Remainder . . . . .	\$464,017,095.48	\$446,442,575.81
General Motors Corporation's Proportion of Net Income, per Summary of Consolidated Income . . . . .	201,652,508.00	195,621,720.63
<b>Earned Surplus</b> before dividends . . . . .	\$665,669,603.48	\$642,064,296.44
<b>Less</b> cash dividends paid or accrued:		
Preferred capital stock—\$5 series . . . . .	\$ 9,178,220.00	\$ 9,178,220.00
Common capital stock:		
Mar. 12 (\$0.75 per share) . . . . .	\$ 32,532,335.89	\$ 32,371,817.09
June 12 (\$1.00 per share) . . . . .	43,376,430.50	43,164,375.75
Sept. 12 (\$1.00 per share) . . . . .	43,376,435.75	43,164,376.75
Dec. 12 (\$1.00 per share) . . . . .	43,323,094.11	43,164,353.90
Total . . . . .	\$162,608,296.25	\$161,864,923.49
Total cash dividends paid or accrued . . . . .	\$171,786,516.25	\$171,043,143.49
<b>Earned Surplus</b> at end of year . . . . .	\$493,883,087.23	\$471,021,152.95

**CAPITAL SURPLUS**

	Year 1941	Year 1940
<b>Capital Surplus</b> arising from the excess of award value over cost of treasury stock distributable as bonus (see Note A):		
Amount attributable to 1940 bonus . . . . .	\$ 7,004,057.47	\$ —
Amount attributable to 1941 bonus . . . . .	4,078,234.82	—
<b>Capital Surplus</b> at end of year . . . . .	\$ 11,082,292.29	\$ —

**Notes to Summaries of Consolidated Income and Surplus (continued)**

NOTE A (continued from previous page): As a result of the position taken by the Securities and Exchange Commission during the year 1941, income in 1941 has been charged with the award value of the stock distributable as bonus (represented by the average daily closing market price of the stock during the year) and the excess of the award value over the cost of that stock has been credited directly to Capital Surplus; and an amount of \$7,004,057.47, representing the excess of award value over cost of the stock distributable as bonus for 1940 and reflected in 1940 income, has been transferred from Earned Surplus to Capital Surplus in 1941.

In addition to the total amount of bonus provided out of consolidated income, there was awarded as bonus for 1941 the equivalent of \$42,000.00 payable in foreign currencies, which amount was applicable to unremitted net income of foreign subsidiaries. Such bonus awards will be charged to the Corporation's bonus fund when unremitted net income is realized and included in the Corporation's consolidated income.

GENERAL NOTES: Since December 31, 1933 there has been excluded from net income such portion of the net income of foreign subsidiaries as could not be remitted because of foreign exchange restrictions. The amount so excluded from net income for the year 1941 was \$1,333,876.27, based upon current or last quoted exchange rates. For further information regarding income from foreign sources, see page 60.

Earned Surplus includes \$28,597,778.03 at December 31, 1941 and \$24,773,179.99 at December 31, 1940 for net earned surplus of subsidiaries not consolidated; also \$1,679,466.70 at December 31, 1941 and 1940 for earned surplus of companies in which a substantial but not more than 50% interest is held.

**GENERAL MOTORS CORPORATION**  
AND CONSOLIDATED SUBSIDIARIES  
**CONDENSED CONSOLIDATED BALANCE SHEET**  
DECEMBER 31, 1941 AND 1940

ASSETS		
	Dec. 31, 1941	Dec. 31, 1940
<b>Current Assets:</b>		
Cash.....	\$ 196,230,729.66	\$ 282,924,743.20
United States Government securities:		
Short term—at cost.....	19,997,161.53	148,982,806.36
Tax notes—at cost.....	265,084,000.00	—
Other marketable securities—at cost.....	—	1,300,172.01
Sight drafts and C.O.D. items.....	3,114,130.82	8,522,686.99
Notes receivable.....	1,840,947.00	1,521,475.68
Accounts receivable and trade acceptances (less reserve for doubtful accounts: 1941, \$1,432,067.49; 1940, \$1,630,939.79).....	171,025,429.01	116,093,800.33
Inventories—at cost or less, not in excess of market (in 1941 excludes \$3,613,365.17 representing inventories held by the Corporation which have been billed to customers under cost-plus- a-fixed-fee contracts).....	340,323,632.82	265,000,682.12
<b>Total Current Assets.....</b>	<b>\$ 997,616,030.84</b>	<b>\$ 824,346,366.69</b>
<b>Investments and Miscellaneous Assets: (Schedule 1)</b>		
Investments in subsidiary companies not consoli- dated.....	\$ 215,913,878.18	\$ 188,732,828.30
Other investments.....	43,246,452.50	42,376,574.81
Miscellaneous assets.....	8,722,825.41	11,090,652.71
<b>Total Investments and Miscellaneous Assets... </b>	<b>\$ 267,883,156.09</b>	<b>\$ 242,200,055.82</b>
<b>Capital Stock in Treasury:</b>		
Held for corporate purposes (1941—211,740 shares common, \$4,486,510.02; 39,722 shares \$5 se- ries no par preferred, \$3,267,219.38).....	\$ 7,753,729.40	\$ 8,541,816.13
<b>Real Estate, Plants, and Equipment</b>		
Less reserve for depreciation.....	441,832,610.20	411,600,780.39
<b>Net Real Estate, Plants, and Equipment.....</b>	<b>\$ 409,874,456.19</b>	<b>\$ 402,618,488.03</b>
<b>Prepaid Expenses and Deferred Charges.....</b>	<b>\$ 13,800,132.28</b>	<b>\$ 7,887,118.05</b>
<b>Goodwill, Patents, Etc.....</b>	<b>\$ 50,322,686.38</b>	<b>\$ 50,322,686.38</b>
<b>TOTAL ASSETS.....</b>	<b>\$1,747,250,191.18</b>	<b>\$1,535,916,531.10</b>

NOTES: Current receivables include: \$13,424,704.11 at December 31, 1941 and \$38,476,521.41 at December 31, 1940 of receivables from General Motors Acceptance Corporation representing principally in-transit items in connection with current financing of sales of the Corporation's products; \$9,255,203.98 at December 31, 1941 and \$6,158,485.92 at December 31, 1940 of current receivables from other subsidiary companies not consolidated; and \$124,014.42 at December 31, 1941 and \$45,811.93 at December 31, 1940 of receivables from officers and employees.

For information regarding foreign investments see page 64.

LIABILITIES, RESERVES, AND CAPITAL		
	Dec. 31, 1941	Dec. 31, 1940
<b>Current Liabilities:</b>		
Accounts payable.....	\$ 86,293,937.83	\$ 105,065,753.34
Due to foreign banks.....	17,980,865.05	7,504,833.05
Taxes, payrolls, warranties, and sundry accrued items.....	82,314,517.57	66,419,578.63
Special deposits on government contracts.....	18,217,467.62	38,500,350.75
United States and foreign income and excess profits taxes.....	290,491,677.43	126,621,182.71
Dividends payable on preferred capital stock...	2,294,555.00	2,294,555.00
<b>Total Current Liabilities.....</b>	<b>\$ 497,593,020.50</b>	<b>\$ 346,406,253.48</b>
<b>Other Liabilities:</b>		
Employee bonus (based upon cost of acquisition of stock distributable as bonus).....	\$ 5,587,148.64	\$ 4,132,919.82
Taxes, warranties, and miscellaneous.....	18,414,160.80	18,253,700.07
<b>Total Other Liabilities.....</b>	<b>\$ 24,001,309.44</b>	<b>\$ 22,386,619.89</b>
<b>Reserves:</b>		
Employee benefit plans.....	\$ 6,352,514.43	\$ 6,930,665.04
Employee bonus (undistributed portion of 1941 fund).....	2,477,295.87	—
Deferred income.....	5,875,551.58	3,340,471.70
Contingencies and miscellaneous:		
Allocable to foreign subsidiaries.....	25,427,545.13	24,418,769.21
General (including special reserves: 1941, \$41,598,644.22; 1940, \$25,000,000.00).....	56,132,361.51	36,987,385.63
<b>Total Reserves.....</b>	<b>\$ 96,265,268.52</b>	<b>\$ 71,677,291.58</b>
<b>Capital Stock and Surplus:</b>		
Capital stock of General Motors Corporation:		
Preferred, no par value, stated value \$100 per share (authorized, 6,000,000 shares; issued, 1,875,366 shares of \$5 series).....	\$ 187,536,600.00	\$ 187,536,600.00
Common, \$10 par value (authorized, 75,000,000 shares; issued, 43,500,000 shares).....	435,000,000.00	435,000,000.00
<b>Total Capital Stock.....</b>	<b>\$ 622,536,600.00</b>	<b>\$ 622,536,600.00</b>
Minority interest in preference stock of subsidiary company.....	1,888,613.20	1,888,613.20
Capital surplus.....	11,082,292.29	—
Earned surplus.....	493,883,087.23	471,021,152.95
<b>Total Capital Stock and Surplus.....</b>	<b>\$1,129,390,592.72</b>	<b>\$1,095,446,366.15</b>
<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL.....</b>	<b>\$1,747,250,191.18</b>	<b>\$1,535,916,531.10</b>

CONTINGENT LIABILITIES: Claims in respect of back taxes, patent infringements and other matters incident to the ordinary course of business, together with other contingencies, involve amounts totaling approximately \$6,500,000. There is no way of determining the amount for which these claims may eventually be settled but, in the opinion of management and counsel, amounts included in other liabilities and reserves on the books of the Corporation and its consolidated subsidiaries are adequate to cover all settlements that may be made.

**GENERAL MOTORS CORPORATION**  
**AND CONSOLIDATED SUBSIDIARIES**  
**INVESTMENTS AND MISCELLANEOUS ASSETS**  
**DECEMBER 31, 1941 AND 1940**

	Dec. 31, 1941	Dec. 31, 1940
<b>Investments in Subsidiary Companies Not Consolidated:</b>		
Wholly owned companies carried at net worth as shown by the books of the several companies:		
General Motors Acceptance Corporation . . . . .	\$112,007,771.57	\$ 85,898,077.80
General Exchange Insurance Corporation . . . . .	12,010,356.10	12,310,204.65
Subsidiary companies carried at cost adjusted to include the Corporation's proportion of undivided profits or losses since acquisition:		
Yellow Truck & Coach Manufacturing Company (includes \$9,575,265.01 representing 7% preferred stock) . . . . .	30,999,416.38	28,715,553.37
Vauxhall Motors Limited (see note) . . . . .	19,081,745.13	19,037,397.86
Adam Opel A. G. (see note) . . . . .	34,890,024.38	34,890,024.38
Automobile dealerships held by Motors Holding Division . . . . .	6,406,705.78	7,592,870.24
Other . . . . .	517,858.84	288,700.00
<b>Total Investments in Subsidiary Companies Not Consolidated . . . . .</b>	<b>\$215,913,878.18</b>	<b>\$188,732,828.30</b>
<b>Other Investments:</b>		
Companies which are carried at cost adjusted to include the Corporation's proportion of undivided profits or losses at December 31, 1935, and net decreases in its equities since that date or net recoveries of losses absorbed to that date:		
Ethyl Gasoline Corporation . . . . .	\$ 16,414,832.87	\$ 14,956,053.82
Bendix Aviation Corporation . . . . .	12,273,020.99	12,273,020.99
North American Aviation, Inc. . . . .	4,510,611.12	4,510,611.12
Kinetic Chemicals, Inc. . . . .	652,617.87	652,617.87
National Bank of Detroit common stock (at cost) . . . . .	6,375,000.00	6,433,250.76
GM Shares, Inc. common stock . . . . .	394,407.91	394,407.91
Other . . . . .	2,625,961.74	3,156,612.34
<b>Total Other Investments . . . . .</b>	<b>\$ 43,246,452.50</b>	<b>\$ 42,376,574.81</b>
<b>Miscellaneous Assets:</b>		
Properties, land contracts and mortgages held by housing divisions (less reserves: 1941, \$2,861,426.37; 1940, \$2,686,470.69) . . . . .	\$ 5,165,545.89	\$ 7,153,264.98
Cash and securities in excess of operating needs subject to exchange restrictions in foreign countries (less reserves: 1941, \$2,359,498.36; 1940, \$6,861,477.74) . . . . .	1,545,254.34	2,913,103.86
Balances in closed banks (less reserves: 1941, \$509,455.79; 1940, \$500,000.00) . . . . .	209,810.40	306,980.65
Other . . . . .	1,802,214.78	717,303.22
<b>Total Miscellaneous Assets . . . . .</b>	<b>\$ 8,722,825.41</b>	<b>\$ 11,090,652.71</b>
<b>TOTAL INVESTMENTS AND MISCELLANEOUS ASSETS . . . . .</b>	<b>\$267,883,156.09</b>	<b>\$242,200,055.82</b>

NOTES: In recognition of foreign exchange restrictions, no effect has been given to the undistributed earnings of Vauxhall Motors Limited since December 31, 1939 or of Adam Opel A.G. since December 31, 1933. The above schedule does not include investments in eight foreign subsidiaries not consolidated in 1941 and two not consolidated in 1940 which are offset by reserves.

# HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK

March 10, 1942.

General Motors Corporation,  
1775 Broadway,  
New York.

Dear Sirs:

We have examined the Condensed Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1941 and 1940, and the related Summaries of Consolidated Income and Surplus for the years ended those dates, have reviewed the accounting procedures of the companies, and have examined their accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the systems of internal control.

In our opinion, the accompanying Condensed Consolidated Balance Sheet and related Summaries of Consolidated Income and Surplus fairly present the consolidated financial condition of the companies at December 31, 1941 and 1940, and the results of their operations for the years ended those dates, in conformity with generally accepted accounting principles and practices, which were applied on a basis consistent with that of the preceding year except as to the change explained in Note A to the Summaries of Consolidated Income and Surplus.

Yours truly,

HASKINS & SELLS

# GENERAL MOTORS ACCEPTANCE CORPORATION AND CONSOLIDATED SUBSIDIARIES CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1941

	<b>ASSETS</b>	
<b>Current Assets:</b>		
Cash (Note A) .....		\$ 40,216,300.47
Notes and Bills Receivable (including instalments of \$67,043,481 maturing in 1943 and \$3,009,604 thereafter) (Notes A and B) .....	\$606,540,035.09	
<b>Deductions:</b>		
Unearned Income .....	\$ 25,215,306.97	
Reserve for Losses on Notes and Bills Receivable .....	6,807,790.37	
<b>Total Deductions .....</b>	<b>\$ 32,023,097.34</b>	
Notes and Bills Receivable, Less Deductions .....		574,516,937.75
Accounts Receivable (including affiliated companies, \$360,336.64) .....		1,711,255.38
<b>Total Current Assets .....</b>		<b>\$616,444,493.60</b>
<b>Investments:</b>		
Wholly Owned Subsidiaries not Consolidated:		
Carried at net worth as shown by books of the subsidiaries:		
Motors Insurance Corporation .....	\$ 4,945,016.49	
General Exchange Corporation .....	9,141.21	
Allgemeine Finanzierungs-Gesellschaft m.b.H. (Note C) .....	318,053.98	
Other .....	1,000.00	5,273,211.68
Company Automobiles, Less Depreciation .....		1,312,705.60
Deposits to Redeem Securities (see contra) .....		75,655.29
Deferred Charges .....		707,250.98
<b>Total .....</b>		<b>\$623,813,317.15</b>

## LIABILITIES, CAPITAL STOCK AND SURPLUS

<b>Current Liabilities:</b>		
Notes and Loans Payable:		
United States .....	\$317,429,500.00	
Canada .....	8,566,666.66	
Other Countries (Note A) .....	5,700,700.61	\$331,696,867.27
<b>Accounts Payable:</b>		
Due General Motors Corporation and Other Affiliated Companies (for wholesale paper purchased, insurance premiums, etc.) .....	\$ 15,568,983.84	
Due Motors Insurance Corporation (for insurance premiums) .....	777,565.55	
Other .....	3,129,282.51	19,475,831.90
<b>Accrued Liabilities:</b>		
Interest .....	\$ 568,479.72	
Federal and Other Taxes .....	12,386,115.43	12,954,595.15
Dealers' Repossession Loss Reserves .....		24,616,163.04
<b>Total Current Liabilities .....</b>		<b>\$388,743,457.36</b>
<b>Long-Term Debt:</b>		
Five-Year 1½% Notes, due August 1, 1944 (called for redemption April 1, 1942) .....	\$ 50,000,000.00	
Nine-Year 2% Notes, due May 1, 1949 .....	50,000,000.00	
1¾% Serial Debentures, due May 1, 1943 to 1950 .....	8,000,000.00	
Three-Year 2¾% Canadian Notes, due April 1, 1943 (called for redemption April 2, 1942) .....	6,756,756.76	
Ten-Year 7% Mexican Peso Commercial Bonds, due July 20, 1951 (Note A) .....	329,120.00	115,085,876.76
Securities to be Redeemed (see contra) .....		75,655.29
<b>Reserves: For Contingencies .....</b>	<b>\$ 5,000,000.00</b>	
Other .....	2,900,556.17	7,900,556.17
Two-Year 1% Notes, due June 1, 1943 (Note D) .....		25,000,000.00
<b>Capital Stock and Surplus:</b>		
Capital Stock—\$100 par, authorized and outstanding, 500,000 shares .....	\$ 50,000,000.00	
Paid-In Surplus .....	11,250,000.00	
Earned Surplus .....	8,750,000.00	
Undivided Profits .....	17,007,771.57	87,007,771.57
<b>Total .....</b>		<b>\$623,813,317.15</b>

**Notes:**

- (A) Notes and Bills Receivable of \$2,461,323.08 were pledged as collateral against bank borrowings amounting to \$1,654,271.93 in countries other than the United States and Canada. In addition, cash of \$16,456.00 and Notes and Bills Receivable of \$1,076,275.08 were pledged as collateral against Ten-Year 7% Mexican Peso Commercial Bonds sold amounting to \$329,120.00.
- (B) Included in the notes and bills receivable are amounts—United States, \$10,387,952.78 and Canada, \$629,849.49—representing notes of General Motors Corporation affiliated dealership companies.
- (C) The net worth as reported by this subsidiary (converted at \$.2381 per Reichsmark) has been reduced by the application of reserves amounting to \$48,830.29. The liabilities of this subsidiary include \$203,544.23 U. S. dollar loans guaranteed by General Motors Acceptance Corporation.
- (D) These notes, sold to General Motors Corporation, are subordinate to all other obligations of General Motors Acceptance Corporation.

# GENERAL MOTORS CORPORATION

## AND CONSOLIDATED SUBSIDIARIES

### RECORD OF SALES, NET INCOME AND DIVIDENDS

Net sales, net income, amount paid in dividends and the amount reinvested in the business since the beginning of the present General Motors Corporation of Delaware are shown in the following table. Net income and amount reinvested in the business beginning with 1922 include General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated.

Year Ended Dec. 31	Net Sales	Net Income Available for Dividends	Preferred Dividends	Balance Available for Common Stock	Cash Dividends Paid on Common Stock	% Income Disbursed in Cash Dividends on Preferred and Common Stocks	Income Reinvested in the Business
1917 <sup>§</sup>	\$ 96,295,741	\$ 14,294,482	\$ 491,890	\$ 13,802,592	\$ 2,294,199	19.5%	\$ 11,508,393
1918	269,796,829	14,825,530	1,920,467	12,905,063	11,237,310	88.8	1,667,753
1919	509,676,694	60,005,484	4,212,513	55,792,971	17,324,541	35.9	38,468,430
1920	567,320,603	37,750,375	5,620,426	32,129,949	17,893,289	62.3	14,236,660
1921	304,487,243	*88,680,770	6,310,010	*44,990,780	20,468,276	—	† 65,459,066
1922	463,706,733	54,474,493	6,429,228	48,045,265	10,177,117	30.5	37,868,148
1923	698,038,947	72,008,955	6,887,371	65,121,584	24,772,026	44.0	40,349,558
1924	568,007,459	51,623,490	7,272,637	44,350,853	25,030,632	62.6	19,320,221
1925	734,592,592	116,016,277	7,639,991	108,376,286	61,935,221	60.0	46,441,065
1926	1,058,153,338	186,231,182	7,645,287	178,585,895	103,930,993	59.9	74,654,902
1927	1,269,519,673	235,104,826	9,109,330	225,995,496	134,836,081	61.2	91,159,415
1928	1,459,762,906	276,468,108	9,404,756	267,063,352	165,300,002	63.2	101,763,350
1929	1,504,404,472	248,282,268	9,478,681	238,803,587	156,600,007	66.9	82,203,580
1930	983,375,137	151,098,992	9,538,660	141,560,332	130,500,002	92.7	11,060,330
1931	808,840,723	96,877,107	9,375,899	87,501,208	130,500,001	144.4	† 48,998,798
1932	432,311,868	164,979	9,206,387	*9,041,408	53,993,330	—	† 68,084,788
1933	569,010,542	83,213,676	9,178,845	74,034,831	53,826,355	75.7	20,208,476
1934	862,672,670	94,769,131	9,178,220	85,590,911	64,443,490	77.7	21,147,421
1935	1,155,641,511	167,226,510	9,178,220	158,048,290	96,476,748	63.2	61,571,542
1936	1,439,289,940	238,482,425	9,178,220	229,304,205	192,903,299	84.7	36,400,906
1937	1,606,789,841	196,436,598	9,178,220	187,258,378	160,549,861	86.4	26,708,517
1938	1,066,973,000	102,190,007	9,178,220	93,011,787	64,386,421	72.0	28,625,366
1939	1,376,828,337	183,290,222	‡9,943,072	173,347,150	150,319,682	87.0	23,027,468
1940	1,794,936,642	195,621,721	9,178,220	186,443,501	161,864,924	87.4	24,578,577
1941	2,436,800,977	201,652,508	9,178,220	192,474,288	162,608,296	85.2	29,865,992

The net income and dividends paid per share of present \$10 par value common stock (outstanding since 1929) for 1929 and subsequent years have been as follows:

Year	Net Income Per Share	Dividends Paid	Year	Net Income Per Share	Dividends Paid
1929	\$5.49	\$3.60	1936	\$5.35	\$4.50
1930	3.25	3.00	1937	4.38	3.75
1931	2.01	3.00	1938	2.17	1.50
1932	*.21	1.25	1939	4.04	3.50
1933	1.72	1.25	1940	4.32	3.75
1934	1.99	1.50	1941	4.44	3.75
1935	3.69	2.25			

NOTE: General Motors Corporation of Delaware was incorporated October 13, 1916, succeeding General Motors Company of New Jersey, organized September 16, 1908.

§ 5 months ended December 31, 1917.

\* Deficit.

† Decrease in surplus.

‡ Preferred dividend in 1939 includes \$764,852 for an additional month's accrual to provide for the full amount of the dividend payable February 1, 1940.

## PAYROLLS AND NUMBER OF EMPLOYEES

The combined annual payrolls, including salaries and wages, and number of employees for 1941 and prior years for General Motors Corporation, General Motors Acceptance Corporation, General Exchange Insurance Corporation and other wholly owned subsidiaries, but excluding Adam Opel A.G., Vauxhall Motors Ltd., Yellow Truck & Coach Manufacturing Company, and Fisher Body Corporation prior to the acquisition of the minority interest as of June 30, 1926, have been as follows:

### Payrolls

1921.....\$ 66,020,481	1928.....\$365,352,304	1935.....\$327,677,624
1922..... 95,128,435	1929..... 389,517,783	1936..... 384,153,022
1923..... 138,290,734	1930..... 279,410,144	1937..... 460,451,744
1924..... 110,478,000	1931..... 236,520,474	1938..... 300,825,930
1925..... 136,747,178	1932..... 143,255,070	1939..... 386,292,203
1926..... 220,918,568	1933..... 171,184,315	1940..... 492,246,017
1927..... 302,904,988	1934..... 263,204,225	1941..... 669,744,870

### Number of Employees

1909.....14,250	1916.....25,666	1923..... 91,265
1910.....10,000	1917.....25,427	1924..... 73,642
1911.....11,474	1918.....49,118	1925..... 83,278
1912.....16,584	1919.....85,980	**1926.....129,538
1913.....20,042	*1920.....80,612	1927.....175,666
1914.....14,141	1921.....45,965	1928.....208,981
1915.....21,599	1922.....65,345	1929.....233,286
1930.....172,938	1936.....230,572	
1931.....157,586	1937.....261,977	
1932.....116,152	1938.....189,039	
1933.....137,764	1939.....220,434	
1934.....191,157	1940.....249,386	
1935.....211,712	1941.....303,827	

\*Beginning with the year 1920 figures shown in this table are averages for the year.

\*\*Average for 1926 does not include Fisher Body prior to June 30.



## BONUS AWARDS

The General Motors Bonus Plan, established in 1918, provides that there may be set aside each year as a bonus fund 10% of the Corporation's net earnings after deducting 7% on the net capital employed in the business. The bonus fund is distributed in the form of General Motors common stock, except in the case of certain foreign subsidiaries which have separate bonus plans. The total amount provided under the bonus plans of these foreign subsidiaries is deducted from the 10% bonus fund and is distributed directly in foreign currency. For the period 1923 through 1936, only one-half the total fund, or 5% of net earnings, was set aside for distribution as bonus. The other 5% of net earnings was paid to Managers Securities Company from 1923 through 1929, and to General Motors Management Corporation from 1930 through 1936. From 1937 through 1940, the total 10% fund was distributed in the form of bonus awards under the Bonus Plan. In 1941, the total 10% was credited to the fund, but only 80% of the amount so credited will be presently distributed, with the balance carried in the fund for future distribution. Since 1933 the number of shares to be distributed has been limited to the number computed by dividing the bonus fund by the average daily closing market price of General Motors common stock during the year. Stock awarded to employes in the bonus group composed of those receiving salaries at an annual rate of from \$2,400 to \$4,200 a year is delivered immediately, while stock awarded to employes receiving salaries of \$4,200 or more is delivered one-fourth at the time of the award and the balance in three equal annual instalments. A record of the awards follows:

Year	Number of Bonus Awards	Number of Shares of Common Stock Awarded (a)	Year	Number of Bonus Awards	Number of Shares of Common Stock Awarded (a)
1918.....	2,279	26,146	1930.....	1,933	117,624 (d)
1919.....	6,453	214,659 (b)	1931.....	1,377	65,897 (d)
1920.....	6,578	84,966 (b)	1932.....	(c)	(c)
1921.....	(c)	(c)	1933.....	1,234	51,440
1922.....	550	95,857	1934.....	1,484	71,664
1923.....	647	120,681	1935.....	2,312	189,010
1924.....	676	15,370	1936.....	9,483	212,388 (e)
1925.....	947	46,043	1937.....	10,026	252,086 (e)
1926.....	1,514	84,869	1938.....	4,211	77,930 (e)
1927.....	2,007	110,689	1939.....	9,845	232,468 (e)
1928.....	2,504	78,188	1940.....	10,288	224,056 (e)
1929.....	2,839	167,378	1941.....	10,300 (f)	244,008 (f)

Note: The number of shares of common stock awarded shown above excludes bonus payments in cash to employes of certain foreign subsidiaries.

- (a) Common stock awarded: In year 1918—\$100 par value; 1919 through 1923—no par value (old); 1924 through 1926—no par value (new); 1927 and 1928—\$25 par value; and thereafter in present \$10 par value.
- (b) In addition to the common stock awarded in 1919 and 1920, 18,934 shares of 7% debenture stock were awarded, of which 14,191 shares applied to the 1919 awards and 4,743 shares to the 1920 awards.
- (c) No bonus was available for the years 1921 and 1932.
- (d) Bonus awards in 1930 and 1931 were in Class A stock of the General Motors Management Corporation, which was equivalent, share for share, to General Motors common stock.
- (e) Includes share equivalents of certain cash awards to employes receiving salaries at an annual rate of from \$2,400 to \$4,200.
- (f) Although 244,008 shares of common stock have been set aside for bonus purposes for 1941, the awards have not yet been made and the figures are preliminary.

## UNIT SALES OF CARS AND TRUCKS

The following table shows unit sales of General Motors passenger cars and trucks to dealers in the United States and Canada, including sales to governmental agencies and overseas shipments to assembly plants and warehouses; sales by foreign manufacturing subsidiaries; and total unit sales from all sources for 1919 and subsequent years:

Year	Unit Sales to Dealers in the United States and Canada, including Overseas Shipments			Unit Sales of Foreign Manufac- turing Subsidiaries*		Total Unit Sales from All Sources
	Passenger Cars	Trucks	Total	Passenger Cars	Trucks	
1919	368,338	23,400	391,738	—	—	391,738
1920	353,033	40,042	393,075	—	—	393,075
1921	208,443	6,356	214,799	—	—	214,799
1922	443,625	13,138	456,763	—	—	456,763
1923	774,617	23,938	798,555	—	—	798,555
1924	562,553	24,788	587,341	—	—	587,341
1925	787,148	48,754	835,902	—	—	835,902
1926	1,121,771	113,079	1,234,850	—	—	1,234,850
1927	1,348,307	214,441	1,562,748	—	—	1,562,748
1928	1,552,617	258,189	1,810,806	—	—	1,810,806
1929	1,554,304	344,963	1,899,267	—	—	1,899,267
1930	997,937	160,356	1,158,293	7,682	8,140	1,174,115
1931	896,271	137,247	1,033,518	25,588	15,603	1,074,709
1932	448,193	77,534	525,727	21,429	15,814	562,970
1933	671,880	130,224	802,104	46,918	20,013	869,035
1934	902,324	226,002	1,128,326	81,885	30,236	1,240,447
1935	1,324,858	239,394	1,564,252	116,166	35,270	1,715,688
1936	1,599,777	266,812	1,866,589	120,020	51,081	2,037,690
1937	1,646,308	282,473	1,928,781	132,207	55,909	2,116,897
1938	930,301	177,706	1,108,007	149,244	50,498	1,307,749
1939	1,284,895	257,881	1,542,776	126,893	57,417	1,727,086
1940	1,748,210	277,133	2,025,343			
1941	1,864,067	393,057	2,257,124			

\*There are included above passenger cars and trucks manufactured by Opel since July 1, 1930 and by Vauxhall since April 1, 1930. Data for 1940 and 1941 are not available.



