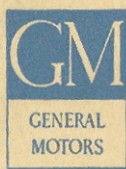


**THIRTY-FOURTH ANNUAL REPORT OF  
GENERAL MOTORS CORPORATION  
YEAR ENDED DECEMBER 31, 1942**



**GENERAL MOTORS AT WAR**



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## GENERAL MOTORS TRANSITION FROM PEACE TO WAR

*center pages*

## OFFICERS

ALFRED P. SLOAN, JR., *Chairman*

DONALDSON BROWN, *Vice-Chairman*

CHARLES E. WILSON, *President*

ALBERT BRADLEY, *Executive Vice-President*

ORMOND E. HUNT, *Executive Vice-President*

HARRY W. ANDERSON, *Vice-President*

HENRY M. HOGAN, *Vice-President*

\*THOMAS P. ARCHER, *Vice-President*

EARLE F. JOHNSON, *Vice-President*

GEORGE W. CODRINGTON, *Vice-President*

CHARLES F. KETTERING, *Vice-President*

MARVIN E. COYLE, *Vice-President*

HARRY J. KLINGLER, *Vice-President*

HARLOW H. CURTICE, *Vice-President*

FREDERICK C. KROEGER, *Vice-President*

FREDERIC G. DONNER, *Vice-President*

BAYARD D. KUNKLE, *Vice-President*

NICHOLAS DREYSTADT, *Vice-President*

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EDWARD C. RILEY, *Vice-President*

EDWARD F. FISHER, *Vice-President*

SHERROD E. SKINNER, *Vice-President*

LAWRENCE P. FISHER, *Vice-President*

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

PAUL GARRETT, *Vice-President*

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

RICHARD H. GRANT, *Vice-President*

MEYER L. PRENTIS, *Treasurer*

HAROLD L. HAMILTON, *Vice-President*

ANTHONY C. ANDERSON, *Comptroller*

LISLE R. BEARDSLEE, *Secretary*

\*Elected March 1, 1943.

## 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

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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

EDWARD F. FISHER

LAWRENCE P. 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

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DONALDSON BROWN, *Vice-Chairman*

ALBERT BRADLEY

WALTER S. CARPENTER, JR.

LAMMOT DU PONT

ORMOND E. HUNT

JOHN THOMAS SMITH

GEORGE WHITNEY

CHARLES E. WILSON

## WAR ADMINISTRATION COMMITTEE

ALFRED P. SLOAN, JR., *Chairman*

CHARLES E. WILSON, *Vice-Chairman*

ALBERT BRADLEY

DONALDSON BROWN

MARVIN E. COYLE

HARLOW H. CURTICE

FREDERIC G. DONNER

RONALD K. EVANS

EDWARD F. FISHER

ORMOND E. HUNT

EARLE F. JOHNSON

\*BAYARD D. KUNKLE

JOHN THOMAS SMITH

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 February 1, 1943.

## POLICY OF GIVING THE FACTS WITH GENERAL MOTORS AT WAR

*\* The annual reports of recent years have displayed a statement of policy with regard to the management's procedure in giving important facts concerning the business to stockholders. The responsibility of an industrial organization to present the salient facts of the business to its stockholders has long been recognized as a cardinal principle by the management of General Motors Corporation. Furthermore, it has been held that this obligation is broad in scope and extends to such general influences as may alter the Corporation's opportunity for constructive accomplishment, and hence affect not only the direct interests of the stockholders but the contribution of the business to the general welfare. It embraces various forces that develop within the economic area, whether adopted by management or imposed by action of Government. The management has endeavored to discharge these obligations fully and to the best of its ability.*

*\* The 1942 annual report covers a period in which there must necessarily be certain temporary departures in the form of these factual presentations. Under war restrictions the management is limited in what it is permitted to say as to various activities, new and old, in which the Corporation is engaged. This applies specifically to the nature and quantity of the various war products the Corporation is making. As a result, certain sections of the report have been omitted, others modified. New sections have been added to give as fully as possible a record of the year's war operations.*

*\* In the Corporation's annual report, as well as its regularly published quarterly statements and special messages, every effort has been made to keep the stockholders fully informed from a statistical, financial and policy standpoint as the business has moved from a civilian to a war economy.*



# THE 1942 ANNUAL REPORT

## OF THE CHAIRMAN OF

### GENERAL MOTORS CORPORATION

#### TO OUR STOCKHOLDERS:

THIS REPORT covers the results of the Corporation's operations during the first full year of our country's participation in the war. Winning the war was—and is—the dominating objective of American industry. The year 1942 witnessed an expansion of war production and a contraction of the civilian economy without precedent in the United States. In industries devoted to the fabrication of metal, such as the automotive industry, the production of civilian goods virtually ceased early in the year, and almost the entire facilities of an expanding capacity were turned over to the production of war materials. The speed with which this conversion was carried out exceeded the expectations of many people.

The rapidity and intensity of the change and the necessity for insuring an all-out war effort produced many serious problems of Government control both to achieve maximum production for war and to prevent a disastrous inflation. Strict limitations were placed on the use of materials

and on the output of non-essential commodities, and consumers were restricted as to what they could buy out of the limited stocks of many civilian goods. This came just at the time when the expansion in war production was increasing employment and payrolls and raising sharply the total of individual incomes, particularly in the lower brackets.

As a part of the program of restricting output and the purchase and use of civilian goods, the production of passenger cars for civilian use was stopped completely by the end of January 1942. The sale of new cars in the hands of dealers was limited to eligible consumers; likewise, the sale of tires was strictly controlled. Later, gasoline was rationed and its use restricted. Parallel with such moves as these, the Government took a number of major steps to control selling prices and profits and, by means of taxes and otherwise, to diminish the inflationary effect of the expanding purchasing power on the limited volume of available goods. Further restrictions and controls are likely to be considered necessary as the war continues.

A state of war materially changes many things. Modern war involves a major reorganization of the economy even to the extent of materially altering the principles under which it normally operates. It affects the daily lives of every one of us to a greater or lesser extent and in increasing degree as the war lengthens. All this is generally recognized, but it is mentioned here because it outlines the background against which the Corporation's operations were carried on in 1942.

#### *ANNUAL STOCKHOLDERS' MEETING*

*The annual stockholders' meeting is scheduled to be held on May 25, 1943. It is expected that a proxy statement will be sent to stockholders beginning about April 24, 1943, at which time proxies for use at this meeting will be requested.*

# SUMMARY OF 1942 OPERATIONS

## Transition to War

During the year 1942, war production in General Motors plants increased at a rapid rate. Deliveries in the fourth quarter were more than three times those of the first quarter and were at an annual rate in excess of \$3,000,000,000. The growth in the Corporation's war production resulted from (a) increased orders for materials already in production, (b) inauguration of production on orders previously received, and (c) new orders for a variety of additional types of materials—all involving special techniques and production processes.

This rate of delivery of war goods was not accomplished without overcoming a multitude of engineering and other problems. Important new facilities, principally machine tools, were acquired representing to a considerable degree an investment for the account of others, mainly the United States Government. Meanwhile, all possible use was made of existing plant and facilities. Conversion to war output was carried on side by side with the manufacture of war materials. Before the end of the year all of the Corporation's 112 plants in the United States and Canada were engaged in war material production.

## Value of Product Delivered

Because of the wide variety of products the Corporation is manufacturing for war purposes, and because of censorship restrictions, it is impossible to report deliveries except in terms of their aggregate dollar value. For purposes of comparison as between peacetime and wartime production, deliveries are divided into two categories as indicated below:

<u>Deliveries</u>	<u>1942</u>	<u>1941</u>
War Material Products.....	\$1,898,195,445	\$ 406,149,273
Other Authorized Products (in 1941, commercial sales included).....	<u>352,353,414</u>	<u>2,030,651,704</u>
Total Net Sales.....	\$2,250,548,859	\$2,436,800,977

Total 1942 sales nearly equaled the value of those of 1941, despite the extraordinarily difficult problems that had to be met during 1942 in connection with the changeover from peace to war production. In reality the physical volume

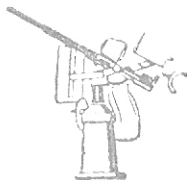
of war materials delivered in 1942 increased far more rapidly than its dollar value indicates, due to the fact that the Corporation was able to make substantial price reductions during the year as cost savings were realized through the development of new methods, the simplification of designs and an expanding volume of production.

## Subcontracting

The Corporation, in addition to its own facilities, made extensive use of the facilities of thousands of subcontractors and suppliers scattered widely over the country to supply it with parts and materials for its expanding volume of war goods production. In 1942, purchases from subcontractors and suppliers approximated \$900,000,000. This extensive use of subcontractors is the application to wartime operations of a long-established peacetime procedure of General Motors and the automobile industry in general, a procedure which has helped to maintain the requirements of mass production through the delivery of parts and subassemblies according to prearranged time schedules. This practice in the case of the Corporation resulted in the spread of approximately one half of its war work to outside firms.

## Training, Field Observation and Service

In 1942, sixteen training schools in maintenance techniques were operated by General Motors for technicians and instructors from the armed services. They were attended by more than 11,000 men. Facilities are available for the training of approximately 40,000 students in 1943. Cooperation is being extended military authorities through assistance in establishing parts schedules and maintenance units in combat areas. In addition, technical observers are stationed on battle fronts to report on products in action. While designs and specifications for military products are of necessity the responsibility of the armed forces,



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### REDESIGNING SPEEDS PRODUCTION

Of the 565 parts in the Oerlikon Automatic Anti-Aircraft Cannon, as manufactured by Pontiac, 409 have been redesigned or reprocessed. Results:

**Production Man Hours Reduced—50%  
Simpler, More Efficient Operation**

---

cooperation between General Motors production engineers and military technicians has resulted in steady technological advancement in war products.

### Employment and Payrolls

Employment and payrolls of the Corporation reached all-time high levels in 1942 despite interruptions occasioned by the transition from the production of civilian goods to the production of war goods.

	<u>1942</u>	<u>1941</u>
Average number of employes on the Corporation's payrolls..	314,144	303,827
Total salaries and wages paid to all Corporation employes..	\$859,314,062	\$669,744,870
Average number of hourly-rate employes in the United States only.....	221,401	221,709
Wages paid to hourly-rate employes in the United States only	\$632,196,403	\$500,422,165

### War Labor Board Orders

The National War Labor Board in September and October ordered the Corporation to put into effect, retroactive to April 28, 1942, increases in the wage rates of hourly employes. It likewise required the Corporation to include a so-called "maintenance of membership" clause in its union contracts. These orders were incorporated in contracts concluded with the unions of automobile workers and electrical workers.

### Personnel Adjustments

The war program created many special problems for the employes and for the Corporation as an employer. Cessation of civilian goods production and conversion to war goods output at first brought reduced employment. This, however, proved moderate both in number and in duration, and well before the end of 1942 the number of employes on the payrolls had reached the highest figure in the Corporation's history. To date, more than 50,000 General Motors employes have joined the armed forces.

General Motors sought throughout to distribute its war work among its plants in such a way as to cause the least possible amount of dislocation and adjustment for its employes. This was of especial significance for those communities in which General Motors is by far the largest employer. Special arrangements were set up to facilitate the transfer of workers between plants, as well as to assist many other employes temporarily displaced from sales and other curtailed activities to find work within the Corporation or, when such work was not available, to get jobs elsewhere.

The urgent necessity for adapting the skills of thousands of old and new employes to new jobs brought a great expansion of General Motors training programs which embrace the activities of the General Motors Institute and of the various divisions of the Corporation. During 1942, more than 190,000 hourly-rate and salaried workers who had never been with the Corporation before received specialized training. There was a considerable increase in the number of women employed in the plants and it is expected that 1943 will bring further increases.

## **Employee Suggestion Plan**

As an extension of General Motors long-established policy of encouraging suggestions from employes, special wartime awards are being made in the form of war savings bonds and stamps, up to a maximum of a \$1,000 war savings bond, for ideas on increasing production, improving quality, saving material, reducing waste, or improving working conditions. During the nine months that the plan had been in operation, a total of 57,469 suggestions was submitted, and 7,468 awards totaling \$259,331 were made to employes.

## **Employee Plans**

At the end of 1942, about 97% of the eligible employes were participating in one or more features of the Corporation's Group Insurance Plan. During the year, benefits totaling \$7,296,859 were paid under the plan. This amount included payments to beneficiaries of 1,192 of the Corporation's employes who died during the year. Benefits were also paid to 27,377 employes for temporary disability resulting from sickness or non-industrial accidents and to 19,039 employes under the hospitalization and surgical operation features.

More than 88% of the eligible employes were participating in the Employees Contributory Retirement Plan as of December 31, 1942.

More than 4,000 individuals will share in the bonus distribution for 1942 under a plan which has been in operation since 1918. The total amount to be distributed is \$7,750,946, of which \$2,477,296 was carried over from 1941 and distributed in respect of 1942.

## **Executive Management Compensation**

On December 31, 1942, there were included 203 individuals in the executive management group as defined on page 54. At the end of the year, 474 executives were receiving salaries of \$10,000 or more per annum. Commencing October 3, 1942, all compensation paid by General Motors to the persons included in the

above groups as well as to all other employes was subject to the limitations established by Executive Order No. 9250 of the President of the United States, and to the regulations promulgated by the Office of Economic Stabilization and the Bureau of Internal Revenue.

## Stockholders

The ownership of General Motors is widely distributed geographically and among a large number of individuals. On the last record dates in 1942, there was a total of 413,349 stockholders.

## Net Income and Dividends

The more important figures with respect to these items are tabulated below for 1942 and 1941:

	1942	1941
<b>NET INCOME</b>		
Net income available for dividends.....	\$163,651,588	\$201,652,508
Net income per share of common stock, after deducting dividends on \$5 series preferred stock.....	\$3.55	\$4.44
<b>AMOUNT OF DIVIDENDS PAID</b>		
On \$5 series preferred stock.....	\$ 9,178,220	\$ 9,178,220
On common stock.....	86,992,295	162,608,296
Total.....	\$ 96,170,515	\$171,786,516
Percentage of net income disbursed in dividends.....	58.8%	85.2%
<b>DIVIDENDS PAID PER SHARE</b>		
On \$5 series preferred stock.....	\$5.00	\$5.00
On common stock.....	\$2.00	\$3.75
<b>NET INCOME RETAINED IN THE BUSINESS</b>		
Total.....	\$ 67,481,073	\$ 29,865,992
Per share of common stock.....	\$1.55	\$0.69

Net income for the year 1942 includes income items of a special nature amounting to \$31,129,475. Excluding these items, net income on the common stock amounted to \$2.84 per share in 1942. These special income credits consist of a reduction in the Corporation's 1941 income and excess profits taxes resulting from the write-off of foreign investments in enemy territories, and a recovery by the Corporation in settlement of a stockholders' action, as dealt with elsewhere in the report.

## **Plant Development**

Expenditures in 1942 for real estate, plants and equipment, excluding special tools, dies, etc., for the Corporation's own account totaled \$30,743,176. These facilities, required for war production, are considered usable after the war.

In addition to these expenditures for the Corporation's own account, expenditures for plants, machinery and equipment, including initial expenditures for tools, amounting to \$359,446,358 were made in 1942 for the account of the United States Government and others. These expenditures were largely for plants and equipment of a character and magnitude not usable by the Corporation in its normal operations.

## **Net Working Capital**

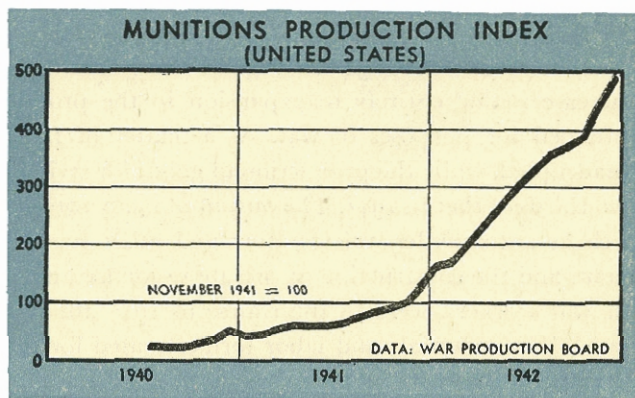
Net working capital at the close of 1942 was \$652,326,139, compared with \$500,023,010 at the end of 1941. Cash and United States Government securities totaled \$344,746,265 at December 31, 1942, a decrease of \$136,565,626 from the balance at the close of the previous year. Increased Government receivables and an increase in inventories, due to the rapidly expanding war material production, resulted in a considerable drain upon the Corporation's cash. At the end of 1942, borrowings from banks under the terms of the General Motors \$1,000,000,000 V-Loan Credit Agreement amounted to \$100,000,000.

Inventories at the end of 1942 totaled \$466,265,585, an increase of \$133,438,811 during the year. Of this total, \$369,223,133 represented inventories held for the production of war materials, and \$97,042,452 represented inventories of commercial products, the major portion of which consisted of service parts held available for the servicing of cars on the road, and of finished products held for sale subject to rationing.



## A WARTIME ECONOMIC REVIEW

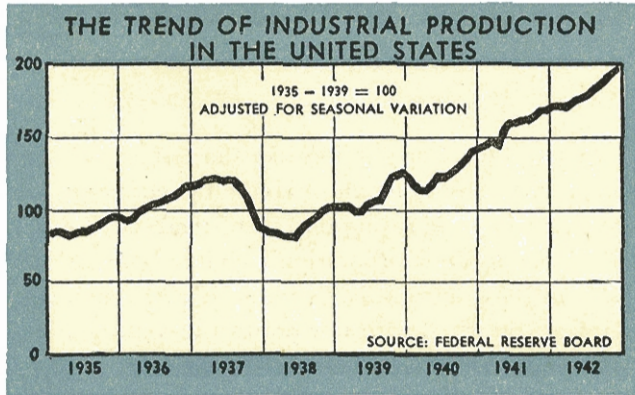
In 1941, the Corporation like the rest of industry was engaged primarily in the production of civilian goods, superimposed upon which was a rapidly increasing output of materials for war. In 1942, on the other hand, the Corporation's civilian production declined sharply early in the year, and in the final quarter amounted to but 6% of the total, as compared with war production representing 94% of that total. War production rose to a value in the final quarter exceeding by 22% that of all production in the last quarter of the previous year.



Under the national war program established at the beginning of 1942, an amazing amount of war material was produced. In particular, the speed and efficiency with which the automobile industry and some other large industries adapted themselves to the production of war material have astounded skeptics. The performance is a dramatic demonstration of the ability of American industrial management and the soundness of the principles of free enterprise. If reconversion to civilian products can be accomplished with equal speed at the end of

the war, the danger of a post-war depression will be greatly reduced. There is no fundamental reason why this should not be possible.

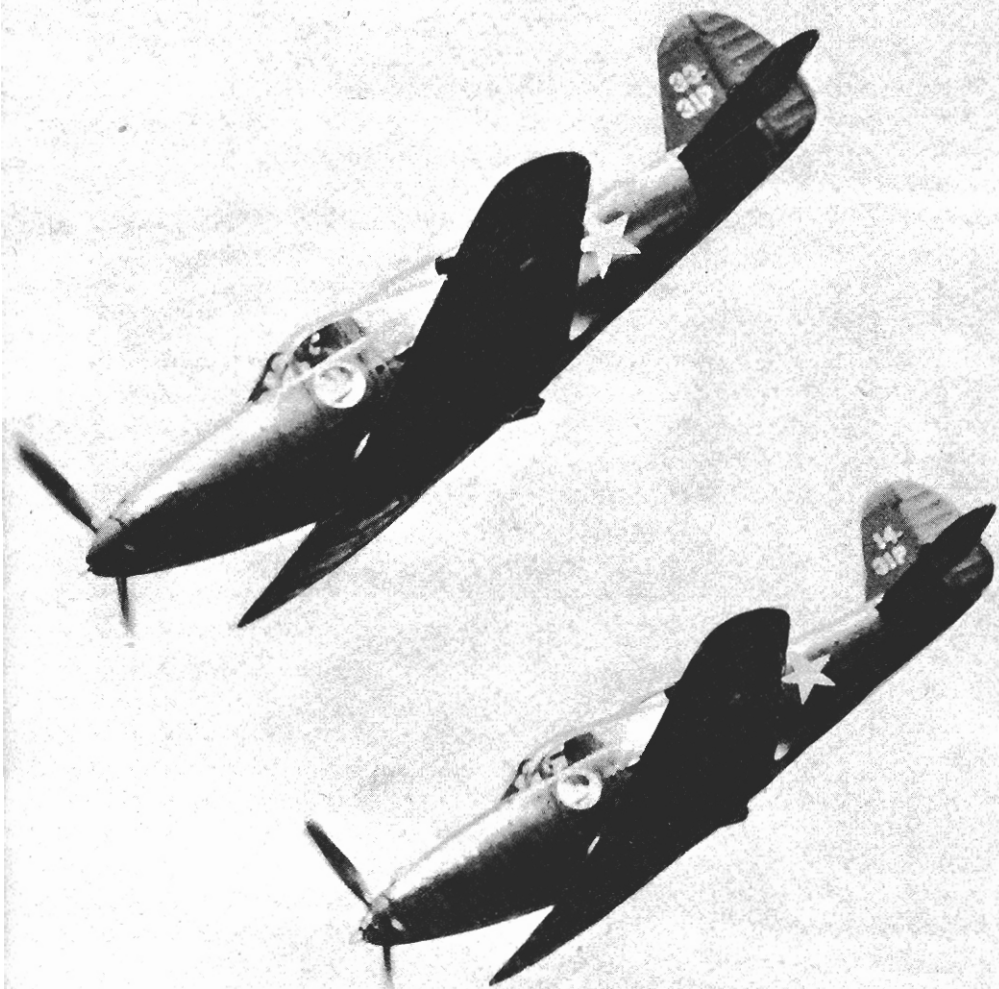
### Trend of Industrial Production



The Federal Reserve Board index of industrial production in December 1942 rose to 197% of the 1935-39 average and was 18% above December 1941. The 1942 average of 181% was 16% above 1941. This increase is due entirely to expansion in the production of materials intended for purposes of war. As a matter of fact, such production quadrupled, while the production of goods for civilian use was less than two thirds of that in 1941. The output of many consumer durable goods, such as automobiles, refrigerators and other metal household equipment, and the construction of private residences, except those intended for war workers, were in the course of 1942 almost completely eliminated. The materials and labor formerly used for these purposes were diverted to the war effort. During the year, vast additions were made to the nation's plants—to some extent for production of raw materials, but more particularly for the fabrication of various types of specific war products. It would seem that further additions in facilities for the war effort will be limited, so that still more material and more labor can be released and used directly for war production.

### The National Income

The national income, whether measured by the physical volume of things turned out, or by their money value, or by the total of all sorts



*One of the fastest and deadliest of fighter planes is the Airacobra powered by the Allison engine. Many of these planes are equipped with nose cannon built by Oldsmobile and propellers manufactured by Aeroproducts Division.*



*Landing boats such as these, powered by GM Diesel engines, played a major role in the invasion of North Africa and Guadalcanal. Many types of Diesel engines for the Navy are manufactured by the Electro-Motive, Detroit Diesel Engine and Cleveland Diesel Engine Divisions.*

of money income received by consumers, rose considerably in 1942. The total of income payments as estimated by the Department of Commerce was \$92 billion in 1941, and increased to \$114 billion in 1942. This was a rise of 24%. Of the principal components of national income, factory payrolls increased 41% over 1941 and farmers' net income increased 53% while interest payments were practically unchanged, and dividend payments declined 12%. The Department of Commerce has estimated that corporation profits after taxes fell 6%, and a more recent compilation by the National City Bank indicates a decline of 13% for 710 leading manufacturing corporations.

Although direct taxes increased considerably, the amount of "disposable" income available for the purchase of goods and services or for savings rose from \$88 billion in 1941 to \$108 billion in 1942. Since the volume of goods and services available for civilian consumption declined and the amount spent on them increased only moderately, there was left a sum of unexpended purchasing power, sometimes referred to as the "inflationary gap," estimated at about \$26 billion. This sum was partly used to reduce outstanding debts and partly invested in Government bonds, other securities or in insurance. Because this amount of unexpended purchasing power was only partially absorbed in this manner, there remains an abnormally large volume of liquid funds which will add to the difficulty of maintaining price controls.

During 1942, the price level, as measured by the official indexes of the Bureau of Labor Statistics, rose moderately. Between November 1941 and December 1942, wholesale prices and the cost of living both increased 9%—about half as much as in the first thirteen months of our participation in the first World War. In the forty-month period since August 1939, the cost of living index has increased 22% while wholesale prices have gone up 35%.

## **Economic Controls**

The rapidly accelerated transition from a civilian to a war economy during the year 1942 raised many unusual problems, all of which might be expressed in the embracing term "controls." In a system of free enterprise, every business unit as well as perhaps every individual has some economic objective. Out of the composite of forces comes a balance, and out of these innumerable objectives and individual ambitions comes the progress that characterizes the free enterprise system. In a time

of war this can no longer be true: the single objective of victory is essential. To this objective the entire economic resources of the country must be dedicated.

Modern wars differ from those of earlier days in that they involve practically the entire population. Modern wars differ again in that they are highly mechanized. There results a demand for raw materials and manufactured products in nature and quantity entirely at variance with the needs of normal times. Hence, shortages develop in all areas of the economy. Production facilities become inadequate. Additional production facilities must be created to produce specific articles of warfare needed in unusual quantity and type. Manpower becomes limited. Raw materials become increasingly scarce. Manifestly, there must be a single authority to divert the available economic resources to those specific purposes that will serve best to achieve the prime objective. That authority can only be the Government.

Nor is that the complete problem. The enormous increase in national income resulting from the intensive utilization of the nation's economic resources creates a tremendous amount of additional purchasing power while the diversion of production from goods for civilian purposes to goods for war purposes brings about a shortage of available goods in relation to the ability to buy. The effect is a constantly increasing upward pressure on the level of prices. In other words, there is developed the basis for a price inflation. Therefore it is necessary to impose restrictions not only on what materials can be used and the manner of their use, but also on selling prices and profits as well as on wages and all other components of costs that affect selling prices.

During the year 1942, the necessity for increased controls became apparent. The production of passenger cars was entirely prohibited after January 1942. Automotive dealers were restricted in the number

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### NEW MACHINES DO NEW JOBS



Cadillac craftsmen designed completely new machines for producing this complex part, a supercharger rotator vane, effecting important savings in time and material.

**Time per Piece Reduced from 125 to 10 Man Hours**  
**Material Saved, 496,000 Lbs. per Year**

of cars that they could sell and the consumers to whom that limited number might be sold. Automobile users were forbidden to purchase tires or retread old tires, except for essential uses. The sale of gasoline in certain eastern states was rationed in May. This was extended to the whole country in December. The production of consumer durable and semi-durable goods, particularly those competing in the demand for materials needed for the expansion of the war program, was reduced or largely eliminated as the year progressed. Price ceilings were set up to cover most products and efforts made to stabilize wages.

As more and more war plant capacity comes into production, demanding increasing amounts of material and labor; as the armed forces expand, requiring enormous quantities of supplies and equipment and reducing the available labor force; and as large inventories of civilian goods become depleted, it may be expected that civilian restrictions will have to be increased and the entire nation will more fully realize what an all-out war effort means.

The President said, in his recent budget message to the Congress, that the gigantic war program “. . . calls for vision on the part of those in charge of war production, ingenuity of management and the skill, devotion and tenacity of the men on the farms and in the factories.”

## **Taxation**

The financing of a war of the magnitude of the one in which we are engaged is a tremendous undertaking. It is a comprehensive problem, not by any means limited to the mere raising of the necessary funds, whether by taxation or borrowings or both. First, it is essential that the relationship between revenues—taxes—and expenditures be such as to maintain the financial stability of the Government. That is a prime consideration. Then the essential taxes must be levied in a fair and equitable manner, and the objective cannot be limited solely to revenue. Under existing circumstances, taxes may properly be used as an instrumentality toward control of the excess purchasing power created by the tremendous expansion in national income, the purpose being the maintenance of a reasonable price level. And all this needs to be accomplished in such a manner as to promote—certainly not to prejudice—the maximum contribution to the war effort, having in mind also the problems of the post-war era.

# A WARTIME OPERATING REVIEW

## War Material Production

In setting forth the facts relative to General Motors war production, appreciation is expressed for the help and cooperation received from the representatives of the armed services, as well as for the assistance given by the thousands of suppliers and subcontractors who have contributed so much to the results thus far achieved.

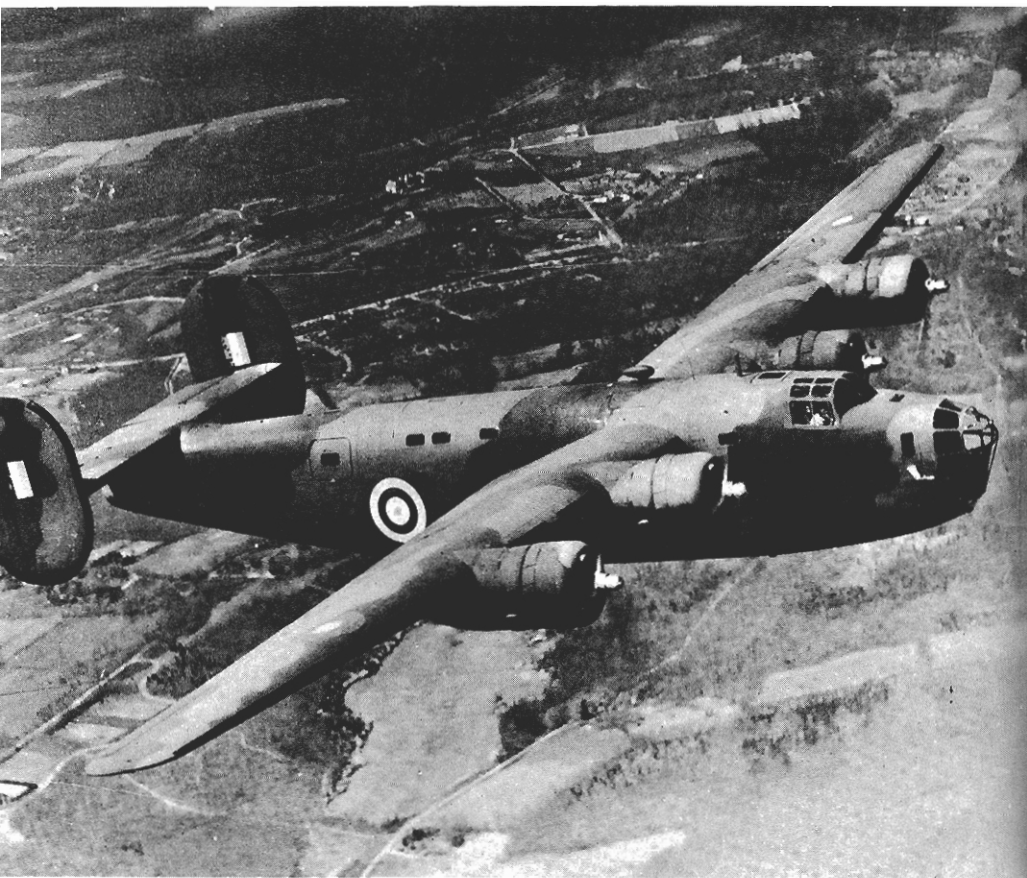
As already indicated in previous sections of this report, the year 1942, so far as the Corporation's operations were concerned, can be characterized as a period of rapid transition from a peace to a war basis. During the years 1940 and 1941, the Corporation had already made important commitments, both for the development of additional production facilities and for the manufacture of various war products, some of a type closely related to its normal manufacture and others entirely different. The volume of sales in 1940 and, more particularly, in 1941 was influenced by this expansion. In 1941, while it may be said that the Corporation was primarily on a peace basis, it was at the same time partly on a war basis. Following the attack on Pearl Harbor, large additional commitments were assumed with the ultimate objective of the utilization of all its resources in the furtherance of the war effort. At the end of January 1942, production of the Corporation's passenger cars was discontinued and shortly thereafter production ceased on practically all of its other products for civilian purposes. There followed the accelerated conversion of production facilities to purposes of war with the result that the Corporation's plants in the United States and Canada were all engaged in war production by the end of the year.

In harmony with its declaration of purpose expressed at the inauguration of the defense program in 1940, the Corporation has striven consistently and aggressively to live up to its war production responsibilities. It has accepted obligations in every instance where, in collaboration with Government agencies, it appeared that its services were needed or could be constructively used. In the results that have been achieved the





*Newly designed M-10 tank destroyer, built by Fisher Body Division, is a speedy, maneuverable land cruiser which already has proved itself in battle. Radiators are made by the Harrison Radiator Division. Tank track sets for the destroyer and for other types of tanks are made by Inland Manufacturing Division.*



*Buick and Chevrolet build Pratt & Whitney engines for bombers like this, now so important in global warfare. Landing gear struts for this type of bomber are made by Delco Products Division.*

continuing support of employes, new and old, has been a substantial contributing factor.

By the end of 1942, General Motors was delivering war products at the rate of more than \$8,000,000 a day. This flow of war materials represents the contributions of many plants in many places rather than a concentrated production in one plant or one community. For, in line with its long-established plan of decentralized operations with coordinated control in times of peace, the Corporation has distributed its war load over a wide area. This plan of operation made possible the successful mass production of many different items of war material.

The wartime operation of General Motors was graphically described in a Governmental publication on January 31, 1943, issued by the War Production Board through the Office of War Information, commenting on war production radiating from the Detroit area:

“. . . Detroit also provides an outstanding example of industry in diffusion. Two miles north of Cadillac Square, the city's hub, is a massive, block-square office building. Within are drawn together in a complex cortex the nerve ends of the vast system that is General Motors.

“GM is the largest producer of war materials in the country. Radiating from its central offices on Grand Boulevard are 104 plants in 46 cities and 13 states from Connecticut to California. The first circle of GM plants falls within the Detroit area. Draw a line on a 25-mile radius from the GM Building and you will encompass seventeen GM operations, upwards of 50,000 war workers. And their products provide a good cross-section of the things General Motors is making—making at a current rate of \$8,000,000 a day to fill more than 1,700 war orders.

“To the West are tanks and Diesel engines, airplane instruments and subassemblies, parts for guns, military trucks and aircraft engines. To the North, anti-aircraft cannon of 20, 40, and 90 mm. dimensions, aerial torpedoes and parts for many other products. Off to the East, 3- and 5-inch Naval gun housings, bomber subassemblies, shells, military truck parts and tank transmissions. And to the South, even across the Detroit River in Canada, is to be found a GM-operated machine gun plant within the 25-mile radius.

“All of these plants are in production—and well along toward planned capacity. Yet all but two were built to build the products of peace. The real miracle of conversion is the engineers' now proven ability to apply the mass production know-how of peace to the business of war. They have put even the big 90 mm. cannon on a conveyor line. They have made it possible

to make ten Oerlikon anti-aircraft guns today in the time it took to make five a year ago.

"Improvements such as these have conserved the country tons of precious material. They have put tanks in Africa and planes in Australia and guns on our ships at sea. And they have made those tanks and planes and guns better than the enemy's . . ."

The magnitude of an undertaking of this scope is difficult to realize. It is inadequately represented by figures, impressive as they may be. Over many years the management has developed a group of highly specialized manufacturing units effectively organized and coordinated for the purpose of manufacturing motor cars, trucks and other technical products. These plants are now called upon to manufacture entirely different types of products, still highly technical in character but involving in varying degrees different machinery, different processes and, in many cases, a completely different manufacturing approach. Twenty-three "E" awards have been received by General Motors plants from the armed services.

The great majority of war products were not designed primarily with a view to the application of mass production processes. They had never been required in the quantities now demanded and no opportunity to gain experience in quantity manufacture had previously been presented. Accordingly, in relation to expanded volume requirements, these products by no means incorporated the most effective production techniques, either from the standpoint of the purpose for which they were to be used, or having in view the sudden and urgent need for conserving materials, manpower and equipment. Such circumstances presented both an opportunity and an obligation to promote through advanced technology, on the one hand, savings in materials, more effective utilization of machinery and reductions of manpower; and on the other hand, increased effectiveness of design and therefore improved quality. A great deal has been accomplished along these lines.



#### TWELVE TIMES AS FAST

At Buick, a newly designed electric welding machine makes it possible to speed up welding of Diesel engine crankshaft balancers from 3 to 36 per hour.

Increased production is being obtained with a reduced consumption of limited resources—hence at lower cost to the taxpayers—and of a quality that should contribute much to attaining superiority in weapons over those of the enemy.

All possible use has been made by the Corporation of existing plants and equipment in the furtherance of the country's war production program. In addition to the conversion of its normal manufacturing operations, as well as their expansion in many instances, the Corporation has been called upon to provide new facilities and the necessary organization and management to operate them. These additional facilities represent to a considerable degree an investment for the account of others, principally the United States Government. A major part of the investment was for the purchase of machine tools of types and sizes not existing in the Corporation's facilities; a relatively small part represents the construction or adaptation for specific war jobs of 15 buildings or plants.

During 1942 General Motors completed the conversion of all of its own plants or operating units to war production and by operating these plants, in addition to those owned by the Government, more days per week on a multi-shift basis, the Corporation will be able at current prices to produce a yearly volume of \$4,000,000,000, approximately double its normal capacity. This does not mean that the Corporation's capacity for its normal business has been increased. It does mean that the Corporation faces the important post-war problem of reassembling its production facilities for its normal business.

The burden on management and the organization has been increased to a far greater extent than the preceding paragraph might imply. This is because of the great diversity and highly different character of the many war products the Corporation is making.

The ability of the General Motors organization to meet this great challenge of war production and the cooperation obtained during the trying conversion period should be a source of satisfaction to the stockholders, not only as an evidence that the Corporation is doing its part in the war, but also as a promise that when victory and peace come the organization will again be equal to the big job of converting back to the manufacture of products of peace.

The Corporation operates under a system of decentralized management. This contemplates that the responsibility of each individual unit in the system is complete. The objective is to make each separate unit self-contained, complete with all the functions essential to its full

development. Its chief executive is charged with the responsibility for its success or failure. Such an approach to the problem of industrial management develops men. It encourages initiative. It promotes enterprise. It encourages the assumption of responsibility. It increases efficiency. It insures a more intensive concentration of know-how on each individual problem. Without doubt this scheme of management has contributed importantly to what General Motors has been able to accomplish. The underlying philosophy is that of individual enterprise.

### Value of Product Delivered

In view of the wide variety of products which the Corporation is manufacturing for war purposes, deliveries must be expressed in terms of their aggregate dollar value. For the purpose of a better understanding of the general trend, sales are divided into two categories defined as follows:

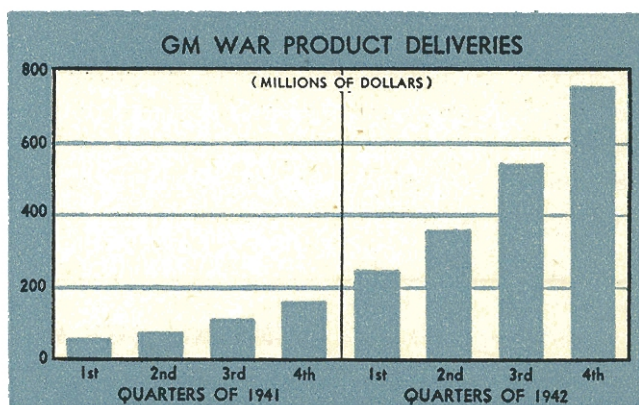
1. War materials are products manufactured by the Corporation's United States and Canadian plants, largely of a special character, usable for purposes of war and not included, except in minor degree, in General Motors normal range of production in the pre-war period.
2. Other authorized (including civilian) products are defined as those normally within the scope of General Motors activities and now sold to non-governmental customers in the United States and Canada. They also include all products manufactured and sold by the Corporation's overseas operations. All products within this group are essential to the support of the war program.

War materials are produced both in plants specifically designed for the purpose and in plants formerly engaged in the production of peacetime goods now converted to production for war.

A comparison of the two categories of deliveries in 1942 and 1941 is shown in the following table:

<u>Deliveries</u>	<u>1942</u>	<u>1941</u>
War Material Products.....	\$1,898,195,445	\$ 406,149,273
Other Authorized Products (in 1941, commercial sales included).....	<u>352,353,414</u>	<u>2,030,651,704</u>
Total Net Sales.....	<u>\$2,250,548,859</u>	<u>\$2,436,800,977</u>

From the beginning of General Motors production for defense in 1939, through December 1941, General Motors deliveries of war materials from its plants in the United States and Canada totaled \$483,855,014. For the year 1941 alone, deliveries of war materials amounted to \$406,149,273, of which \$48,226,142 was from Canadian sources and \$357,923,131 from domestic sources. At the time of Pearl Harbor, General Motors war material production had already reached a volume of more than \$2,000,000 per day. Deliveries of war materials in the fourth quarter of 1942 were more than \$8,000,000 a day or more than 4 times those in the fourth quarter of 1941, and at an annual rate in excess of \$3,000,000,000. For the year 1942, deliveries of war materials aggregated \$1,898,195,445, or nearly 5 times the amount delivered in the preceding year. Of these deliveries, \$1,794,290,679 was from sources within the United States and \$103,904,766 from Canadian plants. The increase in deliveries of war materials when expressed in dollars does not show the full extent of the increase in the physical volume of deliveries. Throughout the year, as experience was gained in the manufacture of new products and costs decreased due to expanding volume and to more efficient methods of production, prices on products sold to the Government and to other governmental suppliers were progressively reduced. The amount of these voluntary reductions is indicated later in the report.



As indicated on the center page spread, the relationship between sales of military and non-military items, as expressed in dollars, was reversed in a period of one year. In the last quarter of 1941, war production

deliveries represented 26% of total sales. In the last quarter of 1942, they represented 94% of total sales, with the remainder made up of other products contributing directly or indirectly to the functioning of the war economy. The total sales volume in 1942, despite the extremely difficult problem of changing over from peace products to the intricate products of modern war, was nearly as large as the total in 1941, the biggest volume year in the history of the Corporation. Total volume in the year 1942, representing all classes of products, aggregated \$2,250,548,859 as compared with total sales of \$2,436,800,977 in the year 1941. While sales were 8% less in 1942, the actual cost of goods produced, which is the real measure of the productive effort, somewhat exceeded that of 1941.

The increase in war deliveries during 1942 was due not only to an increase in the output of items which were in production at the beginning of the year, but more importantly to new items of equipment, such as Pratt & Whitney aircraft engines, other aircraft items and tanks, which came into production during the year. New implements of war brought into production during 1942 are accounting for an increasing part of the Corporation's total sales. The upward trend, particularly as it concerns aircraft and aircraft items, is expected to continue through 1943. Several new items in the aircraft field are scheduled for production in 1943.

### The Problem of Conversion

Reference has already been made to conversion. In the early days of the war effort, particularly after the declaration of war, there was much discussion of the subject. When the war becomes history and the facts are definitely established it is hoped that this problem, and others as well, can be appraised more intelligently than is now possible. Little

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#### CONSERVING VITAL MATERIALS

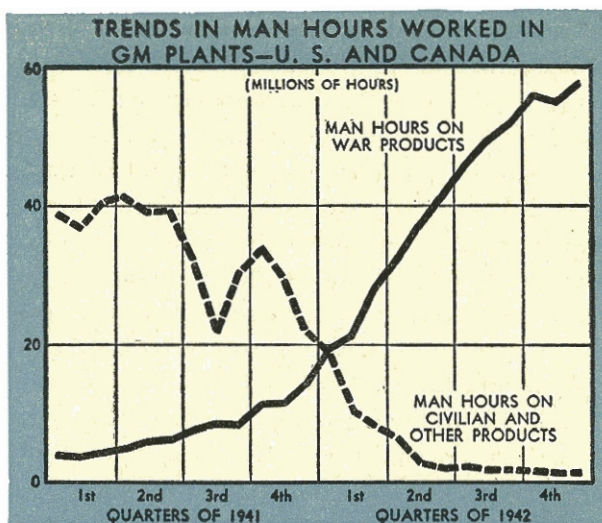


Chevrolet engineers have developed satisfactory substitutes resulting in savings per 100,000 military vehicles of:

5,000,000 Lbs. Rubber  
1,200,000 Lbs. Nickel  
500,000 Lbs. Copper

200,000 Lbs. Chrome  
125,000 Lbs. Latex  
70,000 Lbs. Tin





would be accomplished by reviewing the whole problem here. This much, however, might be said as relating to one point of view:

Expressed in general terms, the procedure followed for developing the industrial power of the United States for purposes of war was to create first such additional manufacturing facilities as were needed for the production of the great variety and volume of war products required. In some cases, and important ones, no manufacturing facilities whatsoever existed. In others, production was on a very limited scale entirely inadequate to the necessities of war. The circumstances existing were entirely consistent with the fact that the American economy was a peace economy. The nation, as a whole, had not in recent years contemplated the problems of war. Coincident with this first step in development, production for civilian purposes was maintained.

The second step was to convert existing civilian production facilities to provide additional capacity for war production in those categories where needed. This general procedure was a sound approach to the problem. It resulted in a greater volume of war production, particularly as to critical items, than would have been possible under any alternative approach. In addition, it was less disturbing to the economy as a whole. Aside from these considerations, it is a debatable question whether the public attitude of mind at the time would have accepted the sacrifices that a different policy would have required.

In various annual reports and in special messages, attempts have been made to tell the story of mass production—of what it consists; what

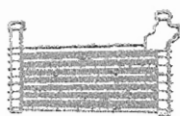
it accomplishes, and how; and what its limitations are. It is not intended to repeat the story at this time. To make the record complete, however, this might be said: Mass production from the standpoint of the principles involved might be defined as a method of producing a particular product in large quantity by the intensive utilization of machinery and tools specifically adapted to that product. The mass production technique involves a sequence of operations whereby each component part is produced through progressive manufacture, with the sequence so coordinated as to permit a continuous flow of material in process from the raw state to the final assembly of the finished product.

To modify any particular design requires reorganization of the entire scheme. To make an entirely different product requires a revolution of that scheme. In other words, a new start must be made. Although some machinery may be salvaged in the process, depending upon circumstances, all of it must be retooled and in some cases it must be rebuilt. Thus the problem of conversion of any system of mass production in comparison with the construction of additional capacity becomes, to a large extent, a matter of the building structure itself with its supporting services, together with a varying proportion of existing machinery. An important favorable factor in conversion, however, is the fact that there already exists an organization of management and workers as a foundation. But again, they must be educated for the new task.

With this brief review, the magnitude of the undertaking that confronted the Corporation may be better appreciated, especially when it is considered that there were involved 94 Corporation-owned plants or operating units in 46 communities and 13 states in the United States, in addition to 15 buildings or plants provided by the Government—having a combined floor area of approximately 77,000,000 square feet. In addition, it was necessary to tool and install approximately 28,000 new machine tools, many of which were of types and sizes not used in

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#### **SAVES COPPER—BETTER JOB**



Harrison Radiator Division now builds for the Army oil coolers of brazed steel, replacing copper tubing, to save 64% of copper used and provide *better performance—stronger construction.*

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the Corporation's peacetime production, and to retool and, in many cases, relocate approximately 49,000 machine tools previously owned by the Corporation. At the end of the year, the Corporation in its total operations had 97,000 machine tools operating on war work.

The undertaking also required the retraining of many thousands of employes for war work as well as the employment and training during the year of more than 190,000 men and women who had never worked for the Corporation before. This task of conversion was carried forward during the year simultaneously with the maintenance of a constantly expanding flow of war materials as one unit after another came into production.

### **Subcontracting**

An important phase of the conversion problem was the change the subcontractors who formerly supplied the automotive industry had to make in their plant and facilities and products to do their part of the war production job. Additional subcontractors had to be located and facilities developed to supplement and expand previous subcontracting activities.

Subcontracting plays a vital part in the production of war materials as well as in the maintenance of the business economy of the country. In considering this subject, it is important to keep in mind the broad structure of American business before the war. Generally speaking, American industry could be classified under three major headings:

- (a) Those industries, both large and small, engaged in metal production and fabrication
- (b) Other industries producing products made of materials other than metal
- (c) Those businesses engaged in distribution or service of products for the public

Each of these groups had developed special techniques and skills, together with special tools and equipment, to serve their particular purposes. But, due to their highly specialized nature, these techniques and equipment were not readily adaptable in fields other than those for which they were being utilized. Each of these groups maintained large lists of subcontractors within their respective fields. Each group formed a network of businesses, and this interwoven network was one of the factors that made mass production possible over a wide range of products made of many different materials. Many of these businesses never were "prime contractors" in the sense that they built finished

products for consumer use but served solely as specialists in producing parts and assemblies which they, in turn, sold to other manufacturers who made the final product.

General Motors has operated almost entirely in the field of metal fabrication. Like other units of the automobile industry, it has had a broad and successful experience in contracting with thousands of outside suppliers to furnish great varieties of materials and parts. And these suppliers, in turn, have developed the necessary know-how to justify the responsibility assumed in the Corporation's scheme of production. These suppliers were General Motors peacetime subcontractors.

With America's entry into the war it became immediately evident that industry's contribution must be the maximum production of war materials in the shortest space of time by the most effective utilization of manpower and productive facilities. The armed services, therefore, made the practical approach of placing prime contracts in the hands of those organizations which had been accustomed to dealing with finished products in peace time, relying upon them to utilize their network of suppliers and subcontractors just as they had used them in the normal channels of trade. This quickly spread the work to the largest possible number of companies having the ability to produce the materials required. At the same time, it quickly put into use the maximum number of usable machine tools and the largest possible amount of skilled labor at the points where the businesses were already established.

Early in the defense program General Motors had decided (1) to seek contracts for the more complicated war products rather than for those that could be easily fabricated, thereby making maximum use of its know-how and organization experience, (2) to concentrate its own manufacturing activities on the most difficult parts of those products, and (3) to subcontract as much of the balance as possible. Formal expression of the Corporation's policy on subcontracting was given in a

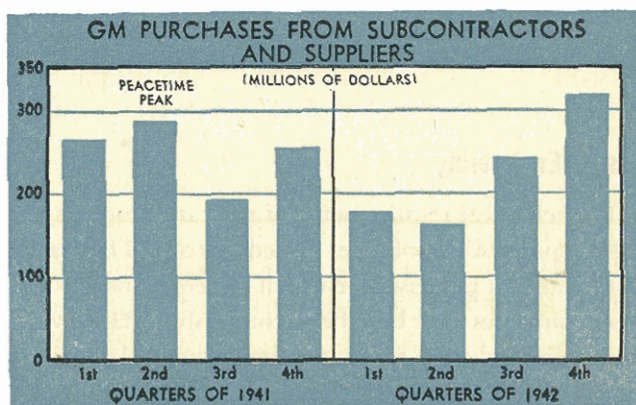


### SALVAGING TOOLS

GM Divisions are successfully salvaging thousands of damaged tools thus helping to relieve shortages in tool material and tool making capacity. For example, broken drills and reamers formerly discarded are now being brazed together with silver solder and restored to full usage.

letter dated February 11, 1941, which requested general managers of divisions "to purchase, outside the Corporation, component parts for all our defense projects to the limit of the current capacity of the sources equipped for the specific type of manufacture . . . and from such other sources in the particular field as we can establish . . . are dependable and competent." This course was determined upon because the Corporation believed that under this policy, not only the Corporation but the balance of American industry would be enabled to make the maximum contribution to the war effort.

A related Corporation policy which supplemented subcontracting in distributing war production activities over the widest possible area was expressed as follows: "Obtain orders for war products for every plant city and every plant. Allot the production where it can be produced with the greatest efficiency and the least new floor space and machinery." General Motors has always insisted on maximum decentralization of its manufacturing operations. As a result, this policy of obtaining orders for every plant meant, in effect, the farming out of those orders to 107 General Motors owned or leased plants in 46 communities and 13 states in the United States. These plants then subcontracted to thousands of other concerns and, in addition, acted as subcontractors to other outside organizations. The final result to the Corporation has been the spreading of approximately one half of its entire volume of war work to firms outside General Motors.



Since almost all of General Motors production in the war effort, as well as in peace, deals with metal fabrication, the difficulty of trying

to utilize as subcontractors those manufacturing businesses that lie outside the metal fabrication field becomes immediately apparent. There have been many instances where the Corporation has attempted to make use of them, and in some cases the effort has been successful. Generally speaking, however, the new machine tools and equipment needed and the lack of trained supervision available make it difficult to place subcontracts with manufacturers outside the field of metal fabrication.

A more critical problem relates to that group of businesses which in peace time dealt with the distribution and servicing of various products for the public. The General Motors dealers are a good example of this group. This is also the group most seriously affected by the curtailment of the normal civilian economy. While in some instances these concerns have been able to undertake some war production, usually they are successful only when they have in their organization men with previous manufacturing experience. However, this group represents a continuing national problem.

It is recognized that maintaining the economic vitality of the great aggregation of smaller units of industry and business is a matter of prime importance. In these enterprises lies the very foundation of the American industrial system. The progressive development of the more successful smaller units makes possible the larger ones. It is a process that should be continued and encouraged. The problem requires the most thoughtful consideration. But this is an entirely different objective from that demanded by the urgency of war—the maximum production in the minimum time.

## **Design Engineering**

The technical requirements of military products must always remain the responsibility of the armed forces. They alone are cognizant of the tactical purposes for which the equipment is to be used, and how those purposes can best be accomplished. However, it is the responsibility of industry to contribute its manufacturing and engineering experience, in cooperation with the armed forces, to the end of attaining an ever-advancing technology in the weapons of war. In competition with the enemy it is essential to achieve and to maintain technological superiority. Following Pearl Harbor, the urgent need was for the most rapid possible production of war materials in the designs that then

existed. As experience has been gained and as production in volume has developed it has been possible for the technical staffs in General Motors to make substantial contributions to war product design.

In support of the engineers and research men in the plants and laboratories, General Motors has technical observers located in battle areas for the purpose of observing products in action and passing back the results of their observations to the technical men at the production front. This liaison is expected to prove of increasing value in supporting the work of Army technicians.

## Know-How

Know-how is an all-inclusive term. It reflects all phases of the task of getting the job done. It includes the coordinated efforts of the entire personnel. The Corporation's contribution to the war effort, in line with its original declaration of purpose, has been almost entirely directed toward highly technical products, for in this area its know-how can be most effectively applied.

Much has already been said about the importance of the function of engineering in the production of material for war. The engineering phase of know-how involves two approaches, quite separate but at the same time closely related. One is the technique of design which has a direct bearing on what might be called the "efficiency in combat" of any particular type of war product. The second approach concerns the technique of production. This involves in war production the maximum effectiveness of manufacturing equipment and facilities and the minimum consumption of man hours and material to effect a given

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### REDUCING COSTS

Oldsmobile method of machining on four selected operations in aircraft cannon production made it possible to:



- 1—Do the Job with 8 Machines Instead of 64
- 2—Save \$228,800 in Machine Costs
- 3—Cut \$12.65 in Cost per Gun
- 4—Save 11½ Production Hours per Gun

result. The techniques both of design and of production importantly influence costs. The technique of design has been dealt with above. A short statement as to the technique of production is an essential part of the record.

In interim reports and in special messages the stockholders have been apprised of the contributions the Corporation has made in cooperation with the technicians of the armed forces by way of facilitating production and reducing costs. Specific illustrations with supporting data have been given of savings in material, man hours and cost in the production of airplane engines, guns, Diesel engines and other products. Each is a study in itself. Improved technology has been reflected through the use of methods developed by the Corporation during its long experience in the production of motor cars and allied products.

Perhaps the clearest appreciation of what has been accomplished in advancing production techniques may be gained from the fact that these improvements have made possible voluntary reductions in selling prices amounting to \$361,288,825. Of this amount, \$177,980,415 applied to deliveries made up to the end of 1942. The balance of \$183,308,410 will apply to deliveries to be made subsequent to 1942 under the existing contracts. These reductions are passed on to the Government in line with the Corporation's pricing policy, referred to on page 71.

## **Maintenance and Training Programs**

In a war in which the volume and quality of mechanical equipment placed in the hands of the fighting forces have proved to be of such extreme importance, the maintenance of that equipment in the best possible working order has assumed crucial significance. Special staff organizations have been set up by General Motors to work with the Corporation's manufacturing divisions in cooperation with the armed forces in facilitating the proper and efficient maintenance of General Motors war products after they have been delivered to areas of combat. To facilitate the maintenance of its products the Corporation has a staff of its own technicians on fighting fronts. The maintenance problem at the front involves not only adequate supply of the proper parts but also the presence of men skilled in repair procedures and equipped with efficient repair facilities. Through its broad experience with such problems in connection with its automotive and other products, the organization has been able to render substantial assistance to the armed



services in this phase of war activity. Rebalancing spare parts inventories, for example, has reduced production time and, more important, has saved much valuable shipping space. On various fronts the Corporation is operating assembly and maintenance stations.

Sixteen training schools, with courses of from ten days to eleven weeks, operated by the Corporation for Army and Navy instructors and technicians, have provided the nucleus of trained mechanics for the servicing and maintenance of General Motors-built equipment, both at home and overseas. During the year 1942, these schools were attended by more than 11,000 men. Present plans make possible the training of 40,000 or more technicians and instructors for the armed forces during 1943.

### **Other Wartime Activities**

Early in the year, General Motors in cooperation with the United States Treasury conducted an intensive employe war savings bond campaign, furthering efforts started in the previous year. The response was excellent, with the result that 97.4 per cent of all employes had voluntarily enrolled and were participants in the Corporation's payroll savings plan as the year drew to a close. Since the beginning of the operation of the plan employes had invested nearly \$56,000,000 in Series E War Savings Bonds, with \$8,350,000 being invested in December alone. In many of the divisions at least 10% of all wages and salaries was being invested in bonds. A campaign was under way at the close of the year to increase the amount being invested by the Corporation's employes in war savings bonds.

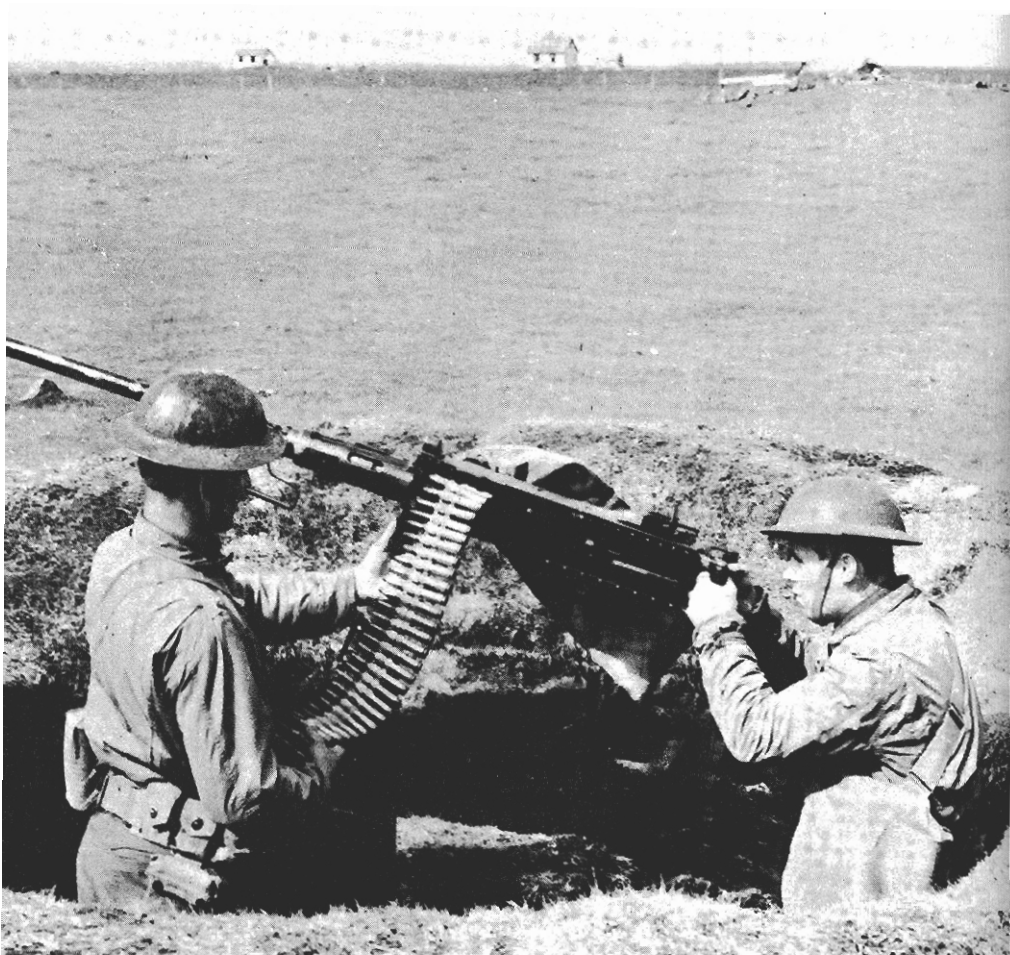
General Motors participation in the collection of scrap during 1942 resulted in the salvaging of 1,017,758,000 pounds of iron, steel, copper and other metals, of which 118,805,000 pounds were from non-production sources, including large quantities of old dies, tools, jigs and fixtures previously used in the manufacture of parts which were taken out of storage and made available to the national scrap pile. Non-metal scrap has been the object of an equally intensive drive and in one month alone more than 2,500,000 pounds of such material were collected.

Active support is being given by the Corporation to the Government's efforts to conserve automobiles for the nation's transportation, along with other consumer durable goods. It is of interest to mention in this connection the wide demand for a booklet "The Automobile User's

**Guide, With Wartime Suggestions”** prepared by the Customer Research Staff of the Corporation, which gives valuable suggestions on the care and conservation of motor cars. More than 4,000,000 copies have been distributed upon request.

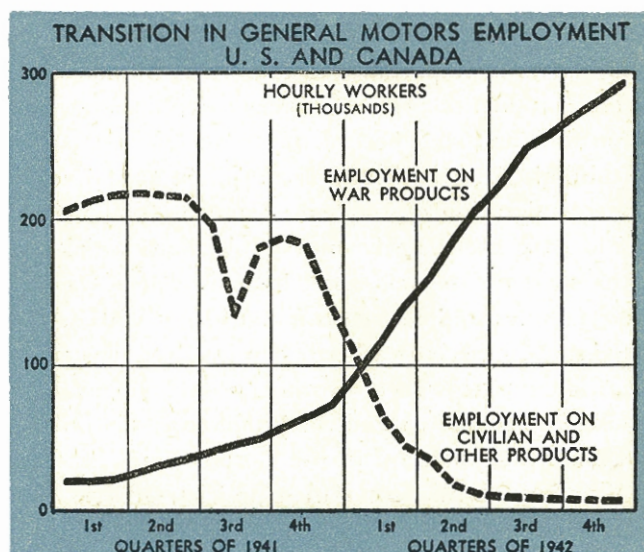


*This Chevrolet truck with the British Eighth Army in Egypt had a close call as the fighting headed toward Libya. Bearings manufactured by New Departure and Hyatt Bearings Divisions are an essential part of this truck which also is equipped with electrical devices manufactured by the Delco-Remy Division.*



*Gunners in Iceland train with one of the several types of machine guns built by Frigidaire, AC Spark Plug, Brown-Lipe-Chapin and Saginaw Steering Gear Divisions.*

## INDUSTRIAL RELATIONS



The war program created many special problems for the employe and for the Corporation as an employer. These were a part of the larger problems involved in making adjustments in our national economy to meet the new conditions imposed by the war. At the beginning of the year 1942, there was the prospect of reduced employment in General Motors plants as a result of the cessation of production of cars and trucks and other civilian products, and the rapid conversion of automobile and other plants to war work. The drop in the Corporation's employment, however, proved to be moderate both in number and in duration. By the end of the third quarter of the year, the number of employes on the payrolls had reached the highest figure in the Corporation's history and further increases occurred in the final quarter of 1942.

## **Distribution of Employment Opportunities**

In its approach to the problem of the transition from the production of peacetime goods to materials needed for the war effort, the Corporation has tried not only to make the greatest possible contribution to that effort but also to accomplish this with the least possible amount of dislocation and adjustment for its employes and their families and for the communities in which it operates. In many of these communities General Motors is by far the largest employer. Initial plans called for providing a volume of war production for each operating unit at least comparable in importance to that of its normal peacetime operation. In each production area employment would thereby remain as stabilized as possible and the effect of the transition on the communities would be minimized. Any other approach might have resulted in the accentuation of migration of employes from one plant city to another. This would have been highly undesirable, both socially and economically, in its effect on the war effort itself as well as on the individuals and their families and on the communities involved. The important big expansions, especially where they involved new plants, were located near large cities where workers would be available—for example, Chicago, Indianapolis and the Buffalo area—in order to avoid as far as possible over-expansion in the Corporation's automotive plant cities.

As an important result of these policies, General Motors has not so far experienced any general manpower problem of major importance. Increased working time per employe has helped to keep the supply of manpower in balance with the need. Extensive subcontracting has lessened General Motors own manpower problem, while at the same time it has helped to distribute the employment load better. Training programs, upgrading practices in the plants, and other measures have also been constructive factors in this connection. It is recognized, however, that as the national war effort mounts, bringing added demands on manpower, and as additional men are inducted into the armed services, the manpower problem as well as the corollary problems of housing and transportation will continue to be an important problem for the nation.

## **Employment of Women**

There has been a considerable increase in the number of women employed in the plants. Twice as many women wage earners were on the payrolls at the end of 1942 as at the end of the previous year. Women

have been employed in large numbers in certain aircraft operations and in some of the parts divisions where lighter type of work especially suitable for women is being done.

The Corporation's further expanded war production program for 1943 will call for additional use of women workers and for ingenuity in many directions in planning plant programs to avoid so far as possible the development of any critical situation relating to manpower needs.

### **Personnel Placement**

In order to aid its employes and to protect as fully as possible the experience and effectiveness of the organization it had developed, the Corporation early in 1942 inaugurated a program to facilitate the transfer of employes made necessary by the changeover to war production. Facilities were set up, especially in cities where more than one General Motors plant is located, to help in the transfer of hourly-rate workers to plants where the conversion to war work was more advanced. However, the problem of temporary displacement of employes was by no means confined to plant workers. It concerned many who were formerly engaged in sales and other activities curtailed as a result of the war. The Corporation therefore operated fifty-two clearing points in key cities where it assisted both men and women employes in finding work within the Corporation or, when such work was not available, in getting jobs elsewhere. Many were placed in war jobs or with Government agencies where their experience could best be utilized in furthering the war effort.

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### **CONSERVING VITAL TOOL STEEL**



Important savings in vital tool steel are being made throughout General Motors by methods similar to the following at Delco Products Division: One tool formerly made from a solid block of high vanadium high-speed steel is now produced by welding a thin strip of tool steel to a block of low-grade steel.

*Saving, 93% of Tool Steel Originally Required*

These activities proved of particular value during the changeover period in the early part of 1942 before the country began to experience an acute need for all types of experienced persons. During the year, more than 15,000 employes were placed through these clearing points. The transfer of engineers and certain other skilled workers within the Corporation was particularly beneficial to the divisions in helping to develop production of unfamiliar and intricate war products.

## Salaried Employees

At the end of 1942, General Motors had about 75,000 salaried employes. Too little mention has been made of the contribution of what has been termed "white collar" workers to the war effort and of the important place of foremen and supervisors in the industrial scheme.

Vital to the operation of the production process are the skill, the first-hand knowledge, the judgment, the initiative and the planning experience of the plant foremen and supervisors. Particularly has this been true during the past year in face of the extraordinarily difficult problems of conversion, coupled with the need for introducing old employes and thousands of new ones to unfamiliar jobs and shop routines. It is upon this factory supervision that dependence must be placed to see that schedules are met and that the Corporation's vast war production program is carried out in the plants and on the assembly lines. In like manner, the organization's efforts depend importantly upon the unspectacular but devoted work of the clerical and other office workers and their supervisors whose activities and acceptance of responsibility

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### SUBSTITUTION SAVES MATERIALS

Previously drawn from brass and then nickel and silver plated at Guide Lamp Division, headlamp reflectors are now drawn from less critical steel, enameled and coated with vaporized aluminum. Metal used per 100,000 military vehicles:



OLD TYPE	NEW TYPE
65,000 LBS. COPPER	78,000 LBS. STEEL
32,000 LBS. ZINC	5 LBS. ALUMINUM
275 LBS. NICKEL	
160 LBS. SILVER	



contribute so much toward carrying out the Corporation's broad program. Few people realize the importance of system and clerical work in modern industry. No material moves from one location to another, or is processed through a plant, without clerical work to guide the activity.

### **Employe Suggestion Plan**

Early in 1942, it was determined to make full use of an employe suggestion plan as a means of helping to further the war effort.

For many years it has been the policy of General Motors to encourage suggestions from any employe for improving working conditions and increasing production. As a means of focusing the interest of plant workers on improving war production, the Corporation inaugurated an employe suggestion plan based upon the Corporation's past experience. Awards are made up to a maximum of \$800, payable in war savings bonds and stamps, for ideas on increasing production, improving quality, saving material, reducing waste, or improving working conditions. In most cases the amount of the award is based on the actual saving involved over a definite period.

During the first nine months the plan was in operation, a total of 57,469 suggestions was submitted. Acceptances amounted to 8,431, for which 7,468 awards totaling \$259,331 were made to employes. Thirty maximum awards have been made wherein each employe received a war savings bond with a face value of \$1,000. Not only has the number of suggestions submitted each month gradually increased but the quality of the suggestions has definitely improved, as indicated by a rise both in the percentage of acceptances and in the average value of awards.

### **War Labor Board Orders**

Beginning in March and continuing through October, the Corporation was engaged in collective bargaining with CIO unions and in negotiations before the National War Labor Board relative to the terms of a new contract. A brief summary of the more pertinent facts and results of these bargaining negotiations follows:

On April 28, 1942, collective bargaining contracts between General Motors and the United Automobile, Aircraft and Agricultural Implement Workers of America (CIO) and the United Electrical, Radio and Machine Workers of America (CIO) expired. The unions had filed with the Corporation a series of demands for provisions to be

incorporated in new contracts, and the Corporation also proposed a number of changes. Prolonged negotiations between the parties were unsuccessful and the cases were certified to the National War Labor Board. Following hearings and arguments the Board finally issued orders in each case on September 26th. Two of the more significant provisions in the Board's orders deserve mention.

The Corporation was directed to include a so-called "maintenance of membership" clause in its union contracts. This provision specified that employes who, fifteen days after the order was issued, were members of the union in good standing, and those employes who thereafter became members must, as a condition of employment, maintain their union membership throughout the life of the contract.

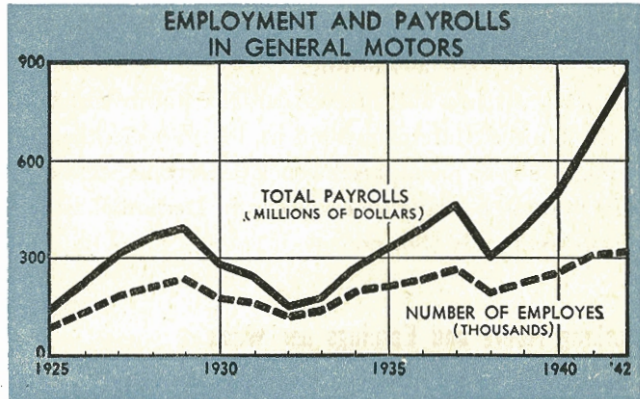
While constrained to comply with the Board's order on maintenance of union membership, the management is convinced that this order was unreasonable and infringed upon the rights of both the employes and the Corporation.

The second important change was an adjustment, retroactive to April 28, 1942, in the straight time wage rates of hourly employes equivalent to a flat increase of four cents per hour. Employes with five years' or more seniority were also to receive an increased vacation allowance, equivalent to an extra week's pay, in addition to the week's allowance all eligible employes receive. Other payroll adjustments were ordered. Supplementary orders in October effected total wage-rate increases of ten to twenty cents an hour for certain skilled groups. These were also made retroactive to April 28th. These increases importantly added to the cost to the Government of war material in 1942.

The Board dismissed a Corporation proposal for incentive pay to employes and other proposals designed to increase the efficiency of its war efforts, *reduce prices to the Government, and at the same time afford higher pay to the more efficient employes.* They also ignored the fact in considering rates that the working hours had been substantially increased above forty hours per week increasing the weekly wage so that the cost of living formula was not a sound basis for hourly wage increases.

Provisions in conformity with the Board's orders were incorporated in contracts concluded with the automobile workers' union on October 19th and with the electrical workers' union on November 2nd.

## Employment and Payrolls



During 1942, the total employment and payrolls of the Corporation at home and abroad reached an all-time high. The following summary presents the facts for 1942 and 1941:

	1942	1941
Average number of salaried and hourly-rate employees on the Corporation's payroll.....	314,144	303,827
Total payrolls of the Corporation.....	\$859,314,062	\$669,744,870

There was an increase in the number of salaried employees necessitated by the diversity and complexity of war products, the preparation of facility and tooling programs, and the increased paper work required to operate under wartime restrictions, which more than offset the number of salaried employees no longer required in sales and commercial activities.

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

	1942	1941
Average number of hourly-rate employees in the United States only.....	221,401	221,709
Wages paid to hourly-rate employees in the United States only.	\$632,196,403	\$500,422,165

These payrolls were equivalent to \$2,855 per hourly-rate employee, based on the average monthly employment in 1942, as compared to \$2,257 per employee in 1941, an increase of 26%.

The average employment and total payroll figures for hourly-rate employes in the United States in 1942 were affected adversely by the changeover to war production. While the duration and volume of the layoff were far less than anticipated, it manifestly reduced averages and totals for the year as a whole.

During the last half of the year, the number of hourly-rate employes in the United States increased rapidly, and in the month of December averaged 287,824 compared with a peacetime peak of 240,046. The wages paid to these hourly-rate employes in December were at an annual rate of approximately \$800,000,000.

### **Working Hours and Earnings per Week**

During 1942, the average number of hours worked per week by the hourly-rate employes in the Corporation's plants in the United States was 45.5 compared with 40.7 in 1941, an increase of 12%. Weekly earnings of hourly-paid workers in the Corporation's plants in the United States averaged \$54.91 during 1942. This compares with an average of \$43.41 during 1941 and represents an increase of 26%.

### **Wage Level**

For the year 1942, the average hourly-earned rate of the Corporation's employes in the United States was about 38% higher than that prevailing in all manufacturing plants and approximately 27% higher than the rate in 25 major manufacturing industries.

### **Education and Training**

In the year under review the conversion of the Corporation's peacetime facilities to war production, was paralleled by an outstanding record of training new workers, adapting to new jobs the skills of thousands of old workers and enlarging technical and supervisory staffs. This record, which comprehended what has been probably the largest and most all-inclusive industrial training project ever undertaken, was made possible only because the Corporation was able to bring to bear on the problems involved 24 years of specific educational and training experience stemming from the General Motors Institute.

The Institute constituted the focal point of the Corporation's war training program, serving both as a training center and source of

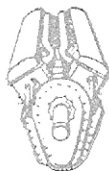
extension courses and as a research agency equipped to analyze training needs of the divisions and develop specific training programs to meet those needs. Enrollment in the Cooperative Engineering Program, source of much of the Corporation's supervisory and technical talent, was increased to 1,200 students during the year. More than 8,000 supervisors and potential supervisors attended special courses given largely by Institute field men. Other courses were provided to teach effective methods of training to instructors of new workers. In addition, large numbers of key men were trained in special operations or processes and in technical subjects essential to the war program. All told, the Institute provided more than 26,000 men and women with 2,480,000 employe hours of training during 1942.

This was largely in addition to the training of hourly-rate workers, a job carried forward by the individual divisions, each in relation to its own need. During the year, more than 190,000 hourly-rate and salaried workers who had never been with the Corporation before received specialized training. New employes included an increasing number of women as the year progressed. By greatly expanding their own training programs and by availing themselves of the wholehearted cooperation of public educational authorities, the divisions were able to keep abreast of the demands of the production lines.

As mentioned in another section of this report, General Motors is also cooperating with the Army and Navy in the training of instructors and technicians for the maintenance of the Corporation's war products in use by the armed forces. Schools are operated by the Institute as well as by many of the divisions. Assistance has also been given in the preparation of manuals and in the broader field of developing training concepts and procedures.

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### IMPROVED METHODS RELEASE MACHINES



Cadillac has devised war production methods which reduce the number of machines required to make Allison crankshafts, camshafts and balancer weights. An example: One operator on one machine now does work formerly requiring six operators on six machines—and with less physical effort.

## Safety and Health Protection

In carrying forward the Corporation's safety and health program many new problems were encountered during the year. New machines and materials required study from the viewpoint of the physician and the safety inspector. New workers had to be taught the fundamentals of accident prevention and health maintenance. Despite these problems, the accident frequency record for 1942 compared favorably with Corporation averages over the past decade. The severity record, or number of days lost through accidents in relation to hours worked, was the lowest in the Corporation's history. This record constitutes an important contribution to the vital needs of war production. The Corporation received an award from the National Safety Council for its outstanding safety record in 1942.

Expenditures for safety and health protection during the year totaled more than \$6,500,000.

## EMPLOYEE PLANS

General Motors, through its Employee Plans, has had two primary objectives: one, to develop programs which would promote the security and stability of the organization, and two, to provide an opportunity for its executive and supervisory groups to participate in the success of the business for which they are directly responsible, in proportion to each individual's contribution to that success.

Sound incentives and a confidence in the policies and purposes of the enterprise as a whole stimulate the initiative and resourcefulness of any organization and enhance its ability to accomplish assigned tasks. There is thus promoted an esprit de corps, a morale indispensable to aggressive accomplishment. The Corporation's policy has been to promote such morale and teamwork as are needed today to assure successful accomplishment of the organization's great war production responsibilities.

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:

### **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 administrative expense of the plan and a part of the cost. At December 31, 1942, about 97% of the eligible employes were participating in one or more features of the plan.

During 1942, there were paid through the Corporation's Group Insurance Plan benefits totaling \$7,296,859. This amount included payments to beneficiaries of 1,192 of the Corporation's employes who died during the year. Temporary disability benefits resulting from sickness or non-industrial accidents were paid to 27,377 employes, and benefits were paid to 19,039 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 \$61,192,123 have been paid.

The Corporation continued to make available to its employes and their eligible dependents, in localities where concentration of employment existed, the local hospital service plans approved by the American Hospital Association. 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.

### **Employes Contributory Retirement Plan**

On April 30, 1940, the stockholders approved the adoption by the Corporation of the Employes Contributory Retirement Plan, applicable to employes in the United States, which became effective July 1, 1940. At the annual meeting held on April 28, 1942, the stockholders approved an amendment 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



### **SPEEDING TANK PRODUCTION**

Multiple drilling replaces single drill operations at Fisher Body Division.

**Saving, 5 Hours Production Time per Tank**

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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, up to December 31, 1942, 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. The cost of the plan to the Corporation for the year ending June 30, 1942, the second full year of operation, was \$927,681.

As of December 31, 1942, over 88% of the total eligible employes were participating in the plan.

### **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 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 1942, eligible employes received separation allowances which amounted to \$795,433.

### **Bonus Plan**

The General Motors Bonus Plan has been in operation for twenty-five years. It now provides that there may be set aside as a bonus fund up to 10% of the net earnings available before provision for bonus after deducting 7% on the net capital employed. This means that, of the net earnings subject to bonus, after deducting the capital exemption, not less than 90% would go to the stockholders and an amount not in excess of 10% to the bonus fund. In 1942, \$85,059,000, equivalent to \$1.74 per share on the common stock outstanding, was earned for the stockholders before any bonus fund was earned.

Bonus awards are based upon recommendations made by the Chairman of the Board of Directors and are made on the authority of the Bonus and Salary Committee, composed of five Directors who are not eligible for bonus and are not actively engaged in the management

of the Corporation. 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. The 1942 bonus beneficiaries will receive one fourth of the award shortly after notification and the balance in three equal annual instalments.

As a result of 1942 operations, \$5,273,650 was credited to the bonus fund. In accordance with action taken by the Bonus and Salary Committee, the 1942 bonus fund was not increased as a result of the inclusion in income of items of a special nature which are described on page 70. A sum of \$2,477,296 had been set aside out of the 1941 bonus fund by direction of the Bonus and Salary Committee and carried forward for future distribution. This latter amount, together with the total fund available out of 1942 earnings, totals \$7,750,946 and is available for bonus distribution in respect of 1942. After allowing for \$268,000 to be charged to the fund on account of bonus awards in cash, this distribution will require 161,600 shares of common stock at \$46.30 per share, this being based upon the net cost of the General Motors common stock acquired for this purpose. The stock for bonus awards will consist of shares taken from the Corporation's treasury, including shares purchased during 1942 and 1943. Attention is called to the fact that stock distributed 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 \$268,000 which will be deducted from the fund of \$7,750,946 on account of bonus awards in cash to employes of foreign subsidiaries includes \$93,652, representing a charge against the 1942 bonus fund on account

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### SPECIAL EQUIPMENT SPEEDS PRODUCTION



Chevrolet developed a special dual grinding wheel mount and special grinding wheels to rough grind and finish grind aviation engine parts on one machine. Results:

Quality of Finish Improved  
Increased Production—186%      Reduced Rejections—82.5%  
Release of One Machine for Other Work

of the balance of 1940 and 1941 bonus awards payable in foreign currencies, applicable to net income of foreign subsidiaries in those years which had not been remitted at December 31, 1941. All foreign bonus awards for the year 1942 are being charged against the 1942 bonus fund.

The individual bonus awards have not been finally determined for 1942. It is estimated that more than 4,000 employes of the Corporation will participate in the distribution of the 1942 fund. The maximum bonus award, however, to any one individual will be less than a 2¼% participation in the bonus distributed currently. The Bonus and Salary Committee has determined that for the year 1942 participation in the bonus fund be confined, generally, to employes receiving a salary of \$4,200 or more a year. The Chairman of the Board, at his own request, has not participated in the bonus fund distribution since December 31, 1936.

In April 1942, the Board of Directors adopted an amendment to the Bonus Plan providing that employes of General Motors Corporation, who, after January 1, 1941, with the consent of General Motors Corporation, leave its employ to accept employment with a corporation in which General Motors Corporation is a stockholder, shall be eligible for bonus consideration with respect to services rendered after January 1, 1941, and up to the time of leaving the Corporation's employ. At the same time, the Plan was amended by the Board of Directors to provide that no such employe should forfeit previous bonus awards by reason of withdrawal from the employment of the Corporation under such circumstances, and that General Motors Corporation, after such employe had withdrawn from its employment, would have no right thereafter to forfeit or cause to be forfeited the previous bonus awards for any reason whatsoever.

The record of bonus awards in stock from the inception of the plan through the year 1942 is displayed on page 97 of this report.

## ADMINISTRATION OF THE BONUS PLAN

This section of the annual report refers to the administration of the bonus plan with particular reference to an unusual set of circumstances that developed during the year.

In 1936, a stockholder's derivative suit was brought against certain of the officers and directors of the Corporation. Other similar suits followed. This type of suit is brought at times against corporate management. It does not necessarily reflect any general dissatisfaction with the management, but constitutes an attack on the part of one or more stockholders usually having a very small interest—in the original case 240 shares out of a total of 43,500,000 shares—one objective being to collect counsel fees on such recovery as may be obtained. In justice to the officers and directors, it is clear that there should be recorded, as a part of the events of the year, the essential facts and circumstances.

Stockholders will recall having received in September 1942 a notice entitled—"Notice of Hearing on Proposed Settlement." In this notice there were set forth all the issues, the decision of the Court and the position of the defendants with respect to each question. Unfortunately, the facts are complicated and in some cases involve highly technical questions of accounting. But notwithstanding this, it is believed that a short summary of the points involved should be presented as a part of this report.

The theory of the complaint against the directors was as follows:

*First:* The bonus plan inaugurated in 1918 and modified from time to time was not in the interest of the stockholders and had not been properly approved by them.

*Second:* Bonuses paid to executives were excessive.

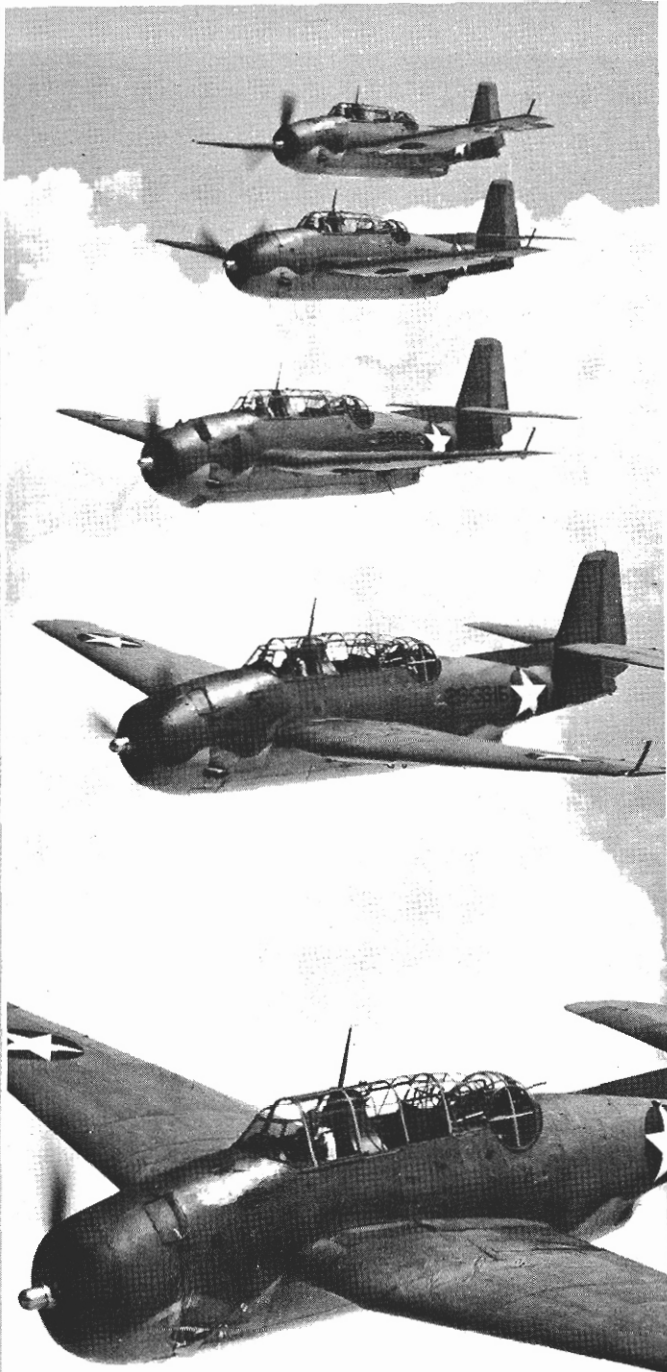
*Third:* Certain decisions of the Corporation's Finance Committee as well as of its Bonus and Salary Committee, affecting the amount of the bonus, constituted a waste of corporate funds.

The Court held that as to the first and second charges there was no

**General Motors Units  
Speed Production  
for War**

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*AC Spark Plug Division  
Aeroproducts Division  
Allison Division  
Brown-Lipe-Chapin Division  
Buick Motor Division  
Cadillac Motor Car Division  
Chevrolet Motor Division  
Cleveland Diesel Engine Division  
Delco Appliance Division  
Delco Products Division  
Delco Radio Division  
Delco-Remy Division  
Detroit Diesel Engine Division  
Detroit Transmission Division  
Eastern Aircraft Division  
Electro-Motive Division  
Fisher Body Division  
Frigidaire Division  
G. M. Institute  
G. M. of Canada, Ltd.  
G. M. Parts Division  
G. M. Proving Ground  
Guide Lamp Division  
Harrison Radiator Division  
Hyatt Bearings Division  
Inland Manufacturing Division  
McKinnon Industries, Ltd.  
Moraine Products Division  
New Departure Division  
Oldsmobile Division  
Overseas Division  
Packard Electric Division  
Pontiac Motor Division  
Research Laboratories Division  
Rochester Products Division  
Saginaw Malleable Iron Division  
Saginaw Steering Gear Division  
Southern California Division  
Sunlight Electrical Division  
Ternstedt Manufacturing Division  
United Motors Service, Inc.*



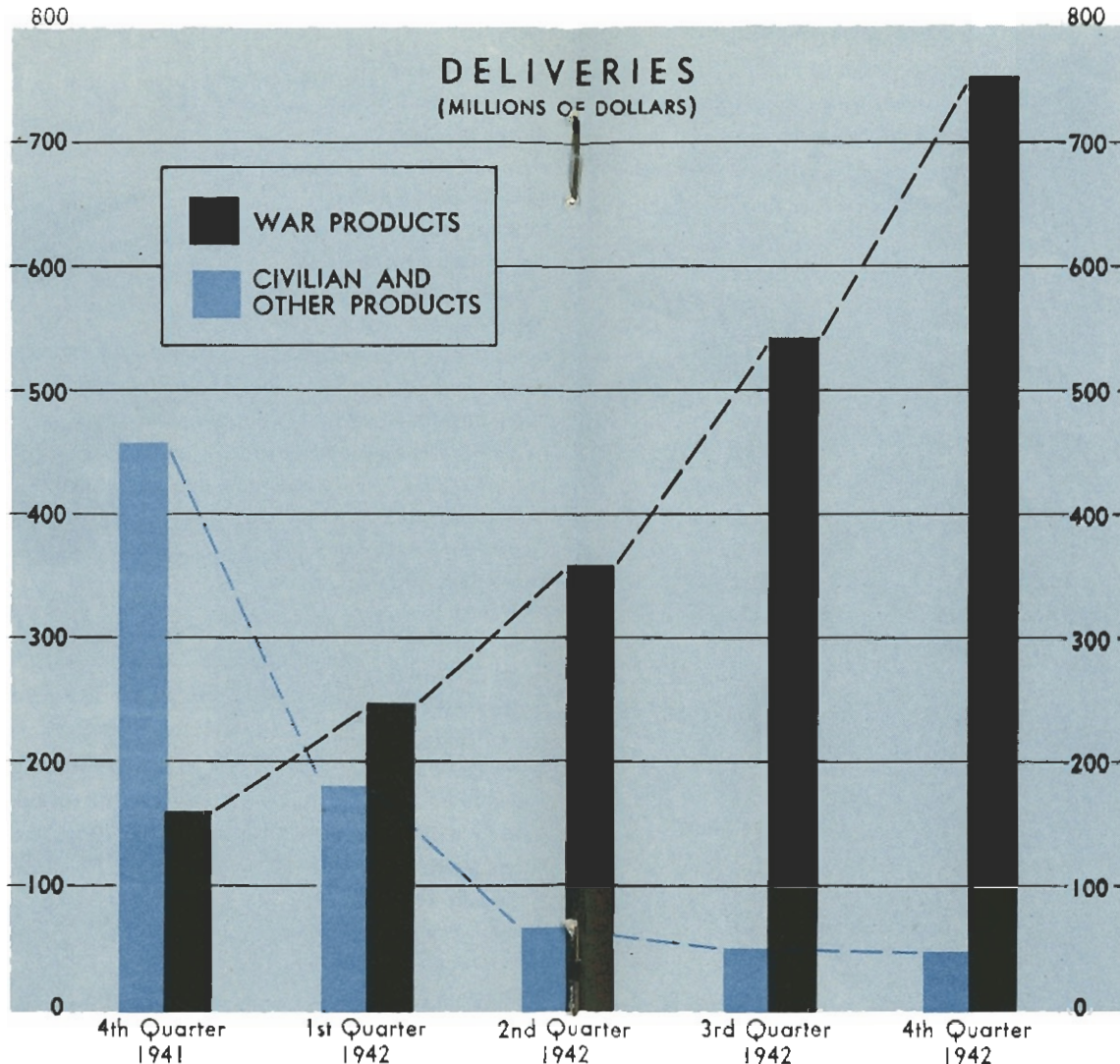
**VICTORY  
IS OUR BUSINESS**

*The Avenger, a Grumman-designed torpedo bomber plane, is being produced for the Navy in increasing volume by the Eastern Aircraft Division of General Motors.*

**GM**  
FORMERLY BUILT  
FOR PEACE

- Chevrolet Passenger Cars and Trucks
- Pontiac Passenger Cars
- Oldsmobile Passenger Cars
- Buick Passenger Cars
- Cadillac Passenger Cars
- Fisher Automobile Bodies
- Allison Aircraft Engines
- GM Diesel Locomotives
- GM Diesel Engines for Trucks, Tractors, Ships and Auxiliary Purposes
- Frigidoire Refrigerators, Electric Ranges, Water Coolers, Commercial Refrigerating and Air Conditioning Equipment, Water Heaters and Room Air Conditioners
- Delco Lighting Plants, Oil Burners, Water Heaters, Automatic Stokers, Boilers, Water Systems and Electric Motors
- Delco Home and Automobile Radios, Batteries, Horns, Generators and Miscellaneous Automobile Equipment
- AC Spark Plugs, Speedometers, Fuel Pumps, Oil Filters, Gouges and other Automobile Equipment
- Guide Lamps and Mirrors
- Saginow ArmaSteel Castings
- Hyatt Roller Bearings
- New Departure Ball Bearings
- Harrison Automobile Radiators, Defrosters, Heaters and Thermostats
- And Many Other Products

GENERAL MOTORS TRANSITION  
FROM PEACE TO WAR



THE JOB of conversion from peace to war production within General Motors in the first year of war is depicted in the above chart. Even at the time of Pearl Harbor General Motors was delivering war materials at the rate of \$2,000,000 a day. The transition to a war-time basis accelerated rapidly. As new facilities came into production and existing facilities were converted, deliveries of war materials were made in ever-increasing volume. Deliveries of war products in the first quarter of 1942 were \$245,957,842, or nearly \$3,000,000 per day; in the second quarter \$356,713,041, or nearly

\$4,000,000 per day; in the third quarter \$542,713,423, or about \$6,000,000 per day; while the fourth quarter total amounted to \$753,711,139, or more than \$8,000,000 per day.

By the fourth quarter of 1942 war material deliveries represented 91% of all deliveries from General Motors plants, compared with 26% a year ago. For the year 1942 war materials delivered totaled \$1,898,195,115. With capacity still expanding, this transition from peace to war provides the basis for still greater production totals—all to the one end, Victory.

**GM**  
NOW BUILDS  
FOR WAR

- Allison Aircraft Engines
- Tank Destroyers
- Navy Grumman Fighter and Bomber Planes
- Pratt & Whitney Airplane Engines
- Army Trucks
- Bearings for all Types of War Equipment
- Diesel Engines for Tanks, Trucks, Ships, Locomotives and Auxiliary Uses
- Anti-Aircraft Guns and Gun Mounts
- Tanks
- Cartridge Cases
- Tank Guns and Gun Mounts
- Military Locomotives
- Bomber Parts and Subassemblies
- Gun Control Equipment
- Airplane Automatic Pilots
- Anti-Tank Guns
- Batteries and Wiring Equipment for Planes, Tanks and Trucks
- Shot and Shell
- Ambulances
- Bomb Parts
- Carbines
- Spark Plugs
- Electrical Equipment for Airplanes, Ships, Tanks and Trucks
- Machine Guns
- Radio Receivers and Transmitters
- Airplane Propellers
- Naval Gun Housings
- Parachute Flares and Flare Projectors
- Aircraft Cannon
- Gun Motor Carriages
- Truck and Tank Engines
- Helmet Liners
- Instrument Panels for Tanks and Trucks
- Machine Tools
- Airplane Landing Gear Struts, Hydraulic Controls, Fuel Pumps and other Equipment
- Tank Trucks
- Aluminum Engine Castings and Forgings
- Tank and Truck Transmissions
- ArmaSteel Castings for Tanks, Trucks and Guns
- Military Vehicles
- Aerial Torpedoes
- And Many Other Products



*The M-5, Cadillac-built light tank, is one of the fastest full track vehicles on the fighting fronts and is playing an important part in the North African Campaign. This tank is also assembled by the Southern California Division. Hyatt Bearings Division supplies bearings and the engine generators are made by the Delco Appliance Division. Tank wiring assemblies are made by Packard Electric Division.*

justifiable complaint. In other words, the bonus plan was in the interest of the stockholders. It had been properly approved by them. Further, bonuses paid under the plan with respect to the period under examination, i.e., 1930 through 1940, were not excessive. They were held to be justifiable in view of the magnitude of the operations and the outstanding results obtained by the management for the stockholders.

Nevertheless, the Court held certain directors and officers responsible for certain transactions involving issues of technical accounting and business policy based on decisions by Committees of the Board of Directors specifically charged with this responsibility, the Finance Committee through the early part of the period and, subsequent to 1936, the Bonus and Salary Committee. Some of the members of the Finance Committee were beneficiaries, but the large majority were not. No member of the Bonus and Salary Committee was a beneficiary under the plan. As a result of the Court's decision, certain of the directors who happened to be served in the case, but only a small minority of those participating in the decisions, were ordered to pay to the Corporation the amounts involved in these transactions. It is important for the stockholders to understand that many of the directors involved in the lawsuit were not beneficiaries under the bonus plan and never had been. During the eleven-year period, in ten of which bonus awards were made, the total number of beneficiaries averaged over 5,000 a year. Manifestly it was not feasible to seek restitution of over-payments from all the beneficiaries even if desirable.

The transactions embraced in the third category referred to above concerned questions of accounting practice and business policy. Those involving the greatest aggregate amounts were approved by the Court as having been based upon sound business judgment. These need not be dealt with further. The remaining questions will be summarized briefly.

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### **SPEEDING ENGINE PRODUCTION**



At Allison Division, new multiple spindle drills perform 14 lapping operations simultaneously, superseding single radial drill operation in these aircraft engines. For this operation:

**Time Reduced—80%**

**Production Up—413%**

**Machines Released for Other Work**

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First, there was involved the question as to whether or not the profit resulting from the use of treasury stock for bonus awards, as measured by the difference between cost and award value, constituted a profit and hence a proper component of the earnings subject to bonus; or should have been credited directly to capital surplus, in which event it would not have been included in the bonus calculation. The Corporation's policy had been to consider net income from such a transaction as a profit in the year realized and hence a part of the bonus calculation. The proper technical treatment of such matters had for years been debated in accounting circles. The Court held that the capital surplus treatment for such transactions should have been followed and that the amounts involved were therefore not proper earnings for bonus purposes.

Second, it had been the practice of the Corporation to reaward stock forfeited by employes who had left its service, instead of having the stock revert to the Corporation. The authority for this was an amendment to the Bonus Plan by the Board of Directors in the year 1920 based upon previous action by the stockholders, which authorized the Board of Directors to amend the bonus plan in their discretion. The Court held that this particular change was beyond the legal power of the directors and the directors voting therefor in 1920 were held accountable.

Third, a transaction concerned the action of the Corporation's Finance Committee in 1930 in making an adjustment with a group of executives of the Corporation who had received their bonus through the Managers Securities Company, which under a contract was entitled to receive one half of the bonus fund for the period of eight years, 1923-1930 inclusive. It was found by the Corporation desirable in its interest to shorten by one year the contract period for the purpose of more promptly establishing a second plan for a further period of seven years. The reason was that the Corporation's business, and hence its organization, had expanded greatly and it was important that more executives should be included in the scope of such a plan than was possible under the limitations of the Managers Securities plan. It seemed only equitable, therefore, to place the participants involved in the same position, as to bonus benefits for the year 1930, as they would have been in had the plan continued for the full term. It was simply a matter of good faith. They had purchased stock in the Managers Securities Company and participated in the plan on the assurance of the eight-year contract. Accordingly, a payment was made to them in shares of General Motors

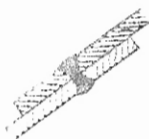
common stock available out of the 1930 bonus fund to equalize any difference in cases where differences existed. There was involved no added cost whatsoever to the stockholders. It was a part of the bonus fund of 10% of net earnings after deducting 7% on the net employed capital, which would have been distributed to employees in any event. The Court took the view that the transaction was an improper disposition of corporate assets and held liable the directors voting therefor.

Fourth, there was questioned a transaction between the Corporation and a former executive who had participated in the bonus fund through Managers Securities Company but who had retired from active service in 1928. It had been the practice of the Corporation for years, in cases of executives retiring from its service, to purchase their interest in Managers Securities Company according to a formula which had been approved by the stockholders. The settlement with this particular executive was made on the same basis as had been made with numerous other employees. The Court criticized the transaction for the reason that it had not been specifically reported to the Corporation's Finance Committee, which had originally declined to make the exchange solely on the ground that the Corporation did not have in its treasury sufficient shares to make the exchange on the same basis with all others similarly situated, though no other such executive had requested it.

The fifth and remaining question involved a non-recurring profit resulting from the sale of treasury stock to the General Motors Management Corporation in the year 1930. This profit amounted to \$10,057,559 and therefore resulted in an increment to the bonus fund of 10%, or \$1,005,755. The Court, in examining the financial records upon which the profit was calculated, concluded that the profit was not correct, and held that those officers the Court thought had most to do with the handling of the transaction should reimburse the Corporation for the \$1,005,755 excess credit to the bonus fund. This position was taken

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### IMPROVED, FASTER RIVETING



Electric resistance riveter improves quality and speeds up machine gun production at AC Spark Plug, Brown-Lipe-Chapin, Frigidaire and Saginaw Steering Gear Divisions.

**Saving, Approximately 1 Hour per Gun**

by the Court notwithstanding that the profit was determined in due course by the financial staff of the Corporation and certified as correct by Haskins & Sells, independent public accountants.

In this transaction, as well as in all other transactions involving accounting practices and auditing, the directors felt that they had a right to rely upon the financial statements as verified by the independent, certified public accountants. The directors should not be expected personally to audit the records.

Such, in general terms, were the transactions that caused the Court to hold eight directors who had been served with process, for various amounts aggregating \$4,348,044, plus interest.

During the period under examination; i.e., the eleven years 1930-1940, the management earned for the stockholders net income of an aggregate amount of \$1,509,371,368 and paid dividends in the aggregate amount of \$1,361,311,444. The Corporation's net sales amounted to \$12,096,670,211. All this was accomplished notwithstanding a part of the period was one of severe economic depression. The amount for which the directors were held liable on account of the transactions discussed above was about  $\frac{1}{4}$  of 1% of the total profits of the period. As measured in terms of common stock, it was equivalent to an average of less than one cent per share per year as compared with average dividends paid to the stockholders of \$2.66 per share per year for the period.

In another section of this report under the subject "A Reserve Policy" is discussed the position of the management with respect to reserves. The management has always been most careful to set up adequate reserves against any contingencies that could be foreseen. During the years 1930-1940, the management reduced earnings by charges aggregating \$164,000,000 which a less conservative management might not have made. Reserves, for instance, for depreciation and obsolescence of property were set up equivalent to \$82,000,000 in excess of what the Bureau of Internal Revenue allowed as deductions for tax purposes. The effect of these special reserves set up for various purposes was to reduce the profit for the period by a corresponding amount and hence to reduce the bonus fund by some \$14,000,000. It would appear to be only equitable when highly involved controversial questions of accounting policy arise, that if the directors are to be held personally responsible, especially on questions the merits of which are debatable, they should at least be entitled to consideration for such deductions as they have set up against earnings solely in the interest of protecting the business

with the consequent adverse effect on bonus. On one hand, the directors were charged with \$4,348,044 plus interest, but on the other hand, no credit was given to the reduction of the bonus funds by some \$14,000,000.

The question may arise in the minds of the stockholders why, under the circumstances recited, an appeal was not taken by the directors from the decision of the Court. This was considered. From the standpoint of the record and as a precedent, it was desirable to appeal. On the other hand, there were many other interests involved. As already stated, only a limited number of the directors had been served with process, notwithstanding that a much greater number shared equally in the responsibility. If any one of the issues involving a large amount had been decided against the directors by an appellate court, it might have resulted in bankruptcy if the financial burden had fallen on one or a limited number of directors who happened to be served in the suit. On the other hand, a settlement could be properly participated in by all the defendant officers and directors, whether served or not, and thus the burden could be more equitably distributed in relation to the responsibility involved. But of equal importance, the transaction was one of great concern not only to the directors but to the organization as well. To appeal would have involved much distraction and expense. It would have been disturbing to the organization for a protracted period at a time when its maximum efforts were demanded to discharge the tremendous responsibilities it had assumed in the war effort. While the directors felt it constituted a great injustice from the standpoint of the equities involved, yet on balance, settlement seemed to be the expedient thing. Perhaps the decision to make a settlement was a prudent one—perhaps not. All that can be done in such circumstances is to exercise the best judgment possible. Hence, a settlement was finally effected resulting in the payment to the Corporation of the sum of \$4,500,000 by 32 officers and directors who had been named defendants, of whom only 8, held liable for varying amounts, were before the Court.

Releases somewhat more restricted than those described in the Notice of Hearing on Proposed Settlement were delivered to those contributing to the settlement. A copy of the Court's opinion approving the settlement will be sent to any stockholder on request.

## EXECUTIVE MANAGEMENT COMPENSATION

The success of any business depends greatly upon its management. In the industrial area the real difference between the performance of one business and another lies most importantly in the personnel that constitutes management. Manufacturing equipment is largely the same. All businesses operate within the confines of the same economy. The same rules and regulations to a major degree govern all so far as outside influences are concerned. Management must exercise the essential leadership, the responsibility for which rests largely upon the principal executives. The leadership must have ability. It must have experience, imagination and courage. Both in war and in peace an all-out effort is demanded—in war time, essential to victory; in peace time, vital to progress because industry operates in an economy of competition.

All the above is particularly true of General Motors. Because of the magnitude and geographical distribution of its numerous operations and the many and diverse phases of its activities, it is essential that great responsibilities be assumed and independent action encouraged. The management policy of the Corporation has evolved from the belief that the most effective results and the maximum progress and stability of the business are achieved by placing its executives in the same relative position, so far as possible, that they would occupy if they were conducting a business on their own account. This provides opportunity for accomplishment through the exercise of individual initiative, and opportunity for economic progress commensurate with performance. In that way managerial talent is attracted to and retained by the Corporation.

It is believed that this report outlines the problems that faced the management of the Corporation at the beginning of the year. Likewise, it reflects the manner in which the management discharged its responsibility. The job accomplished would appear to demonstrate clearly

that the philosophy of management adopted over twenty-five years ago and consistently adhered to ever since was a sound concept of the management function. This philosophy—the philosophy of decentralized responsibility with coordinated control—has demonstrated itself down through the years and strikingly so in the year 1942.

As has been stated in previous reports, compensation of the Corporation's executives is from two sources—a salary and a bonus contingent upon profits. Both factors, as affecting any particular individual, vary with the ability of the individual and with the opportunity for accomplishment. As to what is meant by "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 specific conditions from year to year.

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

The tabulation below 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, 1942, whether or not included in the executive management group as defined in the following section:

Amount of Salary	Number of Individuals as of December 31, 1942
\$ 10,000 to \$ 20,000.....	378
20,001 to 30,000.....	54
30,001 to 50,000.....	16
50,001 to 75,000.....	16
75,001 to 100,000.....	8
100,001 to 200,000.....	2
Total.....	<u>474</u>

The foregoing amounts of salary represent the rates in effect at December 31, 1942. Commencing October 3, 1942, all compensation paid by General Motors Corporation to the individuals included in the above groups as well as to all other employes was subject to the limitations established by the Executive Order No. 9250 of the President of the United States, and the regulations promulgated by the Office of Economic Stabilization and the Bureau of Internal Revenue.

The number of executives in the \$10,000 and over salary group is simply indicative of the magnitude, diversity and geographical distribution of the Corporation's activities.

## Total Compensation of Executive Management Group

It has been the practice in annual reports for some years past to report the cost of executive management. It is recognized that stockholders are entitled to know the cost of conducting the business from the executive standpoint. This raises the question 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. The group comprising executive management for the purpose of discharging the responsibility involved in the above policy is defined as follows:

The principal executive officers of the Corporation; the executive heads of its general administrative staffs including heads of divisional groups; 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.

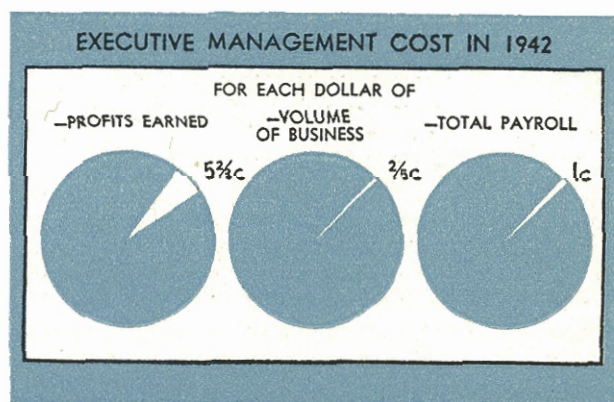
For the purpose of clarification the phrase "including heads of divisional groups" this year has been specifically included in this definition in accordance with the practice actually followed in the past.

A total of 203 individuals was included in the above defined group at December 31, 1942.

In reports of recent years the cost of executive management as above defined, including both salary and bonus participation, has been expressed in terms of such yardsticks as: dollar profits, earnings per share of common stock, total volume of business, retail sale of products, and total payroll. Existing war conditions modify to some degree the comparisons with previous years but they remain the best expression of the cost of this particular phase of the Corporation's activities. Therefore, as modified, they are continued as a part of this report. The amount of the executive management group's bonus participation for the year 1942 has not been finally determined. The figures used in the following comparisons, therefore, are based on a preliminary estimate of the 1942 bonus participation of these executives as a group.

## EXECUTIVE MANAGEMENT COMPENSATION

	1942	1941	1940
<b>PER SHARE OF COMMON STOCK</b>			
Executive management salaries.....	\$0.12	\$0.12	\$0.11
Supplemental compensation under bonus plan.....	0.09	0.10	0.11
Total.....	<u>\$0.21</u>	<u>\$0.22</u>	<u>\$0.22</u>
(Earnings per share of common stock in 1942 were \$3.55, in 1941 \$4.44 and in 1940 \$4.32)			
<b>PER DOLLAR OF PROFITS EARNED FOR STOCKHOLDERS</b>			
Executive management salaries.....	\$0.03 <sup>2</sup> / <sub>5</sub>	\$0.02 <sup>2</sup> / <sub>5</sub>	\$0.02 <sup>2</sup> / <sub>5</sub>
Supplemental compensation under bonus plan.....	0.02 <sup>2</sup> / <sub>5</sub>	0.02 <sup>1</sup> / <sub>5</sub>	0.02 <sup>2</sup> / <sub>5</sub>
Total.....	<u>\$0.05<sup>2</sup>/<sub>5</sub></u>	<u>\$0.04<sup>1</sup>/<sub>5</sub></u>	<u>\$0.04<sup>1</sup>/<sub>5</sub></u>
<b>PER DOLLAR OF TOTAL VOLUME OF BUSINESS</b>			
Executive management salaries.....	\$0.00 <sup>1</sup> / <sub>5</sub>	\$0.00 <sup>1</sup> / <sub>5</sub>	\$0.00 <sup>1</sup> / <sub>4</sub>
Supplemental compensation under bonus plan.....	0.00 <sup>1</sup> / <sub>5</sub>	0.00 <sup>1</sup> / <sub>5</sub>	0.00 <sup>1</sup> / <sub>4</sub>
Total.....	<u>\$0.00<sup>2</sup>/<sub>5</sub></u>	<u>\$0.00<sup>2</sup>/<sub>5</sub></u>	<u>\$0.00<sup>1</sup>/<sub>2</sub></u>
<b>PER DOLLAR OF TOTAL PAYROLL</b>			
Executive management salaries.....	\$0.00 <sup>3</sup> / <sub>5</sub>	\$0.00 <sup>1</sup> / <sub>5</sub>	\$0.01
Supplemental compensation under bonus plan.....	0.00 <sup>2</sup> / <sub>5</sub>	0.00 <sup>2</sup> / <sub>5</sub>	0.01
Total.....	<u>\$0.01</u>	<u>\$0.01<sup>2</sup>/<sub>5</sub></u>	<u>\$0.02</u>
<b>NUMBER OF EXECUTIVES INCLUDED.....</b>	<u>203</u>	<u>192</u>	<u>184</u>



### Total Compensation Position of the Three Highest Remunerated Executives

There is shown below for the information of stockholders a table indicating the compensation of the three highest remunerated executives of the Corporation with respect both to salary and to the bonus, which is a



part of compensation as already explained. To present a more complete picture these figures are shown for the years 1939, 1940 and 1941, and there are also indicated in each case the net amounts of the compensation after payment of personal Federal income taxes. The amount of bonus participation for 1942 has not been finally determined, so that 1942 has not been included in the comparison. Net compensation for 1942 after deducting personal Federal income taxes will of course be materially reduced by the substantial increases in taxes on individual incomes for 1942.

	<u>1941</u>	<u>1940</u>	<u>1939</u>
<b>HIGHEST REMUNERATED EXECUTIVE</b>			
Salary.....	\$149,328	\$100,000	\$150,000
Bonus awarded.....	<u>178,249</u>	<u>186,215</u>	<u>222,906</u>
Total.....	\$327,577	\$286,215	\$372,906
Net compensation after deducting personal Federal income taxes.....	\$112,795	\$113,602	\$159,678
<b>SECOND HIGHEST REMUNERATED EXECUTIVE</b>			
Salary.....	\$100,000	\$100,000	\$100,000
Bonus awarded.....	<u>174,288</u>	<u>154,851</u>	<u>158,193</u>
Total.....	\$274,288	\$254,851	\$258,193
Net compensation after deducting personal Federal income taxes.....	\$ 98,929	\$104,569	\$124,378
<b>THIRD HIGHEST REMUNERATED EXECUTIVE</b>			
Salary.....	\$100,000	\$100,000	\$100,000
Bonus awarded.....	<u>134,677</u>	<u>154,359</u>	<u>157,759</u>
Total.....	\$234,677	\$254,359	\$257,759
Net compensation after deducting personal Federal income taxes.....	\$ 87,897	\$104,428	\$124,239

NOTE: (a) The compensation as shown is based upon the assumption that the executive received his total compensation within the year in which it was awarded, even though delivery of stock under the bonus plan is actually made in four equal instalments over a period of three years. (b) While the total tax liability of each individual is influenced by income from investments and other sources, nevertheless it has been assumed that the executives in question had no income other than that derived from the compensation received from the Corporation. (c) No deductions have been made for State income taxes. (d) Income taxes for each year are computed on a basis of the rates effective for that year.

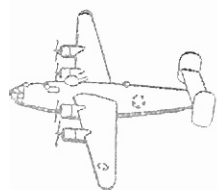
## PUBLIC RELATIONS

The impact of war superimposed on the rapid social and economic changes in process in recent years has influenced profoundly the public position of corporations like General Motors. More than ever the public now is interesting itself in the performance of industry. Misapprehensions concerning the ability of the automobile industry to do the needed job were widely current at the time of Pearl Harbor. Nor was the position of the Corporation in the war production effort then publicly understood. There was presented new and striking evidence of the responsibility companies in the public eye must assume to see that their policies and performances are not only clearly outlined for the benefit of those most directly concerned but are broadly understood by the public at large.

Modern war requires a full utilization and coordination of all resources, experience and skills directed to a single purpose. The General Motors organization has sought to make its own contribution to that purpose through the conversion of its physical facilities to war work and through such interpretation of the production job as seemed needed to inspire greater efforts toward the common objective on the part of all concerned with the enterprise.

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### FASTER PRODUCTION—LESS MATERIAL



At Buick a reduction fixed gear for an aircraft engine, previously made in a steam forging hammer, has been redesigned to be produced on a forging press. Saves 7 lbs. of steel per shaft. Machine tool load reduced. Production increased 300%.

The outlines of an all-out war are steadily becoming clearer, and there is a developing understanding of the principles under which industry operates to make possible the production of war materials needed to back up the men at the battle fronts. The public is entitled to know how each of the various groups participating in the war effort is discharging its responsibilities. Failure on the part of any group to keep the public informed is likely to result in misconceptions with regard to the nature of the contribution and lead to a loss in public confidence.

The technological competence of General Motors, its ability in engineering and scientific research and its production know-how are the basic elements of its performance. In peace and in war it seeks to make these attributes an underlying and permanent asset of the community and the nation. It is a part of the organization's operating philosophy that what is good for the country is good for General Motors and what is not good for the country is not good for General Motors.

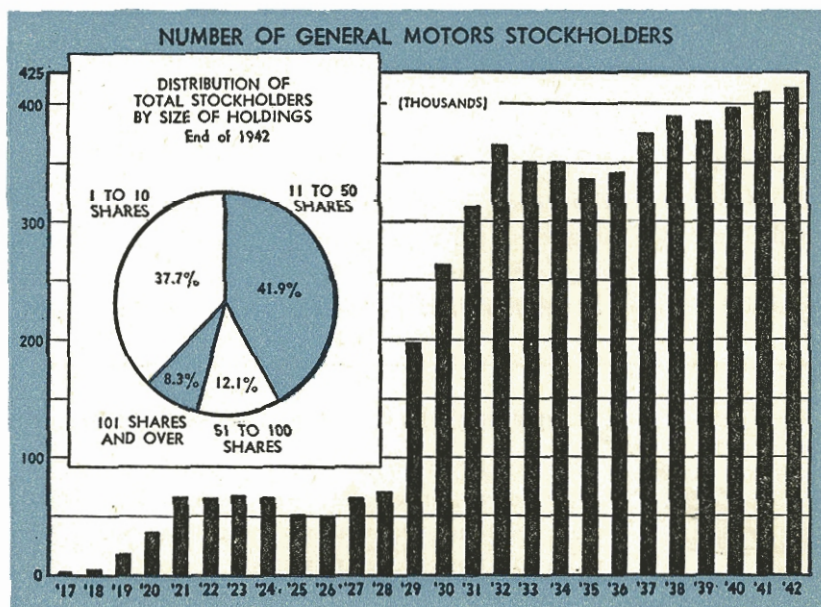
General Motors regards it as part of its obligation to its stockholders, to its own organization and to the public not only to record the story of the diversified job it is doing and to explain the problems involved but to demonstrate the means by which implements of war are being produced in the quality and quantity required. Continued interpretation by industry of its obligations and how they are being met provides the best answer to those who seek information on the efficiency and effectiveness of the system under which American enterprise operates.

If the public relations function of American industry can help to bring about this broad understanding, it will have greatly expanded industry's wartime usefulness. In addition, it will have laid a foundation for the constructive contribution that industry can make toward the building of a virile economy in the reconstruction period following victory at the battle fronts.

# STOCKHOLDERS

The ownership of General Motors Corporation is widely distributed geographically and among a large number of individuals. On the last record dates in 1942, there was a total of 413,349 stockholders, of whom 50% were women. It is particularly interesting to note that, of this large number of stockholders, approximately 156,000 individuals have holdings of ten shares or less. It is to the interest not only of the Corporation but of the country 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 thereby enhanced.

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



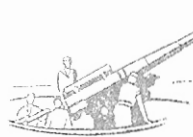
## POST-WAR ADJUSTMENTS

It might perhaps be said that the subject of post-war adjustments has no logical part in the record of the year 1942. On the other hand, since the Corporation is operating as a part of the war economy and will continue to do so in intensive form for the duration, certain questions might well arise as to the effect the resumption of peacetime production will have on its operating position and financial structure. To deal with certain of these questions is the purpose of this discussion. It is not intended to raise the problem of post-war planning—an entirely different though most important subject.

### Plant and Equipment

As discussed in detail in the section entitled "A Financial Review," during the year 1942—and this likewise may apply to the year 1943—there was an expansion of the Corporation's war production facilities involving a large aggregate expenditure of capital. What will happen to these facilities when the demands for war production cease? Will losses result? What are the facts involved?

Investments in additional production facilities for war purposes are divided into two categories: (a) expansion of plant, the cost of which is financed by others—largely the United States Government; and (b) expansion of plant at the stockholders' risk by the use of the Corpora-



### NEW PROCESSING SPEEDS GUN PRODUCTION

Flame cutting replaces machining on breech housing of naval anti-aircraft guns at Fisher Body Division, reducing production time on one operation from  $4\frac{3}{4}$  hours to 24 minutes.

tion's capital. As to (a), manifestly there can be no liability other than that of a custodian. As to (b), capital invested in plant facilities for war production by the Corporation on its own account from the inauguration of the defense program to the end of the year 1942 was \$81,897,559. These facilities are required for the purpose of war production, but at the same time are investments considered usable from the standpoint of the Corporation's peacetime needs. To a major degree these expenditures involved additions to existing plant facilities, particularly in those cases where the post-war physical segregation of assets would be difficult or impractical. In only two instances were there involved completely new manufacturing units. Such new facilities, under wartime operating conditions, are entitled to accelerated depreciation and may be amortized within the war period. Provision for depreciation and amortization has been carefully considered by the management and is believed to be adequate.

### **Cancellation of War Contracts**

At the close of the war, recognizing the probable cancellation of existing war contracts, must operating losses be accepted?

The Corporation's contracts for war products are largely on a fixed price basis. That is the general policy except where circumstances are such as to preclude sound cost estimates and where the lack of production experience requires the use of cost-plus-a-fixed-fee contracts. In such cases, as sound cost estimates become available, contracts are changed from a cost-plus-a-fixed-fee to a fixed price basis. All contracts for war products are subject to cancellation, but the cancellation conditions, if equitably administered, should reasonably protect the Corporation in respect to expenditures made on account of such contracts, including the cost of the cancellation of commitments for materials and facilities. Therefore, the Corporation should not be required to absorb losses when war contracts are cancelled.

### **\$1,000,000,000 V-Loan Bank Credit**

Will such indebtedness as may be created under the terms of the recently negotiated V-Loan Bank Credit be burdensome to the Corporation at the time of the cessation of hostilities? That question was very thoroughly discussed in a special message sent to the stockholders at the time the V-Loan was negotiated.

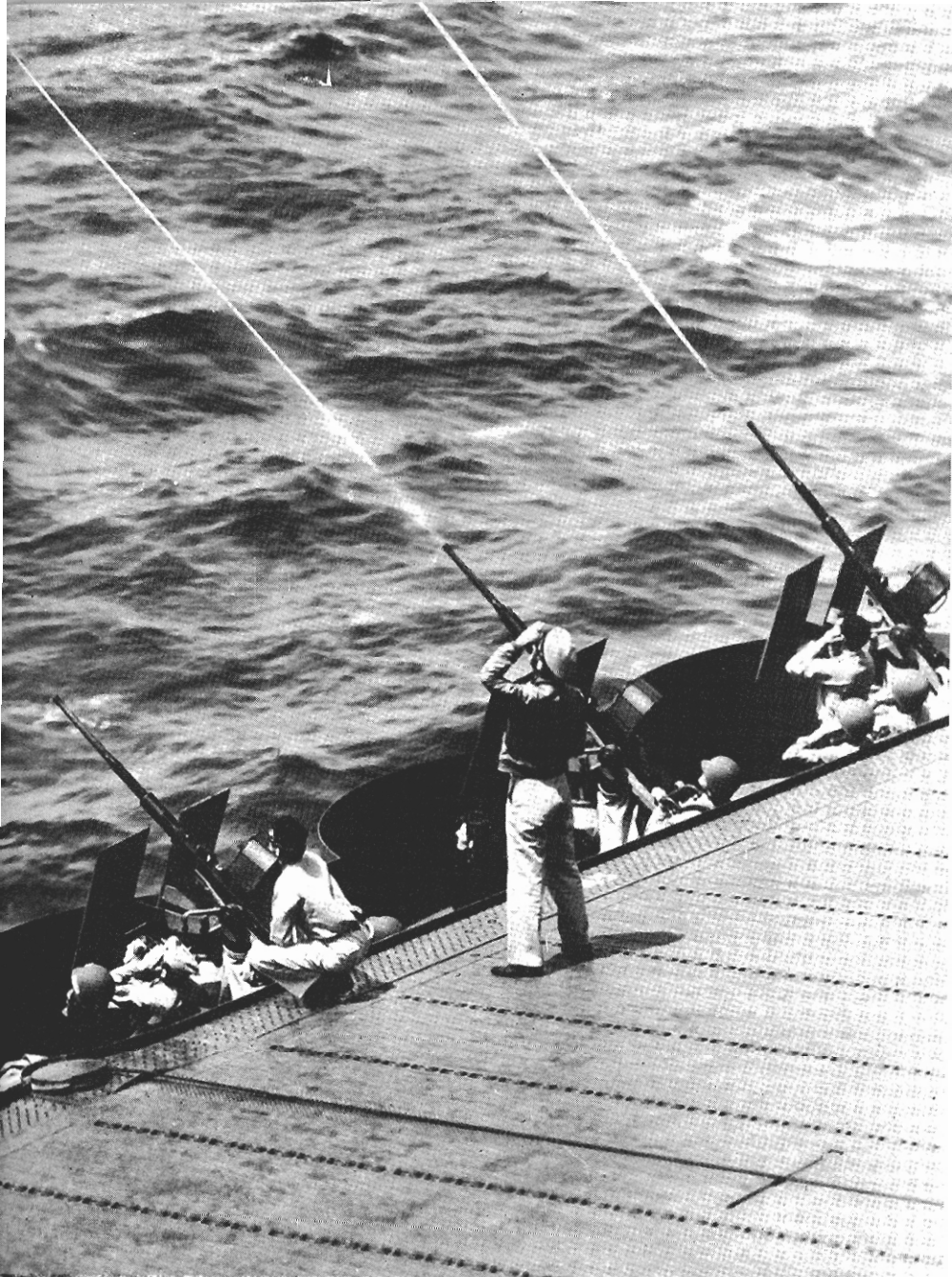
Upon the termination of the Corporation's war contracts with the United States Government, either by cancellation or by completion, cash resources then available out of settlement of such contracts should be sufficient to discharge the obligations which the Corporation may have assumed, either through the V-Loan or otherwise, for the purpose of financing the working capital requirements of such contracts.

### **Rehabilitation of Production Facilities**

Rehabilitation of the Corporation's production facilities for the manufacture of peacetime goods is a problem of monumental proportions, involving planning, time and expense. It means that practically all converted plants must be entirely rearranged or re-equipped. There are involved expenditures in two classes: (a) the cost of reinstalling machinery not now in use and the rearrangement and rebuilding of machinery now in use. According to the Corporation's accounting practice, installation costs are part of the initial capital cost of the equipment. With the exception of capital cost of installation of facilities to be amortized over the war period, the original costs of installation and arrangement of facilities for war production as well as installation costs lost in the removal of machinery and equipment from former plant locations are either reimbursed under provisions of war contracts, or are allowed as costs of war production. In addition, there will be (b) expenditures in relatively large amounts for general rearrangement and reconstruction, not specific in character, which must be absorbed against costs of operation in the post-war period. To cover such contingencies, among others, the Corporation is setting up by a charge against income a reserve for post-war contingencies and rehabilitation, the amount of which charge is related to sales. There was set up \$16,598,644 in 1941 and \$23,986,315 in 1942. Therefore, as of December 31, 1942 there was available for this purpose an amount of \$40,584,959. Although the policy with respect to this reserve for 1943 is not yet established, undoubtedly it will be continued up to the point where the reserve is considered adequate to take care of these and other post-war adjustments.

### **Financial Position**

Will capital in large amounts be needed for such purposes as providing expansion of existing manufacturing facilities, or for the purpose of manufacturing additional products, or modifying existing prod-



*Pontiac-built Oerlikon anti-aircraft guns fire a protective screen of explosive shells from the flight deck of a Navy carrier.*





*Hundreds of Army Air Force student mechanics are being trained at the Aviation Engine School operated by Buick in connection with the production of Pratt & Whitney airplane engines. This is one of 16 schools for service personnel operated by General Motors divisions.*

ucts, as well as replacing existing equipment because of depreciation or obsolescence resulting from the unusual service required during the war period?

In view of the fact that no estimates are available as to the capital needs of the Corporation in the post-war period, only a general statement can be made. Normally, it is the practice to maintain all facilities at the highest state of efficiency to promote the maximum productivity. This policy, insofar as it affects commercial facilities, has necessarily been suspended during the war due to the fact that all new equipment is under priority. Therefore, reserves set up for depreciation and obsolescence of Corporation-owned facilities are accumulating in large amount, resulting in an increase in net working capital which will be available for plant improvement after the war.

The above is not intended to be a complete discussion of the subject. It is included as a part of the 1942 report because it is important that the stockholders should be informed as to the circumstances to the extent that the facts are available.

## **Reconversion**

Here is injected into the discussion a somewhat different problem. What will be the effect on the Corporation's production when the time comes to resume its peacetime activities—reconversion in other words?

It might be said in a general way that production of passenger cars, trucks and other peacetime products can commence, so far as the physical limitations are concerned, within a period of four to five months. Full production might be expected three months later. To accomplish this, however, it is essential that all former peacetime production units be released from their then existing responsibilities. The Corporation's normal production facilities are highly integrated. Each unit has an important part to play in the final result. Therefore, an effective conversion is impossible under a piecemeal plan. And this applies not only to each manufacturing group within the Corporation but, to an important degree, to the Corporation as a whole. The degree to which facilities of suppliers become available will likewise be an important factor.

Accordingly, the policy to be adopted by the Government with respect to curtailment of war production will be a governing factor in determining the actual time period required in the reconversion process. In

view of the fact that circumstances similar to those within General Motors apply to industry as a whole, an important contribution could be made by Government in facilitating the effective return to a peacetime economy if a definite and predetermined policy could be established.

### **Post-War Products**

The discussion of the preceding subject is predicated upon a policy that contemplates producing during the early post-war period products similar in design to those in production upon the declaration of war. There is much discussion at the moment about a so-called "post-war" car, and much conjecture as to the technical and appearance characteristics of such a car. The automobile industry is a staunch and aggressive supporter of the philosophy of constant progress. And, in general, it is a fact that the supreme effort required in war has accelerated technical progress. However, all the energies and the technical and engineering resources of General Motors have been and are being entirely absorbed in promoting higher standards of technology as applied to war products. Here lies the great present need for accomplishment. Regardless of the demands of the post-war period, it would be indefensible to divert any effort that might be expected to contribute to victory. Therefore, the technical development of an entirely new and different car, so far as can be seen at this writing, would not appear to be practical, even if it were possible and were considered to be an intelligent approach to the problem of immediate post-war products. The so-called "post-war" car, like the "pre-war" car, is more likely to be a product of evolution than one of revolution.

## TAXES

When dividends are received there is frequently little recognition of the extent to which they have been affected by taxes which—like all other expenses—must be deducted before such dividends are possible. From the standpoint of the individual investor, his net return is further affected by the payment of individual income tax on the amount he receives in the form of dividends. Taxes are essential. But it is highly important that they should at all times be kept at a minimum consistent with the needs of Government. To the extent that taxes reflect inefficiency and extravagance, there results an uneconomic burden on the productive system. The assessment of taxes should be apportioned on a basis of equity. They should be designed to promote rather than penalize the productivity of the economy.

The problems of taxes are of course entirely different in times of war and in times of peace. In times of war the expenses of Government are enormously increased—and necessarily so. This increase must be met in part through higher taxes.

In the face of higher tax rates as applied to corporations, there was a reduction for 1942 in General Motors total tax bill. In this year, taxes paid or accrued amounted to \$222,560,000, equivalent to \$5.12 per share of common stock. These taxes include all Federal, state and local taxes, including excise taxes, accrued or paid directly by the Corporation and its subsidiaries, together with its proportionate share of the taxes of manufacturing companies in which a substantial interest is held. The taxes were lower in 1942 because of the lower amount of profits resulting from the Corporation's self-imposed price policy and subsequent agreement reached with the United States Government through the War Department Price Adjustment Board limiting profits in line with that policy. Total taxes in 1942 were also reduced because of the payment of a substantially lower amount of excise taxes. During most of that year, sales of automobile and other peacetime products normally subject to excise taxes were either eliminated or were made to the Government tax free.

## A RESERVE POLICY

*It has been the custom in dealing with the financial aspects of the Corporation's operations in all annual as well as interim reports to set forth the circumstances concerning major reserves which are established from time to time, together with any changes in those reserves which subsequent events may require. An understanding of this whole matter of reserves is of consequence to the stockholders in judging the earnings trend of the business. Under present conditions, the profit possibilities of business are importantly affected by taxes and public war policy as well as by the efficiency of operations. Superimposed upon these circumstances is the fact that a war injects into the situation unusual hazards, both present and future. They should be recognized and provided for, so far as possible. Since all elements cannot be determined accurately, contingencies are anticipated which may or may not develop into realities, but to protect the balance sheet and to state income conservatively they should be recognized in the form of reserves.*

Reserves are in two categories: first, those reserves that must necessarily be provided in order to conform with accepted principles of accounting; and second, those reserves covering items which are not currently subject to exact determination but for which provision is considered advisable in order that a conservative statement of income may be presented. Conservative management seeks to protect the business by setting up reserves when circumstances indicate the need for such reserves. It is important that the assets and the liabilities of the Corporation should be conservatively stated, and this applies likewise to the income.

These reserves are derived from charges against earnings and represent a provision for some foreseen expense or loss of asset value properly applicable to the period in which such charge against earnings is made, but which cannot be definitely established until some time in the future. When the facts are finally established, the amount involved, having been

previously provided for, may be charged to the reserve and therefore does not affect the profits of the business for that particular period. If the amount finally determined is in excess of the reserve provided, the difference is charged against operations of the current period and hence reduces such profits. If the amount is less than provided for, the established excess of the reserve is restored to earnings and the profits in the particular period involved, as reported in the income statement, are increased accordingly.

Any reserves set up currently to cover anticipated losses and expenses; even though they are attributable to current operations, are not an allowable deduction in determining the amount of income upon which Federal income taxes are paid. The amount of each loss or expense becomes an allowable item for tax purposes only when it is actually realized and determinable.

Perhaps this subject can be clarified by referring to the application of reserve policies to the operating results of the Corporation for the year 1942. It is stated in the section entitled "A Financial Review" that a reserve amounting to \$23,986,315 has been set up for post-war contingencies and rehabilitation. This reduces current profits as shown in the income statements to that extent. The need for this reserve is self-evident. The ultimate expense is at this time undeterminable. On the other hand, reference is likewise made to a reduction in Federal income taxes applicable to the year 1941 resulting from the write-off of certain foreign investments, as permitted by the Revenue Act of 1942. The effect of this is to increase earnings for the year 1942 by \$28,906,475. This circumstance arises because in preceding years, in the belief that losses probably would result from the unsettled political conditions throughout the world, reserves were set up in anticipation of such a probability and without knowledge when the losses would be allowed as deductions



#### UTILIZING SCRAP

Utilizing material formerly scrapped now saves over 30 tons of metal per month at Cadillac. Example: The fire wall partition of the M-5 light tank was redesigned so that the metal removed for the door openings could be restamped to make the doors.

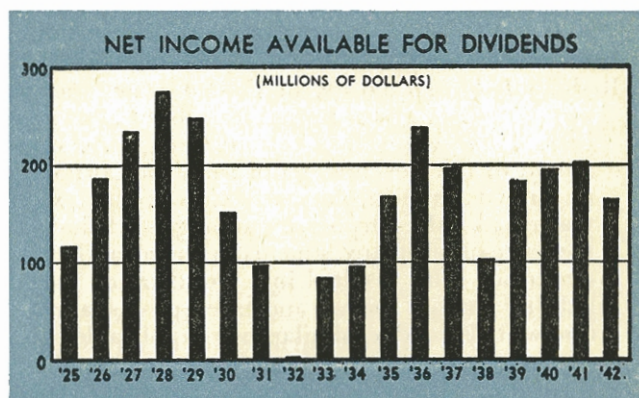
from taxable income. This reduced the profits of the Corporation as reported for the earlier years.

Thus we see that in the year 1942 profits have been reduced, on the one hand, by reserves set up to take care of anticipated losses and contingencies not now determinable, and have been increased, on the other hand, as a result of reserves having been provided in previous years in excess of requirements as finally determined.

To repeat, therefore, it is important in evaluating the trend of earnings of the Corporation, especially under existing circumstances, to judge earnings as reported in relation to the influence of such reserves as may have been established in the past, as well as those currently established, in anticipation of future losses.

It has been the policy of the management to establish reserves to cover such contingencies as may be foreseen and to apply all charges and credits in respect thereof through the income statement rather than to surplus.

## 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, 1942, in comparison with the previous year, are shown on pages 86 to 90 of this report. In 1941, the accounts of certain foreign subsidiaries located in enemy and enemy-controlled territories were not included in the consolidated statements of the Corporation. In 1942, the Corporation's investments in all operations located in enemy and enemy-controlled territories were entirely written off against reserves previously provided. Subsidiaries which, in accordance with past procedure, are not consolidated in the financial statements of the Corporation are listed on page 91, together with other investments and miscellaneous assets.

### Earnings

Net income available for dividends for the year 1942 amounted to \$163,651,588. This includes income items of a special nature amounting to \$31,129,475, later described in detail. Net income available for divi-



dends for the year 1941 amounted to \$201,652,508. After paying regular dividends of \$9,178,220 on the \$5 series preferred stock, there remained net income available for the common stock in 1942 of \$154,473,368, or \$3.55 per share on the average number of common shares outstanding during the year. The amount earned on common stock in 1942 before adding income items of a special nature was \$2.84 per share. For the year 1941, net income of \$192,474,288 available for the common stock was equivalent to \$4.44 per share.

The 1942 special income credits consist of the following:

Reduction of \$28,906,475 in United States income and excess profits taxes provided in 1941, due to the allowance for tax purposes of the write-off of certain foreign investments.—As permitted by the Revenue Act of 1942, the Corporation amended its United States income and excess profits tax returns for the year 1941 for the purpose of claiming as a deduction in that year the write-off of its investments in enemy and enemy-controlled territories. This resulted in a reduction of \$28,906,475 in the liability for 1941 income and excess profits taxes. The Corporation will also deduct similar losses applicable to 1942 in its tax return for that year, resulting in a reduction of \$370,282 in the current year's provision for taxes. The Corporation early recognized the hazards arising from the disturbed conditions abroad by providing a special contingency reserve of \$25,000,000 in 1939 and 1940. This reserve was in addition to reserves allocable to foreign subsidiaries which had been set up to provide against contingent losses on foreign investments. In 1941, certain of the Corporation's subsidiaries in France, Belgium, Denmark and Japan were excluded from consolidation, and the investment in such subsidiaries was offset by allocable reserves previously provided. These investments and the other investments of the Corporation in enemy and enemy-controlled territories, including those in Germany, were written off in 1942 against reserves previously provided. The total of all such investments written off had an aggregate gross book value of \$46,913,679, of which \$24,941,015 was written off against reserves of a like amount allocable to foreign investments, and the balance of \$21,972,664 was charged to the \$25,000,000 special contingency reserve provided in 1939 and 1940.

Recovery of \$2,223,000 (net) from settlement of a stockholders' action.—As a result of stockholders' action brought against certain officers and directors relative to the administration of the Corporation's bonus plan, there was recovered by the Corporation during the year a gross amount of \$4,500,000. The net recovery by the Corporation amounted to \$2,223,000, after deducting fees and allowances of \$795,000 to attorneys and accountants representing minority stockholders as directed by the Court and after allowing for United States income taxes at

the 40% rate which is applicable, under the tax law, to such abnormal income.

The net income for the year 1942 gives recognition to the following provisions and charges:

There has been deducted a provision of \$23,986,315 in 1942 for post-war contingencies and rehabilitation. This is in addition to \$16,598,644 set up in the year 1941 making a total of \$40,584,959 available for this purpose.

There has been deducted a provision of \$48,661,545 for refund to the United States Government in connection with the overall renegotiation of war material contracts.

Early in 1942, the Corporation voluntarily adopted a policy of reducing prices on individual war contracts as soon as it became possible through the realization of cost savings. In line with this policy, the Corporation has voluntarily effected reductions of \$361,288,825 in contract prices of such materials. Of this amount, \$177,980,415 applied to deliveries made up to the end of 1942, including deliveries made prior to the inauguration of this pricing policy. The balance of \$183,308,410 will apply to deliveries to be made subsequent to 1942.

Under Section 403 of the Sixth Supplemental National Defense Appropriation Act of 1942, as amended by Section 801 of the Revenue Act of 1942, authorizing the renegotiation of war material contracts, an agreement was made with the United States Government through the War Department Price Adjustment Board as of October 1, 1942 limiting the Corporation's profits on the sale of war materials, which substantially embodied the policy voluntarily established by the Corporation earlier in the year. The effect of this was to limit the rate of profit, before provision for income and excess profits taxes, for the year 1942 on the Corporation's manufacturing operations to approximately one half that of 1941 on substantially the same volume of business. This agreement will require the refund of \$48,661,545 to the United States Government in the early part of 1943, applicable to 1942 business, as stated above.

The final result is that the Corporation's income from all its manufacturing business, excluding income items of a special nature and its income from investments but after providing for necessary reserves as well as income and excess profits taxes, amounts to 4.5% on net sales of \$2,250,548,859 for the year 1942.

Earnings in 1942 were reduced \$13,234,537 because of the adjustment of commercial inventories to conservative values, losses incurred in the disposition of such inventories including the sale of surplus raw materials to the Government, and the cancellation of commitments related to non-war business following the cessation of commercial production early in the year.

Provision for United States and foreign income and excess profits taxes in 1942 amounted to \$124,500,520. In 1941, provision for these taxes amounted to \$287,992,343. In 1942, the amount includes provision for United States excess profits taxes of \$30,373,494 after deducting \$3,374,833 for the post-war credit applicable thereto. United States excess profits taxes were \$171,931,086 in 1941. The United States excess profits taxes were computed on the basis of the excess of the income subject to such taxes over average earnings of the four years, 1936 through 1939, in accordance with the provisions of the Revenue Act of each year. The decreased excess profits tax in 1942, as compared with 1941, is accounted for principally by the lower profits realized on war production sales in 1942, as a result of the Corporation's pricing policy described above.

There were excluded from net income in 1942 all profits realized abroad which could not be remitted to the United States due to exchange restrictions. This has been the policy since December 31, 1933. The dollar amount of such profits in each year was based upon rates of exchange then current. Net income from foreign sources in 1942 which could not be remitted due to exchange restrictions amounted to \$3,624,252. However, net income of \$4,047,851 previously deferred was included in the Corporation's consolidated income account because of remittances to the United States during the year. The net effect was therefore to include in 1942 consolidated income \$423,599 more than the current year's foreign earnings. On a cumulative basis through December 31, 1942, net income realized abroad but not reflected in earnings because of exchange restrictions amounted to \$6,902,196, equivalent to \$0.16 per share of common stock. This excludes unremitted earnings of subsidiaries in enemy and enemy-controlled territories, the investment in which was written off in 1942.



### **STEEL REPLACES ALUMINUM**

Aeroproducts Division is now building stronger, lighter propellers by substituting hollow steel construction for solid aluminum blades. Savings:

**100 to 200 Lbs. of Aluminum Per Propeller**  
**75 Lbs. in Weight of Complete Assembly**

## Dividend Payments and Net Income Retained in the Business

Dividends paid and net income retained in the business in 1942 compare with 1941 as follows:

	1942	1941
Net income available for dividends.....	\$163,651,588	\$201,652,508
Dividends paid on the \$5 series preferred stock.....	\$ 9,178,220	\$ 9,178,220
Dividends paid on the common stock, \$2.00 per share in 1942 and \$3.75 per share in 1941.....	86,992,295	162,608,296
Total dividends paid to the stockholders.....	<u>\$ 96,170,515</u>	<u>\$171,786,516</u>
Net income retained in the business, \$1.55 per share in 1942 and \$0.69 in 1941 .....	\$ 67,481,073	\$ 29,865,992
Total dividend payments as per cent of net income.....	58.8%	85.2%

In the fifteen years ended December 31, 1942, dividends paid were 82.1% of the net income available for all dividends.

A record of the Corporation's sales, net income and dividends, by years from 1917 through 1942, is shown on page 94.

## Net Working Capital

Net working capital amounted to \$652,326,139 at December 31, 1942, an increase of \$152,303,129 over net working capital of \$500,023,010 at December 31, 1941. This increase in 1942 may be accounted for principally by: (a) earnings of \$67,481,073 retained in the business, representing the excess of net income over dividends paid; (b) the receipt of \$25,000,000 from General Motors Acceptance Corporation in the repurchase of its Two-Year 1% Notes; (c) the excess of \$28,693,254 in depreciation and amortization (including tool amortization) charged income over expenditures for new construction and special tools; and (d) the provision of \$23,986,315 for post-war contingencies and rehabilitation.

Accounts receivable, notes receivable, trade acceptances, etc. at December 31, 1942, amounted to \$502,838,161, an increase of \$319,360,795 over receivables of \$183,477,366 at December 31, 1941, all of which was represented by increased receivables from the United States Government.

Inventories at the end of 1942 amounted to \$466,265,585, an increase of \$133,438,811 over inventories of \$332,826,774 at the end of 1941. While it was not possible to follow the Corporation's usual practice of taking physical inventories at all locations during the year because of the urgency of war production schedules, nevertheless more than 90% of the aggregate value of the inventories at December 31, 1942 is based

upon physical inventories taken at some time during the year. The increase in inventories, as in the case of receivables, was accounted for by the rapidly increasing volume of war material production during 1942. At December 31, 1942, commercial inventories amounted to \$97,042,452. The greater part of these inventories represent service parts which are available to service cars now on the road and finished products held for sale subject to rationing.

Cash and United States Government securities at December 31, 1942 amounted to \$344,746,265, or \$136,565,626 less than the corresponding item of \$481,311,891 at December 31, 1941.

At the end of 1942, a total of \$100,000,000 had been borrowed from banks under the terms of the General Motors \$1,000,000,000 V-Loan Credit Agreement announced in a message to the stockholders on October 31, 1942. The interest rate is 2½% on the amount borrowed and, in addition, the Corporation pays a commitment fee of ⅛ of 1% per annum on the unused portion of the credit. An amount of \$399,235, representing interest and commitment fees, was charged to income for the year 1942.

## Surplus

Earned surplus of \$561,364,160 at December 31, 1942 compares with \$493,883,087 at the end of 1941, an increase of \$67,481,073. This increase represents the excess of net income over dividends paid during the year.

Capital surplus of \$11,082,293 previously reported at December 31, 1941 has been increased to \$11,787,273 in order to include the excess of the stated value over cost of the 39,722 shares of \$5 series no par preferred stock held in treasury. This change is the result of reflecting such shares as a reduction of outstanding stock rather than as an asset.

Capital surplus of \$11,944,259 at December 31, 1942 showed an increase of \$156,986 during the year, which is accounted for by the transfer from the reserve for general contingencies of profit realized in prior years upon the sale or use of common capital stock received in the operations of the employees investment fund plan which was discontinued after 1935.

## Real Estate, Plants, and Equipment

Total gross real estate, plants, and equipment amounted to \$872,924,635 at December 31, 1942, an increase of \$14,731,105 over the

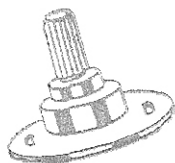
total of \$858,193,530 at December 31, 1941. Reserves for depreciation increased \$53,122,479 during the year, or from \$448,319,074 at December 31, 1941 to \$501,441,553 at December 31, 1942. The net book value of real estate, plants, and equipment, therefore, decreased \$38,391,374 during the year and amounted to \$371,483,082 at December 31, 1942. The reserve for depreciation at December 31, 1942 and 1941 includes amortization of special war facilities which was formerly netted against the asset account.

The plant investment at December 31, 1942 does not include \$428,726,155 of plant and equipment owned by agencies of either the United States, Canadian or British Governments and operated in the United States and Canada by the Corporation in the production of war materials.

There are included in the above figures for real estate, plants, and equipment at December 31, 1942, special tools, dies, etc., with an unamortized value of \$29,409,597 as compared with \$29,695,487 at December 31, 1941. Of the total at December 31, 1942, \$13,272,207 represents tools, dies, etc. applicable to war production. The balance of \$16,137,390 represents the value of tools applicable to commercial production which remained unamortized after the cessation of civilian production early in 1942. They are being held available for use upon resumption of civilian production after the war. At this time it appears that, when passenger car production is resumed, the tools being held available for use in the production of cars after the war will be used, and it is assumed that a sufficient number of cars will be produced to absorb in costs the unamortized value in the tools. Accordingly, these

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### MORE PRODUCTION—LESS MATERIAL



Formerly machined from chromium nickel bar stock weighing 8.45 lbs., a basic generator part is now machined at Rochester Products Division in two separate pieces from a total of 2.76 lbs. of metal, then copper-brazed into one unit.

**Saving, 67% in Material and Much Valuable Time**

special tools are being stored and will be available for use upon resumption of car production.

Excluding special tools, dies, etc., the increase in gross plant account amounted to \$15,016,995. After making allowance for the increase of \$53,122,479 in depreciation reserves, the net plant account decreased \$38,105,484. The increase in gross plant account may be accounted for by the following items: (a) gross plant expenditures for additions and improvements, applicable almost entirely to the production of war materials, amounted to \$30,743,176; (b) a gross amount of \$4,269,318 of idle plant was reinstated as active plant while, conversely, \$1,084,174 was transferred from active to idle plant, so that there was a net increase of \$3,185,144 in the gross plant on this account with a corresponding credit to depreciation reserve; and (c) property disposed of and other adjustments reduced gross plant account by \$18,911,325.

There has been no change during 1942 in the Corporation's policy with respect to the provision for depreciation or in the depreciation rates except that, in certain instances, increased rates have been applied to machinery and equipment utilized in the production of war materials under contract with the United States and foreign governments, and reduced rates have been applied to machinery and equipment held available but not in use for war work. The overall effect of these changes in depreciation rates on the 1942 provision for depreciation and amortization was negligible in amount. The amount of depreciation and amortization charged against net income in 1942 was \$59,162,640, including \$12,941,109 for accelerated amortization of war facilities at the rate permitted for tax purposes. In the year 1941, depreciation and amortization in the amount of \$53,161,347, including \$6,079,144 for accelerated amortization of war facilities, was charged against net income.

The policy governing transfers between active and idle plant was described in the annual report for the year 1932 and continues to apply to properties in the United States. Depreciation is not provided currently on this type of surplus and idle property. At December 31, 1942, the gross value of surplus and idle plant in the United States and Canada was \$6,008,384 and was carried on the Corporation's books at a net salvage value of \$1,916,350. Since the difference between the gross value and the salvage value of idle property is charged to reserves for depre-

ciation, the net book value of real estate, plants, and equipment is not affected by transfers on this account.

## **Investments Outside the United States**

In 1942, the Corporation wrote off its investments in enemy and enemy-controlled territories against reserves previously provided. These investments consisted mainly of the Corporation's equity in subsidiaries located in Germany and Japan, and in France, Belgium, Denmark, Java and other territories seized by the enemy. The investments written off amounted to \$46,913,679, of which \$34,890,024 represented the investment in Adam Opel A.G., the Corporation's former manufacturing subsidiary in Germany. This write-off was made against reserves of \$24,941,015 previously provided and allocable to foreign subsidiaries, together with \$21,972,664 charged against the \$25,000,000 reserve provided in 1939 and 1940 in view of disturbed conditions abroad.

After giving effect to the above write-offs, the net investment of General Motors Corporation and its consolidated subsidiaries outside of the United States at December 31, 1942 amounted to \$37,962,211, after deducting allocable reserves of \$12,909,530 which have been set up to provide against further losses that may arise in any locality in which foreign investments are located. At December 31, 1941, the net investment outside of the United States was \$71,117,717 after deducting allocable reserves of \$25,427,545. The write-off of foreign investments is largely responsible for the decrease in the Corporation's net investment outside the United States during the year. Amounts included in reserves are considered adequate to take care of any further losses in foreign investments which may arise.

The net investment outside of the United States includes 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. The latter includes in 1942, as in past years, the Corporation's manufacturing subsidiary in England—Vauxhall Motors Limited—which is 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 profits deferred because of exchange restrictions. On account of the war, there have been



excluded from consolidation in 1942 subsidiaries located in Sweden and Switzerland.

The Corporation's net investment outside the United States at December 31, 1942 was 3.2% of its total capital stock and surplus of \$1,191,872,819.

Earnings from sources outside of the United States which have been included in consolidated net income in 1942 constituted approximately 5.2% of net income available for dividends. 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 consolidated net income. Reference has been made on page 72 to the amount of net income excluded in 1942 because of exchange restrictions. 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 on this account. 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 INVESTMENTS OUTSIDE THE UNITED STATES

	December 31, 1942	December 31, 1941
Assets of consolidated foreign subsidiaries:		
Current assets.....	\$ 77,713,166	\$ 80,561,683
Fixed assets (after deducting reserves for depreciation)....	25,496,624	25,127,409
Total assets.....	<u>\$103,209,790</u>	<u>\$105,689,092</u>
Less current and other liabilities.....	70,460,991	63,373,858
Net investment in subsidiaries included in consolidation.	<u>\$ 32,748,799</u>	<u>\$ 42,315,234</u>
Investments in subsidiary companies not consolidated:		
Adam Opel A.G.....	—	34,890,024
Vauxhall Motors Limited.....	16,516,545	19,081,745
Other.....	1,606,397	258,259
Total investments outside of the United States before deducting allocable reserves.....	<u>\$ 50,871,741</u>	<u>\$ 96,545,262</u>
Less allocable reserves provided against contingent losses....	12,909,530	25,427,545
Net investment outside of the United States.....	<u>\$ 37,962,211</u>	<u>\$ 71,117,717</u>



*Fisher Body, Chevrolet and Buick combine to produce this 90 mm. rapid-fire anti-aircraft gun using modern mass production methods. Cartridge cases for guns of this type are made by Guide Lamp Division and high explosive shells by Oldsmobile.*



*General Motors assists the Army in scheduling and supplying the right replacement parts when and where needed for GM-built equipment. Here Army mechanics recondition Chevrolet trucks at a field maintenance depot.*

GEOGRAPHIC LOCATION OF GENERAL MOTORS INVESTMENTS  
OUTSIDE THE UNITED STATES—DECEMBER 31, 1942

	Canada, Mexico and So. America	England and British Possessions	All Other	Total
Assets of consolidated foreign subsidiaries:				
Current assets.....	\$55,958,690	\$21,012,725	\$ 741,751	\$ 77,713,166
Fixed assets (after deducting reserves for depreciation)	17,934,279	7,531,828	30,517	25,496,624
Total assets.....	<u>\$73,892,969</u>	<u>\$28,544,553</u>	<u>\$ 772,268</u>	<u>\$103,209,790</u>
Less: Current liabilities.....	43,636,528	17,924,073	1,644,233	63,204,834
Other liabilities.....	<u>2,451,407</u>	<u>4,694,513</u>	<u>110,237</u>	<u>7,256,157</u>
Net investment in subsidiaries included in consolidation.....	\$27,805,034	\$ 5,925,967	\$ 982,202	\$ 32,748,799
Investments in subsidiary companies not consolidated:				
Vauxhall Motors Limited...	—	16,516,545	—	16,516,545
Other.....	<u>311,259</u>	—	<u>1,295,138</u>	<u>1,606,397</u>
Total investments outside the United States before deducting allocable reserves....	<u>\$28,116,293</u>	<u>\$22,442,512</u>	<u>\$ 312,936</u>	<u>\$ 50,871,741</u>
Less allocable reserves provided against contingent losses.....				<u>12,909,530</u>
Net investment outside of the United States				<u>\$ 37,962,211</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 \$12,689,325. 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 \$526,322. Foreign net assets of General Motors Acceptance Corporation in the amount of \$750,154 were\*written off in 1942 against reserves provided out of income by this subsidiary in prior years.

### Investments and Miscellaneous Assets

The Corporation's investments in subsidiary companies not consolidated, other investments and miscellaneous assets are listed on page 91 of this report. The aggregate of all such items totaled \$214,261,518 at December 31, 1942, compared with \$267,883,156 at December 31, 1941.

The Corporation's investments in subsidiary companies not consolidated amounted to \$157,013,695 at December 31, 1942, which compares with \$215,913,878 at December 31, 1941. 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. The Corporation's equity in earnings (net) of subsidiaries not consolidated amounted to \$21,529,818 in 1942 and \$22,866,496 in 1941, of which \$17,818,324 in 1942 and \$19,955,337 in 1941 was received by the Corporation as dividends and interest and the balance was retained in the business by the subsidiary companies.

Other investments in partially owned companies amounted to \$46,260,452 at December 31, 1942, which compares with \$43,246,453 at December 31, 1941. Total income from these investments in 1942 amounted to \$7,028,818, representing dividends and interest received, which compares with \$14,239,774 received in 1941.

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 for 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 have been excluded from the Corporation's income in accordance with the policy just enunciated, amounted to \$4,705,304 for the year 1942, and to \$14,239,701 for the years 1936 through 1942.

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 \$87,878,373 at December 31, 1942 as compared with \$112,007,772 at December 31, 1941. The decrease in the investment is accounted for by the repurchase by General Motors Acceptance Corporation of \$25,000,000 Two-Year 1% Notes due June 1, 1943, held by the Corporation, less 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 \$13,030,470 at December 31, 1942 and compares with an investment of \$12,010,356 at December 31, 1941. The increase in 1942 is due to the excess of the net income of General Exchange Insurance Corporation over dividends paid to General Motors Corporation.

## Yellow Truck & Coach Manufacturing Company

The Corporation's investment of \$33,135,976 in Yellow Truck & Coach Manufacturing Company at December 31, 1942 compares with an investment of \$30,999,416 at December 31, 1941. 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.

An offer was made early in 1943 by General Motors Corporation to acquire all the assets of Yellow Truck & Coach Manufacturing Company. The offer proposes that the assets of Yellow Truck & Coach Manufacturing Company shall be acquired in exchange for common stock of General Motors Corporation, which in turn will be distributed by Yellow Truck & Coach Manufacturing Company to its stockholders in exchange for their stock in that company. Under the terms of the offer, a holder of one share of 7% cumulative preferred stock of Yellow Truck & Coach Manufacturing Company will be entitled to receive 2.7 shares of the common stock of General Motors Corporation and a holder of three shares of the Class B or common stock of Yellow Truck & Coach Manufacturing Company will be entitled to receive one share of common stock of General Motors Corporation. Certain terms and



### SAVING TIME, TOOLS, MATERIAL

Formerly made from 4 inch seamless, stainless tubing weighing 23½ lbs., one machine gun part made by AC Spark Plug Division is now machined from a 6½ lb. casting of "Arma-Steel," a GM development. Result:

Man Hours Saved—45%

Scrap Reduced—70%

Number of cutting tools reduced substantially

conditions relating to the details of the contemplated transaction, compliance with regulations, and approval by the stockholders of Yellow Truck & Coach Manufacturing Company are incorporated in the offer.

#### **Vauxhall Motors Limited**

The investment of the Corporation in Vauxhall Motors Limited amounted to \$16,516,545 at the end of 1942, a decrease of \$2,565,200 from the investment at December 31, 1941. The Corporation's equity in unremitted earnings of Vauxhall Motors Limited has not been included in the Corporation's accounts since December 31, 1939. In 1942, the Corporation did, however, receive remittances from Vauxhall which were applied as a reduction to the investment.

#### **Adam Opel A.G.**

The Corporation's investment in Adam Opel A.G., a former manufacturing subsidiary in Germany, amounting to \$34,890,024, was written off during the year against reserves previously provided. For further detail see page 77.

#### **Automobile Dealerships**

The Corporation's investment in automobile dealerships held by the Motors Holding Division amounted to \$4,596,334 at December 31, 1942, a decrease of \$1,810,372 from the investment of \$6,406,706 at December 31, 1941, due principally to the liquidation or sale of dealerships during the year.

#### **Ethyl Corporation**

The investment in Ethyl Corporation (formerly Ethyl Gasoline Corporation) amounted to \$18,549,233 at December 31, 1942, an increase of \$2,134,400 over the investment of \$16,414,833 at December 31, 1941. This increase in the investment during 1942 represents the purchase of additional preferred stock. The funds derived from the sale of the stock were used by Ethyl Corporation for the expansion of its manufacturing facilities.

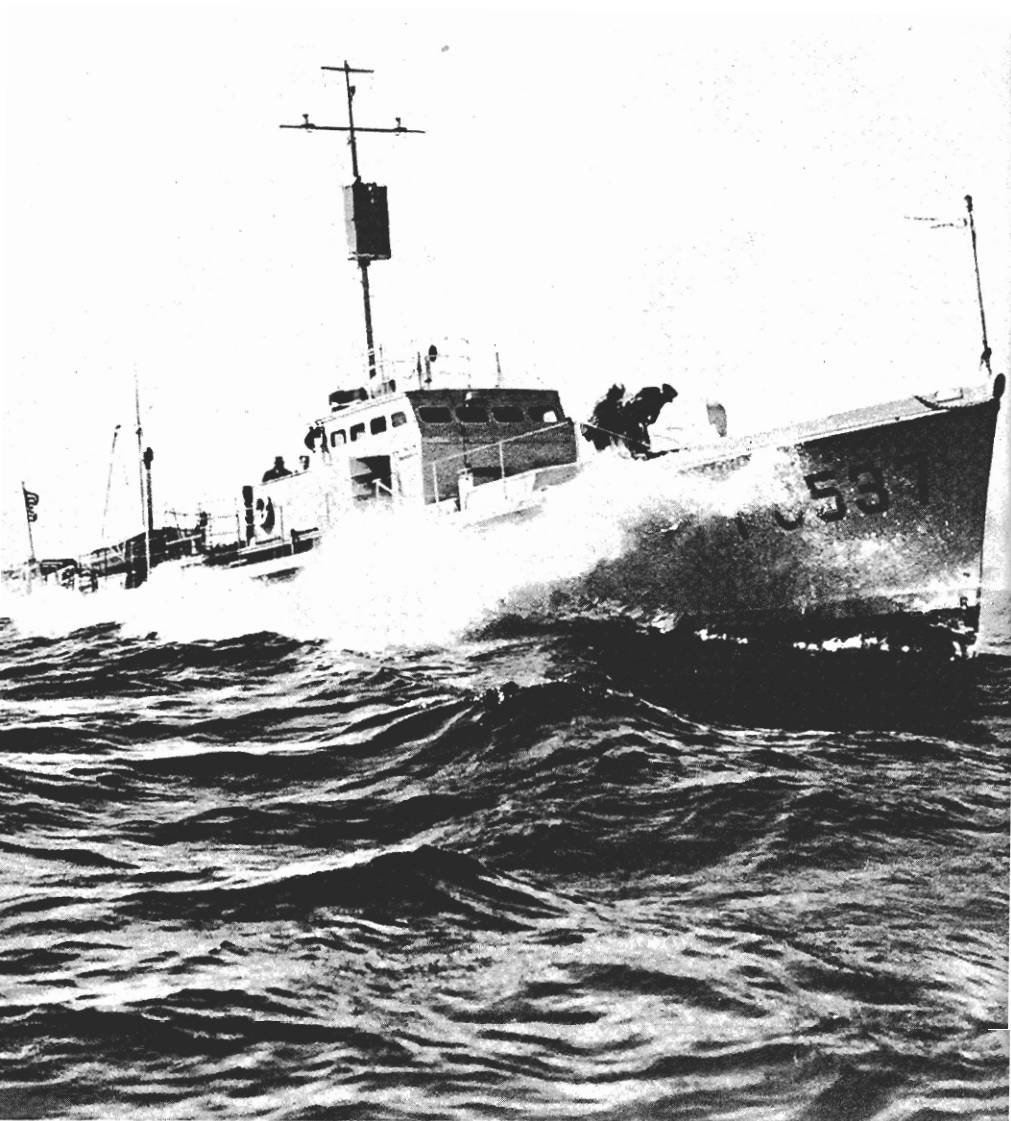
#### **Treasury Stock**

At December 31, 1942, General Motors Corporation held in its treasury stock account 41,171 shares of common stock, carried at \$1,678,625.



*Many thousands of women are employed in war production in the various divisions of General Motors. Here trainees are learning techniques in airplane construction at Eastern Aircraft Division.*





*"Pancake" Diesel engines built by Electro-Motive Division power many U. S. Navy sub chasers.*

During the year, 39,722 shares of preferred stock held in the treasury, and formerly carried as an asset at their cost of \$3,267,219, or \$82.25 per share, were applied as a net reduction in the capital stock and surplus account. December 31, 1941 figures have been adjusted accordingly.

The common stock held in the treasury showed a net decrease during the year 1942 of 170,569 shares. This decrease may be accounted for by the use of 243,914 shares for the bonus awards made for the year 1941, partly offset by purchases during the year of 72,200 shares of which 34,913 were used for 1941 bonus awards and the balance is to be used for 1942 bonus awards.

Stock required for distribution of bonus awards in respect to 1942 has been provided by setting aside for this purpose 39,084 shares of common stock held in the treasury at December 31, 1942, and by the purchase of 122,516 shares early in 1943.

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

The Corporation's goodwill and patent account as of December 31, 1942, amounted to \$50,236,551 and shows a decrease of \$86,135 from the balance at December 31, 1941, because of the write-off, against reserves previously provided, of the goodwill applicable to certain foreign and liquidated subsidiaries. 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, operating in many countries in the world.

## GENERAL MOTORS—TODAY AND TOMORROW

The objectives that have guided the management of the Corporation for over twenty-five years have brought a continuous advance in technical standards, a deeper penetration of markets served, an expansion in manufactured products, a general strengthening in economic position, and at the same time, it is believed, reasonable returns to stockholders and distinct advantages to the community and to the nation.

All efforts and all resources of General Motors are now being devoted to the prime objective of winning the war. Modern warfare is highly mechanized. The quantity and quality of weapons play an important role in the struggle toward victory. When that day arrives American industry will have played an important part through supplying an ever-increasing volume of weapons to back up the men on the fighting fronts. Contributing to that victory will be the efforts of the more than 300,000 employes of General Motors who will have helped produce those weapons, not to mention the sacrifices of more than 50,000 former General Motors employes who have joined the armed forces.

But the winning of the war does not necessarily mean victory. Winning the war is not the end objective. It is merely a means to the end. Victory embraces a solution to the great problems of post-war organization and reconstruction. What is to be the position of American industry in the future scheme of things? Will it be encouraged as a matter of public policy? Will it be recognized that only through the creators of enterprise and production will it be possible to provide more things for more people in more places?

All too frequently over the years, artificial restrictions and politically inspired attacks have operated to retard business expansion. There has resulted in certain quarters a loss of confidence in the future of enterprise itself. Perhaps the record of American industry in the war may bring about a wider recognition of all that industry can offer in promoting the pursuits of peace desired by all. Perhaps it will help to

bring a better understanding of the contributions to the economy that must inevitably come through the creation rather than the restriction of individual initiative.

The year 1942 was one of dramatic change. This fact stands out in the background on every page of this review. The General Motors organization has never put forth a greater effort than in 1942. All have done the parts assigned. While the contribution of any one individual is necessarily a small part of such a large total, each part must be intelligently and aggressively done. Only through the integration of these many small contributions into the larger pattern is the maximum contribution possible.

IN CONCLUSION and on behalf of the Board of Directors and for ourselves as well, we now express and record our appreciation of the efforts of the organization in the extraordinary circumstances existing during the year under review.

By order of the Board of Directors,

CHARLES E. WILSON,  
*President*

ALFRED P. SLOAN, JR.,  
*Chairman*

March 25, 1943.

**GENERAL MOTORS CORPORATION  
AND CONSOLIDATED SUBSIDIARIES  
SUMMARY OF CONSOLIDATED INCOME**

FOR THE YEARS ENDED DECEMBER 31, 1942 AND 1941

	Year 1942	Year 1941
<b>Net Sales</b> .....	\$2,250,548,858.53	\$2,436,800,977.49
General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated (dividends and interest received amounted to \$17,818,323.65 in 1942 and \$19,955,336.65 in 1941).....	21,529,817.88	22,866,496.22
Other income (including dividends received of \$7,003,448.77 in 1942 and \$14,011,659.63 in 1941) less sundry income deductions.....	10,440,516.09	17,212,368.08
Total.....	<u>\$2,282,519,192.50</u>	<u>\$2,476,879,841.79</u>
<b>Less:</b>		
Cost of sales (excluding provision for depreciation).....	\$1,832,215,524.96	\$1,803,608,246.99
Selling, general, and administrative expense.....	56,196,884.53	101,480,273.85
Provision for:		
Depreciation and amortization of real estate, plants, and equipment.....	59,162,639.91	53,161,346.73
Post-war contingencies and rehabilitation.....	23,986,315.06	16,598,644.22
Refund in connection with the renegotiation of war material contracts under an agreement with the United States Government.....	48,661,545.11	—
Employes bonus (see Note A).....	5,273,650.30	12,386,479.33
United States and foreign income and excess profits taxes—includes provision for United States excess profits taxes of \$30,373,494.30 (after deducting post-war credit of \$3,374,832.70) in 1942 and \$171,931,085.50 in 1941.....	124,500,520.15	287,992,342.67
Total.....	<u>\$2,149,997,080.02</u>	<u>\$2,275,227,333.79</u>
<b>Net Income before Special Income Credits</b> .....	<u>\$ 132,522,112.48</u>	<u>\$ 201,652,508.00</u>
<b>Add Income Items of a Special Nature:</b>		
Reduction in United States income and excess profits taxes charged to income in 1941 resulting from write-off in 1942 of investments in enemy and enemy-controlled territories (see Note B).....	\$ 28,906,475.25	\$ —
Recovery in settlement of stockholders' action (see Note C):		
Gross amount recovered.....	\$4,500,000.00	
Less fees awarded by Court to plaintiffs' attorneys and accountants (\$795,000.00) and United States income taxes applicable to recovery (\$1,482,000.00).....	2,277,000.00	
Total Income Items of a Special Nature..	<u>\$ 31,129,475.25</u>	<u>\$ —</u>
<b>Net Income for the Year</b> .....	<u>\$ 163,651,587.73</u>	<u>\$ 201,652,508.00</u>
Dividends on preferred capital stock—\$5 series.....	9,178,220.00	9,178,220.00
<b>Amount Earned on Common Capital Stock</b> .....	<u>\$ 154,473,367.73</u>	<u>\$ 192,474,288.00</u>
Average number of shares of common capital stock outstanding during the year.....	43,498,457	43,366,660
<b>Amount Earned Per Share of Common Capital Stock</b> ..	<u>\$3.55</u>	<u>\$4.44</u>
In 1942, the amount earned per share of common capital stock before adding income items of a special nature amounted to.....	<u>\$2.84</u>	

The notes on page 90 form a part of this statement.

**GENERAL MOTORS CORPORATION**  
**AND CONSOLIDATED SUBSIDIARIES**  
**SUMMARY OF CONSOLIDATED SURPLUS**  
 FOR THE YEARS ENDED DECEMBER 31, 1942 AND 1941

	Year 1942	Year 1941
<b>EARNED SURPLUS</b>		
<b>Earned Surplus</b> at beginning of year.....	\$493,883,087.23	\$471,021,152.95
Transfer to Capital Surplus of excess of award value over cost of treasury stock distributable as bonus for the year 1940.....	—	7,004,057.47
Remainder.....	\$493,883,087.23	\$464,017,095.48
Net Income for the Year per Summary of Consolidated Income.....	163,651,587.73	201,652,508.00
<b>Earned Surplus</b> before dividends.....	<u>\$657,534,674.96</u>	<u>\$665,669,603.48</u>
<b>Less</b> cash dividends:		
Preferred capital stock—\$5 series.....	\$ 9,178,220.00	\$ 9,178,220.00
Common capital stock:		
Mar. 12 (\$0.50 per share in 1942).....	\$ 21,749,479.99	\$ 32,532,335.89
June 12 (\$0.50 per share in 1942).....	21,748,738.49	43,376,430.50
Sept. 12 (\$0.50 per share in 1942).....	21,749,236.49	43,376,435.75
Dec. 12 (\$0.50 per share in 1942).....	21,744,840.13	43,323,094.11
Total.....	<u>\$ 86,992,295.10</u>	<u>\$162,608,296.25</u>
Total cash dividends.....	<u>\$ 96,170,515.10</u>	<u>\$171,786,516.25</u>
<b>Earned Surplus</b> at end of year.....	<u>\$561,364,159.86</u>	<u>\$493,883,087.23</u>

	Year 1942	Year 1941
<b>CAPITAL SURPLUS</b>		
<b>Capital Surplus</b> at beginning of year.....	\$ 11,787,272.91	\$ —
Excess of award value over cost of treasury stock distributable as bonus:		
Amount attributable to 1940 bonus.....	—	7,004,057.47
Amount attributable to 1941 bonus.....	585.59	4,078,234.82
Amount attributable to 1942 bonus.....	27,425.27	—
Adjustments arising from forfeitures of prior years' bonus awards reverting to the Corporation...	\$3,820.57	—
Excess of stated value over cost of \$5 series no par preferred stock held in treasury.....	—	704,980.62
Transfer from reserve for general contingencies of profit realized in prior years upon the sale or use of common capital stock received as a result of the operation of the employees investment fund.....	162,795.79	—
<b>Capital Surplus</b> at end of year.....	<u>\$ 11,944,258.99</u>	<u>\$ 11,787,272.91*</u>

\* Capital Surplus of \$11,082,292.29 previously reported at December 31, 1941 has been adjusted by \$704,980.62 excess of stated value over cost of \$5 series no par preferred stock held in treasury, as a result of reflecting such stock as a reduction of outstanding stock rather than as an asset as reported at December 31, 1941.

NOTE: Earned Surplus includes \$32,237,742.46 at December 31, 1942 and \$28,597,778.03 at December 31, 1941 for net earned surplus of subsidiaries not consolidated; also \$1,679,466.70 at December 31, 1942 and 1941 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 1942 AND 1941

**ASSETS**

<b>Current Assets:</b>	Dec. 31, 1942	Dec. 31, 1941
Cash.....	\$ 287,282,344.81	\$ 196,230,729.66
United States Government securities at cost:		
Short term.....	—	19,997,161.53
Tax notes.....	57,463,920.00	265,084,000.00
Accounts receivable—United States Government	391,344,591.27	71,089,940.07
Other accounts receivable, notes receivable, trade acceptances, etc. (less reserve for doubtful receivables: 1942, \$1,235,888.04; 1941, \$1,627,465.73).....	111,493,569.51	112,387,425.81
Inventories—at cost or less, not in excess of market (excludes inventories held for account of others under cost-plus-a-fixed-fee contracts: 1942, \$54,772,044.80; 1941, \$7,029,526.47).....	466,265,584.86	332,826,773.77
<b>Total Current Assets.....</b>	<b>\$1,313,850,010.45</b>	<b>\$ 997,616,030.84</b>
<b>Investments and Miscellaneous Assets:</b> (Schedule 1)		
Investments in subsidiary companies not consolidated.....	\$ 157,013,694.56	\$ 215,913,878.18
Other investments.....	46,260,452.10	43,246,452.50
Miscellaneous assets.....	10,987,370.62	8,722,825.41
<b>Total Investments and Miscellaneous Assets... </b>	<b>\$ 214,261,517.28</b>	<b>\$ 267,883,156.09</b>
<b>Common Capital Stock in Treasury:</b>		
Held for bonus purposes (1942, 41,171 shares; 1941, 211,740 shares).....	\$ 1,678,625.46	\$ 4,486,510.02
<b>Real Estate, Plants, and Equipment.....</b>	<b>\$ 872,924,635.33</b>	<b>\$ 858,193,530.16</b>
Less reserve for depreciation (including amortization of special war facilities).....	501,441,552.87	448,319,073.97
<b>Net Real Estate, Plants, and Equipment.....</b>	<b>\$ 371,483,082.46</b>	<b>\$ 409,874,456.19</b>
<b>Prepaid Expenses and Deferred Charges.....</b>	<b>\$ 28,261,329.73</b>	<b>\$ 13,800,132.28</b>
<b>Goodwill, Patents, Etc.....</b>	<b>\$ 50,236,551.42</b>	<b>\$ 50,322,686.38</b>
<b>TOTAL ASSETS.....</b>	<b>\$1,979,771,116.80</b>	<b>\$1,743,982,971.80</b>

**LIABILITIES, RESERVES, AND CAPITAL**

<b>Current Liabilities:</b>	Dec. 31, 1942	Dec. 31, 1941
Accounts payable.....	\$ 146,613,940.34	\$ 86,293,937.83
Notes payable to banks, under Federal Reserve Regulation V.....	100,000,000.00	—
Due to foreign banks.....	2,423,005.16	17,980,865.05
Taxes, payrolls, warranties, and sundry accrued items.....	87,499,021.45	82,136,175.08
Due to contracting agencies of United States Government, for price reductions required under contracts providing for retroactive price redeterminations.....	104,152,102.71	—
Due to United States Government, under an overall renegotiation agreement with the Government.....	48,661,545.11	—
Deposits on government contracts.....	27,839,152.63	18,217,467.62
United States and foreign income and excess profits taxes.....	136,049,869.41	290,491,677.43
Employes bonus (see notes).....	5,990,680.10	178,342.49
Dividends payable on preferred capital stock...	2,294,555.00	2,294,555.00
<b>Total Current Liabilities.....</b>	<b>\$ 661,523,871.91</b>	<b>\$ 497,593,020.50</b>
<b>Other Liabilities:</b>		
Employes bonus (based upon cost of treasury stock distributable as bonus).....	\$ 1,639,189.05	\$ 5,587,148.64
Taxes, warranties, and miscellaneous.....	39,969,075.39	18,414,160.80
<b>Total Other Liabilities.....</b>	<b>\$ 41,608,264.44</b>	<b>\$ 24,001,309.44</b>
<b>Reserves:</b>		
Employe benefit plans.....	\$ 6,386,933.43	\$ 6,352,514.43
Employes bonus (undistributed portion of 1941 fund).....	—	2,477,295.87
Deferred income.....	6,339,014.66	5,875,551.58
Post-war contingencies and rehabilitation.....	40,584,959.28	16,598,644.22
Contingencies and miscellaneous:		
Allocable to foreign subsidiaries.....	12,909,530.11	25,427,545.13
General.....	16,657,110.92	39,533,717.29
<b>Total Reserves.....</b>	<b>\$ 82,877,548.40</b>	<b>\$ 96,265,268.52</b>
<b>Minority Interest in Preference Stock of Subsidiary Company.....</b>	<b>\$ 1,888,613.20</b>	<b>\$ 1,888,613.20</b>
<b>Capital Stock and Surplus:</b>		
Capital stock:		
Preferred, no par value, stated value \$100 per share (authorized, 6,000,000 shares; issued, 1,875,366 shares of \$5 series; less in treasury, 39,722 shares; outstanding, 1,835,644 shares).....	\$ 183,564,400.00	\$ 183,564,400.00
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>\$ 618,564,400.00</b>	<b>\$ 618,564,400.00</b>
Capital surplus.....	11,944,258.99	11,787,272.91
Earned surplus.....	561,364,159.86	493,883,087.23
<b>Total Capital Stock and Surplus.....</b>	<b>\$1,191,872,818.85</b>	<b>\$1,124,234,760.14</b>
<b>TOTAL LIABILITIES, RESERVES, AND CAPITAL.....</b>	<b>\$1,979,771,116.80</b>	<b>\$1,743,982,971.80</b>

The notes on page 90 form a part of this statement.

## Notes to Summary of Consolidated Income

### NOTE A:

There has been charged against the 1942 bonus fund \$93,651.75, representing the amount of 1940 and 1941 bonus awards payable in foreign currencies applicable to net income of foreign subsidiaries in those years which had not been remitted at December 31, 1941. All bonus awards for the year 1942 to employees of foreign subsidiaries are being charged against the 1942 bonus fund.

There has been credited to other income the amount of \$76,699.82, representing the unearned portion of prior years' bonus awards forfeited in 1941 and 1942 by employees leaving the service of the Corporation.

### NOTE B:

Upon passage of the Revenue Act of 1942, the Corporation amended its United States income and excess profits tax returns for the year 1941 to claim as a deduction in that year, as permitted in the Act, its investments in enemy and enemy-controlled territories. This resulted in a reduction of \$28,906,475.25 in the liability for 1941 income and excess profits taxes. The Corporation will also deduct additional losses which occurred in 1942 in its tax returns for that year, resulting in a reduction of \$370,281.50 in the current year's provision for taxes. The aforementioned foreign investments aggregated \$46,913,679.21 and were written off in 1942 against reserves provided out of income in prior years, including \$21,972,663.87 of the \$25,000,000.00 special contingency reserve provided in 1939 and 1940 in view of disturbed conditions abroad.

### NOTE C:

As a result of a stockholders' action brought against certain officers and directors relative to the administration of the Corporation's bonus plan (see page 46), there was recovered by the Corporation a gross amount of \$4,500,000.00. The amount of \$2,223,000.00 represents the net recovery by the Corporation, after deducting fees and allowances to attorneys and accountants representing minority stockholders as directed by the Court and after an allowance of 40% for United States income taxes which is applicable because the recovery is considered to be abnormal income under the tax law.

### 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. For the year 1942 remittances of profits deferred in prior years were \$423,598.87 in excess of current year profits deferred, which excess has been included in net income for the year 1942. For further information regarding income from foreign sources, see page 72.

Reference should be made to the note on contingent liabilities in the notes to balance sheet on this page.

## Notes to Condensed Consolidated Balance Sheet

### CASH:

Cash of \$5,825,385.91 held by the Corporation at December 31, 1942 for employees' war savings bond purchases and the contra liability are not included in the balance sheet.

### ACCOUNTS RECEIVABLE:

Other accounts receivable, notes receivable, trade acceptances, etc. include \$15,913,361.42 at December 31, 1942 and \$22,679,908.09 at December 31, 1941 of current receivables from subsidiary companies not consolidated; and \$49,638.70 at December 31, 1942 and \$124,014.42 at December 31, 1941 of receivables from officers and employees.

### INVENTORIES:

While it was not possible to follow the Corporation's usual practice of taking physical inventories at all locations during the year because of the urgency of war production schedules, nevertheless more than 90% of the aggregate value of the inventories at December 31, 1942 is based upon physical inventories taken at some time during the year.

### EMPLOYEES BONUS LIABILITY:

There is included in current liabilities the amount of employees bonus which is to be paid in cash to employees of certain foreign subsidiaries, together with that portion of the 1942 bonus fund which is to be applied to the purchase of the Corporation's common capital stock after the close of the year. There is included in other liabilities that part of the employees bonus fund which was invested in such stock at the close of 1942.

### 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 \$8,000,000. 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.

The Corporation has entered into a renegotiation agreement with the United States Government (which will be administered by the War Department Price Adjustment Board) which limits the Corporation's aggregate profit on the sale of war materials for the year 1942. It also has certain war material contracts which contain price redetermination provisions and some contracts which provide for reimbursement of cost and expense after Government audit. In the opinion of management, adequate effect has been given in the accounts to the requirements of such agreement and contracts, and such further adjustments as may be required in connection with final settlements will be relatively inconsequential.

### GENERAL NOTES:

For purposes of comparison, certain items in the condensed consolidated balance sheet at December 31, 1941, as previously published, have been reclassified herein.

For information regarding the Corporation's foreign investments, see page 77.



**GENERAL MOTORS CORPORATION**  
**AND CONSOLIDATED SUBSIDIARIES**  
**INVESTMENTS AND MISCELLANEOUS ASSETS**  
 DECEMBER 31, 1942 AND 1941

	Dec. 31, 1942	Dec. 31, 1941
<b>Investments in Subsidiary Companies Not Consolidated:</b>		
Wholly owned companies carried at net worth as shown by the books of the companies:		
General Motors Acceptance Corporation.....	\$ 87,878,372.73	\$ 112,007,771.57
General Exchange Insurance Corporation.....	13,030,470.49	12,010,356.10
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).....	33,135,975.61	30,999,416.38
Vauxhall Motors Limited (see note).....	16,516,544.75	19,081,745.13
Adam Opel A. G. (see note).....	—	34,890,024.38
Automobile dealerships held by Motors Holding Division.....	4,596,333.64	6,406,705.78
Other.....	1,855,997.34	517,858.84
<b>Total Investments in Subsidiary Companies Not Consolidated.....</b>	<b>\$ 157,013,694.56</b>	<b>\$ 215,913,878.18</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 Corporation.....	\$ 18,549,232.87	\$ 16,414,832.87
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	6,375,000.00
GM Shares, Inc. common stock.....	394,407.91	394,407.91
Other.....	3,505,561.34	2,625,961.74
<b>Total Other Investments.....</b>	<b>\$ 46,260,452.10</b>	<b>\$ 43,246,452.50</b>
<b>Miscellaneous Assets:</b>		
Properties, land contracts and mortgages held by housing divisions (less reserves: 1942, \$3,028,468.29; 1941, \$2,861,426.37).....	\$ 3,566,690.39	\$ 5,165,545.89
Cash and securities in excess of operating needs subject to exchange restrictions in foreign countries (less reserves: 1942, \$895,944.79; 1941, \$2,359,498.36)....	3,070,891.21	1,545,254.34
Balances in closed banks (less reserves: 1942, \$362,408.23; 1941, \$509,455.79).....		209,810.40
Post-war refund of United States excess profits taxes.	3,374,832.70	—
Other.....	974,956.32	1,802,214.78
<b>Total Miscellaneous Assets.....</b>	<b>\$ 10,987,370.62</b>	<b>\$ 8,722,825.41</b>
<b>TOTAL INVESTMENTS AND MISCELLANEOUS ASSETS.....</b>	<b>\$ 214,261,517.28</b>	<b>\$ 267,883,156.09</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.

Investments in foreign subsidiaries, including Adam Opel A. G., which are located in enemy and enemy-controlled territories were written off during the year. See page 77.

# HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET  
NEW YORK

March 17, 1943.

## GENERAL MOTORS CORPORATION:

We have examined the Condensed Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1942 and 1941, 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; it was not practicable to confirm receivables from the United States Government and our examination of the inventories did not include physical tests of the quantities at certain locations where the production schedules for war materials did not permit the taking of physical inventories, as to both of which matters we satisfied ourselves by means of other auditing procedures.

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, 1942 and 1941, and the results of their operations for the years ended those dates, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year.

HASKINS & SELLS

**GENERAL MOTORS ACCEPTANCE CORPORATION**  
**AND CONSOLIDATED SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**DECEMBER 31, 1942**

**ASSETS**

<b>Current Assets:</b>	
Cash (Note A).....	\$ 25,021,659.95
Notes and Bills Receivable (including instalments of \$3,272,022 maturing in 1944 and \$1,259,991 thereafter) (Notes A and B) ..	\$227,200,361.02
<b>Deductions:</b>	
Unearned Income.....	\$ 4,090,221.26
Reserve for Losses on Notes and Bills Receivable.....	2,751,538.95
Total Deductions.....	\$ 6,841,760.21
Notes and Bills Receivable, Less Deductions.....	220,358,600.81
Accounts Receivable (including affiliated companies, \$109,131.74).....	2,919,780.69
Total Current Assets.....	<u>\$248,300,041.45</u>
<b>Investments:</b>	
Wholly Owned Subsidiaries not Consolidated (carried at net worth as shown by the books of the subsidiaries):	
Motors Insurance Corporation.....	\$ 4,906,084.18
General Exchange Corporation.....	9,141.21
Other.....	1,000.00
Company Automobiles, Less Depreciation.....	709,573.10
Deposits to Redeem Securities (see contra).....	78,282.14
Deferred Charges.....	188,572.57
Total.....	<u>\$254,192,694.65</u>

**LIABILITIES, CAPITAL STOCK AND SURPLUS**

<b>Current Liabilities:</b>	
Notes and Loans Payable:	
United States.....	\$ 73,818,000.00
Canada.....	4,573,873.87
Other Countries (Note A).....	1,636,949.76
Accounts Payable:	
Due General Motors Corporation and Other Affiliated Companies (for wholesale paper purchased, insurance premiums, etc.).....	\$ 3,039,555.54
Due Motors Insurance Corporation (for insurance premiums).....	186,485.05
Other.....	1,867,572.26
Accrued Liabilities:	
Interest.....	\$ 189,999.98
Federal and Other Taxes.....	5,416,884.06
Dealers' Repossession Loss Reserves.....	12,633,027.08
Total Current Liabilities.....	<u>\$103,362,347.60</u>
<b>Long-Term Debt:</b>	
Nine-Year 2% Notes, due May 1, 1949.....	\$ 50,000,000.00
1½% Serial Debentures, due May 1, 1946 to 1950.....	5,000,000.00
Ten-Year 7% Mexican Peso Commercial Bonds, due July 20, 1951 (Note A).....	360,850.00
Securities to be Redeemed (see contra).....	55,360,850.00
Reserves:	
For Contingencies.....	\$ 5,000,000.00
Other.....	2,512,842.18
Capital Stock and Surplus:	
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.....	17,878,372.73
Total.....	<u>\$254,192,694.65</u>

**Notes:**

- (A) Notes and Bills Receivable of \$727,944.55 were pledged as collateral against bank borrowings amounting to \$178,238.08 in countries other than the United States and Canada. In addition, Cash of \$18,042.50 and Notes and Bills Receivable of \$963,850.76 were pledged as collateral against Ten-Year 7% Mexican Peso Commercial Bonds amounting to \$360,850.00.
- (B) Included in Notes and Bills Receivable are amounts—United States, \$10,431,572.47 and Canada, \$69,545.91—representing notes of General Motors Corporation affiliated dealership companies.

# 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	*38,680,770	6,310,010	*44,990,780	20,468,276	—	† 66,469,066
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	† 42,998,793
1932	432,311,868	164,979	9,206,387	*9,041,408	53,993,330	—	† 63,034,738
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
1942	2,250,548,859	163,651,588	9,178,220	154,473,368	86,992,295	58.8	67,481,073

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	1942	3.55	2.00

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.

## 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			
1942	101,042	200,448	301,490			

\*There are included above passenger cars and trucks manufactured by two foreign subsidiaries. Data subsequent to 1939 not available.

## PAYROLLS AND NUMBER OF EMPLOYEES

The combined annual payrolls, including salaries and wages, and number of employees for 1942 and prior years for General Motors Corporation, General Motors Acceptance Corporation, General Exchange Insurance Corporation and other wholly owned subsidiaries, but excluding two foreign manufacturing subsidiaries, 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	1936.....\$384,153,022
1922..... 95,128,435	1929..... 389,517,783	1937..... 460,451,744
1923..... 138,290,734	1930..... 279,410,144	1938..... 300,825,930
1924..... 110,478,000	1931..... 236,520,474	1939..... 386,292,203
1925..... 136,747,178	1932..... 143,255,070	1940..... 492,246,017
1926..... 220,918,568	1933..... 171,184,315	1941..... 669,744,870
1927..... 302,904,988	1934..... 263,204,225	1942..... 859,314,062
	1935..... 327,677,624	

### NUMBER OF EMPLOYEES

1909.....14,250	1917.....25,427	**1926....129,538	1935.....211,712
1910.....10,000	1918.....49,118	1927....175,666	1936....230,572
1911.....11,474	1919.....85,980	1928....208,981	1937....261,977
1912.....16,584	*1920.....80,612	1929....233,286	1938....189,039
1913.....20,042	1921.....45,965	1930....172,938	1939....220,434
1914.....14,141	1922.....65,345	1931....157,586	1940....249,386
1915.....21,599	1923.....91,265	1932....116,152	1941....303,827
1916.....25,666	1924.....73,642	1933....137,764	1942....314,144
	1925.....83,278	1934....191,157	

\*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.

## NUMBER OF STOCKHOLDERS

1917..... 2,920	1923..... 68,063	1930..... 263,528	1937..... 375,755
1918..... 4,739	1924..... 66,097	1931..... 313,117	1938..... 389,509
1919.....18,214	1925..... 50,917	1932....365,985	1939..... 386,100
1920.....36,894	1926..... 50,369	1933....351,761	1940....397,928
1921.....66,837	1927..... 66,209	1934....350,164	1941....410,759
1922.....65,665	1928..... 71,185	1935....337,218	1942....413,349
	1929....198,600	1936....342,384	

Fourth quarter of each year

## 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 of stock as bonus. The other 5% of net earnings was paid in cash 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 stock under the bonus plan. In 1941, the total 10% was credited to the fund, but only 80% of the amount so credited was distributed, with the balance carried in the fund for future distribution. In 1942, the bonus fund presently to be distributed will consist of the total 10% credited to the fund, plus the undistributed balance carried forward from the 1941 fund. From 1933 through 1941 the number of shares to be distributed was 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. For 1942, stock required for distribution of bonus awards has been largely acquired by market purchases during 1942 and 1943, and the number of shares to be distributed has been based on the cost of such stock to the Corporation. Stock awarded to employees in the bonus group composed of those receiving salaries at an annual rate of from \$2,400 to \$4,200 may be delivered immediately, while stock awarded to employees 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 of stock 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.....	10,025	252,086 (e)
1926.....	1,514	84,869	1938.....	4,211	77,930 (e)
1927.....	2,007	110,689	1939.....	9,505	232,468 (e)
1928.....	2,504	78,188	1940.....	9,832	224,056 (e)
1929.....	2,839	167,378	1941.....	9,958	243,958 (e)
			1942.....	(f)	161,600 (f)

Note: The number of bonus awards and the number of shares of common stock awarded shown above exclude bonus payments in cash to employees 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 employees receiving salaries at an annual rate of from \$2,400 to \$4,200.
- (f) Although 161,600 shares of common stock have been set aside for bonus purposes for 1942, the awards have not yet been made.







