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ANNUAL REPORT
GENERAL MOTORS
CORPORATION

37th Annual Report of

**GENERAL MOTORS
CORPORATION**

for the year ended December 31,

1945

The annual stockholders' meeting is scheduled to be held on May 29, 1946, to which date it was postponed to afford the Corporation additional time to prepare the information required in the proxy statement. It is expected that a proxy statement will be sent to stockholders beginning about April 27, 1946, at which time proxies for use at this meeting will be requested.

GENERAL MOTORS CORPORATION

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*Resigned effective December 31, 1945

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General Motors' Policy of Giving the Facts

IT HAS long been the practice of the management in its annual reports and other messages to stockholders to provide information which will contribute to the fullest possible understanding of General Motors' position and its operating policies. The annual report supplements the quarterly reports and other messages and summarizes the pertinent information for the year from a statistical, financial and policy standpoint. When issued to stockholders these reports become matters of public record. The major operating results are released for publication, and copies of the reports are available to the public upon request.

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 General Motors management. Furthermore, it is held that this obligation extends to such general factors as may influence General Motors' opportunity for constructive accomplishment, not only in the direct interests of its stockholders, but as affecting the general welfare. The obligation covers various forces operating within the economy, whether applied by management or imposed by action of Government. The management has endeavored to discharge this obligation fully.

In wartime there were necessarily certain temporary departures from the usual form of these factual presentations. For instance, military security limited the extent to which the management could reveal the nature and quantity of some of the war products the Corporation made. The reports for 1942, 1943 and 1944 were on a war basis, but, with this limitation, they gave as fully as possible a record of the pertinent elements of the years' operations. Together, the annual reports for 1942, 1943, 1944 and 1945 furnish a permanent record of the operating results and some of the contributions of General Motors during the four-year period in which the nation participated in World War II.



Coordination is a prime essential of volume production and this picture reveals a vital preliminary step. Plant layouts and work-flow charts are planned with the greatest care and attention by production management and engineering experts. Materials and parts must be at the right place at the right time and in the right quantities to insure a smooth production flow.

Highlights of the Report

Deliveries

General Motors deliveries totaled \$3,127,934,888 in 1945, with \$2,549,162,069 representing war products and \$578,772,819 commercial products. The total was 27% below the record sales of \$4,262,249,472 in 1944 but exceeded the volume of any year prior to 1943.

Deliveries of commercial products failed to reach a substantial volume because of reconversion difficulties, shortages of materials, work stoppages in plants of suppliers and finally the UAW-CIO strike which closed GM automobile, parts and Diesel engine plants on November 21.

Deliveries of war products from the beginning of the defense program through 1945 aggregated \$12,321,789,412.

Net Income and Dividends

The GM wartime profit limitation policy, instituted early in 1942, continued in effect during 1945. Income from manufacturing operations after providing for income and excess profits taxes averaged 4.1% of net sales for the war years 1942 to 1945 inclusive.

Net income in 1945 amounted to \$188,268,115. After deducting preferred dividends this was equivalent to \$4.07 per share of common stock. If the unusual factors affecting income as explained in detail in the Financial Review chapter are excluded, the balance of earnings was approximately \$2.60 per share of common stock.

Dividends of \$132,066,520 were paid on the common stock in 1945. Dividends per share were \$3.00.

Employment and Payrolls

An average of 345,940 salaried and hourly-rate em-

ployes were on the payrolls in 1945. Total payrolls were \$1,007,563,689. In 1944 employment averaged 465,617 and payrolls were \$1,380,032,467.

The average number of hourly-rate employes working in United States plants was 233,427 in 1945, compared with 336,167 in 1944. Total hourly-rate payrolls in the United States amounted to \$668,143,805 in 1945, compared with \$995,094,170 in 1944.

In the first ten months of 1945, weekly earnings of hourly-rate employes working in United States plants averaged \$55.90. In the like period of 1944 weekly earnings averaged \$56.70. For the prewar year of 1941, the average was \$43.41.

The average earnings for the first ten months of 1945 were, therefore, at the *annual* rate of \$2,900, which is estimated to be what annual earnings would have been but for the strike. This compares with an average annual payroll per hourly-rate employe of \$2,960 in 1944 and \$2,257 in 1941, the last peacetime year.

Ownership

Stockholders of record during the last quarter of 1945 numbered 425,657. Of the individual owners, about 79% own 50 shares or less and approximately 36% hold 10 shares or less. More than 50% are women. The number of stockholders in General Motors in recent peacetime years has exceeded the number of employes.

Veteran Program

By the end of 1945, more than 113,000 employes had entered the armed forces. During the last part of 1945 the number of men inducted was reduced considerably and was more than counterbalanced by the steady flow of veterans returning to civilian life.

GM plants undertook training programs designed to help returned veterans and former war workers adapt themselves to peacetime production.

Education and Training

General Motors concluded its special war training program, under which 62,346 uniformed men and women received instruction during the war in the operation and maintenance of GM-built war products.

During the year General Motors Institute provided various types of industrial training for nearly 17,500 men and women.

Safety and Health

For the third successive year, GM in May, 1945 was presented with the National Safety Council's special wartime award for Distinguished Service to Safety.

Intensive safety and health activities were continued throughout the organization.

Suggestion Plan

During the war, written suggestions received from employes totaled 366,467 under the GM plan of encouraging practical suggestions from the men and women on the job. For 80,540 suggestions accepted, a total of \$3,128,995 was paid to employes in war bonds and stamps.

Group Insurance Plan

Toward the end of 1945 there were 258,428 employes, or about 95% of all those eligible, participating in the Group Insurance Plan. Benefits paid in 1945 amounted to \$12,222,987, making a total of \$92,424,699 paid out since the Plan became effective in December, 1926.

Contents

Text of the Report:

Directors and Officers	2
General Motors' Policy of Giving the Facts	4
Highlights of the Report	6
An Operating Review	9
Looking to the Future	14
Relationships with Employes	16
A Lesson of the War	22
Research—Engineering—Styling	24
Relationships with the Public	26
Ownership of General Motors	27
War Production, Volume and Profit Policy	28
A Financial Review	31
Conclusion	39

Financial Statements and Statistics:

Summary of Consolidated Income	40
Summary of Consolidated Surplus	41
Condensed Consolidated Balance Sheet	42
Investments and Miscellaneous Assets	45
Accountants' Certificate	46
General Motors Acceptance Corporation	
Consolidated Balance Sheet	47
Sales, Net Income and Dividends	48
Payrolls and Number of Employes	49
Unit Sales of Cars and Trucks	49
Computation of Credit to Bonus Reserve	50
Bonus Awards	50



Radiator grills for 1946 Chevrolet cars are being fabricated in the scene above for the first time since automobiles became an early war production casualty. In foreground, grill parts are fitted to a jig after shaping and finishing operations are completed. Parts were stamped out on heavy press in rear.



C H E V R O L E T

An Operating Review

FROM THE beginning of World War II, each successive year has been marked by events of intensely dramatic and far-reaching consequence. The year 1945 was no exception. It witnessed not only the end of the war itself but the beginning throughout the world of the most gigantic job of reconversion and rehabilitation in all history.

Following the Japanese surrender last August, the major problem in this country was a speedy return to peacetime pursuits with a minimum interruption of employment. There was urgent need for full-scale production to meet the pent-up demand for all kinds of goods at home and abroad. American industry was confronted with the task of reconverting its vast plants and facilities from wartime to civilian purposes in the shortest possible time.

By the end of the year the major part of the job of removing war equipment and materials from industrial plants had been completed. The job was speeded by the cooperation of the armed services and Government agencies in terminating war contracts promptly and in arranging for the disposition of Government-owned materials and equipment. Many wartime controls and restrictions had been lifted and industry was preparing to complete the task of reconversion from a war to a peace economy. During the later part of the year, however, nationwide labor disputes were an important factor in retarding the resumption of large-volume civilian production.

Pattern of Operations

General Motors' 1945 operations followed the national pattern: (1) full war production up to Germany's surrender; (2) limited reconversion and dual

production of war and civilian goods up to Japan's defeat; and (3) all-out reconversion for full-scale peacetime production and employment after V-J Day. Many problems were involved in clearing facilities of war work and reconverting the plants of General Motors' highly integrated organization. These problems were limiting factors in getting into production, but it was anticipated that by the end of 1945 the physical job would have reached a point permitting production of passenger cars at a moderate rate in each of the car divisions. However, because of shortages of materials, work stoppages resulting from strikes in plants of suppliers and finally a strike by the UAW-CIO on November 21, 1945 which shut down all General Motors automobile, parts and Diesel engine plants, production of peacetime products failed to reach the volume anticipated in 1945.

Deliveries

Deliveries for the past six years were as follows:

	<u>WAR MATERIAL PRODUCTS</u>	<u>COMMERCIAL PRODUCTS</u>	<u>TOTAL NET SALES</u>
1940.....	\$ 74,857,798	\$1,720,078,844	\$1,794,936,642
1941.....	406,149,273	2,030,651,704	2,436,800,977
1942.....	1,898,195,445	352,353,414	2,250,548,859
1943.....	3,546,684,598	249,431,202	3,796,115,800
1944.....	3,843,892,286	418,357,186	4,262,249,472
1945.....	2,549,162,069	578,772,819	3,127,934,888

The dollar volume of combined war and commercial sales for 1945 represented a decline of 27% from 1944, but was higher than any year prior to 1943. Deliveries of war materials were 90% of total sales in the three years of concentrated war production, 1942-1944. From late 1941 to mid-1945, all deliveries

were directly or indirectly in support of the war effort.

While the dollar volume of commercial products in 1945 was higher than that of 1944, the increase would have been much greater, had it not been for the many unusual difficulties encountered in 1945. The chart below shows deliveries by quarters from the beginning of 1941.

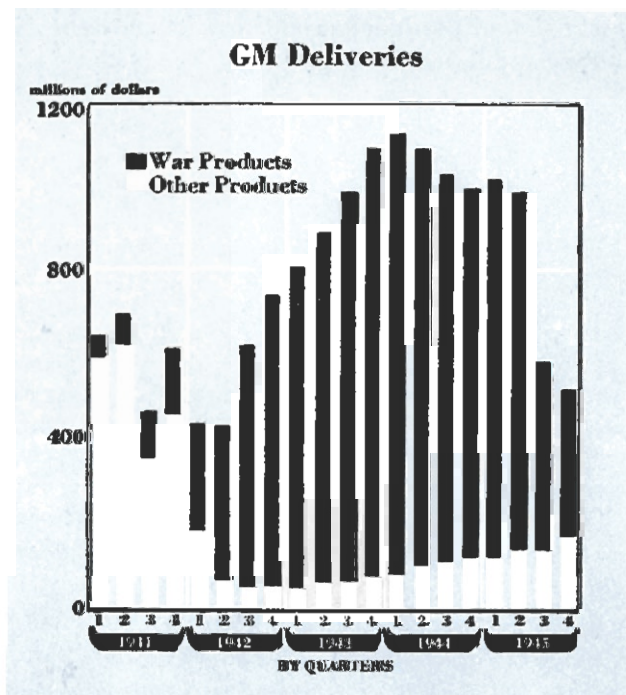
Completion of War Production

Through 1945 the value of all war products delivered by General Motors totaled \$12,322,000,000. The organization's peak rate of war production was attained early in 1944 when deliveries for a time reached a rate of \$12,000,000 a day, or more than \$4,000,000,000 a year. During the early part of 1945, cancellations and cutbacks due to reduced requirements on some war products were partially offset by increased deliveries of others. For example, schedules for the production of marine Diesel engines, 50-caliber machine guns and the earlier models of Pratt & Whitney engines were greatly reduced. On the other hand greater emphasis was placed on the production of such

items as the M-26 General Pershing 45-ton tank, heavy trucks, Ducks, B-29 subassemblies, large-caliber ammunition and other war products for the offensives which were under way at that time in Europe and the Pacific. Deliveries of war materials for the first quarter of 1945 amounted to \$899,210,386, which was at an annual rate only 6% below that for the year 1944. At the time of the German surrender in May, 1945, war materials were being delivered at an annual rate of \$3,600,000,000.

At V-E Day, in May 1945, unfilled orders for war materials amounted to approximately \$3,840,000,000. Greatly accelerated cancellations and cutbacks of contracts, together with deliveries for the second quarter of \$849,871,595, reduced unfilled orders to \$2,520,000,000 by the end of June. After the abrupt termination of contracts following the Japanese surrender on August 14, unfilled orders shrank to \$290,000,000 at September 30. At the end of 1945 the balance of unfilled orders was relatively small and consisted mostly of orders for jet propulsion engines. After four years of intensive war effort the organization could again resume its peacetime business.

Research, design, engineering and production on advanced war products had been continued up to the final hours of the war. For example, the jet engine program was still in the expansion stage when the war ended. Another example was the Army's new 75-mm "kickless cannon" which Oldsmobile announced on August 7 it was tooling up to produce.



Army-Navy "E" Awards

Army-Navy "E" awards were made to 65 units from 1942 through 1945 and 146 stars were added to original "E" pennants, indicating extensions of honors because of continued excellence in military production.

War Products Field Service and Training

General Motors brought to a close its War Products Field Service which had been organized to assist the armed services in maintaining equipment at maximum operating effectiveness along supply lines and at fighting fronts everywhere. The war training activities of the various divisions were also concluded. Final figures showed that 62,346 uniformed men and



These 1946 Pontiacs rolled off the assembly line in the fall of 1945 as all-out efforts were made to meet the great demand for America's first new cars in nearly four years.

women had received instruction from the General Motors Institute and the divisions in servicing and maintaining GM-built war equipment. Many of these were trained as instructors for overseas work.

Planning—The Key to Production

The production totals effectively dramatize the magnitude of the war production job done by General Motors. But they cannot fully reflect the ability and resourcefulness of management which were required to make the results possible. The responsibility was not

merely one of accepting contracts and manufacturing the war products they called for. It required, in the early stages, planning and carrying out the complete reorganization of existing plants, facilities and personnel for an entirely new business. It involved removing or retooling peacetime equipment, procuring and installing specialized production equipment, constructing new plants and engineering and scheduling the production of intricate war materials on a scale previously not thought possible. It involved the continuous improvement of production processes with consequent reduction in prices to the government. It



Dual operations were common in many plants as cut-backs came in war orders after V-E Day. Even while final war production was in progress—mainly for replacement parts—Frigidaire's were being assembled. In the foreground are Hamilton Standard propellers.

required throughout the war the designing and developing of new and improved war products in cooperation with the armed services.

Details of the war *conversion* job were reported to stockholders in early wartime messages. The broad outline is repeated above because *reconversion* in 1945 was largely a reversal of the conversion of 1941-1942. The objective in both periods was full production in the shortest time possible. In the first period it was production urgently needed to support our armed forces in their fight to win the war. In the second it was production just as urgently needed to provide consumer goods and job opportunities—and thus help win the peace.

In the annual report to stockholders for 1944, the following statement was made:

"... as time and the urgencies of the war job permit, the management is planning for the eventualities of the transition from war to peace. General Motors recognizes the urgent need that will exist postwar for converting plants from war to peace production quickly in order to provide peacetime jobs as promptly as possible, make needed products available for consumers, and discharge its responsibilities to its thousands of stockholders and to the nation. . . ."

Reconversion results achieved in 1945 were substantial proof of the validity of sound and aggressive

planning throughout the organization. Familiar with the prodigious war job of the automobile industry, the nation now looked to it for a fast changeover to production of urgently needed civilian goods, and General Motors endeavored to fulfill its part of these expectations.

Initial Commercial Production

Authorization for limited automobile production was issued by the War Production Board on June 20, 1945, and preliminary production quotas were set. Manufacture of parts, refrigerators and other civilian products was also approved on a quota basis. Where military requirements permitted the necessary reconversion, preliminary work was started on production of some of these items. In some plants commercial production was carried on side-by-side with production of such war items as tanks, cannon and airplane propellers.

Shortage of critical materials, however, was a limiting factor in scheduling output. While priority assistance was given in the procurement of some materials, others had to be procured in the open market in the face of competitive priorities. Following the defeat of Japan the picture changed. Quotas were lifted and practically all restrictions on materials were progressively removed. Reconversion was speeded and initial schedules were established for commercial production for the remainder of 1945. However, because of the difficulties already referred to, GM produced in the United States only 25,500 passenger cars and 49,000 trucks for the civilian market in the last four months of the year.

Subcontractors

Cooperation with thousands of suppliers and subcontractors continued through 1945 as the production pattern changed in General Motors' plants. Changes in prime war contracts led to changes in subcontracts. In all cases every effort was made to bring about the necessary reductions or increases in volume with a minimum of delay and inconvenience.

Once again the soundness of General Motors' subcontracting program, in operation for many years, was evidenced in the speed of the reconversion job

and in the rapidity with which new materials, new parts and new subassemblies began to come together on assembly lines and emerge as finished automobiles, trucks, refrigerators and other products.

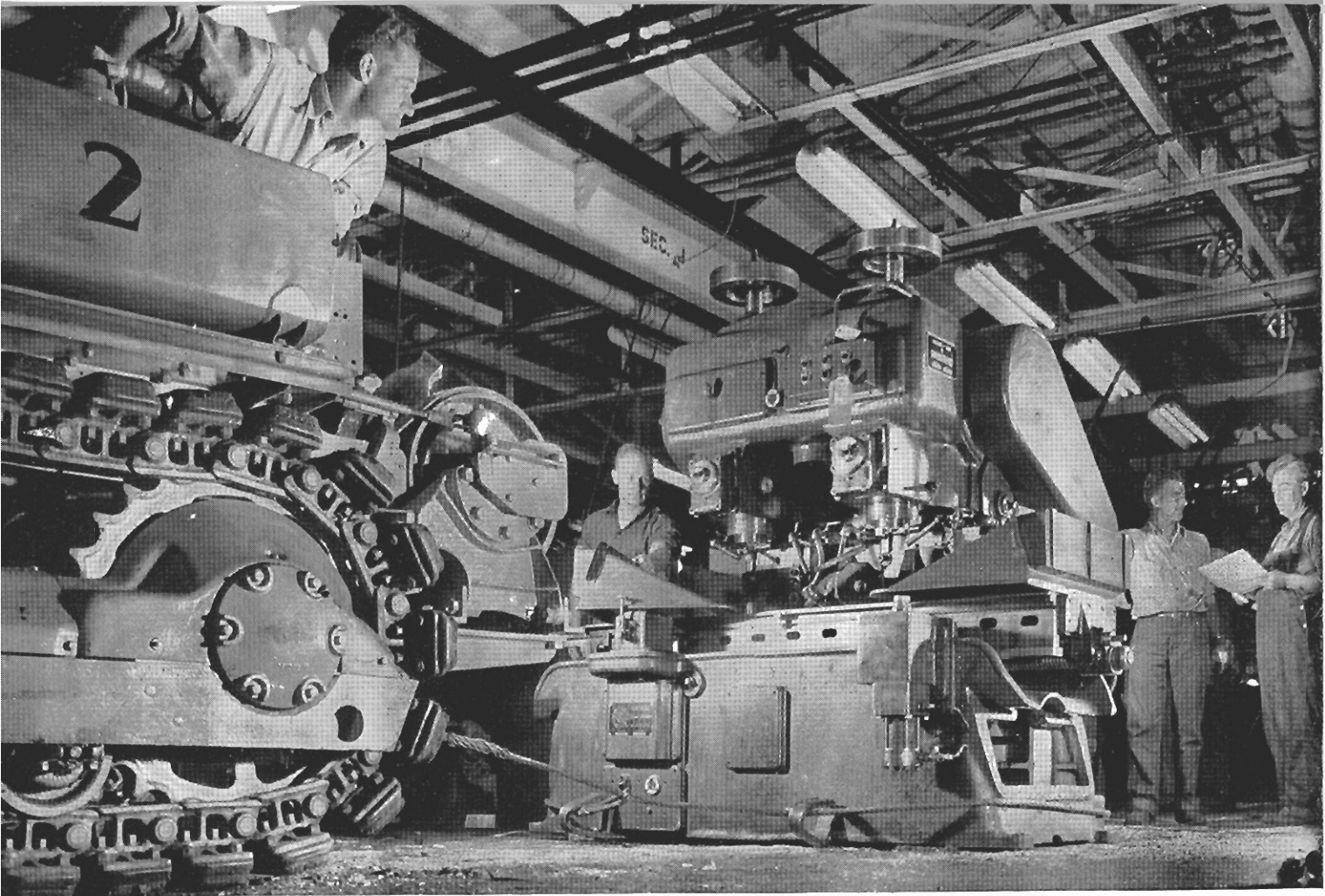
The subcontracting process, common in American industry, brings together the competitive efficiencies developed in each separate enterprise, large or small. The result is economic progress for the nation, the encouragement of a healthy business climate in which new enterprises may start and existing businesses may grow and prosper with steadily rising benefits for the individual.

Operations in Canada and Overseas

Operations in GM Canadian plants during 1945 followed in general the pattern of operations in the United States. Reconversion programs put into effect as war material requirements fell off were aggressively speeded with the end of the war, and the changeover of plants to peacetime needs had been practically completed by the end of the year. Building up to volume production, however, was retarded by various factors beyond the Corporation's control.

In the Corporation's operations abroad, the plants faced problems in 1945 which in many instances were unlike those of GM plants in Canada and the United States. Reconstruction or rehabilitation of plants which suffered war damage greatly complicated the over-all reconversion processes. The cancellation of war contracts in other countries, the dislocation of international shipping and the shortages of materials and supplies further aggravated the situation abroad.

Notwithstanding the complexity of these problems, the changeover to commercial operations was pressed aggressively in overseas plants. In England, Bedford trucks were being produced in quantity and the production of Vauxhall cars had begun by the end of the year. Local production of some non-vehicle items, as well as certain parts and accessories, was also under way in Argentina, Brazil, Sweden, India and Australia. A heavy demand existed for American-made cars and trucks around the world, but importation and assembly were impossible because of the lack of component parts that had been scheduled from GM plants in the United States and Canada.



Skidding multi-ton machines out of the factories was a scene familiar to thousands of GM workers in the days after hostilities ceased. On a vast scale, war equipment was removed and prepared for storage or shipment.

Looking to the Future

WHEN General Motors' postwar program was first outlined in 1944, it was realized that a primary need of the nation immediately after the war would be a high volume of civilian production. There existed an enormous accumulated demand for durable and semi-durable goods not manufactured during the war and, supporting that demand, a great backlog of purchasing power. The postwar program was designed to assist in meeting this production challenge.

Four years of normal peacetime development had been lost. It is true that important advances in certain fields such as metallurgy, plastics and electronics occurred during the war, but these developments will affect the automobile industry only as they are given peacetime application by manufacturers operating directly in those fields. In the case of General Motors, technological advances during the war were confined principally to the fabrication of war matériel. Such

advances in the manufacture of armament, however, cannot be adapted, except incidentally, to postwar commercial production.

In many divisions the physical task of rearranging and reorganizing plants was progressing rapidly before the strike in November, 1945. Modernization of existing facilities and the construction of new facilities had proceeded as fast as building materials and new tools were made available.

Following the war, GM removed thousands of Government-owned war production machines from its plants and installed machines required for peacetime operations. This meant new plant layouts to meet changed production requirements. It meant repairing and retooling peacetime machines which, adapted to wartime needs, had depreciated rapidly under severe usage. It meant planning and procuring new machines where needed.

As a part of the modernization program, particular attention has been given to further improving working conditions and employe facilities where such improvement had not been possible because of the war. Better lighting and ventilation, with improved cafeterias, restaurants, parking lots and other facilities, will help to make General Motors plants even better places in which to work.

Dovetailed with this reorganization and modernization is the expansion phase of the program to provide new manufacturing and assembly plants. A better geographical distribution of assembly plants provides for more efficient operations and makes possible better service to dealers and to the consuming public.

As a part of this program the newly-organized Buick-Oldsmobile-Pontiac Assembly Division began construction of plants at Framingham, Massachusetts; Wilmington, Delaware, and Atlanta, Georgia. This division also leased the Government-owned North American Aviation plant in Kansas City, Kansas, for conversion to automobile assembly work. Along with existing assembly plants at Linden, New Jersey, and South Gate, California, these plants will provide more complete facilities for Buick, Oldsmobile and Pontiac distribution. At the end of the year new assembly plants for Chevrolet were under construction at Flint, Michigan, and Van Nuys, California.

In addition to the expansion of assembly plants for more efficient distribution, considerable attention has

been given to providing additional manufacturing facilities. At Columbus and Hamilton, Ohio, Fisher Body began construction of new plants for the production of body units, sheet metal components, hardware and fittings used in body assembly. New Departure began construction of a bearings plant at Sandusky, Ohio. New buildings were under construction at Elyria, Ohio, for the manufacture of parts and accessories. At New Brunswick, New Jersey, Delco-Remy is building a new storage battery plant.

The expansion program of the Electro-Motive plant at La Grange, Illinois, was continued in 1945 to meet a heavy postwar demand by railroads for GM Diesel locomotives. Expansion and modernization of existing facilities were also under way in many other plants before the end of the year.

Modernization of plants and machinery will better equip the organization to meet postwar needs and help assure its continued technical progress in automotive and related fields.

Such a program is essential to protect the interests of the business in the years to come. It must be recognized that the additional investment required to complete a program of this magnitude will involve a considerable sum of money. It is anticipated at the time of this writing that the capital expenditure involved will be materially in excess of the estimates previously mentioned in various reports to the stockholders. Only a relatively small portion of the amounts which eventually will be required had been expended for plant and equipment by the end of 1945. While the general scope of the program has been determined, the details are subject, of course, to constant revision in the light of existing postwar conditions.

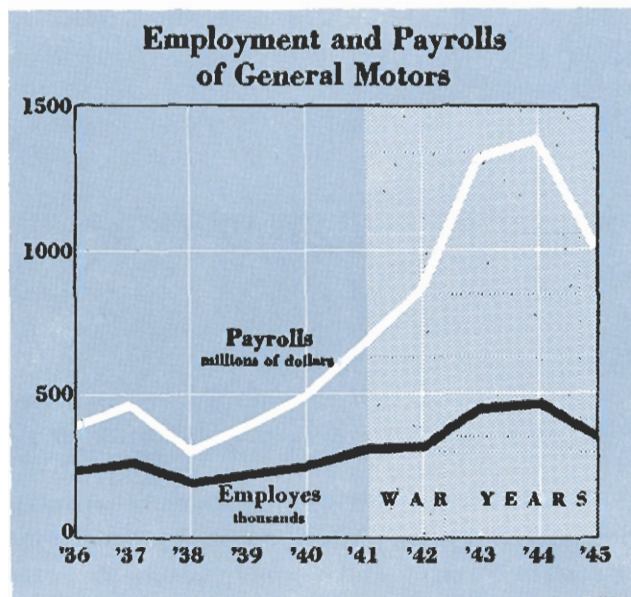
For example, the factor of the rising level of prices, augmented by the general increase in the level of wages under the national economic policy recently formulated, presents a problem which must be taken into account. This must eventually increase the cost of materials, supplies and services required in carrying out the program. Since the program cannot be physically completed until well into 1947, the effect of any increases in cost would be to increase the amount of the investment required. The management is fully conscious of these facts and circumstances and their implications, but it is not possible to state at this time what the ultimate cost of the program may be.

Relationships with Employees

GENERAL MOTORS' traditional concept of relationships with its employees is summed up in the following statement from the 1911 annual report: "... the most valuable asset of an industrial enterprise like General Motors is its people." Management at all levels considers those things which build good relationships within the organization as a major part of its own job. Careful and sympathetic consideration is given to the human problems of the business. The need for mutual patience and understanding is greatest of all during this period of transition from full war production to full peace production.

A major force within the Corporation making for a broader and more thorough mutual understanding of problems and practices is the officially encouraged two-way flow of ideas between management and employees. This is symbolized by the "open door" policy, by management's endeavor to understand and to anticipate the problems of the employees on the one hand and on the other by the opportunity offered to employees, both to voice their viewpoints and to submit constructive suggestions for more effective operations and for the improvement of products to meet customers' needs. In furtherance of this continuing objective of informed and understanding cooperation among all the people of the organization, the Employee Cooperation Staff was established under the supervision of a vice-president in June, 1915.

Reconversion—the resumption of peacetime manufacture and the restoration and expansion of peacetime job opportunities—created many additional problems involving human relationships. The responsibility for making equitable adjustments was great because it required establishing policies which, in the long run, would be in the best interests, not only of employees,



but of customers, suppliers, stockholders and the public generally.

Employment and Payrolls

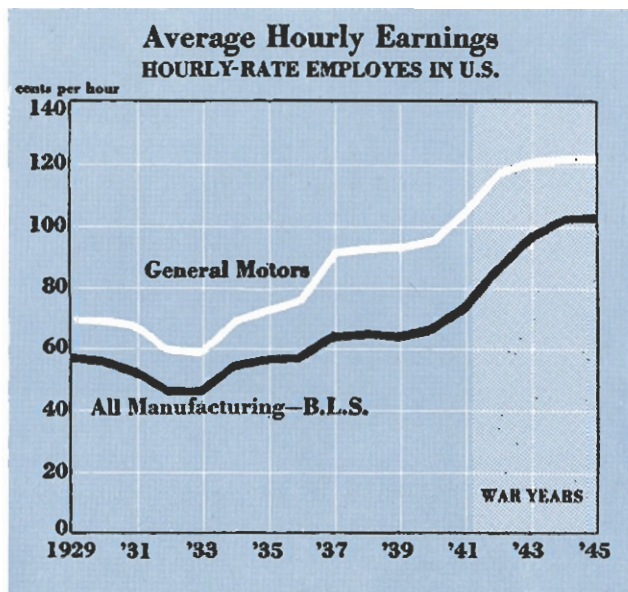
Sharply affected by more than five weeks of shut-down prior to December 31, as a result of the U.A.W.-CIO strike, and by earlier temporary layoffs necessitated by reconversion and work stoppages in supplier plants, employment and payrolls for 1945 were lower than in 1944—and considerably lower than anticipated. The 1945 figures also reflect the tapering off of war production that occurred between V-F and V-J Days as well as the abrupt halting of war work after V-J Day.

	1945	1944
Average number of salaried and hourly-rate employes on the Corporation's payrolls.....	345,940	465,617
Total Corporation payrolls.....	\$1,007,563,689	\$1,380,032,467

The average number of hourly-rate workers employed by General Motors in the United States and the wage payments to those employes were as follows:

	1945	1944
Average number of hourly-rate employes working in the United States	233,427	336,167
Total hourly-rate payrolls in the United States	\$668,143,805	\$995,094,170

During the first ten months of 1945, the average number of hours worked per week by the hourly-rate employes in the Corporation's plants in the United States was 43.8, compared with 45.5 for the first ten months and 45.6 for the full year of 1944. For the prewar year of 1941, average hours were 40.7. Weekly earnings of hourly-rate employes in the United States averaged \$55.90 for the first ten months of 1945. This compares with \$56.70 during the first ten months of



GM average hourly earnings have consistently exceeded the average for all manufacturing. ("All manufacturing" as reported by the U. S. Bureau of Labor Statistics.)

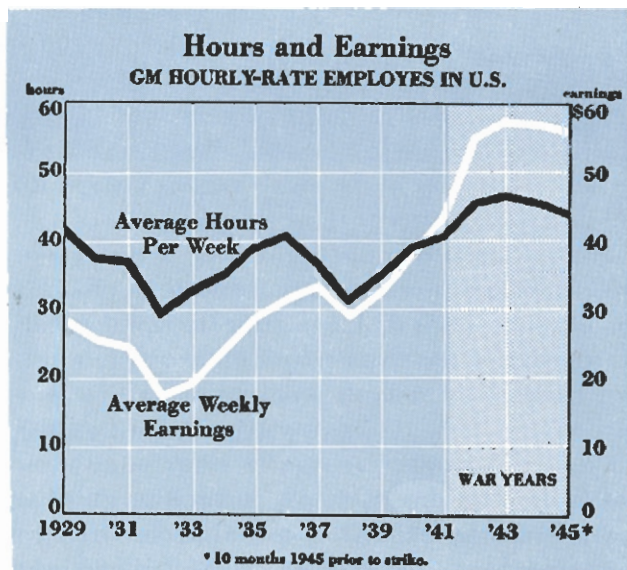
1944 and \$56.93 for the full year 1944. For the prewar year of 1941 the average was \$43.41.

The average earnings for the first ten months of 1945 were, therefore, at the annual rate of \$2,900, which is estimated to be what annual earnings would have been but for the strike. This compares with annual payrolls equivalent to \$2,060 per hourly-rate employe, based on average employment in 1944, and \$2,257 in 1941, the last peacetime year.

Veteran Program

By the end of 1945, more than 113,000 employes had entered the armed forces. During the last part of 1945 the number of men inducted was reduced considerably and was more than counterbalanced by the steady flow of veterans returning to civilian life.

The comprehensive program for the employment of war veterans, instituted in 1943, was continued in 1945. Every effort is made, through interviews and examinations, to assign veterans to the type of work for which their inclinations and aptitudes best fit them. Where necessary, they receive refresher courses and special vocational assistance to help them assume a productive place in the organization. Specialized job



Since 1935 average weekly earnings have been higher than in 1929, while average hours worked per week have been lower except during the war years.

training is provided for those with service disabilities, and medical aid and general follow-up are additional assurances of maximum help for these employes. General Motors is earnestly endeavoring to welcome the veterans back to civilian life in a warm and human way that will give added value to the benefits of satisfying and constructive employment.

Education and Training

The latter half of 1945, up to November 21, saw full-scale resumption of training to re-sharpen peacetime skills. In many plants and shops of the Corporation, programs were set up to show those who needed training how to use equipment effectively and safely. Frequently this training was new rather than refresher work, for many former war workers were taking up tasks different from anything in their previous experience.

During the year the General Motors Institute provided a variety of training courses for nearly 17,500 men and women as it moved forward into its second quarter-century of educational activity.

A major activity was the Cooperative Engineering Program, which in past years has contributed materially to the organization's engineering talent. The men graduated from this cooperative course in 1945 are serving throughout GM in various phases of postwar engineering. Another important course was the Basic Management Program for training foremen, which was so successful that it led to additional training for members of higher supervision. This work was keyed by the theme: "*Management begins when you become responsible for the work of others.*"

The two-year Dealer Cooperative Training Program was reinstated in early 1945 and directed particularly for returned veterans interested in the retail automobile business. Qualified young men alternate between directed work experience training with dealers and instruction at General Motors Institute, learning the fundamentals of dealership operations.

Employe Suggestion Plan

Highly successful during the war, the Employe Suggestion Plan was redirected into peacetime chan-

nels as employes, along with management, turned their thoughts to passenger cars, refrigerators, Diesel engines and other products for civilians. During the war, 366,467 written suggestions were submitted by employes in all the divisions and units of the Corporation. Awards of \$3,128,995 in war bonds and stamps were made for 80,540 meritorious and accepted suggestions.

Employe War Bond Purchases

At the end of the war more than 90% of all employes in the United States were enrolled in the War Bond Payroll Savings Plan and were allotting at least 10% of their pay to buy bonds. Substantial numbers of "extra" bonds were bought during the Seventh War Loan and Victory Loan Campaigns which took place in 1945. Since August 1, 1941, when the plan started, employes have purchased through cash payments and voluntary payroll deductions, Series E Bonds with a maturity value of more than \$613,000,000. The plan is being continued in 1946.

Salaried Employes

An important factor in achieving a high rate of efficient production which makes possible useful quality products at prices within reach of great numbers of buyers, is the caliber of supervisory and administrative personnel. In a highly integrated industrial organization such as General Motors there must be skillful handling of the widely varying tasks which fall on the shoulders of these groups.

Recognition is due the engineering, research and production personnel for improvements in products and methods. Their skill in meeting the new demands of reconversion was characteristic of the way in which they handled the difficult problems of wartime production.

Effective November 1, 1945, a salary adjustment was made consisting of a 10% increase on the first \$500 of monthly salary. Salaries of those receiving more than \$500 a month were reviewed in the light of this general increase and on the basis of the individual's contribution to the success of the business.



Cadillac engines on the assembly line. These engines adapted to war needs, powered Cadillac-built light tanks.



Safety and Health Protection

Health and safety activities were continued at a high level during 1945. For the third successive year, General Motors in May, 1945 was presented with the National Safety Council's special wartime award for Distinguished Service to Safety—a tribute to the fine cooperation between management and

employees in this work.

An excellent safety record of only 0.57 days lost by accident per 1,000 hours worked during 1945 was attained despite the many new work assignments incident to reconversion.

Years of ceaseless and organized effort have contributed substantially to the position the Corporation holds in both sickness and accident prevention. In

1945 approximately \$9,000,000 was spent by GM for safety and health protection.

Employee Facilities

The continued comfort and convenience of employes is a major consideration in postwar plans. When a plant was cleared of its war production tools and machines, and while the equipment for making automobiles or other products was being installed, employe facilities were given full attention. Where, owing to the war, these facilities were not up to the high standards General Motors had set for itself, they were improved. Washrooms, cafeterias and other installations in new buildings were designed and built for maximum service. Locker rooms, parking places, enclosed loading platforms, good lighting and proper ventilation were among other items dealt with in both old and new plants.

Group Insurance Plan

The Group Insurance Plan continued to serve employes throughout the various units of the Corporation. This plan offers, at low rates, insurance coverage for death, sickness, accidents, hospitalization and surgery to eligible employes.

Toward the end of 1945, there were 258,428 employes, or about 95% of all those eligible, participating in one or more features of the Group Insurance Plan. Benefits of \$12,222,987 were paid during the year, making a total of \$92,424,699 paid out since the inception of the program in December, 1926.

Furthermore, the Corporation assists employes in making use of local medical and hospitalization insurance plans.

In December, 1945, while the strike was in progress, General Motors announced that financial aid would be extended employes in maintaining their group insurance and hospitalization policies under the conditions of work stoppage.

Separation Allowance Plan

The General Motors Separation Allowance Plan for salaried employes continued in operation during 1945. Employes who left the Corporation and

who were eligible for payments were granted a total of \$3,390,717.

Retirement Program

The General Motors Retirement Plan for salaried employes receiving in excess of \$250 a month was originally approved in 1940 and modified in 1941 by the stockholders to provide benefits for past service and to broaden the eligible age provisions. A further study of the retirement benefits provided under the Plan for certain groups of employes indicated that other modifications were required to assure the effective operation of the Plan.

Of particular importance was the desirability of establishing a higher level of minimum retirement benefits and of providing more adequate benefits for the lower salaried eligibles and for employes at or near retirement age who had had only a limited period to build up retirement benefits under the Plan. Accordingly, the Board of Directors approved, effective July 1, 1945, certain changes in the Retirement Plan and the adoption of the Service Pension Plan. Under the latter plan, General Motors will provide monthly retirement benefits up to \$30 per month to supplement the benefits provided for employes participating in and retiring under the Retirement Plan. While these changes in the Retirement Plan and the adoption of the Service Pension Plan became effective July 1, 1945 the action of the Board of Directors made them applicable to all employes retired under the Retirement Plan between July 1, 1944 and July 1, 1945. The action of the Board of Directors is being submitted to the stockholders for ratification at the annual meeting to be held on May 29, 1946.

For the year ended December 31, 1945, the Corporation's cost on account of future service benefits amounted to approximately \$3,600,000. Participating employes contributed 5% of salaries in excess of \$250 a month for future service benefits. Since only a relatively small number of retirements have been effected to date, Service Pension benefits actually paid to retired employes during 1945 were nominal. There was charged against income for 1945 approximately \$835,000 for past service and special credit retirement benefits. The total cost of such benefits is being funded at a rate per year of 1/10th of the total estimated single pay-

ment cost, which is the basis upon which these costs are deductible for Federal income tax purposes.

More than 90% of the eligible employes are participating in the Retirement Plan.

Bonus Plan

The General Motors Bonus Plan, as modified from time to time, has been in operation for 28 years. It now provides that there may be set aside annually for bonus purposes an amount which the independent public accountants of the Corporation determine to be 10% of net earnings after deducting 7% on net capital. The term "net earnings" is defined in the Plan as net income for the year (which is after provision for bonus and income taxes) plus the amount of provision for bonus. The deduction of 7% on net capital meant that in 1945 a total of \$91,285,013, equivalent to \$1.86 per share on the common stock, had to be earned for the stockholders before any bonus could accrue.

As set forth in the summary of consolidated income, \$10,775,900 has been credited to the bonus reserve as a result of 1945 operations. This is the amount determined by the independent public accountants in accordance with the provisions of the Bonus Plan to be 10% of net earnings after deducting 7% on net capital. A summary of the computation of this amount for the year 1945 is set forth on page 50.

Bonus awards are determined by the Bonus and Salary Committee on the recommendation of the Chairman of the Board of Directors. The Committee

is composed of five directors who are not eligible for bonus. The Plan provides that an employe shall be eligible for bonus consideration if he is receiving a salary at or above the minimum determined from year to year by the Bonus and Salary Committee. For the year 1945, the Bonus and Salary Committee has determined that the minimum salary for bonus eligibility shall be \$385 a month.

Under the terms of the Bonus Plan, bonus awards are payable in their entirety at the time of award, and may be paid in cash or in stock of the Corporation, or both, as the Bonus and Salary Committee may decide. In accordance with the discretion granted, the Bonus and Salary Committee has decided that individual awards for the year 1945 shall be 50% in cash and 50% in common stock.

At the time this report is written, neither the amount of bonus to be distributed nor the individual bonus awards have been determined for 1945. A record of bonus awards from 1937 through 1944 is set forth on page 50.

At December 31, 1945 there were 81,571 shares of common stock carried at \$69.93 per share in the special treasury stock account designated for bonus purposes which are available to meet the estimated 1945 requirements under the Bonus Plan. All this stock was purchased during 1945 for bonus purposes and was placed in the special treasury stock account at cost. Since the stock distributed as bonus does not consist of newly issued stock but has been purchased by the Corporation for cash, the total number of issued shares is not increased.

A Lesson of the War

WORLD WAR II demonstrated again that a democratic, peace-loving nation depends ultimately for its security on civilian sources—both for military personnel and for weapons to arm them. The latter fact reemphasizes the vital importance in peacetime of a continuing liaison between industrial and military technicians.

Compared with the Axis powers, the United States prior to 1940 had but a small regular fighting force. It was a nucleus of strength, a cadre whose professional excellence has since been demonstrated, but of itself inadequate for total war. Within a brief period of three years this fighting force was built up to approximately 12,000,000 well trained men and women, supported by the greatest wartime industrial production the world has ever seen. Next to the courage and battle performance of our fighting men, the production achievement of American industry stands out as a significant contribution to the victory. The importance of this contribution has been proclaimed repeatedly by United Nations leaders. It was recognized by our enemies long before their surrender.

Neither the military nor the industrial contribution was a miracle—the potential for both existed prewar. It was inherent in the social and economic way of life which had grown up in America over a long period of years—a way of life which encouraged individual initiative and developed skills and abilities readily adaptable to fighting and producing for victory.

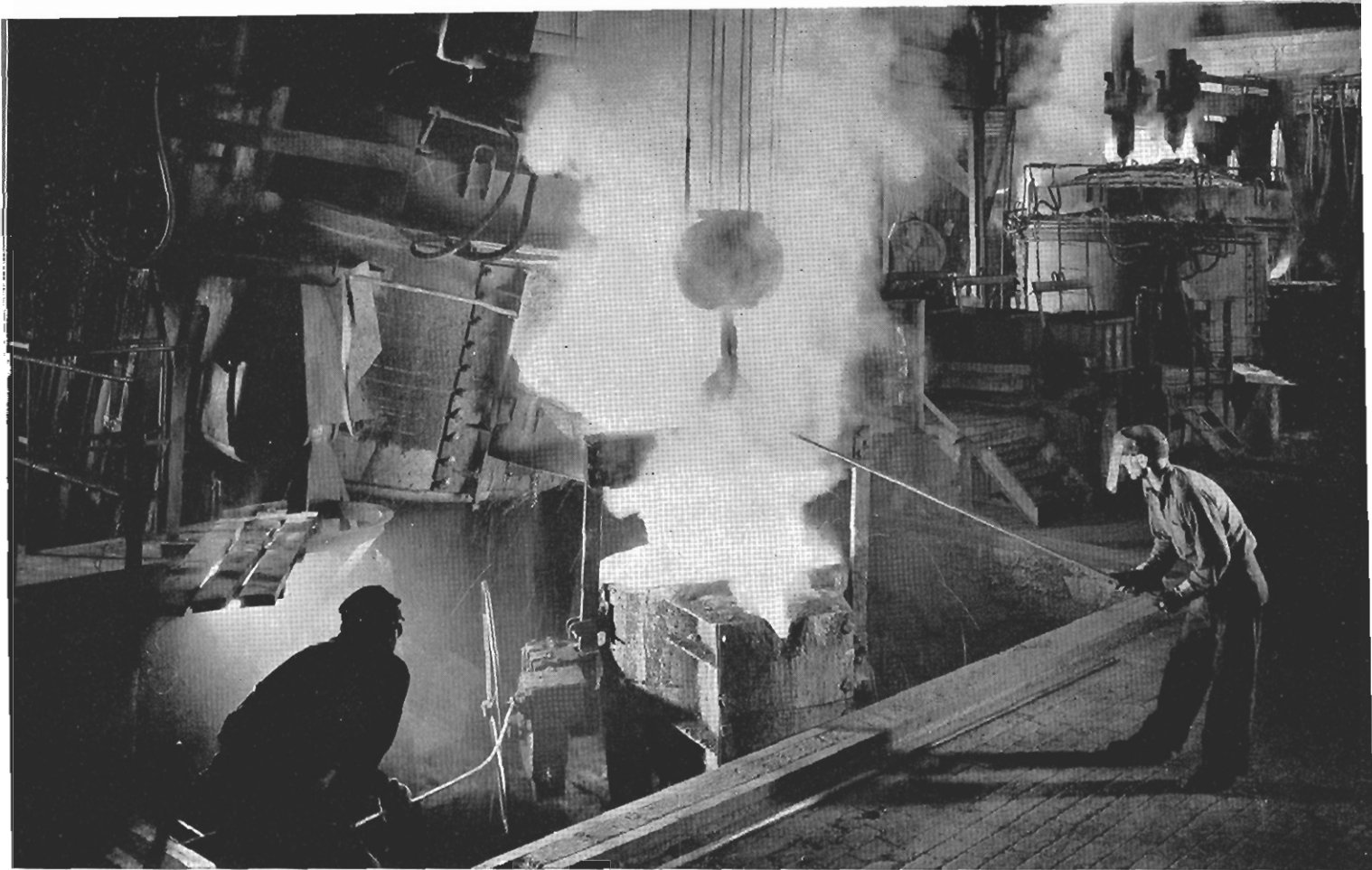
The ability of American industry to produce the highly technical weapons required for modern warfare was based on those organizational, managerial and technical skills which had been developed under the constant pressure of commercial competition. These skills were derived from the constant striving of

business concerns—both large and small—to produce better products at lower cost. In peace they gave this country the highest standard of living in the world and in war they provided the production know-how necessary to meet a national emergency.

Over the years industry had developed a high degree of coordination within the economic life of the nation. It had learned to make efficient use of plants, machines and raw materials. It had learned the complicated technique of coordinating from many sources the flow of supplies essential to quantity production. Most important of all, it had learned how to translate technological developments into useful products.

This peacetime experience was basic to industry's war contribution. But it might have been capitalized upon even more effectively in the early planning phases of the war production program, had public interest in military preparedness been more acute before the war. Also, there was relatively little organized liaison between industry and our armed forces in peacetime. The technical staffs of industry were little acquainted with military equipment. Many war products that were to be needed in great quantities and in record time had not been designed for manufacture on a mass production basis. All this because prewar our military leaders were not given the means to undertake a program of the necessary magnitude. The cost of the war, in human life and also in material values, might have been importantly reduced and the war shortened, if we had been better prepared.

All through the war the ability of industry to meet the exacting requirements of the armed services was demonstrated again and again. Through the cooperation of military and industrial technicians continuing progress was made in both quantity production and



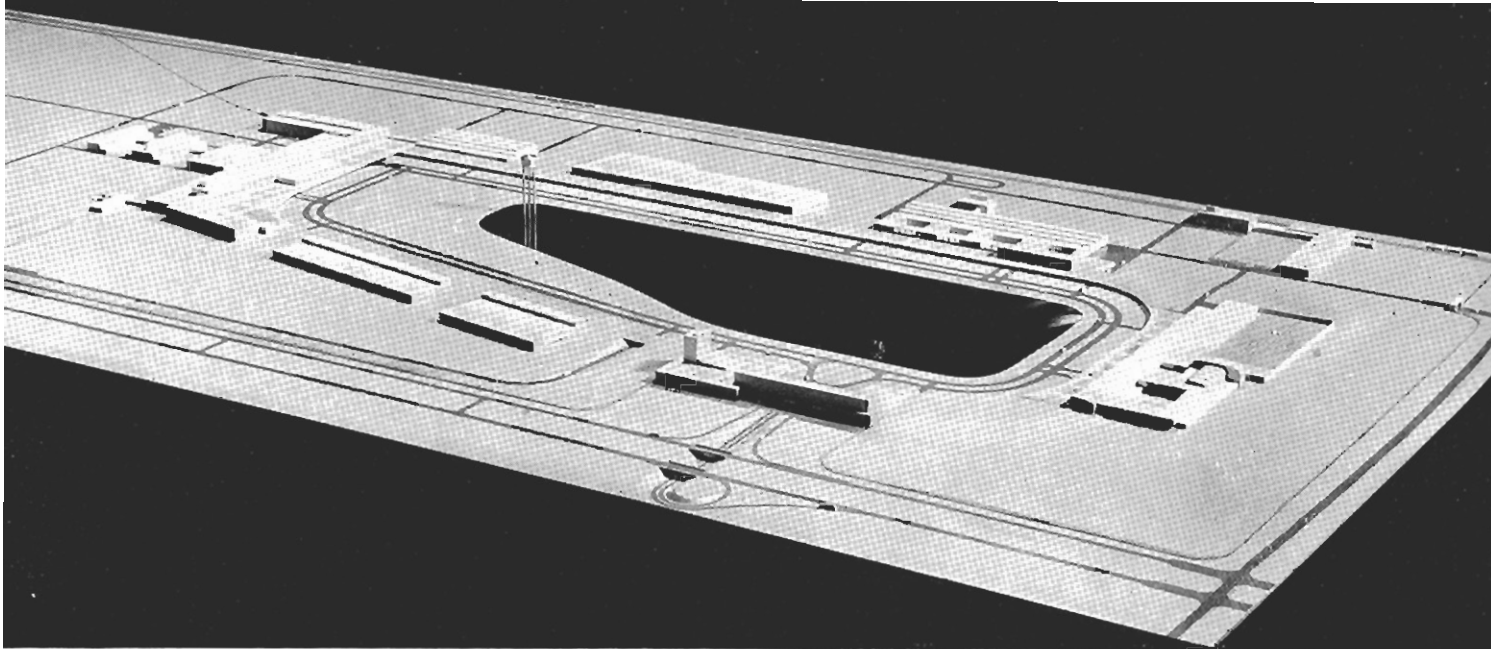
One of the electric furnaces being tapped at Saginaw Malleable Iron Division. This plant was hard at work turning out castings for peacetime products soon after V-J Day.

the technical improvement of complicated weapons. This involved progress in three fields: (1) continuous changes in design to facilitate production, reduce man-hours, save materials and lower costs; (2) continuous advance in technological standards to improve quantity and quality of combat equipment; and (3) development of new military implements. The final result of this progress—arising out of close military-industry liaison—is a matter of record.

Following a war, public interest in war problems diminishes. Demand for civilian goods and services tends to absorb all the efforts of industry. The psychological drive present in wartime disappears. Public appreciation of military needs approaches the vanishing point. It is essential, of course, for industry to turn now to its important peacetime tasks. Yet, if the peace is to remain won, there must be continuing close liaison between the armed services and industry in the years ahead.

The objective is to keep military people in touch with the latest industrial techniques and to keep industrial people informed of the technical needs of the armed services. This will become progressively more and more important as science assumes an increasingly greater role in military requirements. It calls for continuing application of the day-to-day developments of science and industry to the improvement of war material and of methods of manufacture, so that American industry shall be ever ready to set in motion quickly, if needed, its vast powers of mass production.

The purpose of this discussion is simply to make what is hoped may be some contribution to a more constructive approach to an important postwar problem and also to place on record the fact that General Motors stands ready to do its part in support of any constructive and equitable plan of action that contemplates maintaining in peace as well as in war a high technical standard of defense equipment.



Model of new GM Technical Center as it will appear when finally completed

Research-Engineering-Styling

SEEKING THE new and the better has always been the key to progress in the automotive industry. From backyard tinkering with one-cylinder engines, the automotive industry has expanded within the span of one lifetime to its present important position in our national economy. This progress has been made possible by regularly applying new ideas and inventions both to the product and to the methods of its manufacture.

Over the years General Motors has steadfastly adhered to this policy of ever-expanding activity in the field of technological improvement. Such activity has made possible the creation of better products for customers and at lower prices, with consequent increase in job opportunities. During the past 35 years General Motors' research and engineering have made available such developments as the self-starter, Ethyl gasoline, Hydra-Matic drive and many other important contributions to more efficient transportation, including the

modern two-cycle GM Diesel engine. Over the years, research in styling and construction has turned the single-seater, dashboard type of horseless carriage of yesterday into the smart, comfortable, convenient vehicle of today.

Research stimulates progress. As scientific knowledge widens, new vistas of opportunity come into view, new processes are developed and job opportunities multiply. There is no limit to opportunity if science continues to move forward.

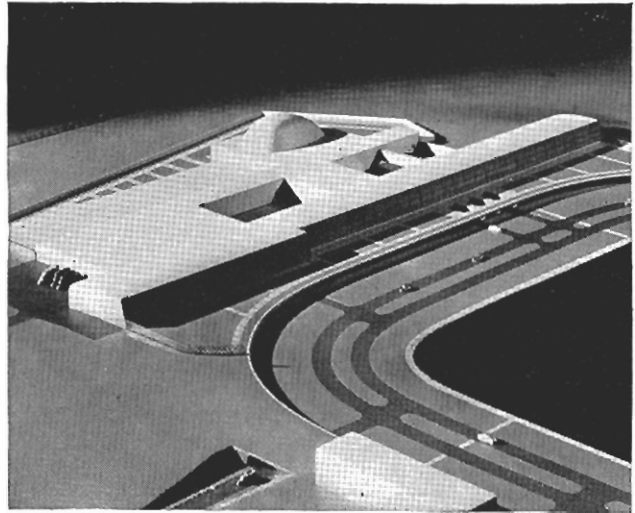
During the war years all of the Corporation's resources in the field of research and engineering were concentrated on the all-important task of contributing to the achievement of victory. Now it is possible to make plans for the future and to prepare to further the technical development of peacetime products and the methods of their production. This calls for intensification of scientific research on a broad front.

In line with this objective, General Motors is build-

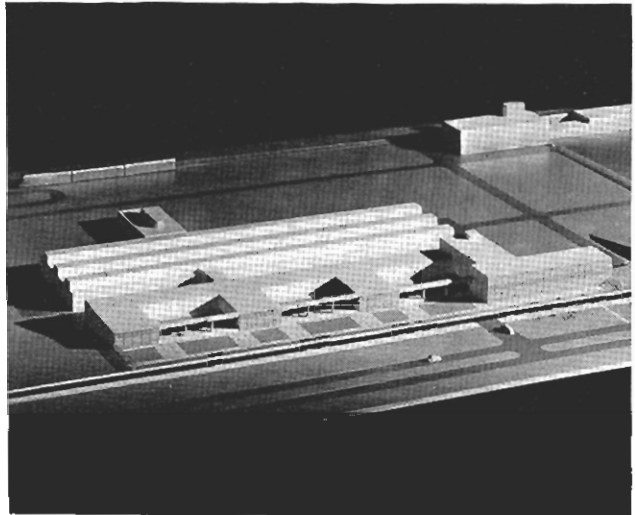
ing a Technical Center to bring together in one place, and at a location physically closer to the manufacturing divisions, the research and experimental development facilities of the central staff. Here the challenge of the future will be met with the best available scientific equipment and talent. Here each type of development—from long-range scientific programs to simple projects that will have their application tomorrow—can be considered separately.

Plans for the Technical Center, which will be located on a 350-acre tract near Detroit, were announced in July, 1945, and ground was broken in October. The project when completed will consist of a group of buildings with facilities for the Research, Advanced Engineering, Process Development and Styling Sections of the Corporation's general staff activities. In this new centralized home of diversified research, skilled engineers, scientists and practical craftsmen will work with easy access to their associates in development and production activities, thus facilitating that free interchange of information which often leads to the solution of difficult problems.

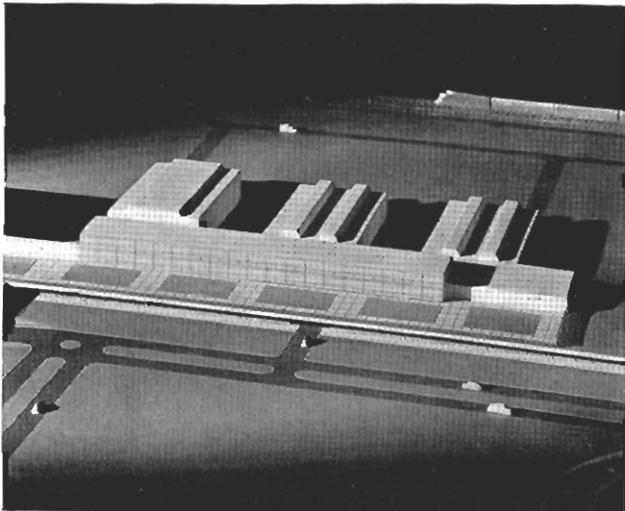
The activities of this new Technical Center will not conflict with the long-established General Motors' principle of decentralized operations, since each division will remain responsible for its own engineering and product development. Neither will it affect the operations of the 22-year-old Proving Ground near Milford, Michigan, which is being expanded and fur-



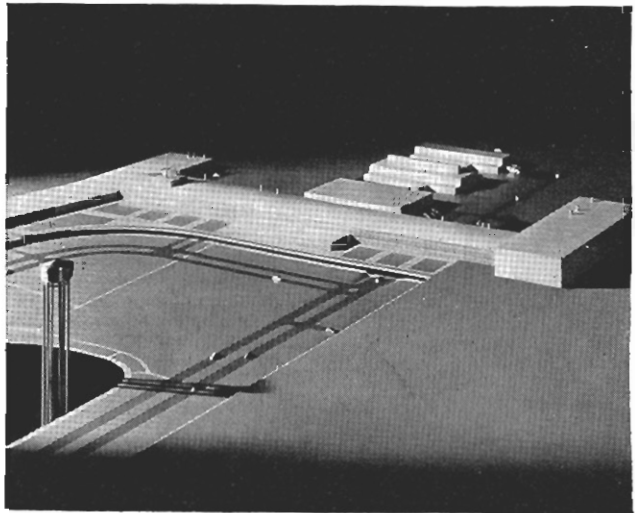
Styling



Advanced Engineering



Process Development



Research

ther improved for the testing of Corporation products and developments.

The primary function of the Technical Center will be to develop those ideas and scientific concepts which will provide new and better products and processes for the future. Experience gained will be available to the divisions and, in addition, the Center will serve as a meeting place for formal and informal discussions among divisional production men and technicians. Close liaison between the divisions and the Technical Center will further help keep the entire organization abreast of the march of science and design.

The Technical Center will also provide an opportunity for selected postgraduate students as well as

interested members of university faculties to supplement their knowledge with practical experience in the application of science to industry. This will permit and stimulate a first hand exchange of viewpoints between seasoned research workers and younger men who are seeking careers in technical fields. Thus the Technical Center will provide practical means for scientific research and development work and at the same time help to bring a broader understanding of industry's potentialities to the men who will inherit the never-ending task of meeting the challenge of tomorrow. For the problems of the future will require not only the best of facilities but the ablest of men to use them intelligently.

Relationships with the Public

GOOD RELATIONSHIPS with the public are a force which General Motors desires in all its operating policies and practices. In the long run the progress of the organization is dependent upon the attitudes and opinions of people in all walks of life. It is dependent upon the favorable opinion of people with respect to its products and services offered in a competitive market. It is dependent as well upon their favorable opinion with respect to General Motors as an institution back of all the products it makes and the services it renders.

It is not enough for industrial management to engineer and manufacture more and better products at ever lower cost. Industry has the additional responsibility of demonstrating sound social as well as sound economic objectives. The *way* a company produces is often as important as *what* a company produces. The successful business must adopt wise, constructive policies in the mutual interest of all con-

cerned. It must apply these policies effectively. But more than that it must interpret them to employes, stockholders, suppliers, local communities and the public at large, so that all will have a clear understanding of the company's actions and aims.

Naturally, business must assume leadership for defining policy, not solely in its own interests but with recognition also of the prime importance of coordinating its interests with those of the public at large. Should any policy appear to be out of harmony with public thinking at the moment, it becomes the responsibility of industry to present the facts to the forum of public discussion, fearlessly and aggressively.

The policy of GM management is actuated by the principle that "*What is good for the country is good for General Motors.*" This broad concept provides a basic pattern for building good relationships with the public and guides the organization in all its plans and activities.

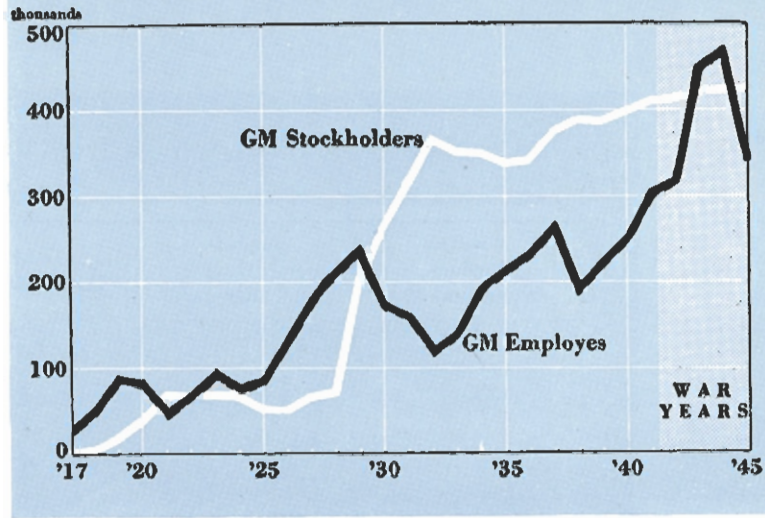
Ownership of General Motors

ALL TOO frequently in discussions of economic progress there is a tendency to overlook the function of the investor in our industrial system. In the final analysis it is the investor, small and large, who is the source of jobs and of prosperity. He directly or indirectly is the owner of American business. He risks his savings to provide the tools for industry, and without the tools neither products for consumers nor job opportunities would be created. A single job in General Motors requires, it is estimated, an investment of approximately \$6,500 to provide the place to work in and the necessary equipment and working capital. The creation of many thousands of jobs obviously requires the investment of many millions of dollars by many thousands of investors.

As will be noted in the accompanying chart, there have been in recent peacetime years many more stockholders than employees. This fact serves to emphasize the wide ownership of General Motors stock.

In the last quarter of 1945 there was a total of 425,657 stockholders of record on the books of General Motors. They include wage earners, farmers, salaried, business and professional people of all the 48 states. New York leads with 72,000 individual holders of stock, while the least populous state, Nevada, has 220 stockholders. A small portion of the outstanding stock is held in 74 countries abroad. Thousands of employes are stockholders. More than 50% of the individuals holding stock are women. Approximately 79% of the individuals hold 50 shares

Number of GM Stockholders and Employes



or less, and about 36% have holdings of 10 shares or less. No individual holds as much as 1.5% of the outstanding General Motors common stock. The 22.7% common stock holding of E. I. du Pont de Nemours & Company is, in fact, indirectly owned by nearly 88,000 du Pont stockholders.

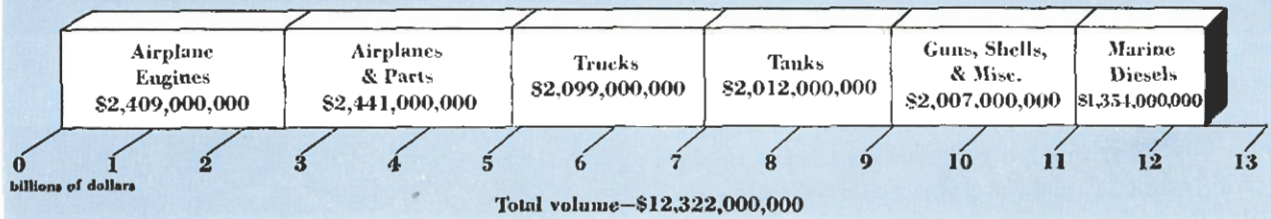
Since this diversified ownership of General Motors imposes on management special responsibilities, the Corporation at all times appreciates and welcomes stockholders' comments.

It has long been the policy of General Motors to encourage the ownership of stock by its managerial personnel. Such stock ownership promotes the sound and basic concept of owner-management. Executive and supervisory personnel, because of their stock ownership, become in a sense partners, and their individual interests are joined more closely to the progress of the Corporation.

At the end of 1945, the supervisory and executive management groups, together with directors not active in the management, owned, directly or indirectly, approximately 3,300,000 shares of General Motors common stock with a market value of nearly \$250,000,000. For the individuals concerned this constitutes a substantial stake in the success of the enterprise.

General Motors believes stock ownership by those charged with the management of the business serves the interests not only of the other stockholders but of the economy as a whole.

GM War Deliveries by Classes of Products



War Production, Volume and Profit Policy

INTENSIVE CONCENTRATION on the task of providing weapons for the armed forces of the United States and its Allies came to an end with V-J Day. The accomplishments of the war years set new pro-

duction records for General Motors. Aggregate production of war materials from the inception of the defense program came to \$12,322,000,000, an amount approximating total sales of the nine prewar years 1933 through 1941.

But volume alone does not tell the full story. At the very beginning of the program, General Motors deliberately sought contracts for those metal fabricated products which, by their technical complexity, would afford the most effective opportunity of utilizing the organization's accumulated engineering and production experience and managerial know-how. Production responsibilities were assumed for some 3,600 different items, ranging in size and character from tiny ball bearings and electric motors to complete tanks and airplanes. Here was involved a real test of management's adaptability, calling for an intensification of engineering and production activities in many fields that previously had been unfamiliar. By far the largest part of General Motors war production was composed of items entirely foreign to the organization's previous experience.

The flexibility of the Corporation's productive abilities in a time of great crisis is illustrated by the chart above showing aggregate volume by classes of products and the adjoining tabulation listing the unit totals of important items.

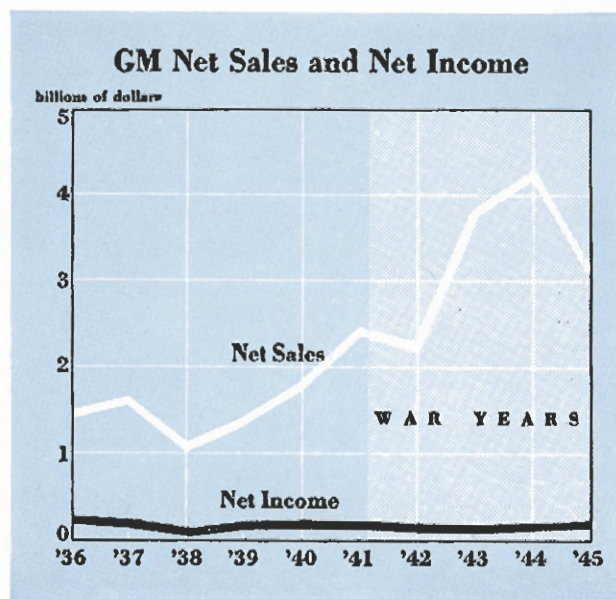
GENERAL MOTORS U. S. PLANTS PRODUCED FOR VICTORY

- 119,562,000 shells
- 39,181,000 cartridge cases
- 206,000 airplane engines, including jet propulsion engines
- 13,000 complete bomber and fighter planes
- 97,000 aircraft propellers
- 301,000 aircraft gyroscopes
- 38,000 tanks, tank destroyers and armored vehicles
- 854,000 trucks including the amphibious Ducks
- 190,000 cannon
- 1,900,000 machine guns and sub-machine guns
- 3,142,000 carbines
- 3,826,000 electric motors of all kinds
- 11,111,000 fuzes
- 360,000,000 ball and roller bearings
- 198,000 Diesel engines for Army and Navy use and many other products

While the annual sales volume during the war period exceeded any achieved in the past, other factors in the business underwent changes which, in normal periods, would be considered at variance with established relationships. Specifically, profits before taxes in relation to volume were at a level lower than in any except the deepest depression years. This resulted directly from the wartime pricing and profit limitation policy adopted by General Motors early in 1942 at the very outset of the war production program, in advance of the enactment of the renegotiation law.

This GM policy, formulated as a result of careful consideration of the national interest and the equities of all involved, produced important savings to the nation's taxpayers. These were effected through the continuous development and application of those same principles of efficient production which, year after year, have given buyers of General Motors products the best obtainable value for their money. This wartime pricing and profit limitation policy can be summarized as follows:

- a. to take war production contracts on a fixed price basis wherever possible and, where not possible in the first instance, to change to that basis as soon as circumstances permitted; and
- b. to make price reductions, applicable to products already delivered as well as to future deliveries,



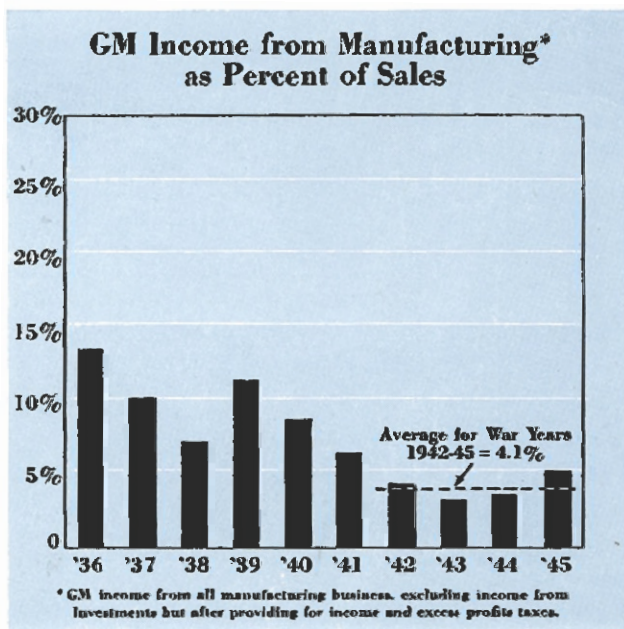
as cost reductions materialized; and

- c. to limit the over-all rate of profit from its manufacturing operations before provision for income and excess profits taxes but after all other charges, including reserve provisions, to approximately one half the profit margin, expressed as a percentage of sales, realized in the year 1941 largely under the conditions of a competitive market.

There is presented below a record of General Motors' net sales and net income during the four war years:

Year	Net Sales	Net Income
1942	\$2,250,548,859	\$163,651,588
1943	3,796,115,800	149,780,088
1944	4,262,249,472	170,995,865
1945	3,127,934,888	188,268,115
Four-year Average	\$3,359,212,255	\$168,173,914

The results of the profit limitation policy as it affected the Corporation are illustrated in the adjoining chart. The Corporation's income from all its manufacturing business, excluding income from investments but after providing for income and excess profits taxes, amounted to 4.5% of net sales in 1942, 3.3% in 1943, 3.7% in 1944 and 5.3% of net sales in 1945. In the four war years 1942 through 1945, income from manufacturing amounted to 4.1% of net sales.





B U I C K

Following the end of the war, modernization and new construction was the order of the day at many plants of General Motors. Here is an addition to the Buick plant under construction at Flint, Michigan, materialization of part of GM's postwar plans for improved production facilities.

A Financial Review

THE BALANCE SHEET and summaries of income and surplus of General Motors Corporation and its consolidated subsidiaries for the year ended December 31, 1945, in comparison with the statements of the preceding year, are shown on pages 40 to 44 of this report. Subsidiaries which, in accordance with past procedure, are not consolidated in the financial statements of the Corporation are listed on page 45, together with other investments and miscellaneous assets.

It has been the practice of the Corporation over a long period of years to include in the income statement all revenues, income, costs, expenses, losses and provisions for contingencies which are applicable to the current year's operations even though some are not definitely determinable in amount at the time. It has also been the practice of the Corporation to include all prior year adjustments in the income statement for the current year. When relatively significant, the nature and amounts of these items are stated. The practice of charging or crediting such adjustments to the earned surplus account has never been followed by General Motors.

The Corporation's procedure in making provision for reserves is fully explained under "*A Reserve Policy*" in the 1942 annual report: ". . . 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."

General Motors has also followed the practice of making provision currently for income and excess profits taxes by charging income with the amounts estimated to be payable for the year under the applicable tax laws. In every year there are necessarily differences between income subject to taxes and the amount of income reported in the income statement. The major differences relate usually to provisions for anticipated losses and expenses and use of reserves previously provided, as discussed above, and to the amount of depreciation and amortization provided for real estate, plants, and equipment. The amounts of depreciation and amortization provided in the accounts usually have exceeded the amounts currently allowed for tax purposes.

Unusual Factors Affecting 1945 Financial Results

Practically all war contracts were canceled in the third quarter of 1945, and the manufacture of war



Improvements in the way of power, ease of handling, riding comfort, economy and safety are features in the postwar cars that began to roll out of the GM plants in record time after the war ended. Here new model Oldsmobiles are shown nearing the end of an assembly line.

products virtually ceased. General Motors was accordingly confronted with the enormous task of converting its plants and facilities to the manufacture and distribution of peacetime products. Because of these factors and other production limitations indicated earlier, the volume of sales by General Motors in the year 1945 showed a sizable decline from that in the year 1944.

In addition to the decline in volume, the following unusual factors affected the financial results of General Motors in 1945: (a) the treatment of expenses incident to reconversion; (b) the ending of the emergency period as of September 29, 1945 in so far as it affected the amortization of special war facilities; (c) accounting for income and excess profits taxes as a result of the carry-back to 1943 of the unused

excess profits credit for 1945; and (d) the sale of General Motors' holdings in the National Bank of Detroit common capital stock. Each of these factors will be dealt with separately.

(a) Treatment of expenses incident to reconversion: During the year 1945 a total of \$45,747,235 was charged against income for costs of restoring the physical plant to peacetime production, including such activities as plant rearrangements, reconversion of buildings, machinery and equipment, and the reinstallation of machinery and equipment. A total reserve of \$76,051,805 was provided by charges against income in the years 1941, 1942 and 1943 for postwar contingencies and rehabilitation, which reduced profits for these three years by the same amount inasmuch as the provisions were unallowable as deduc-

tions for tax purposes. A portion of this reserve, amounting to \$45,747,235, equivalent to the costs of physical plant reconversion in the year, was credited to income in 1945 to reflect the utilization of the reserve to that extent. Inasmuch as the 1945 costs of reconversion were deductible for tax purposes in that year, this had the effect of increasing income for 1945 by \$19,081,044 (exclusive of an applicable amount included in the carry-back of the unused excess profits credit for the year 1945).

At December 31, 1945 there remained an amount of \$30,304,570 in the reserve for postwar contingencies, representing the balance available to absorb costs of restoring plants and equipment to commercial use after they have been cleared of machinery and equipment used on war production. This amount is carried in current liabilities on the balance sheet.

The foregoing amounts do not include a total of \$41,366,947 charged to costs in 1945 representing the cost of clearing plants of war facilities and materials as well as the costs and expenses not applicable to commercial production or sales which were incurred in carrying the organization between the time plants were cleared of war facilities and material, and the time commercial production was resumed or organizational changes were effected.

(b) Amortization of special war facilities in the United States: During the war General Motors acquired approximately \$85,000,000 of special war facilities in the United States under certificates of necessity issued pursuant to provisions of the Internal Revenue Code. In accordance with such provisions the Corporation computed amortization of the cost of these facilities for tax purposes at the rate of 20 per cent per annum. On September 29, 1945 the President of the United States declared the ending of the emergency period as of that date in so far as it affected the amortization of special war facilities. The Corporation, pursuant to provisions of the Internal Revenue Code, elected for tax purposes to recompute the amortization of the facilities not then fully amortized so as to spread the cost of the respective items over the period beginning with the time of their acquisition and ending in September 1945. The portion of the cost remaining unamortized for tax purposes at the end of September 1945 was \$27,253,542. This amount was reallocated to the years

1940 through 1944 and the first nine months of 1945, resulting in a tax adjustment of \$17,664,586 applicable to those periods. The current year's provision for income taxes has been reduced by this amount.

For accounting purposes also, General Motors recorded amortization of special war facilities prior to September 30, 1945 at the rate of 20 per cent per annum, the same rate as used for tax purposes. This rate was in excess of the depreciation rate that would have been applied to similar properties in peacetime operations, but it was considered to be reasonable in view of the high cost of the special war facilities, their relatively hard usage during the war, and the uncertainties as to their usefulness after the war. In 1945, however, the Corporation supplemented the amortization charges by an extraordinary provision of \$9,598,386 which was charged to current costs and expenses. This extraordinary amortization provision was made in view of the excess of the wartime cost over the normal cost of the facilities, and was intended to cover any portion of such excess which had not already been recovered through the periodical charges. At December 31, 1945 the cost of the special war facilities remaining in the United States was \$82,278,693, and the net book value, to be depreciated in future years, was \$15,754,554.

Thus it will be noted that the reported income for 1945 has been increased by \$17,664,586 because of the tax adjustment applicable to the unamortized balance of the special war facilities at the end of September 1945 and has been reduced \$9,598,386 as a result of the extraordinary amortization provision recorded in the books. The net credit included in income for the year on account of these unusual items, therefore, is \$8,066,200.

(c) Income and excess profits taxes: Under the provisions of the Internal Revenue Code, a corporation's taxable income in excess of an average based upon taxable income in the four years 1936-1939 is subject to the excess profits tax. In 1945, General Motors' taxable income was substantially below its average base period taxable income, resulting in an unused excess profits credit. The carry-back or application of this unused excess profits credit to the year 1943 results in a net claim for refund of taxes paid in that year amounting to \$34,415,207, which was applied in the 1945 income statement as a reduction of the cur-

rent year's provision for income taxes. The net claim for refund is included in "Miscellaneous Assets" on the balance sheet.

(d) *Sale of holdings in the National Bank of Detroit:* As already reported during the year, General Motors sold in 1945 its entire holdings in the National Bank of Detroit common capital stock. The Corporation realized a profit of \$13,957,787 on the transaction, equivalent after applicable income taxes to \$0.21 per share of General Motors common stock.

While it is difficult in many instances to distinguish between normal and abnormal factors in a year marked by such events as occurred in 1945, it is believed that the foregoing summarizes the principal unusual factors affecting 1945 financial results.

Renegotiation of War Material Contracts

Under the Renegotiation Act, profits on war material contracts are subject to renegotiation. Information relative to 1945 operations has been furnished to the War Department Price Adjustment Board pursuant to its requirements, and the Board has concluded that no refund will be required for the year. Thus, General Motors' profits realized during the four years 1942 through 1945 on war material contracts subject to the Renegotiation Act have now been renegotiated.

Earnings

Net income for the year 1945 amounted to \$188,268,115. After paying regular dividends of \$9,178,220 on the preferred stock, there remained net income of \$179,089,895 available for the common stock, equivalent to \$4.07 per share on the average number of common shares outstanding during the year. The four unusual items affecting income during the year, as summarized, had the net effect (after deducting an estimated amount for allocable taxes and bonns) of increasing reported net income for the year by approximately \$1.47 per share of common stock. Excluding these items, the balance of earnings available for the common stock in 1945 amounted to approximately \$2.60 per share of common stock. For the year 1944, net income amounted to \$170,995,865.

After paying regular dividends of \$9,178,220 on the preferred stock, there remained net income of \$161,817,645 available for the common stock in 1944, equivalent to \$3.68 per share of common stock.

Provision has been made in 1945 for United States income taxes and foreign income and excess profits taxes in the aggregate amount of \$24,267,778. The amount provided for taxes in 1945 was affected by a number of unusual items, of which the major ones have been mentioned previously. The amount provided in 1944 was \$264,413,156 which included a provision for United States excess profits taxes of \$158,143,074.

Consolidated net income for 1945 excludes profits realized abroad during the year which were not remitted to the United States from certain countries where exchange restrictions exist. Net income realized in foreign countries in 1945 which was so excluded amounted to \$6,499,536. However, net income of \$1,084,918 previously deferred was included in the Corporation's consolidated income account in 1945 in view of remittances to the United States. On a cumulative basis, from December 31, 1933 when this practice was initiated to December 31, 1945, net income realized abroad but not reflected in earnings amounted to \$16,844,120, based upon rates of exchange current in each year, equivalent to \$0.38 per share of common stock. This excludes unremitted earnings of subsidiaries in certain foreign countries, the investments in which were written off as war losses in 1942.

Dividend Payments and Net Income Retained in the Business

Dividends paid and net income retained in the business were as follows:

	1945	Four Years 1942-45 Average
Net income for the year.....	\$188,268,115	\$168,173,914
Dividends paid on the \$5 series preferred stock.....	\$ 9,178,220	\$ 9,178,220
Dividends paid on the common stock, \$3.00 per share in 1945....	132,066,520	109,557,236
Total dividends paid to the stockholders	\$141,244,740	\$118,735,456
Net income retained in the business, \$1.07 per share in 1945.....	\$ 47,023,375	\$ 49,438,458
Total dividend payments as per cent of net income.....	75.0%	70.6%

In the 15 years ended December 31, 1945, dividends paid were 83.7% of net income.

A record of sales, net income and dividends by years from 1917 through 1945 is shown on page 48.

Net Working Capital

Net working capital amounted to \$775,229,420 at December 31, 1945, compared with \$903,409,918 at December 31, 1944, a decrease of \$128,180,498. The decrease in net working capital reflects expenditures required for the reconversion of plant facilities to civilian production and for new buildings, machinery and equipment required in the postwar period. This program will continue through 1946 as discussed on pages 14 and 15.

Inventories at the end of 1945 totaled \$348,080,639, practically all of which was applicable to commercial production. At December 31, 1944 inventories totaled \$498,728,376, of which \$388,348,554 applied to war material production. The virtual elimination of war material inventories in 1945 resulted largely from the termination of war contracts, while commercial inventories increased substantially as a result of preparing for peacetime production. The Corporation's practice of taking physical inventories at all locations sometime during the year was followed in 1945.

Accounts receivable, notes receivable, etc. at December 31, 1945 amounted to \$436,974,533, compared with receivables of \$510,989,136 at December 31, 1944. At December 31, 1945 receivables against the United States Government, included above, amounted to \$347,269,304 (including an amount of \$295,350,826 due on terminated war material contracts), compared with \$396,252,674 at December 31, 1944. Satisfactory progress is being made in the settlement of these termination claims.

Cash and United States Government securities amounted to \$377,701,205 at December 31, 1945, a decrease of \$218,843,187 from the corresponding item of \$596,544,392 at December 31, 1944. Government securities at December 31, 1945 represented \$175,000,000 par value United States 7/8% Certificates of Indebtedness and \$1,328,513 United States Excess Profits Tax Refund Bonds.

Effective December 15, 1945 the revolving bank credit which had been available to General Motors

under its V-Loan Credit Agreement was terminated. With the cessation of hostilities, and in view of the termination financing facilities under the Contract Settlement Act of 1944, the purpose for which the V-Loan was negotiated had been accomplished. This termination of the obligation of the banks to extend credit to General Motors was made in accordance with the terms of the agreement which permitted the Corporation to terminate the credit upon 90 days' notice. As the stockholders have been advised, the General Motors Credit Agreement became effective October 31, 1942, and originally was to terminate on February 28, 1946.

The original amount of revolving bank credit available under the V-Loan Credit Agreement was \$1,000,000,000, which was reduced to \$500,000,000 effective January 31, 1945. The maximum amount of actual borrowings under the agreement was \$100,000,000 but no borrowings were outstanding after June 1943. An amount of \$651,104 representing commitment fees in 1945 was charged to income in that year.

Real Estate, Plants, and Equipment

The gross book value of real estate, plants, and equipment amounted to \$1,048,595,225 at December 31, 1945, an increase of \$118,392,943 over the total of \$930,202,282 at December 31, 1944. The reserve for depreciation increased \$67,144,106 during the year, or from \$631,652,398 at December 31, 1944 to \$698,796,504 at December 31, 1945. The net book value of real estate, plants, and equipment, therefore, increased \$51,248,837 during the year to \$349,798,721 at December 31, 1945.

Expenditures by General Motors for additions to and improvements of plant and equipment, exclusive of special tools, amounted to \$113,675,758 in 1945. These expenditures were made almost entirely in connection with the Corporation's postwar plant reconversion and construction program. Property disposed of and other adjustments reduced the gross plant account by \$6,953,839.

The amount of depreciation and amortization charged against net income in 1945 was \$68,543,301, including \$12,730,881 for amortization of special war facilities for the first nine months of 1945 at the rate

then permitted for tax purposes as well as an additional amortization provision of \$9,598,386 to eliminate the unamortized cost of special war facilities considered to be in excess of normal cost. At December 31, 1945 the gross cost of special war facilities remaining in the United States and Canada was \$87,339,736 and the unamortized balance, to be depreciated in future years, was \$16,009,973.

Effective as of January 1, 1945 the Corporation adopted new class rates of depreciation applicable to the various categories of machinery and equipment located in the United States and utilized in commercial production. The new rates adopted range from 5% on power plants to 25% on special facilities acquired in connection with manufacturing processes which are affected by model or design changes. These machinery and equipment depreciation rates, which average approximately 8%, replace the composite rate previously used. The accrual of depreciation beyond 100% on individual items of such machinery and equipment is not provided. As a result of these changes the provision for depreciation and amortization for 1945 was approximately \$3,200,000 less than it would have been if the depreciation procedures used in 1944 had been followed.

In the year 1944, depreciation and amortization in the amount of \$63,667,408, including \$15,943,306 for amortization of special war facilities, was charged against net income.

The plant investment at December 31, 1945 does not include \$507,671,844 of plant and equipment of which the Corporation is custodian but is not owner. These facilities are for the most part Government-owned, and while they were not in use at December 31, 1945, except for a relatively minor part of the total utilized on projects not terminated at V-J Day, they must be accounted for until they are returned to or disposed of by Governmental agencies.

There are included in real estate, plants, and equipment at December 31, 1945, special tools, dies, etc., with an unamortized balance of \$36,651,163, as compared with \$24,980,139 at December 31, 1944. Of the total at December 31, 1945, \$4,163,682 represents tools, dies, etc., applicable to war production contracts not terminated. The balance of \$32,487,481 represents the value of tools applicable to commercial production which remained unamortized following

the cessation of civilian production early in 1942, and additional tools, dies, etc., acquired for the resumption of car production. The tools which remained unamortized at the cessation of civilian production in 1942, together with the additional tools acquired subsequently, will be amortized over the period of their use.

Investments Outside the United States

The table on the following page summarizes the General Motors investments outside the United States.

The Corporation's net investment outside the United States at December 31, 1945 was \$34,733,992, or 2.6% of its total capital stock and surplus of \$1,351,094,995. No reinstatement has been made in the Corporation's accounts with respect to any of the foreign investments written off as war losses in 1942. In some instances, representatives of the Corporation have had an opportunity to appraise the extent of loss locally but the position with respect to valuation was not sufficiently clear at the end of the year to warrant reinstatement. The investments written off in 1942 amounted to \$46,913,679, of which \$31,890,024 represented the investment in Adam Opel A. G., the Corporation's former manufacturing subsidiary in Germany. Circumstances beyond the control of the Corporation have prevented any appraisal of this investment up to this time.

The net investment of \$34,733,992 outside the United States includes the net assets of consolidated foreign subsidiaries and the net investment in foreign subsidiaries which are not consolidated. The principal foreign subsidiary not consolidated is Vauxhall Motors Limited, a manufacturing subsidiary located in England. Amounts included in reserves are considered adequate to take care of any losses in foreign investments which may occur.

In addition to the foregoing, General Motors Acceptance Corporation, a wholly owned non-consolidated subsidiary, had total gross assets outside the United States of \$4,275,356. After deducting amounts 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 said assets was \$669,433.

Earnings from sources outside the United States

Summary of General Motors Investments Outside the United States

	December 31, 1945				Total December 31, 1944
	Canada, Mexico and So. America	England and British Possessions	All Other	Total	
Assets of consolidated foreign subsidiaries:					
Current assets	\$40,477,501	\$17,051,670	\$ 987,546	\$58,516,717	\$60,859,688
Other assets (after deducting reserves for depreciation)	19,949,425	9,639,234	89,327	29,677,986	26,258,273
Total assets	\$60,426,926	\$26,690,904	\$1,076,873	\$88,194,703	\$87,117,961
Less:					
Current liabilities	\$23,044,065	\$12,288,189	\$2,539,134	\$37,871,388	\$43,278,223
Other liabilities	1,460,367	3,851,314	21,834	5,333,515	7,143,932
Total liabilities	\$24,504,432	\$16,139,503	\$2,560,968	\$43,204,903	\$50,422,155
Net investment in subsidiaries included in consolidation ..	\$35,922,494	\$10,551,401	\$1,484,095	\$44,989,800	\$36,695,806
Investments in subsidiary companies not consolidated:					
Vauxhall Motors Limited	—	13,345,790	—	13,345,790	13,617,621
Other	634,193	173,600	233,418	1,046,211	1,161,143
Total investments outside the United States before deducting allocable reserves	\$36,556,687	\$24,075,791	\$1,250,677	\$59,381,801	\$51,474,570
Less allocable reserves provided against contingent losses				24,647,809	18,659,187
Net investment outside the United States				\$34,733,992	\$32,815,383

which have been included in consolidated income in 1945 constituted less than 1% of total net income.

Foreign working capital consists mainly of cash, inventories and receivables required in the conduct of the business. 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 income if it exceeds reserves previously provided on this account.

Investments and Miscellaneous Assets

The Corporation's investments in subsidiary companies not consolidated, other investments, and miscellaneous assets are listed on page 45 of this report. The aggregate of all such items was \$223,006,181 at December 31, 1945, compared with \$195,109,472 at December 31, 1944. The increase is due principally to the inclusion in miscellaneous assets of a net claim

for refund of \$34,415,207 against the United States Government representing the net reduction in income and excess profits taxes for the year 1943 arising from the carry-back of the unused excess profits credit for the year 1945 as set forth on page 33. This is partly offset by the sale in 1945 of the Corporation's holdings in the National Bank of Detroit common capital stock, which had been carried at \$6,375,000.

The Corporation's investments in subsidiary companies not consolidated amounted to \$133,774,894 at December 31, 1945, compared with \$133,698,162 at December 31, 1944. These investments include companies which are more than 50% owned by General Motors Corporation and whose business is closely related to the Corporation's normal activities. Dividends and interest received on these investments in 1945, together with the Corporation's proportion of undivided profits or losses, amounted to \$933,348 which compares with total income of \$2,906,352 in 1944.

Other investments amounted to \$46,257,877 at December 31, 1945, which compares with \$52,366,991 at December 31, 1944. Total income from these invest-



On one side of this plant welders worked on turrets to complete the final contract for heavyweight tanks for the Army. On the other side, preliminary work was being done on Fisher bodies. Pictured is a "handmade" body produced by master craftsmen in preparation for regular production.

ments in 1945 amounted to \$8,611,249, representing dividends and interest received, which compares with \$9,758,303 in 1944.

Prior to 1936 the Corporation reflected in net income its proportion of the undivided profits or losses of companies in which a substantial but not more than 50% interest was held. As a result earned surplus at December 31, 1945 includes \$1,679,467 for undivided profits of such companies. 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 decreases in its

equities 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 has been excluded from the Corporation's income in accordance with this policy, amounted to \$1,502,188 for the year 1945, and to \$19,984,808 for the years 1936 through 1945.

Treasury Stock

At December 31, 1945, the Corporation held in its treasury for bonus purposes 81,571 shares of common stock carried at \$5,704,225, as compared with 86,914

shares carried at \$5,237.951 at December 31, 1944. A total of 82,500 shares was acquired during 1945 for bonus purposes, while 87,843 shares were used for 1944 bonus awards. As a result of these transactions the common stock held in the treasury showed a net decrease during the year 1945 of 5,343 shares.

Goodwill, Patents, Etc.

The Corporation's goodwill and patent account as of December 31, 1945 amounted to \$63,214,330 and

shows no change from the balance at December 31, 1944. 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 and highly specialized manufacturing and selling organization, with its executive personnel, operating all over the world.

CONCLUSION

GENERAL MOTORS feels privileged to have had the opportunity of serving the country in a great crisis, not alone through the production of military material but also through its training programs and the assistance it rendered in the establishment of military assembly plants and parts depots overseas.

After the completion of really tremendous war assignments, General Motors has directed its energies to peacetime tasks. There can be no relaxation of effort. For industrial production will continue to be the urgent need of the nation. It was a major factor in winning the war. It will be a major factor in winning the peace.

During 1945 a start was made toward our postwar objective of full-scale production with a maximum of job opportunities. The organization recognizes that the successful accomplishment of this program requires a peacetime effort comparable in effectiveness to the job it did in wartime. Given the opportunity to utilize its initiative and skills, there is no doubt concerning the results that can be obtained in 1946 and in the years to follow.

On behalf of the Board of Directors and for ourselves as well, we wish to express and record our appreciation of the loyalty, sacrifices and successful efforts of the organization over the years.

By order of the Board of Directors,

March 16, 1946



President



Chairman

Summary of Consolidated Income

FOR THE YEARS ENDED DECEMBER 31, 1945 AND 1944

	<u>Year 1945</u>	<u>Year 1944</u>
Net Sales	\$3,127,931,888	\$4,262,249,172
General Motors Corporation's equity in earnings (net) of subsidiary companies not consolidated (dividends and interest received amounted to \$1,266,593 in 1945 and \$2,020,253 in 1944).....	933,348	2,906,352
Profit from the sale of the Corporation's stockholdings in the National Bank of Detroit.....	13,957,787	—
Other income (including dividends received of \$8,560,708 in 1945 and \$9,750,735 in 1944) less sundry income deductions.....	<u>10,580,131</u>	<u>11,028,937</u>
Total	<u>\$3,153,406,154</u>	<u>\$1,276,184,761</u>
Less:		
Cost of sales and other operating charges, exclusive of items listed below.....	\$2,762,868,879	\$3,612,857,485
Selling, general, and administrative expense.....	98,682,181	93,462,593
Costs of postwar reconversion charged to reserve for postwar contingencies and rehabilitation created by charges to income in prior years; see special income credit below.....	45,717,235	—
Provision for:		
Depreciation and amortization of real estate, plants, and equipment.....	68,513,301	63,667,108
Refund in connection with the renegotiation of war material contracts.....	—	61,700,000
Employees bonus.....	10,775,900	9,088,254
United States and foreign income and excess profits taxes—includes provision for United States excess profits taxes of \$158,143,074 in 1944.....	<u>24,267,778</u>	<u>264,113,156</u>
Total	<u>\$3,010,885,574</u>	<u>\$1,105,188,896</u>
Balance Before Special Income Credit	\$ 142,520,880	\$ 170,995,865
Special income credit—Portion of reserve for postwar contingencies and rehabilitation utilized during the year to absorb costs of postwar reconversion.....	<u>45,747,235</u>	—
Net Income for the Year	\$ 188,268,115	\$ 170,995,865
Dividends on preferred capital stock— 85 series.....	<u>9,178,220</u>	<u>9,178,220</u>
Amount Earned on Common Capital Stock	<u>\$ 179,089,895</u>	<u>\$ 161,817,645</u>
Average number of shares of common capital stock outstanding during the year....	44,026,939	14,025,162
Amount Earned Per Share of Common Capital Stock	<u>\$4.07</u>	<u>\$3.68</u>

The notes on page 44 form a part of this statement.

Summary of Consolidated Surplus

FOR THE YEARS ENDED DECEMBER 31, 1945 AND 1944

EARNED SURPLUS

	<u>Year 1945</u>	<u>Year 1944</u>
Earned Surplus at beginning of year.....	\$611,613,541	\$614,859,270
Net Income for the year per Summary of Consolidated Income.....	<u>133,268,115</u>	<u>170,995,865</u>
Total	<u>\$832,881,659</u>	<u>\$785,855,135</u>
Less Cash Dividends:		
Preferred capital stock - 85 series.....	<u>\$ 9,178,220</u>	<u>\$ 9,178,220</u>
Common capital stock:		
Mar. 10 (\$0.75 per share).....	\$ 33,008,345	\$ 33,010,749
June 9 (\$0.75 per share).....	32,992,519	32,994,850
Sept. 10 (\$0.75 per share).....	33,042,128	33,038,878
Dec. 10 (\$0.75 per share).....	<u>33,023,528</u>	<u>33,018,891</u>
Total	<u>\$132,066,520</u>	<u>\$132,063,371</u>
Total Cash Dividends	<u>\$141,244,740</u>	<u>\$141,241,591</u>
Earned Surplus at end of year.....	<u>\$691,636,919</u>	<u>\$644,613,541</u>

CAPITAL SURPLUS

	<u>Year 1945</u>	<u>Year 1944</u>
Capital Surplus at beginning of year.....	\$ 31,850,276	\$ 34,841,168
Excess of award value over cost of treasury stock distributable as bonus.....	—	<u>9,108</u>
Capital Surplus at end of year.....	<u>\$ 31,850,276</u>	<u>\$ 34,850,276</u>

The note on page 44 forms a part of this statement.

Condensed Consolidated Balance Sheet

DECEMBER 31, 1945 AND 1944

ASSETS

	<u>Dec. 31, 1945</u>	<u>Dec. 31, 1944</u>
Current Assets:		
Cash	\$ 201,372,692	\$ 169,044,392
United States Government securities—short term—at cost	176,328,513	427,500,000
Accounts receivable—United States Government.....	347,269,304	396,252,674
Other accounts receivable, notes receivable, etc. (less reserve for doubtful receivables: 1945, \$749,531; 1944, \$703,705)	89,705,229	114,736,462
Inventories—at cost or less, not in excess of market	348,080,639	498,728,376
Total Current Assets	\$1,162,756,377	\$1,606,261,904
 Investments and Miscellaneous Assets (Schedule 1):		
Investments in subsidiary companies not consolidated	\$ 133,774,894	\$ 133,698,162
Other investments	46,257,877	52,366,991
Miscellaneous assets.....	42,973,410	9,014,319
Total Investments and Miscellaneous Assets	\$ 223,006,181	\$ 195,109,472
 Common Capital Stock in Treasury:		
Held for bonus purposes (1945, 81,571 shares; 1944, 86,914 shares)	\$ 5,704,225	\$ 5,237,951
 Real Estate, Plants, and Equipment	\$1,048,595,225	\$ 930,202,282
Less reserve for depreciation	698,796,504	631,652,398
Net Real Estate, Plants, and Equipment	\$ 349,798,721	\$ 298,549,884
 Prepaid Expenses and Deferred Charges	\$ 9,405,725	\$ 14,235,963
 Goodwill, Patents, Etc.	\$ 63,214,330	\$ 63,214,330
 TOTAL ASSETS	\$1,813,885,559	\$2,182,609,504

The notes on page 44 form a part of this statement.

LIABILITIES, RESERVES, AND CAPITAL

	<u>Dec. 31, 1945</u>	<u>Dec. 31, 1944</u>
Current Liabilities:		
Accounts payable	\$ 103,895,280	\$ 181,085,059
Taxes, payrolls, warranties, and sundry accrued items	149,076,556	128,945,199
Due to contracting agencies of United States Government for accrued price reductions.....	13,013,307	45,118,583
Refund accrued in connection with the renegotiation of war material contracts..	—	61,700,000
Advances on government contracts.....	13,937,182	14,358,472
United States and foreign income and excess profits taxes	69,511,581	265,499,311
Reserve for postwar contingencies and rehabilitation	30,304,570	—
Employee bonus (portion of total estimated to be payable in cash)	5,493,926	3,850,807
Dividends payable on preferred capital stock	2,291,555	2,291,555
Total Current Liabilities	\$ 387,526,957	\$ 702,851,986
 Other Liabilities:		
Employee bonus (portion of total estimated to be payable in common stock held in treasury)	\$ 5,282,020	\$ 5,237,951
Taxes, warranties, and miscellaneous	30,938,131	57,379,015
Total Other Liabilities	\$ 36,220,151	\$ 62,616,966
 Reserves:		
Employee benefit plans.....	\$ 6,536,300	\$ 6,536,073
Deferred income	715,719	2,874,850
Postwar contingencies and rehabilitation	—	76,051,805
Contingencies and miscellaneous:		
Allocable to foreign subsidiaries.....	24,647,809	18,659,187
General.....	5,170,214	6,973,603
Total Reserves	\$ 37,070,042	\$ 111,095,518
 Minority Interest—Preference Stock of Subsidiary Company	\$ 1,973,414	\$ 1,973,414
 Capital Stock and Surplus:		
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	\$ 183,564,400
Common, \$10 par value (authorized, 75,000,000 shares; issued, 44,104,340 shares)	441,043,400	441,043,400
Total Capital Stock	\$ 624,607,800	\$ 624,607,800
Capital surplus	34,850,276	34,850,276
Earned surplus	691,636,919	644,613,544
Total Capital Stock and Surplus	\$1,351,094,995	\$1,304,071,620
 TOTAL LIABILITIES, RESERVES, AND CAPITAL	\$1,813,885,559	\$2,182,609,504

Notes to Financial Statements

Renegotiation of War Material Contracts

Under the Renegotiation Act, profits on war material contracts are subject to renegotiation. Information relative to 1915 operations has been furnished to the War Department Price Adjustment Board pursuant to its requirements, and the Board has concluded that no refund will be required for the year. Thus, General Motors' profits realized during the four years 1912 through 1945 on war material contracts subject to the Renegotiation Act have now been renegotiated.

Notes to Summary of Consolidated Income

OTHER INCOME:

Other income is after sundry income deductions of \$11,053,040 in 1945 and \$8,827,891 in 1944.

SPECIAL WAR FACILITIES:

The President of the United States designated September 29, 1915 as the end of the emergency period for real estate, plants, and equipment acquired under certificates of necessity for production of war material. The Corporation, in accordance with its right under the Internal Revenue Code, has elected to claim full amortization of its special war facilities for tax purposes by the end of the emergency period. There results from this election a reduction of \$17,664,586 in the current year's provision for income taxes.

The unamortized balance of special war facilities in the United States at September 30, 1945 has been reduced by an additional amortization provision of \$9,598,386 in order to eliminate the unamortized cost of these facilities considered to be in excess of normal cost. At December 31, 1945 the cost of special war facilities remaining was \$82,278,693 and the unamortized balance, to be depreciated in future years, was \$15,754,554.

EMPLOYEES' BONUSES:

In addition to the amount provided under the Corporation's Bonus Plan in 1945, an amount of \$24,900 was provided in 1945 for prior year's bonus by a foreign subsidiary having a separate bonus plan, which amount has been charged to sundry income deductions.

UNITED STATES INCOME AND EXCESS PROFITS TAXES:

The 1945 provision for United States income taxes has been reduced by \$34,415,207 representing the net reduction in income and excess profits taxes for the year 1943 arising from the carry-back of unused excess profits credit for the year 1915; by \$17,664,586 representing the reduction in income and excess profits taxes for the years 1910 to 1915 arising from the accelerated amortization of special war facilities referred to in the note on special war facilities; and by \$19,081,044 (exclusive of an applicable amount included in the carry-back of the unused excess profits credit for the year 1945) arising from expenditures in 1945 applied to the reserve for postwar contingencies and rehabilitation.

INCOME FROM FOREIGN SOURCES:

Profits realized abroad during 1945 which were not remitted to the United States from certain foreign countries where exchange restrictions exist have been excluded from net income. The amount so excluded, less remittances during the year applicable to profits previously deferred, was \$5,414,618. For further information regarding income from foreign sources, see page 34.

No recognition has been given in the financial statements to the recovery of foreign investments written off as war losses in

1942 or to any earnings in connection therewith which may have accrued during the period. The position with respect to the valuation of these investments was not sufficiently clear at the end of the year to warrant reinstatement.

Note to Summary of Consolidated Surplus

Earned surplus includes \$39,762,565 at December 31, 1945 and \$39,146,195 at December 31, 1944 for net earned surplus of subsidiaries not consolidated; also \$1,679,467 at December 31, 1945 and 1944 for earned surplus of companies in which a substantial but not more than 50% interest is held.

Notes to Condensed Consolidated Balance Sheet

CASH:

The Corporation is the custodian of cash collected from employes for United States savings bond purchases and for income tax withheld. Such cash, amounting to \$6,572,382 at December 31, 1945 and \$21,724,437 at December 31, 1944, and the contra liabilities therefor, are not included in the balance sheet.

ACCOUNTS RECEIVABLE:

At December 31, 1945, accounts receivable—United States Government include \$295,350,826, and other accounts receivable include \$38,721,843 due on terminated war material contracts. Other accounts receivable and notes receivable include \$2,693,690 at December 31, 1945 and \$3,876,288 at December 31, 1944 of current receivables from subsidiary companies not consolidated; and \$75,691 at December 31, 1945 and \$60,276 at December 31, 1944 of receivables from officers and employes.

POSTWAR CONTINGENCIES AND REHABILITATION:

The liability of \$30,301,570 at December 31, 1945 for postwar contingencies and rehabilitation is the balance available to absorb costs of restoring plants and equipment to commercial use after they have been cleared of machinery and equipment used on war production. This amount is the unused balance of the reserve of \$76,051,805 for postwar contingencies and rehabilitation provided by charges against income in the years 1941, 1942 and 1943.

FOREIGN INVESTMENTS:

For information regarding the Corporation's foreign investments, see page 36.

CONTINGENT LIABILITIES:

There are various claims against the Corporation and its consolidated subsidiaries in respect to sundry taxes, suits, patent infringements and other matters incident to the ordinary course of business, together with other contingencies. 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 had certain war material contracts which provided 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 contracts, and such further adjustments as may be required in connection with final settlements will be relatively inconsequential.

GENERAL MOTORS CORPORATION AND CONSOLIDATED SUBSIDIARIES

Investments and Miscellaneous Assets

DECEMBER 31, 1945 AND 1944

	<u>Dec. 31, 1945</u>	<u>Dec. 31, 1944</u>
Investments in Subsidiary Companies Not Consolidated:		
Wholly owned companies carried at net worth as shown by the books of the companies:		
General Motors Acceptance Corporation (see Note A)	\$ 91,498,315	\$ 91,081,909
General Exchange Insurance Corporation	15,340,481	15,312,240
Yellow Manufacturing Acceptance Corporation	6,221,810	6,220,716
Other	2,176,527	2,390,517
Subsidiary companies carried at cost adjusted to include the Corporation's proportion of undivided profits or losses since acquisition:		
Vauxhall Motors Limited (see Note B)	13,345,790	13,617,621
Automobile dealerships held by Motors Holding Division	3,356,439	2,727,656
Other	1,532,532	2,317,503
Total Investments in Subsidiary Companies Not Consolidated	\$133,774,894	\$133,698,162
Other Investments:		
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	\$ 20,083,833	\$ 20,083,833
Bendix Aviation Corporation	12,273,021	12,273,021
North American Aviation, Inc.	4,510,611	4,510,611
Kinetic Chemicals, Inc.	2,122,618	2,122,618
National Bank of Detroit common stock (at cost)	—	6,375,000
GM Shares, Inc. common stock	394,408	394,408
Other	6,873,386	6,607,500
Total Other Investments	\$ 46,257,877	\$ 52,366,991
Miscellaneous Assets:		
Claim representing the net reduction in United States income and excess profits taxes for the year 1943 resulting from carry-back of unused excess profits credit for the year 1945	\$ 34,415,207	\$ —
Postwar refund of United States excess profits taxes	—	1,328,513
Properties, land contracts and mortgages held by housing divisions (less reserves: 1945, \$2,397,272; 1944, \$3,005,783)	—	553,788
Cash in excess of operating needs subject to exchange restrictions in foreign countries	4,662,233	3,031,402
Other	3,895,970	4,130,616
Total Miscellaneous Assets	\$ 42,973,410	\$ 9,014,319
TOTAL INVESTMENTS AND MISCELLANEOUS ASSETS	\$223,006,181	\$195,109,472

NOTES:

- (A) The consolidated balance sheet of General Motors Acceptance Corporation is shown on page 47 of this report.
 (B) No effect has been given to the undistributed earnings of Vauxhall Motors Limited since December 31, 1939.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK

March 16, 1946.

GENERAL MOTORS CORPORATION:

We have examined the Condensed Consolidated Balance Sheet of General Motors Corporation and consolidated subsidiaries as of December 31, 1945 and 1944, 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 but we have satisfied ourselves with respect to such receivables 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, 1945 and 1944, 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, 1945

ASSETS

Current Assets:	
Cash (See note).....	\$ 16,534,995
United States Government Securities—at cost	38,000,000
Notes and Bills Receivable (including instalments of \$1,713,899 maturing in 1947 and \$182,306 thereafter) (See note).....	<u>\$44,247,851</u>
Deductions:	
Unearned Income	\$ 1,356,354
Reserve for Losses on Notes and Bills Receivable	875,589
Total Deductions	<u>\$ 2,231,943</u>
Notes and Bills Receivable, Less Deductions	42,015,908
Accounts Receivable.....	245,395
Total Current Assets	<u>\$ 96,796,298</u>
Claims in Connection with Adjustment of United States Income and Excess Profits	
Taxes Paid for Prior Years	3,194,320
Investments:	
Wholly Owned Subsidiaries not Consolidated (carried at net worth as shown by the books of the subsidiaries):	
Motors Insurance Corporation.....	\$ 4,759,944
General Exchange Corporation.....	9,184
Other.....	<u>23,116</u>
Wholly Owned Subsidiaries, Less Depreciation.....	4,792,244
Company Automobiles, Less Depreciation.....	163,312
Deferred Charges	88,929
Total	<u><u>\$105,035,603</u></u>

LIABILITIES, CAPITAL STOCK AND SURPLUS

Current Liabilities:	
Notes and Loans Payable (See note).....	\$ 1,402,544
Accounts Payable:	
Due General Motors Corporation and Other Affiliated Companies.....	\$ 2,464,186
Credit Certificates Issued to Customers under Military Service Rcpurchase Plan...	495,363
Other.....	<u>321,865</u>
United States Income and Other Accrued Taxes.....	560,245
Dealers' Repossession Loss Reserves.....	<u>1,991,069</u>
Total Current Liabilities.....	<u>\$ 7,235,272</u>
Reserves:	
For Contingencies.....	\$ 5,000,000
Other.....	<u>1,302,016</u>
Total Reserves.....	6,302,016
Capital Stock and Surplus:	
Capital Stock—\$100 par, authorized and outstanding, 500,000 shares.....	\$50,000,000
Paid-In Surplus.....	11,250,000
Earned Surplus.....	8,750,000
Undivided Profits.....	<u>21,498,315</u>
Total	<u><u>\$105,035,603</u></u>

NOTE: Notes and Bills Receivable of \$570,119 and Cash of \$1,547 were pledged as collateral against Notes and Loans Payable amounting to \$193,355 in countries other than the United States and Canada.

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	Preferred Dividends	Amount Earned on Common Capital Stock	Cash Dividends Paid on Common Stock	% Income Disbursed in Cash Dividends on Preferred and Common Stocks	Income Reinvested in the Business
1917 [§]	\$ 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	—	† 65,459,056
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	† 42,998,798
1932	432,311,868	164,979	9,206,387	*9,041,408	53,993,330	—	† 68,034,788
1933	569,010,542	83,213,676	9,178,845	74,034,831	53,826,355	75.7	20,208,476
1934	862,672,670	94,769,131	9,178,220	85,590,911	64,443,490	77.7	21,147,421
1935	1,155,641,511	167,226,510	9,178,220	158,048,290	96,476,748	63.2	61,571,542
1936	1,439,289,940	238,482,425	9,178,220	229,304,205	192,903,299	84.7	36,400,906
1937	1,606,789,841	196,436,598	9,178,220	187,258,378	160,549,861	86.4	26,708,517
1938	1,066,973,000	102,190,007	9,178,220	93,011,787	64,386,421	72.0	28,625,366
1939	1,376,828,337	183,290,222	†9,943,072	173,347,150	150,319,682	87.0	23,027,468
1940	1,794,936,642	195,621,721	9,178,220	186,443,501	161,864,924	87.4	24,578,577
1941	2,436,800,977	201,652,508	9,178,220	192,474,288	162,608,296	85.2	29,865,992
1942	2,250,548,859	163,651,588	9,178,220	154,473,368	86,992,295	58.8	67,481,073
1943	3,796,115,800	149,780,088	9,178,220	140,601,868	87,106,758	64.3	53,495,110
1944	4,262,249,472	170,995,865	9,178,220	161,817,645	132,063,371	82.6	29,754,274
1945	3,127,934,888	188,268,115	9,178,220	179,089,895	132,066,520	75.0	47,023,375

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	Year	Net Income Per Share	Dividends Paid
1929	\$5.49	\$3.60	1935	\$3.69	\$2.25	1941	\$4.44	\$3.75
1930	3.25	3.00	1936	5.35	4.50	1942	3.55	2.00
1931	2.01	3.00	1937	4.38	3.75	1943	3.23	2.00
1932	* .21	1.25	1938	2.17	1.50	1944	3.68	3.00
1933	1.72	1.25	1939	4.04	3.50	1945	4.07	3.00
1934	1.99	1.50	1940	4.32	3.75			

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

§ 5 months ended December 31, 1917.

* Deficit.

† Decrease in surplus.

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

Payrolls

Employees

1936... \$384,153,022	1941... \$ 669,744,870	1936... 230,572	1941... 303,827
1937... 460,451,744	1942... 859,314,062	1937... 261,977	1942... 314,144
1938... 300,825,930	1943... 1,321,999,829	1938... 189,039	1943... 448,848
1939... 386,292,203	1944... 1,380,032,467	1939... 220,434	1944... 465,617
1940... 492,246,017	1945... 1,007,563,689	1940... 249,386	1945... 345,910

The combined annual payrolls, including salaries and wages, and average number of employes for the past ten years for General Motors Corporation, General Motors Acceptance Corporation, General Exchange Insurance Corporation and other wholly owned subsidiaries, but excluding two foreign manufacturing subsidiaries, are shown above. The number of employes represents an average for the year based on the count of employes actually working each week.

Unit Sales of Cars and Trucks

Year	Unit Sales to Dealers in the United States and Canada, Including Overseas Shipments			Unit Sales of Foreign Manufacturing Subsidiaries*		Total Unit Sales from All Sources
	Passenger Cars	Trucks	Total	Passenger Cars	Trucks	
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	8,744	46,609	2,080,696
1941.....	1,864,067	393,057	2,257,124	289	42,721	2,300,134
1942.....	101,042	200,448	301,490	544	46,772	348,806
1943.....	708	151,838	152,546	—	41,598	194,144
1944.....	79	278,460	278,539	—	38,493	317,032
1945.....	24,331	251,242	275,573	—	32,471	308,044

* Data subsequent to 1939 are for Vauxhall Motors Limited only.

The above 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 1936 and subsequent years. Unit sales of GMC Truck & Coach Division are included beginning October 1, 1943

Bonus Plan

Provisions of Bonus Plan Relating to Computation of Amount of Credit to Bonus Reserve

The Corporation shall maintain a bonus reserve, to which shall be credited for each year an amount which the independent public accountants of the Corporation determine and report to be 10% of the net earnings after deducting 7% on net capital, but not in excess of the amount paid out as dividends on the common stock of the Corporation during that year, all as hereinafter provided, except that for any year the Bonus and Salary Committee may in its discretion direct that a lesser amount be credited.

The term "net earnings" shall mean Net Income for the Year (which is after provision for bonus) plus the amount of such provision for bonus, all as shown on the Summary of Consolidated Income of General Motors Corporation and Consolidated Subsidiaries (certified by the independent public accountants and contained in the Corporation's annual report to stockholders).

The term "net capital" shall mean Total Capital Stock and Surplus, less any treasury stock (except that held in the special account designated for bonus purposes), as shown on the Condensed Consolidated Balance Sheet of General Motors Corporation and Consolidated Subsidiaries (certified by the independent public accountants and contained in the Corporation's annual report to stockholders) as of the end of the year preceding the year for which the net earnings are taken, plus or minus an allowance for any change, based on the period of such change, in capital and surplus during the year from newly issued or finally retired capital stock of the Corporation, except treasury stock already deducted as of the end of the preceding year.

Computation of Amount of Credit to Bonus Reserve for 1945

The amount of the credit to the bonus reserve for 1945 was \$10,775,900. This was the amount which the independent public accountants determined to be 10% of the net earnings after deducting 7% on net capital:

Net income for the year as shown on the Summary of Consolidated Income, page 40 ..	\$ 188,268,115
Add provision for bonus	10,775,900
Net earnings	<u>\$ 199,044,015</u>
Less 7% on net capital (see below)	91,285,013
Portion of net earnings upon which credit to bonus reserve was computed	<u>\$ 107,759,002</u>
Credit to bonus reserve—10% of net earnings after deducting 7% on net capital	<u>\$ 10,775,900</u>

Computation of 7% on Net Capital:

Total Capital Stock and Surplus at December 31, 1944 as shown on the Condensed Consolidated Balance Sheet, page 43	\$1,304,071,620
7% on net capital	<u>\$ 91,285,013</u>

Bonus Awards

A record of the awards made under the General Motors Bonus Plan from 1937 through 1944 follows:

Year	Total Number of Bonus Awards	Cash Awarded	Number of Shares of Common Stock Awarded
1937	10,178	\$ 487,197	251,224
1938	4,396	283,161	80,548
1939	10,036	300,248	234,450
1940	10,411	342,212	224,598
1941	10,334	188,484	243,876
1942	4,042	267,640	160,730
1943	3,983	3,035,761	81,006
1944	4,140	3,790,825	87,843

Bonus awards for 1945 have not yet been determined.

GENERAL MOTORS UNITS

AC SPARK PLUG DIVISION	GENERAL MOTORS ACCEPTANCE CORPORATION
AEROPRODUCTS DIVISION	GENERAL MOTORS INSTITUTE
ALLISON DIVISION	GENERAL MOTORS OF CANADA, LTD.
BROWN-LIPE-CHAPIN DIVISION	G.M. OVERSEAS OPERATIONS DIVISION
BUICK MOTOR DIVISION	GENERAL MOTORS PARTS DIVISION
BUICK-OLDSMOBILE-PONTIAC ASSEMBLY DIVISION	GENERAL MOTORS PROVING GROUND
CADILLAC MOTOR CAR DIVISION	GMC TRUCK & COACH DIVISION
CHEVROLET MOTOR DIVISION	GUIDE LAMP DIVISION
CLEVELAND DIESEL ENGINE DIVISION	HARRISON RADIATOR DIVISION
DELCO APPLIANCE DIVISION	HYATT BEARINGS DIVISION
DELCO PRODUCTS DIVISION	INLAND MANUFACTURING DIVISION
DELCO RADIO DIVISION	THE MCKINNON INDUSTRIES, LTD.
DELCO-REMY DIVISION	MORAINÉ PRODUCTS DIVISION
DETROIT DIESEL ENGINE DIVISION	MOTORS HOLDING DIVISION
DETROIT TRANSMISSION DIVISION	MOTORS INSURANCE CORPORATION
DIESEL EQUIPMENT DIVISION	NEW DEPARTURE DIVISION
EASTERN AIRCRAFT DIVISION	OLDSMOBILE DIVISION
ELECTRO-MOTIVE DIVISION	PACKARD ELECTRIC DIVISION
FISHER BODY DIVISION	PONTIAC MOTOR DIVISION
FISHER BODY-TERNSTEDT DIVISION	RESEARCH LABORATORIES DIVISION
FRIGIDAIRE DIVISION	ROCHESTER PRODUCTS DIVISION
FRIGIDAIRE PRODUCTS OF CANADA LTD.	SAGINAW MALLEABLE IRON DIVISION
GENERAL EXCHANGE INSURANCE CORPORATION	SAGINAW STEERING GEAR DIVISION
	UNITED MOTORS SERVICE DIVISION
	YELLOW MANUFACTURING ACCEPTANCE CORPORATION

GENERAL MOTORS PRODUCTS

Chevrolet Passenger Cars and Trucks

Pontiac, Oldsmobile, Buick and Cadillac Passenger Cars

Fisher Bodies

GMC Trucks

GM Diesel Locomotives

GM Motor Coaches

GM Diesel Engines for Trucks, Tractors, Marine, Oil Field and Other Applications

Allison Aircraft Engines

Frigidaire Refrigerators, Electric Ranges, Water Coolers, Commercial Refrigerating and Air Conditioning Equipment, Electric Water Heaters and Room Air Conditioners

Delco Oil Burners, Oil and Gas Water Heaters, Automatic Stokers,
Boilers and Water Systems

Delco Radios, Batteries, Horns, Electric Generators, Electric Motors, Shock Absorbers
and Miscellaneous Automobile Equipment

AC Spark Plugs, Speedometers, Fuel Pumps, Oil Filters, Gauges
and Other Automobile Equipment

Guide Lamps
and Mirrors

Saginaw ArmaSteel and
Malleable Iron Castings

Saginaw Steering Gears

Hyatt Roller Bearings

New Departure Ball Bearings

Harrison Radiators, Defrosters, Heaters and Thermostats for Automobiles, and Heat
Transfer Units for Aircraft

GM Hydra-Matic Transmissions

—*And Many Others*

The GM logo is centered within a dark blue square. The letters 'GM' are in a white, serif font.

MORE AND BETTER THINGS

FOR MORE PEOPLE