

# GM to Raise '61 Capital Spending To \$1,250,000,000

## Donner Says Firm Has Faith In Free World's Progress, Demand for GM Products

### He Sees 7 Million Car Year

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—General Motors Corp. will spend \$1,250,000,000 in the U.S. and abroad in 1961 for new plants, machinery, equipment and tooling. This would be \$50 million more than this year's outlays.

Frederic G. Donner, GM chairman, said the outlays testify "to our faith in the continued economic progress of this country and of the Free World as a whole, and in the continued demand for the products we manufacture."

The GM chairman spoke to some 600 business leaders at a luncheon at the Waldorf-Astoria Hotel. The luncheon, with its speeches by top GM executives, is a traditional event preceding the opening of GM's own auto show, the Motorama, which starts at the Waldorf Thursday.

Mr. Donner said GM's planning is "based on the expectation that new car sales in 1961 may reach 7 million." Sales of domestic and foreign-built passenger cars "should reach" this level "if consumer incomes continue to rise and consumer confidence is sustained." He said he was convinced that the U.S. is approaching a new normal sales level of 7 million cars a year from around 6 million a year sustained since World War II.

GM officials this fall have consistently been the most optimistic in the industry about the outlook for 1961, as well as for this year. Recently they've been predicting new car sales of around 6,800,000 for 1960, including about 450,000 imports, which is about 200,000 units greater than most other industry officials have been forecasting. Although he didn't say so, presumably Mr. Donner's estimate for 1961 included import volume of about 450,000.

#### GM Expects "A Good 1960"

Also speaking at the luncheon was Alfred P. Sloan, Jr., 85 years old, who is GM's non-ordinary chairman. Mr. Sloan was president of the country's biggest auto maker from 1923 until 1937 and chairman from 1937 until 1956. Commented Mr. Sloan: "The glamorous 1960 as forecast has turned out to be the sensible 1960." But, he added, General Motors expects "a good 1960, in fact, somewhat better than last year."

Last year GM earned \$873.1 million, or \$3.06 a share. In the fourth quarter last year, however, GM auto plants were shut down nearly a month because of steel shortages. In the first nine months of this year GM earnings were off 3.4% from 1959. But the company plans to build substantially more cars in the

final quarter than it did last year, and fourth-quarter profits should show a sharp gain.

Mr. Donner estimated that by 1970 about 16 million passenger cars will be sold annually in the Free World, with about 4 million annual truck sales. Of this total of 20 million units, about 10.5 million will be sold outside the U.S., he said.

#### Overseas Expansion Planned

To take advantage of the growing overseas markets, GM plans to spend \$500 million in the next two years for plant expansion, equipment and tooling in 19 countries overseas, Mr. Donner said. GM's overseas assets climbed from \$350 million in 1949 to \$1.3 billion in 1959, he added.

Mr. Donner deferred questions on the expenditure figures until a press conference today. But the figures for overseas spending indicated a large stepup in GM's outlays around the world. The company's investment in real estate, plants and equipment overseas has been about \$80 million a year since 1954. His figures indicated this will be boosted to \$250 million a year over the next two years.

"In the next 10 years," Mr. Donner said, "we look for a growth of about 40% in the number of passenger cars in use (in the U.S.), bringing the total to 75 million cars at the end of the decade. With trucks added, there will be 90 million vehicles on the road. Participation in this growth of the market is our great challenge in the years ahead."

Mr. Donner's announcement on GM's spending plans for next year at a time when the economy is unsettled was reminiscent of a speech given in January, 1954, by Harlow Curtice, then GM president. With the country in a recession, Mr. Curtice's announcement that GM would spend \$1 billion in the next two years was widely heralded as a sign the recession soon would end. However, Mr. Curtice's figure, which eventually grew to \$1.5 billion spread over three years, was for plant expansion in the U.S. only, and did not include tooling costs which Mr. Donner's figure does. Tooling costs are an annual expense, and for GM run from \$250 million to \$500 million a year.

#### Model Changes Defended

GM President John Gordon defended the annual model change at yesterday's luncheon. "It is clear to me that new car buyers have benefited tremendously over the years from what has been termed planned obsolescence but which we think is more accurately called dynamic obsolescence," he said.

He argued that if manufacturers didn't change their models each year, the 20 million new car buyers who come into the market every three years might buy a new car only once in six years. "In other words they would continue to use the same car as long as it gave satisfactory service. There would be no incentive to replace it.

"Obviously, this would cut our annual sales in half," he said. "With volume reduced, each car would cost more to produce, and I am sure this increased cost would more than offset any saving resulting from not changing models."

Commenting on the fact that there are some cars which succeed without changing models every year—a reference to American Motors Corp., which keeps its model changes to a minimum—Mr. Gordon said their success was "precisely because there are only a few such cars. An annual market of 6 million new cars can support a few cars whose appearance and design remain static over fairly long periods." American Motors changed the styling of its Rambler American in 1961 for the first time in 10 years, and announced it wouldn't be changed again for at least three years.