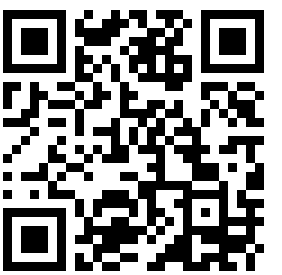

UNITED STATES TARIFF COMMISSION

NEW PASSENGER AUTOMOBILES: FORMER WORKERS OF THE COMMERCE, CALIF., ASSEMBLY PLANT OF CHRYSLER CORP.

Report to the President
on Investigation No. TEA-W-165
Under Section 301(c)(2) of the Trade Expansion Act of 1962

TC Publication 545
Washington, D.C.
February 1973

UNITED STATES TARIFF COMMISSION

Address all communications to

United States Tariff Commission

Washington, D. C. 20436

CONTENTS

Statistical Tables

Statistical Tables--Continued

Statistical Tables--Continued

Note.--The whole of the Commission's report to the President may not be made public since it contains certain information that could result in the disclosure of the operations of an individual concern. This published report is the same as the report to the President, except that the above-mentioned information has been omitted. Such omissions are indicated by asterisks.

REPORT TO THE PRESIDENT

U.S. Tariff Commission,
February 9, 1973.

To the President:

In accordance with section 301(f)(1) of the Trade Expansion Act of 1962 (TEA) (76 Stat. 885), the U.S. Tariff Commission herein reports the results of an investigation made under section 301(c)(2) of that act in response to a petition filed by a group of workers.

On December 12, 1972, the United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW) filed a petition for a determination of eligibility to apply for adjustment assistance on behalf of the former workers of the Commerce, Calif., plant of the Chrysler Corp., engaged in the manufacture and assembly of certain types of new passenger automobiles. The Commission instituted an investigation (TEA-W-165) on December 18, 1972, to determine whether, as a result in major part of concessions granted under trade agreements, articles like or directly competitive with new passenger automobiles (of the type provided for in items 692.10 and 692.11 of the Tariff Schedules of the United States (TSUS)) produced by the Chrysler Corp. are being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such company, or appropriate subdivision thereof.

Public notice of the investigation was given in the Federal Register (37 F.R. 28226) on December 21, 1972. A public hearing which was requested by the United Automobile, Aerospace and Agricultural

Implement Workers of America, was held at the U.S. Courthouse, Los Angeles, Calif., on January 25, 1973.

The information herein was obtained principally from officials of the Chrysler Corp., officials of other domestic producers, importers, import specialists of the Bureau of Customs, officers of the UAW; the public hearing; and the Commission's files.

Finding of the Commission

Based on its investigation, the Commission finds (Commissioner Leonard dissenting, and Commissioner Young not participating) that articles like new passenger automobiles (of the type provided for in items 692.10 and 692.11) produced by the Chrysler Corp. are, as a result in major part of trade-agreement concessions, being imported into the United States in such increased quantities as to cause, or threaten to cause, unemployment or underemployment of a significant number or proportion of the workers of such company, or appropriate subdivision thereof.

Statement of Reasons for Affirmative Determination by Chairman Bedell, Vice Chairman Parker, and Commissioners Moore and Ablondi

On December 12, 1972, the United Automobile, Aerospace, and Agricultural Implement Workers of America (U.A.W.) filed a petition for adjustment assistance under section 301(a)(2) of the Trade Expansion Act of 1962 on behalf of the former workers of the Commerce, Calif., plant of the Chrysler Corp.

During model years 1968-71, the Commerce plant was engaged in the assembly of compact and intermediate cars--specifically Barracudas, Belvederes, Challengers, Chargers, Coronets, Darts, Satellites, and Valiants--for the Chrysler Corp. During model year 1971--the last year that the Commerce plant was in full operation--the Commerce plant produced Valiants, Darts, Satellites, and Coronets. During the model year 1970, production of Valiants, Darts, and Satellites was begun at Chrysler's Canadian plant in Windsor, Ontario, and subsequently U.S. imports of such vehicles from Canada increased substantially.

In July 1971, the last automobiles rolled off the Chrysler assembly line at the Commerce plant. The highest employment at the Commerce plant during the 1971 model year had been [more than 2,000] * * * workers * * *; by June 1972, all but one of the former workers at the Commerce plant had been laid off, transferred, or retired, and the plant was closed.

The Trade Expansion Act of 1962 establishes four criteria to be met in order for an affirmative determination to be made in a worker case. These criteria are as follows:

(1) An article like or directly competitive with an article produced by the workers concerned must be imported in increased quantities;

(2) The increased imports must be a result in major part of concessions granted under trade agreements;

(3) A significant number or proportion of the workers concerned must be unemployed or underemployed or threatened with unemployment or underemployment; and

(4) The increased imports resulting in major part from trade-agreement concessions must be the major factor in causing or threatening to cause the unemployment or underemployment.

(1) Increased imports

It is abundantly clear that imports of articles like those made at the Commerce, Calif., plant of the Chrysler Corp. have increased. The Commerce plant, during its last full model year of operation (1971) assembled * * * Valiants, * * * Darts, * * * Satellites, * * * Coronets, and only about *** other automobiles. During the 1970 model year, the Chrysler Corp. began to produce Valiants and Darts at the firm's plant at Windsor, Ontario, Canada, and during the 1971 model year it began producing Satellites there. Only those three models of cars were produced at Windsor in 1971 and 1972. Valiants, Darts, and Satellites produced in Canada can be differentiated from U.S.-produced Valiants, Darts, and Satellites only by the name plate under the hood. The vehicles produced at the Windsor plant, therefore, are clearly like those formerly produced at Chrysler's Commerce assembly plant.

Production of Valiants, Darts, and Satellites at Chrysler's Canadian assembly plant increased from * * * model year 1969 to * * * model year 1970, declined * * * during model year 1971, and increased * * * during model year 1972, the first model year after the Commerce plant had terminated production. U.S. imports of Valiants, Darts, and Satellites from Chrysler's Canadian facility increased from * * * model year 1969 to * * * model year 1970, declined * * * during model year 1971, and increased * * * during model year 1972.

Despite high freight rates on shipping passenger automobiles from Windsor, Ontario to California * * *, a substantial and growing share of the California market for Valiants, Darts, and Satellites is being supplied by Chrysler's Canadian imports. Shipments of Valiants, Darts, and Satellites from Windsor to California increased from * * * model year 1971 to * * * model year 1972. These Canadian imports accounted for only *** percent Chrysler's sales of Valiants, Darts, and Satellites in California during model year 1971 but they accounted for * * * percent during model year 1972.

(2) In major part

The requirement that increased imports be due in major part to tariff concessions granted under trade agreements is also met. The U.S. rate of duty applicable to imports of passenger automobiles had

been reduced from the statutory (1930) rate of duty of 10 percent ad valorem to 6.5 percent ad valorem by 1963 as a result of concessions granted by the United States under trade agreements. New passenger automobiles that are Canadian articles have been accorded duty-free treatment by the United States since January 18, 1965, pursuant to the provisions of the Automotive Products Trade Act of 1965 (APTA) which implemented the U.S.-Canadian automotive agreement. Section 301 of the APTA provides that such duty-free treatment is to be considered a concession granted under trade agreements for purposes of the adjustment-assistance provisions of the Trade Expansion Act of 1962. 1/ Thus, passenger automobiles imported into the United States free of duty under the APTA must be considered to be articles entered under a trade agreement rate of duty. All of the Valiants, Darts, and Satellites produced in Canada and imported into the United States are free of duty under the APTA.

Rarely is it as clear as it is in this case that increased imports of the article concerned are a result in major part of concessions granted under trade agreements (in this instance, free entry under the U.S.-Canadian automotive agreement). Immediately following the elimination of the duty on imports of Canadian passenger automobiles, imports of such articles expanded enormously. Imports of new passenger automobiles from Canada amounted to only 9,000 units in 1964, the last full calendar year prior to the U.S.-Canadian agreement. In 1966, the first full calendar year following the agreement, such imports amounted to 154,000 units; they grew annually thereafter to 802,000 units in 1971, the last

1/ See the majority views in Automotive Radio Tuners . . ., Investigation No. TEA-W-132, TC Publication 475, April 1972, p. 4.

full calendar year for which such data are available. In 1964 all imports of new passenger automobiles from Canada were dutiable; in 1971 only 2,000 units, or 0.2 percent of the total were dutiable.

Prior to the U.S.-Canadian automotive agreement, the Chrysler Corp. produced virtually all of the types of cars it sold in Canada on limited runs in its Windsor, Ontario, plant. With the advent of duty-free treatment of imports of passenger automobiles by both Canada and the United States, Chrysler was able to limit production of automobiles in Canada to longer, more efficient runs of just a few models of cars. Those that could not be consumed in Canada would be exported to the United States and Canada would import all of its requirements of those models not produced there. Initially Chrysler's Canadian plant specialized in the production of standard sized cars for both the U.S. and Canadian markets but in 1970 it began to produce intermediate and compact automobiles. In 1971 and 1972 it produced only Valiants, Darts, and Satellites. During the period 1970-72, *** percent of the output of the Windsor plant was exported to the United States. This sort of integration of production for Chrysler's U.S. and Canadian facilities would have been prohibitively costly had the 6.5 percent duty, that had been in effect from July 1963 until the U.S.-Canadian agreement, or the 10-percent duty, that had been in effect from 1930 to 1956, been applied to Canadian imports. Few, if any Canadian Valiants, Darts, or Satellites could have been shipped to California if the pre-APTA duty of 6.5 percent had been imposed upon them when they were imported into the United States. Chrysler's total importation of passenger automobiles from Canada, which in recent years consisted

wholly of vehicles like those previously assembled at Commerce, would have been far below the level of * * * entered during model year 1972. Thus, the second criterion is met.

(3) Unemployment

The third criterion for an affirmative determination--that the workers producing the like or directly competitive article must be unemployed or underemployed--has been unmistakably satisfied. All of the production and related workers at the Commerce, Calif., plant were involved in the assembly of Chrysler Corp. compact and intermediate passenger automobiles of the type imported in increasing quantities from Chrysler's Canadian plant. Employment at the Commerce, Calif., plant declined slightly each year during model years 1969-71 and dropped to zero during model year 1972. The average annual employment at the plant dropped from * * * model year 1969 to * * * model year 1971. By the end of model year 1972, none of the former employees remained.

Although a large number of the former workers of Chrysler's Commerce plant retired or availed themselves of Chrysler's transfer and relocation program, several hundred former Commerce workers are still unemployed or underemployed. The third criterion, therefore, is satisfied.

(4) Major factor

The previous requirements all having been met, the final requirement is that the imports resulting in major part from tariff conces-

sions must be the major factor in causing or threatening to cause the unemployment or underemployment.

There is no doubt that the increased imports of Valiants, Darts, and Satellites from Chrysler's Windsor, Ontario, plant--passenger automobiles identical to those formerly produced at Commerce, Calif.,--were the major factor in causing the unemployment or underemployment of the workers at the Commerce, Calif., plant. The combined totals of U.S. production and U.S. imports from Canada by Chrysler Corp. of compact and intermediate automobiles (the types formerly produced at the Commerce, Calif., plant) were relatively stable during the period 1968-72, varying from a low * * * during model year 1969 to a high * * * during model year 1970. In both model years 1971 and 1972, the combined total was the same, * * *. U.S. production of such vehicles by the Chrysler Corp., however, declined annually throughout the period, from * * * model year 1968 to * * * model year 1971; it [continued to drop] * * * during model year 1972, the year after the Commerce plant ceased production. Imports of compact and intermediate automobiles from Canada, all of which were Valiants, Darts, and Satellites, increased from * * * model year 1969 to * * * model year 1970, and declined * * * during model year 1971. During model year 1972, the year after the Commerce plant closed, imports from Canada increased * * * (or the same quantity by which U.S. production fell in the same year), * * * Prior to model year 1970, *** percent of Chrysler

Corp.'s total of U.S. production and U.S. imports from Canada of compact and intermediate automobiles was accounted for by U.S. production; during model year 1972, only *** percent was thus accounted for.

The increase in production at Windsor and the increase in U.S. imports of Chrysler Corp. automobiles from Canada were all in Valiants, Darts, and Satellites. Valiants, Darts, and Satellites accounted for about *** percent of the production of the Commerce plant in its last year of operation, model year 1971. The decline in production of such vehicles at Commerce, from * * * model year 1971 to zero vehicles during model year 1972 corresponds almost exactly to the * * * increase in U.S. imports from Canada of Valiants, Darts, and Satellites during the same 2 model years. Major assembly line components of Chrysler's Commerce assembly line were shipped directly from the Commerce facility to Windsor, Ontario, where they are used to produce passenger automobiles.

The import share of the market for Chrysler's compact and intermediate automobiles nationwide is paralleled in the California market. During model year 1971, * * * Canadian-made Valiants, Darts, and Satellites (or *** percent of Chrysler's sales in California of compact and intermediate automobiles) were sold in California. During model year 1972, * * * Canadian-made Valiants, Darts, and Satellites (or *** percent of Chrysler's sales in California of compact and intermediate automobiles) were sold in California. The reduction in duties from the 1930 and 1965 rates (10 and 6.5 percent, respectively) on Canadian-made passenger automobiles permitted Canadian-made Valiants,

Darts, and Satellites to be marketed in California at less cost to the manufacturer than the cost of producing those vehicles at the Commerce, Calif., plant.

Chrysler's decision to source increasing numbers of compact and intermediate cars in Canada for the U.S. market resulted in substantial excess capacity in Chrysler's U.S. assembly plants that were producing the same types of vehicles, owing to the lack of growth in demand for that segment of the market. Many reasons have been attributed for the closing of the Commerce plant. However, it is clear that the increased imports in major part the result of trade-agreement concessions were the major factor in the closing of the Commerce, Calif., plant. The fourth criterion is met.

Conclusion

In view of the foregoing, we find those petitioning workers of the Commerce, Calif., plant of the Chrysler Corp., have met the statutory requirements of the Trade Expansion Act of 1962 and, therefore, we believe that an affirmative determination is justified.

Dissenting Views of Commissioner Leonard

Four criteria imposed by section 301(c)(2) of the Trade Expansion Act of 1962 must be satisfied for an affirmative determination. If any one of those four criteria is not satisfied, a negative determination is required. The criteria are:

(1) An article like or directly competitive with an article produced by the workers concerned must be imported in increased quantities;

(2) The increased imports must be a result in major part of concessions granted under trade agreements;

(3) A significant number or proportion of the workers concerned must be unemployed or underemployed or threatened with unemployment or underemployment; and

(4) The increased imports resulting in major part from trade-agreement concessions must be the major factor in causing or threatening to cause the unemployment or underemployment.

In the instant case the fourth criterion has not been met; a negative determination is therefore necessary.

In examining the evidence, it is clear that the Chrysler Corp., which was producing a number of different lines of automobiles at its Commerce, Calif., plant, at its Windsor, Ontario, plant, and at its other U.S. assembly plants, decided to close the Commerce plant and to shift that production elsewhere as a result of a management crisis that was precipitated by a combination of circumstances that climaxed in 1970 and 1971. Increased imports, from whatever source, were far less important a factor in Chrysler's decision than such factors as the poor financial position of the corporation at that time, competitive pressures from the corporation's domestic rivals

(resulting in declining demand for the firm's product lines and substantial excess capacity at Chrysler's various assembly plants), the generally poor condition and low efficiency of Chrysler's Commerce, Calif., assembly plant, and the transfer of more production of the types of cars formerly produced at Commerce to other U.S. plants of the Chrysler Corp. than to Chrysler's Canadian plant.

During the decade of the 1960's, the Chrysler Corp. resorted to a number of innovative practices in order to expand its share of the U.S. market for automobiles. These practices, which included generous warranties on its products, large discounts to fleet purchasers, and large discounts to dealers, resulted in considerably lower profit margins for Chrysler Corp. than for other U.S. automobile manufacturers. When sales began to decline at the end of the 1960's, the financial crisis was such that in 1970 the corporation posted a loss of $7.6 million. However, this loss would have been $27.4 million if the firm had not altered its accounting practices in the valuation of inventories. To meet the financial emergency, Chrysler's corporate bankers expanded Chrysler's total line of credit by $400 million to nearly $1.1 billion. On April 14, 1971, Dun and Bradstreet, having previously given Chrysler Corp.'s commercial paper a prime rating, removed the rating of Chrysler's commercial paper entirely.

Chrysler's difficulties were aggravated by the downturn in total demand for automobiles in the United States. U.S. apparent consumption of new passenger automobiles declined from 9.8 million vehicles

during model year 1969 to 9.2 million vehicles during model year 1971. Chrysler's share of the U.S. market for new passenger automobiles dropped from 17 percent of the total during model year 1968 to 14 percent of the total during model year 1971. At the same time, although U.S. imports for consumption increased from 14 percent of U.S. apparent consumption of new passenger automobiles during model year 1968 to 25 percent during model year 1971, and U.S. production by firms other than Chrysler accounted for a declining share of U.S. consumption (70 percent in model year 1968 and 61 percent during model year 1971), Chrysler's main source of competitive pressure in the U.S. market was not imports, but it was and continues to be its U.S. competitors. In 1971, General Motors, Ford, and American Motors accounted for more than double the quantity of cars consumed in the United States than did imports. Chrysler's declining sales are attributable in significant part to the loss of Chrysler's fleet leasing accounts in 1970 and 1971 as a result of very competitive pricing on the part of Ford and General Motors. Chrysler's total production at its U.S. assembly plants declined from 1.6 million units during model year 1968 to 1.3 million units during model year 1971.

During the 1960's it appeared that annually increasing sales of Chrysler Corp. automobiles would outstrip the corporation's capacity to produce. At that time construction of a new modern assembly plant at New Stanton, Pa., was planned. By 1970, declining demand for Chrysler's automobiles had already created such excess

capacity that the St. Louis and Lynch Road assembly plants had been converted to one- rather than two-shift operations. The opening of the New Stanton plant was then postponed from a 1970 to a mid-1972 opening, and it has not yet gone into service. The opening of the new plant, which is virtually completed, would have cost additional money that the firm could ill afford to spend, and it would have created additional capacity that the firm did not then and still does not need. Even if production had been maintained at the level experienced during the 1960's, the opening of the New Stanton plant would have resulted in excess capacity for the corporation in direct proportion to that plant's capacity to produce.

The excess capacity, a need to cut losses, and the need for additional cash forced the Chrysler Corp. to consider the closing of one of its production facilities. The Commerce, Calif., plant, according to officials of the Chrysler Corp., was the firm's least viable plant. It had been built in 1932 and, although it had been expanded considerably in the 1950's, it was Chrysler's most inefficient plant. Although two-shift operation had been tried there in about 1959-60, it had not worked out, and the plant had been operated on a less efficient one-shift basis ever since. The layout of the building was such that in a two-shift operation the assembly line had to be shut down frequently to resupply the line with major components. Other negative factors concerning the building were the lack of space in which to expand, a certain amount of damage from the 1970 earthquake that had never

been repaired, a deteriorating roof, and some flooding of the pits under the assembly lines. The capacity of the California plant to produce automobiles was only *** units per day as compared with another aging assembly plant, the Hamtramck facility, which has a capacity of * * * units per day. The Chrysler Corp., according to company memoranda circulated internally prior to the closing of the plant, determined that the corporation would be enabled to cut its losses * * * by transferring production at Commerce to the firm's plants at Hamtramck and St. Louis. In view of the fact that Chrysler was in immediate need of cutting losses and reducing its excess capacity, it had no choice but to close down one of its plants. It chose that plant which was the least efficient and most costly--the one at Commerce, Calif.

The Commerce, Calif., plant had been built at a time when the freight rate for shipping cars to California from Middle West assembly plants had been prohibitive. The reduction in freight rates with the advant of the new triple decker railway cars permitted the consolidation of Chrysler's assembly plants in the eastern half of the United States and Canada, and a California assembly plant was no longer a necessity. Prior to the closing of the California plant, Chrysler's other U.S. assembly plants supplied California with *** percent of California's requirements of the types of cars formerly produced there. In 1972, those other U.S. assembly plants supplied California with *** percent of its requirements of such vehicles.

During the last year that Chrysler Corp. operated the Commerce, Calif., plant, model year 1971, virtually all of the Commerce plant's production consisted of Valiants, Darts, Satellites, and Coronets. When the Commerce plant closed, production of the cars formerly produced there was shifted to other North American assembly plants where compatible body styles were already being produced and where there was sufficient capacity to produce additional cars. Those assembly plants were at Hamtramck, Mich., Lynch Road, Mich., St. Louis, Mo., and Windsor, Ontario, Canada. Factory sales of Valiants, Darts, and Satellites made at the Canadian plant (no Coronets were made there) increased from * * * model year 1971 to * * * model year 1972. Factory sales of Valiants, Darts, Satellites, and Coronets made at the St. Louis, Hamtramck, and Lynch Road assembly plants increased from * * * model year 1971 to * * * model year 1972. Thus, the increase in production at Chrysler's other U.S. plants was substantially greater than the increase in production at Chrysler's Windsor plant * * * subsequent to the closure of the Commerce facility. U.S. imports of such vehicles from Canada increased by only * * * units in the same year.

In light of the above factors--Chrysler's poor financial position, poor competitive position vis-a-vis its domestic competitors, the generally poor condition of the Commerce plant, and the transfer of more production of types of cars formerly produced at Commerce to

other U.S. plants of the Chrysler Corp. than to Chrysler's Canadian plant--I have concluded that increased imports are not the major factor in causing or threatening to cause the unemployment or underemployment of the affected workers in this investigation. Since the fourth statutory criterion has not been met, a negative determination is required. Inasmuch as my negative determination is based on the inability of the facts in this investigation to satisfy the fourth criterion of the statute, I have not been required to make, nor have I made, any determination as to the causal relationship of trade-agreement concessions to increased imports.

INFORMATION OBTAINED IN THE INVESTIGATION

Description and Uses

The Commerce, California, plant of the Chrysler Corp. produced only passenger automobiles in the intermediate and compact size range. In all, during the period 1968-72, Barracudas, Belvederes, Challengers, Chargers, Coronets, Darts, Satellites, and Valiants were produced there; two of these models, however, were produced there only for 1 year. All of these models of automobiles were produced at a number of other U.S. assembly plants of the Chrysler Corp. and Darts, Satellites, and Valiants were also produced at Canadian assembly plant.

Passenger automobiles are self-propelled 4-wheeled vehicles designed for over-the-road use and for the transport of up to 10 persons. Vehicles, for the transport of 11 or more persons are considered to be motor buses; those designed primarily for the transport of articles rather than persons are considered to be automobile trucks. Passenger automobiles are commonly, but not exclusively, propelled by piston-type internal combustion engines. Increasing numbers of passenger automobiles are, however, propelled by other means, such as: diesel engines, engines using natural gas, wankel engines, turbine engines, and electric motors. Passenger automobiles are designed almost exclusively for use on streets, roads, and highways; motor vehicles designed for use predominantly on other types of surfaces are not considered to be passenger automobiles. Such vehicles include snowmobiles, golf carts, all terrain vehicles, and amphibious vehicles.

Passenger automobiles are available in a wide range of sizes. During the 1972 model year, domestically- and Canadian-produced vehicles were available with wheelbase meansurements ranging from 94.2 to 127.0 inches; overall lengths of 161.25-229.9 inches; overall widths of 51.9 to 79.78 inches; overall heights of 47.8 to 65.4 inches; and curb weights of 2,050 to 5,662 pounds. During the period 1970-73, the average size of domestically produced vehicles has become smaller. Imported vehicles, except those from Canada, were smaller on the average than their U.S.- and Canadian-made counterparts during the same period.

Piston-type engines in domestically produced and Canadian-passenger automobiles range from 4 to 8 cylinders and have displacements ranging from 97.6 to 500 cubic inches. Recent trends to smaller automobiles and punative insurance rates on vehicles having high power to weight ratios have resulted in lessening demand for larger engines and an increased demand for smaller ones. In addition, recent federal and local (notably California State) legislation with regard to air quality standards have resulted in a trend to smaller size automotive engines in order to make room for the rather large pollution control devices that must also fit under the hood.

Body styles of passenger automobiles include 2- and 4-door sedans (center pillar), 2- and 4-door hardtops (no center pillar), convertibiles, station wagons, sport cars, small buses, and limousines. Federal laws on motor-vehicle safety may shortly result in the unavailability of convertibles and 2- and 4- door hardtops since such cars will not meet the "roll over" requirements. Convertibles have already begun to decline in popularity because of the availability of air conditioning and sun roofs in other models. In addition, federal laws on automotive safety have

added a number of new features such as head rests, lap and shoulder belts, collapsible steering columns, padded dash boards, air bags, strengthened side walls, locking steering wheels and transmissions, warning signals for unlocked doors and unfastened seat belts, and a multitude of other devices.

Owing to the nearly infinite variety of options and accessories available on modern passenger automobiles, there is a profusion of choice, which has been facilitated by the computerization of parts procurement and the automation of the assembly process; the multiplicity of options has in turn required further computerization and automation. Only through the use of such methods does the proper component reach the correct place on the assembly line at the correct time to be installed in the proper automobile. The components that are used in the final assembly process are seldom manufactured in the assembly plant; they are normally manufactured at other plants of the automobile manufacturers or are purchased from outside suppliers.

The automotive assembly operation involves such diverse processes as cutting, pasting, sewing, riveting, welding, tightening of bolts and screws, cleaning, painting, polishing, and checking. Although smaller components may move constantly through the plant to the places of final assembly without disrupting operations, larger components--such as body and chassis parts--must be moved into place while the line is shut down between shifts and stored throughout the shift. Storage of such articles consumes a great deal of space and, according to industry spokesmen, it is accordingly much more efficient to produce a limited number of car

models in a given assembly line. Since 1958, all new assembly plants have been built on a one-story plan; they have a great deal of on-line storage space for bulky parts; and/or the traffic and material flow is such that the assembly line need not be shut down in order to restock the line with major components, thus allowing efficient two-shift operation of the plant.

All annual data in this report are presented on a model year basis--that is the 12-month period ending on July 31 of the year named.

U.S. Tariff Treatment

Dutiable imports of new passenger automobiles are specifically provided for under item 692.1020 of the Tariff Schedules of the United States (TSUS); if Canadian articles, they are subject to the provisions of the Automotive Products Trade Act of 1965 (APTA) and are entered free of duty under item 692.1120.

The rate of duty applicable to imports under TSUS item 692.10 amounted to 6.5 percent ad valorem from July 1, 1963 until January 1, 1968, when the first of five stages of duty reductions resulting from concessions granted by the United States during the Kennedy Round of trade negotiations became effective. This rate was reduced to 3 percent ad valorem on January 1, 1972. A tabulation showing the tariff history of passenger automobiles since the Tariff Act of 1930 is presented on page A-7.

New passenger automobiles that are Canadian articles 1/ have been accorded duty-free treatment under TSUS item 692.1120 since January 18, 1965, pursuant to the provisions of the APTA which implemented the agreement concerning automotive products between the Government of the United States and the Government of Canada. To carry out the U.S.-Canadian agreement, the Canadian Government accords only limited duty-free treatment to imports of U.S.-made passenger automobiles. The Government of Canada restricts the right to such free entry to Canadian manufacturers of motor vehicles who annually meet certain criteria; the

1/ Through December 31, 1967, no more than 60 percent (50 percent after December 31, 1967) of the appraised value of a Canadian article could consist of materials imported into Canada from countries other than the United States.

criteria provide generally that manufacturers--to obtain the right of duty-free entry--must assemble in Canada as many cars as they sell there, and must attain specified levels of Canadian value added in their operations. * * *.

New passenger automobiles: U.S. rates of duty, 1930 to the present

Effective date of rate change	Authority for change	New passenger automobiles	
June 18, 1930----	Tariff Act of 1930	10% ad val.	
June 30, 1956----	GATT 1956,	9.5% ad val.	
June 30, 1957----	GATT 1956,	9% ad val.	
June 30, 1958----	GATT 1956,	8.5% ad val.	
July 1, 1962----	GATT 1960-61,	7.5% ad val.	
July 1, 1963----	GATT 1960-61,	6.5% ad val.	
Aug. 31, 1963----	Tariff Classification Act of 1962 1/	2/	
		Canadian articles	All other
Jan. 18, 1965----	Automotive Products Trade Act of 1965	Free	2/
Jan. 1, 1968----	GATT 1967,	2/	5.5% ad val.
Jan. 1, 1969----	GATT 1967,	2/	5% ad val.
Jan. 1, 1970----	GATT 1967,	2/	4.5% ad val.
Jan. 1, 1971----	GATT 1967,	2/	3.5% ad val.
Aug. 16, 1971----	Pres. Proc. 4074 3/	2/	10% ad val.
Dec. 19, 1971----	Pres. Proc. 4098 3/	2/	3.5% ad val.
Jan. 1, 1972----	GATT 1967,	2/	3% ad val.

1/ The institution of the Tariff Schedules of the United States, on Aug. 31, 1963, resulted in no change in the rate of duty applicable to U.S. imports of passenger automobiles.

2/ No change.

3/ Pursuant to Presidential Proclamation 4074, effective Aug. 16, 1971, a general additional duty of 10 percent ad valorem was temporarily imposed on most imports of dutiable merchandise. The combined total of the MFN rate of duty and the temporary additional duty was not, however, to exceed the 1930 rate of duty. In the case of passenger automobiles the temporary additional duty amounted to only 6.5 percent ad valorem since the MFN rate in 1971 was 3.5 percent and the 1930 rate was 10 percent. Effective Dec. 19, 1971, Presidential Proclamation 4098 removed the additional duties concomitant with the realignment of world currencies that followed the Smithsonian Conference of December 1971. The temporary additional duty provided for in Presidential Proclamation 4074 and terminated by Presidential Proclamation 4098 was not applicable to duty-free imports.

Note.--Prior to Aug. 31, 1963, new passenger automobiles were classified under tariff paragraph 369; subsequent to that date they were classified under TSUS item 692.10. New passenger automobiles that are Canadian articles have been classified under TSUS item 692.11 since Jan. 18, 1965.

U.S. Producers

The motor vehicle industry is the largest single industry in the United States. In 1967, 686,100 persons were employed in the 1,855 establishments that manufactured motor vehicles and motor-vehicle parts. The payroll for those employees amounted to $5.6 billion in 1967. An additional 1,671 establishments and an additional 272,000 employees were involved in the manufacture of associated products such as tires, tubes, batteries, petroleum, and truck trailers. Their payroll amounted to an additional $2.2 billion. Total sales or receipts for motor vehicle and motor-vehicle parts manufacturers in 1967 amounted to $38.9 billion. In 1967, motor vehicles accounted for 7 percent of the value of all U.S. manufacturing and of total U.S. wholesale trade; in the same year, motor vehicle dealers' sales amounted to $48.6 billion, or 16 percent of total U.S. retail sales of all firms.

Four U.S. firms--General Motors Corp., Ford Motor Co., Chrysler Corp., and American Motors Corp.--dominate the U.S. motor-vehicle industry, and are all among the largest corporations in the United States. The headquarters of all four firms are located in or around Detroit, Mich. Over 90 percent of their total output is in motor vehicles and motor-vehicle parts.

General Motors Corp. is the world's largest manufacturer of passenger automobiles. Of its total U.S. output, 92 percent is automotive, 1 percent is oriented to space and defense, and 7 percent is in other fields. The corporation has motor-vehicle assembly plants in 21 U.S. cities; it

also has such facilities in Canada, West Germany, the United Kingdom, Australia, Argentina, Brazil, Mexico, the Union of South Africa, and more than ten other countries. In addition, General Motors has parts and other manufacturing and processing facilities in most states and purchases motor vehicle parts from more than a thousand suppliers. In 1971, General Motors and its subsidiaries employed 773,000 workers with an annual payroll of $8 billion in its world-wide operations; average hourly employment in the United States amounted to 423,000 workers with a payroll of $4.8 billion during the same year. Net sales in 1971 amounted to $28.3 billion.

The second largest producer of passenger automobiles in the United States is the Ford Motor Co. Ford operates assembly plants in 15 U.S. cities and in 10 foreign countries. In 1971, Ford Motor Co.'s net sales amounted to $16.4 billion, 91 percent of which was in automotive products.

The Chrysler Corp., number three among U.S. motor vehicle manufacturers, currently operates six plants that assemble passenger automobiles in the United States. It also assembles automobiles in Canada and five other foreign countries. In 1971, Chrysler Corp.'s net sales amounted to $8.0 billion. Further detail on the Chrysler Corp. is presented later in this report, beginning on page A-18.

American Motors Corp., the smallest of the major U.S. manufacturer of passenger automobiles, assembles such vehicles at two points in the United States and at one facility in Canada. Employment by the corporation amounted to 25,500 workers in 1971, and net sales that year

amounted to $1.2 billion. Virtually 100 percent of American Motor's sales are of automotive products.

In addition to the above listed producers of motor vehicles, such vehicles as the Checker are produced by independent firms and a small number of firms produce finished automobiles on chassis purchased from the large motor-vehicle manufacturers.

U.S. Consumption

The apparent annual U.S. consumption of new passenger automobiles increased from 9.4 million units in 1968 to 9.8 million units in 1969, declined to 9.2 million units in 1971 and increased to 10.7 million units in 1972, as shown in the following tabulation.

New passenger automobiles: U.S. production, imports for consumption, exports of domestic merchandise, and apparent consumption, model years 1968-72, Aug.-Dec. 1971, and Aug.-Dec. 1972

(Quantity in thousands of units; ratio in percent)

Period	U.S. production 1/	U.S. imports		U.S. Exports	Apparent U.S. consumption	Ratio to consumption of—	
		From Canada	Total			Canadian imports	Total imports
Model year							
1968	8,409	423	1,358	319	9,448	4.5	14.4
1969	8,346	591	1,767	323	9,790	6.0	18.0
1970	7,735	786	2,008	325	9,418	8.3	21.3
1971	7,264	695	2,289	344	9,209	7.5	24.9
1972	8,492	855	2,611	368	10,735	8.0	24.3
Aug.-Dec.							
1971	3,377	335	1,072	146	4,303	7.8	24.9
1972	3,699						

1/ Compiled from data published by the Automobile Manufacturers Association, Inc.

Source: Official statistics of the U.S. Department of Commerce, except as noted.

U.S. Production

U.S. production of new passenger automobiles declined from 8.4 million units in 1968 to 7.3 million units in 1971, as indicated in table 1. Output in 1971 was reduced by the UAW strikes against General Motors and Ford, but in 1972, domestic production of passenger automobiles rebounded to the highest level in several years. New car production increased to this near record level (8.5 million units) for several reasons including a recovering economy and the pent-up demand from the previous year's UAW strikes. The 10-percent surcharge on imports, the repeal of the automobile excise tax, and the revaluation of foreign currencies vis-a-vis the dollar also increased the demand for U.S.-produced cars.

In looking at individual models, a few noteworthy trends can be seen. One such trend is the sharp decline in the production of sporty compacts, such as Barracuda, Satellite, Mustang, Cougar, Camero, Firebird, and the AMX/Javelin. In the 1968-72 period, the models showing the largest growth in the intermediate and compact field include Valiant, Pinto, Maverick, Montego/Comet, Chevy II/Nova, Vega, F-85/Cutlass, and Gremlin. In the luxury and standard car field, models that have shown significant growth include Polara/Dodge, Mercury, Mark III/IV, Oldsmobile, Toronado, Buick, and Eldorado. Luxury and standard models that declined in production include Chrysler, Chevrolet/Monte Carlo, and Pontiac/Grand Prix.

While the U.S. production of passenger cars varied between 7.3 million and 8.5 million units in the years 1968-72, the share of total production accounted for by individual manufacturers shifted markedly (table 2).

Chrysler's production dropped from a record of 1.6 million units (18.8 percent of total U.S. production) in 1968 to 1.3 million units in 1971 and 1972. In 1971, Chrysler's share of total U.S. production amounted to 17.9 percent; in 1972, it declined to 15.7 percent. The drop in Chrysler's share of total U.S. production in 1972 is most likely a result of General Motors recovering lost production from the 1971 model year strike. * * *.

Ford's production showed a fairly steady growth over the period increasing from 2.0 million units (23.9 percent of total U.S. production) in 1968 to 2.3 million units (27.0 percent of total U.S. production) in 1972. Ford's share of total production was greatest in 1971 (29.7 percent). In 1971, Ford made up a great deal of General Motors' lost production increasing Ford's share by 3.8 percent over 1970.

Excluding the 1971 strike year, General Motors' share of total U.S. production of passenger automobiles remained constant at roughly

54 percent. In 1971, General Motors' production was reduced by about 1 million units to 3.6 million units, the equivalent of 49.1 percent of total U.S. production. American Motors' share of total U.S. production averaged 3.2 percent over the period.

As indicated in table 4, intermediate and compact production ranged from 45.4 percent to 50.5 percent of total U.S. production during model years 1968-72. Chrysler's share of U.S. intermediate and compact production declined from a high of 23.6 percent in 1969 to 16.9 percent in 1972; its output of intermediate and compact cars also declined in terms of the total U.S. production of all passenger automobiles--from 903,000 units (10.7 percent of the total) in 1968 to 687,000 units in 1972 (8.1 percent of the total).

Ford's share of total U.S. intermediate and compact production increased steadily from 25.1 percent in 1968 to 28.9 percent in 1972. Ford's intermediate and compact cars also gathered an increasing share of total U.S. production--increasing from 987,100 units and 11.7 percent of the total in 1968 to 1.2 million units and 14.0 percent in 1972.

General Motors' share of U.S. intermediate and compact production moved erratically during the years 1969-72 ranging from a low of 44.7 percent to a high of 49 percent, however, its output of intermediates and compacts increased relative to total U.S. production from 21.8 percent of the total in 1968 to 23.5 percent in 1972.

American Motors' share of intermediate and compact production and American Motors' intermediate and compact share of total U.S. production remained relatively stable at an average of 5.3 percent and 2.6 percent, respectively.

As indicated in table 5, Chrysler's production of intermediate and compacts as a share of Chrysler's total U.S. output declined steadily from 59.4 percent in 1969 to 51.4 percent in 1972. The 1972 figure represents a drop of over 5 percent from 1971 and could reflect the fact that Chrysler was relying on imported intermediates and compacts (Cricket, Colt, and Canadian vehicles) which are not included in these figures.

Ford's production of intermediates and compacts as a share of Ford's total U.S. production increased steadily from 46.6 percent in 1969 to 51.4 percent in 1972.

General Motors' production of intermediates and compacts as a share of General Motors' total U.S. production varied from 38.3 percent in 1969 to 46.1 percent in 1971; it amounted to 43.3 percent in 1972.

American Motors' production of intermediates and compacts as a share of American Motors' total U.S. production has increased each year from 72.5 percent in 1969 to 82.9 percent in 1972.

U.S. Imports

U.S. imports for consumption of new passenger automobiles increased from 1.4 million vehicles valued at $2.3 billion in 1968 to 2.6 million vehicles valued at $5.6 billion in 1972 (see table 6). Imports from Canada, virtually all of which were duty free under the APTA, more than doubled, from 423,000 units to 855,000 units, between 1968 and 1972. Imports from Japan during 1968-72 increased six-fold, from 109,000 units to 757,000 units, and surpassed West German imports in the last year. West Germany's share of imports declined during the same period and its total imports ranged between 630,000 and 740,000 units annually. In 1972, imports from West Germany amounted to 722,000 units. The United Kingdom, Sweden, Italy, Belgium, and France were the only other automobile-producing countries exporting significant numbers of vehicles to the United States during 1968-72. Volkswagens, Toyotas, and Datsuns are, by far, the leading imported makes of automobiles from countries other than Canada * * *.

The ratio of imports to apparent U.S. consumption of new passenger automobiles increased from 14.4 percent in 1968 to 24.9 percent in 1971, and declined slightly to 24.3 percent in 1972 (see tabulation on page A-11). The ratio of imports from Canada also increased during the period, from 4.5 percent in 1968 to 8.3 percent in 1970; the ratio declined to 7.5 percent in 1971 but increased again in 1972 to 8 percent.

U.S. Exports

U.S. exports of domestically manufactured new passenger automobiles, which are small in relation to U.S. output, increased steadily during the model years 1968-72, from 318,800 units in 1968 to 367,600 units in 1972, as indicated in table 8.

The great bulk of this trade is with Canada, which accounted for 87.0 percent of the total in 1968 and for 90.9 percent in 1972. In 1972, 89 countries together accounted for the remaining 9 percent of U.S. exports.

The Chrysler Corp.

The Chrysler Corp. was incorporated in Delaware in 1925 as the successor to the Maxwell and Chalmers Motor Corps. In 1928, the firm acquired all the assets of the Dodge Motor Corp.

Using its automotive division as a base, the Chrysler Corp. has expanded through acquisitions and internal growth into a diversified multinational corporation, operating through its subsidiaries or affiliates, more than 190 plants, offices, or warehouses worldwide. The major Chrysler manufacturing operations are located in the United States, Canada, México, Japan, France, Spain, Brazil, England, and Australia. Smaller facilities are located in 11 other countries.

Chrysler's subsidiaries are primarily engaged in 10 major areas of business activity. The North American automotive division is by far Chrysler's largest operational division ($5.5 billion in sales for 1971). This division is responsible for the manufacture, assembly, and sales of Dodge, Plymouth, and Chrysler cars and Dodge trucks in the United States and Canada. Closely aligned with the North American automotive division are Chrysler's Leasing, Financial and Realty subsidiaries. Chrysler Leasing Corp. assists dealers with their individual and fleet leasing customers. Chrysler Financial Corp. provides financing for the sale or lease of new and used vehicles at retail. It also writes physical damage insurance for motor vehicles in the United States and Canada. Chrysler Realty Corp. finances, develops and administers dealer facilities.

Five other manufacturing divisions account for the remainder of Chryslers' North American Operations. The Defense and Space Division ($140 million in sales for 1971) produces a diversified group of products from car radios to missiles systems to tanks. The Amplex Division produces various powder metal parts, bearings, and cold extruded metal parts. The Chemical Division manufactures vinyl coated fabrics, film and foam tape, and rust preventative products. The Marine and Industrial Products Division produces industrial engines, pleasure boats, and inboard-outboard motors. The Airtemp Division manufactures a full line of auto, home, and industrial air conditioning and heating equipment.

The International Division handles the overseas operations of the Chrysler Corp. With overseas sales of $1.9 billion in 1971, Chrysler is considered a major force in the automobile markets of France, England, Spain, Australia, South Africa, Argentina, Mexico, and--through its affiliation with Mitsubishi Motors Corp.--in Japan.

Problems in marketing

In 1961, Chrysler had 10.1 percent of U.S. auto production. At this point, the company introduced an aggressive advertising program and in subsequent years, new marketing innovations--such as the 50,000 mile warranty--in order to increase sales. The company also began a deliberate policy of shipping large volumes of new cars directly to its dealer network and then giving its dealers larger price incentives to sell these cars. As a result of these efforts, Chrysler Corp. increased its share of U.S. output each year and by 1968 it accounted for 18.4 percent of total U.S. production.

When the economy turned down in 1969, the company's marketing strategies began to create problems. Chrysler's warranty costs had increased significantly and profit as a percentage of sales was less than half the industry average primarily due to the large price incentives the company gave its dealers to boost sales.

The company's policy of produce and sell created an inventory of over 400,000 unsold cars in 1969. This excess inventory reduced the initial production of 1970 models. It also led to a reduction in 1969's 4th quarter profits because the company gave a [very high] discount to its dealers * * * in order to get rid of left-over 1969 cars.

In July 1969, Chrysler implemented a major retrenchment. The company canceled a 20 percent expansion of a transmission plant at Kokomo, Ind., where the concrete floor and structural steel work had been completed. The completion of the New Stanton, Pa., assembly plant was delayed and rescheduled from a 1970 to a mid-1972 opening. This

later opening was postponed again; the plant is currently completed but is not tooled up for production. Capital expenditures were trimmed from a budgeted $300 million per year to $173.8 million per year in areas of critical need. The general and administrative budget was cut by 10 percent and by October 1970, 3,000 white-collar workers were laid off as the company intensified efforts to reduce fixed costs and conserve working capital.

At the time, Chrysler attributed increased competition from General Motors and Ford together, with the overall slow-down in new car sales as the basic problem. Chrysler alleged, for example, that strong price competition from General Motors and Ford had reduced Chrysler's share of fleet leasings from 28 percent to 22 percent. Chrysler also stated that in addition to the profit squeeze caused by a tight auto market, revised plans on where to manufacture its cars and parts, and the purchase instead of production of some cars and parts, enabled the company to reduce capital expenditures.

One auto industry analyst, however, saw the company's problems differently: "Chrysler's restyling failed to excite the public." Another said, "Chrysler must face the fact that increased market penetration year after year is no longer automatic and the company may have to live with their current share of the market and rework their expansion projects." In 1969, Chrysler's share of U.S. production dropped to 17.4 percent from 1968's 18.4 percent. Including Chrysler's imports, however, the corporation was able to maintain its 1968 share of U.S. apparent consumption * * * in 1969.

Financial problems of the corporation

As indicated above, the Chrysler Corp. experienced a deteriorating financial position prior to the closing of the Commerce, Calif., plant. The seriousness of Chrysler's situation can best be inferred from the action of one bond rating service. On April 14, 1971, Dun and Bradstreet removed their rating of Chrysler's commercial paper. 1/

In 1969 Chrysler's short term debt was almost 400 percent larger than in 1968 ($134.4 million to $477.4 million), as shown in the following table. In 1970, short-term debt was reduced by $103.2 million mainly through conversion to long-term debt. Long-term debt increased $204.1 million in 1970.

Short-term debt, long-term debt, and increase or decrease in working capital for Chrysler Corp., 1968-71
(In millions of dollars)

Chrysler Corp.	1968	1969	1970	1971
Short-term debt	134.4	477.4	374.2	379.4
Long-term debt	535.3	587.0	791.1	818.4
Increase or (decrease) in working capital	243.2	(250.1)	33.0	144.3

Source: Chrysler Corp., Annual Reports.

As shown above, in 1969 the company suffered a net working capital decrease of $250 million. Working capital increased $33 million in 1970, but this figure was considerably below the $100-130 million increase expected by most Chrysler financial analysts.

1/ Commercial paper is a short term unsecured obligation backed only by the good name of the issuing body. Ratings of commercial paper are based on the issuing body's ability to repay the debt. Dun and Bradstreet has three categories for commercial paper, i.e., prime, acceptable, and not rated. Until this time, Chrysler's commercial paper had carried a prime rating.

In 1970, Chrysler posted a $7.6 million loss. However, this loss would have been $27.4 million if the firm had not altered its accounting practices in the valuation of inventories. In 1971, the company returned to profitability, earning $83.7 million. This profit figure represented a return of only 1.1 percent on sales and was considered a poor showing in the light of UAW strikes against General Motors and Ford.

The most serious point of Chrysler's financial crisis occurred the week of July 7, 1970. In this week, Chrysler withstood a run on its commercial paper by U.S. investors. Normally, Chrysler has outstanding $1.5 billion in commercial paper and turns over an average of $100 million per day. For the week, Chrysler's short term paper sales fell by an average of 40 percent per day. In order to cover the retirement of outstanding issues, Chrysler was forced to borrow against its $650 million bank line of credit. As this limit was reached, Chrysler's corporate bankers led by Manufactures Hanover Trust of New York were forced to come to Chrysler's aid with an additional $400 million line of credit to cover retirements.

In 1971, sighting its adverse corporate financial structure and the need to produce a subcompact car to complete its lineup without spending the estimated $100+ million needed to produce this type car, Chrysler entered into an agreement to purchase 15 percent of the Japanese firm, Mitsubishi, and to import the Colt for sale in the subcompact market. A

statement by the Chrysler Corp. concerning its decision to import a subcompact car rather than produce it domestically (appendix C) indicates that Chrysler felt that its share of the domestic market for compacts would be too small to justify the investment that would be required to produce such an automobile in this country. The company also announced that it would continue its stringent cost control measures and that it would seek to reduce costs through the consolidation of models it continued to produce.

Commerce, Calif., plant

The Commerce, Calif., plant of the Chrysler Corp. was located at the intersection of Slauson and Eastern Avenues, about 10 miles southwest of the Los Angeles City Hall. The site is well served by freeways and other modes of transportation; Interstate Hwy 5 is not far from the property. The entire Chrysler property consisted of 86.5 acres on which were situated the assembly plant building, an office building, a major outbuilding, and several minor outbuildings. Altogether the floor space of the various buildings on the site amounted to about 1.5 million square feet. The Commerce plant site was purchased in 1932 and the buildings and additions were constructed from 1932 to 1965. Some of the buildings suffered damage from the Los Angeles earthquake of 1970; some were observed to have been partly supported by timbers as late as the summer of 1972.

The Chrysler assembly plant consisted of two major sections built at different times and in different styles. The older section was of wooden truss and metal column construction; it was one story high and

had a sawtooth roof. The newer section was of precast concrete panel construction; it was two stories high and had a flat roof. The building as a whole was long and relatively narrow. There was little storage space adjacent to the assembly line for large components of automobiles--at least not enough to supply two consecutive shifts. Any resupply of the line required that the assembly line close down and therefore the plant was never capable of efficiently operating more than one shift a day. 1/ One shift operation is considered to be very inefficient in the automobile industry. * * *.

* * * * * * *

1/ Two shifts were operated at the plant during two model years in the late 1950's.

The last automobiles produced at the plant rolled off the assembly line in July 1971. The plant was put up for sale early in 1972. In April or May 1972, the firm of Trammel and Crow, Inc., of Dallas, Tex., entered into negotiations with Chrysler Corp. for the purchase of the property. The Dallas firm, which is engaged in real estate development, purchased the property on June 1, 1972, * * * and began the demolition of most of the Chrysler buildings the next morning. It is in the process of building a new office and light industrial complex on the site. Well over half of the floor space occupied by the Chrysler Corp. has been demolished and only the two-story section of the assembly plant has been retained. It has been gutted and remodeled. When completed, the new complex will consist of one five-story office building, 3 one-story office buildings, a single story warehousing building, and a 1.5 million square foot single story building for such clean manufacturing operations as assembly, sewing, etc. About 1.2 million square feet of new construction is already up on the site, 500,000 square feet is already leased, and the remainder of the project is to be completed by the end of 1973 or early 1974. Pending construction of the last buildings to go up on the site, Trammel and Crow is leasing out some vacant areas to Chrysler Corp. and Ford Motor Co. for the storage of new passenger automobiles. None of the automobiles being stored at the site were manufactured at Chrysler's Commerce plant.

Trammel and Crow bought the Chrysler property primarily for the value of the site and not because of the buildings on it. The firm leases space to other firms and is finding it increasingly difficult

to rent out space in the one old Chrysler building that it retained and remodeled. * * *.

Production.--In the period 1968-72, the sales of new passenger automobiles from the Commerce plant declined each year until production ceased in 1972, * * *. The production of Chrysler's other U.S. assembly plants also trended downward in the period 1968-71. In 1972, production increased at Chrysler's other plants partly as a result of Commerce closing and partly from increased U.S. demand for cars.

In contrast to Chrysler's U.S. assembly plants, the Windsor plant increased production in the period 1968-72. The largest jump occurred in 1972, * * *.

Employment.--The average number of Chrysler's employees working in U.S. assembly plants that manufacture automobiles like those produced at Commerce increased from * * * 1968 to * * * 1969. Employment declined [from 1969 to] * * * 1972, * * *. The average number of Chrysler's production and related workers and total man-hours worked for these assembly plants followed the same pattern as total employment, increasing from 1968 to a high in 1969 and declining to a lower level in 1972 * * *.

* * * * * * *

According to the Chrysler Corp., immediately following its decision to close the Commerce plant, the corporation implemented a coordinated personnel program to accommodate displaced workers. A new agreement between Chrysler and the UAW provided that Los Angeles assembly plant employees could transfer with their full seniority to other corporation plants when an opening was created by attrition--i.e., quits, retirements, deaths, or discharges. An immediate freeze was put on all attritional openings in all U.S. Chrysler-UAW facilities in order to make the openings available to Commerce employees.

Employees who transferred to other Chrysler facilities were provided with relocation expense assistance and were allowed 2-weeks travel time to the new location. In addition, any transferred employee could elect to return to the Commerce plant within 90 days of his transfer to the new plant without loss of any benefits to which he would have been entitled had he elected initially to be laid off from the Commerce plant.

* * * * * * *

In July 1970 the rate of unemployment in the Los Angeles area was 6.3 percent; it was 7.4 percent in July 1971, 6.1 percent in July 1972; and in November 1972, the most recent month for which such data are available, it was 4.9 percent.

* * * * * * *

Distribution.--The Commerce plant was predominantly engaged in supplying the west coast and Rocky Mountain area of the United States with Chrysler Corp. intermediate and compact automobiles. Outside of that area, the only market of any size for such cars from the Commerce plant is Texas, * * *. Model years 1970 and 1971 were said by the Chrysler Corp. to be atypical, in that the automobiles produced at Commerce were disposed of throughout the United States. Despite this, however, California continued to account for over half of the plant's output.

* * * * * * *

According to Chrysler Corp. officials, the cost of transporting large numbers of automobiles long distances, such as to California from assembly plants in St. Louis, Hamtramck, and Windsor was prohibitive prior to the advent of the triple deck railway car (such cars came into common usage only after 1965). The high cost of such transportation was the reason for establishing a California assembly plant. * * *.

* * * * * * *

Table 17 shows imports of new passenger automobiles by U.S. port of entry. It indicates that imports into California ports of entry accounted for 19.8 percent of total U.S. imports during January-September 1971 and for 21 percent during the like period of 1972. Imports into all ports of entry west of Louisiana, the area served by the Commerce plant, accounted for 28.1 percent of total U.S. imports in 1971 and for 28.6 percent of total U.S. imports in 1972. The western United States therefore, with about a 26 percent of the total U.S. population, accounted for somewhat more than its share of imports in both 1971 and 1972, and that share is growing.

Chrysler's share of new car registrations in California declined from 9.8 percent in 1971 to 9.7 percent in 1972. The registrations of imported automobiles in California also declined from 34.9 percent of the total California registration in 1971 to 29.1 percent in 1972. In contrast, the registrations of all other U.S. producers in California increased from 55.3 percent of total registrations in 1971 to 61.2 percent (see table 18).

For the United States as a whole, Chrysler's share of new car registrations increased from 13.7 percent in 1971 to 13.9 percent in 1972. The registrations of all other U.S. producers also increased from 71.2 percent in 1971 to 71.5 percent in 1972. Registrations of new imported cars as a share of total U.S. registrations declined from 15.1 percent in 1971 to 14.6 percent in 1972.

* * * * * * *

APPENDIX A
STATISTICAL TABLES

Table 1.--New passenger automobiles: U.S. production, by manufacturer and model, model years 1968-72, August-December 1971, and August-December 1972

(In thousands of units)

Manufacturer and model	Model year					August-December	
	1968	1969	1970	1971	1972	1971	1972
Chrysler Corp.:							
Valiant	110.2	107.2	241.6	238.5	245.7	89.5	94.4
Barracuda	45.0	32.0	55.5	19.2	17.6	7.2	8.7
Belvedere/Satellite	240.0	246.0	160.7	106.2	76.8	29.6	28.0
Dart	190.7	214.7	37.2	165.7	166.1	67.1	83.1
Coronet/Charger	317.1	292.6	171.3	171.3	155.4	60.4	84.2
Challenger	-	-	83.0	30.7	25.4	10.4	12.8
Subtotal, Intermediate and and Compact	903.0	892.5	749.3	731.6	687.0	264.2	311.1
Fury	283.1	259.4	267.8	272.6	279.1	123.1	112.7
Polara/Dodge	114.6	69.8	91.8	112.8	149.3	64.7	60.9
Chrysler	264.3	259.9	180.8	174.9	205.7	85.0	84.2
Imperial	15.3	22.1	11.8	5.5	15.8	9.9	9.5
Total, Chrysler Corp	1,580.3	1,503.7	1,301.5	1,297.4	1,336.9	546.9	578.4

Continued on following page.

Table 1.--New passenger automobiles: U.S. production, by manufacturer and model, model years 1968-72, August-December 1971, and August-December 1972--cont'd.

(In thousands of units)

Manufacturer and model	Model year					August-December	
	1968	1969	1970	1971	1972	1971	1972
Ford Motor Co.:							
Fairlane/Torino	372.3	367.1	328.6	328.4	349.8	111.0	126.8
Mustang	330.0	299.9	190.7	148.6	125.1	57.0	50.9
Pinto	-	-	-	267.3	300.7	115.5	137.1
Falcon	43.2	65.3	47.5	-	-	-	-
Maverick	-	49.9	209.6	141.2	134.7	43.8	75.0
Cougar	118.5	100.1	72.4	62.2	53.7	24.2	24.1
Montego/Comet	123.1	117.1	103.6	138.5	214.1	75.9	85.4
Subtotal, Intermediate and compact	887.1	100.0	952.4	1,086.2	1,178.1	427.1	499.3
Ford	790.7	896.4	808.2	814.7	789.3	327.9	351.3
Thunderbird	65.4	49.0	51.1	35.9	57.2	29.5	30.9
Club Wagon	-	-	-	24.1	25.3	10.3	8.9
Mercury	117.5	140.5	129.1	130.3	147.8	61.3	64.2
Lincoln	39.3	38.4	38.6	35.8	45.1	22.0	26.3
Mark III/IV	7.8	23.2	21.8	27.4	49.5	18.2	24.2
Total Ford Motor Co.	2,007.8	2,147.5	2,001.2	2,154.4	2,292.3	896.6	1,005.1

Continued on following page.

Table 1.--New passenger automobiles: U.S. production, by manufacturer and model, model years 1968-72, August-December 1971, and August-December 1972--cont'd.

(In thousands of units)

Manufacturer and model	Model year					August-December	
	1968	1969	1970	1971	1972	1971	1972
General Motors Corp.:							
Chevelle	422.7	430.5	403.6	327.2	347.8	119.0	119.8
Camaro	235.1	200.3	165.9	116.4	68.7	52.5	19.8
Chevy II/Nova	200.9	268.5	315.8	217.0	363.0	136.5	141.2
Corvair	15.4	6.0	-	-	-	-	-
Vega	-	-	8.8	266.2	383.6	136.5	141.2
Tempest/Le Mans	346.3	284.6	216.5	165.6	170.0	59.0	87.4
Firebird	107.1	73.4	62.3	54.0	30.0	23.0	8.9
Ventura II	-	-	-	48.5	71.6	27.1	40.6
F-85 Cutlass	275.1	239.3	310.3	264.1	334.6	124.1	130.7
Omega	-	-	-	-	-	-	25.7
Special/Skylark/Century	227.5	188.6	226.4	184.1	225.6	88.7	89.9
Subtotal, Intermediate and compact	1,830.1	1,691.2	1,704.6	1,643.1	1,994.9	794.1	813.3
Chevrolet	1,236.3	1,108.9	891.1	676.6	906.5	353.0	401.7
Corvette	27.7	26.7	30.2	21.8	27.0	10.3	10.7
Monte Carlo	-	-	146.0	112.6	163.1	49.9	73.0
Pontiac	457.5	494.9	383.6	208.9	274.8	117.0	146.7
Grand Prix	-	-	30.0	58.3	92.0	37.9	44.5
Oldsmobile	316.0	368.9	299.7	266.2	375.1	153.2	167.2
Tornonado	26.5	28.5	25.5	29.3	48.9	19.1	21.5
Buick	375.1	423.9	402.7	328.3	423.1	174.6	177.3
Riviera	49.3	52.9	37.4	33.8	33.7	15.1	17.5
Cadillac	205.5	199.9	214.9	161.2	226.9	93.3	99.9
Eldorado	24.5	23.3	23.8	27.4	39.9	15.8	19.7
Total General Motors Corp.	4,548.5	4,419.1	4,189.5	3,567.5	4,605.9	1,833.3	1,993.0

Continued on following page.

Table 1.--New passenger automobiles: U.S. production, by manufacturer and model, model years 1968-72, August-December 1971, and August-December 1972--cont'd.

(In thousands of units)

Manufacturer and model	Model year					August-December	
	1968	1969	1970	1971	1972	1971	1972
American Motors Corp.:							
American/Rambler/Hornet	81.0	96.5	73.6	74.7	61.0	25.4	38.3
Gremlin	-	-	25.3	53.5	70.3	24.6	33.4
Javelin/AMX	63.2	51.4	34.1	29.1	27.1	9.8	11.8
Rebel/Matador	73.9	51.7	49.7	45.8	54.2	22.0	20.2
Subtotal, Intermediate and Compact	218.1	199.6	182.7	203.1	212.6	81.8	103.7
Ambassador	54.7	75.7	59.9	41.7	44.0	18.6	19.3
Total, American Motors Corp	272.8	275.3	242.6	244.8	256.6	100.4	123.0
Total, United States	8,409.4	8,345.6	7,734.8	7,264.1	8,491.7	3,377.2	3,699.2

Source: Automobile Manufacturers Association, Inc.

Table 2.--New passenger automobiles: Share of U.S. production by manufacturer, model years 1968-72, August-December 1971, and August-December 1972

(Quantity in thousands of units; share in percent)

U.S. manufacturers	Model years						
	1968	1969	1970	1971	1972	August-December	
						1971	1972
Total U.S. production	8,409.4	8,345.6	7,734.8	7,264.1	8,491.7	3,377.2	3,699.5
Total Chrysler production	1,580.3	1,503.7	1,301.5	1,297.4	1,336.9	546.9	578.4
Share of U.S. total	18.8	18.0	16.8	17.9	15.7	16.2	15.6
Total Ford production	2,007.8	2,147.5	2,001.2	2,154.7	2,292.3	896.6	1,000.5
Share of U.S. total	23.9	25.7	25.9	29.7	27.0	26.5	27.2
Total General Motors production	4,548.5	4,419.1	4,189.5	3,567.5	4,605.9	1,833.3	1,993.0
Share of U.S. total	54.1	53.0	54.2	49.1	54.2	54.3	53.9
Total American Motors production	272.8	275.3	242.6	244.8	256.6	100.4	123.0
Share of U.S. total	3.2	3.3	3.1	3.4	3.0	3.0	3.3

Source: Automobile Manufacturers Association, Inc.

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Table 4.--New passenger automobiles: Total U.S. production, production of intermediate and compact cars total and by manufacturer, model years 1968-72, August-December 1971, and August-December 1972

(Quantity in thousands of units; share in percent)

U.S. manufacturers	Model years					August-December	
	1968	1969	1970	1971	1972	1971	1972
Total U.S. production	8,409.4	8,345.6	7,734.8	7,264.1	8,491.7	3,377.2	3,699.5
Total U.S. production of intermediate and compact cars	3,938.3	3,783.3	3,589.0	3,644.0	4,072.6	1,567.5	1,727.4
Intermediate and compact production as a share of total U.S. production	46.8	45.4	47.1	50.5	48.1	46.5	46.7
Chrysler Corp.:							
Production of intermediate and compact cars	903.0	892.5	749.3	731.6	687.0	264.2	311.1
Share of total U.S. production of intermediate and compact cars	22.9	23.6	20.9	20.0	16.9	16.9	18.0
Production of intermediate and compact cars as a share of total U.S. production	10.7	10.7	9.7	10.1	8.1	7.8	8.4
Ford Motor Co.:							
Production of intermediate and compact cars	987.1	1,000.0	952.4	1,086.2	1,178.1	427.4	499.3
Share of total U.S. production of intermediate and compact cars	25.1	26.4	26.5	29.6	28.9	27.3	28.9
Production of intermediate and compact cars as a share of total U.S. production	11.7	12.0	12.3	15.0	14.0	12.7	13.5

(Continued on next page)

Table 4.--New passenger automobiles: Total U.S. production, production of intermediate and compact cars total and by manufacturer, model years 1968-72, August-December 1971, and August-December 1972, continued.

(Quantity in thousands of units; share in percent)

U.S. manufacturers	Model years						
						August-December	
	1968	1969	1970	1971	1972	1971	1972
General Motors Corp.:							
Production of intermediate and compact cars	1,830.1	1,691.2	1,704.6	1,643.1	1,994.9	794.1	813.3
Share of total U.S. production of intermediate and compact cars	46.5	44.7	47.5	44.8	49.0	50.7	47.1
Production of intermediate and compact cars as a share of total U.S. production	21.8	20.3	22.0	22.6	23.5	23.5	22.0
American Motors Corp.:							
Production of intermediate and compact cars	218.1	199.6	182.7	203.1	212.6	81.8	103.7
Share of total U.S. production of intermediate and compact cars	5.5	5.3	5.1	5.5	5.2	5.2	6.0
Production of intermediate and compact cars as a share of total U.S. production	2.6	2.4	3.1	2.8	2.5	3.4	2.8

Source: Automobile Manufacturers Association, Inc.

Table 5.--New passenger automobiles: Intermediate and compact car production as a share of U.S. production, by manufacturer, model years 1968-72, August-December 1971, and August-December 1972

(Quantity in thousands of units; share in percent)

U.S. manufacturers	Model years					August-December	
	1968	1969	1970	1971	1972	1971	1972
Chrysler Corp:							
Total U.S. production	1,580.3	1,503.7	1,301.5	1,297.4	1,336.9	546.9	578.4
Total intermediate and compact production	903.0	892.5	749.3	731.6	687.0	264.2	311.1
Production of intermediate and compact cars as a share of Chrysler's U.S. production	57.1	59.4	57.6	56.4	51.4	48.3	53.8
Ford Motor Co.:							
Total U.S. production	2,007.8	2,147.5	2,001.2	2,154.4	2,292.3	896.6	1,005.1
Total intermediate and compact production	887.1	1,000.0	952.4	1,086.2	1,178.1	427.1	499.3
Production of intermediate and compact cars as a share of Ford's U.S. production	49.2	46.6	47.6	50.4	51.4	47.7	49.7
General Motors Corp.:							
Total U.S. production	4,548.5	4,419.1	4,189.5	3,567.5	4,605.9	1,833.3	1,993.0
Total intermediate and compact production	1,830.1	1,691.2	1,704.6	1,643.1	1,994.9	794.1	813.3
Production of intermediate and compact cars as a share of General Motors'U.S.production	40.2	38.3	40.7	46.1	43.3	43.3	40.8
American Motors Corp.:							
Total U.S. production	272.8	275.3	242.6	244.8	256.6	100.4	123.0
Total intermediate and compact production	218.1	199.6	182.7	203.1	212.6	81.8	103.7
Production of intermediate and compact cars as a share of American Motors' U.S.production	79.9	72.5	75.3	83.0	82.9	81.5	84.3

Source: Automobile Manufacturers Association, Inc.

Table 6.--New passenger automobiles: Annual U.S. imports for consumption, by major source, model years 1968-72, August-December 1971, and August-December 1972

Source	Model years					August-December	
	1968	1969	1970	1971	1972	1971	1972
	Quantity (units)						
Canada:							
Free	423,146	590,147	784,413	692,980	853,606	334,330	
Dutiable	82	748	1,625	1,880	918	779	
Subtotal	423,228	590,895	786,038	694,860	854,524	335,109	
Japan	109,289	220,938	311,984	555,705	756,815	337,462	
West Germany	630,178	677,690	660,005	737,717	721,625	294,096	
United Kingdom	81,604	109,746	82,948	96,956	86,051	35,351	
Sweden	51,443	44,985	50,702	63,367	65,448	21,593	
Italy	27,802	43,721	40,175	44,607	62,558	19,909	
Belgium	1,220	43,564	49,956	60,656	48,172	627	
France	32,941	34,927	26,662	34,697	15,984	4,364	
All others	380	450	24	38	45	21	
Total	1,358,085	1,766,916	2,008,494	2,288,603	2,611,222	1,071,532	
	Value (1,000 dollars)						
Canada:							
Free	1,092,636	1,628,915	1,983,308	2,036,309	2,585,613	992,924	
Dutiable	180	1,177	3,445	3,604	1,431	1,185	
Subtotal	1,092,816	1,630,092	1,986,753	2,039,913	2,587,044	994,109	
Japan	126,169	253,335	365,581	694,641	1,111,376	461,859	
West Germany	793,285	876,320	979,517	1,181,690	1,379,694	518,016	
United Kingdom	109,715	141,955	111,835	134,568	140,133	55,543	
Sweden	89,768	81,816	91,357	131,220	156,480	49,409	
Italy	40,533	67,243	61,291	69,483	112,651	32,807	
Belgium	1,564	64,986	71,476	126,144	93,454	42,537	
France	31,604	37,563	28,869	41,225	28,064	5,736	
All others	444	731	87	54	162	41	
Total	2,285,898	3,154,041	3,696,766	4,418,938	5,609,058	2,158,057	

Source: Compiled from official statistics of the U.S. Department of Commerce.

A-46 through A-47

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Table 8.--New passenger automobiles: U.S. exports of domestic merchandise, model years 1968-72, August-December 1971, and August-December 1972

(Quantity in 1,000 units; share in percent)

Country	Model year					Aug.-Dec.	
	1968	1969	1970	1971	1972	1971	1972
Canada	277.3	282.6	280.4	306.2	334.3	130.3	
Japan	3.5	3.4	4.9	4.8	4.6	3.0	
Kuwait	4.6	4.0	3.9	3.6	4.2	2.1	
West Germany	2.0	2.2	2.5	2.9	2.8	1.3	
Venezuela	0.4	0.5	1.4	1.8	1.2	0.6	
All other	29.9	30.6	31.9	24.9	20.5	9.0	
Total	318.8	323.3	325.0	344.2	367.6	146.3	
Canada's share of total U.S. exports	87.0	87.4	86.3	89.0	90.9	89.1	

Source: Compiled from official statistics of the U.S. Department of Commerce.

A-49 through A-58

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Table 17.--New passenger automobiles: Dutiable U.S. imports for consumption, by customs district, by major source, January-September 1971, and January-September 1972

(In thousands of dollars)

Customs district and source	January-September	
	1971	1972
California:		
Japan	$169,487	$221,224
West Germany	171,726	196,706
All other	66,065	64,933
Subtotal	407,278	482,863
Other West Coast ports of entry:		
Japan	64,460	73,147
West Germany	27,504	34,366
All other	19,550	15,495
Subtotal	111,514	123,008
Alaska and Hawaii:		
Japan	14,578	15,192
West Germany	3,882	6,283
All other	119	71
Subtotal	18,579	21,546
West Gulf Coast:		
Japan	1,224	-
West Germany	30,280	27,986
All other	9,304	1,530
Subtotal	40,808	29,516
All other ports of entry:		
Japan	387,235	525,440
West Germany	750,942	774,894
All other	339,324	338,433
Subtotal	1,477,501	1,638,767
Total, all U.S. ports:		
Japan	636,984	835,002
West Germany	984,335	1,040,236
All other	434,361	420,462
Total	2,055,680	2,295,700

Source: Official statistics of the U.S. Department of Commerce.

Table 18.--New passenger automobiles: Share of new car registrations, by type of automobile , California, and U.S. total, 1971 and 1972

(In percent)

Type of automobile	California		United States	
	1971	1972	1971	1972
Dodge	4.0	4.0	6.7	5.7
Plymouth	4.7	4.6	5.3	5.9
Chrysler	1.1	1.1	1.7	2.3
Subtotal Chrysler Corp.	9.8	9.7	13.7	13.9
All other U.S. producers	55.3	61.2	71.2	71.5
Subtotal U.S. producers (including Canadian imports)	65.1	70.9	84.9	85.4
Colt	1.0	0.8	0.3	0.5
Cricket	0.3	0.2	0.3	0.2
Volkswagen	10.0	6.7	5.2	4.5
Toyota	8.3	5.7	2.3	2.7
Datsun	6.1	4.7	1.9	1.8
All other imports (not including Canadian imports)	9.2	11.0	5.1	4.9
Subtotal imports	34.9	29.1	15.1	14.6
Grand total	100	100	100	100

Source: Partly estimated by the staff of the U.S. Tariff Commission on the basis of data published by Ward's Automotive Yearbook and Motor Registration News of California.

A-61 through A-69

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APPENDIX C

CHRYSLER CORP. STATEMENT ON THE DECISION TO IMPORT SUBCOMPACT CARS FROM JAPAN AND THE UNITED KINGDOM

CHRYSLER CORPORATION

The question has been raised as to the connection, if any, between Chrysler Corporation's decision not to make the substantial investment required to produce a subcompact car in the United States and our decision to invest in a Japanese automotive company.

There is no direct or casual relationship between these totally unrelated decisions.

Domestic Subcompact Car

Our position was best stated by Lynn A. Townsend, Chairman of the Board, Chrysler Corporation, at a July 23, 1971 press conference when he said: "I've indicated we've never been able to justify the investment on a domestic subcompact car."

Chrysler Corporation is, and has, constantly studied the make-up of the U.S. domestic automotive market. With the beginning of inroads by imported cars, particularly Volkswagen in the earlier years, our studies concentrated on the so-called subcompact market. Our economic analysis demonstrated that we could not compete profitably in a roughly 500,000 unit domestic market against a competitor able to spread costs over a 1,500,000 world market. Further studies indicated we could not achieve an export market to rival their European domestic market and third country markets, due to nontariff barriers and local content requirements.

These cost-price analyses were naturally much more adverse in a case where it was assumed all four major domestic producers entered the market. 125,000 units, a 25% share of 500,000 units, simply could not support the substantial costs involved at prevailing price levels and produce a profit.

Japanese Automotive Investment

For a number of years prior to the current invasion of the U.S. market by Japanese produced vehicles, our Vice Presidents responsible for both Far Eastern and South American markets had been sounding the alarm about the inroads Japanese vehicles had made into any market still open to imports of assembled vehicles. We had also eyed the extraordinary growth of a Japanese home market basically closed to access for anything but domestically produced vehicles.

Studies showed that the Japanese indirect and direct subsidies to expand exports of vehicles were such that we could not profitably compete in the very near future. In a free society with free trade, we felt the logical solution was to obtain "a piece of the action" by acquiring a Japanese producer to service those markets. It was not initially expected, nor was it ever anything but incidental to our desire to participate in growing Far Eastern markets, that there would be Japanese vehicle exports to the United States.

Our expectation, as provided in our agreements, was that we would have marketing rights to the Mitsubishi products throughout the Far East and South America, but not in the Japanese market. We would have a participation through our stockholding, limited by the Japanese Government to 35%.

Initially, we acquired 15% for roughly $28 million and had options for an additional 10% in 1972 and another 10% in 1973. These options have been deferred indefinitely, by mutual agreement, due to currency valuation and other issues not anticipated by the parties.

The funds for this investment did not emanate from the U.S. and, in fact, could not due to the Foreign Direct Investment controls of the U.S. Department of Commerce.

Mr. Townsend has stated: "We wouldn't have any more U.S. cars or Canadian cars if we hadn't done that . . ." Very simply any cars sold by Dodge made in Japan would be replaced by Datsun, Toyota or another foreign car with no U.S. participation in even the profits from the sale. The same is true with respect to third country markets.

Conclusion

Any domestic subcompact car will be decided without regard to the Japanese investment and, conversely, the continuance or expansion of the Japanese investment will be decided on the worth of that investment whether a U.S. market does or does not exist for its products.

A-74 through A-92

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