

BUSINESS PEOPLE

No day is typical for Thomas Murphy

"Good economic growth."

Time and again, General Motors Board Chairman Thomas A. Murphy uses these words to answer questions on foreign trade, inflation and auto prices.

Murphy, 62, head of the nation's largest manufacturing firm, met this week with editors and reporters from *Observer & Eccentric Newspapers*.

Annual compensation of \$975,000, the Bloomfield Hills residents ranks as the 10th highest paid executive in the country.

At the end of the hour session, Murphy said he found newswriters' questions a good warmup for the May 19 annual meeting of GM's stockholders. Here are our questions and his answers:

Q. (Sandra Arbruster, Westland Observer editor) I know you have a background in finance. But what does a fulltime chairman of the board do all day?

Murphy: "Good question. There's a typical day, I guess. There's a lot you wouldn't expect a business person would become involved in. My son looked at my schedule and said, 'It's amazing to me you'd be involved in so many of the things you are that don't relate directly to General Motors.'

"The first thing I do each day is on the coast and did go to the plant and had a meeting with some dealers. I was out there at Stanford University to participate in an advisory council meeting, a dinner, and raise some money for the United Negro College Fund and a luncheon.

"Certainly, the prayer breakfast over here this morning (sponsored by the Livonia Chamber of Commerce at Schoolcraft College) is another example.

"And this week—I just borrowed what I call my 'id sheet' from my desk calendar. I got up this morning at 8 o'clock, I left there to fly to Washington to participate in a labor-management meeting, starting with lunch and finishing about 4:30; then flew to New York for dinner; and back to Willow Run last night at midnight; got to bed about 1:30. Got up this morning and came to the prayer breakfast. Today I'm going to get my mind started on trying to prepare for our annual meeting.

"And I see at 6:05 tonight I'm going to participate in a talk show with a radio station in Boston. Tomorrow I'll be going to Washington again for the Payne-Sage游行 of the Public Relations Society of America.

"Then I'll be at the White House to get an award from the Invest in America National Council. I'll meet with a couple of congressmen in the afternoon and then fly back."

"Thursday I have a couple of dates in the (GM) building in the morning. Then leave the building and go to Lewisburg to attend a business council meeting Friday morning. I go to Chicago to be at the University of Illinois president's reception Friday evening.

"To be at the quarterly meeting of the Cleveland Foundation Saturday morning. Then brunch the mayor of Chicago and the governor of Illinois will be present. Then I'll be back in, probably, in the evening."

The board meets

Q. (Tim Richardson, editorial director) How often does the board meet?

Murphy: "Once a month. Between

the committees and the board, yes, all day. We start at 8 o'clock in the morning with two of our committees—the Public Policy Committee and the Bonuses and Salaries Committee. They meet at breakfast and go until about 10 o'clock."

"The Public Committee's meeting starts around 10 and they go until lunch time. The Nominating Committee generally meets during lunch because some of the people are involved in some of the other meetings, and they go until 2 o'clock."

"The board meets at 2 and generally goes to 5 or 5:30, and sometimes a little bit later. We try to involve all the directors in the committee meetings. That enables us to cover a lot more ground."

"We meet the first Monday of every month, generally in New York. We come out to Michigan once a year. Then we ask a board to give us an extra day or two days to take them through our product planning and see some of the facilities."

"Occasionally it's been our practice to try to have a meeting overseas and see some of our facilities, but we haven't had one of those for about five years now."

A 6 per cent profit?

Q. (Ron Garbini, West Bloomfield Eccentric editor) Do you believe—in view of union demands, high capital expenditures, governmental regulations and the down-sizing program—that GM can realistically realize profits greater than six per cent?

Murphy: "I don't know."

"The problem is we have to offer competitive values, and we have to price our products in the knowledge we compete with other things, even besides automobiles offered by our competitors."

"We have to compete with vacations and swimming pools and all the rest. So our prices are determined, in the final analysis, by the market."

"Our costs are determined by the values we have to pay for all the things that go into making that product—the wages and the materials. I guess our report card is the margin we're able to get between that competitively determined price and all the costs, and the efficiency of our management of all those resources is going to determine where we're going to have a profit margin at all."

"We're in a risk-taking business, and we put literally billions of dollars on the line every day, every year, in order to generate the type of volume we need to make any profit at all. Because we do have a helluva big fixed cost before we make the first car."

"So we're gonna have to generate volume, and we're gonna have to be efficient in order to have any margin at all. And what that margin is going to be is going to be determined by our ability to manage those resources and those people."

What is the government's obligation, to make an individual do something he doesn't want to do? Or to force him to pay for something he doesn't feel he needs?

— Thomas Murphy



Safety vs. profit

Q. (Steve Barnaby, Farmington Observer editor) I would like to talk about safety for a moment. The air bag has been a matter of debate for the last couple of years. What weight does safety hold as a factor in debate versus profit? What would be the cost of installing one in each new vehicle for GM, and how would GM pass on this cost to the consumer? What would be the cost for GM to make a satisfied profit?

Murphy: "Let me put the air bag—or air cushion restraint—in perspective."

"We have always tried to build a safe vehicle. We have succeeded in a broad sense. The question here is how far do we as a society go in protecting the individual against himself? How far should we go in protecting you against yourself? You're smoking a cigarette (Laughter). You know and I know that's not very good for you, but you're not going to die from it."

"A lot of people in this country exercise their freedom to drink, and then drive a car afterwards. The statistics say that if all these people could be taken off the highways, we could cut our fatality rate in half—just, I mean, like that. No question."

"We also know that if people would use the restraint system that is in the car today, the lap and shoulder belt combination, they would have a better system, more reliable, one that would give you greater protection, in all types of accidents, than anything else we've been able to conceive, including the air bag."

"I can tell you this, based on our testing, because we've had very little with the air cushion restraint system: If you can tell me the kind of accident you intend to have, then I can tell you the kind of restraint system you should have in your car."

"If you're going to go straight into that wall at, say, 20 miles an hour, then I'd say you oughta have an air bag in your car. It will give you a

greater degree of protection than the lap and shoulder belt. It doesn't put the strain on your neck and the upper belt of your body."

"Now if you go off the road and you roll over, then I'd say you better have your lap and shoulder belt in place it will keep you from getting thrown out of the vehicle and keep people from getting knocked around inside the vehicle, and the air cushion won't do it."

"I think the air cushion—if you're going to have equivalent protection of the lap and shoulder belt, you really should have lap belt in place."

"At best, the air cushion is a substandard for the lap and shoulder belt, and it's heckuva lot more costly."

"As far as price is concerned, we were offering the air cushion for three model years '74, '75 and '76 in our full-sized cars. It cost us about \$10 million to do this. We had to load ourselves to make 100,000 a year, and we sold about 10,000 in three years. In spite of what you've read, we've been trying to sell those things to everybody we could. In the final analysis, most of them went into our own car fleets. There was not great interest in the thing."

"We were charging about \$300, and we were putting about \$200 of our money into every car because we were not recovering our costs."

"When you put 'em in every car, you'll be able to get the cost down, but the price we put on them was designed to recover only our costs—not markup for ourselves."

"There was no great interest. I would say we were overwhelmed (Laughter). We could make a heckuva better deal—we have a system that's in the car today. It's paid for. If people would use those lap and shoulder belt combinations, they'd have all the protection they're going to get from the passive system, and it wouldn't cost them near as much."

"And to replace it after you've had an accident will be about \$600. I want to impress on you, when you have an accident that makes that blob blow up, it's a pretty severe job. It's going to tear up the interior of that car."

"I've said to the government people, why don't we try to educate people to use them before we do the final analysis, when I look at the money that's been spent in trying to encourage people not to smoke—well, we never change people? Even when I was a youngster, when there wasn't the medical evidence we have today, it was clear that smoking didn't do much for you. Now we have pretty good evidence it's really harmful to you. But still a lot of us still smoke. That's your privilege, and I don't think anything should be done about it."

"What is the government's obligation, to make an individual do something he doesn't want to do? Or to force him to pay for something he doesn't feel he needs?"

"I use mine (lap and shoulder belt) probably 99 per cent of the time."



THOMAS MURPHY
More growth

Decelerating prices?

Q. (Nick Sharkey, Birmingham Eccentric editor) My question revolves around the \$100 per car average price hike by GM which took effect last Monday. At the time the hike was announced, GM said a series of "interim" price changes will achieve a deceleration of prices. What does that mean?

Murphy: "What we had in mind . . . guess we've always felt we've been in a deceleration mode because our price increases have never paralleled really our cost increases. We have felt that by having one big price increase at annual model change time, the visibility of that has probably generated some psychology as well as the physical fact of the price increase."

"What we want to do is get away from that if we can. The problem here, of course, is that we have to respond to the market. Are we relating well to the customer? Are we offering the customer something he wants to buy?"

"We have to remember this: On any given day, there's not probably a single person who has to buy an automobile that day. It's a delectable purchase."

"I've typical how car buyer has a car that's been in the family for 10 years and he trades it, hangs on to it, gives up as going out of service as concerned. We've got to convince that individual that the car we're offering today has more attractions and value for him than the one he's driving, which is good transportation. And there's another individual who's waiting for that car to come on the market. And somebody's going to, right down to the one who goes on the junk heap."

"The guy who drives the junker, the one just about to give up. When it gives up, he has to come back to find another used car. Now, he's faced with a pure auction market. Supply and demand govern that. His demand is there, but supply has been slowed down because that new car buyer didn't trade, and the guy behind him didn't trade. There's not an ample supply of the kind of car he generally buys. So the price has gone up."

"Well, you say it hasn't gone up much, maybe only \$100 or \$200. But to him it may be a doubling or tripling of the price he's generally paid. And he can't get financing for that type of transaction. He has to put his money on the line, and sometimes it takes him completely out of the automobile market."



Murphy says he uses his lap and shoulder belt 99 per cent of the time."

Tight' room adds little to Holmes' heating bill

By BARBARA UNDERWOOD

The long, cold winter of 1978 is still recent enough that Mr. and Mrs. Franklin Holmes of Birmingham are doing a happy about the room they added to their home last fall.

Unlike most people, they are particularly happy about their heating bill.

The first bill the Holmes' received after their 13-by-20-foot room was in use was only \$4 more than previous heating bills. And that was in January.

The reason for the small difference in heating costs is the insulation that was used, the room's builder, Bob Stern of Southfield, asserts.

Extensive use of fiberglass, styrofoam and insulated glass made the room almost airtight.

"IF ALL builders would think it was winter when they are building, we would get more tight rooms like this," Stern says. They don't always think of insulation in the summer.

"Tight is the password in this business," he adds.

The Holmes' room was started in mid-November and they had the first fire in the fireplace two months later.

During the first weeks after the room was completed, there were no drafts at the large window walls, but the heating bills didn't change when drafts were added.

Building "tight" means higher material and labor costs, but lower heating bills soon make up the difference, Stern says. He estimated that the additional costs in the Holmes' room were \$150.

THE ROOM is panelled in chestnut over dry wall, another heat-saving feature.

"Usually paneling is applied over the studs," Stern said. "The dry wall is another form of insulation."



This airtight room costs the Holmes' little to heat. (Staff photo by Steve Cantrell)

The 100-square feet of glass in the large sliding doors on the south side of the room has a thermal barrier between two layers of glass. The door to the outside, on the north side, is steel with a magnetic closing and styrofoam insulation.

The windows are made to open, but the room also has central air conditioning. Stern says.

"This is my house and I didn't want to leave it," Mrs. Holmes says. "We are adding rooms," she says.

looked at others but didn't find anything else we wanted."

The Holmes decided to add to their present house after considering and then dismissing the idea of finding another home.

"The windows are made to open, but the room also has central air conditioning. Stern says.

"This is my house and I didn't want to leave it," Mrs. Holmes says. "We are adding rooms," she says.

With the new room, they have gained a fireplace and a place to entertain, she said.

Room additions are becoming more and more prevalent Stern says.

MURIEL ZAGER of Southfield has joined Salesword, Inc. as a recruiter for sales and marketing personnel. Mrs. Zager most recently was territory manager for the Roytype Division of Litton Industries in the Detroit area.