

GM Settles All Class Actions Over Pickups — Owners of Trucks Involved In Gas-Tank Dispute To Get \$1,000 Coupons

By Douglas Lavin Staff Reporter of The Wall Street Journal 1040 Words 20 July 1993 The Wall Street Journal PAGE A3 English (Copyright (c) 1993, Dow Jones & Co., Inc.)

DETROIT – General Motors Corp. settled all outstanding class actions involving its 4.7 million pickup trucks with side-mounted gasoline tanks by agreeing to give owners \$1,000 coupons toward the purchase of a new GM truck.

In two separate agreements, filed in a state court in Texas and a federal court in Philadelphia, GM said it settled all the class actions filed by owners of its 1973-1987 pickups, which critics allege are vulnerable to fiery explosions in side collisions.

The National Highway Traffic Safety Administration has asked GM to recall the pickups, but the auto maker maintains they are safe and said again yesterday that it doesn't intend to recall the trucks.

"It does not affect the NHTSA case in any way shape or form," a GM spokesman said. "This is not a recall. There is absolutely no modification of the vehicle. This separates the customer satisfaction concerns from the technical concerns."

The owners were seeking to force GM to make the gas tanks less dangerous or to compensate all truck owners for either the cost of repairs or the resale value they lost because of the defect.

GM said it doesn't expect the proposed settlement to have any material financial impact on the company. A spokesman said GM hasn't set aside any money to cover the cost of the program and doesn't expect to take a special charge.

The GM spokesman declined to estimate how much the proposed settlement would cost. Although the costs could theoretically come to \$4.7 billion if the owners of all the vehicles took advantage of the offer, GM said it doesn't expect all of them to do so. And a spokesman pointed out that to benefit from the \$1,000 offer, a coupon recipient would have to purchase a new GM vehicle, "so there is a revenue component."

GM said the settlement is subject to court approval, most likely at a hearing in October. In the meantime, GM is to identify the owners of the vehicles so that they can be contacted to indicate whether they will accept

the offer.

A spokesman for the NHTSA said the settlement wouldn't have any effect on the government's deliberations. The agency, which has already asked GM to recall the trucks, is trying to decide whether to make a formal claim that the gas tanks are a safety defect. "The activities in the courts don't have any bearing on our engineering analysis," the NHTSA spokesman said.

But GM has already poked holes in the NHTSA's assertion that the trucks are suspect because they ignite more often than Ford Motor Co. trucks in fatal collisions. GM produced a long list of other pairs of similar vehicles that have widely varying rates of igniting in fatal crashes. GM was scheduled to file a response to other government queries yesterday.

Attorneys for the truck owners said they hoped the settlement would give new impetus to the NHTSA recall investigation.

"This is the first admission that there is a problem with these trucks," said Timothy Crowley, a Houston attorney who helped negotiate the settlement. "It is very hard for them to take the position that we are issuing \$5 billion worth of discounts out of the goodness of our hearts."

Indeed, the settlement is in marked contrast with GM's aggressive defense of the pickups. The auto maker has refused a preliminary government request to recall the pickups, and it is appealing a \$105.2 million judgment awarded to the family of a Georgia boy who was killed in a pickup with side-mounted gas tanks.

What's more, GM has repeatedly charged that the trucks were unfairly portrayed as unsafe by self-interested trial lawyers and the news media. GM's aggressive defense of its pickups led it to expose earlier this year the use of rigged test trucks by NBC News.

Dianne Nast, a lead attorney for the plaintiffs in Philadelphia, said the settlement will be a boon to truck owners. "You've got people whose vehicles are as old as 21 years, and they paid something like \$2,300. The trucks have no warranties, and they have a fairly limited value," Ms. Nast said.

Mr. Crowley, who represents truck owners in Texas, said that many of the 1973-1987 trucks now on the road have been resold once or twice, limiting the owners' rights under warranty law. "If you're the third person to buy a 20-year-old toaster at a flea market, your rights against the toaster company might go down," Mr. Crowley said.

Under the terms of the settlement, truck owners aren't likely to receive their coupons until November or December. They then will have 15 months in which to use the coupons to purchase a GMC or Chevrolet truck. The coupons can be transferred at the \$1,000 face value if an affected truck is

sold, or to members of a truck owner's immediate family. The certificates can be transferred once to someone outside a truck owner's immediate family, but they then would have a value of only \$500.

The agreement provides that the coupons can be used toward the purchase of most light GM trucks, including minivans, full-sized vans, large and small pickups, and sport-utility vehicles including the Suburban and the Blazer.

The settlements are intended to put an end to 36 separate class actions that were filed against GM. They do not have any bearing on product-liability suits filed against the auto maker or on the recall request. In fact, the settlements allow truck owners to use their coupons without trading their vehicles in, so that they could also benefit from a free repair if GM does recall the trucks.

Attorneys for the truck owners said they conducted focus groups to determine the kind of settlement owners would like and found that, despite claimed safety defects, many truck owners are loyal GM customers.

"Almost to a person, they want their GM products," said Ms. Nast.