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Lasting Impact

How an Internal Memo Written 26 Years Ago Is Costing GM Dearly

Revelations Fan a Settlement In Fuel-Tank Fire Case; Huge Sums Now at Risk

A Jury Comes Away Livid

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How much damage can an internal memo do to a company after 26 years?

Just ask General Motors Corp.

The auto maker yesterday agreed to settle another in a string of personal injury lawsuits stemming from fuel-tank fires that erupted in collisions. The settlement — which two people familiar with it say is in “the mid eight figures” — comes after GM in July lost a similar case in state court in Los Angeles and was ordered by the jury to pay a record-setting \$4.9 billion in damages, an amount later reduced to \$1.2 billion. GM declined to discuss the latest settlement, which was reached under a confidentiality agreement.

The Georgia case, involving the 1997 death of a driver whose 1985 Chevrolet Chevette caught fire in a rear-end collision, was set to go to trial in state court in Atlanta Monday. But GM was dealt a serious setback earlier this month when the judge in the case, Gino Brogdon, blasted the company for “conduct rising to the level of obstruction of justice” in its efforts to keep out of court damaging internal documents sought by lawyers for the victim’s widow, Willene Bampoe-Parry.

The Famous Memo

Critical among those documents are lawyers’ notes of two interviews with Edward C. Ivey, who as a low-level engineer in 1973 wrote an internal memo examining the cost to GM of deaths by post-collision fuel-tank fires. In the now-famous memo, which has been widely distributed on the Internet, Mr. Ivey calculated the cost at \$2.40 a car — based on 41 million GM vehicles on the road at the time, rear-end collision fatality rates and an estimate that each human life “has a value of \$200,000.” The engineer went on to write in his memo, “This cost will be with us until a way of preventing all crash related fuel-fed fires is developed.”

In notes from a November 1981 interview with Mr. Ivey, one lawyer for GM, who has since died, wrote: “Obviously Ivey is not an individual whom we would ever, in any conceivable situation, want identified to the plaintiffs in a post-collision fuel-fed fire case, and the documents he generated are undoubtedly some of the potentially most harmful and most damaging were they ever to be produced.”

For years, GM has fought to keep the Ivey memo out of court, claiming that it didn’t reflect corporate policy. But the lawyers’ notes, which emerged as part of a separate case in Florida last year, have sorely undercut that explanation and have begun to cost the company dearly. In the Florida case, a state jury in Fort Lauderdale awarded \$33 million to the family of a 13-year-old boy who burned to death in a 1983 Oldsmobile Cutlass station wagon.

Cases Abound

The Ivey memo and related documents promised to haunt GM at the Atlanta trial — and could yet in the many cases that remain. About 100 fuel-system fire cases are still pending against GM, says Mikal Watts, a plaintiffs’ lawyer in Corpus Christi, Texas, who has a case scheduled to go to trial in Wichita Falls, Texas. Last week, a federal judge in that case, involving a 1990 Chevrolet pickup truck, ordered GM to turn over the lawyers’ notes of the Ivey interviews to plaintiffs. GM declines to specify how many such cases it is defending.

A close examination of the Los Angeles case shows just what an albatross the documents have become to the auto maker. That case involved a 1979 Chevrolet Malibu purchased used for \$500 by Patricia Anderson, an unemployed mother. Six years ago, on Christmas Eve, Ms. Anderson was driving home from church with her four children and a friend when they were rear-ended by a speeding drunk driver. Ms. Anderson escaped relatively unharmed, but her four children, who were in the back seat, suffered disfiguring burns, as did the friend, Jo Marion Tigner.

Cost Savings?

After an 11-week trial, the jury found that the car’s 18-gallon fuel tank, located under the trunk near the vehicle’s rear bumper, was dangerously vulnerable to rupturing in rear-end collisions — and that GM had placed it there to save costs.

“The court finds that clear and convincing evidence demonstrated that defendants’ fuel tank was placed behind the axle on automobiles of the make and model here in order to maximize profits — to the disregard of public safety,” Los Angeles Superior Court Judge Ernest G. Williams wrote in his decision last month in which he upheld the jury verdict but reduced the damages.

GM, which is appealing the verdict, denies that it sacrificed safety for profits. The company manufactured 7.5 million midsize “A-Cars” with the same tank design as Ms. Anderson’s Malibu between 1978 and 1983. Among them: the Buick Century, the Oldsmobile Cutlass and the Pontiac Grand Prix.

According to GM, federal statistics for burn deaths from rear-end collisions in

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