G.M. Rescinds Increase In Prices of Its '72 Cars

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DETROIT, Aug. 16 — The General Motors Corporation today rescinded the price increases announced on Aug. 5 for its 1972 cars, the first move by a major industry to comply with President Nixon's wage-price freeze.

This means that G.M.'s 1972 models, which were to cost nearly $200 a car more, will be sold at 1971 prices for at least the 90 days of the freeze.

The Ford Motor Company said earlier that it expected to go along with the price freeze but that Ford would appeal for the right to raise prices on some of the new cars. But the move by General Motors, which has 50 per cent of the auto market, will set the pattern for all auto makers.

In addition, G.M. said that if Congress ended the 7 per cent excise tax as the President requested, retroactive to Aug. 15, the company would rebate the amount of the tax, an average of about $190 a car, to all who buy new cars from today to the date of repeal.

The auto companies are subject to fines if they raise prices, but the changes in the cars might have given them an excuse to seek some price increases.

But General oMtors, in an

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unsigned statement, said it was rescinding the announced price increase of close to 5 per cent "in order to cooperate fully with President Nixon's declaration of the national emergency to strengthen the U.S.-international economic position."

What will happen after the 90-day freeze is still unsettled. "Economic developments and Government policies affecting G.M. operations will be evaluated during this period to determine the future course of action following the expiration of the 90-day period," the brief statement said.

Iacocca's Statement

Earlier in the day, Lee A. Iacocca, the Ford Motor Company's president, said at a news conference that prices of the 1972 Fords probably would be rolled back to 1971 levels, but under some protest. He complained that "95 per cent of our costs are in hand" for the new models and that price increases were needed particularly on the low-priced model, the Pinto, and the newly engineered models.

"We will have to absorb all the cost increase," Mr. Iacocca said. "We don't see how we can do this."

He also made it clear that if the Government maintained its tough line, Ford would go along. He said that Ford "will cooperate fully with the spirit and the letter of the President's program," and he was generally enthusiastic about the attack on inflation and on the glut of foreign imports.

1971-Model Cut Possible

There is a possibility of even another price cut—in the 1.5-million 1971 cars on hand. Traditionally the car makers give dealers a 5 per cent rebate on the old models once the new ones go on sale in late September, enabling them to cut prices. Ford executives said today they were considering putting that 5 per cent rebate on the 1971 models sooner to help those old cars sell since they will be competing with the 1972's.

Foreign car makers, which are selling nearly one of six cars in the United States now, are to pay a 10 per cent tax surcharge. They did not announce today what would happen to their prices. Volkswagen, the largest of the importers, said only that any increase in price from the 10 per cent tax "is bound to reduce our market potential." Toyota said it was waiting for instructions from Tokyo.

Mr. Iacocca said that if the foreign car makers did not raise their prices to cover the tax surcharge, they might be liable to a charge of dumping.

The President's moves, backed by Congressional action on the excise tax, will benefit the United States auto industry. Mr. Iacocca indicated he had been looking forward to a 10-million-car year for the 1972 models. While he made no specific prediction, he noted that a 10 per cent increase would mean 11 million cars and that every 100,000 extra American-made cars means 25,000 jobs.

If car scales do rise, as expected, the first effect would be more overtime pay for hundreds of thousands of workers in the industry.

Summary of Effects

In summary, the auto industry's moves today mean the following:

¶For at least 90 days the average $200-price increase planned for 1972 cars is postponed and the new models will sell at 1971 prices.

¶If Congress eliminates the 7 per cent excise tax, the factory prices will go down an average of nearly $200 a car for the larger models.

¶Import car prices eventually will go up, either through the surcharge or revaluations of foreign currency. Some here suspect that the import tax will be removed when revaluation comes.