

General Motors Written Comments
Federal Trade Commission Public Workshop: The Internet
Oct. 8-10, 2002

General Motors welcomes the opportunity to offer comments at the Federal Trade Commission's public workshop on e-commerce. The Internet provides an extraordinary opportunity to create consumer value as illustrated by independent studies and our own experience with GMBuyPower.com. The Internet also provides benefits for General Motors and our dealers by allowing us to reach a larger customer base with timely, comprehensive product information and the ability to rapidly and conveniently purchase a vehicle.

While the potential of the Internet is clear, its long-term effect cannot yet be fully discerned. Ubiquitous though it may be, this evolving technology is in its infancy and should remain unhindered by unnecessary and possibly inhibiting regulation.

Overview

More consumers than ever are using the Internet to shop for and buy vehicles. J.D. Power and Associates estimates that last year 62 percent of new car buyers surfed the Web to research their purchases before visiting vehicle dealerships, up from 54 percent in 2000. That number is expected to grow to more than 75 percent by 2003, representing over 11 million new vehicle sales. In addition, J.D. Power and Associates recently noted that consumers who used the Internet to purchase a new vehicle saved \$300 to \$400 on the price compared to those who did not due largely to the consumer's enhanced bargaining power and the dealer's lower cost for servicing an online customer.

GM is committed to creating an outstanding online experience that will add value for consumers, and also benefit the business of our dealer network by driving traffic to their showrooms, and increase GM's revenue and market share as well.

Online Shopping/Buying Initiatives

GMBuyPower.com, a pioneering global shopping and buying service launched in March 1999, is the cornerstone of GM's online retail strategy. It gives consumers information that enables them to exert more control over the automotive shopping/buying process by offering a host of self-service features that provide:

- Information, including pricing, without requiring the consumer to visit a dealership in person
- Convenience
- Time savings
- Reduced stress

Consumers can use GMBuyPower.com to configure a vehicle, find it in a dealer's inventory, access financing and incentives, and send electronic messages to the dealer of their choice to schedule a test drive or get a quote for the dealer's best price. They can compare the prices and specifications of GM vehicles to every major competitive vehicle currently in the marketplace. AutoSite, an independent online automotive buyer's guide, provides this extensive information on competitive products. GMBuyPower also has links to other independent sites, such as Kelley Blue Book, which enables consumers to realistically estimate their current vehicle's trade-in value.

GMBuyPower is the industry's most comprehensive buying service, with more than 5,200 active GMBuyPower dealers (representing 85 percent of total GM retail volume in the U.S.), and more than 750,000 new and GM Certified Used Vehicles available online. The service generates approximately 1.6 million visits to the GMBuyPower.com site per month, sends an average of over 70,000 leads to dealers per month, and influences an estimated average of 67,000 sales per month. J.D. Power and Associates ranks GMBuyPower.com the top Original Equipment Manufacturer (OEM) buying service.

Although GMBuyPower begins with a Web site, it is fully integrated with GM's offline retail processes. In order to best serve customers, GM offers all dealers the opportunity to participate in GMBuyPower. Unlike other third-party services, GM doesn't award exclusive territories that limit consumer choice – consumers select the dealer with whom they want to work.

Any GM dealership can participate in GMBuyPower, provided it agrees to adhere to certain customer-treatment standards. GM does not charge dealers an enrollment fee to participate, and also provides free dealer training.

In order to receive leads from GMBuyPower, dealers agree to:

- Appoint and maintain at least one trained and certified GMBuyPower manager to serve as the interface between the GMBuyPower Web site and the dealership;
- Respond to consumers' online requests within 24 hours;
- Provide the dealer's best price on a specific vehicle, upon request, within 24 hours.

Dealers who don't comply are suspended. Reactivation requires retraining and re-certification.

While this discussion focuses on the U.S. market, the GMBuyPower service is international in scope and is available in 40 countries. Although the global Web template and underlying system are common, the service is adapted to regional needs and cultures around the world.

SmartAuction

More than 375,000 vehicles have been sold through GMAC Financial Services' SmartAuction Web site, which allows dealers to purchase off-lease, off-rent and company-owned vehicles via the Web, instead of using a traditional auction house.

SmartAuction saves GM and its dealers hundreds of dollars per vehicle by:

- Not incurring the expense of sending vehicles to traditional auctions;
- Selling vehicles 45 to 60 days sooner;
- Reducing both holding costs and depreciation on the vehicles;
- Eliminating the need for dealers to spend time away from the dealership traveling to auction houses.

Success of the site has been substantial; 2002 sales are expected to be at least 250,000.

Summary

GM's business strategy is to use the Internet to help GM and GM dealers sell more vehicles, reduce operating costs and connect better with consumers.

Integration and the ability to rapidly respond to the opportunities offer by this technology is the key to success. GM's goal is to provide what consumers are asking for, which is a seamless shopping/buying experience from the Web to the dealership, and what dealers are asking for, which is increased traffic in their showrooms and business process improvements that increase sales and decrease costs. The Internet, unfettered by unnecessary regulation, will be an important tool to achieve all of these goals in today's rapidly changing digital economy.

The full potential the Internet holds for shopping, buying, and owning vehicles cannot be known at this time as new applications of the Web are revealed every day. Given the potential of this technology to improve the customer's experience and improve costs and efficiency for both the manufacturer and the dealer, GM will continue to experiment with new approaches.

Despite uncertainty about substance and timing of new Web-based opportunities, GM believes that the current franchise system of "bricks and mortar" dealerships will remain the way cars and trucks are sold in America for the foreseeable future. However, the "bricks and mortar" model is being affected by e-commerce and dealers are embracing the technology in increasing numbers.

General Motors Corporation

General Motors is the world's largest automotive corporation. GM's core activities are the design and manufacture of cars and trucks for sale in 200 countries. Vehicle brands are: Buick, Cadillac, Chevrolet, GMC, Hummer, Oldsmobile, Pontiac, Saab, Saturn, Opel, Vauxhall, Isuzu, Suzuki, and Holden. GM's other business interests include:

- GMAC Financial Services offers financing for dealers and consumers, a wide range of insurance products, residential mortgages, real estate and relocation services, commercial mortgages and commercial financing.
- Allison Transmission Division is the world leader in the design, manufacture, and sale of commercial-duty automatic transmissions, hybrid propulsion systems, and related parts and services for on-highway trucks and buses, off-highway equipment and military vehicles.
- GM Locomotive Group produces diesel-electric locomotives, medium-speed diesel engines, and locomotive components. Also part of this group is GM Defense, which produces light armored military vehicles and turret systems.
- GM Service Parts Operations markets and distributes automotive parts and accessories and various forms of automotive service merchandise under various brands.
- OnStar provides in-vehicle safety, security, and information services through wireless communications and Global Positioning System satellite technology for the U.S. and Canadian markets.
- Hughes Electronics provides digital entertainment, information and communications services, and satellite-based private business networks.

Key GM statistics as of year-end 2001:

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| • Net Sales and revenue | \$177 billion |
| • Vehicles sold worldwide | 8.6 million |
| • GM cars & light trucks on U.S. roads | 71.9 million |
| • OnStar subscribers | 2.0 million |
| • DirecTV subscribers | 10.7 million |
| • Worldwide employment | 365,000 |