

Jury orders GM to pay record \$4.9 billion

Six severely burned when gas tank exploded

By MICHAEL WHITE



Burn victim Alisha Parker, right, 11, smiles as she is congratulated by juror Michelle Broussard of Los Angeles following a news conference outside the Los Angeles County Superior Court on Friday.

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LOS ANGELES -- In the biggest personal-injury award in U.S. history, a jury ordered General Motors Corp. to pay \$4.9 billion Friday to six people severely burned when the gas tank of their 1979 Chevrolet Malibu exploded in flames in a rear-end collision.

The huge verdict came after a 10-week state court trial that focused on an internal GM study. The plaintiffs' lawyers said the study demonstrated that GM had known for years that the tanks were unsafe, but found it cheaper to settle law suits than to pay for a recall.

The jury awarded Patricia Anderson, her four children and family friend Jo Tigner \$107 million in compensatory damages and \$4.8 billion in punitive damages for injuries they suffered in the 1993 accident.

"I just thank God that me and my kids survived," Anderson said. "I thank him for allowing me to be an example to the public to put an end to this."

GM spokesman Terry Rhadigan said the verdict will be appealed. He said the crash was the fault of a drunken driver.

"It was a very severe crash and we estimate the speed of the driver who struck this vehicle at 70 mph. Unfortunately they (the victims) were sitting still at a stop light," Rhadigan said.

Tom Harrison, publisher of *Lawyers Weekly USA*, said the GM award is the largest personal injury verdict in U.S. history.

The enormous punitive award is unlikely to stand on appeal, Harrison said. Even with awards in the tens of millions of dollars, it is rare for a plaintiff to actually get anything close to the jury's verdict, he said.

Tigner and the Andersons were driving home from church services on Christmas Eve when the Malibu was struck from behind and exploded in flames.

Three of the children were burned over 60 percent of their bodies. The two adults and remaining child suffered second- and third-degree burns over a lesser percentage of their bodies. The plaintiffs' lawyers said the gas tank was placed too close to the rear bumper and that a better design would have placed it over the axle or incorporated a shield.

They said GM's own study of that the gas tanks showed that it would cost \$2.40 per auto to settle

lawsuits involving deaths. Plaintiffs' lawyer Brian Parrish said it would have cost \$8.59 per car to fix the problem.

"Without the risk of juries holding companies accountable for their reprehensible conduct, GM and other automobile manufacturers would have little reason to put passengers' safety first," Parrish said.

Read Chapter 4 and Module A before thinking too much about this.

This is kind of a heavy-duty example, but it might be a good one to work through some of the principles. I will probably use this as an exam question in some course sometime. At this point, I am just looking for discussion, as we will get further into decision models over the next few weeks and especially in the morning of our first onsite. Here are some questions to think about as you read the chapters.--Bud

1. According to Juran, what is "quality?"
 2. Philip Crosby asserted that "quality is free." Is that true in this case? Would it be true if there were damage awards but no penalties?
 3. A key issue in the design of systems is to be sure that incentives promote objectives. Assuming validity for the plaintiffs' claims, decision models and game theory give us the means to estimate what economic incentives are required in this case to encourage the auto manufacturer to do the right thing. We could use a decision tree to determine how large a penalty would have to be imposed so that there is no economic benefit to producing a faulty product.
 4. What information is needed to arrive at this estimate, and how could we get it? Things that come to mind are how many Malibus (and like-design models) were involved in this decision? What is probability of an accident and average cost of a settlement without penalty? Where could we find this information?
 5. How much precision would we need in this information to arrive at a policy or guideline for penalties? What is sensitivity of the outcome to better, more thorough, information?
 6. Could you set up a spreadsheet model to explore sensitivity of the required penalty to inputs such as "cost of the fix", probability of a judgement with a penalty, estimated average damage settlements?
 7. How is this related to the prisoner's dilemma model in game theory and what market forces are in effect to promote a quality attitude?
 8. Is quality just an economic issue?
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