

General Motors—Holden “Profits” Tariff Tax “Protection” Scandal

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The huge profits made by General Motors-Holden are long-standing events. In a speech in the S.A. House of Assembly, dealing with the “Tax Burden on Industry” made many years ago, we directed attention to the huge profits made by a number of companies enjoying the privilege of tariff protection. G.M.H. was one of the companies then dealt with. Here is the Hansard Report of that speech, November 6, 1940. — Mr. E. J. Craigie (Flinders).

“Let me now turn to another struggling concern — General Motors-Holden — which is engaged in the manufacture of motor car bodies. I pointed out earlier the difficulties with which the motorists had to contend. In the year 1936 the shareholders of this company had to be satisfied with a miserable 65 per cent. dividend. The directors evidently felt some considerable doubt about this return, so next year increased the distribution to 81.2 per cent. They did not hand this out in cash, but decided to make a bonus issue of 784,200 free shares (four for five). This was in 1937. Having handed out these free shares the directors in 1938 decided to pay a dividend of 55 per cent. and in 1939 continued the good work with another 55 per cent. dividend. Altogether this company has paid 256.2 per cent in dividends in the last four years. I think everybody will agree that this is a fairly decent return on capital. It illustrates what we are up against at present and it is nearly time the public were advised of the fact.” It is of interest to note that not any of the S.A. political party members voted for the motion to send this protest to the Federal Government.

We direct the attention of Labor leaders who now condemn enormous profits by G.M.H. to the fact that in 1929-30 it was the Scullin Labor Government that laid the foundation for such exploitation. It was that government that lifted the tariff on motor bodies from £60 to £90, thus giving the Holden company power to exploit the public. In doing this the old protectionist platitude of “helping an infant industry” was used to justify this economic robbery. It is now clear that although the “infant” has grown up it derives considerable sustenance from the Government tariff feeding bottle.

NO RISK CAPITAL AT ALL

Having done so well from the assembly of a G.M. imported engine in a local Holden body the company enlarged its plant at Fisherman’s Bend to make the engine in Australia. With effect to knock back the English makers of cars from the Australian market Mr. Ben Chifley and his Labor ministry increased the tariff burdens on the workers wanting a motor car and so awarded the American company a bonanza.

With this result, the total income derived by the company in 1958 was £116,377,000. Of this amount £103,545,000 came from the sales of vehicles, and £12,832,000 from the

sales of other articles in which the company is interested. The production of the Holden Car in 1948 has been a money spinner, and it is estimated that more than 500,000 have been sold since that date. For the years 1955 to 1958 inclusive the wholesale sales of Holdens are reported to be as under. Holdens sold:

	Year 1955	1956	1957	1958
In Australia	66,459	66,700	90,126	108,280
Overseas	1,341	2,193	431	2,346

In view of the fact that General Motors-Holden have boasted about being able to export cars and sell in the competitive overseas market, the question naturally arises:— Why, since the company is able to do this, is it necessary to have high protective tariff taxes imposed to enable them to sell cars in the the country where these are made?

PROFITS OF PROTECTION

In the 11 years since the production of the Holden it appears that £29,600,000 has been remitted to America as dividends on ordinary shares — an average return of nearly 110 per cent. Approximately £35,000,000 has been ploughed back into capital as undistributed profits. The following tabulated statement of profits and dividends on ordinary shares during the past twelve years should provide interesting reading to those who have been exploited:—

Year	Profits £	Ordinary Dividends
1947	570,372	—
1948	681,604	—
1949	477,159	—
1950	2,603,364	50%
1951	3,348,023	30%
1952	3,947,548	—
1953	7,249,761	100%
1954	9,899,604	260%
1955	9,127,451	280%
1956	8,478,041	225%
1957	11,676,476	325%
1958	15,343,107	425%
1959	?	874%

It is surprising there has not been an earlier public outburst against the exploitation by this company. Those conversant with the facts know that for many years dividends have been paid on capital that has not been subscribed. The original capital has been returned many times in the form of bonus shares and mammoth dividends. We have frequently directed attention to this fact. Apparently this latest profit of 874% has caused a temporary fluttering in the political dovecote.

The paid-up capital of the company is £2,311,600 in 1,750,000 ordinary shares of £1 each, plus 561,000 of 6 per cent. cum. preference shares of £1. The ordinary shares are not quoted on Australian Stock Exchanges as they held exclusively by the parent American Company. The assets (1958) were £69,408,896.

According to the latest available statement the company's reserves stand at £44,665,610. (There may also be hidden reserves). The net tangible assets to ordinary shares is not known but the asset cover for the preference shares is £83/12/4. The percentage of profits to ordinary shares after making provision for the preference dividends is 874.8 per cent. Recent dividends paid on ordinary shares are shown as 225 per cent. in 1956, 325 per cent. in 1957, and 225 per cent. in 1958. The 1959 dividend is not shown but as the percentage of profit is given as 874.8 per cent. it appears the dividend will be on more generous lines.

TAKE-OVER SCHEME

Not satisfied with getting the cream of the profits from huge dividends on their ordinary share capital (mostly not subscribed but "watered" stock) American shareholders in this octopus corporation are now endeavouring to secure all the preference shares held in Australia. Out of the huge profits we have shown, the amount that comes to the 6 per cent. preference shareholders is only £33,696 annually. The Americans are now offering Australian preference shareholders 35/- per share. Sales of preference shares during 1959 have been at 26/6 high and 24/- low. The asset backing of these shares is £83/12/6 each so the Americans would not have been left without a crust if they had made a more generous take-over offer to their poor relations in Australia.

KEEP IT DARK!

Since the pref. shares are at present held by a number of Australian citizens Company Law requires the publication of Holden trading results.

But, as financial editors of several journals have pointed out, if the American company acquires all the pref. shares then General Motors-Holden Co. becomes a wholly owned subsidiary of the American (Du Pont) concern. Thus Australian trading results with these fantastic "profits" need not be disclosed!

It is interesting to study the reaction of certain alleged leaders. First, let us consider the attitude of the Victorian Premier, Mr. Bolte. This political David has threatened to gird on his armour and place in his "sling" a Bill to make this naughty Goliath company continue to publish its balance sheet in Australia. Not one word did he utter about taking action to prevent the continuance of this legalised robbery of motor users. Therefore, those owners can thank Mr. Bolte for just — NOTHING!

The attitude of certain Trades Union leaders is also

good for nothing. Mr. R. E. Wilson, Federal President of Vehicles Builders' Union is reported as saying: "the union would have no objection to working for an all-American organisation because there were already many workers in Australia working for such bodies." Mr. H. J. Souter, secretary of the A.C.T.U. is reported as saying: "He did not think that the takeover would affect the industrial relations which now existed."

These are amazing statements coming from alleged representative leaders for the workers. Apparently they have no objection to the great exploitation of motor users by this company to continue so long as unionists are able by means of Arbitration awards to gather a few financial crumbs which fall from the rich company's table. Apparently they have not realised that many hundreds of thousands of unionists own motor cars and are on the paying end which produces the abnormal profits for this great financial octopus. The silence of trades union leaders on this important aspect of the question is hard to understand.

Turning now to the Federal Labor leaders Dr. Evatt and Mr. Arthur Calwell, M.H.R. Although they have entered a protest against the abnormal profits they have softened the blow by referring to the good that has been done by the firm by providing employment for a great number of workers. They have previously urged nationalisation of G.M.H. That is not a practical remedy for the evil, as the facts show that nationalised and State controlled industries in Great Britain and Australia have meant heavy losses to be carried by the taxpayers. Such a policy would prove detrimental to all wealth producers, that is, to all workers.

PARLIAMENT IS RESPONSIBLE

We have already directed attention to the fact that these gigantic profits are made possible by the great generosity of Federal Party politicians who shed crocodile tears about 'exploitation,' but who do nothing to prevent the cause of the trouble. The time is long overdue for the abolition of the unjust protectionist policy that has for so long a period permitted certain privileged sections of the community to artificially inflate the prices of the commodities sold to a long-suffering, silent and foolish public. Let us hope that the party members of parliament will start the new year well be deciding to repeal the tariff which has wrought so much damage to the economy of Australia. The implementing of a free trade policy is the best new year present the electors of Australia could have. This, with the collection of the rental value of land for public purposes would solve the many problems which are now placing the people of this continent in pawn to bondholders, and which daily add to the great evil of INFLATION.

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