

A survey of 22 large Australian public companies shows that collectively they have 160,000 shareholders and they employ 104,000 men and women. Their total assets exceed £240 million which provides an average investment of over £2,000 per worker.

INVESTMENT BEHIND EMPLOYEES

CAPITAL equipment is the distinguishing mark of the modern industrialised community and the measure of its progress. A progressive economy must maintain a high level of investment; otherwise existing facilities become over-taxed and living standards may fall. Many of the burdens at present being suffered by the Australian community are due to neglect or inability in the past to make adequate provision for investment in housing, transport, power and other basic services. This has left a large leeway that must now be made good. The pressure for new capital goods pours in from all quarters—from private individuals for homes and motor cars; from industrial and commercial firms for buildings, plant and equipment to provide added capacity to satisfy pent-up demands for both durable and consumer goods; from primary producers for farm equipment and machinery; and from governments for vast long-range developmental projects.

Buoyant export returns and the dollar loan have assisted Australia to purchase motor vehicles and many items of machinery and equipment, but, essentially, capital development in this country must remain dependent on our own efforts. *The rate at which homes and factories can be erected and equipped, or power projects and bridges brought to completion is in the end largely determined by local man-hour output.* Delays in the production of basic materials such as steel, cement and bricks, combined with slow construction, mean the prolongation of radiator bans, transport bottlenecks and housing and commodity shortages.

Demand for both capital equipment and consumer goods and services is at present considerably in excess of the nation's ability to meet it, either from local or overseas sources. The

community is, in effect, attempting to out-spend its production, and from this springs one of the prime causes of rising costs and prices. In an attempt to grapple with the situation the Federal Government has, in recent months, put a brake on new capital investment by cutting back loan monies for government works and by re-instituting capital issues control to supervise the raising of new share capital by public companies.

Probably because of its interest to investors much prominence has been given in the press to this last measure.

However, its importance in the overall policy to restrain unessential projects might well be overestimated. Investment by public companies during 1950-51 constituted less than 20% of total capital investment, compared with 30% by government authorities and another 30% by private individuals on homes and motor cars; the balance consisted of investment by farmers and private companies and firms. Also an examination of the capital raised by public companies suggests that the great part of it is used for the expansion of existing industries or the creation of new industries which cannot be regarded as luxury production except in time of actual war.

IMPORTANCE OF INVESTMENT BY LARGE PUBLIC COMPANIES

Because of the large-scale nature of their operations, the more important public companies require not only very large amounts of fixed capital to keep the most up-to-date machinery and tools at the disposal of their employees, but quite often an even greater volume of working capital to run the business. In addition the current inflation leaves in its wake the very real problem for management of financing stocks at greatly inflated prices.

The continuous demand for capital for large-scale enterprises is a by-product of advanced civilisation. As the nation's economy matures and incomes rise, people want more and more things other than elementary shelter, food and clothing. They demand motor cars, refrigerators, smart clothing, prepared food and a wide range of household equipment and gadgets. Many of these things could not be brought within

the reach of the average family, if it were not for the economies brought about by mass production, specialisation and mass distribution through warehouses and retail stores. Few individuals can raise the necessary finance for these large undertakings. They are rendered possible only by the pooled savings of thousands of small shareholders in joint stock companies.

The huge initial outlay required for research and development of new products is only possible to large concerns. Take an example dear to the ladies—nylon stockings. Nylon which was unknown prior to the war, cost Duponts 27 million dollars before a yard of nylon material was sold. Coming nearer home, research, planning and tooling-up cost General Motors-Holdens Ltd., £8½m. before the first Holden car was produced.

Until a few years ago, we imported nearly all our rayon yarn, tin plate, motor cars, and newsprint. Now the growing local demand renders it economic to set up large factories to manufacture these important products in Australia. For example, B.H.P. is currently establishing a new tinplate mill which will cost many millions; Courtaulds (Australia) Ltd., is building a new plant to manufacture rayon; and Imperial Chemical Industries is spending a considerable sum on factory extensions and new chemical plants for the production of hitherto imported materials. All these ventures will be financed to a great extent by thousands of small investors who are shareholders in these great companies. *Announcements by public companies of new share issues are thus not merely of interest to investors, large and small, but to the whole community, for whom they mean better living standards.*

A £2,000 INVESTMENT PER JOB

There are over 100 industrial companies listed on the Australian stock exchanges with more than a million pounds worth of assets. Some run to many millions. For example, assets of the Broken Hill Proprietary Co. Ltd. (including plant and equipment valued at original cost less accrued depreciation, and therefore well below replacement cost) are £50m. The latest figures for British Tobacco Co. are £23m., and for I.C.I., £15m.

In the table on page 112, details are given for 22 Australian public companies, each a leader in its particular field. In aggregate, the book value of the assets of these companies amounts to approximately £240 million, and collectively they give employment to about 100,000 men and women. *This represents an average investment of £2,300 per worker.* It provides the buildings, tools, machinery, equipment and raw materials to enable the employees to produce goods for the general public, to earn their wages and safeguard their future employment. In addition these assets provide the means for paying suppliers, and enable the company to pay taxes necessary for the general welfare of the community. The investment per employee varies widely with the type of industry conducted. For example, some companies use very expensive automatic machinery operated by a relatively small labour force. Other companies employ a high ratio of labour to capital and the investment per employee is correspondingly less. In some companies the greatest need is for capital to finance raw material stocks rather than plant and machinery.

It is interesting to compare the Australian position with the investment behind employees in industrial enterprises in the United States. An analysis of the annual reports of U.S.A.'s 100 largest manufacturing corporations, which collectively employ approximately 5,100,000 people, shows that their combined total assets exceeded \$85 billion at the end of 1950. For these 100 corporations, as a group, total assets represented an average investment of about \$16,600 for every worker.* At the current rate of \$2.24 to £A1, \$16,600 equals approx. £A7,411 per worker. Admittedly, it is hardly possible to make a true comparison between Australia and U.S.A. because pegged rates of exchange do not necessarily give an accurate reflection of differences in internal price levels; also, the higher relative population of the United

* Vide the National City Bank of New York, Monthly Letter, July, 1951. This letter also states "These 100 largest corporations are owned by a total of 7,200,000 registered shareholders. While the total number of registered shareholders contains, on the one hand, duplications to the extent that some people own stock in more than one of these companies, it does not show, on the other hand, the large number of beneficial owners whose stock is registered in the name of a single bank, broker, insurance company, investment trust, or nominee.

"Large blocks of these stocks are owned by educational, religious, and other institutional investors."

The total number of shareholders in the Australian sample of 22 companies is around 160,000 also subject to the qualifications noted above for the American shareholdings.

States and its larger home market enables capital to be employed to a greater advantage than in Australia. Nevertheless, the figures suggest that investment per worker in the U.S.A. is much higher than in Australian industry. This disparity is further illustrated in the overall comparison of U.S. and Australian industry in terms of horsepower available per employee. The U.S. worker has an advantage of approx. 2 to 1 over the Australian worker. Plant by plant, it is possible that productivity in a few Australian enterprises may be equal to, or even better than, similar factories in U.S.A. *But comparing Australian industry and U.S. industry as a whole, there can be no doubt that Australia has much to learn from the United States in providing additional and better mechanical aids to increase output per manhour.* Nevertheless, whilst there is room for the employment of greater horsepower in Australian industry, a small scattered community, can hardly be expected to equal the industrial achievement of the American giant.

BIG BUSINESS DOES NOT DOMINATE THE ECONOMY

The existence of small and large concerns side by side, is one of the most significant features of our private enterprise economy. The growth of the large industrial undertakings has not led to a diminution in the role of the small firm. *Indeed the multiplication in the number of small businesses over the last few decades has largely been made possible because of the dependence of the larger companies on the specialised assistance rendered by small firms in the supply of goods and services.* In addition, the larger manufacturing concerns rely to a great extent on a multitude of small retail establishments to handle the distribution of their products. This has been a special feature in the growth of the automobile industry in Australia in the last few years. Many small engineering establishments manufacture machine parts to designs furnished by the large motor vehicle assembly plants, whose products when sold, are mainly serviced by relatively small garages.

Despite their size, the capital requirements of companies listed on the Stock Exchange, particularly for fixed capital, may be exceeded by the demands of the multitude of smaller

firms. More capital is invested collectively in buildings and machinery, in bakeries, sawmills, tailoring and motor garages operated in the main by working proprietors, than the combined investment in fixed assets in steel, industrial chemicals, paper mills and motor assembly plants which are large-scale industries.

The construction and assembly of motor vehicles by large enterprises, and the repair of motor vehicles, predominantly by small businesses, provides a most interesting example of the relative investment in large and small scale industry. In the former group, over 80% of employment is concentrated in 16 factories each employing 100 hands or more. In the latter group, 60-70% of employment is spread over 4,000 establishments each employing less than 20 hands. Most of the firms engaged in motor repairs are small service stations owned by working proprietors, whilst ownership of the larger motor assembly works is vested predominantly in the thousands of shareholders in public companies. A noteworthy point is that the total fixed capital invested in motor repairing is four times that invested in the assembly and construction of motor vehicles.

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All types of business, big and small, are essential parts of private enterprise. The popular impression that small business is continually losing ground to big business is unfounded. Each has a necessary place in the national life. Bigness is certainly not synonymous with badness as some people so frequently assert. To assail some enterprises, just because they are large, is to be a Don Quixote tilting at windmills.

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TABLE

INVESTMENT PER EMPLOYEE—
22 Leading Public Companies

Company	Approx. No. Shareholders	Approx. No. Employees	Approx. Total Assets £000	Assets per Employee £
B.H.P.	31,000	23,568	49,702	2,109
British Tobacco	13,884	5,546	23,025	4,152
I.C.I.A.N.Z.	7,346	4,672	15,327	3,281
General Motors-Holdens	1,780	10,114	14,839	1,467
Aust. Cons. Inds.	9,000	7,650	14,434	1,887
Electrolytic Zinc	10,970	2,364	15,955	6,749
Felt & Textiles	13,000	7,893	20,000	2,534
Australian Gas Light	7,725	3,349	11,131	3,324
Dunlop Rubber	12,150	5,407	16,595	3,069
Aust. Paper Manufacturers	18,000	6,451	14,478	2,244
E.M.A.I.L.	5,365	5,500	7,633	1,388
McPhersons	2,032	1,645	3,968	2,412
Containers	3,500	2,085	4,728	2,268
Herald	4,365	2,360	3,406	1,443
Ampol Petroleum	7,416	690	4,044	5,861
J. & A. Brown Collieries	1,400	3,217	4,197	1,305
Taubmans	1,603	1,400	2,659	1,899
Repco	2,750	1,990	3,596	1,807
Associated Leathers	1,650	1,044	2,499	2,393
Wunderlich	2,050	1,844	2,177	1,180
General Industries	3,537	3,071	2,831	922
Com. Ind. Gases	700	2,079	4,298	2,067
TOTAL	161,223	103,939	241,522	2,324

SOURCE: Latest published Balance Sheets or figures supplied by Companies concerned.

NOTES ON TABLE DEALING WITH INVESTMENT PER EMPLOYEE

1. The table on page 112, gives a broad picture of the large outlay required to operate some of Australia's leading industrial enterprises. It gives also some idea of the vast number of shareholders, who have contributed their savings to enable private enterprise to produce for the welfare of the community and to provide a solid financial backing behind each employee in industry.

The figures show that most of the companies listed in the table have more shareholders than employees. It is not generally known that this wide spread of ownership of shares exists. For example, the number of shareholders in B.H.P., roughly equals the population of a city the size of Bendigo, in Victoria. It is true, that a number of people hold shares in more than one company. On the other hand, this duplication may be very largely offset by the fact that the man in the street, who may not be a shareholder himself, has an indirect interest in the shares which are held as investments by life assurance and investment companies, pension and superannuation funds, charitable organisations, friendly societies and other associations of which he may be a member.

Large blocks of shares are also held by companies. For example, General Motors (U.S.A.), with half a million shareholders, has a large holding in General Motors-Holdens Ltd. and I.C.I. (United Kingdom), with over one quarter of a million shareholders, is a large shareholder in I.C.I.A.N.Z.

2. Caution should be exercised in drawing any conclusions from inter-company comparisons without a full study of all the factors involved. Variations in asset backing per employee do not necessarily indicate differences in mechanisation and efficiency, but may be due in the main to differences in the nature of the business concerned.
3. Owing to inflation the value of stocks included in the assets shown above is much greater than they would be normally. On the other hand, it is probable that fixed assets such as land, buildings, plant and machinery are in many cases considerably undervalued at today's prices.

