

(Editor's Note: This is a continuation of an article which appeared in last week's issue of the Local 301 News.)

ECONOMY LAGGING

In 1954, the Government did permit many of these things that Mr. Cordiner asks for—higher depreciation allowances and lower taxes. The result was a wild wave of plant and equipment construction—a hundred billion dollars worth in a period of 3 or 4 years. Our plant and equipment were over-built. There was not enough purchasing power to keep it occupied. The result was a drastic decline in both plant and equipment and inventory that created the 1957-1958 recession.

Does Mr. Cordiner want a repetition of that? If he does, where does he think the market will come from?

Since 1949, General Electric has built \$1.3 billion of plant and equipment. Of this sum it borrowed only \$300 million. The other \$1.0 billion came either from depreciation allowances or retained earnings. The 1958 gross value was \$1.5 billion.

Thus, the customers in effect and the employees provided the money to practically duplicate all of the GE facilities since 1949. Half of these expenditures took place since 1955. In 1958, for example, General Electric spent \$104 million on plant and equipment. But it had \$124 million in depreciation allowances and \$70 million in retained earnings after dividends. Thus, it had twice the amount necessary in order to take care of its plant and equipment expenditures. This does not suggest a poverty of capital.

Mr. Cordiner makes the point that his depreciation allowances at present "will fall approximately \$900 million short of recovering the amount necessary to continue in place existing productive capacity". This statement has no supporting facts. As already mentioned, in the period from 1949 to 1958 General Electric spent \$1,326,000,000 on plant and equipment. And it ended up with a plant and equipment gross of \$1,553,000,000. This means that in these last ten years General Electric has virtually duplicated its entire plant and equipment. It is inconceivable that plant and equipment valued at \$1.5 billion, much of it virtually new, could fall \$900 million short of replacement.

Further, Mr. Cordiner overlooks the fact that the new equipment he is buying is immensely more productive than the old equipment which had been replaced.

GE'S FINANCIAL REPORTS

GE's financial reports reveal the fabulous profits being made by this corporation. In 1949, it made \$215 million

before taxes and \$129 million after taxes. In 1958, a recession year, General Electric earned \$485 million before taxes and \$242 million after taxes. Profits before taxes rose nearly 4 times and profits after taxes about doubled.

We believe that the income reported is understated considerably by several factors. General Electric has turned to the last-in-first-out method of inventory. This means that in times of rising prices, for the things it buys, the company is able to charge off to sales a larger amount than it would ordinarily in the use of first-in-first-out. This difference can amount to some millions of dollars.

The second point to observe is that, as Mr. Cordiner declares, it is now spending about \$250 million a year for research and development for "future values". General Electric gets from the government some \$200 odd-million in research and development contracts. We do not know to what extent these figures duplicate each other or are mutually exclusive.

We do know that these research and development expenditures are many times what they were in 1949. It is our belief, from examination of the figures, that instead of a net earnings of \$243 million in 1958, if they were adjusted for only part of the increase in research and development expenditures, real earnings in comparison with 1949 would be about \$300 million or an increase in profits after taxes of 130%.

In this connection, Mr. Cordiner attempts to understate the profits made on investment by using a figure of profits "earned on capital investment". His report shows that 15.7% was earned on capital investment in 1958. But he includes in this the \$300 million that General Electric borrowed and he assumes that General Electric should make 15.7% on this long term debt.

If the more accurate method of earnings on stockholders' investment is used, the earnings after taxes were 19.8% in 1958.

This is an extraordinary record for a recession year when between 30,000 and 40,000 General Electric employees were jobless. If we include the excess expenditures for research and development we would find that in a genuine sense the profits on stockholders' investment was a fabulous 25%.

In either case, the profits on investment made by General Electric ranged more than twice as high as that in the electrical industry as a whole.

(to be continued)

LOCAL 301 NEWS

IUE AFL-CIO

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Nolan, Rauze, Williams Win Give-A-Way

Prizes totaling \$1,000 were shared Monday evening, June 15 1959, at 8:30 P.M. by Local 301, IUE, members at the union auditorium. We were honored to have Harold Calkins on hand to do the honors of drawing out the lucky names.

The names of the lucky winners are listed below:

1. Dennis Nolan (#20905), 137 Paine Street, Green Island, N. Y., winner of the first prize—"13-day Cruise to Bermuda" or \$600.
2. J. Rauze, (#3456), 1344 4th Avenue, Schenectady, N. Y., winner of the second prize—"A Two Week Vacation for the Family" or \$250.
3. A. Williams, (#09142), Building #52, GE Plant, Schenectady, N. Y., winner of the third prize—"A One Week Vacation for the Family" or \$150.

Checks are available at the Union Office for the specific amounts.

According to the latest figures available, a total of \$3,900 was received, to date, from contributions.

All money received from these contributions will go towards the Children's Annual Christmas Party Benefit given by Local 301, IUE.

The cost of last year's Christmas Party was a little over \$6,000, and a good time was had by all.

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"LABOR LOOKS AT THE NEWS"

Every Sat. 6:45 P.M. - 7:00 P.M.
Sponsored By Local 301, I.U.E.

Surplus Food Report

Through the efforts of a committee from Local 301, surplus food distribution was started about 5 years ago. Thursday, May 28, 1959, was the first day of the new method of distributing surplus foods in Schenectady County. The new ruling changes the old method of distribution whereby the people used to pick up surplus foods at their local grocers. We felt that the central distributing center was not as desirable as the former neighborhood grocery because of the transportation involved.

After personal investigation, we commend the Schenectady County officials who are in charge of the distribution for the courteous, efficient manner in which the large number of people were handled. There were 4,699—1 lb. units of butter; 1348—4½ units of dry milk; 1660—5 lb. units of corn meal and 1526—10 lb. units of flour distributed.

The amounts given to families are proportioned monthly as follows:

Family of 5
5—1 lb. butter
1—4½ lb. dry milk
2—5 lb. corn meal
2—10 lb. flour

Family of 9
9—1 lb. butter
2—4½ lb. dry milk
3—5 lb. corn meal
3—10 lb. flour

People who are eligible for surplus food are those families whose
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Local 301 Buys Sesqui—Bonds

Local 301, IUE, scored another first in its Community Program by being the first Union Organization in the County to purchase bonds for the coming Sesqui-Centennial Celebration in Schenectady which will begin on Aug. 22, 1959.

Members of the Executive Board voted approval to purchase a \$100 Sesqui-Bond which can be redeemed before Nov. 6th of this year.

John Shambo, President of Local 301, is Publicity Division Chairman of the celebration.

Parades, fireworks, contests and a historical pageant will highlight the Schenectady Commemorative Committee's share of the county sesquicentennial celebration. The Committee will present its portion of the observance August 22 through 29.

A major feature of the event will be the historical pageant dramatizing Schenectady County's rich and colorful history and the many important incidents in its progress and growth during the past 150 years with a preview of the future.

Purpose of the coming celebration is to focus state-wide and national publicity on Schenectady County, its eminent position in the field of industrial endeavor, and its many civic and commercial advantages.

It is also expected to attract thousands of tourists to this area. Local businessmen are serving on the Schenectady Commemorative Committee, as are local union representatives and members of other community groups.

Carey Addresses GE Conference Board Comments on Mr. Cordiner's Remarks

(Continued from Last Week)

In his testimony Mr. Cordiner declared that he was apologetic about these profits GE is making and said "we do not think that this is good management." Mr. Cordiner is intent on increasing his profits. For, in spite of his statement asking for reductions in Government expenditures, he has been carrying on a vigorous campaign at all levels of management to get higher prices from the Government for the things he sells. These sales amount to one billion dollars a year. This actually seems to be quite in contradiction to his efforts to reduce inflation by reducing Government expenditures.

11. Another glaring inaccuracy in Mr. Cordiner's statement relates to the GE Savings and Security Program.

He declares: "that the . . . Savings and Security Plan . . . that went into effect last year for GE employees . . . have got a far better arrangement, or should have, because the company matched their investment in GE stock up to 6% of their earnings . . ."

The facts are as follows: In 1958, General Electric tried to sell this program to its employees as a substitute for bargaining with its unions on employment security—which was the only matter open for bargaining. What GE proposed was that the employees take a reduction in the benefits already due them under the contract. GE would then take the money it saved from these reductions and apply it to the purchase of stock if the employee invested up to 6% of his earnings.

GE admitted that it was spending no money of its own on this but was only using the money that it saved from the employees.

We have studied a great many types of stock and savings programs and we have yet to find one outside of General Electric that required the employee to take a pay cut in order to participate in the program.

There is a tremendous difference between the savings and security program and the stock op-

tion plan for the officials. The officials have the rights to buy large quantities of stock at less than 1/2 of the present market price. Even now they have 5 more years in which to pick up the options. If the stock does not show them a great profit they need not pick up the option. If it shows them a great profit they can pick it up and realize their profits.

In contrast, the employees must buy the stock each month and take their own risk as to whether the stock goes up or down. The significant fact is that none of the unions that represented the bulk of the GE employees accepted the program—each one of them rejected it. The plan was put into effect only for the helpless, unorganized employees.

12. Mr. Cordiner, dealing with the stock option plan for executives, attempts to give the impression that he is but one small participant of 1329 "employees." The following taken from the "Notice of Annual Meeting and Proxy Statement" of GE for 1959 indicates the options exercised from January 1, 1958 to February 1, 1959.

It shows that three officers, Messrs. Cordiner, Paxton and Reed exercised options for 10,000 shares at \$23.75 a share. All officers as a group exercised options for 53,000 shares. Thus, these three men exercised about 20% of the total for the whole officers corps. Further, the officer group had more than 1/3 of the total of the 1329 employees, showing in quantitative terms the heavy influence of the officers.

What is just as striking is that the three top officers chose to exercise options for only the \$23.75 stock. They did not buy a single share over that price, while the less fortunate, "employees as a group," meaning the middle management, had to buy substantial quantities at prices of \$59 to \$68 a share.

Can it be that these three top officers lacked the confidence in the corporation shown by the other members of management, or was it that they wanted to be assured of at least 150% to 200%

profit at the time of purchase?

13. In response to a question by Senator Kefauver on the sharp reduction in employment of GE workers from 1956 to 1958 in the face of rising sales and profits, Mr. Cordiner's excuse was that employment was unusually high in the earlier period because new plants were started. This is not true. When these plants are started they generally begin with a minimum of personnel and the personnel builds up very rapidly. A plant may start with 200 people and after a year or two have 1,000 or more. This is the experience with the GE plants that started in 1956 and earlier.

But there is a more glaring discrepancy in his testimony. We are attaching a list of the major IUE-GE plants showing the change in employment of the units we represented from 1953 on. This shows a steady deterioration and as a result employment is for these plants alone some 20,000 thousand below the figure of 1953. In the same period the sales of General Electric increased by \$600 million or 17% and profits increased by 40%.

14. In his testimony, Mr. Cordiner declared it was the policy of GE to comply fully with the anti-trust laws and that no employees might enter into any "understanding or agreement, plan or scheme . . . with any competitor, in regard to prices, terms or conditions of sales, production . . ."

Mr. Cordiner stated that a directive had been issued by him to this effect and that discharge of an offending employee would be the end result of violation.

The records of the TVA show that from April 9, 1958 to April 9, 1959 GE engaged in 11 identical bids with other companies for various items of electrical equipment. By identical bids, I mean bids exactly to the penny or to the dollar.

In some cases the GE bids were identical with 7 or 8 companies. There is also the fact that in the bids for a 500,000 KW steam turbine generator, the GE and West-

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Carey Address . .

(Continued from Page 2)

inghouse figures were within 1% of each other, while they were \$8,000,000 or 50% higher than the successful English bidder. The closeness of the GE-Westinghouse bids was all the more remarkable since GE had successfully bid on a previous generator of this type and obviously had some experience while Westinghouse had none.

Can Mr. Cordiner claim that these identical bids were not the result of "understanding or agreement or scheme . . . with any competitor in regard to prices, terms or conditions of sales...?"

What conclusion can we draw between these facts and Mr. Cordiner's testimony?

Does he not know what is going on? Is the Committee being deceived by the Cordiner testimony and his directive? One answer to this contradiction might lie in the fact that the directive Mr. Cordiner inserted in the record was dated April 24, 1959 or just about the time Mr. Cordiner was originally due to testify.

Was this directive hastily drafted to attempt to meet the scrutiny of the committee on collusive practices in Government contracts?

Was the insertion of this statement in the record, in the face of GE's obvious collusion, an act of contempt for the Committee? What will Mr. Cordiner do about the employees who engaged in this practice? And what is the U. S. Department of Justice doing about this matter?

Many witnesses before congressional committees have been cited for contempt for refusal to answer questions. But there is another kind of contempt which is not so open but is just as bad—and that is providing Congress with deceptive, false and misleading information under the guise of openness and frankness.

We believe that your Committee is doing an excellent job in discovering the facts that lie behind the increase in prices and that your work should continue.

The American people are indebted to the sponsors of S. 215 and your Committee which is carrying on such a splendid investigation.

An Attack On Unions

Hardly a day goes by without some representative of Industry delivering an attack on Unions and collective bargaining.

The G.E. Works News of last week devoted a full page encouraging employees to petition their Congressmen for more restricted laws designed to make Unions less effective.

COLLECTIVE BARGAINING HAS HUMANIZED the work places of the nation. With it has come higher pay, seniority rights, pensions, welfare plans, holidays, vacations and innumerable other benefits. You would think collective bargaining would be accepted as an essential part of the American way of life. However, today it is being attacked with increasing intensity.

The stage was set for this attack by first, Labor's success in electing a number of pro-Labor candidates to Congress in the last election and secondly, the McClellan Committee uncovered corruption in a very few Unions, which gives employers the alibi they need in their efforts to ob-

tain suppressive anti-Labor legislation to weaken all Unions. There are sufficient laws in effect today to prosecute and penalize the grafters dug up by the McClellan Committee.

Big Business in their campaign for anti-labor legislation say their efforts are for National Welfare. Always, the target is the collective bargaining process, and always, behind these attacks is their purpose of restoring the unchecked powers they had years ago. Big Business is trying to completely dominate our economy. To achieve this end they must eliminate genuine Unions and effective collective bargaining.

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Reports on Compensation

The first disadvantage that an injured worker has if his doctor reports him totally unable to work after he has improved enough to be able to do some work is that the injured worker is deprived of his unemployment insurance benefits which he can get along with together with his compensation benefits when he is only partially disabled.

Another disadvantage from an exaggerated medical report as to disability comes when a person is entitled to a lump sum for a permanent injury to his limb and he finds later that the award for his injury is reduced because of the weekly benefits that he received. If the doctor has exaggerated his disability, the man was delayed from returning to work and every week's benefits that he has received is really out of his own pocket because if he had gone back to work the amount that he would receive later as his award would be exactly that much higher. Besides he would also have been getting his wages.

Just as there are disadvantages from exaggerating a disability from an accident there are also disadvantages from understating the extent of disability. This happens because the amount of compensation paid weekly to an injured worker is geared to the percentage of his disability. If you take two men who have been injured and whose average earnings are the same, the man who has a 100% disability (totally disabled) will rate more in weekly benefits than the man who has a 50% disability (partially disabled). It makes a lot of difference then, money-wise, to the man who is said to have a 50% disability when in fact he has a 75% or 100% disability. Many doctors don't know that their opinion as to disability affects the worker's weekly benefits. Some doctors feel that they do enough if they treat an injured worker but actually they have a greater duty of reporting accurately in their "progress reports." To top it off, some doctors sometimes fail to report "extent of disability altogether."

Doctors undoubtedly do not make mistakes in reporting deliberately. It is done when they are not fully familiar with compensation procedures. The union's compensation division, helping the injured worker to get his just due, spends a great deal of time getting corrected reports from physicians.