

The M.G. Car Company and The M.G. Car Company Ltd.

Peter Seymour

The history of William Morris/Lord Nuffield (1877 – 1963) and the various companies he owned has been written about on many occasions in the recent past. Their development, together with his holding company Morris Industries Ltd., is complex and the story has been frequently distorted. Of particular interest is the way that the creation, evolution and background of two entirely separate companies, 'The M.G. Car Company' and 'The M.G. Car Company Limited', have been misrepresented. This article seeks to debunk the myths and clarify the facts.

When the post-First World War business boom collapsed due to galloping inflation in 1920, so too did the sales of new motor cars and, in common with many other motor manufacturers, Morris Motors Ltd. got into financial difficulties and faced bankruptcy. The company's financial position was exacerbated because it had a contract with Hotchkiss et Cie of Coventry for the supply of 40,000 engines and gearboxes. Morris was unable to escape from this contract as Hotchkiss was unwilling to halt production owing to its contracts with several firms for the supply of components.

In an effort to overcome the crisis facing Morris Motors Ltd., William Morris (WRM) took several significant actions which involved pursuing extended credit from component suppliers, reducing the price of Morris Cars and, with the help of two wealthy confidants, obtaining a substantial bank overdraft.

The fall in demand for Morris cars from September 1920 is shown in the following monthly sales figures. At that time, Morris Motors were geared to a production flow of at least 60 cars per week, with commitments to suppliers at a corresponding level.

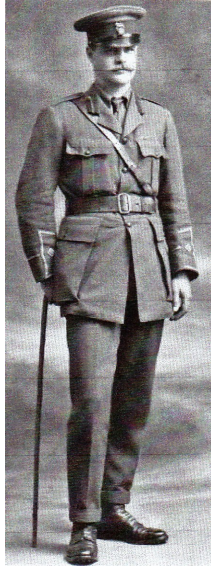
September 1920	- 276
October 1920	- 235
November 1920	- 137
December 1920	- 92
January 1921	- 74

At the end of January 1921, the bank overdraft for Morris Motors Ltd. amounted to £84,315 while invoices outstanding and overdue supplier's accounts amounted to £84,598 (the two combined amounts, £168,913, is about £7 million at 2020 values). Like so many other motor manufacturers at the time, the company's financial situation was therefore perilous.

WRM approached both the 7th Earl of Macclesfield and Arthur Gillett, an acquaintance who had been a partner of Gilletts Bank until it amalgamated with Barclays Bank in 1919. The pair generously agreed to provide Barclays Bank with a guarantee of £40,000 each which, together with deeds of a property, enabled Morris Motors Ltd. to be granted overdraft facilities of £132,000 (about £5½ million at 2020 values).

In order to stimulate car sales and generate some much needed revenue, WRM then made the far-reaching decision, during the early part of February 1921, to reduce the prices of Morris cars (for example, a Morris Cowley, 4-seater tourer was reduced by £100 from £525 to £425). At the same time, he asked his Main Dealers to accept a reduction of their commission from 17½% to 15%, which they accepted. The reduction in prices had an immediate effect on the demand for Morris cars as shown in the following monthly sales figures:

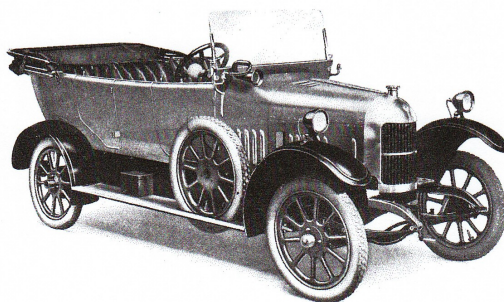
February 1921	- 236
March 1921	- 400
April 1921	- 361
May 1921	- 352
June 1921	- 361



The Seventh Earl of Macclesfield.



Arthur Gillett.



SPECIFICATION *of the* MORRIS-COWLEY CARS.

THESE Models, to be known as the Morris-Cowley, are practically the same as the Morris-Oxford, but turned out in a modified and cheaper form to cater for the purchaser who does not require the additional refinements and luxury.

The following points in the specification are exactly the same as the Morris-Oxford :—
Engine, Crankshaft, Carburettor, Lubrication, Gear Box, Clutch, Universal Joint, Control, Transmission, Steering Gear, Cooling, Front Axle, Back Axle, Brakes, Frame, Suspension, Principal Dimensions, also all material used in the Chassis construction.

The following alterations from the specification of the Morris-Oxford model show how the price of the Morris-Cowley has been brought down in comparison with the Morris-Oxford :—

IGNITION. By high tension Lucas Electrical Company Magneto, with which is combined a Lighting Dynamo, known as the Magdyno.

WHEELS. Size, 700 × 80. **TYRES.** Size, 700 × 80, Dunlop Magnum.

BODY. This is the same as the Morris-Oxford, but upholstered in pegamoid instead of leather, Painted a special shade of buff (no choice of colour is given).

LAMPS. Three electric supplied (6 volt), with current from Dynamo and Battery. The two front lamps are mounted on the mudguards.

MUDWINGS, Dome shaped.

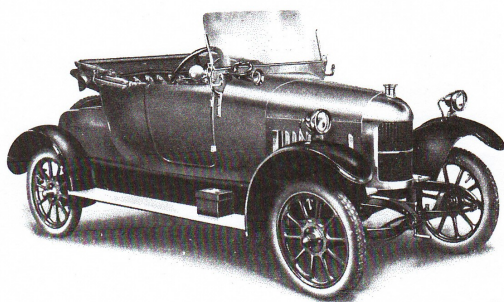
PRICE £390, Chassis.

PRICE £465, Two-Seater.

PRICE £525, Four-Seater.

Subject to the same conditions of sale as those set for the Morris-Oxford model. There will be no deviation made from the specification, even of tyres. The weight of Two-seater car complete is 13½ cwt. ; weight of Four-seater, 15½ cwt.

SELF-STARTER (Electric) can be fitted at an extra cost of £35.



This advertisement appeared at the end of 1920 and depicts Morris Cowleys for the 1921 Season. The prices of Morris Cars were reduced in February 1921. For instance, a Morris-Cowley Four-Seater was reduced by £100 from £525 to £425 while a Morris-Cowley Two-Seater was reduced by £90 from £465 to £375.



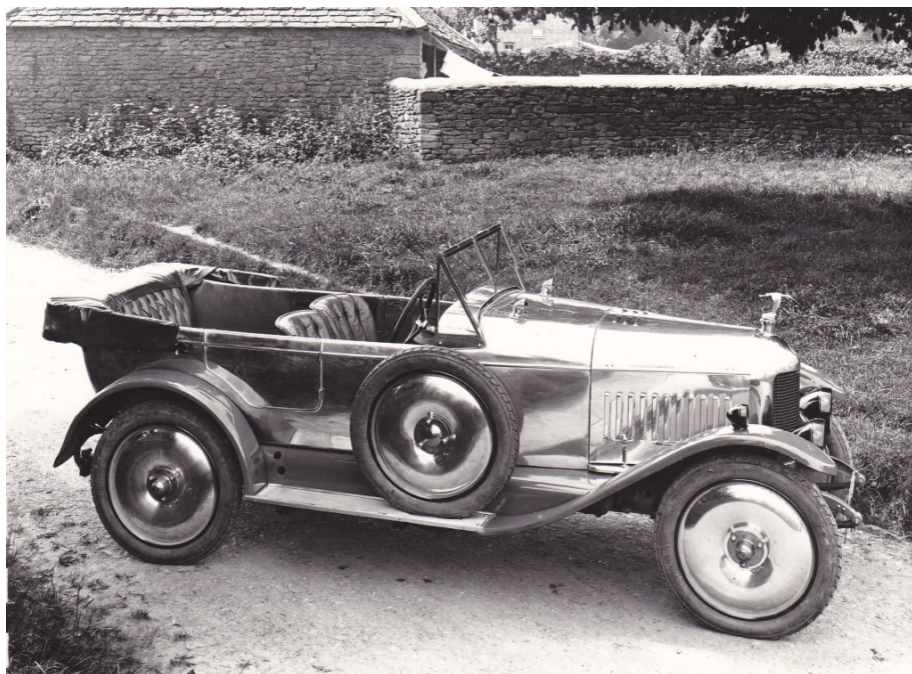
From left to right, Wilfred Hobbs, Cecil Kimber and William Morris.

At this time, WRM also approached Edgar Blake and Charles (Carl) Breeden, the General Sales Manager of the Dunlop Rubber Company and the Sales Director of Joseph Lucas Ltd. and they agreed to give Morris Motors Ltd. extended credit for tyres and electrical components respectively. In addition, WRM prevailed on other, smaller, component suppliers to extend their credit terms and as usual he insisted on cash payments from distributors before a new car was despatched from the factory.

As a result of the actions taken by WRM, the financial crisis was averted and Morris Motors Ltd. was saved from bankruptcy. It is a sobering thought to consider that if Morris Motors Ltd. had not recovered, and the company had been liquidated early in 1921, the manufacture of Morris cars would have ceased, the M.G. marque would not have been created and therefore, no M.G. cars would have been manufactured.

In January 1921, Carl Breeden had a boardroom row with his brother-in-law, Oliver Lucas, which resulted in Breeden's resignation from Joseph Lucas Ltd. WRM then appointed Breeden as the General Manager of The Morris Garages whose Sales Manager at that time was Cecil Kimber. Prior to joining The Morris Garages, Cecil Kimber had been employed by the axle and gearbox manufacturer, E.G. Wrigley & Co. Ltd. of Soho, Birmingham. Wrigley's Assistant Managing Director was F.G. (Frank) Woollard and on 16th February 1922, Kimber wrote, in his own hand, a four-page letter to Frank Woollard. The following is an extract from the letter with additions shown in brackets:

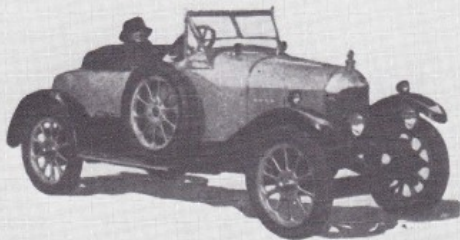
'Since I last wrote you [Carl] Breeden has come – and gone! Something rather more attractive engaged his attention in B'ham from which city he seemed very loath to part. I immediately tackled W.R.M. with the result I am now General Manager [of The Morris Garages] at 500 per. with a decent percentage of profits – if any. Old Armstead says goodbye to us at the end of the month thank goodness and Findlater becomes my right-hand man.'




A 1924 'Bullnose' 14/28 M.G. Super Sports tourer.



An image of a radiator badge as fitted to the M.G. 14/28 Super Sports circa 1925.



This  Super Sports Morris
will climb the famous Porlock Hill
at 25 miles per hour

THE gradient of this noted acclivity is one in five and the Treasury Rating of the car is only 11.9 h.p. It will be seen therefore that the inherent possibilities of the famous Morris engine can be brought out by those who know how.

The result is an exceptionally fast touring motor car, capable of 60 miles an hour on the flat, and wonderful acceleration. The modified steering and springing gives a glued-to-the-road effect producing finger-light steering at high road speeds.

Mounted on this out-of-the-ordinary chassis is the most delightful two-seater body imaginable. Beautifully comfortable, with adjustable seat and single dickey, the finish is of the highest class and the style irreproachable.

The 'tout ensemble' is one of the finest productions we have ever turned out from our famous Queen Street Showrooms. For a car of such distinction the price, £350, is extraordinarily modest.

May we send you further particulars?

The Morris Garages

Head Office & Showrooms Queen Street

Oxford

Phone 942

Wire "Auto"

An advertisement for the 'M.G. Super Sports Morris' which appeared in May 1924.

In his book, 'M.G.' (1972), F. Wilson McComb explained that Cecil Kimber became the General Manager of The Morris Garages after Edward Armstead had resigned; this is clearly not the case as it was Carl Breeden from whom Kimber took the position of General Manager. Edward Armstead, who had been the General Manager of The Morris Garages prior to Breeden's appointment, had been suffering from depression for some time. Sadly, he committed suicide a few weeks after he left The Morris Garages.

The reason for Carl Breeden's short stay with The Morris Garages, as mentioned by Kimber in the letter, was due to his acquisition in the early part of 1922 of the Wilmot Manufacturing Company of Birmingham. Five years later, in 1927, the name of the company was changed to Wilmot-Breeden Ltd. and the company became well known as suppliers of components to the motor industry. Noticeably WRM is listed as owning all of the Preference Shares in Wilmot-Breeden Ltd. and he also provided the company with financial assistance.

As The Morris Garages were the Morris Main Dealer (Distributor) for Berkshire, Buckinghamshire and Oxfordshire, Cecil Kimber was accountable, as its General Manager, for not only selling the number of Morris cars as stipulated in the terms of their Main Dealer agreement, but also for the after sales service of these cars. As well as being a Main Dealer for Morris, The Morris Garages also held agencies for several other makes of cars and motor cycles for which Kimber was responsible. In addition to these responsibilities, Kimber introduced and marketed Morris Cowleys and Morris Oxfords with sports bodywork, some of which were initially advertised as 'M.G. Super Sports Morris'.

With 41% of the 'Total Industry Volume' during 1925, and with over 1,000 Morris cars being made each week, Morris Motors Ltd. became the UK's leading motor manufacturer. The Morris franchise held by the company's Main Dealers and Sub Dealers was, therefore, a prized asset.

During the spring of 1928, The Morris Garages Ltd.,* which had been incorporated on 2nd July 1927, formed a subsidiary, The M.G. Car Company, which became a branch of The Morris Garages Ltd. The 30,000 £1 shares issued by The Morris Garages Ltd. were held as follows:

Morris Industries Ltd. (WRM's holding company) - 29,987
WRM. - 10
Wilfred Hobbs (Secretary to WRM) - 1
Reginald Thornton (WRM's auditor) - 1
Andrew Walsh (WRM's lawyer) - 1

**On 23rd December 1927, Morris Industries Ltd. paid The Morris Garages Ltd. £10,000 for use as working capital. The Morris Garages Ltd. remained in WRM's ownership until shortly before he died in 1963 when he gave the company to the Nuffield Foundation.*

Soon after The Morris Garages Ltd. had been incorporated in 1927:

- The name of M.G. was registered with the licensing authorities as a make of car
- The car numbers and identification plates for M.G. cars were issued by The Morris Garages Ltd., not Morris Motors Ltd.
- The guarantee for M.G. cars was underwritten by The Morris Garages Ltd., not Morris Motors Ltd.
- The radiator badge became the M.G. Octagon, with no mention of Morris.
- The M.G. range of cars exhibited at Olympia in October 1927 were on The Morris Garages Ltd.'s own stand, this being the first time The Morris Garages Ltd. exhibited as a motor car manufacturer in its own right.

The M.G. Car Company was set up to avoid confusion between the retail side of The Morris Garages Ltd's business and that of their activities as the manufacturers of M.G. sports cars. The new company was funded largely by a loan of £30,000 (about £1.8 million at 2020 values) from WRM's holding company, Morris Industries Ltd., as shown on The M.G. Car Company's Balance Sheet dated 31st December 1929. By giving such a large loan to The M.G. Car Company, WRM must have agreed to the setting up of the subsidiary rather than disapproving of its formation as has sometimes been suggested.

In order to take over the car manufacturing side of The Morris Garages Ltd., the M.G. Car Company Ltd. was registered on 21st July 1930. Six days later, on 26th July 1930, Andrew Walsh, the Secretary of The Morris Garages Ltd. wrote to The M.G. Car Company Ltd. as follows:

'I am directed by The Morris Garages Limited to inform you that they offer to sell to The M.G. Car Company Limited as from 31st day of December 1929, all of the Assets connected with the business of The M.G. Car Company, which has hitherto been carried on as a Branch of The Morris Garages Limited, for the sum of £18,995 on condition that you take over and discharge all of the Liabilities of the company existing in connection with the business of The M.G. Car Company, and for this purpose I am attaching hereto a statement of account * showing the Assets and Liabilities to be taken over and how the proposed purchase price is arrived at.'

** The company's Balance Sheet dated 31st December 1929.*

On the 28th July 1930, Andrew Walsh, as Secretary of The M.G. Car Company Ltd., replied to The Morris Garages Ltd. as follows:

'I am directed by The M.G. Car Company Limited to accept the offer of purchase contained in your letter of the 26th day of July 1930 on the terms therein contained.'

The initial distribution of the 19,000 £1 shares in The M.G. Car Company Ltd., was as follows:

W.R. Morris/Morris Industries Ltd. * - 18,996
Cecil Kimber - 1
Wilfred Hobbs (Secretary to WRM) - 1
Andrew Walsh (WRM's lawyer) - 1
Reginald Thornton (WRM's auditor) - 1

** Morris Industries Ltd. gave a 'special loan' of £15,000 (about £1 million at 2020 values) to The M.G. Car Company Ltd. for use as working capital on 26th May 1933.*

While WRM was the governing director of the new company, Cecil Kimber, Wilfred Hobbs and Andrew Walsh were directors. The M.G. Car Company Ltd.'s first (statutory) meeting of directors was held at 116, St. Aldates, Oxford, (the office of Andrew Walsh & Co.) on Monday 28th August 1930 at 4.30pm. Some thirteen months after the formation of The M.G. Car Company Ltd., on 13th August 1931, WRM issued a directive in which he decreed that during Cecil Kimber's appointment as a director of The M.G. Car Company Ltd. he 'shall be called and known by the title Managing Director'.

On the 10th October 1932, WRM celebrated his 55th birthday. But with estate duties at 40 per cent, both he and his advisors were becoming increasingly worried by their effect on his personally-owned companies. Immense wealth can also bring other problems which, in the case of WRM, would have included claims for Super Tax. The Inland Revenue claimed that WRM, as dominant shareholder, had used his position to retain most of the profits in his companies in order to avoid paying Super Tax due if the profits had been distributed and become part of his income. Super Tax was paid in addition to ordinary Income Tax and it was levied against individuals whose annual income was particularly high. Unlike Income Tax, which was levied at a fixed rate, Super Tax rose progressively with rising income and as companies paid only at the standard Income Tax Rate, there were advantages in leaving money in a company.

Two directions for assessment of Super Tax were made in the case of Morris Motors Ltd. for the financial years 1922/23 and 1927/28, and the appeals against them were heard in the High Court during November 1926 and December 1929. Both appeals were won by Morris Motors Ltd., as they were able to show that any profits that had not been distributed had been used for the maintenance and development of their business.

The first assessment made WRM more conscious of the need for a sound, tax efficient corporate structure, so, in June 1926, Morris Motors Ltd. became a public company and a new company, Morris Motors (1926) Ltd., was formed. (The '1926' was dropped from the company's name in August 1929.) At the same time, this company absorbed Osberton Radiators Ltd., Morris Engines Ltd. (previously Hotchkiss et Cie) and

Hollick and Pratt Ltd., until then all separately owned by WRM, and these companies became branches of Morris Motors (1926) Ltd. Also, on 27th July 1927, a holding company was registered, Morris Industries Ltd., to enable WRM to move funds between his companies without incurring tax liabilities.

After the second Super Tax assessment, WRM became convinced that, by change in the law or for other reasons, it would eventually be impossible to continue his policy of keeping back profits if the equity continued to be his personal property. If these profits were then to become liable to Super Tax, Morris Motors' reserves might suffer a very heavy and sudden depletion. Consequently, WRM decided to merge most of his remaining personally-owned companies with Morris Motors Ltd. and to offer some of his shares in the company on the London Stock Exchange, when conditions were favourable. These actions were considered to be the best way of minimising his Estate Duties and Super Tax liabilities.

The general recovery in trade by 1935, following the recession of the early 1930's, brought better stock market conditions which made it feasible for WRM to merge some of his personally-owned companies. The purchase of these companies by Morris Motors Ltd. in 1935 and 1936 was financed by issuing Ordinary Shares to the vendor, Morris Industries Ltd., WRM's holding company. Since its formation, the Ordinary Share capital of Morris Motors (1926) Ltd. had stood at 2,000,000 £1 shares, which were all held initially by WRM but by 1st July 1935 had been distributed as follows:

WRM/Morris Industries Ltd.	1,999,995
Leonard Lord	1
Cecil Kimber	1
Reginald Thornton	1
Andrew Walsh	1
Miles Thomas	1

On July 1st 1935, Morris Motors Ltd. held an Extraordinary General Meeting at which it was resolved to increase the capital of the company by creating 269,000 Ordinary Shares of £1 each. It then bought Wolseley Motors Ltd. for £250,000 and The M.G. Car Company Ltd. for £19,000. These acquisitions brought all of the private car manufacturing companies together with a combined annual output, at the time of amalgamation, of well over 100,000 cars.

When The M.G. Car Company Ltd. was sold to Morris Motors Ltd., Leonard P. Lord became the Company's Managing Director while Cecil Kimber retained his directorship. On the same day (i.e. 1st July 1935) Kimber was also made a director of Morris Motors Ltd., then the largest motor manufacturer in Europe. Consequently, Kimber then held a more senior position than previously, so clearly, contrary to previous journalistic reports, he did not suffer a loss of favour at this time. In any case, Kimber was re-appointed as Managing Director of The M.G. Car Company Ltd. on 24th August 1936 when Leonard Lord resigned.

After a further 381,000 Ordinary Shares were created during October 1936, Morris Motors Ltd. bought Morris Commercial Cars Ltd. and Morris Industries Exports Ltd. (later Nuffield Exports Ltd.) for £300,053 and contracted to buy The S.U. Carburettor Co. Ltd. for £50,000. The only companies then left in WRM's personal ownership were The Morris Garages Ltd. and Wolseley Aero Engines Ltd. In this way the total nominal issued Ordinary Share capital of Morris Motors Ltd. had been increased to £2,650,000 and shares in the Nuffield Organisation, as the merged companies soon became known, were offered on the London Stock Exchange during October 1936. Although permission to deal was given for the whole of the Ordinary stock, - 2,650,000, five shilling (25p) units – WRM decided to retain 75% himself. The shares were made available at 37s 6d (£1.87) and dealings commenced at 39s (£1.95). After a hectic first day's trading, the shares closed at 41s 10 ½d (£2.09).

During his lifetime, much of WRM's wealth was bestowed into trusts and given to hospitals, universities, medical research, education, the armed forces and schemes for the benefit of his employees. William Morris/Lord Nuffield gave over £30 million (about £1 billion at 2020 values using the Retail Prices Index) to these causes and he is recognised as Britain's greatest philanthropist.