

Leylines



Canberra and Districts Leyland P76 Club Newsletter April 2006



Next Meeting:

TUESDAY 11 April

at WESTON CREEK LABOR CLUB

Meeting starts sometime after 7.30pm

National Meet at Cootamundra over Easter - final details to be sorted on Tuesday

Editor's Note

Alex wasn't able to do his homework for a President's note this month, but as he brought a note, he's excused. ☺



Family commitments meant that I missed last month's meeting. My only useful piece of information on the P76 this month is that I bought a new air filter element. As I mentioned last month, the Ryco A142 that suits various Holden V8s also fits the P76, although it doesn't have the extended blue plastic hood of the original. I'm not sure what the purpose of that hood was - maybe for silencing? The last air filter element had been in the car ever since I acquired it about 11 years ago, and I must admit that I hadn't given it a thought until recently. It was a bit grubby to say the least. The photo doesn't do justice to the amount of grot.



The other interesting part of the exercise was the pricing. Belconnen residents will know that the local SuperCheap and Autobahn outlets are directly opposite one another in the same complex. This makes price comparisons easy. I started at Autobahn, where a Ryco A142 filter, made in New Zealand, was \$14.95. Twenty steps across the concourse took me to SuperCheap. No Ryco filters in SuperCheap, but rather Valvoline brand, made in China. Now you might think from all the advertising that a Chinese-made filter in SuperCheap would be considerably less expensive than the New Zealand-made Ryco. Not so. SuperCheap wanted \$17.99 for the equivalent filter. That's not the first time that I've found so-called SuperCheap to be more like SuperExpensive. So it was 20 steps back across the concourse to hand over \$14.95 at Autobahn.

To be fair, however, a couple of days later I was in the Belconnen Autopro store at the top of the hill looking for something else and I thought that I'd check the price of an air filter while I was there. Autopro only had the Ryco filter at a price of - wait for it - \$19.95! I cringe to think of what the filter might cost at Ripco (sorry, Repco). The moral is obviously to shop around, if it's convenient.

A final thought for those intending to drive their historically registered vehicles to the National Meet. I've heard several reports recently (including one first hand) of historically registered cars, or vehicles travelling with legitimate movement permits, being harassed by over-zealous NSW police officers. It would be very prudent for anyone taking a P76 on HIS plates to Cootamundra to carry with them a copy of this newsletter with the note about the Easter meet.

See you Tuesday
Col

The Real Story Behind the Demise of Leyland Australia

The following article appeared in Westwords some time ago. It's the text of a talk given to the BMC/Leyland Australia Heritage Group, by Peter North, former Managing Director of Leyland Australia at the time of the P76. He provides a fascinating insight into the behind the scenes operations of Leyland in those years.

A couple of items that I found particularly interesting. One is that the decision to close the asset-rich Leyland Australia was made back in February 1974 by the parent company, to raise money to keep the British company afloat. (Shades of the expendable colonials and Gallipoli again?) The success or failure of the P76 was irrelevant to the decision, despite the spin later put on the closure by the media.

The second was the hope that Leyland Australia could do a deal with Toyota to keep the P76 in production. This fell through because British Leyland had shortly before snubbed an approach by Toyota to build cars in the UK. The Australian management of Leyland was unaware of this situation when they approached Toyota themselves. With business communication skills like this, is it any wonder that Leyland went bust?

MAY YOU LIVE IN INTERESTING TIMES

Peter North was recruited to BMC-Leyland in 1971 as Finance Director. He was then a McKinsey Consultant and had worked at Ford in Canada and Australia. (He developed the original Fairmont and Fairlane.) Peter was appointed MD in 1972.

He holds a Bachelor of Engineering degree from Sydney University and a Masters in Business Administration from Harvard. Peter operates his own Management Consultancy and is a Director of a number of prominent companies. He is Chairman of the Warren Centre for Advanced Engineering at Sydney University. Here is his presentation at the 2002 Reunion.

Today I will talk about some of the events leading to the closure of BLMCA. I have drawn on my fading memories and assistance from Barry Anderson, as well as material prepared by author Gavin Farmer for his upcoming book, '*Leyland P76: Anything But Average - A History of a Unique Australian Motor Car*'.

The Chinese have an old saying: *May you live in interesting times!* That certainly describes the period 1970 to 1974 very well! It was a somewhat turbulent time. Perhaps I should first take you back to the merger in May 1968 between BMC and Leyland in the

UK, as this played a very important role in what happened over the following six years in both the UK and Australia. The merger in the UK was seen at the time as a masterstroke in the redevelopment of the ailing British manufacturing industry. The UK Government took an active role in the negotiations, which brought together two leading British companies that were in many respects an excellent match. It generated strong media and public support, and a widely held belief that the outcome would be a strong UK equivalent of General Motors.

The outcome fell far short of expectations. In the first place, BMC suffered heavily from the conflicts between the differing Austin and Morris corporate cultures, abundant layers of management, fragmented manufacturing facilities, and enormous manufacturing cost problems. Most of all, BMC's leadership seemed to think that come what may, *British Automotive Engineering should and would prevail*.

The reality was that despite its incredible marketplace success, BMC's front wheel drive technology - particularly in the form of the world famous Mini - had never achieved the financial success essential to fund the company's future product development and manufacturing rationalization.

On the other hand, Leyland was widely seen as a real success story. Headed by the ebullient Donald Stokes, Leyland had an established brand and corporate reputation, a dominant share of the public bus market in most countries outside North America, a very strong product range in trucks, and reputation for solid profit and strong positive cash flow.

What was less well-understood was that Leyland's UK product engineering had made only limited progress over the preceding decade and Leyland's worldwide cash flow was being produced by 'milking the cash cow' - an ageing product range, heavily marketed on past reputation, strong sales and pricing of replacement parts to a large base of past customers, and limited expenditure on engineering of future products. The leadership and salesmanship of Donald Stokes was a key element and he emerged as a powerful British industrial magnate, and commanded the support of the financial institutions that were heavily committed to a successful outcome of the merger.

Stokes quickly became deeply involved in the review and approval of BLMCA's forward model proposals and became a strong supporter of the P76 program. He was the central UK figure in its approval at the BLMC parent company board table. It became evident later that not all the members of the parent board supported Stokes on P76 at that time, and it took only a couple to change their views some years later to bring to a halt our efforts in Australia to reshape our future around the P76 and P82.

Stokes also moved quickly to strengthen the management team throughout worldwide BLMC organisation. In Australia, Jack Plane, former Leyland truck distributor in South

Africa was appointed non-executive Chairman in early 1969, and shortly after, Managing Director Bill Abbott resigned and was replaced by John Martin.

John Martin had been for many years Managing Director of Pressed Metal Corporation (PMC) in Enfield NSW. PMC was a contract automotive assembly company which had assembled the Nissan 120Y and the Land Rover and manufactured a range of buses, mostly based on the Leyland chassis.

Martin had started his working life in the Service department of Larke Hoskins. He was well-respected, *'a real gentleman,'* but a tough, chain-smoking manager who focused on tight control of manufacturing costs and meeting agreed manufacturing schedules. At BLMCA, he sat at his desk frowning and smoking for hours each day and seemed particularly ill-at-ease in dealing with sales, marketing and product engineering issues.

BLMCA Chairman Jack Plane also favoured the Leyland Truck and Bus Division management team, and former AEC Australia executive Bob Johnston became BLMCA's Commercial Director. A very incisive manager, Johnston was impatient and soon became frustrated by the limited scope of his new brief. He was later very successful as Executive Chairman of Toyota Australia, and his Truck and Bus Sales Manager John Conomos later became CEO of Toyota.

By late 1970, Stokes and BLMC Finance Director John Barber were concerned that BLMCA was still undercapitalised and not operating profitably. Most significantly, BLMCA's forward cash flow predictions would not fund the peak of P76 program spending. Equally important, they saw little progress in restoring BLMCA's credibility with dealers or in building the sales and marketing team needed to support the all-important launch of P76 in 1973.

John Barber decided to recruit a new Finance Director for BLMCA. I was then a McKinsey consultant who had previously worked at Ford in Canada and then in Ford Australia. I joined BLMCA in May 1971 as Finance Director but with the additional tasks of helping Managing Director John Martin upgrade the sales and marketing team and establish an industrial relations group to work on the enormous manpower productivity problems at the Waterloo plant.

Within a couple of months, we hired John Kay as Director of Sales and marketing, formerly of Fiat in North America. John and I set about clearing out the unsold cars covering almost every inch of the Waterloo plant's 66 acres.

It was astonishing - there were cars everywhere, and many of them had been there for more than six months and were deteriorating rapidly. The accountants explained to me with completely straight faces that the cars had been produced to absorb the overheads allocated to each unit - an old accountant's trick for deferring the truth about operating

losses.

Quite apart from the huge inventory write-offs and added costs to restore the cars to saleable condition and to move them through the dealers, the overproduction had seriously drained BLMCA's cash reserves.

BLMCA was also suffering enormous warranty costs on these cars -far higher than I had ever seen before in the industry - so that after restoration, sales incentives and warranty, virtually all of these cars ended up being sold below variable cost. If you buy peanuts for five cents a packet and sell them for four cents, volume doesn't help much.

John Pola was added to the team as Public Relations Director and John Kay built a stronger sales and marketing team. Max Hamilton was recruited from Avis to become Marketing Manager; former Australian Olympic oarsman John Rogers was promoted to General Sales Manager; and Norm Prescott was promoted to General Manager of Service.

John Pola was one of those unique individuals who had what we desperately needed - connections. His political clout later became very important as Gough Whitlam's Labor party seemed headed for victory in the 1972 Federal elections, and we wanted to lobby Whitlam and his advisers. Just one month before the election, Pola arranged for the entire Whitlam Shadow Cabinet come to lunch at the Waterloo plant. Bob Johnston went back to running the Truck and Bits Division, as this and the Group Parts and Accessories Division under Vic Drew as the two areas where strong positive cash flow could be relied upon.

Another key recruit in the power shift at BLMCA was John Engel as Director of Industrial Relations. The Waterloo plant employed nearly 8,000 of the company's 10,000 employees, and the range of ethnic backgrounds and languages was enormous.

The task of creating a skilled and productive workforce was mind-boggling. Absenteeism was higher than most surrounding manufacturing plants, the plant space was crowded, communication was difficult if not impossible most of the time, and the newer employees were often having major personal problems at the hands of those of the same ethnic group that had come to Australia a year or two before.

Engel quickly came to grips with the people issues. He recruited Peter Robson, manufacturing manager at the nearby Corning Glass factory (who later became Federal leader of the giant Telecommunications Union, and Ray Richter who had a strong background in handling multicultural workforces.

John Engel also helped us build on the good working relationship with the Vehicle Builders Union officials, who supported most of the workplace reforms. Two VBU

officials later went to the company's Victorian truck plant to settle a wage dispute on behalf of the company.

John Engel's IR team went on to create some of the first working examples of modern factory-level human resources practices in Australia. They established some of the first autonomous work groups, and they came to understand the root causes and solutions in dealing with rampant absenteeism. They started crèches for employee's children, introduced one of the first equal pay for equal work schemes for the many female employees, and started a company factory-level newspaper. They organised buses to pick up employees from near their homes, cheap canteen meals to ensure all employees had at least one solid meal each day, and a legal aid centre in Redfern to help employees who had become enmeshed in unfair financial deals.

When I was appointed Managing Director in mid-1972, and John Martin became Deputy Chairman but remained CEO, one of my conditions in agreeing to take on the was that the parent company agree to restarting the development of the P82. Another condition was that BLMCA get a bigger allocation of limited Jaguar UK production, as the Jaguar demand was strong in Australia and would help fund BLMCA's cash requirements.

Government Affairs manager Norman Lawrence was convinced to defer his retirement to work on BLMCA's all-important submissions to the IAC and the Federal Government.

From around late 1970 right up to the announcement of the release of P76 in 1973, the company suddenly found itself in the glare of the spotlight, something to which it was definitely not accustomed. Reports and 'Sightings' of the forthcoming 'big BMC car' were reasonably regular and the newspapers and magazine editors were paying good money for any news on the new car.

By the time P76 was released public interest in the car was at fever pitch, it was at a level that no amount of paid advertising could have achieved! John Pola and Will Hagon had done an outstanding job.

Until mid-1972, the car was known simply as P76, but that was a code name never intended to be the actual brand name when the car was released on the market. However, when it came time to settle on the name, John Kay and Max Hamilton reasoned that even though the car was a year away from market release, P76 was already one of the best-known brands in the market. It was a convincing case.

Before the P76 could be launched there was the not insignificant problem of hundreds of Austin Tasman, Kimberley, Morris 1500 and Nomad as well as a sprinkling of MGs that were still lying 'at grass' at Waterloo. John Kay, along with Max Hamilton and John Pola, hit upon the idea of a dealer junket to Singapore for those dealers who were successful in pre-launch runout, with the big attraction being a sneak preview of the upcoming P76.

John Kay was reported as saying, "Most of them were wetting their pants with excitement about it!"

There was much razzle-dazzle and huge applause at the Singapore hotel as John Kay drove the P76 through the screen onto the platform in front of the dealers. The four cars had been flown to Singapore and driven around for days and nobody took any notice of them. That was the first time the dealers had seen the car and was two weeks prior to the Lakeside full dealer network launch event.

There was also a film produced that depicted the development of the P76, starring Ray Barratt and Noel Ferrier in a spy-style spoof, set around the Waterloo factory. It was a major film production that ran for more than an hour and even went to air in full on the ABC after John Pola convinced them that it was definitely not an advertisement!

The press loved the P76, and the official launch to the public took place in showrooms around the country on in June 1973. For the first time in years, buyers flocked into BLMCA dealer showrooms in droves, something they had not seen since the early days of the Mini and 1100. Over two thousand orders were taken in the first week. The waiting list quickly extended to more than three months.

In many ways, the company's 'Anything But Average' advertising campaign worked too well! It caught us on the hop and there were more orders than could be handled. The orders were for more luxury V8 models than had been predicted, so parts supply was out of balance and assembly line component shortages were exacerbated by continuing labour turnover at Waterloo and the massive plant start-up program.

By far the biggest problem we had to deal with was the Waterloo plant itself - a manufacturing plant that simply was never designed to manufacture of car of that type and size in any volume, and tooling that was compromised by the \$A20 million limit set many years before on the program investment.

However, the option of rebuilding the plant was never there - it simply could not have been done in the time available or on the land space available. The eventual plan, which John Martin and I discussed with several local financial institutions in early 1972, was to relocate some of these facilities off the site or to sell the Waterloo site for housing development and restart on a greenfield site in the outer western suburbs of Sydney.

We also had a severe lack of basic auto mechanical and electrical skills in the workforce, so we took a punt on getting immigration clearance for bringing into Australia 100 or so very skilled, English-fluent auto mechanics from the US Army facilities in the Philippines. The Vietnam War task had tailed off, and there we had a heaven-sent opportunity to upgrade the average skill level of the Waterloo workforce in just a few months.

The Philippine migration scheme had been organised by John Pola and John Engel with help from a Philippine personality, Junie Morosi. Pola had the proposal on Prime Minister Whitlam's desk for approval when there was huge political turmoil about Morosi's alleged affair with Cabinet Minister Jim Cairns, and the whole scheme was vetoed by the Prime Minister.

Over the next several months, NSW Police Special Branch gave me special police protection, following a number of death threats from some fanatics opposed to our Philippine immigration plan.

Politically the first half of the seventies was tumultuous, beginning with the Whitlam Labor Government being swept into power on the back of a catchy jingle, '-Its Time'. This brought enormous social change and changed the face of industrial relations in Australia for a long time. It was the Whitlam Government that brought our soldiers home from the war in Vietnam, and it also introduced a credit squeeze in an attempt to control inflation, with the result that bank interest rates began spiralling and that severely dented consumer buying in cars and houses.

It was also a time of conflict in the Middle East. This resulted in the OPEC cartel dramatically increasing its price for crude oil, and that had a chain reaction internationally and brought many economies to their knees.

In all of this, the Whitlam Government tried to place a punitive tax on cars powered by V8 engines and, as a longer-term strategy, ban them altogether. Roger Foy and Bill Serjeantson set up a demonstration for Government representatives and showed that the Leyland P76 V8, at least, was not a gas guzzler. A point was proven and the issue quietly dropped.

During the 1973 year, sales of the traditional Australian family car, such as the Kingswood, Falcon, Valiant and then later the P76, were very subdued as the effects of the fuel crisis gained momentum, while sales of small cars, where BLMCA had traditionally been a leader, rose strongly.

And as if that was not enough for us to contend with, the Industries Assistance Commission was working on its report that would set the Auto industry and the media into a spin. We had worked on an IAC submission that was based on the North American Automotive Free Trade Plan in which I had been involved at Ford Canada in the early 1960's. Essentially, it moved to a value-added concept of local content, rather than counting the local content of the actual cars produced. The merits weren't seen at the time, but it was close to what was eventually adopted in Australia in the 1980's under John Button. It would have suited us admirably, as in the short term, we could have generated cash now by using our high local content on P76 to import duty free Jaguars, Rovers and

Range Rovers, of which we could sell as many as we could supply.

Then came the tumultuous year of 1974, beginning with the decision by the BLMC parent board in February to close all manufacturing plants outside the UK and realise the assets to help offset the parent company's parlous cash position. Australia was by far the largest and property-rich of the BLMC overseas operations, but the plants in Spain, Italy and South Africa were also to close.

This was part of what BLMC had to do to rescue itself from the cash flow disaster that had resulted from the November 1973 UK Coal Miners' strike, which had by then lasted three months. BLMC's cash outflow had been disastrous as it struggled to deal with the strike, generating emergency power to maintain production, air-freighting after-sales replacement parts from around the world to be used in the UK to maintain limited production of new cars. By the time the Miners' five month strike had finished, BLMC had suffered a negative cash flow in the U K of some three quarters of a billion pounds sterling - a phenomenal amount of money at the time.

I was told of the closure decisions when I went to the UK in February 1974 to attend a meeting of the BLMC International. I was instructed to stop spending on development of P82, and that the special deal on increased Jaguar supplies for Australia was off. This was completely contrary to the key undertakings agreed by Stokes and Barber not much more than a year earlier, and I told them I was not prepared to preside over the closure of manufacturing and the conversion of BLMCA to a distribution company for imported cars and trucks. I resigned, but after discussion, agreed to stay on for several months, keeping my resignation secret so that planning for the eventual closure could be undertaken before the closure was announced.

At that time, we discussed alternatives to closure that could provide continuing employment opportunities. I wanted to negotiate a merged venture with Toyota Australia for them to take over the Waterloo site and to continue manufacturing a restricted range of P76 sedan and Force 7 models, and to manufacture parts for the smaller Toyota cars that were being assembled in Melbourne by Australian Motor Industries (AMI) in which Toyota had a shareholding.

Stokes and Barber agreed to this plan, and within a few weeks, John Martin and I flew to Nagoya to meet with Mr Eiji Toyoda, chairman of the Toyota board. It took several days of negotiations before the meeting at which we put our case. Toyoda-san listened intently, and then explained very politely that Toyota had gone too far in its commercial tie up with AMI to consider the BLMCA offer, even though the terms and conditions were extremely attractive.

What neither John Martin or myself knew at that time was that UK representatives of BLMC (believed to have included Lord Stokes himself) had snubbed Toyoda-san only the

previous year when Toyota had proposed to BLMC a UK joint venture that would help Toyota gain manufacturing facilities in the UK and strengthen its access to the UK and European markets. So in reality the mission to Japan was doomed to fail even before it started.

The P76 was a \$20 million gamble that nearly came through. With just a smidgen of luck - and perhaps another \$25 million - it could well have succeeded. From its introduction in June 1973 until the closure, production was almost 19,000 units, plus ten Force 7V coupes and one station wagon.

The P76 represented the proverbial breath of fresh air for the industry worldwide. Its many design breakthroughs were copied for years after by other manufacturers. For those involved it was a career highlight and but eventually, it was a great sadness, especially for those in engineering who had struggled to get support for the program for nearly a decade.

Very few opportunities come along in our professional lives that can match what we all experienced. We have a right to be sad about what was not achieved, but a right to be proud of what nearly came to be!

Many thanks to Peter North, Roy South and BMC/Leyland Australian Heritage Group for the kind permission to run this article.

For Sale

P76
Bitter Apricot
Vinyl Roof
Saddle Interior
74 manual V8
Good condition.
Not running. Some engine parts removed ten or twelve years ago.
Owner has some spares.

Wants at least \$1500.

Owner: Peter Dingle
Email: peter.dingle@defence.gov.au
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