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Copy No. 32

C A B I N E T M I N U T E

Sydney, 28 October 1974

Decision No. 2858

Submission No. 1404 - Leyland Australia

The Cabinet :-

- (a) agreed that it be recommended to the Governor-General that he authorise the purchase of 759 vehicles from Leyland, at an approximate cost of \$1.620m., on the grounds that allocation of the requirement to Leyland is necessary to minimise disruption by permitting a more orderly phasing out of production activities and reductions in employment by the Company;
- (b) authorised the drafting of legislation to appropriate the funds necessary to acquire the Leyland Motor Corporation of Australia's

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Decision No. 2858 (cont.)

site at Waterloo, New South Wales at valuation on the basis of a willing but not anxious buyer and willing but not anxious seller; and

- (c) agreed that the future use of the site should be the subject of a feasibility study by the Department of Urban and Regional Development in conjunction with the Departments of Housing and Construction, Environment and Conservation and the relevant State and local Government authorities.

Certified true copy

R. J. Hunter King

Secretary to Cabinet

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ADDENDUM TO SUBMISSION NO. 1404 LEYLAND AUSTRALIA

Further to the reference to the Caucus Economic and Trade Committee (page 17 of Submission), I reported the outcome of my investigations to the Committee on 22 October. Mr Abell had assured me that no irrevocable decisions to dispose of plant and equipment, except possibly for the V8 engine line, will be taken before the latter half of November. Indeed, he considers that no one will be interested in buying significant quantities of plant or tooling until the Government announces a decision on the I.A.C. report. (This is expected no later than mid-December.)

The meeting of 22 October endorsed the Government's actions in relation to Leyland, and asked that the Urban and Regional Development, Economic and Trade Committees be kept informed of further developments.

I am attaching a copy of a memorandum addressed to me by Mr R.J. Hawke, conveying the terms of a decision reached on 23 October at a meeting of unions involved in the motor vehicle industry. The memorandum expresses the views of the unions on the Leyland problem and the motor vehicle industry generally, and includes an observation on the importance of a viable manufacturing industry to the Australian economy.

KEP. ENDERBY

CANBERRA, A.C.T.

October 1974

Manufacturing Industry 74/3

MEMO FROM R.J. HAWKE
TO K.E. ENDERBY

Conveying from Mr. Hawke to Mr. Enderby the nature of the decision made by the Unions meeting under the auspices of the A.C.T.U. this morning 23 October.

The unions represented were: V.B.U., Electrical Trade Union, Amalgamated Metal Workers' Union, Australasian Society of Engineers and the Federated Clerks' Union.

Present from A.C.T.U. and Branches were Messrs. Hawke and Souter and Mr. J. Ducker, Acting Secretary, N.S.W. Labor Council.

The meeting was convened by Mr. Hawke following the events of last week which included the imposition of a ban by the F.C.U. on the imported motor vehicles in the port of Sydney. Following a request by Mr. Hawke that ban was lifted on the understanding that a meeting would be held this morning (23 October).

After considerable discussion the unions and the A.C.T.U. representatives unanimously came to this decision which I now convey:

Firstly, our attitude is related to the general proposition embraced by the trade union movement that a significant and viable manufacturing industry is essential to the continuance of a healthy, full employment, Australian economy and indeed all the bipartisan policies since the end of the War, particularly including our migration policy have been postulated upon that premise.

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statement of intent from Leyland in regard to their non-Zetland, (i.e. assembling operation) because all we have at the moment are some uncertain statements of what they may do.

Zetland and Manufacturing Operation

Our position is that the Government, if Leyland has taken the point that they are not going to continue with production, and we accept that it is not in our province or the Government's that they are not going to continue. We say that the Government should acquire the enterprise not just the land, but the enterprise with a view to the Government itself, in the context of an enlarged market created by the quantitative restrictions previously referred to, supplying from the enterprise, an Australian product. Preferably of course in the smaller car area.

We also say in that context that the Government should investigate the possibility of the enterprise as a manufacturing enterprise gradually being transformed from a motor vehicle manufacturing enterprise to some other form of manufacture.

ENDS

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Copy No.36

FOR CABINET

CORRIGENDUM TO SUBMISSION NO. 1404

LEYLAND AUSTRALIA

Attached is amended page 7 to this
Submission. It should be substituted for the page 7
included in the Submission.

CANBERRA, A.C.T.

October, 1974.

Manufacturing Industry 74/3.

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IN AUSTRALIA IN OTHER CO. CONFIDENTIAL

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for the purpose of aiding an ailing trading corporation and it would be necessary in such legislation to include a provision avoiding the operation of the Lands Acquisition Act. If this course were adopted it would be unnecessary at this stage to make any decision as to the future use of the land.

The Treasury considers, however, that in deciding whether to introduce such legislation, the consequences, so far as other corporations in difficulties are concerned, would need to be very seriously considered. Such legislation would set a far reaching precedent, and, particularly in present circumstances, lead to considerable pressure for the Australian Government to 'bail out' other companies in difficulties - in many cases, due to normal market forces and/or their own inefficiencies.

If, nevertheless, it is decided to introduce such legislation, the Treasury considers that certainly it would be desirable to confine its application to this particular company and the purchase of this particular site. That is to say, it should not be general legislation authorising the giving of assistance to 'ailing trading corporations' generally. The giving of such assistance is the function of the banking system and the far reaching effects of general legislation of that kind in present circumstances can well be imagined.

If it were intended to purchase the land in accordance with the provisions of the Lands Acquisition Act it would be necessary to specify the public purpose for which the land was being acquired. The only purpose reasonably available is that to provide housing for special classes of persons namely members of the Defence Forces, migrants, Aborigines, members of the Public Service, employees of statutory authorities and contractors to the Government, students and persons who were unemployed or sick. The specification of these purposes is not only somewhat artificial but may involve constraints on the future use of the land.

While in the case of the Glebe lands acquisition the deposit for the purchase was made available from the Advance to the Treasurer, the Treasury has advised that, pending the enactment of the Appropriation Bills, the Advances to the Treasurer under the Supply Acts are now fully committed. If the Waterloo purchase was to proceed and a deposit on the transaction was required to be paid, it would be necessary to delay the payment of that deposit until either the Appropriation Bills were enacted or specific legislation to appropriate funds for the entire purchase was passed.

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This Submission seeks Cabinet approval of certain measures to provide financial liquidity to Leyland Australia Pty. Ltd. and thus enable the company to phase out of passenger vehicle manufacture at Waterloo New South Wales and reconstruct its activities on a vehicle assembly basis at Enfield, New South Wales.

Mr. J.D. Abell, Managing Director of Leyland Australia Pty. Ltd. approached Dr. Cairns early in August. Mr. Abell said that in July plant sales (i.e. sales to dealers) of the Leyland P76 had fallen dramatically. The figures for plant sales of this vehicle in recent months had been : March 1228, April 505, May 688, June 435, July 127, August 180, September 175. Mr. Abell alleged that the fall in sales in July was directly attributable to press comment about Leyland, following public release of the I.A.C. report on Passenger Motor Vehicles on 11 July. Mr. Abell said that he had little alternative but to terminate the company's operations in Australia involving the immediate retrenchment of 6,000 employees. In addition, more than 300 independent Leyland dealers would be unable to continue. As an alternative to this course of action Mr. Abell said that if he could obtain liquidity immediately he could restructure the company's operations to phase out the uneconomic activities and build up the company's more profitable operations. Mr. Abell stressed that the U.K. parent company was not able to assist because it was having considerable financial difficulties itself.

Dr. Cairns indicated a willingness to explore with Leyland ways of restructuring the company's activities in Australia in order to :

- (i) minimise disruption and hardship to employees
- (ii) ensure the most generous possible terms for those workers retrenched
- (iii) enable the company to concentrate on those products most appropriate to the Australian market.

The company was also told by officials, after clearance with the Prime Minister, Dr. Cairns and myself that it appeared to the Government that Leyland did not have a long term future in Australia as a car manufacturer.

Following these discussions Mr. Abell made a number of proposals to the Government, which were considered by Dr. Cairns, Mr. Hayden, Mr. Uren, Mr. Bryant and myself on 3 October. The two main proposals which Ministers agreed should be pursued were :

- (a) "That 2,000 or some similar number of vehicles should be purchased provided the purchase from a use point of view is justified and the price is right"
- (b) "The site at Waterloo should be purchased but a fair and proper price would need to be determined and this no doubt requires reference to the Department of Services and Property"

These proposals together with a number of other less important matters were conveyed to Mr. Abell in a letter from Dr. Cairns dated 3 October. A copy of this letter is attached. Also attached is a copy of Mr. Abell's reply to Dr. Cairns dated 9 October, and a copy of a joint Press Statement made by Mr. Abell and myself on 10 October.

Specific comments on each of the major points mentioned above are :

(a) Purchase of Motor Vehicles

Leyland sought a single purchase by the Government of approximately 2,000 vehicles from its ex-yard stocks. Ministers agreed that any purchases must be justified from the use point of view and the price must be right.

On the basis of established current needs, for which funds are already provided in the 1974/75 Appropriation Bills, the proposed bulk purchase is for 759 vehicles on behalf of the Departments of the Capital Territory, Housing and Construction and Manufacturing Industry. These purchases will cost about \$1.620m.

Purchase of these vehicles will mean that Chrysler will not receive orders for approximately 200 six-cylinder cars and G.M.H. orders for approximately 260 four-cylinder cars which normally would have been allocated to them this year under existing period contracts with the Department of Manufacturing Industry; and that tender action in course by other departments for the balance of current requirements - that is about 300 vehicles - will be set aside and the purchases allocated to Leyland.

Price negotiations with Leyland have been conducted on the basis that the prices to be paid for the vehicles to be purchased by the Government -

- (a) must not exceed those which would have been paid for equivalent vehicles in the terms of the existing period contracts held by the Department of Manufacturing Industry with Chrysler and G.M.H.;
- or

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- (b) where no period contracts exist for particular models, must not exceed the most recent Government purchases of similar models.

The result of these negotiations, if approved, will be the acquisition of a large number of vehicles (approx. 200) with higher optional fits than required (e.g. automatics and higher capacity engines) at no extra cost to the Government. This could be regarded as an offset to the probable lower resale value of the P76 vehicles at the end of their normal 2 years service. Leyland have also agreed to increase the warranty for the P76 vehicle from 12 months/20,000 kilometres to 24 months/40,000 kilometres plus an extra 40,000 kilometres for the power train (gear box etc.).

It will be recommended to the Governor-General that he authorise, pursuant to Treasury Regulation 52AA, the purchase of the 759 vehicles from Leyland on the grounds that it would be inappropriate, in the circumstances, to invite public tenders or for a certificate of inexpediency to be given. The Governor-General will be advised that allocation of the requirement to Leyland is necessary to minimise disruption by permitting a more orderly phasing out of production activities and reductions in employment by the Company.

In relation to vehicle purchases, Leyland also sought an acceleration in payment of moneys due and progress payments against current orders held. All payments due will be expedited. Although it is unusual so to provide, it is proposed to agree to progress payments against current orders

under appropriate conditions which will safeguard the Government against loss, e.g. under security of bank guarantees and some reductions of contract prices to take account of advance payments.

(b) Purchase of company's site at Waterloo

Description

The site occupied by the company's works at Waterloo covers approximately 28 hectares and is solely occupied by the vehicle manufacturing plant. It is bounded on the north by O'Dea Avenue, on the west by Joynton Street, on the east by South Dowling Street and on the south by other industrial properties. Adjacent development is industrial, predominantly light, on three sides and residential on the fourth. Moore Park and South Sydney Hospital are close by. Sydney G.P.O. is approximately 5km distant by road.

Future Use

With few exceptions the buildings on the site are purpose built for motor vehicle manufacture, and it is difficult to envisage them being readily adapted for another purpose. There will be ample opportunity to assess the viability of alternative future uses of the site during the run-down period of the Leyland operation, but it would seem likely that substantial, even total, redevelopment will be called for. Only the existing office block, canteen block and boiler house offer apparent opportunities for continued use.

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The land is now zoned for industrial purposes in the South Sydney Planning Scheme, and there may be opportunities for its continued use by industry. However, as substantial redevelopment is likely to be necessary in any event, its use for housing and associated purposes would warrant serious consideration. This would aid our general strategy of relieving inner area congestion by improving the balance between jobs and residents in the inner suburbs. It would also make possible the housing of some 5,000 people and would help to counteract the erosion of the housing stock in inner suburbs which has been taking place for many years past. The site is flat and the surroundings have no particular attraction, but the area is large enough for these disabilities to be substantially offset through sensitive design. Other alternatives which might warrant consideration are the use of the site for some public institutional use, or for commercial purposes.

The future use of the site should not be decided now, but should be the subject of a feasibility study in the immediate future, desirably in collaboration with the State and local authorities. It is not thought that they will raise substantial objections to the rezoning of the land to enable well considered proposals for its use for purposes other than industrial to be put into effect.

Legislation

The acquisition of the site will require legislation to appropriate the funds necessary to complete the purchase. Because of possible Constitutional difficulties the choices of legislation are somewhat limited. The legislation could appropriate funds to purchase the site

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for the purpose of aiding an ailing trading corporation and it would be necessary in such legislation to include a provision avoiding the operation of the Lands Acquisition Act. If this course were adopted it would be unnecessary at this stage to make any decision as to the future use of the land.

If it were intended to purchase the land in accordance with the provisions of the Lands Acquisition Act it would be necessary to specify the public purpose for which the land was being acquired. The only purpose reasonably available is that to provide housing for special classes of persons namely members of the Defence Forces, migrants, Aborigines, members of the Public Service, employees of statutory authorities and contractors to the Government, students and persons who were unemployed or sick. The specification of these purposes is not only somewhat artificial but may involve constraints on the future use of the land.

The Treasury considers, however, that in deciding whether to introduce such legislation, the consequences, so far as other corporations in difficulties are concerned, would need to be very seriously considered. Such legislation would set a far reaching precedent, and, particularly in present circumstances, lead to considerable pressure for the Australian Government to 'bail out' other companies in difficulties - in many cases, due to normal market forces and/or their own inefficiencies.

If, nevertheless, it is decided to introduce such legislation, the Treasury considers that certainly it would be desirable to confine its application to this particular company and the purchase of this particular site. That is to say, it should not be general legislation authorising the giving of assistance to 'ailing trading corporations' generally. The giving of such assistance is the function of the banking system and the far reaching effects of general legislation of that kind in present circumstances can well be imagined.

Negotiations for Purchase of Site

In giving effect to the request by the Minister for Urban and Regional Development to negotiate the purchase of the abovementioned property, the Department of Services and Property has made the following points :

- (a) It has not been possible to undertake the usual searches of title to the land but of course the Government could be well protected on this aspect.
- (b) It has not been possible to obtain a report from the Department of Housing and Construction on the suitability of the land for housing purposes.
- (c) It has not been possible to ascertain the attitude of the State Planning Authority or the South Sydney Council to the land use proposed.
- (d) It has not been possible to prepare an Environmental Impact Statement as required by Cabinet in the time available.
- (e) The Department is unaware of the public purpose which would enable acquisition to proceed.

Basis of Valuation

The Taxation valuers have advised the Department of Services and Property that the land has been valued on the basis of :

- (i) its present use and zoning as prime industrial land and also
- (ii) its use for high rise and medium density housing land.

Valuation

The valuation established by the Australian Government Valuers on either basis is \$20.5m. which takes account as suggested by Dr. Cairns of a willing but not anxious buyer and a willing but not anxious seller

This valuation of \$20.5m. is sub-divided as follows :-

- (i) land - \$13.5m.
- (ii) buildings and ground improvements - \$7m.

In these circumstances of course it could be expected that a change of land use from industrial land to housing would involve writing off \$7m. worth of assets.

If, however, the land were to be valued for low density housing (single home units) it seems to us that the valuation of even \$13.5m. for the land would be exorbitant in the context of low cost housing.

Negotiations with Leyland

At the request of the Minister for Urban and Regional Development, the Minister for Services and Property directed the Department, on the evening of 15 October, 1974, to negotiate with Leyland for the purchase of the freehold land at Zetland (including improvements).

The negotiations were to be completed by the evening of 16 October, 1974.

Negotiations led to an offer by Leyland to sell the freehold land at Zetland and the improvements thereon at :

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- (a) \$19.5m. cash provided settlement occurs on or before 1 December, 1974, or
- (b) \$20m. cash for settlement after 1 December, 1974 but before 31 December 1974.

There is no commitment to purchase the property. Departmental officers are now awaiting direction from the Government before proceeding further.

Retrenchments

The company's broad retrenchment programme is as follows :-

	<u>Hourly paid</u>	<u>Staff</u>
<u>Current employment</u>	2,509	1,160
<u>Retrenchments + 7½%</u>		
1st November	713	
1st December	578	1st December 330
20th December	800	1st January 210
		1st February 145
		1st March 45
	—	—
	2,091	730
	—	—

300 + will be retained until the site is wound up.

Some 350-400 hourly paid employees and approximately 70 staff at Waterloo will be offered positions at the Enfield plant between December and the end of February 1975.

Redundancy Proposals

At all stages of negotiations I stressed that the most generous possible redundancy terms were essential. In the event, the company has made proposals which appear to be quite generous and constructive in seeking to minimize hardship to individuals. Briefly, the provisions have the following key factors :

- . Minimum notice or pay in lieu - 3 weeks
- . Graded service/age payments
- . Ex-Gratia payments to staff
- . A retention bonus

Minimum Notice Provisions

The minimum notice provisions are based upon every employee receiving a minimum of 3 weeks' notice. The timing of the announcements means that in fact, every employee will receive one week's warning during which he will work normally, and a further 3 weeks' pay in lieu of notice.

Graded Service/Age Payments

Any employee who has completed 2 years' service or over on the date of announcement will receive an additional payment graded from 1 - 10 days extra pay for each year of service. The number of days peak for a man 55-60 years of age for whom loss of employment is the most serious.

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Ex-Gratia Payment to Staff

All staff employees with 10 years and over completed service on the day of the announcement will receive an ex-gratia payment of \$134.00 for each completed year of service up to 1st October, 1973, and \$200 for each completed year of service thereafter.

This takes into account the payment of identical amounts ex the non-contributory fund for works employees, and the provisions of the staff superannuation scheme which merely returns employee contributions plus, in certain cases, compound interest at 3%.

Retention Bonus

A retention of 1 day's pay for each week of service beyond the date at which a department closes is to be made to all employees who agree and complete satisfactorily, periods of employment until a date determined by the Company. This attempts to compensate for loss of early employment opportunities for those who agree to remain with the Company or risk delay in obtaining alternative employment.

Income Maintenance

Cabinet may wish to consider making provision for the payment of income maintenance, and other measures of adjustment assistance for individuals, to employees retrenched by Leyland. Under the existing structural adjustment programme an eligible employee may be paid income maintenance for a period of six months up to the level of his average earnings in the previous six months but not in excess of one and a half times the national average weekly earning rate. Some additional re-training

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assistance is also available and it is planned that relocation assistance and early retirement benefits be available in the future.

In accordance with Cabinet Decision 2221 of 23 April, 1974 and the Prime Minister's announcement of the same date, certain prescribed cases have been specified as ones which the Government has determined warrant the special measures of adjustment assistance being made available. The actions or events prescribed to date, and the date up to which applications will be received, are :

- . 25 per cent Tariff Cut (18 January 1975)
- . Consumer Electronic Equipment and Components Tariff Decision (19 November 1974)
- . Domestic Appliances Tariff Decision (23 January 1975)
- . Lifting of Tariff Quotas on Woven Shirts and Knitted Outerwear (27 February 1975)
- . Reduction in Assistance to Shipbuilders (18 December 1974)
- . Termination of the School Milk Scheme (31 August 1974)
- . Dairy Industry Adjustment (in respect of dairy factory and other workers) (30 June 1976)

Workers retrenched from Leyland would not be covered by any of the above prescribed cases.

However, should Ministers wish to extend the application of the special measures of assistance, as they apply to individuals, to the Leyland case a decision to this effect would not be inconsistent with Cabinet's previous general decision on structural adjustment assistance (Cabinet Decision 2221 of 23 April, 1974). An announcement that income

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maintenance and the other measures for employees would be available would not appear to be out of line with the guidelines which the Government decided on and has subsequently made known. These are discussed under points (a) - (e) below.

(a) that the structural change was clearly in the national interest

- the moves at Leyland and the action which the Government has taken to provide liquidity through the purchases from the company which are currently being arranged, are in line with the Government's stated policy of increasing the efficiency of industry by encouraging more efficient allocation of resources.

(b) that the structural change is beyond the normal adaptive capacity of the economy, with the result that, in the absence of special measures, significant economic costs, hardship or inequity are likely to occur

- some 2,500 employees are expected to be directly retrenched (i.e. persons indirectly affected in component manufacturing industries are not included in this figure). This is a very large number over any one short period of time and is well in excess of the total number of persons at present receiving income maintenance payments under the structural adjustment assistance scheme. Although the unemployment situation in Sydney is not severe as in other areas this number may not be absorbed quickly by the labour market in Sydney, bearing in mind the employees are from

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within the one industry. Considerable personal hardship could result, although to some extent this is offset by the company's redundancy proposals.

(c) that the "generally-available" measures of assistance would not be adequate to cope with the situation

- normal unemployment benefits would be available to displaced workers who were unable to gain alternative employment
- in addition, retraining under NEATS would be available. Training allowances equal to the average adult male award wage are normally payable under NEATS for full time training.

(d) that the cost of the measures is judged to be reasonable in terms of the likely benefits

- the cost will depend on the extent to which employees are not able to be placed in new jobs quickly.

Assuming 1000 displaced employees were to receive income maintenance payments equivalent to average weekly earnings for six months the cost would be in the vicinity of \$3.5 million.

(e) that there might be exceptional circumstances which justified the provision of assistance even though the circumstances could not be described as resulting from previous Government action

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- the release of the IAC Report on 11 July 1974 and the subsequent publicity is claimed by Leyland to have had a drastic effect on their current sales performance. Sales figures supplied by the company certainly show a marked drop, but both before and after release of the IAC Report. In addition, the general uncertainty in the minds of the business community as to the Government's motor vehicle policy, have also been claimed to have had an effect. The extent to which Leyland's problems have arisen from particular Government action have been exaggerated by the company and the unions. It can be argued that Leyland's problems are the result basically of normal market forces. Even so, to the extent that this is in fact the case, adjustment assistance to the individuals affected need not be ruled out. As noted, Cabinet had specifically recognised that there will be exceptional circumstances where the special measures should be made available.

If income maintenance were to be paid in a case like this, where the company is dismissing employees not because of structural change action by the Government but because of normal market forces and the Company's inability to compete successfully, it could set a precedent for payment of income maintenance to employees dismissed in any circumstances. (The size of this case increases the prospect of a precedent being set). The end result could be indirectly

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and without proper consideration, an increase in general unemployment benefits.

If income maintenance were to be paid to employees this could also lead Leyland to claim that the Government, having recognised the circumstances as one that qualified for structural adjustment assistance, should to be consistent, make other measures of such assistance, including closure compensation for firms, available to the company itself in respect of plant disposed of.

Caucus Economic and Trade Committee

The Leyland situation was discussed by this Committee on 17 October. The Committee asked me to report back on the practicability of preserving (i.e. not dismantling) the plant at the Waterloo site pending consideration of the IAC Report on the motor vehicle industry and a study of the area for other uses. I am having the matter investigated accordingly.

RECOMMENDATIONS

It is recommended that Cabinet :

- (1) agree that it be recommended to the Governor-General that he authorise the purchase of 759 vehicles from Leyland, at an approximate cost of \$1.620m., on the grounds that allocation of the requirement to Leyland is necessary to minimise disruption by permitting a more orderly phasing out of production activities and reductions in employment by the Company;

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- (ii) authorise the drafting of legislation to appropriate the funds necessary to acquire the Leyland Motor Corporation of Australia's site at Waterloo, New South Wales at valuation on the basis of a willing buyer and willing seller to be determined and agreed upon;
- (iii) consider whether such legislation is to be based on the purchase of the site under the Lands Acquisition Act or under some other power, taking into account the problems that each alternative raises;
- (iv) give consideration to whether or not income maintenance is to be paid to Leyland employees.

(KEP. ENDERBY)

CANBERRA, A.C.T.

October, 1974.

Manufacturing Industry 74/3.

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Parliament House,
Canberra, ACT, 2600

October 3, 1974

Mr. J.D. Abell,
Managing Director and Chief Executive,
Leyland Motor Corporation of Australia Limited,
893 South Dowling Street,
WATERLOO. N.S.W. 2017

Dear Mr. Abell,

Following your discussion with me on 23rd September, 1974,
Mr. Hains submitted to me a series of requests which you had
made of the Australian Government.

These have been examined by a group of Ministers and Departments
as a result of which I would like to propose certain courses of
action to you.

In reaching these decisions, the Government has taken into
account the desirability of assisting your firm in its intention
to restructure its activities in Australia by phasing out its
manufacturing at the Waterloo site over as long a period of time
as circumstances permit, and to a schedule you will be outlining
to us, as an alternative to the immediate closure which you have
indicated would be necessary without help.

The essence of our proposal is that in return for an Australian
Government offer to buy the site presently occupied by the
Company at Waterloo, and an offer to buy the maximum number of
Leyland vehicles currently in stock and for which the Government
has an established need, your Company would follow the course
you have indicated - i.e. withdraw from manufacture of passenger
vehicles in Australia and phase down over as many months as is
practicable, the current manufacturing operations at Waterloo,
with appropriate safeguards for the rights of employees.

In detail : -

- (a) The Australian Government will undertake to purchase
the current Leyland Motor Corporation of Australia's
manufacturing site at Waterloo containing approximately

63 acres, at a valuation on the basis of a willing buyer and willing seller to be determined and agreed upon within one week;

- (b) The Australian Government will purchase as soon as the proper contracting procedures make this possible no less than 3132P76 sedans (6 cylinder) and 469 Marina sedans (4 cylinder) for earliest possible delivery (this applies to all Australian Government orders) at prices to be negotiated between the Company and the Department of Manufacturing Industry, it being understood that where the purchase of these vehicles involves the diversion of purchases to Leyland from an existing contractor holding a period contract with the Australian Government, the prices to be paid by the Australian Government will not exceed those currently ruling under those period contracts for comparable models and it also being understood that where the purchase of these vehicles is in response to tenders now current on behalf of any Government Department, that the price to be paid will not exceed the lowest acceptable tender currently held.
- (c) The Australian Government will make every endeavour to expedite the payment of moneys owing, or which become owing, to Leyland.

These include -

- *Payroll tax refunds under the Exports Incentive Scheme for the years 1972/73 and 1973/74;
- *Payment for vehicles already delivered to Australian Government departments and authorities;
- *Payment for the vehicles to be purchased under the arrangements outlined in (b) above;
- *Progress payments, in respect of current orders, which are payable under the terms of contract or which become payable under any contract amendments which might be negotiated.

I would appreciate your confirmation that action along these lines by the Australian Government would enable you to avoid the closure of the total Leyland Motor Corporation of Australia's

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operation with the disruptive consequences which you have outlined to us. If you are able to confirm this, we can get our Officers into immediate contact to bring the proposals to fruition as quickly as practicable. X

Yours sincerely,

(J.F. Cairns)
Acting Prime Minister

9th October, 1974.

The Hon. J. F. Cairns, M.P.,
Deputy Prime Minister and
Minister for Overseas Trade,
Parliament House,
CANBERRA. A.C.T. 2600.

Dear Dr. Cairns,

Thank you for your letter of 3rd October. I confirm that the contents are sufficient to enable us to avoid the most disruptive consequences which we discussed.

I should first like to say how much I appreciate the sympathetic and co-operative manner in which our mutual problems have been discussed. I am delighted that Leyland Motor Corporation of Australia has been involved in establishing the precedent of Government and Business co-operating and planning for the long term.

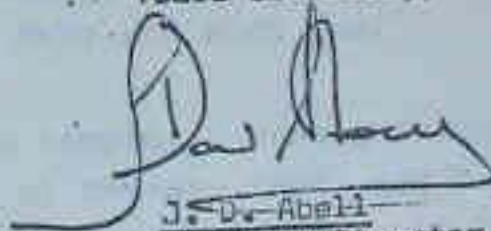
I should now like to take your offer in more detail and take the items in your order. I accept that you have not been able to confirm in the letter certain points which I discussed with Neil Currie and Alan Woods of the Department of Manufacturing, but I do feel that it is worthwhile in my reply to make these points.

- (a) The Australian Government purchase of the Waterloo site is expected to realize a figure of between \$19 million and \$22 million. The former valuation is on the basis of \$200,000 per acre and compares with recent purchases in Victoria by the Housing Commission at a figure of around \$340,000 per acre. Verbal agreement was reached that best endeavours would be made to achieve payment of this sum this calendar year. As you realize, this is essential from the cash flow point of view.

- (b) The purchase of a minimum of 782 vehicles is obviously a great help to us. However, I do feel that I should make the point that this contrasts with the ad hoc committee's unanimous recommendation of 2,000 vehicles worth \$5 million. This shortfall in purchases does mean reduced short term employment opportunities. Comprehensive figures concerning the retrenchment program have, of course, now been supplied to Mr. Enderby and his staff.
- (c) Timely receipt of all the moneys from Government is absolutely vital to the successful implementation of the restructuring. Indeed, I am most grateful for the Government suggestion that progress payments in respect of current orders could be renegotiated so that Leyland receives up to 90% of the contract value in the near future. This will obviously substantially mitigate the shortfall in cash resulting from the reduction in Government take ex yard stock.

I should like to conclude by stating that my new management team is flattered that Government has seen fit to back its skills and we are all confident that Leyland can play a vital albeit more restricted role in the future Australian motor industry.

Yours sincerely,


J.S.D. Abell
Managing Director

c.c. Mr. K. Enderby.



MINISTER FOR MANUFACTURING INDUSTRY

Parliament House, Canberra. Telephone: 733811

news release

JOINT PRESS STATEMENT BY THE MINISTER FOR MANUFACTURING INDUSTRY, MR KEP. ENDERBY, AND THE MANAGING DIRECTOR OF THE LEYLAND MOTOR CORPORATION OF AUSTRALIA, MR DAVID ABELL

LEYLAND

The Minister for Manufacturing Industry, Mr Kep Enderby, and the Managing Director of the Leyland Motor Corporation of Australia, Mr David Abell, announced today that the Australian Government and the company had agreed upon certain arrangements to enable restructuring of the company's activities in Australia.

The Minister and Mr Abell said that the two basic principles involved were:

1. To minimise disruption and hardship to employees and
2. To enable the company to concentrate on those products most appropriate to the Australian market.

The company will gradually phase out its manufacturing activities at Waterloo but will expand facilities at its Enfield plant to continue making the Mini, Mini Moke and Mini van.

This will be in addition to the company's strong truck and bus division operating from plants at Revesby (NSW) and Footscray (Vic) and the profitable parts and accessories division at Liverpool (NSW).

The mainstay of the company's passenger vehicle sales in a new car division will be supplied from the parent company in the United Kingdom and will include a wide range of successful cars, including renewed emphasis on Rover, Triumph and Jaguar.

The Government will assist Leyland in its restructuring. The Government will provide liquidity by offering to:

- purchase the company's 53 acre site at Waterloo at an agreed valuation
- purchase approximately 800 Leyland vehicles
- arrange early payment for vehicles already delivered, and progress payments against current contracts for truck, bus and Landrover orders..

The negotiation of the programme follows two months of talks involving the Deputy Prime Minister, Dr Cairns, Mr Enderby and Mr Abell. During the negotiations the Government insisted on the most generous possible terms for those workers retrenched. Mr Enderby said the major concern of the Government was to keep these figures at a minimum and minimise hardship to employees.

'Some unemployment will result, but we have been particularly concerned that the most generous redundancy payments will be made to those employees affected,' Mr Enderby said.

Mr Abell said he anticipated the numbers employed in the new company structure would exceed 3,000. He said there would be generous redundancy payment to those retrenched. Mr Abell repudiated reports that 5,000 jobs would go at Leyland and stated the figure would be close to half that.

Mr Abell stressed the company had arranged an assistance plan for those losing their jobs. Government and private agencies would operate on and off the Waterloo site to find alternative employment for those seeking it.

Additionally the company had asked for the establishment - with the Government - of vocational guidance services, a re-training service and a general counselling service using joint resources and locations.

Mr Abell praised the Government's humane and intelligent response to an unprecedented situation.

The new plan would afford the company expanding opportunities and he anticipated that sales of the restructured Leyland group would achieve £100 million in the first year.

He stated that production of the P76 would phase out 'fairly quickly', according to requirements. He gave an assurance of continuing availability of parts and service for this and all other Leyland vehicles. An all-time purchase of £1.8 million spare parts would guarantee back-up of P76 and other locally manufactured vehicles.

ENDS

SYDNEY

OCTOBER 10, 1974