

PROPOSAL

(To be incorporated in the State of Victoria)

HARTNETT MOTOR COMPANY LIMITED

(Incorporated in the State of Victoria)

(Incorporation is in course of preparation)

CONFIDENTIAL

HARTNETT MOTOR COMPANY LIMITED

PROPOSAL

PROPOSAL FOR THE SUPPLY OF

Mr. L. J. Hartnett, 100 Collins Street, Melbourne, Victoria

PROPOSAL

(To be incorporated)

PROPOSAL FOR THE SUPPLY OF

Mr. J. J. Hartnett, 100 Collins Street, Melbourne, Victoria

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HARTNETT MOTOR COMPANY LIMITED

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PROPOSAL

The following proposal is made for the supply of
engines to be used in Australia for the purpose of
and mechanical engineering work, and for the supply
of spare parts, and any accessories for the engines
and for the supply of all other parts.

The conditions of sale in Australia with reference
to materials, labour and power, and if necessary to
fill such manufacturing programme as may be required,
including programme which has been placed by the Government

Melbourne,
18th August, 1949.

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(To be incorporated in the State of Victoria)

PROPOSAL FOR FORMATION OF COMPANY

(For Private Distribution only)

(A Prospectus is in course of preparation)

HARTNETT MOTOR COMPANY LIMITED

PROPOSAL

CHAIRMAN AND MANAGING DIRECTOR

Mr. L.J. Hartnett, C.B.E., M.I.E. (Aust), M.I.A.Ae.E.

DIRECTORS

To be appointed

TRUSTEE (while Company is being formed)

Mr. Govan W. Cox, F.C.A., F.I.C.A., 434 Collins Street, Melbourne

SOLICITOR

Mr. W.O. Burt, Oswald Burt & Co., 394 Collins Street, Melbourne

BANKERS

National Bank of Australasia Ltd., 271 Collins Street, Melbourne

The publicity recently given to a comprehensive Proposal to manufacture in Australia the Hartnett car of low price, and exceptional operating economy, has revealed a very strong demand for such a car, and many applications for its distribution have been received from all States.

The conditions existing in Australia with shortages of materials, labour and power, make it inopportune to launch a full scale manufacturing programme at this time, but an alternative, intermediate programme which has been planned by Mr. Hartnett and his staff over the last eighteen months will be undertaken, whereby the major units and everything required to assemble complete cars will be procured from eminent and experienced manufacturers in England who have quoted prices and delivery dates for all items of supply which are not readily available in Australia.

In order to bring this plan into operation, it is proposed to form a relatively small Company which will offer £80,000 of its Capital for subscription, which amount, together with credit established by Distributors, will be adequate to have cars produced and made available on the Australian market.

As rapidly as conditions permit, it is intended to set up Manufacturing Companies to progressively undertake the production of the complete car in Australia, and this Company, holding the exclusive Australian Rights and Patents, will then act as the central co-ordinating authority for the operating organisations.

Initial firm orders are offering from selected Distributors for one thousand cars, and carefully scheduled orders to cover these will be placed on manufacturers of the various units, sub-assemblies and components in the United Kingdom and Australia under the direction of experienced Supply executives who have been engaged in planning this work.

Benefit will be derived from the fact that Mr. Hartnett is well-known in the Motor Car Industry in England, and amongst other appointments held in that country, was an executive of Vauxhall Motors Ltd. for a considerable term, and a director of that Company for fifteen years; therefore, he is well acquainted with manufacturers who produce the requirements for the Motor Industry in England.

The Distributors will put up the necessary credits to meet these requirements in accordance with the normal practise followed by an importing Distributor. Since the Hartnett car is designed expressly for easy low cost final assembly, where necessary, this work can be carried out effectively by Distributors with their existing facilities.

Should the Exchange Rate be varied as between the United Kingdom and Australia it would certainly move in a direction favouring this initial plan of operating.

The advanced stage of the Project at the present time has only been made possible by the continuous and intensive effort over the past eighteen months on the part of Mr. Hartnett and his staff in both England and Australia, together with the expenditure by Mr. Hartnett of some £10,000, to provide the considerable assets and contracts which will enable cars to be placed on the Australian market in such a short time.

For various reasons, all the assets to be vested in the proposed Company are not mentioned here, but particular emphasis is given to the exclusive Manufacturing and Selling Rights for Australia for the AF/G type car designed, proved and patented by Le Societe des Brevets J.A. Gregoire.

The proposed Company will also participate in exclusive Manufacturing and Selling Rights within the British Empire, which includes Eire, India, Pakistan, etc., and will be free to export to any part of the world, and can join with Gregoire in Manufacturing Rights granted to any country outside the British Empire. This gives to the proposed Company an interest in world Rights for this patented and proven design of car.

Another very favourable asset is a purchase contract for a considerable quantity of components, materials and supplies, together with tools and gauges applicable to the production of the car.

The sale of these initial supplies alone, in fulfilling orders for cars, will show to the proposed Company an additional earning of £30,000.

Another important asset is the fact that the patterns and dies to produce all the special aluminium alloy castings, which are characteristic of the construction of the entire car, have been completed and proven. This, combined with the undertaking and strong support given by an eminent manufacturer of these castings in England, ensures adequate supplies of all castings of the highest quality, and represents a saving in pre-production time of at least one year.

A list of assets is available at the Office for inspection and amplification if desired.

All who have inspected and tried one of the prototype cars now in Melbourne and built by Le Societe des Brevets J.A. Gregoire, are high in praise for both its appearance and performance, with particular emphasis on its truly remarkable suspension; this car and chassis are available for inspection.

Four prototype cars have been thoroughly tested over varying terrain, and in differing climates for an aggregate of 240,000 miles, with remarkably good results.

There is no doubt that the patented design is unique in assuring low cost manufacture and phenomenal economy of operation, together with excellent performance.

Le Societe des Brevets J.A. Gregoire, from whom an exclusive Manufacturing and Selling Licence for Australia is being made available to the proposed Company by Mr. Hartnett is renowned for its automotive engineering and design work, and Mr. Gregoire was markedly responsible for the engineering of such well-known makes of cars as DKW, Adler, Citroen and Amilcar.

The famous TRACTA Universal Joint used on nearly all front wheel and four wheel drive vehicles, especially Jeeps and British and American Military Vehicles, totalling over one million, is a master Patent of Mr. Gregoire's, and is incorporated in the Hartnett car.

As evidence of the high regard in which Mr. Gregoire's engineering and design work are held, attached is a copy of an unsolicited letter dated July 4, 1949 from the famous Hotchkiss Company of France to whom Mr. Gregoire has granted a licence for the manufacture of his larger two litre model of car, and which is also available to the proposed Company under an exclusive Licence for Australia.

The exclusive Manufacturing and Selling Licence provides the constant personal help of Mr. Gregoire and his engineers. This continuing engineering service afforded to the proposed Company includes highly qualified automotive engineers being assigned to Australia, if so required. It is the intention of Mr. Gregoire to visit Australia shortly in connection with this Project.

By the terms of such a Manufacturing Licence, the proposed Company is markedly relieved of the considerable expense of operating its own Engineering Department, and already considerable engineering service has been provided by Mr. Gregoire in developing the Manufacturing sources of supply in England.

The London Office established by Mr. Hartnett a year ago will continue its Supply work, Scheduling and Inspection to ensure the co-ordination between the English manufacturers and the Australian Distributors' requirements.

This London Office is managed by an outstanding Automotive Supply Executive, Mr. E.C.H. Shillaker, who is widely experienced in this particular work, having been Regional Supply Manager for Europe for General Motors, and Managing Director of General Motors Limited of England. Credentials concerning Mr. Shillaker are available for inspection.

Manufacturers in England have submitted contracts for the supply of all major requirements, and have co-operated very closely and effectively in working on the Project; as they will be exporting, they can obtain priority for materials, and the support of their Government.

A Bill of Material covering the car has been checked and confirmed by the engineers, and costs, which have been closely examined and checked indicate that the Retail Selling Price of the Saloon Model will be about £430 plus Sales Tax, thus making it the lowest priced car on this market.

The method of operating will show much savings in costs compared with competitive manufacturers, and every endeavour will be made to keep expenses and overheads down to a minimum yet adequate to ensure the production of a dependable car.

Having put into operation this first stage outlined whereby major assemblies will be imported from England, and cars placed on the market at an early date, manufacture in Australia will be developed.

Certain plans are being prepared to accomplish this, and although estimates indicate that costs will be reduced compared with the importation of major units from England, there will be no haste in this direction until general conditions in Australia are settled and secure.

As these further plans materialise, this proposed Company will be in a key position, holding the Manufacturing and Selling Licence, and controlling this development.

The organisation to operate the proposed Company will be headed by Mr. L.J. Hartnett to whose present key personnel only a few additional appointments need be made.

As an expression of confidence in the Project, Mr. Hartnett has offered to forego any salary until cars are produced and the Project is proven; furthermore, Mr. Hartnett and his associates will accept Shares held in Reserve as Vendors' consideration until such time as two yearly Dividends of not less than ten percent have been declared.

Mr. Hartnett has agreed to the use of his name on the car, with the full approval of Mr. Gregoire, and also by the proposed Company which gives an assurance of his constant interest for the future.

Although generally known, it is pertinent to touch upon Mr. Hartnett's experience, especially in the automotive field; he had his own engineering and motor car business after the first World War, and during that war, served as a Pilot in the R.N.A.S. and R.A.F. He served his engineering apprenticeship with Vickers Ltd.

Later, Mr. Hartnett was Manager of Guthrie & Coy's Motor Car Company in Malaya; he then joined General Motors as Zone Manager for India and Ceylon. After a term in the United States with General Motors, he was appointed Sales Manager and Acting Managing Director of General Motors Nordiska, Stockholm, Sweden, where a new Company and Plant were set up; transferred to Vauxhall Motors Ltd., England, and as Export Manager and Director of that Company travelled extensively. Mr. Hartnett was appointed Managing Director of General Motors-Holden's Limited, which position he held for thirteen years, and retired from that Company of his own accord.

Whilst with General Motors, Mr. Hartnett was also Regional Director for Australia and New Zealand, and a Vice President of General Motors Export Company.

During the last War, Mr. Hartnett was Director of Ordnance Production for a period of five years, and Chairman of the Inventions Board, and also lead several missions abroad for the Government. It can be stated that Mr. Hartnett has been directly responsible for production in Australia to the value of over £200,000,000 during the last fifteen years. Currently, he is a trustee of the National Museums of Victoria and President of the Australian Industries Protection League, in addition to many other associations.

PROPOSED COMPANY

AUTHORISED CAPITAL - £250,000

Divided into:-

1,000,000 Ordinary Shares of 5/- each

Made up as follows:-

OFFERED FOR PUBLIC SUBSCRIPTION

240,000	Ordinary Shares of 5/- each Mr. L.J. Hartnett and associates will subscribe in cash for 40,000 Shares.	£60,000
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LICENSOR'S SHARES

26,664	Ordinary Shares of 5/- each Fully Paid to be allotted to Le Societe des Brevets J.A. Gregoire (SBG) under the terms of the Licensing Agreement. (SBG is entitled to ten percent of the Issued Capital of the Company to an amount not exceeding £20,000 total value in Shares.)	6,666
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HELD IN RESERVE

40,000	Ordinary Shares of 5/- each Fully Paid to be held in Reserve for allotment as Vendors' Consideration until such time as two yearly Dividends of not less than ten percent have been declared. The Vendors receive this consideration, together with an option to purchase shares at par in future issues of Capital for Rights from SBG, also for transfer of contracts, agreements, and other assets, and in recognition of eighteen months of development work on the Project.	10,000
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4,444	Ordinary Shares of 5/- each Fully Paid to be held in Reserve, and for allotment to SBG as and when Shares held in Reserve as Vendors' Consideration are allotted.	1,111
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688,892	Ordinary Shares of 5/- each to be issued as desired	172,223
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1,000,000

£ 250,000

ALLOCATION OF SUBSCRIBED CAPITAL

The £60,000 Cash Subscription will provide for the following:-

Cash Payments for exclusive Manufacturing and Selling Licence to Le Societe des Brevets J.A. Gregoire which also provides for the supply of drawings, specifications, data and use of prototype car and chassis	£ 10,000
* Purchase of assemblies, supplies, tools and gauges, as contracted	31,250
Reimbursement of essential expenditure, and monies paid by Mr. L.J. Hartnett and associates in the development work on the Project, as accounted for and certified by the Trustee for the Company to be formed. Mr. Hartnett and associates will purchase shares in the proposed Company to the value of this payment.	3,375
Working Capital	12,775
Preliminary Expenses	600
Brokerage (2d. per share)	2,000
	<hr/>
	£ 60,000
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* The sum of £31,250 will be recovered from early sales to Distributors thus providing further Working Capital, together with earnings on such advantageous purchase, estimated at £30,000.

VENDORS' CONSIDERATION

No cash consideration is to be paid to the Vendor, and the whole of the Vendors' Consideration is to be satisfied by 40,000 Ordinary Shares of 5/-, held in Reserve, and issued only when the proposed Company has declared a Dividend of ten percent or more per annum in any two years. Also, in the first issue of further Capital, Rights at par to the extent of £50,000 worth of Shares will be made available to Mr. Hartnett.

For the past eighteen months, Mr. Hartnett's organisation in Australia and London has carried out much work in developing the Project up to its present stage, and considerable negotiations have been necessary in Europe and Australia.

Mr. Hartnett and his associates have given of their services freely for more than two years, leading to the acquisition of considerable assets, resulting from investigation and planning of the undertaking.

LICENSOR'S CONSIDERATION

As set out in the Agreement with Le Societe des Brevets J.A. Gregoire, the Licensor shall be entitled to ten per cent of the Issued Capital of the Company, provided that such percentage shall not exceed in total £20,000 value in Shares. In accordance with this Agreement, when the further 40,000 Fully Paid Shares of 5/- each shall have been paid to the Vendor, the Licensor shall be entitled to the issue of a further 4,444 Fully Paid Shares of 5/- each, in terms of the aforesaid Agreement, such allotment then bringing the total issue to SBG of 31,108 Fully Paid, which will be equal to ten percent of the Issued Capital.

OVERSEAS RIGHTS

Mr. Hartnett and associates are also vesting in the proposed Company:-

- (a) the extensive exclusive Manufacturing and Selling Rights (including the use of many Patents) from Le Societe des Brevets J.A. Gregoire for the entire British Empire (which includes India, Pakistan, Eire, etc.), also
- (b) the Right to export to any country in the World, and
- (c) mutuality of interest with SBG if manufacture is undertaken outside the British Empire.

There is however to be an agreement between the proposed Company and Mr. Hartnett and associates whereby the proposed Company will:-

- (i) pay to Hartnett and associates one percent of net invoice value of all vehicles and products exported from Australia,
- (ii) receive one quarter of all consideration received in respect of negotiations of Rights outside Australia.

FURTHER TYPES OF CARS

Mr. Hartnett and associates will also vest in the proposed Company further Rights for other designs of cars by Le Societe des Brevets J.A. Gregoire which provide an option whereby the Company will have first refusal of Rights for Australia for the exclusive manufacture and sale of the new two litre car and all other vehicles designed or controlled by SBG now or in the future.

FORM OF COMPANY

The proposed Company will be registered at an early date, and the Memorandum and Articles of Association will be drafted to conform with the rules and regulations of the Stock Exchange. Application will be made for listing at an early date.

ANTICIPATED REVENUE

An advantageous and valuable asset is acquired in the purchase contract negotiated by Mr. Hartnett for a considerable quantity of supplies, components, assemblies, raw materials, tools and gauges, referred to earlier in this Proposal.

For the total expenditure of £31,250, these supplies and tooling are acquired, and the supplies alone, excluding the tooling and gauges, which have considerable value in filling Distributors' orders, on the basis of present prices, will provide additional earnings of approximately £30,000, representing the savings made by this purchase.

Since the Company's normal operation will not require the carrying of an inventory of such supplies, no replacement to the Company's account is necessary, and thus the sale of these supplies progressively will provide the proposed Company with additional funds amounting to approximately £60,000.

Estimates indicate that a gross profit of about £45 will be made per car so that when the first one thousand cars have been shipped to Distributors, which will be effected within the first eighteen months after allotment of shares, there should be a gross earning of about £45,000, plus the increment of £30,000 derived from the sale of the initial supplies purchased.

The volume of sales will progressively build up so that a rate of sale of 800 cars per month should be achieved in the second year of operation, and even if as low a margin of net profit as £10 per car (which is a conservative and reliable figure) were earned, on an assured yearly sales volume of 9,600 cars, the Company's results would be extremely satisfactory.

Additional income will be earned by the sale of spare parts and accessories, and engines for industrial use.

C
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AUTOMOBILES
HOTCHKISS

SAINT-DENIS,
le 4 Juillet 1949
FRANCE.

DIRECTION GENERALE

L.J. Hartnett, Esq.,
414, Collins Street,
MELBOURNE, CI.

Dear Mr. Hartnett:

As you already know, I take pleasure to confirm to you that I have signed, for my Company, an agreement with Mr. J.A. GREGOIRE for the manufacture in France of the Gregoire two litres car. You certainly know the name HOTCHKISS, one of the oldest in the world-wide automobile industry, and one of the most renowned.

I have decided to manufacture this car after extremely long and severe tests made last winter which confirmed to me that the Gregoire two litres possessed qualities as regards speed, economy, road-ability, suspension and silence which cannot be found assembled together in any car in the world. I and the majority of the French technicians consider that this car is far ahead of all that is manufactured in the world at the present time.

I may add that my relations with Mr. J.A. Gregoire, as well as that of my Company, are most friendly. Mr. J.A. Gregoire has accepted to help me in the realization of my programme and I am sure to meet with success.

I shall be very glad to meet you when you come to France. As we are pursuing on both sides of the world the launching of the Gregoire technique, I and my firm place ourselves at your entire disposal in case you need any help in our country.

With kindest regards,

Sincerely yours,

(Signed) M. de GARY,
President, General Manager.