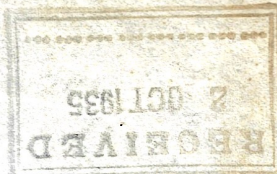


OUTLINE PROPOSAL TO FORM A
NATIONAL AIRCRAFT PROPRIETARY COY.



After having discussed the proposal that a Company be formed to establish the aircraft industry on a national basis, I have been asked by the parties interested to outline a scheme for their consideration.

I consider that a sound basis on which such an undertaking could be launched would be the adoption of the scheme outlined hereafter.

INITIAL MOVE.

After the Company was duly formed and registered, the first step should be the absorption of the only organisation for aircraft manufacture now operating in Australia in an active manner, viz. Tegan Aircraft Limited at Mascot, Sydney.

This organisation comprises the only aircraft designer and engineer who has actually acquired any considerable experience of aircraft construction under Australian conditions.

The staff of artisans includes most of the men now in Australia who have any considerable training in aeroplane manufacture.

The Company is a small one having a subscribed capital of 215,000. Raw Materials and Plant comprise £5000, and the balance of assets is mostly work in progress. The Company is now in the final stages of completing two large passenger carrying Monoplanes, one for the Air Board, and one for an Aviation Company in New South Wales. It owns the sole right to construct this type, and has commenced work on more of these aircraft. During the last twelve months the Company has constructed seven training type aeroplanes for the Air Board, and is now negotiating for further Government Contracts.

The Directors of this Company have stated that if arrangements can be made to absorb the Company on an equitable basis to be decided, they would be prepared to permit it to become the nucleus of a national industry.

Advantages far exceeding the value of material assets will be obtained by acquiring this going concern as a nucleus. It will enable results to be obtained quicker and cheaper, and will recoup the outlay many fold by saving time, and ensuring experienced personnel from the very beginning.

If this initial step is taken, action to develop a national aircraft industry can be taken as follows:-

DEVELOPMENT

(1) The Air Board can be asked to place an order with the nucleus organisation for the development of two large bombers with the object of completing the prototypes while the larger scheme was being developed to a stage when routine production could be started.

This type of aircraft is designed to meet Air Force requirements for military duties, and a civil version of the same type would meet the requirements of the P.M.G. Intercapital Mail Service.

Simultaneously the nucleus factory could proceed with the production of its own type of commercial aircraft, and so develop the supply to private operators which has already been initiated.

(2) Plans could be drawn up and contracts let for the construction of the first unit of the Aircraft Factory, which would comprise buildings and plant to the value of approximately £35,000 for the purpose of putting into production a standardised type of training aeroplane, as specified by the Air Board, for an output of at least 30 aeroplanes per annum.

If this section of the enterprise was pushed ahead with determination, output would be realised within eighteen months.

(3) Plans could be drawn up and contracts let for the construction of the first unit of the Engine Factory comprising buildings, plant and production tools to the value of £65,000.

In the first place efforts should be concentrated on the production of a small engine for the training aeroplane, but it should be kept in mind that a larger engine will be required later for bombers and mail planes.

Extension and additions to the value of £30,000 would be necessary in order to enable both small and large engines to be produced simultaneously.

In any case the output of engines would be delayed at least six months after the output of aircraft, so that, for the first batch of aircraft, engines would have to be imported.

(4) When the prototype bombers and mail planes were completed by the nucleus factory, production activities could be transferred to the main Aircraft Factory, where extensions and additions to the value of £20,000 would enable a production of twelve large aircraft per annum to be achieved in addition to the training aircraft.

(5) When the development of the main scheme was sufficiently advanced, the nucleus factory should be closed down, and all activities, personnel, plant and raw materials, transferred to the Main Aircraft Factory, so as to concentrate on production on a larger scale.

(6) When the developments outlined above have been completed, a stage will have been reached when complete aircraft and engines for both training and military duties can be produced in sufficient quantity to meet replacement needs for the Air Force.

Adaptations for civil use can also be produced. It will henceforth be possible to expand to any desired degree to meet the requirements of the Air Board and Civil Aviation. The possibility of producing aircraft in quantity for the private market can then be given full consideration and activities developed to engage in this field.

PERSONNEL

As the scheme develops, the matter of personnel can be considered as the circumstances require, but as the whole undertaking is essentially highly technical, it is absolutely necessary that from the outset there should be a Technical Director on the Board, and that he should be primarily responsible for the whole of the engineering organisation and its development.

If the plan to absorb the nucleus organisation of Tugan Aircraft Limited is adopted, a suitably qualified man for the post of Technical Director will automatically become available.

In the early stages it would not be necessary to import any highly trained executives for Aircraft production, as there are several suitable men available locally.

For engine construction, the case is different. It would be necessary for the Technical Director to visit the factory in England which is now producing the type of engine required, and arrange to obtain a competent executive for the Engine Factory.

Equipment and methods for the Engine Factory would be as nearly as possible modelled on the English Factory. It will also be necessary to obtain the services of three or four expert foremen for the Engine Factory.

LOCATION

In order of importance, points for consideration in selecting a site or sites for the Factories are given hereafter:-

- (1) Considerations which are essential from an economic aspect.
 - (a) Location close to other large engineering industries, to electric and gas supplies, and to a large industrial population.
 - (b) Location on an aerodrome, so that landplanes may be flight-tested after erection and delivered by air. It must also be possible to launch large flying boats.
- (2) Considerations of importance from a defence aspect:-
 - (a) A site should be chosen as remote as possible from areas easily attacked by an invader.
 - (b) Proximity to important Air Force establishments is an advantage.

FINANCIAL REQUIREMENTS

In order to carry out the scheme as outlined, the approximate financial requirements are as under:-

Preliminary Expenses	£5000
Acquisition of Nucleus, say	15000
Aeroplane Factory	35000
" " Extensions	20000
Engine Factory	65000
" " Extensions	30000
Fixed Investment	<u>£170000</u>
Stock of Raw Materials	30000
Working Capital for Production	<u>100000</u>
Subscribed Capital required	<u>£300000</u>

OUTPUT

The production capabilities of the organisation as planned would be as given hereafter:-

ESTIMATED OUTPUT FOR TWELVE MONTHS

30 Training Aircraft complete with engines £50,000
12 Large Twin Engined Aircraft with engines £120,000

Amount Recoverable

£170,000

After allowing for cost of labour, material, overhead and depreciation, a margin of £30,000 would be realised as a minimum on this output. This is sufficient to pay a reasonable return on the investment and turnover.

Z. W. A. S. D.