

August 12, 1969

cc: D. S. Moore
J. M. Shipton
B. R. Laumeister

Mr. C. M. Heiden
Manager-New Business Development Operations
Schenectady, New York

Dear Chuck:

As you requested, I am commenting for Corporate M&PA on Appropriation Request #87-251 in the amount of \$525, 000 (\$312, 000 investment). Including previously approved funds of \$247, 000, total project expenditures amount to \$772, 000. The funds requested will provide the capacity for producing 13, 000 battery-operated electric garden tractors a year, beginning in 1972.

The appropriation document itself provides no information whatsoever in support of this proposal; however, I had the benefit of close involvement in this project by Gil Gillespie and Jiggs Weldy, and of our meeting with you and Bruce Laumeister on July 31st.

The Market

There is ample evidence that the total market for garden tractors is large and growing. Future growth may be impeded by the trend toward more multiple-family dwellings and toward down-zoning lot sizes in suburban areas. The critical factor is the extent to which the electric tractor can penetrate this market and how long it will take. Your forecasts indicate that by 1972, of a total market (at manufacturers' selling price) of about \$470 million, electric will get 9%, and you will sell 1/3 of the electrics or \$14 million. This is a tough goal for a new organization, producing a new product, and selling to an entrenched market through a distribution channel in which the Company has absolutely no prior experience.

Competition

Your extensive field survey (interviews with over 1200 dealers to date) has given a very good feel of present market size, distribution, and competition. Leading competitors (International Harvester, John Deere, Sears Roebuck,

