

GENERAL ELECTRIC

CORPORATE ACCOUNTING OPERATIONS
SCHENECTADY, N. Y.



SUBJECT

8*235-5668

COPIES: JF Flowers
CM Heiden
RE Pfenning

PLANT APPROPRIATION REVIEW
APPROPRIATION REQUEST NO. 87-251

August 21, 1969

Mr. H. D. White
Manager-Financial Analysis
New Businesses Development Operations
SCHENECTADY

Dear Mr. White:

As requested, I attended a meeting in Schenectady, New York on August 20, 1969, to review details of the proposal to lease space and purchase equipment for the production of an electric battery-powered garden tractor. Funds requested total \$525 000 of which \$312 000 is plant investment and \$213 000 is rental and related expense. With previously approved funds of \$247 000, total project costs are estimated at \$772 000. Approval by the Chairman of the Board is required for this request.

The New Businesses Development Operations has studied the electric vehicle market for the past several years, and has built and successfully demonstrated battery-operated vehicles including an automobile, an all-terrain sports vehicle, and a number of garden tractors. In December, 1968, approval was obtained to establish an operation within New Businesses Development Operations to engineer, manufacture, and test market an electric battery-powered garden tractor. Leased space was acquired at a favorable annual rate (\$.98 per square foot) in Corporation Park, Scotia, New York, with production scheduled to begin in November, 1969. The strategy to develop this business is (1) initial entry and product refinement during 1970; (2) evaluation phase, with minimum investment, during 1970 and 1971; and (3) rapid scaleup of manufacturing in 1971 if a favorable evaluation is obtained.

A ten to twelve "horsepower" model will be introduced initially with other sized models added later. The tractor runs on battery for two to three hours, then requires approximately a six hour recharge. Although the average owner would have a small sized lot (one-quarter to two acres), the limited running time between charges will probably be a customer purchase consideration which could have an adverse effect on sales. Prices will be competitive with comparable models of gasoline tractors, and General Electric share of the electric garden tractor market will be substantial until the expected entry of established gasoline tractor manufacturers during 1971. The component's forecasted market share declines from 100 per cent in 1970 to 20 per cent in 1974, although this latter figure appears low considering General Electric's introduction and continued improvement of the product. Distribution will be through outdoor power equipment dealers in the East, which will cover 80 - 85 per cent of the expected market. A recent survey of these dealers disclosed a favorable acceptance of this innovation.

Mr. H. D. White

-2-

August 21, 1969

The Company should realize the following benefits from this business opportunity:

1. Establishment of a profitable department sized business (forecasted 1974 sales of \$32.0 million and net income of \$3.9 million) which can be used as a base for further expansion into other electric home care and recreational products.
2. Development of a new dealer structure.
3. An expected increase in the market for General Electric motor, control and charger components as a result of new entries into the electric tractor field, as well as a possible benefit to Company suppliers of electric utilities.

The chances of accomplishing the established objectives of this project appear good. By excluding early investment in manufacturing facilities, risk has been minimized. Accordingly, I endorse this project for Corporate Finance, and recommend

meeting to review financial

Very truly yours,

W D Hibbert

W. D. HIBBERT
SPECIALIST-APPROPRIATIONS ANALYSIS

mbr

