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Lead Industries Association, Inc.

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TO: MEMBERS OF THE LEAD INDUSTRIES ASSOCIATION

Attached is a commentary from a recent issue of BUSINESS WEEK that documents the surge in growth of the electric industrial truck, which quotes most of the major manufacturers. We think this tells the story exactly as we have been predicting for several years now.

Could we suggest that you look over your own operations with a view to the possibility of using electrics? No doubt, there are some applications where electrics still will not fit, but we are sure that you will see many more possible uses now than could be considered just a few years ago. If we can help just let us know.

Sincerely,

Cornel Baker

CORNEL A. BAKER, JR.

CAB:ip
Encl.

INDUSTRIAL MARKETING

A crackling market for electric forklifts

Helping factories cope with tighter pollution laws. Big buyers: military, Sears

"Unlike Detroit," says George Wellner, president of Towmotor Corp., "our industry already has a means of licking the exhaust emission problem." Wellner's industry is the $800-million forklift-truck business, and the solution that he is quick to point to is the electric forklift. "The electrics," he says eagerly, "can do the job."

While there are some big problems with electric forklifts—high initial cost, poky acceleration, and the chore of recharging—they are carving out a larger and larger market share against their gasoline- and propane-powered counterparts. The spur: tighter noise and exhaust-emission factory standards contained in the Occupational Safety & Health Act of 1971. Among a welter of do's and don'ts, for instance, the act specifies that carbon monoxide emissions cannot exceed 50 parts per million unless workers wear special protective gear. "And we expect OSHA regulations to get stricter," Wellner says. The United Auto Workers and other unions are also lining up behind the law and multiplying the pressures for electric forklifts.

As the push gains momentum, forklift marketers are mounting a high-voltage campaign that has already made electrics a faster-growing market segment than either gasoline or propane models. George Markell, president of the Material Handling Institute and vice-president of Clark Equipment Co., claims that one out of five of the rider forklifts sold this year will be electric, and by 1980, he predicts, the figure will be one out of four. That compares with one out of seven in 1960.

"Our backlog for electrics is up 35%, and our sales of electrics have increased 51% over last year," says Robert Bry, vice-president of Otis Elevator Co.'s Diversified Operations Group, which made the old Baker electric auto from 1899 to 1923. "We have the highest backlog of business in our company's history," echoes Sheldon K. Towson, Jr., president of Elwell-Parker Electric Co. Thomas Bidwell, vice-president of Crown Controls Corp., which makes only electrics, concedes that, "This is not going to sound real, but our business increased 50% in the electric forklift end this year."

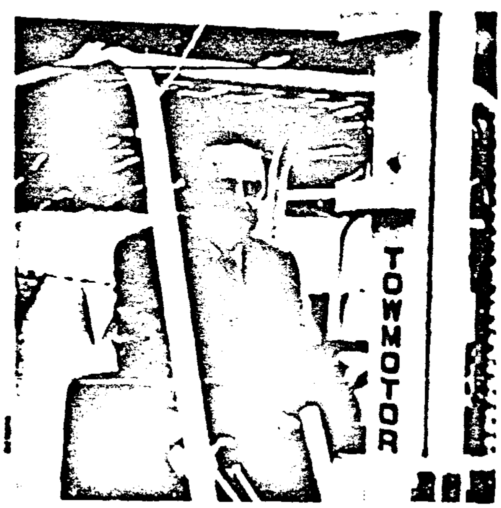
A fast turnaround. The crackling surge in electrics is speeding a general recovery in the whole forklift industry. Between 1963 and 1969, the industry doubled in dollar sales. Then when the recession hit in 1970, sales tumbled 23%, and they continued to lag in 1971. This year, forklift sales are back up, running 34% ahead of last year. Sales of electrics are up 41%.

Forklift manufacturers can make a strong pitch. While electrics may cost more—anywhere from $11,000 on up compared with $7,000 or more for gasoline-powered models—their long-term operating and maintenance costs are lower and tend to wipe out the initial price difference. Today's electrics are also more efficient than the models of five or 10 years ago. Battery life on a single overnight charge has gone from four hours to seven or eight hours, battery sizes have tripled to 36 volts, vehicle speed has doubled to 8 mph, and solid-state controls have replaced the older, less reliable mechanical controls.

"There are constant improvements in gasoline models, as well," says Joseph H. Maloney, vice-president of Allis-Chalmers Corp. "But it is unlikely that there will be more efficiencies in gasoline engines, because when you improve pollution control, you receive less efficiency from the engine."

Military orders. Customers seem to agree—especially today's biggest single buyer of all: the military. "We now look at each operation and order according to environmental needs," says Colonel Anthony Del Giorno, chief of the Accessories and Vehicles Div. at Warner Robins Air Military Area in Macon, Ga. Right now, for instance, Del Giorno's division, which handles all vehicle procurement for the Air Force, is buying 10 electrics for Hill Air Force Base in Ogden, Utah, because the base is not properly ventilated for internal combustion vehicles.

One of the next biggest customers is Sears, Roebuck & Co., which uses electrics in distribution centers and catalogue-order plants. A few years ago, Sears operated with 90% gasoline-powered forklifts and 10% electrics. Now, the ratio is estimated at 50/50. A few



Otis Elevator's Bry: "We're able to know right down to the county what customer has what buying habits."

Towmotor President Wellner: "We expect regulations to get stricter, and the electrics can do the job."

years off in the future, industry members predict, Sears' forklift fleet could end up 90% electric and only 10% gasoline-powered.

To localize their customers and main markets, the larger manufacturers of electrics are going in for more and more market research. Otis Elevator's Bry cites the wealth of data compiled by the Industrial Truck Assn. "We're able to know right down to the county what customer has what buying habits, the changes in ratings—say, the demise of the 4,000-lb. truck and the increase in heavies—and other information. Our

'Our business increased 50% in the electric forklift end this year'

people approach the market carefully and put more emphasis on market research than many industries, simply because there is so much data."

Promoting new models. In kicking off a new model, Otis and other major manufacturers go in heavily for trade- and business-magazine advertising, as well as a stiff jolt of promotion. The Industrial Truck Div. of Eaton Corp. is boosting its overall forklift ad budget 20% above last year, "and a big part of that will go into electrics," says the division's marketing vice-president, Alan Bethell. To help their customers cope with the stiffer pollution-control law, Eaton is also distributing a "User's Guide to OSHA," which details the new regulations and includes handy checklists for forklift fleet owners.

As part of its promotion, Allis-Chalmers often organizes small caravans that travel from four to six weeks to key cities, introducing the new machine to dealers and describing its prices, features, and advantages over competitive models. "In promoting one of our new electrics recently," says Allis-Chalmers' Maloney, "we also had a program in which any dealer who bought several models would receive a free car trailer so he could transport the forklift to show his customers."

When a forklift maker first diversifies into electrics, one of the biggest expenses of all is retraining. After Hyster Co. entered the electric market earlier this year, the company had to retrain 1,400 servicemen and 400 salesmen to sell and market electrics. "We had a series of workshops to train our sales personnel and asked our dealers to hire additional sales and service people," says Donald Shaffer, sales manager. "The main problem was to take our old-line internal combustion salesmen and train them to sell electrics." Hyster has no qualms, however. Earlier this year at the industry's annual Material Handling Show, Hyster executives proudly sported "It's about time" buttons. ■

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