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ALLIS-CHALMERS SCOPE

SPRING, 1966

SPRINGFIELD
FEB 11 1966



Editor
A-C Scope
Allis-Chalmers
P. O. Box 512
Milwaukee, Wisconsin 53201

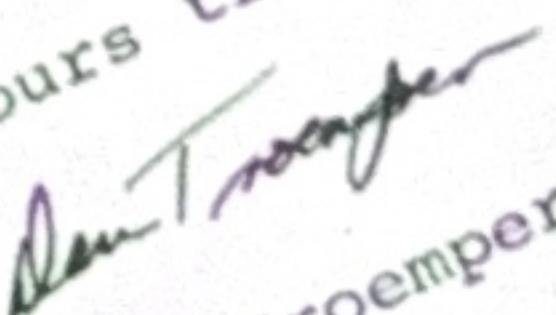
Dear Sir:

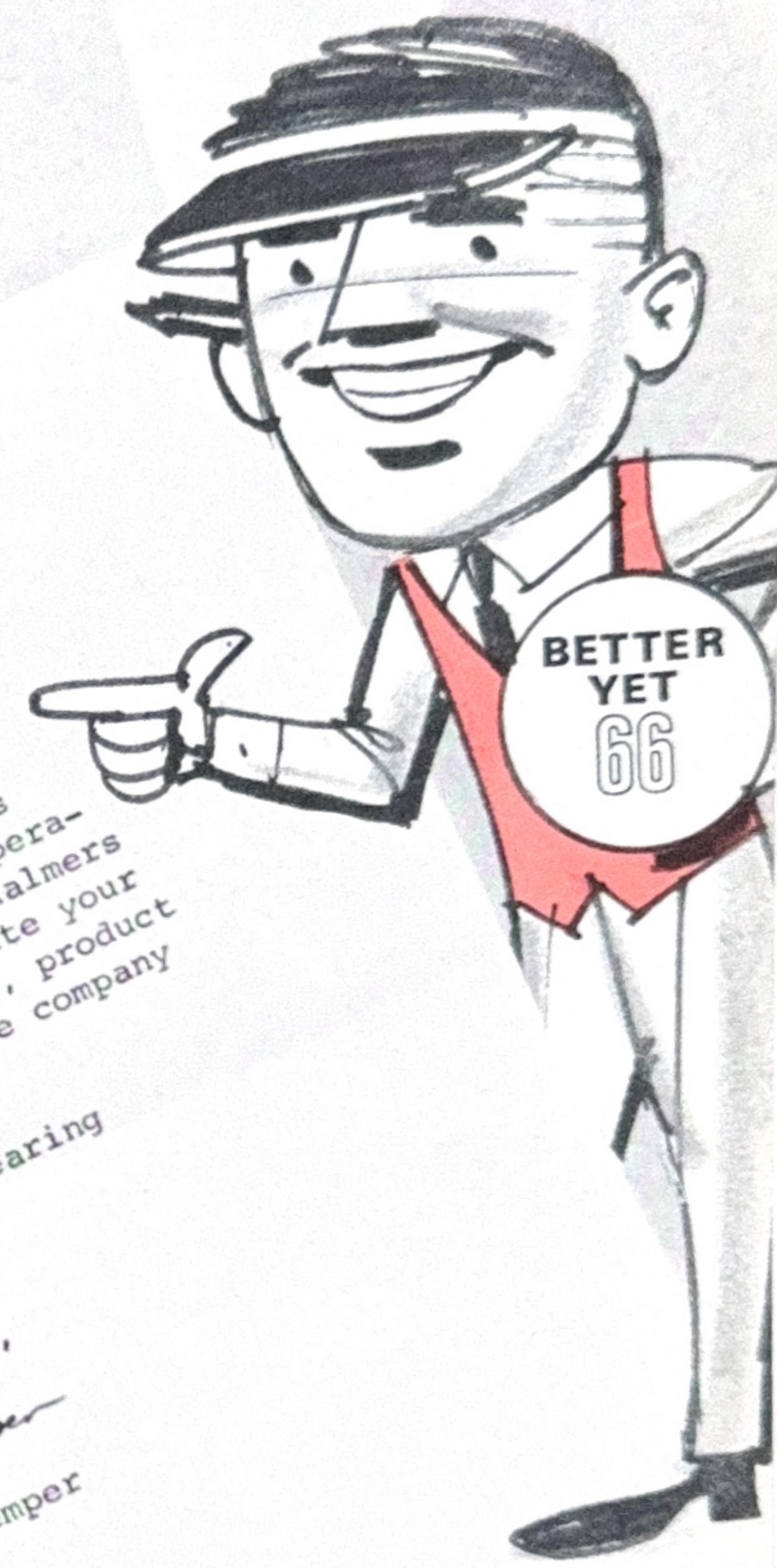
I recently graduated from Millikin University and joined the Allis-Chalmers Springfield Plant about two weeks ago in the Tool Control Department.

Since this is my hometown and having worked two summers in the plant, I am somewhat familiar with the local operation and its products. I know, though, that Allis-Chalmers is a large corporation. As a newcomer, I'd appreciate your sending me information on the many markets we serve, product diversification, total employment, and how well the company did last year in sales, profits and growth.

I enjoy reading A-C Scope and look forward to hearing from you.

Yours truly,


Dan Troemper



Annual Report Issue

Magazine for Employees
 of Allis-Chalmers

Jack Pearson.....Editor



COVER

Our cover letter was written by Dan Troemper, a plant engineer in tool control, Manufacturing, Springfield Plant. He joined Allis-Chalmers on January 27, 1966. He is a January graduate of Millikin University with a Bachelor of Science Degree in Industrial Engineering.

Raised in Springfield, he is a 1961 graduate of Springfield high school. At Millikin, he lettered three seasons as a halfback in football and received four letters in baseball, captaining the team in his senior year.

Dan worked at the plant for two summers in tool control. This gave him a good taste of industry and let A-C see what an ambitious young man could do. (One of his summer assignments has resulted in changing from tapered to straight shank drills with annual savings of \$11,000.)

Dan's father is A. Paul Troemper, plant manager for the Springfield Sanitary District.

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March 1, 1966

Dear Dan:

Thank you for your letter, and welcome to the growing Allis-Chalmers family.

Your questions are interesting and timely.

So timely, in fact, that we've decided to answer them in this annual report issue of SCOPE magazine.

Our report, on a market-by-market basis, describes the encouraging progress Allis-Chalmers made during 1965.

You will notice that our sales are at an all-time high, and earnings nearly doubled the 1964 figure. But, as a new employee, you should realize that this is only a beginning.

As a percentage of sales, our earnings still are below the national average, and competition for all our markets is intense. Our competitors are trying to make a profit, too, by outselling us.

So, in order for our sales and earnings to increase, Allis-Chalmers has to keep doing better — and better yet. In fact, Dan, that's our theme this year — BETTER YET 66.

President Willis G. Scholl recently said, "We can afford to settle for nothing less than excellence in all that we do."

Allis-Chalmers can only prosper by outperforming our competitors. But the Company is only as good as its employees make it. Each individual employee. That means you and I; the fellow at the next desk; the stenographer down the hall; the machinist in the plant.

We're all proud of our Company, Dan, and the more successful it becomes, the prouder we'll be.

The Editor

YEAR OF PROGRESS 1965

During 1965, our consolidated sales totaled \$714 million — 13 per cent over 1964's volume. At the same time, our backlog of industrial and electrical apparatus orders rose 18 per cent.

Consolidated earnings for 1965 were \$22 million, equivalent to \$2.33 per common share. The 1964 figures were \$12.7 million and \$1.37.

Dividends on the common stock were increased by 50 per cent in the fourth quarter, to an annual rate of 75 cents per share.

Sales gains were general in most of our markets, but some merit special mention. Farm equipment set a new sales record for the fifth successive year, doubling the volume of five years ago. Material handling shipments continued their steady advance with

an increase of more than 20 per cent. Sales of Extra High Voltage and other electrical transmission and distribution equipment were especially strong. Orders for hydraulic turbines were up sharply. Shipments of papermaking machinery and *Grate-Kiln* plants for iron ore pelletizing and phosphates set new records.

Export sales reached \$75 million, and our foreign manufacturing subsidiaries strengthened their positions in just about every instance.

More detailed statements on the markets we serve will be found beginning on Page 8.

During 1966 we will be adding to facilities for increased production of lift trucks in one instance and hydraulic turbines in another. To improve efficiency and reduce the costs of distributing service parts for our Construction Machinery and Engine-Material Handling Divisions, we are building a large, mechanized and computerized central parts depot in the Chicago area. Also, we will be enlarging our Greendale Laboratories to provide facilities for about 250 professionals and technicians who will be developing advanced fuel cell systems for the longer-duration space missions.

Major plant modernization programs are proceeding as scheduled. The largest — the complete revamping of our capital goods shops at West Allis — is finished. The project for the electric motor and pump facility at Norwood, Ohio, will be completed in this quarter. Our very extensive modernization of the Pittsburgh transformer plant is well under way. In each instance it has been our intention to provide a resulting facility which will be fully up-to-date and competitive, taking entire advantage of the latest developments in material flow and transportation, machine tools, automated processes and reduction in paper work.

We estimate that our capital expenditures for 1966 will be about 25



Chairman R. S. Stevenson



President W. G. Scholl

per cent higher than the \$20 million so invested during 1965.

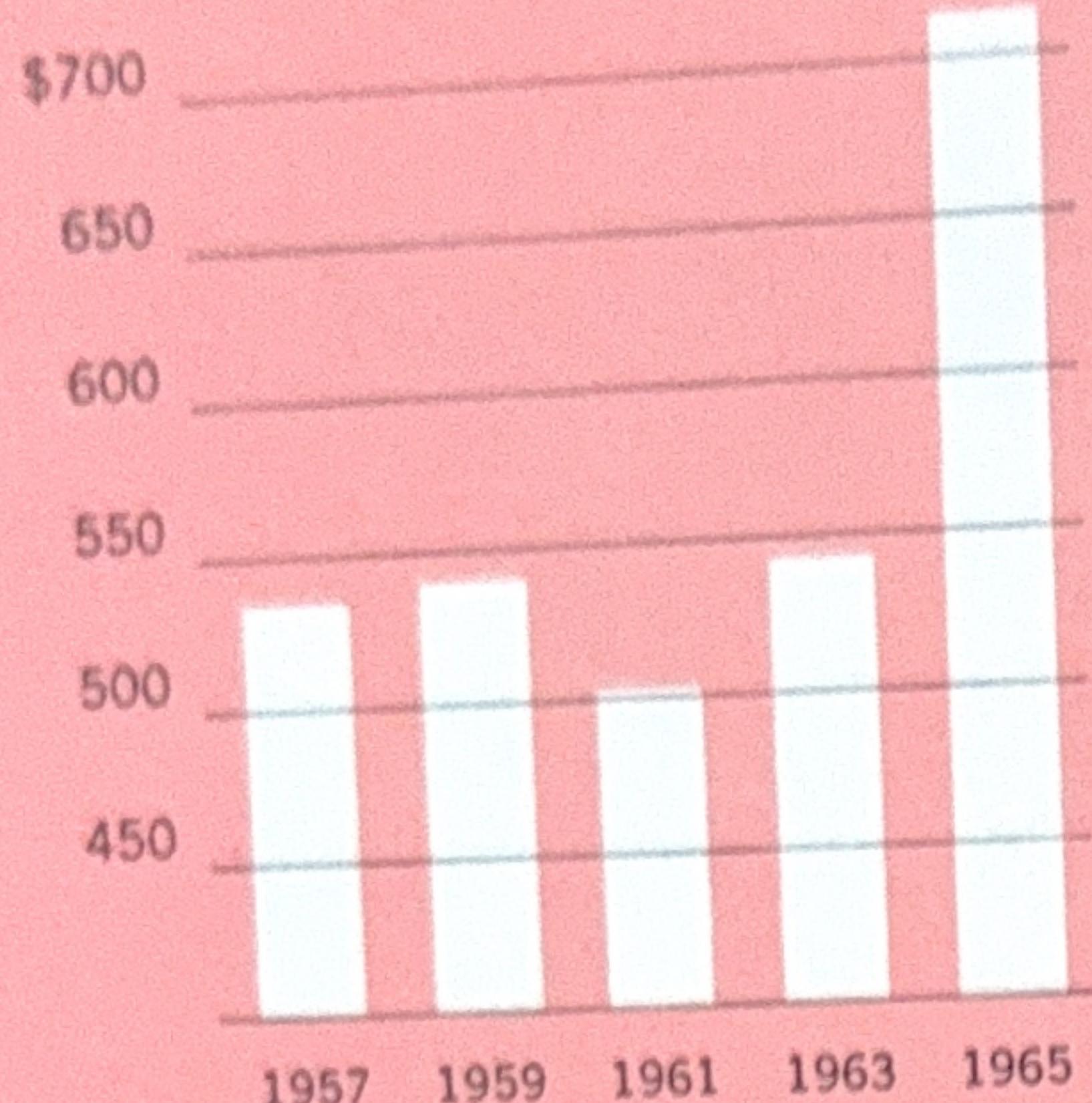
In October of last year, we acquired Simplicity Manufacturing Company, one of the country's highest quality manufacturers of mobile, outdoor power equipment, including riding mowers, garden tractors, rotary tillers, snow throwers and allied equipment. This unit is being operated under the Simplicity name as a wholly owned subsidiary, with its own dealer and distribution organization. We are presently contesting a suit by the Department of Justice challenging this acquisition.

Employee activities were especially noteworthy in 1965.

"Sell Allis-Chalmers" efforts achieved the million dollar milestone with nearly \$200,000 in sales reported

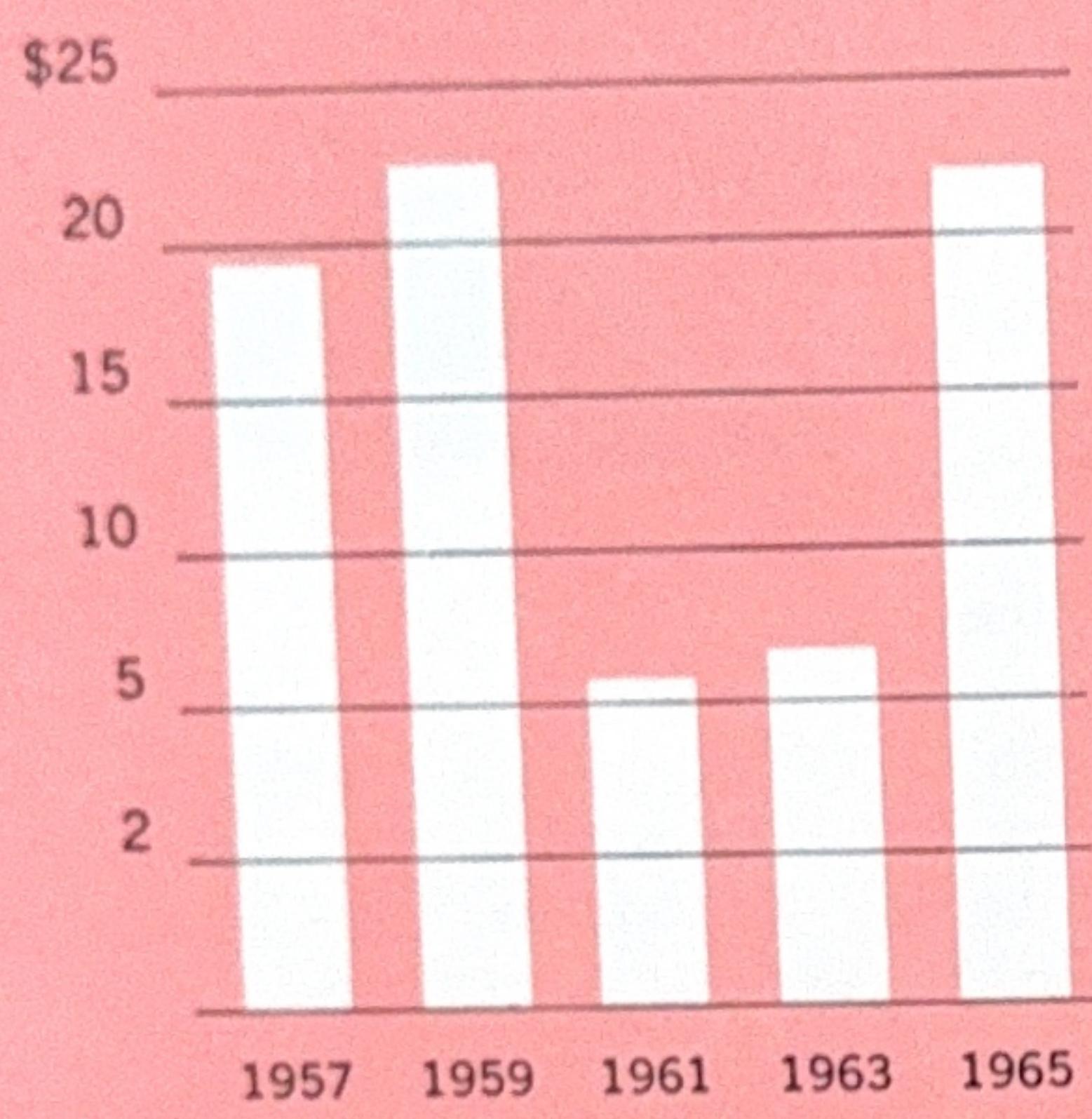
Total Sales

(in Millions)



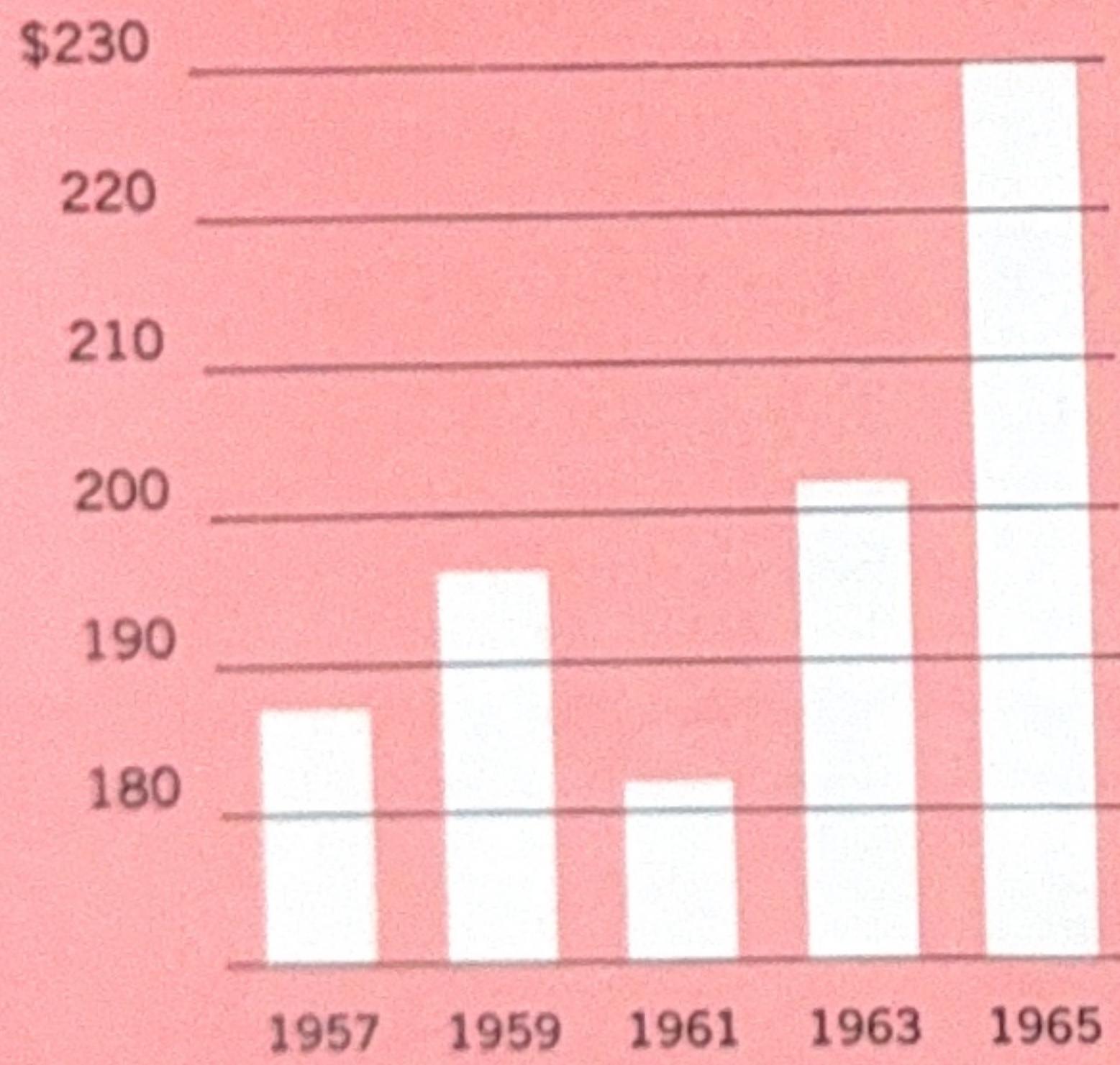
Total Earnings

(in Millions)



Total Payroll

(in Millions)



Year of Progress - 1965

(continued)

during the year. The program — to promote the Company and its products — will be four years old in April.

Suggestions from employees hit an all-time high with 3,810 turned in. Of that total, 918 were accepted, resulting in total awards of \$28,173. Cedar Rapids again was named top plant, based on participation and adoption percentage. Three employees — Rufus Hockman of Novato, Harold Harmon of Springfield and Luis Garcia of West Allis — each won awards in excess of \$1,000.

Employees were enthusiastic in their acceptance of the Company's new corporate trademark, introduced last August. The now well-known emblem was presented after many months of planning and evaluation to depict visually the many advances the Company is making.

To all of our employees, this new Corporate Identity Program is extremely important. The success of the Company depends to a large degree on how well and how favorably we are known by our customers and the public. The new trademark is specifically designed to provide

Ross Stevenson
Chairman

Comparative Financial Highlights

1965

| | |
|---------------------------------|---------------|
| Total Sales | \$714,408,892 |
| Earnings | \$ 22,109,576 |
| All Taxes | \$ 34,116,793 |
| Number of Employees | 35,249 |
| Payroll | \$230,458,793 |
| Earnings as a Per Cent of Sales | 3.09% |

instant recognition of our Company and our products under all conditions. It is intended to serve — better yet in 1966 — as a symbol under which we can extend still further our reputation as one of the world's leading manufacturers of quality products.

Pay to employees reached an all-time high of \$230,458,793, nearly \$16-million over the previous year. Average pay was up over \$350 per employe.

Company benefits also attained new heights. During 1965 Allis-Chalmers spent \$59.8 million for all benefits. This comes to \$1,881 for each employe, or just over a dollar in benefits for each hour worked.

In the final analysis, the human resources of Allis-Chalmers will be the measure of our success. Special attention is being given to the selection and development of a superior organization in every element of the business.

We go into 1966 with strong momentum. Presently, all evidence points to another year of increased sales volume and improved earnings.

W. S. Scholl

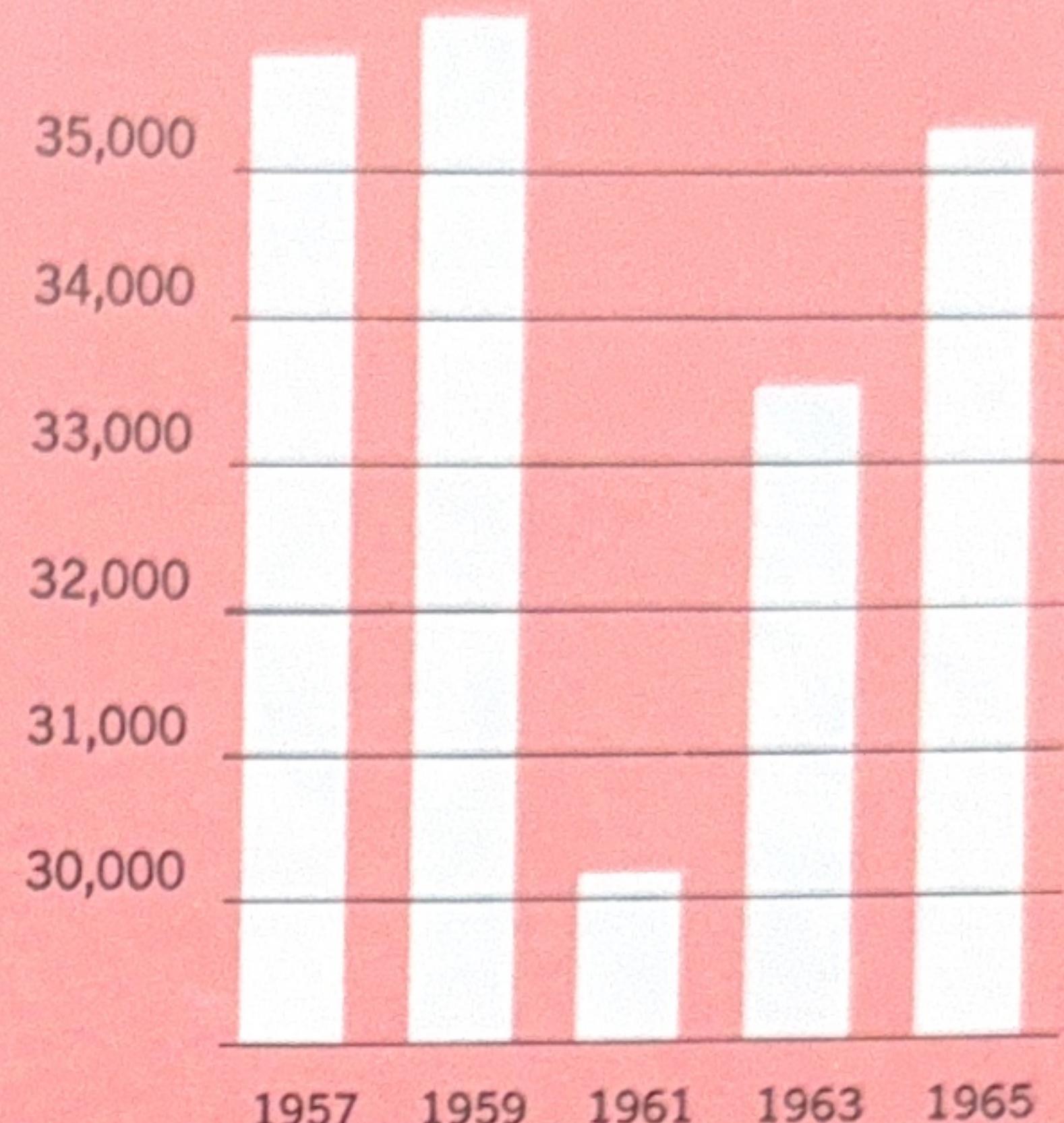
President

1964

1963

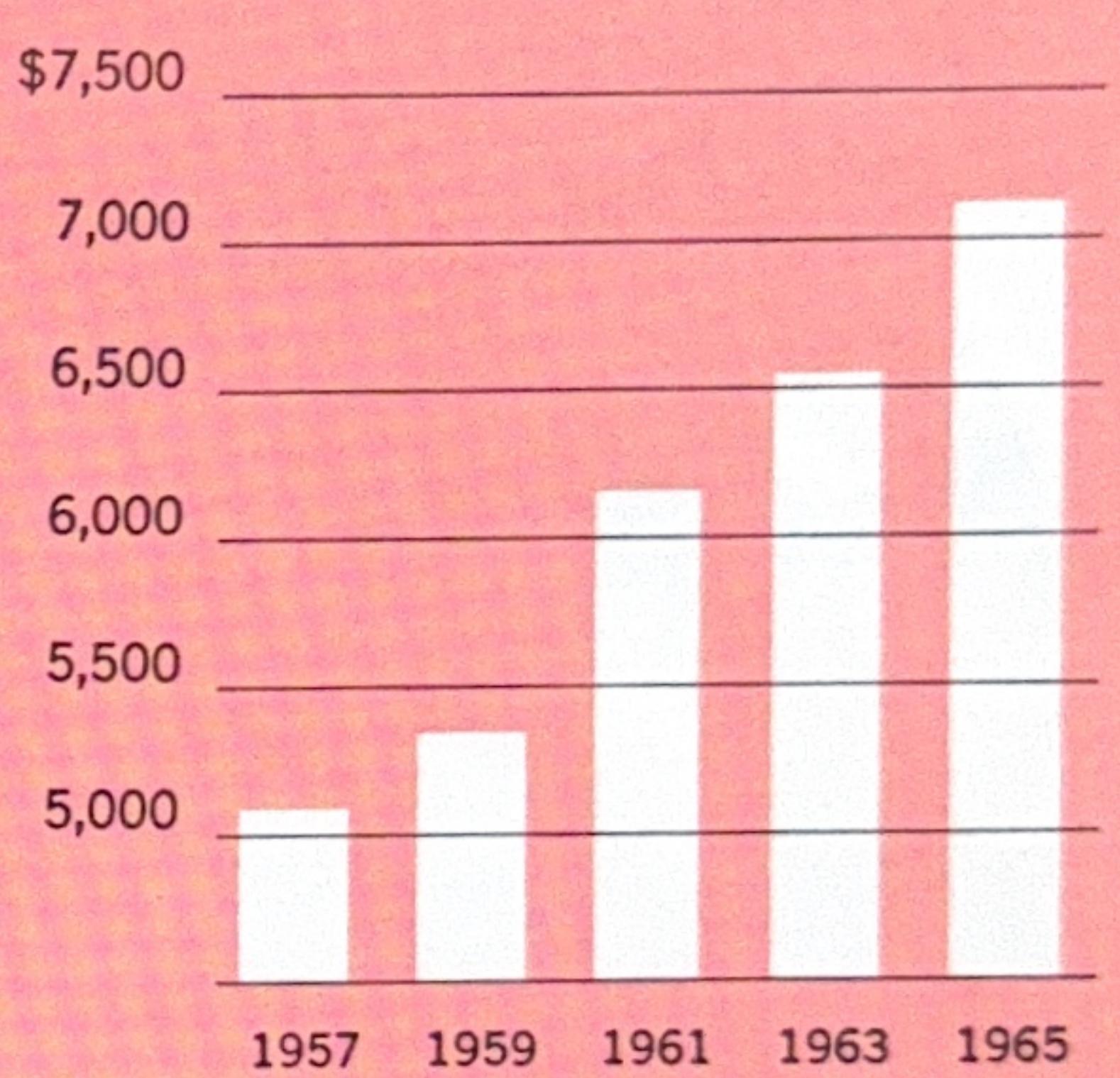
| | |
|---------------|---------------|
| \$629,067,412 | \$543,941,329 |
| \$ 12,739,471 | \$ 6,870,130 |
| \$ 24,539,351 | \$ 18,899,489 |
| 34,259 | 33,552 |
| \$216,556,928 | \$202,592,224 |
| 2.02% | 1.26% |

Average Number of Employes



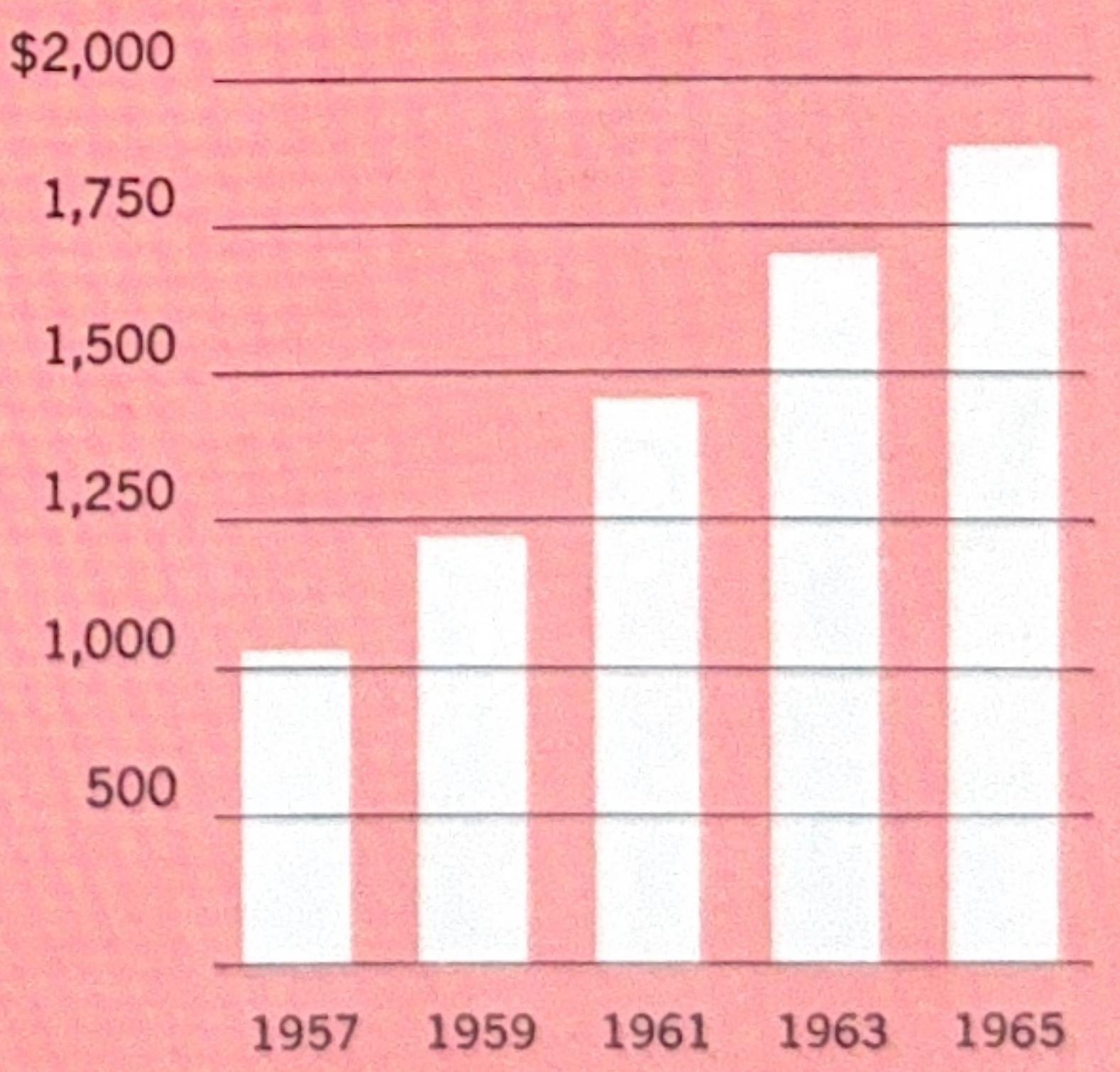
Average Employe Earnings

(U.S. and Canada Only)



Benefits Per Employe

(U.S. and Canada Only)



We had quite a year

Here is how each dollar of the

\$714,408,892 in total sales

was divided by employees, share owners, the government and the Company.

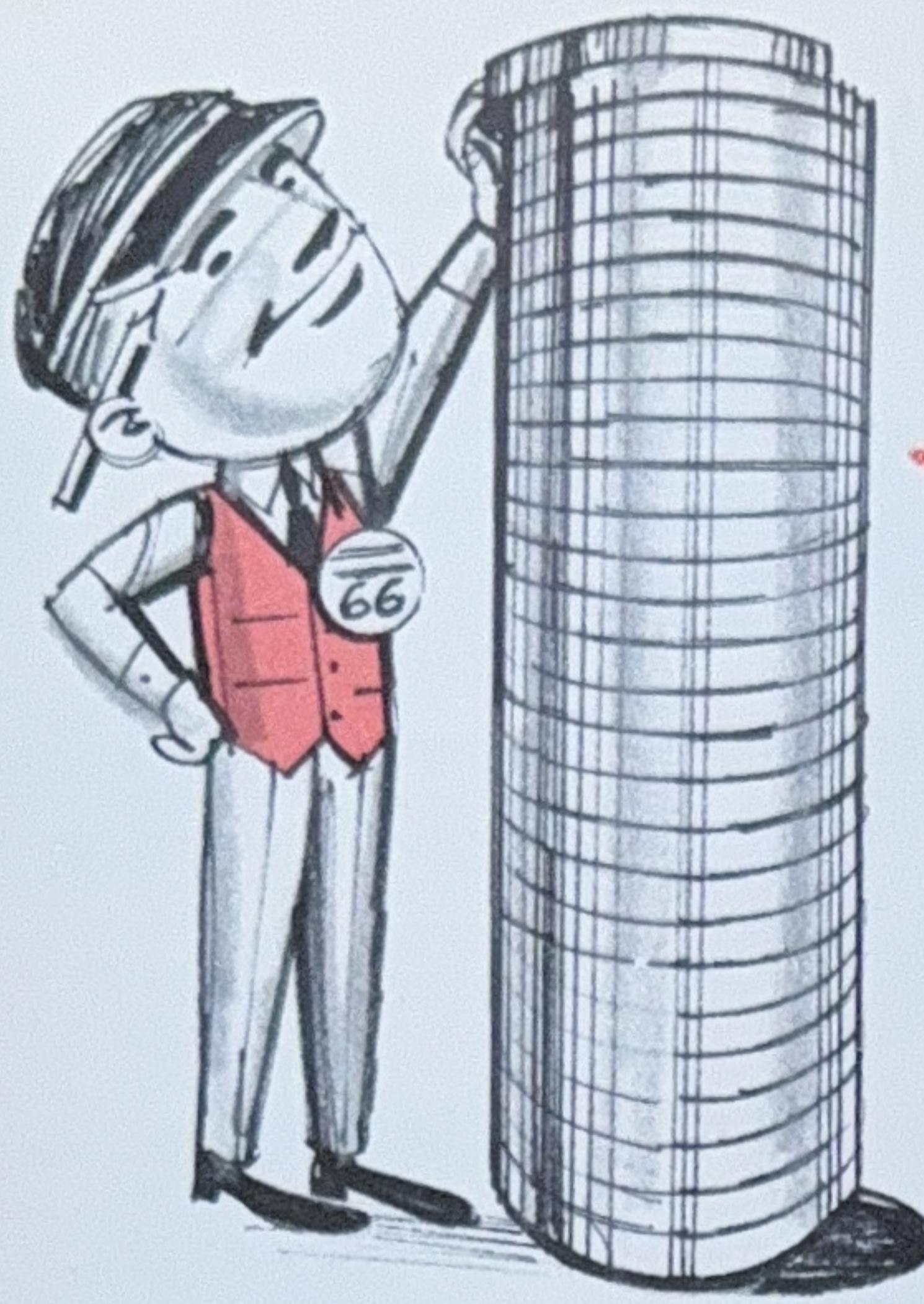


DIVIDENDS... This is money paid to common and preferred stockholders of the Company. We had 54,707 common and 2,489 preferred share owners. Their equity in our Company is \$345,998,342. Last year, for their investment, they were paid \$6,165,207, or **0.9 per cent** of our sales dollar.

PAYROLL... Salaries and wages for our employes in the United States and Canada accounted for \$230,458,793 — the highest total ever for the Company, and 14 million above last year. This amount represented **32.2 per cent** or nearly a third of our sales dollar. Compensation for employes includes, in addition to wages, life insurance, medical-hospital-disability insurance, pensions and social security, and other employe benefit plans.

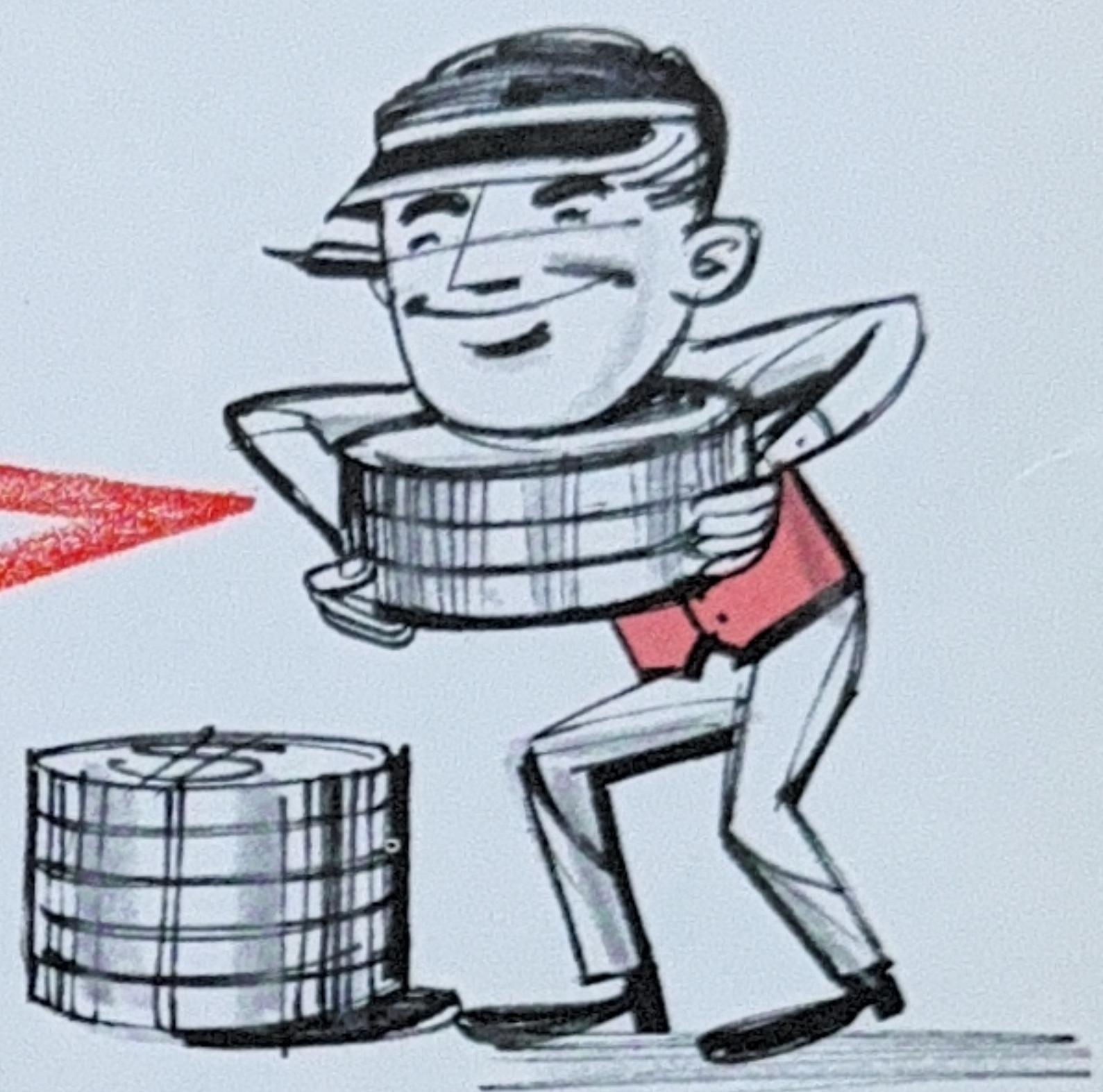


WEAR and TEAR... Words that mean depreciation. It's that portion of the cost which has been applied to the life of buildings and machines used during the year. For instance, if the life of a building is calculated at 40 years, the depreciation during each year would be $2\frac{1}{2}$ per cent. Everything has a different life expectancy. Some machinery is expected to last for 10 years, others for only a year or two. Wear and tear in the past year was \$19,706,485 or **2.8 per cent** of our total.



MATERIALS and SERVICES BOUGHT... Materials include the goods used in production, such as steel, wire, paper, rubber and chemicals. Services include fees paid to advertising agencies, maintenance firms, rental equipment, legal counsel. This portion of our sales dollar is \$402,078,660, or **56.3 per cent**.

INCOME REINVESTED... The profits left in the business after dividends have been paid to stockholders. This can be used for increasing the business by modernizing plants or buying machinery. These retained earnings in 1965 were \$15,944,369, or **2.2 per cent** of our sales dollar.



INTEREST... The amount of money we pay for borrowed capital. Interest or borrowed capital is a business expense, and thus is tax deductible. We paid \$5,938,585 on interest last year, or **0.8 per cent** of our total sales.

TAXES... Taxes paid to the government to support and protect this country of ours, in addition to state and local assessments, accounted for \$34,116,793 — or **4.8 per cent** of our total sales dollar, and nearly twice what we paid two years ago!

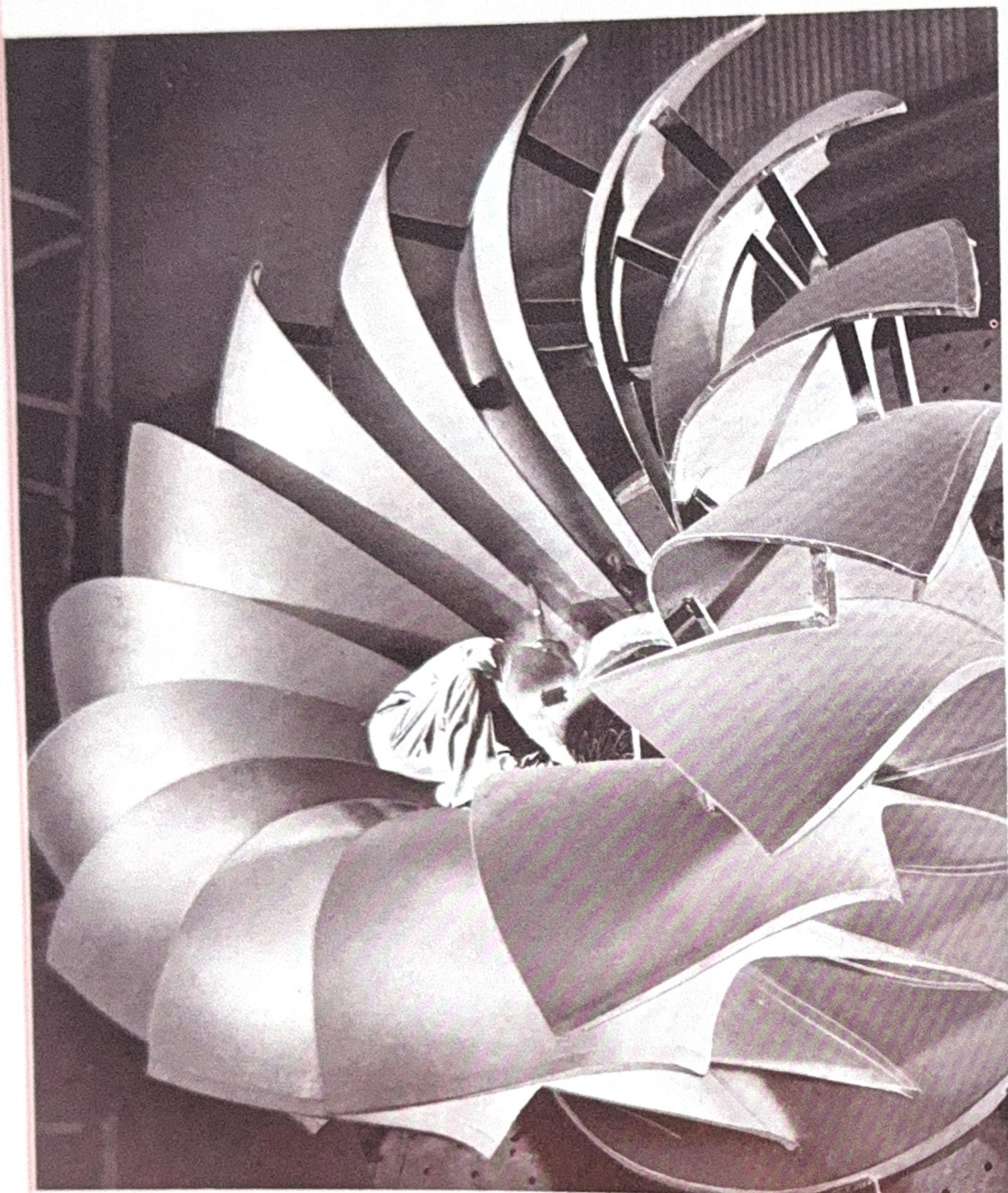


Review of our markets

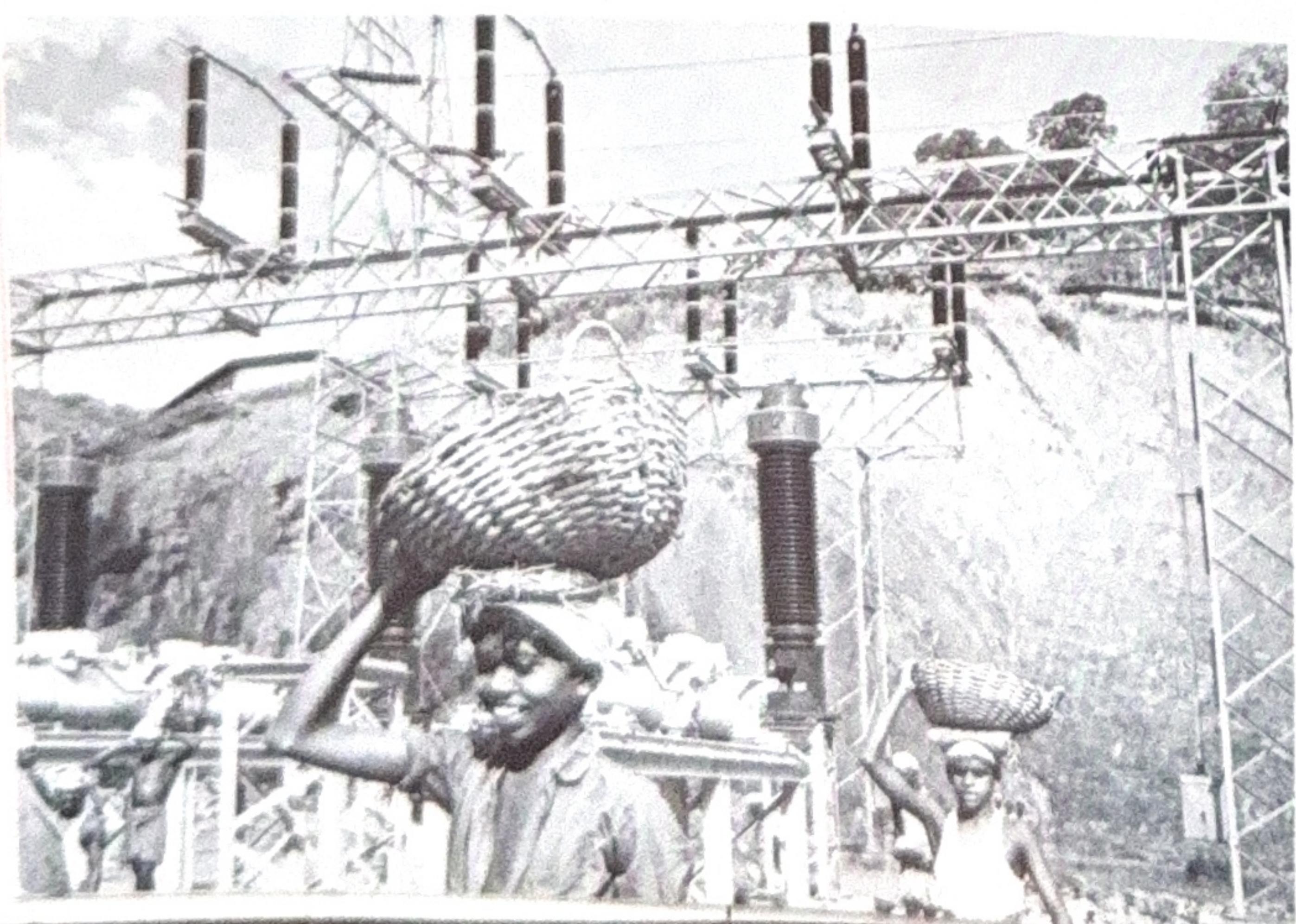


Allis-Chalmers is a major contributor to the industrial strength of America and supplies equipment to 125 other nations of the free world as well. We have gained this position by marketing a broad range of equipment, processes, systems and services — all designed for high quality and good value. While we are pleased with our improved 1965 results, we are confident that the year ahead will see expanded sales of our goods and services in the many markets we serve.

The pages which follow show some of our 1965 accomplishments which have strengthened our world-wide position in the major markets Allis-Chalmers serves.



BUSY AS A BEE inside a flower is this welder at the York Plant. Actually, these steel petals comprise a partially completed runner for a hydraulic turbine that will be installed in a hydro-electric plant in Liberia, Africa.



ELECTRIC UTILITIES... Allis-Chalmers serves the electric utility industry — which doubles in size every eight to ten years — with hydraulic turbines, generators, power and distribution transformers, switchgear and circuit breakers. A variety of this equipment is used for Extra High Voltage transmission purposes.

As the foremost producer of hydraulic turbines, the Company has an imposing and growing backlog of orders for straight hydraulic turbines and generators, the popular reversible pump-turbine and our most recent development, the *Tube* turbine.

In most areas, demand for electric power fluctuates considerably during each 24-hour period. To meet daily peak demand at far lower costs, power companies are installing the A-C reversible pump-turbine and generator unit. Performing efficiently on a number of water sites, the pump-turbine will start quickly, spin the generator and produce electric current when power needs go up. When demand is low, the generator becomes a motor, the turbine a pump, and water that fell previously is returned to a reservoir to be used at the next peak-demand time.

Five *Tube* turbines, which utilize low-head water for the generation of power, have been ordered by the Little Rock office of the U. S. Army Corps of Engineers.

The Company in the past year has been increasing its capabilities and improving its strong position in the field of Extra High Voltage. Early in 1965, the largest U. S. shunt reactor bank started operation with three of our 500,000-volt reactors on the Tennessee Valley Authority system.

Shipments of transformers, switchgear, circuit breakers and regulators were up substantially over the previous year. We have a new line of *Sub/Tran* distribution transformers, which provide safety and dependability in underground installation. These advanced units help utility companies retain the natural beauty of new housing areas by eliminating the need for unsightly poles and overhead wires.

We have just completed a new plant at Portland, Oregon, which is devoted to the manufacture of electrical switches, principally of the type required for EHV application. In addition, a substantial modernization and expansion program continues at the distribution transformer plant in Pittsburgh.

ANCIENT METHODS contrast with modern-day electrical gear at the Kakki-Pamba hydro project in Kerala, India. Allis-Chalmers equipment, some of which forms the background here, includes hydraulic turbines and generators, transformers, switchgear and auxiliary apparatus. We are prime contractors for the \$10 million power project.



THE CRAWLERS GO ROLLING ALONG. A fleet of Allis-Chalmers HD-16M crawler tractors roll over the hill as part of a unique combat construction strike force at Ft. Leonard Wood, Missouri. The 47 units at the base are among 869 purchased from Allis-Chalmers by the U.S. Army for military construction work.

DEFENSE... We shipped more than 400 crawler tractors, 350 lift trucks and a sizable number of other products to various branches of the Armed Services. Many of our products are now operating in Vietnam. One is the new articulated wheel loader equipped with special features which permit it to be separated into two parts for transportation by helicopter.

The Army's Engineering Research and Development Laboratories ordered a number of portable diesel-electric sets of a special design to power electronic equipment operating under extremes of climate and altitude. For the same organization, we developed a five-kw fuel cell to act as a silent power source for producing electricity from readily available fuels in field service.

Growing activity at the Newport News, Virginia, shipyard has led to increased sales of our marine equip-

ment. New vessels to use our products include the attack carrier John F. Kennedy, various nuclear attack submarines and two large tankers. For this market, Company researchers are now developing a generator which will produce oxygen from water and electrical energy. Smaller and lighter than present devices, it will require less power and produce less heat.

A fleet of our construction machines is helping to build the crawlerway over which the Saturn V moon rocket and three-man Apollo spacecraft will be moved to the Merritt Island, Florida, launch pad.

We continued development, under NASA sponsorship, of a fuel cell system capable of supplying the electric power and drinking water needs for manned spacecraft. One of our units has produced power for 1,800 hours, equal to that required for 10 round trips to the moon.

Review of our markets (continued)

AGRICULTURE... There will be 400 million more mouths to feed throughout the world five years from now, according to a recent forecast. To meet this giant need, agriculture in the United States is expected to shift from a policy of limited food production to one of growing output. This will call for the tillage of lands not now in use for farming purposes as well as for increased harvests from acreage presently in production.

Helping farm and factory in their efforts to transform a world in want into lands of plenty, Allis-Chalmers supplies a long line of wheel and crawler tractors, implements and harvesting machinery of advanced design, as well as other specialized equipment, for land preparation, planting, cultivation and harvesting of the basic crops.

Our increasing penetration of this large market is evidenced by record sales of farm equipment for five successive years.

Greater yields and lower costs for farmers are resulting from our continuing research and equipment developments in narrow-row crop production.

To meet the continuing demand for more productive farm tractors, we turbocharged our two largest

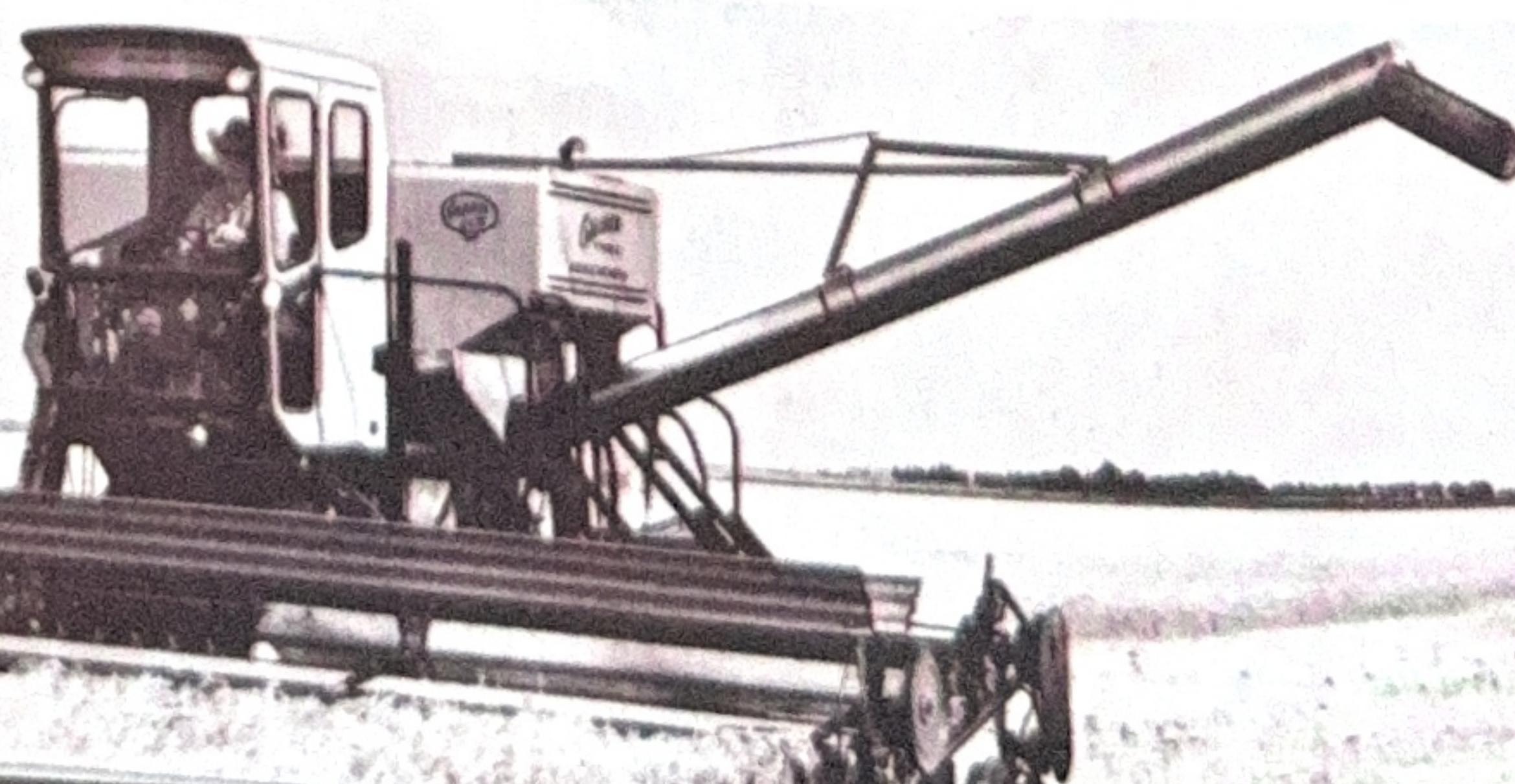
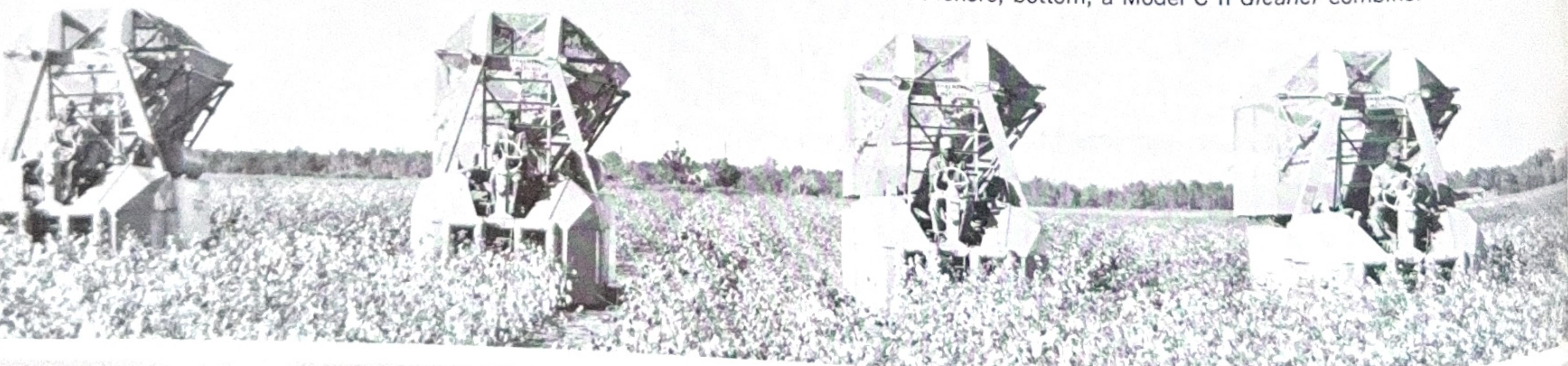
models and now offer the most powerful row-crop tractor on the market.

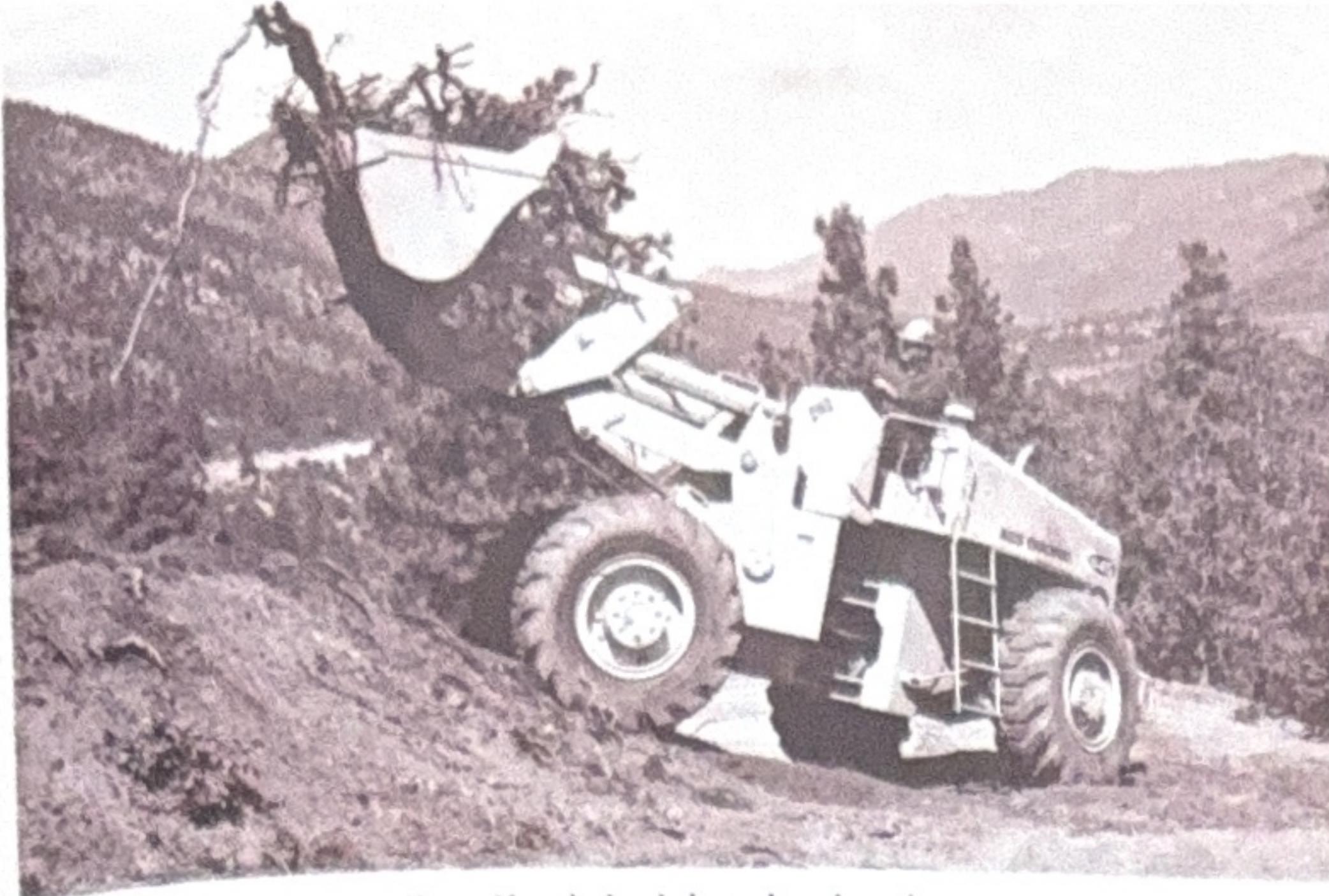
The Company's leadership in self-propelled harvesting equipment was strengthened during the year when record-setting *Gleaner* combine sales gave us the greatest penetration of this important market we have ever had. Our production of these machines has increased 300 per cent in the last ten years and nearly 100,000 square feet of manufacturing space has been added since 1962 to our combine plant at Independence, Missouri.

A new centrifugal separator developed by our engineers will help speed the processing of increased tonnages of sugar made from crystalline corn, beets and cane.

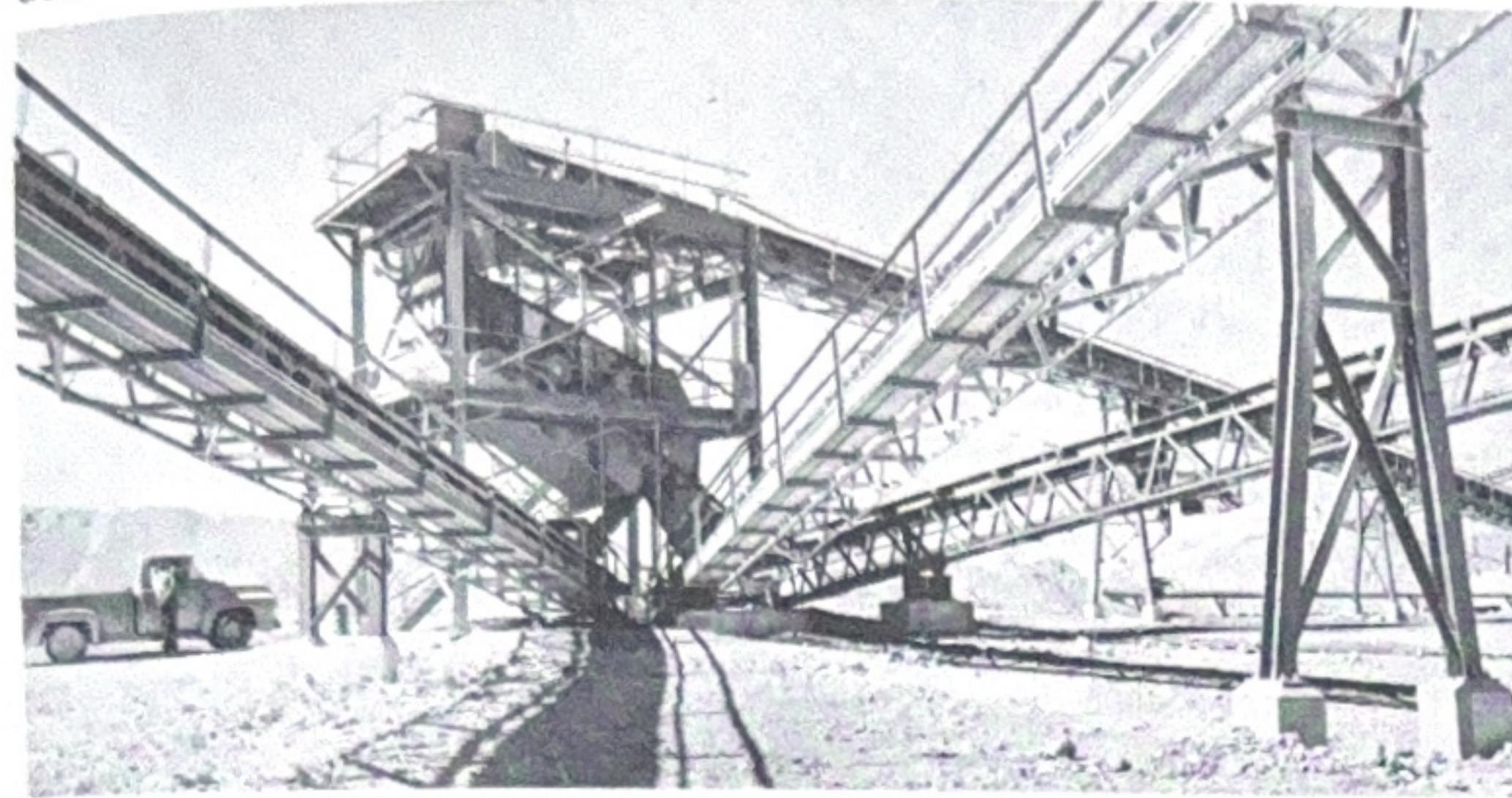
The booming phosphate industry is an important supplier of fertilizer for agriculture. Allis-Chalmers has adapted its well known *Grate-Kiln* system — used in iron ore pelletizing — to the processing of phosphates for electric furnace feed and fertilizer production. We scored an industry first by obtaining two large equipment orders for phosphate processing, which has become an attractive market for a number of our products.

FARM EQUIPMENT at work. Top, the One-Ninety tractor; middle, two-row Cotton Pickers; bottom, a Model C II *Gleaner* combine.





NEWLY INTRODUCED articulated tractor-loader (top) works in mountains of Colorado, while Florida crushed stone plant (below) uses our screens.



ONE OF WORLD'S largest cement kilns arrives in Puerto Rico after 2,500 mile water voyage from Milwaukee, Wis.

CONSTRUCTION, CEMENT and AGGREGATES...

Growth continues to be the key word in describing the construction field and its closely allied industries, cement and aggregates. Rising to an estimated \$68 billion in 1965, dollar value of new construction is expected to reach \$90 billion per year by 1970.

Allis-Chalmers is a leading supplier to this big construction market. In addition to our full line of crawler tractors with bulldozers, buckets and other attachments, we also build motor graders and large rubber-tired tractors, loaders and motor scrapers. This equipment is used extensively in the building of highways, dams and other large earthmoving projects as well as in logging, mining and general construction work.

A number of new models was added to our construction machinery line in 1965, including two sizes of articulated wheel loaders, an elevating motor scraper and a large motor grader.

With the addition of new models, our line of crawler and rubber-tired industrial tractors was also enlarged. These machines are used effectively by home-builders and other contractors for a variety of digging and backfilling jobs.

A substantial portion of our domestic production of construction machinery is exported to foreign markets. In addition, production has begun overseas on the Company's standard crawler tractor line at our plant in Milan, Italy, while manufacture of articulated wheel loaders commenced at our plant in Essendine, England. Motor graders are also produced at our plants in Australia and France.

For the cement and aggregate industry, the Company is a major supplier of rotary kilns, crushing equipment, screens, grinding mills, motors, controls,

and complete plants, in addition to our line of construction machinery.

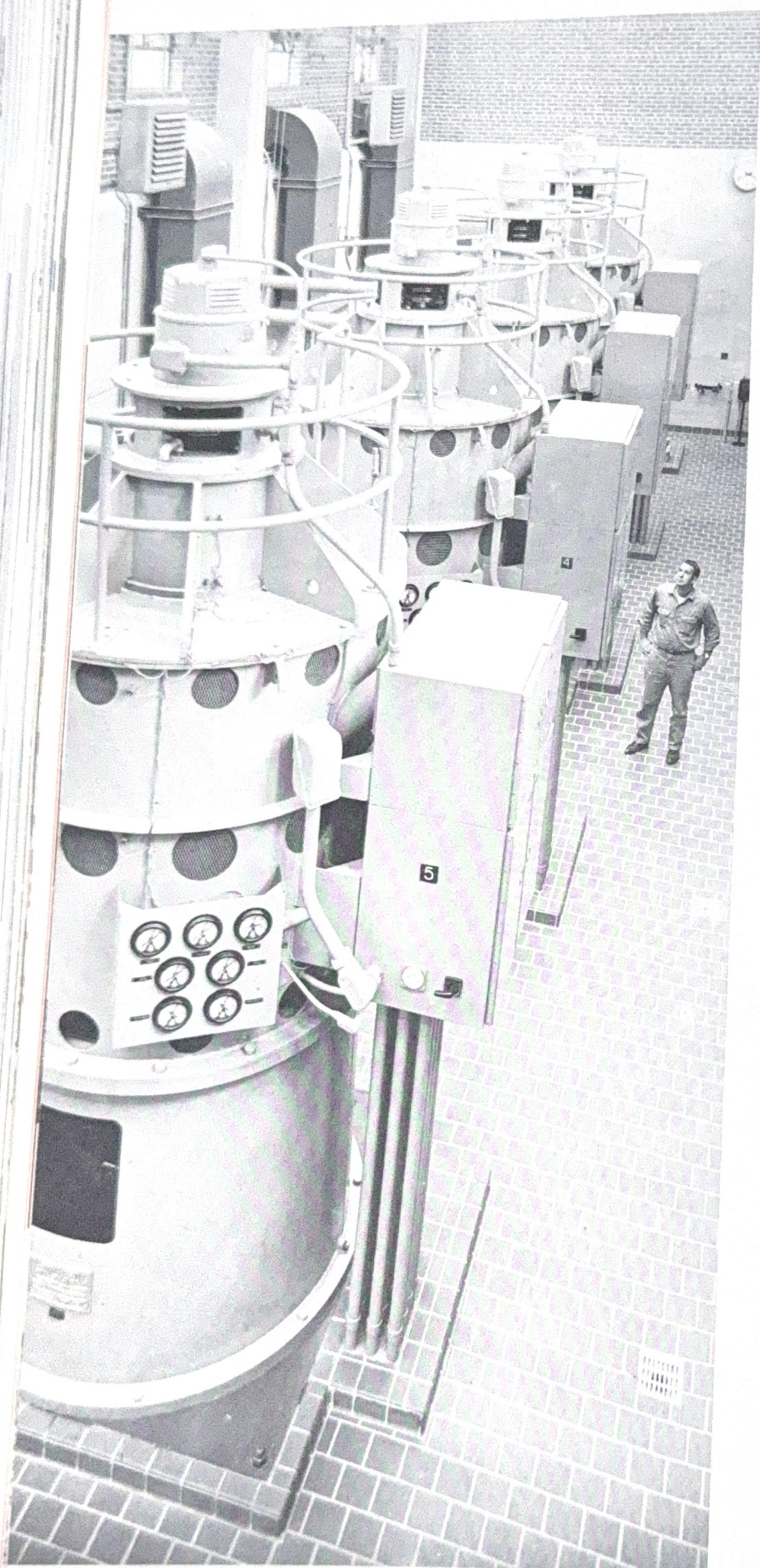
To improve their manufacturing efficiencies, cement companies are modernizing existing facilities and installing new giant-size equipment. For cement manufacturers in Missouri and in Puerto Rico, we supplied kilns 622 feet long — the longest in the Western Hemisphere. Overseas, the largest rotary kiln in Australia will be built by our subsidiary there as part of a \$4-million order from Australian Portland Cement Co., Ltd.

In production at our Lachine, Canada, plant is what is believed to be the largest cement grinding mill in the world today. Weighing 95 tons and valued at more than one-half million dollars, the mill will be installed at the St. Lawrence Cement Co. plant in Villeneuve, Quebec.

Chewing large chunks of quarried limestone down to marble size, an A-C stationary crushing plant owned by a Midwest contractor produces enough gravel in a single week to pave more than two miles of highway 6 inches deep and 19 feet wide. Our equipment furnished includes a crusher, vibrating screens, motors and controls.

Other Company products supplied to this market include lift trucks, a line of smaller industrial tractors with various attachments, diesel engines, engine-generator sets, electric motors and controls, pumps and compressors.

For processors of sand, gravel and other aggregates, we are developing a number of new products including a light-weight screen and a line of portable crushing plants. Our extensive development program in this area is aimed at a fast growing market — one expected to expand at the rate of 5 per cent annually.



FOUR VERTICAL Allis-Chalmers 1750-horsepower motors drive pumps at the Sipsey Pumping Station in Birmingham, Alabama. The pumps supply water to industry and the Birmingham Water Works, which filters it for domestic use.

WATER-SEWAGE... Our broad range of products, either designed for or suited to a wide variety of water and sewage operations, explains why Allis-Chalmers plays such an effective role in helping governmental units and industry both at home and abroad provide the basic services people need for their everyday living.

A long-time major market for the Company, this field offers a growing potential as urban population continues to climb and industry expands. This growth is particularly apparent in the vital areas of community water supply and waste treatment. For it is here that urban population has grown at a faster rate than the installation of new services.

To provide equipment for the efficient movement of water and sewage, Allis-Chalmers manufactures centrifugal, axial flow (propeller-like blades on a single shaft) and turbine pumps, motors, valves, motor control and electrical equipment — all for world-wide distribution.

Our international capability is being demonstrated deep within the mountains west of Rio de Janeiro, Brazil, where the world's largest underground pumping station is being built to supply Rio's present and future water needs. Capable of supplying 725-million gallons of water per day, the Lameirao project will house huge pumps driven by three 9,000-hp and two 4,500-hp motors, cast steel valves, outdoor oil circuit breakers and switchgear — all of our manufacture.

Also in Brazil, the beautiful new capital city of Brasilia operates an efficient and modern water works. Water is moved 12 miles from a reservoir to the city's water treatment plant. Allis-Chalmers pumps then deliver it to the system's mains at the rate of 44,000 gallons per minute.

During the past year, thousands of municipal officials saw a dramatic demonstration of a new A-C non-clogging pump at two major U.S. water and sewage shows. A variety of various solids were fed into the pump which efficiently handles any item that can pass through an inlet pipe. In a test at Dayton, Ohio, a prototype unit proved its capabilities in sewage plant operation by handling humus sludge without a bit of trouble. On satisfactory conclusion, the pump was purchased by the city.

Power to pump water ten miles over mountains to a Phelps Dodge Corporation mining site in Arizona is provided by a unique hydroelectric plant, largely equipped by the Company. Pumped 700 ft up one side of the mountains, the water then drops 1,400 ft down the other side where it is used to generate power for pumping more water over the same route to the mine. Approaching perpetual motion, this operation is feasible because the water drops twice as far as it must be pumped. In addition to the turbine-generator, we supplied switchgear, transformers, valves, control, and engine-generator sets for standby and auxiliary power.

MINING-METALS... Probably no other company provides as complete a line of products for a particular field as Allis-Chalmers does for the closely related mining and metals industries. This helps explain why we are called upon more and more to supply the major production equipment and, in some cases, complete turnkey plants for companies operating in these areas.

The future for this part of our operations appears strong. Output of mines, smelters and refineries is expected to increase 42 per cent in the next five years, while conversion of minerals to manufactured products is expected to require substantial outlays of funds for new plants and modernization of existing facilities.

With a long record of producing a full line of crushers, grinding mills, rotary kilns and entire processing systems, Allis-Chalmers is the recognized leader in the manufacture of ore beneficiation equipment which upgrades iron ore for blast furnace feed and speeds up the process of steelmaking.

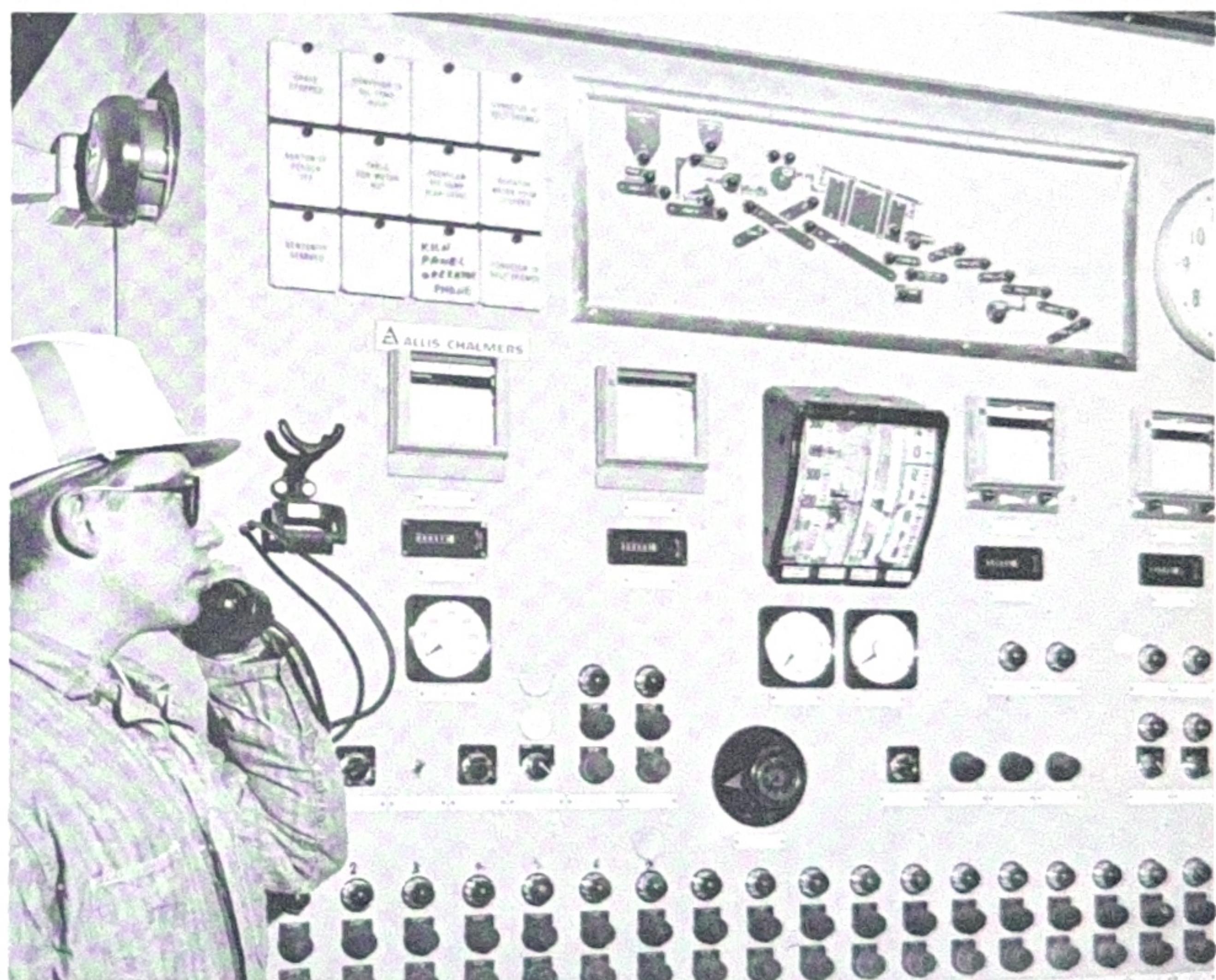
To increase our ability to serve this market today and meet future requirements, we enlarged and modernized our Process Research and Test Center, located just outside of Milwaukee. This facility, for the com-

plete testing of minerals and mining processes, is probably the best in the world.

These unique capabilities, along with our increased product and process developments, have brought our sales and backlog figures in products and systems for the mining and metals industries to the highest levels in the Company's history.

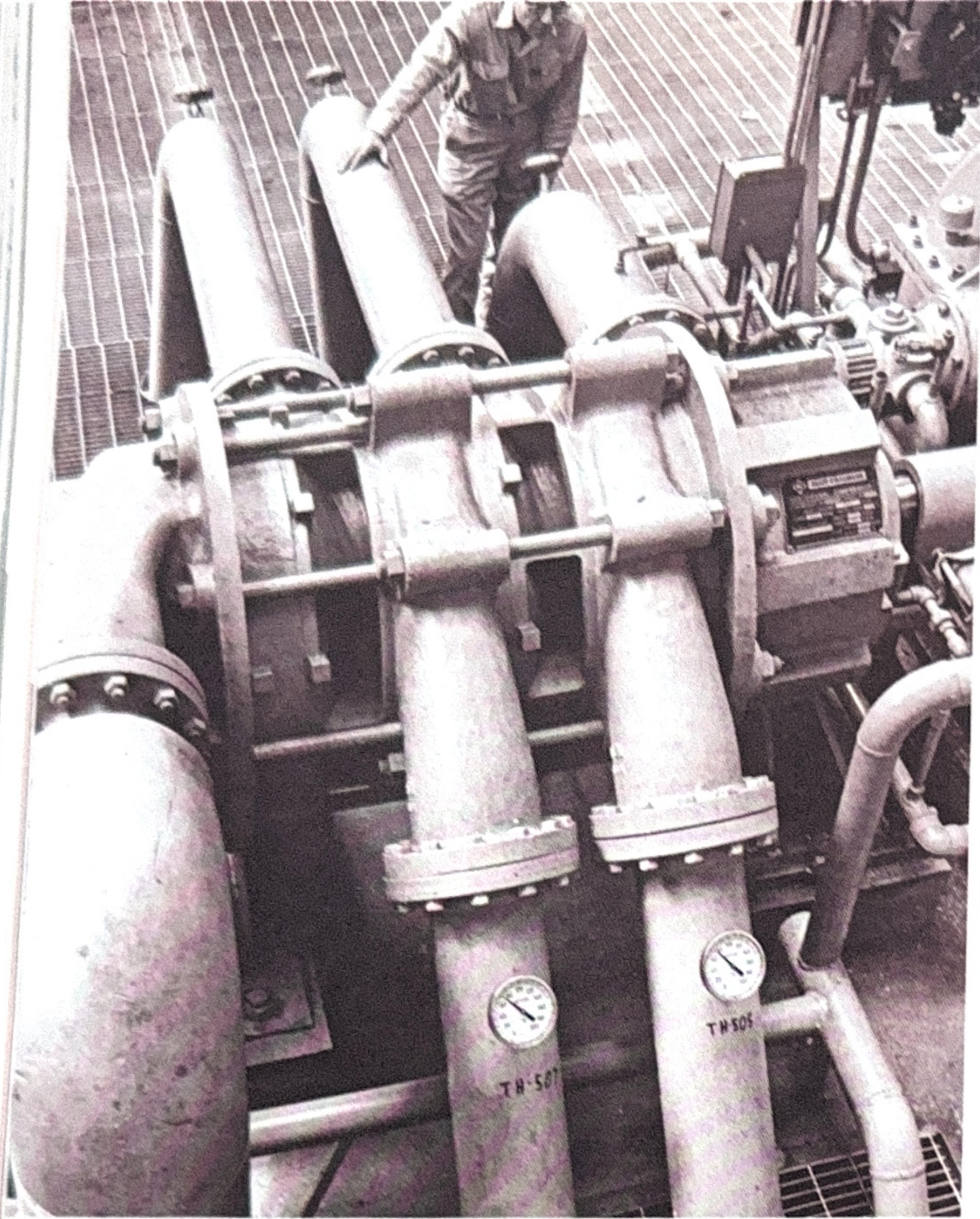
From a beginning five years ago in applying computer control to industrial processes, we made our greatest advance in 1965. The year actually represented a turning point in that mining and metals firms are now including instrumentation in their original plans for plant expansion or modernization instead of applying these computer systems during later stages of development.

In the area of world-wide markets, the first iron ore pelletizing plant to be built in Australia will be constructed by our subsidiary, Allis-Chalmers Australia Pty. Ltd. This facility, utilizing our *Grate-Kiln* system, will process 1½-million long tons of hematite ore per year. With the inclusion of our grinding mills, ore dryer, balling drums, screens, cooler and all electrical equipment, this turnkey job represents one of our major 1965 overseas orders, which continue to increase.

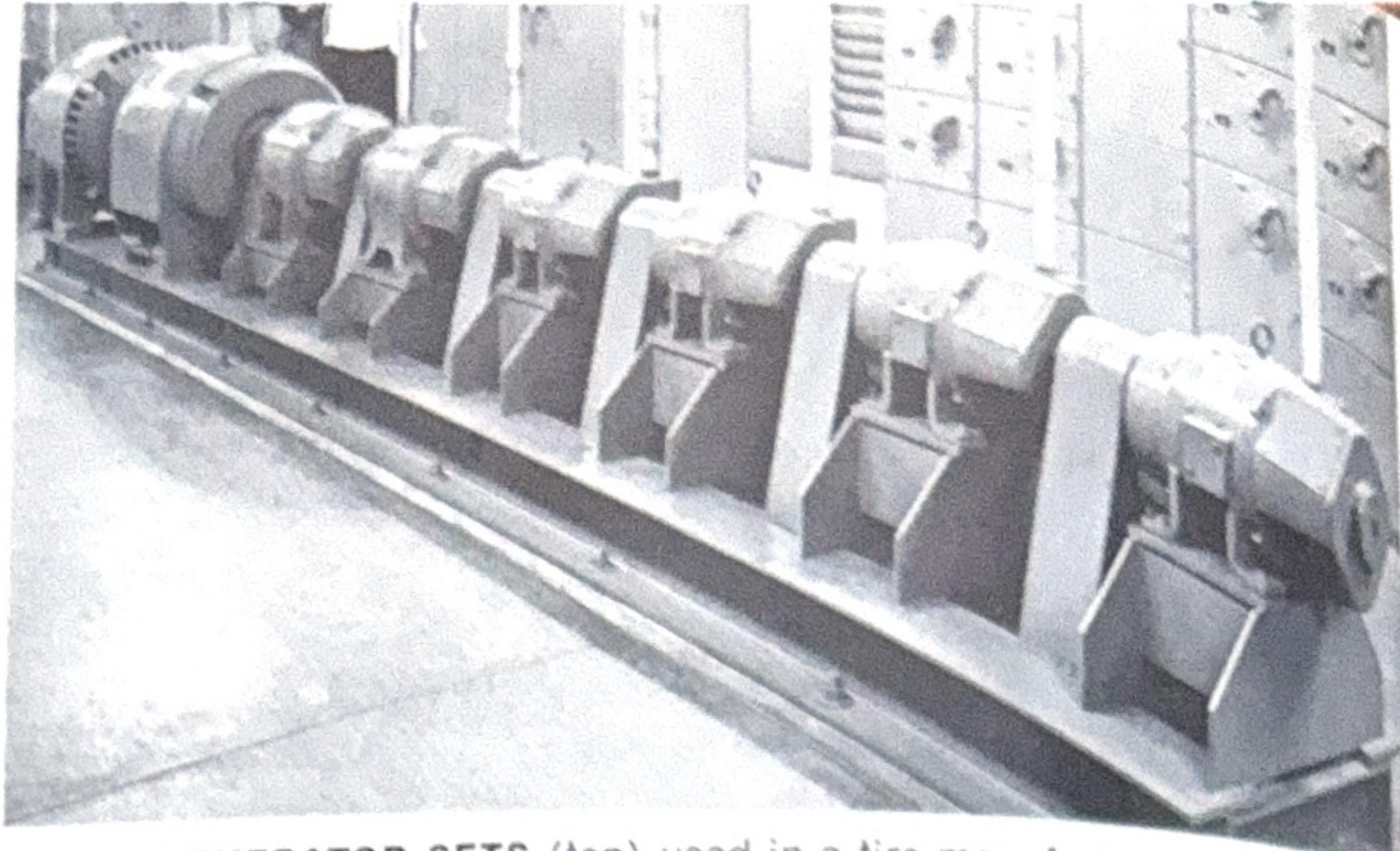


THIS CONTROL console will help technicians direct operations of a new iron ore pelletizing plant on the Mesabi Range in Minnesota, for which we supplied the pelletizing system and electrical equipment.

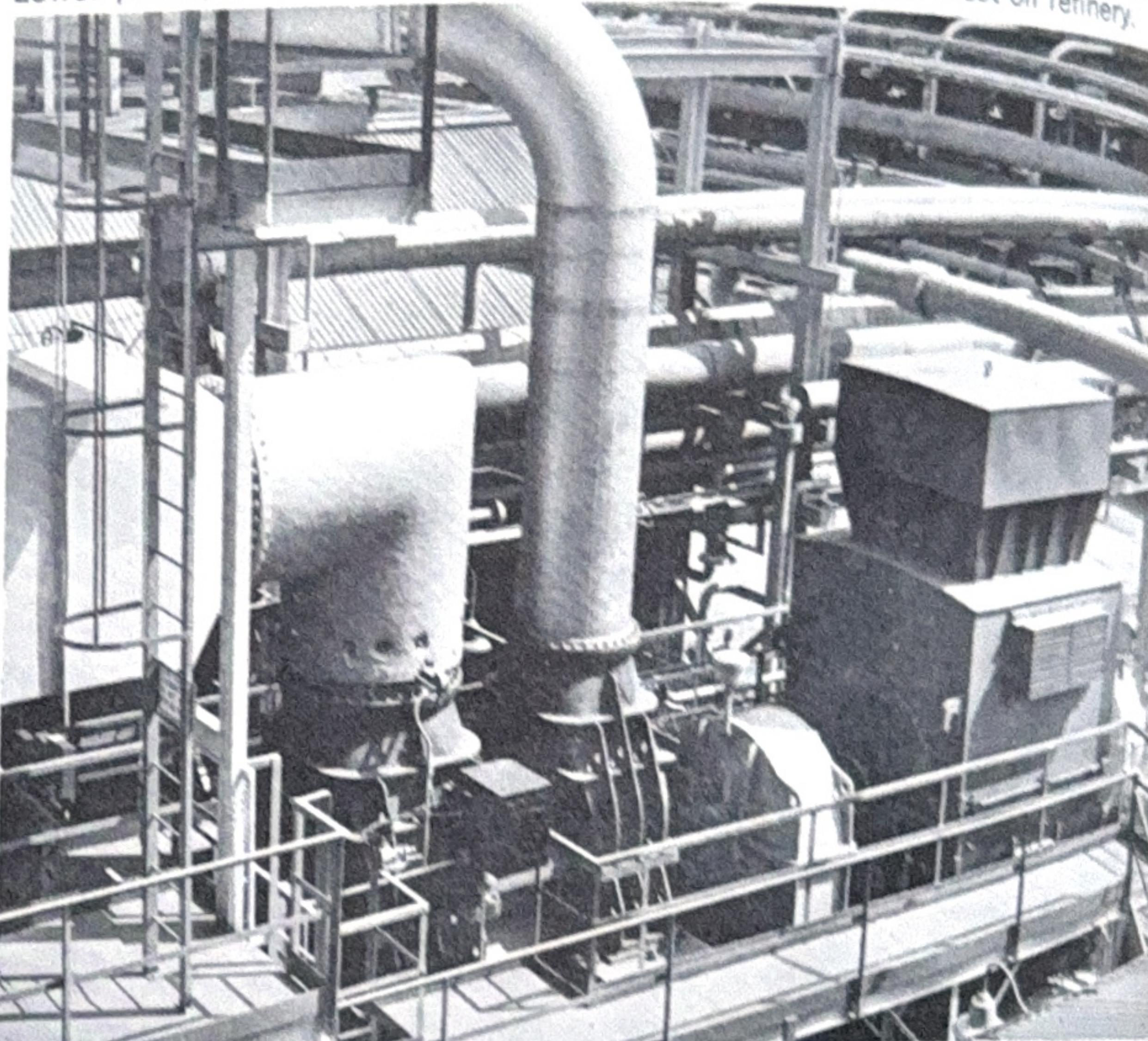
THE HITCHER is dwarfed by this huge grinding mill, said to be the largest in the world. The mill is part of a \$3½ million order for the Hanna Mining Co. We are manufacturing 12 autogenous grinding mills, each of which weighs over 250 tons and is 28 feet high.



CENTRI-STAK COMPRESSOR used as a second stage nitrogen booster in Midwest oxygen plant.



MOTOR-GENERATOR SETS (top) used in a tire manufacturing plant in Ohio. Lower photo, this axial compressor furnishes air at a Southwest oil refinery.



Review of our markets *(continued)*

PETROLEUM, RUBBER and CHEMICAL...

All three of these important fields, which Allis-Chalmers serves with a wide range of equipment, set production records in 1965. And the outlook for future expansion is bright. For example, demand for petroleum products in America is expected to rise from 11.5-million barrels per day at present to 15.9-million in 1975 — an increase of 38 per cent. During the same period, total free world needs are expected to rise 76 per cent, or twice the domestic growth figure.

Our participation in activities of the petroleum, rubber and chemical industries consists of research, design and manufacture of equipment used in separation, conversion and purification operations. Specific products include a wide range of pumps for both standard and special purposes, electrical drives and controls, and compressors that can meet practically any air or gas handling requirement in the plants of these manufacturers.

Our systems engineering — which combines instrumentation, data acquisition and logging, plus systems for computation and control — provides petrochemical firms with automatic operation of their equipment and total plant complexes. This capability strengthens the marketing of our broad product line. Also complementing these sales efforts is our coordinated components approach — that is, manufacture of both the product to

do the liquid or air pumping and the motor to drive the pump or compressor. These coordinated units are designed to operate together at maximum efficiency.

In the area of new products, the range of our process pump line has been greatly expanded to meet the increasing demand from chemical companies for larger units. Indicating the capabilities of this new line, a Southern refinery installed one of these new models to pump hot caustic liquors used in the dyeing of fabrics.

Other product design changes and improvements in the past year — together with added emphasis on marketing through independent distributors and agents — have helped us to increase sales of A-C equipment to companies producing chemicals, petroleum and rubber products.

As a notable example of this application, modular (or unit) construction of the new *Centri-Stak* centrifugal compressor makes this product particularly suitable for use by the chemical industry, where changing conditions often call for rapid modification in equipment. Also, integral parts of the *Centri-Stak* compressor are standardized, permitting easier original purchase and repair. One of many areas where these units are finding increasing use is the rapidly expanding manufacture of vinyl, a material that is much in demand because of its decorative and long-lasting qualities.

MATERIALS HANDLING; LAWN and GARDEN EQUIPMENT...

Among the fastest growing segments of America's economy are those areas concerned with cutting industry's cost of handling materials and the application of power to lawn and garden equipment. The value of the U.S. materials handling market was more than \$1.6 billion in 1965 and is expected to increase by approximately one-third in the next five years.

Allis-Chalmers is an important supplier in both areas. We build a full line of gasoline, diesel and LP gas powered lift trucks and the most complete line of electronic lift trucks in the industry.

Two new electronic lift trucks were introduced in 1965 in the 6,000 and 7,000 pound capacity sizes. Our electric trucks are equipped with the Company's patented transistorized electronic drive control which provides smoother operation and considerably longer life per battery charge.

Allis-Chalmers is the only lift truck manufacturer in this country which makes its own electronic controls, electric motors, gas, diesel and LP gas engines. This capability is an advantage to us in the sale of trucks to large fleet buyers. A recent check showed that 97 of the 100 firms listed by Fortune magazine in 1965 as the largest companies in the United States use A-C lift trucks in their operations.

Keeping pace with increased demand for materials handling equipment, we have repeatedly stepped up production at our lift truck plant located at Harvey, Illinois. In addition, we are also building lift trucks at our plant in Guelph, Ontario, where capacity has recently been doubled, and at plants in Mexico and France. With production of these units now under way in four countries, components are produced where they can be made most efficiently and transferred between plants.

To increase distribution effectiveness and continue our pattern of growth in lift truck sales, we are conducting a nationwide series of planning conferences. Dealer managements are being told of Company plans as they relate to products, advertising, parts and service, finance activities and sales organization.

The lawn and garden equipment market is expanding rapidly. Aided by population growth, increased suburban living and the general trend to apply power to chores formerly done by hand, sales of this equipment have risen steadily.

Allis-Chalmers line of this equipment includes riding tractors with mowers, snow blowers and other attachments, and two models of walking snow blowers — all marketed through a nationwide dealer organization.

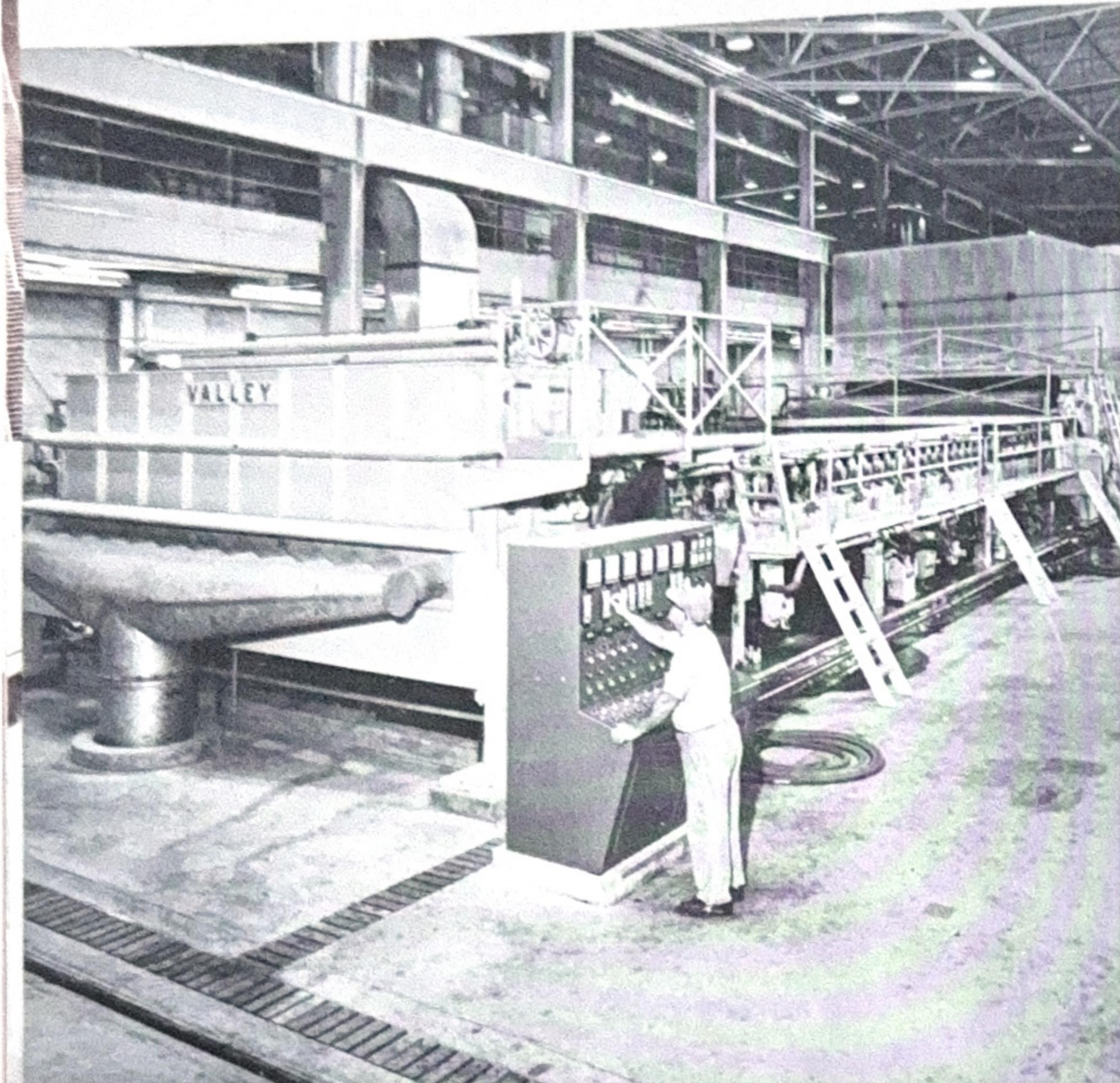
Simplicity Manufacturing Company, Inc., a firm we acquired in October, 1965, manufactures and sells through its own distribution channels a high quality line of mobile lawn and garden equipment including riding mowers, rotary tillers, snow throwers, garden tractors and allied equipment.



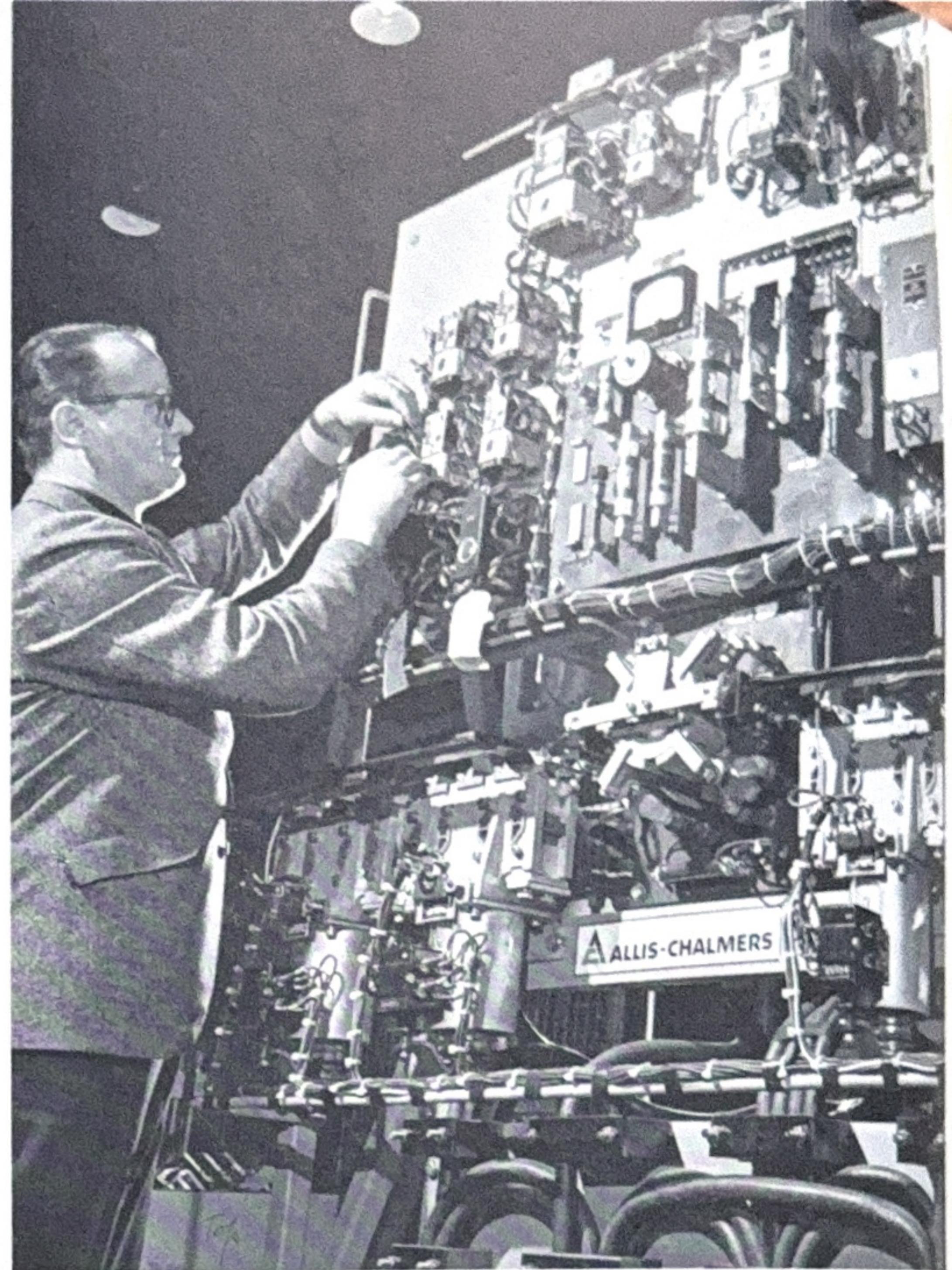
THE POPULAR BIG TEN lawn and garden tractor.



NEW ELECTRONIC lift trucks operate in a Chicago food warehouse.



THE PAPERMAKING MACHINE at Georgia-Pacific's new \$30 million pulp mill nearly fills a 300-foot-long room.



OUR CANADIAN PLANT at Lachine, Quebec, builds these complicated control panels for diesel-electric locomotives.

PAPER and GENERAL INDUSTRY...

Shipments of paper and allied products reached \$7.4 billion in 1965. This industry's growth rate is expected to continue at 6 per cent per annum for the next five years. And as this market grows, so does the part Allis-Chalmers plays in it. There were many evidences of this in the past year.

Sales of our paper machines surpassed all previous years, as did those of our lime sludge kilns—units needed in the papermaking process.

Our first turnkey project in this field was awarded during the year and is well under way. Being built in Arkansas, this mill will produce 200 tons of kraft liner board per day when production begins.

As part of a \$16-million expansion program, the Nekoosa-Edwards Paper Company of Port Edwards, Wisconsin, ordered from the Company a high-speed papermaking machine that will turn out a wide range of communication grade papers. In another development, a new 197-inch-wide pulpmaking unit started operation recently at the Samoa, California, plant of the Georgia-Pacific Corporation.

The outlook for capital goods also appears bright, with predictions that the capital machinery market will grow as fast or faster than the total economy in the next five years. Favorable factors here include needed replacement and modernization, substitution of capital for equipment to labor costs for labor, increased capital investment to provide for the requirements of an expanding population, quickening of technological obso-

lence, growing opportunity for capital goods export and increasing demand for new products.

As a major manufacturer of capital goods, Allis-Chalmers stands ready to make the most of this optimistic situation.

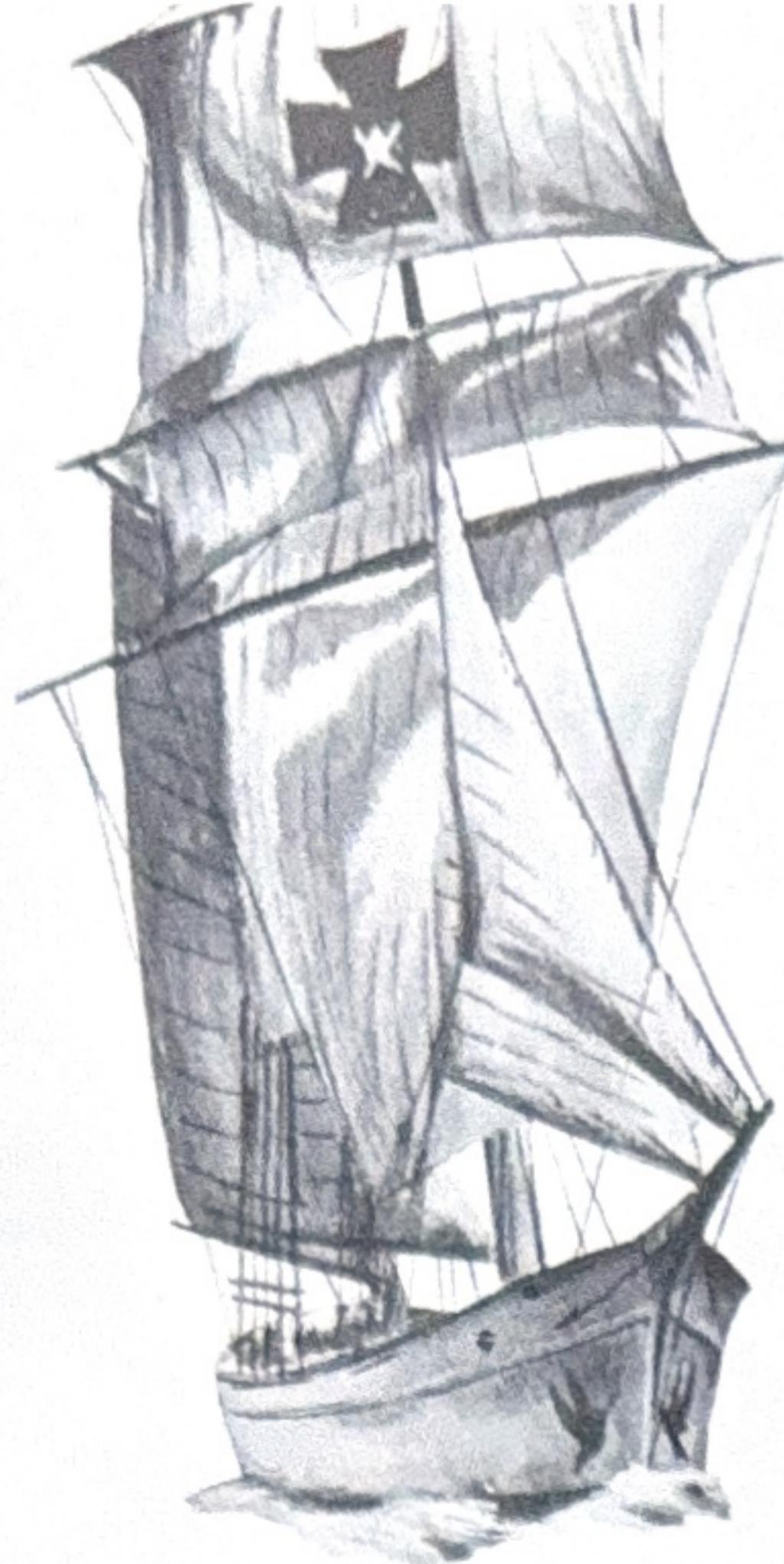
Sales of our engines to the original equipment market set a record. For example, three different models of A-C diesel engines are now being incorporated into powerful snow-blower trucks produced by one manufacturer. Another selected our gasoline engines as the only make to power its large volume portable compressors.

Practically all of the hundreds of pumps used in six new Constellation class cargo liners built for Moore-McCormack Lines by Ingalls Shipbuilding carry the A-C trademark. We also supplied 550 motors and 70 transformers for five large American Racer class ships built by Sun Shipbuilding for the United States Lines.

An additive required in the production of refractory brick will be the end product of a new sea-water magnesia conversion plant to be built near Tampico, Mexico. We will supply a number of major units for this facility, including kilns, master kiln control panels and rotary coolers.

Reflecting the trend in industry to large, sprawling manufacturing facilities, sales of our Carry-All utility vehicles for inplant transportation improved in 1965. These versatile units perform such varied tasks as transporting plant guards, carrying visitors, expediting orders, delivering mail and many other jobs.





Paradise Won

...Fitting Conclusion
for a Fruitful Career

It might well have been a movie script. Popular employee, culminating many loyal years of service to the Company, wins grand prize in sales contest — two weeks in the West Indies, where he and his wife discover a new world on their "retirement honeymoon."

A little corny perhaps? Farfetched? Not really.

Late last summer, to accelerate Farm Equipment Division's retail sales during the last three months of the year, a branch manager's contest was announced, the top prize being a Caribbean vacation for two. The contest developed into one of the most competitive ever waged at Allis-Chalmers.

The winner, revealed on Jan. 5, was G. R. Campbell of the Kansas City branch. And less than a week before the announcement, Campbell retired after 35 happy and productive years at Allis-Chalmers. This proves, doesn't it, that a man over 60 can still do an effective job despite advancing years.

Farm Equipment Division's retail

sales during 1965 increased nearly 20 per cent over last year. Raymond E. Dague, general sales manager for the division, said this represents "hundreds of thousands of dollars to the Company and thousands of added man-hours for our shops."

Since numerous factors, including the growing national economy, helped effect this substantial increase, it is impossible to determine exactly to what extent the sales contest contributed. "It was significant, though," Dague said. "Very significant because farm equipment sales set a new record in 1965 for the fifth consecutive year."

Campbell's branch alone, during the three contest months, reported a sales volume increase of more than 55 per cent. Several other branches were within two or three points of this — Wichita, Fargo, Amarillo, Winnipeg, Peoria, Des Moines, Indianapolis and Minneapolis. Campbell's branch waged an 11th hour drive which captured the title — and the trip. As late as Dec. 1, when

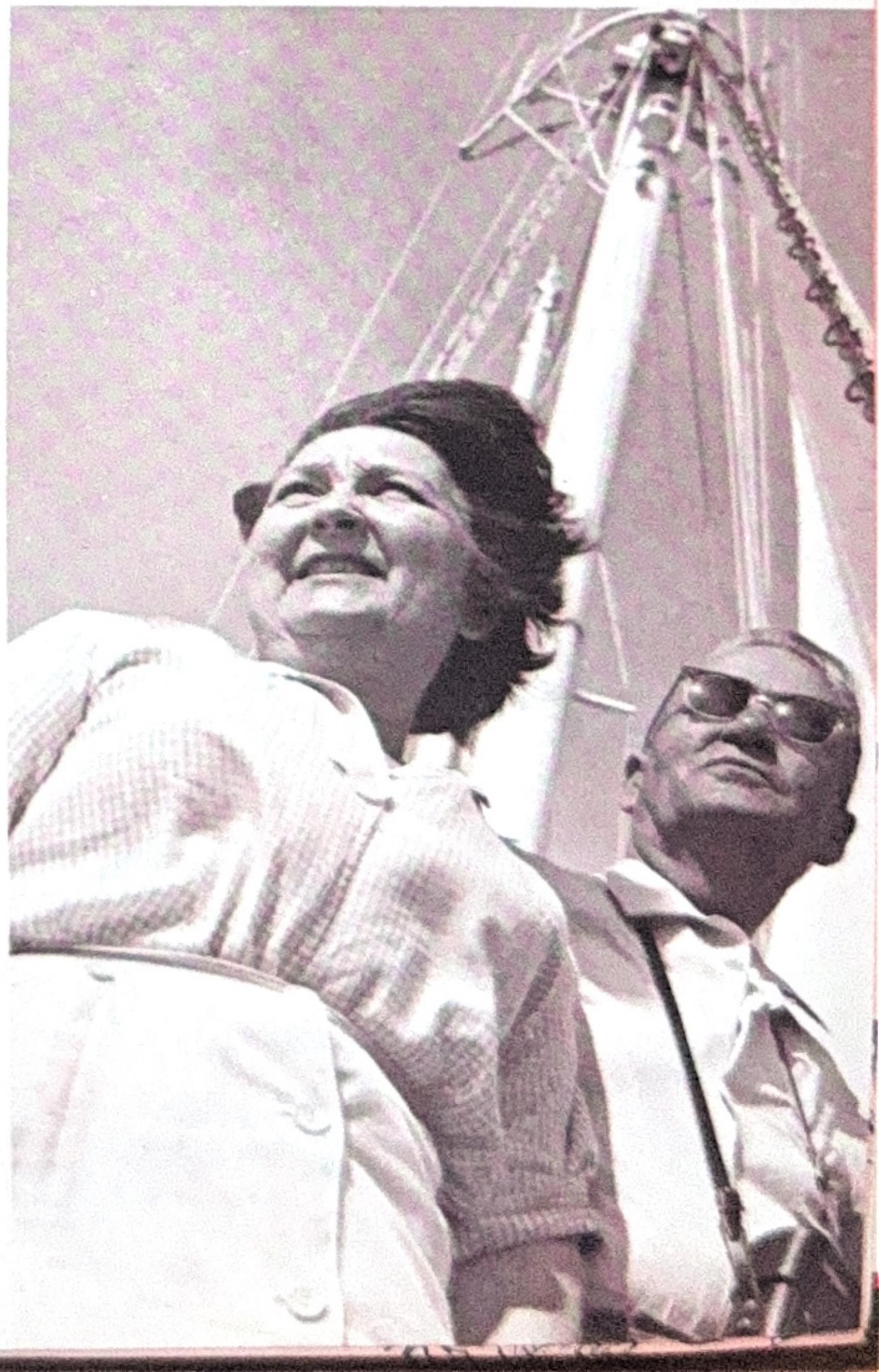
Indianapolis and Minneapolis were tied for the lead, the Kansas City branch was in seventh place.

"I'm not going to take credit for this performance, by any means," Campbell insisted. "It was my staff who won it — completely. Give credit to the 52 fine people of our Kansas City branch, and especially to my sales managers, John Buxbaum and William J. Klein, Jr."

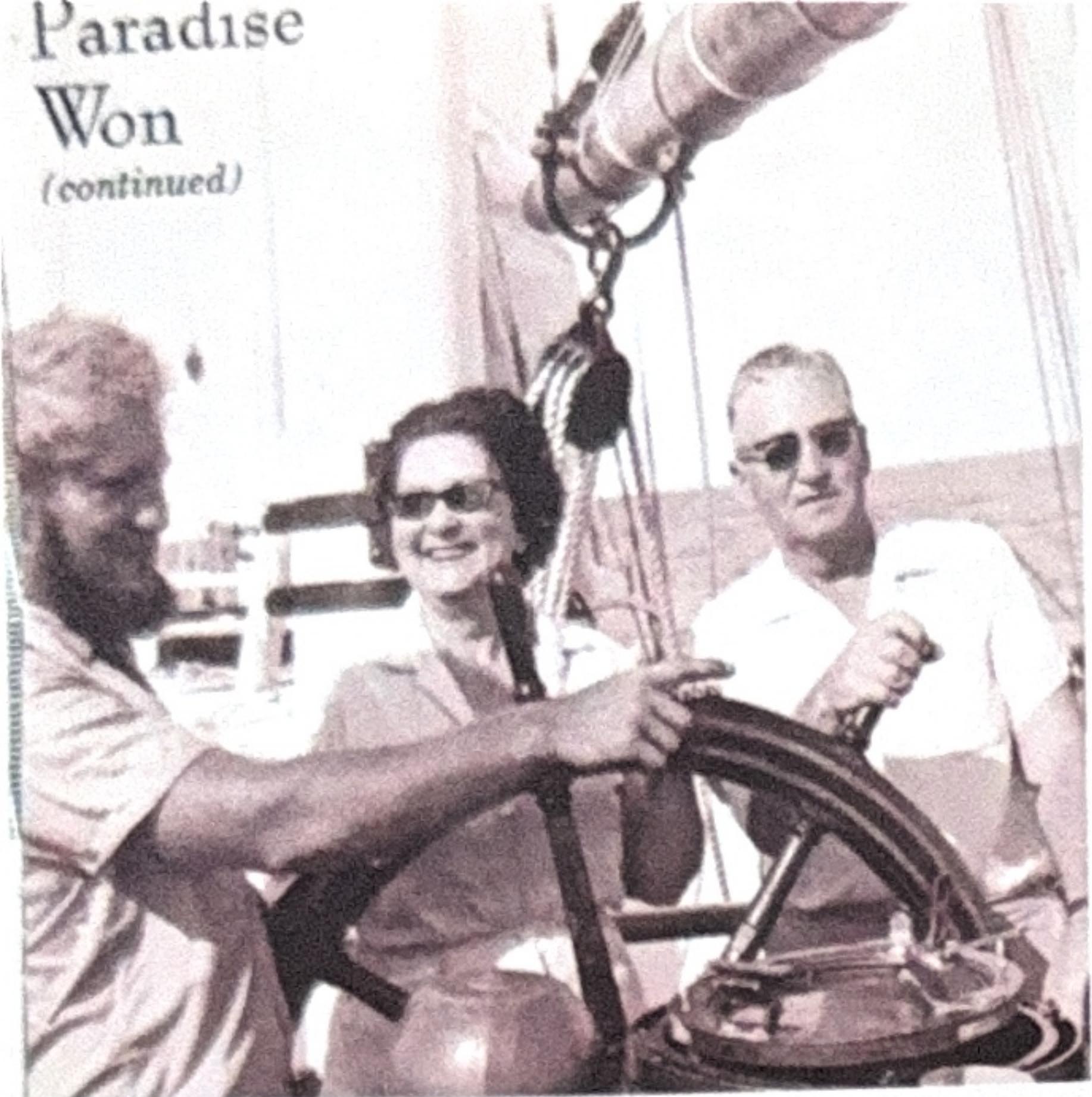
It was learned later that Buxbaum, Klein and the others did in fact go all out to win the championship. What Campbell didn't reveal was that his staff's vigorous effort was their parting tribute to their chief. Campbell is an easy man to like.

"He's done a lot for Allis-Chalmers through the years," Dague said. "He's a terrific salesman and leader. He's

THEIR DAYS on ship were spent fishing, helping to sail, or just delightfully at leisure.



THE CAMPBELLS' ship, "Yankee Clipper," at anchor off one of the beautiful Caribbean islands.



THIS ABLE SEAMAN provided a few helpful hints on navigation.

the kind of a man employees want to work for, to do better for."

In addition to their efforts in the contest, the Kansas City branch employees chipped in to buy Campbell and his wife, Mildred, a lovely grandfather clock.

"I'm going to miss all these people," he said. "Not only here in Kansas City, but throughout the Company. It's a wonderful Company, full of wonderful people."

Reminiscing, he told of the time when he and Willis Scholl (president now, but a vice president and general sales manager of the Tractor Division

then) were stranded aboard a Santa Fe train in Emporia, Kansas, by a flash flood that kept them prisoner. He recalled working the "Dust Bowl" territory of Kansas and Nebraska when farming was all but wiped out and nearly took the farm equipment business with it. And of the thousands of miles he traveled with farm equipment salesmen such as William J. Klein, Sr., also now retired after a productive 37 year career with the Company, and Robert W. Engle, now marketing manager for Farm Equipment Division.

The prize for Campbell and his wife included ten days on one of Captain Mike Burke's Windjammer Cruises through the lovely West Indies. (Burke's organization maintains a large fleet of sailing ships cruising the seven seas, but especially in the Caribbean and Bahama areas.)

"It was the most marvelous vacation I've ever been on," Campbell said. "Mildred and I have fallen in love with the Caribbean. I think we'll go back there again one day."

"The Windjammer cruise was really out of this world. We visited seven islands — there was something different and exotic about each of them — and the sailing weather was just perfect.

"Our schedule was delightfully casual," he said. "Sometimes we sailed

during the day, sometimes at night. We always had to take advantage of the wind. We averaged a leisurely 5 knots."

The Campbells were passengers on the schooner "Yankee Clipper," 201 feet of teak and mahogany, and one of the largest sailing yachts in the world. Before it was purchased and rebuilt by Burke for maximum passenger capacity, the ship was part of the Vanderbilt estate.

Campbell said the other passengers represented quite a cross-section of America. "There were people from Washington to Maine, from Florida to California — engineers, secretaries, lawyers, restaurant managers, real estate people, you name it. There was even another farm equipment salesman from one of our competitors."

From the embarkation point on St. Martin, an island whose south half is owned by the Dutch and north half by the French, the Yankee Clipper and the Campbells visited Nevis (British), Guadeloupe (French), Antigua (British), Montserrat (British), St. Bartholomew (French) and Saba (Dutch).

At Guadeloupe, the southernmost point of their cruise, the Campbells were on the 16th Parallel — about 200 miles closer to the equator than the Hawaiian Islands.

Passengers lolled about the ship during beautiful jaunts between the



A lovely harbor...



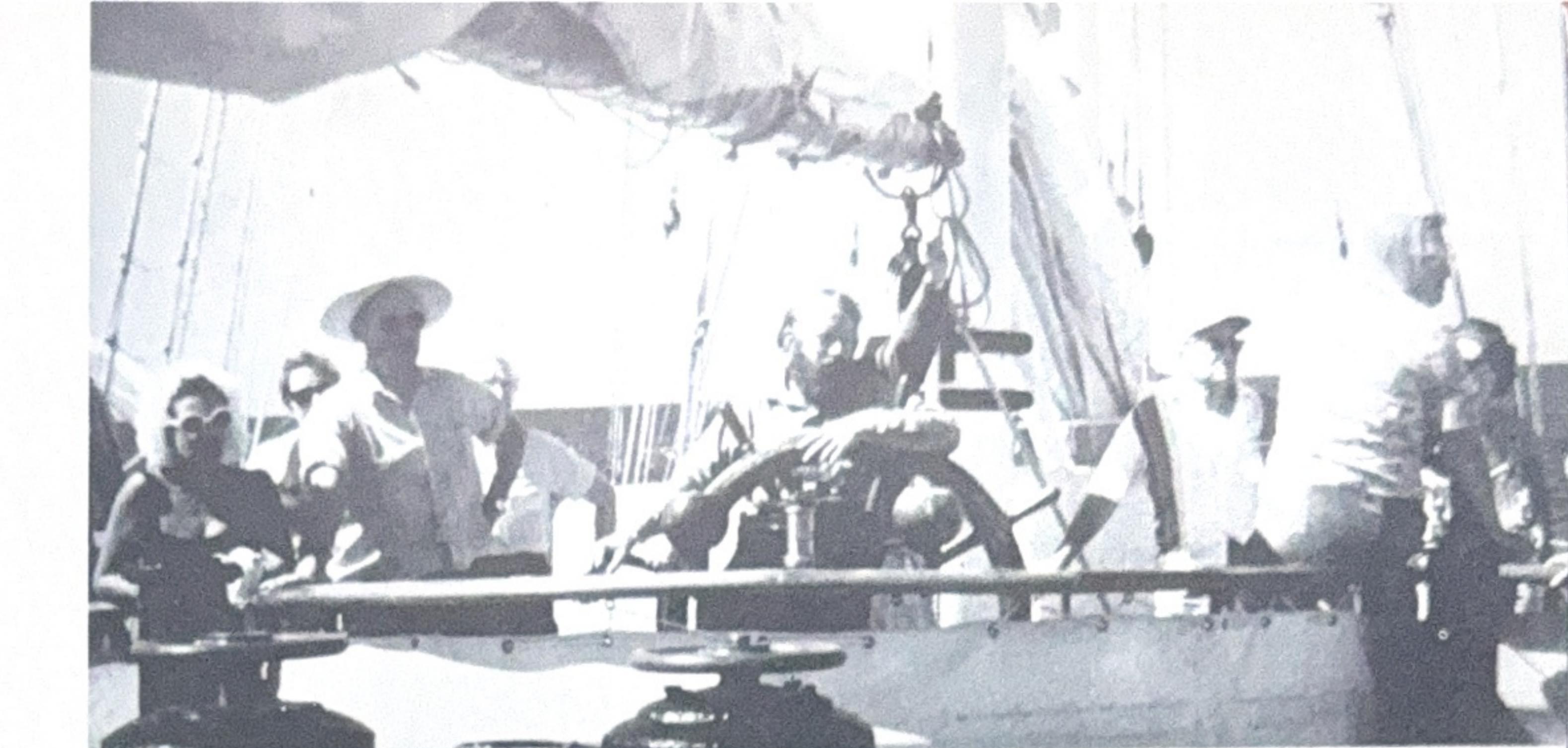
islands. Ashore, they saw the sights, bought souvenirs, swam, went water skiing, snorkeling, and even attended native calypso dances.

"We did our share of everything except the water skiing and snorkeling," Campbell happily confessed. "Might be a mite too old for that now, but I sure would have liked to try. A lot of us fished, too. Caught some real dandies."

"Many of the island resorts are marvelous, and yet very economical," he said. "Rates at the better spots are about \$40 a day for two, which includes meals, fishing, sailing and other activities. You wouldn't find anything close to that in Florida or even Puerto Rico, during the winter season."

Most of the island hotels and resorts are owned by Europeans, but Americans are beginning to make inroads. "One of the nicest spots we stopped at was Frank and Inge Galey's Golden Rock Estate on Nevis," Campbell said. "They rebuilt the resort from an old sugar mill. They have the perfect set-up. They operate their Caribbean place six months a year, then during the summer have a guest lodge in Wyoming.

"I think I'd like that type of operation for myself. You know, these islands are wonderful, but I don't think I'd like to live here 12 months a year. You lose contact with the rest of the



THE "YANKEE CLIPPER" comfortably carried 50 passengers and 12 crew men.

world. So living here for half the time, and the other half in the states, as the Galeys manage to do, would be just ideal for me."

Campbell said one thing that really impressed him about the islands "was the absence of racial prejudice of any kind. You see whites and blacks—and a couple of dozen shades in between—living, working and playing together in beautiful harmony. It made me wonder why it couldn't be this way all over.

"And the natives were very friendly. They lead a casual and uneventful existence down there. They seemed to

get a big kick out of seeing all of us waddling around in our shorts and flashy shirts and clicking our cameras. But they liked us and we liked them."

Campbell's retirement plans are not completely crystalized, he said. "We've got a couple of grandchildren who would like to monopolize our time, and we also own a small cottage in northern Wisconsin that needs a lot of work. We might even combine both projects this summer."

But whatever Campbell does, he's got the good wishes of his former fellow employees—and a lot of happy memories.



end...



A time to remember...





SUMMARY OF EMPLOYEE BENEFITS

| | 1965 | 1964 | 1963 |
|---|---------------------|---------------------|---------------------|
| Paid Vacations and Holidays | \$18,121,000 | \$16,168,000 | \$15,146,000 |
| Medical-Hospital-Disability Insurance | 10,411,000 | 8,954,000 | 7,623,000 |
| Group Life Insurance | 3,283,000 | 2,170,000 | 2,013,000 |
| Pensions | 8,221,000 | 8,308,000 | 7,766,000 |
| Social Security, Unemployment and Workmen's Compensation.. | 9,261,000 | 9,789,000 | 9,506,000 |
| Other Medical Services | 1,158,000 | 1,067,000 | 1,034,000 |
| All Others | 9,380,000 | 9,181,000 | 8,122,000 |
| | \$59,835,000 | \$55,637,000 | \$51,480,000 |

Whether you're in a hospital recovering from illness, attending classes to increase your knowledge, vacationing on a golf course or receiving pension

checks, the Allis-Chalmers Benefit Program is working for you.

The Company has one of the most complete and well-rounded programs

of benefits offered by any industrial concern in America today.

Just count them. Medical-hospital-disability insurance. Major Medical insurance. Pensions. Paid vacations and holidays. Group life insurance. Tuition refund plan. Scholarships for children of employees. Social Security payments equaling the sum you yourself are paying. Recreational programs. These are but several. To get an idea of how much the Company paid toward your benefits during the past three years, check the accompanying summary.

That benefit total for 1965 represents \$1,881 per employee — over and above wages! You couldn't, as an individual, begin to duplicate all of our benefits for that cost.