tors are pointing toward an upswing and a higher rate of economic growth for 1968.

Research and Development

Expenditures for research and development were the highest ever in 1967, amounting to $5,440,000, an increase of 29% over 1966. The major portion of these funds was spent on design and product development which is necessary to keep our products in step with advancing technology and to adapt them to the swiftly changing needs of our customers.

In the area of wear control, we are constantly searching for new alloys with improved performance characteristics to lengthen service life and reduce costs. Currently, the metallurgical laboratory is exploring a unique and patented method of impregnating cast metals with other substances to produce properties not now available in any other cast material. Such a material could be used in several areas of our present product lines and in other fields of interest where we are not currently active.

Research in the friction control field is developing new materials to meet the increasingly severe requirements for braking and power transmission which are necessary in larger aircraft, more powerful mobile equipment and by changing designs and higher speeds in the automotive and railroad industries.

In the field of fluid power controls, we are developing capabilities for more sophisticated hydraulic hardware and sub-systems as well as advancing our knowledge of electronic controls which become a part of packaged systems.

The competition between several companies, including Abex, to develop an automatic identification system for railway freight cars closed when the Association of American Railroads designated a competitor's system as standard for all United States railroads.

Employee Relations

Employees at year-end numbered 14,325 world-wide, of which about 9,400 were in the United States.

During the year, the company negotiated

Distribution of the Income Dollar

1963	1964	1965	1966	1967		1967 in thousands
39.2¢	36.8¢	36.7¢	36.4¢	37.9¢	Wages, Salaries, and Other Benefits	$104,920
30.0	31.1	30.8	29.5	29.4	Production Materials	81,227
17.7	18.0	18.5	19.2	18.6	Supplies and Expenses	51,434
4.5	4.3	4.0	4.0	4.1	Depreciation and Amortization of Intangibles	11,233
1.1	1.1	1.1	.9	1.0	Property, Excise, and Miscellaneous Taxes	2,717
.6	.6	.6	.6	.7	Interest on Borrowed Money	1,820
3.4	4.1	4.0	4.8	4.3	Taxes on Income	11,800
2.1	1.9	2.0	2.1	2.1	Cash Dividends	5,909
1.4	2.1	2.3	2.5	1.9	Reinvested in the Business	5,361
100.0¢	100.0¢	100.0¢	100.0¢	100.0¢		Total $276,421

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