

half results were excelient. The fall-off in business during the second half reflected a reduction in railroad carloadings in that period.

Sales of the mechanical car retarder, designed for use in freight car classification yards, were good. The mechanical retarder can provide substantial savings for the railroads since it is low in initial cost, simple to maintain, and can increase yard efficiency while reducing operating costs. Its sales are expected to be good in 1961.

Sales of brake shoes, trackwork, and lubricating pads were up slightly from 1959 levels, while sales of journal bearings exhibited a small decline.

Cast iron wheels, formerly standard for freight car use, are rapidly being replaced by steel wheels such as the cast steel wheels made at the Calera, Alabama, plant. This plant, operating at maximum capacity, partially compensates for the decline in iron wheel requirements. During 1960, one cast iron wheel foundry was closed and its production transferred to other locations.

capital expenditures Modernization of existing facilities made up the capital expenditures for railroad products manufacturing in 1960. Total expenditures were below depreciation accruals. Presently-planned 1961 expenditures will be considerably above the 1960 level.

research and new products The railroads are often not thought of by investors as a growth industry. However, recent developments in railroading efficiency and services, and in the trend toward more equitable government regulation of the roads, speak well for the future of the railroad industry.

An important characteristic of the railroad supply market is change. Developments such as centralized traffic control, "piggybacking" of highway trailers on freight cars, electronic classification yards, and the merger of rail lines into extensive systems all create changes in the rail supply market. These changes may seem to come slowly, but such a judgment ignores the tremendous size of the American railroad system.

The American railroads operate more than 2,000,000 freight cars, representing an investment of billions of dollars. Any major change in any of these cars must be thoroughly proven before its adoption, and the changed cars must operate perfectly with all existing cars. Because of the magnitude of the changes to be made, changes in railroading are evolutionary rather than revolutionary —but they are occurring constantly.

Brake Shoe's market research specialists have isolated a number of railroad market areas in which the Company may capture significant additional sales. The Company's share of the market can be increased by the development and marketing of products which offer the railroads real operating advantages or important savings. Such products marketed by Brake Shoe in recent years are the mechanical retarder, mechanized equipment for track installation, the solid bronze cartridge bearing assembly, and the journal lubricating pad.

Product development for the railroad market is now directed toward new concepts in bearing construction and lubrication, and more effective classification equipment. In addition, the Company is actively seeking attractive acquisition opportunities in the railroad supply field.

The railroads of the United States are a $2 billion annual market. The products that the railroads buy will change, but the total market will remain at a high level. Through research, product development, and acquisition, Brake Shoe's Railroad Products Group expects to keep and increase the share of the market it now enjoys.

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