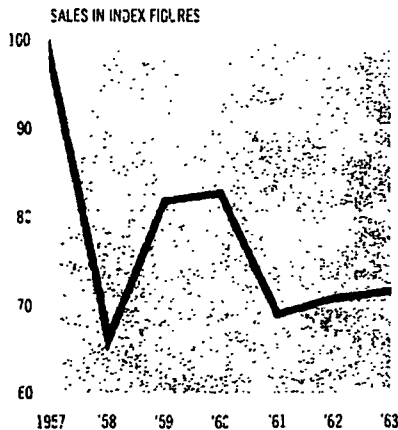


RAILROAD PRODUCTS

25% OF SALES



Sales of railroad products in the United States and Canada, amounting to \$55,400,000, were up four per cent over the previous year. Revenue ton-miles of the railroads rose in 1963 and our sales followed the trend since most of our products are used in replacement of wearing parts

rather than for new equipment.

Shipments of metal and composition brake shoes increased slightly in 1963. Metal shoes, however, continued to hold all but a minor portion of the market because of their superior performance under all types of service.

A new freight car "package" brake system was introduced to the railroads during the year. This new brake is mounted on the freight car truck rather than hung from the body of the car, thus allowing greater freedom in car design. Several car sets are on test in the United States and Canada and we expect that some units will be in regular service in the latter part of the year.

Sales of standard trackwork items were also up over the preceding year, but the most important development in this line was the introduction of two new products. A new hydraulically powered car retarder automatically senses the speed of free-rolling freight cars and slows them to pre-determined rates during switching in classification yards. Companion to the retarder, the company introduced a hydraulic mechanism to actuate yard switches. The market potential for these items appears good because of the attractive opportunities they present for cost saving in freight yard operations.

Our sales of freight car wheels were lower in 1963 because of market conditions. Industry capacity for steel wheels has increased, consequently, prices were soft and competition for the existing business was severe. Scaw Metals Limited, of South Africa, began production of our steel wheels under a license arrangement made in 1962 and the first payment of royalties was received.

Sales of journal bearings were up in 1963, reversing the direction of the last several years. Although the trend to roller bearings continues, stepped-up maintenance programs by railroads increased the demand for solid bearings.

The outlook for the railroads continues to improve. They have been able to regain a considerable volume of freight by using specialized equipment which helps reduce transportation costs for shippers. New operating methods and automated equipment have speeded service and increased the utilization of rolling stock. A more favorable climate among regulatory agencies is being manifested and should eventually result in some modernization of the