	Percent of Total Brake Lining Sales	Percent Profit Before Taxes (Includes LIFO)
Rolled Materials		
Original Equipment	46%	3.7% loss
Replacement	26%	19.1%
Total	72%	4.6%
Total Brake Lining	100%	6.2%

Current production costs for our rolled materials have increased roughly 60% above a 1938-40 average. Costs for pressed materials have increased about 25% above the same 1938-40 average. One reason for the 60% increase for rolled materials is that a very large part of our rolled original equipment is now hand-rolled instead of automatic-rolled material. This means higher material waste and higher labor costs. These hand-rolled materials are of dimensions that exceed the limits of our automatic rolling equipment and represented a small part of our production back in 1938-40. However, demand for material of these larger dimensions has increased so that now it is a large part of our production and has a great effect upon our costs. Our engineering department has been studying this problem and has made considerable progress in improving the hand rolling equipment and in increasing the limits of our automatic rolling equipment. Costs for pressed materials will be somewhat reduced by the installation of new type preforming presses.

Production costs will be further reduced by utilizing the full capacity of the Winchester plant where labor rates are 40¢ an hour lower than Detroit and compounding operations are more efficient. Some material which will be produced at Winchester has previously been produced at Detroit on 5% and 10% premium second and third shifts. It is our intention to operate Winchester at full capacity and thereby reduce costs.

In addition to reducing costs to improve profits, there are two other courses of action. One is to increase prices for the original equipment rolled materials which comprised 46% of our sales volume and showed a 3.7% net loss. During 1948, however, severe competition and strong customer resistance to price increases were encountered in both the original equipment and replacement fields.

The second course of action is to increase sales volume, particularly where the profit condition is better. Specifically, this is the replacement rolled materials which comprised 26% of our sales volume and showed a 19.1% net profit.

The profit on sales of A-B-K laminated fabric bearings and caster wheels is very satisfactory. In 1948, the net profit before taxes was $103,244 on net sales of $420,812, or 25%.