steel production, were off slightly from 1966. These shipments were affected by the sluggishness which occurred in most of these industries during the second half of the year and also by unusually large customer inventories. In addition, the copper strike eliminated shipments to that industry in the latter part of the year.

Sales of car wheels and trackwork declined from the previous year, since railroads operated at a lower level in 1967. Carloadings and revenue ton-miles declined for the first time in five years. This affected sales of our products, since about 85% of our railroad shipments are for replacement parts. Also, the railroads were inclined to defer equipment purchases because of appreciably lower earnings and lack of the 7% tax credit, which was rescinded in 1966, but was not reinstated in sufficient time to favorably affect 1967 spending programs.

Through its continued program of specialization and careful product selection, the wear control group has shown good performance and opened up many areas for growth.