

SALES TRENDS

Impact of the EPA '02 engines was less than feared, says Newport economist Jim Haughey. Nov. Class 6-8 retail sales totaled 20,229 units, down 4,600 from Oct., but Nov. is typically weak. After seasonal adjustments the drop is only about 100 units. Adjusted totals show a 2,000-unit rise in Class 7 sales, which was offset by 1,000-unit declines for Class 8 & Class 6.

It looks like pull-ahead buying caused a 4-5 month pause in truck market recovery, Haughey says. He projects 4th quarter adjusted sales at 70,000 Class 6-8, up only marginally from 3rd quarter after much stronger gains in spring & summer. Sales should rise about 23% next year, due in part to delayed buying but mostly to catch-up in vehicle replacements, spurred by cheap credit & expanding freight volume.

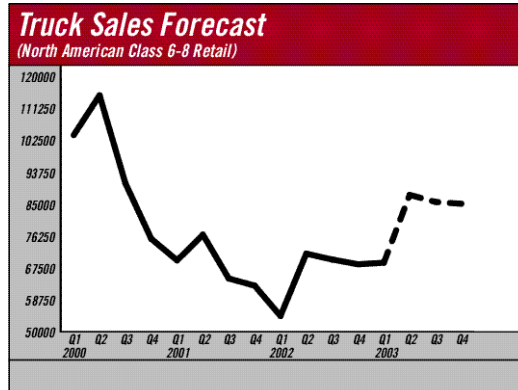
Cummins says it has booked orders from over 140 fleets – many for more than 100 units – for its new EPA compliant engines. Buyers include Knight Transportation, P.A.M. Transport, Tyson Foods, Mesilla Valley Transportation & Celadon.

FREIGHT TRENDS

Freight volume grew at a 4.9% annual pace in 3rd quarter although there was little, if any, gain in Sept., Haughey notes. A 1.7% gain is expected 4th quarter, which began at somewhat depressed level & was further restrained by slowdown in auto sales.

Year-end consumer spending is hard to read because of late Thanksgiving & early cold winter, he says. Early Dec. chain store sales were grim, but East Coast snow & ice may be the cause. Other early reports are more positive, indicating an uptrend from weak Sept. Online sales could be up 25-30% from last year – and all those orders are delivered by truck.

Exports getting a boost from renewed decline in the dollar, aggressive monetary stimulation in Europe & rapidly rising production (principally electronics) in Asia. But inter-



est rate boost in Mexico to counter rising inflation has slowed imports from U.S.

Availability of exception freight slowed as expected in Nov., says Brian Rollins, TransCore's DAT Services market research analyst. "As consumers began their annual retail spending frenzy, load postings settled in for the winter season. The decline in available freight is seen every year during the months of Nov. through Jan. Freight availability declined 27% from Oct., but remained up year over year." Looking to Feb., the best combinations of high freight volumes & favorable inbound-to-outbound load ratios have traditionally come from Ohio, Ill., Ga., Ind., Tenn., Ala., S.C., Ark., Wis. & Miss.

Govt. programs are sustaining construction industry but there's a black cloud ahead, says Bruce Moorman, industry specialist & partner in Grant Thornton accounting & business advisory firm. State budget shortfalls expected to get worse in '03 & many won't have matching funds for highway construction programs, which means those projects may not move forward, he says. But local governments are not as depressed as state governments, "so there should be some construction at the local level in streets, highways & infrastructure."

April-Sept. was best 6 months for intermodal since '94, says Intermodal Assn. of N. America. 3rd quarter rail intermodal volume was up 9.4% from year ago, 2nd quarter was up 9.5%. Domestic container traffic was up 13%

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in 3rd quarter, ISO container traffic up 11.8%. Total transportation revenue for intermodal markets up 7.2%. Intermodal revenue increased 7.5%, highway revenue 6.4%. Average revenue per intermodal load was up 4.9%. Average revenue/highway load was up 1.5%. IANA says jump in revenue likely reflects capacity squeeze in face of growing freight volumes. Contact: IANA, 301-982-3400.

FREIGHT RATES

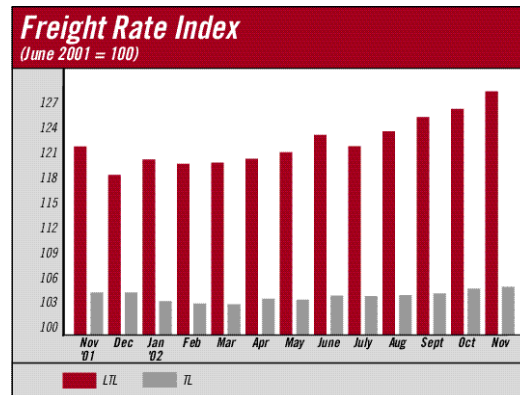
Less-than-truckload rates jumped 1.7% in Nov. after a 0.7% rise in Oct. Rates now 5.4% higher than year ago despite 5 months of falling rates earlier in year, says Newport's Haughey. Recent surge due to annual price schedule changes, plus fuel adjustment clauses triggered by steep Oct. rise in diesel prices. Much smaller increases – possibly some decreases – are likely now that diesel prices have turned down. Truckload rates rose 0.2% in Nov. For full year, rates will be unchanged from '01 but likely to inch up a bit more than inflation in '03, possibly 2-2.5%.

Diesel prices likely to stay within a few cents of \$1.40 pump price for several months, he says. World crude oil prices are bounding around in top half of OPEC's \$22-28/bbl. target range, depending on weather reports from Eastern U.S., Iraq oil shipments & political situation in Venezuela. "There could be a price spike if any one of these situations gets significantly worse," he says. "But it should be brief because supplies are adequate, refineries have some spare capacity, and substitute natural gas is available."

"It is not a good environment for getting rate increases," Haughey says. Manufacturing labor productivity soared to 5.8% annual rate in revised 3rd quarter GDP report, which means labor costs per unit of product fell 3.1% over past year. Shippers who are slashing product prices to stay competitive are reluctant to give suppliers, including carriers, price increases, he says.

EXECUTIVE VIEWPOINTS

High fuel & insurance costs, oversupply of used trucks early in the year, EPA '02 disruptions & overall economic conditions played havoc with the industry, but International Truck Group President Steve Keate sees much better times ahead. International is forecasting 156,000



Class 8 sales, U.S. & Canada, for its fiscal '03, which ends Oct. 31, a 5% drop from fiscal '02. But Keate notes that 1st quarter sales will be affected by pre-October "pull ahead" buying. "When you wash that out, demand is going to grow pretty significantly in '03," he says, predicting that by 4th quarter, annualized sales pace could be up to 180,000-190,000. Class 6 & 7 is forecast at 82,000 units, vs. 73,000 in fiscal '02.

Keate says feedback on EPA '02 engines is generally positive but, to overcome reliability fears, International is offering its Diamond Plus Support package including parts, service & breakdown guarantees, on new 8000 & 9000i series Diamond Spec trucks sold Dec. 16 through Mar. 31. 1st quarter new truck buyers might also qualify for 0% financing the first 13 months of 60-month contract. International sold over 2,000 trucks with a similar program a year ago.

Navistar International posted \$536 million loss for fiscal year ending Oct. 31 vs. \$23 million loss the previous year. Revenues were \$6.8 billion vs. \$6.7 billion. Company says decline in income from continuing operations, excluding \$123 million in restructuring & non-recurring charges, was due to significant increases in cost of post-retirement benefits & interest expense, plus unusual items such as Canadian Auto Workers strike, brake recalls, Class 8 engine shortages & exchange losses in Brazil & Argentina.

Chairman John Horne expects restructuring & discontinued operations to boost earnings by \$100 million in '03 and \$400 million at peak of next cycle. "We reduced our fixed costs & maintained a healthy distribution system throughout the downturn," he says. "We have positioned the business well, and now is the

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time to reap the benefits.”

Worldwide shipments of International trucks & buses totaled 84,100: 33,100 medium trucks, 19,500 school buses & 31,500 heavy trucks. '01 shipments: 43,700 medium trucks, 20,800 buses, 25,100 heavy trucks. Engine shipments: 375,500 units vs. 394,300 fiscal '01.

NEW BUSINESS

J.B. Hunt Transport Services orders 2,100 Freightliner tractors, most with Mercedes-Benz MBE4000 engines. Company says it's buying replacement vehicles only; expansion plans on hold until '04. New conventionals will replace COEs in Hunt's intermodal & dedicated service fleet.

Yellow Transportation orders 154 new Volvo VNM day cab tractors with Volvo VED12 engines. Stevens Transport takes delivery of 650 Utility 3000R insulated trailers with Thermo King SB190 reefers, orders another 600 trailers for '03. UPS orders 1,800 DaimlerChrysler Sprinter Vans.

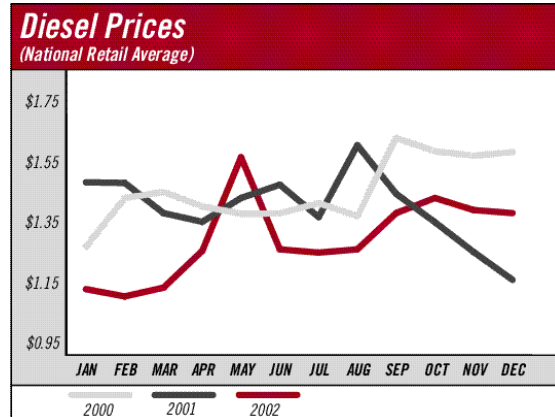
Mayflower Vehicle Systems gets \$50 million/year contract to build sleeper & day cab assemblies for International Class 8 trucks. ArvinMeritor Commercial Vehicle Systems group to supply next-generation air disc brakes for Renault & Volvo heavy trucks starting '04. New deal, worth \$250 million/year, extends existing agreement. International to offer 5-speed Allison automatic transmissions on 8500 model regional haul tractors.

Donaldson gets approval from California Environmental Protection Agency's Air Resources Board for Diesel Oxidation Catalyst muffler & Spiracle crankcase ventilation filter. UPS testing 10 Class 8 tractors with LNG engines built by Clean Air Partners. Tractors will make daily runs from Calif. to Nev.

AutoXray to provide commercial vehicle diagnostic tools & service products for Eaton Corp. New product line will be marketed as Eaton MD. Bendix to supply Integrated Control Modules for Blue Bird buses. Pilot Travel Centers adds new XATA satellite offerings for its 60 distribution centers.

EXPANSION

Hino Truck USA adds Class 4-7 conven-



Newport Communications 2002 1-800-233-1911

tionals to U.S. offering. Trucks use modified Japanese-built cab, Hino's electronically controlled 4 & 6 cylinder diesels, American made transmissions, drivelines, axles & brakes. First year's production will come from Japan, then transfer to Toyota-owned plant in Long Beach, CA. Toyota owns 51% of Hino's American-based arm & is providing financial support for the project.

Hino pares N. American dealer body from 117 to 82 locations. Company says dropping dealers was painful, but some were dualed with competitive makes & others were in "crowded" markets or had "personnel problems." Most dealers are on East Coast & in Southern Calif. But Hino plans to expand into other areas. Hino Canada sold 500 trucks 1st half of '02, up 10% from same period '01. Company sold its first truck in Canada in '75, just built its 10,000th.

Hyundai Truck America sets up Jamesburg, NJ, headquarters. Company to offer HLD150 Class 4 models with Detroit Diesel engines & Allison transmissions. HMD230 & 260 model Class 6 COEs will have Cummins engines & ZF transmissions. Y.J. Choo to head Hyundai operation. HTA has 30 dealers so far.

ArvinMeritor opens new plant in Wai Gao Qiao, Shanghai Free Trade Zone. Facility will initially assemble & manufacture bus & coach axles & brakes, later adding total axle assemblies for commercial vehicle customers in China. Operation expected to produce \$5 million sales in fiscal '03. Eaton opens Logistics Center in Indianapolis to provide central location for collection, warehousing & shipment of

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Eaton Fuller transmissions & aftermarket parts.

Delphi projects commercial vehicle technologies will account for \$1 billion in revenue by 2005, up from \$600 million in '01. Tokyo-based company now supplies diesel fuel injection systems, electrical/electronic distribution & heavy duty batteries to Asia Pacific CV manufacturers including Daewoo, Isuzu Motors Thailand, Mitsubishi, Caterpillar China & Volvo Truck India. Global CV director Greg Kochendorfer says they adapt proven auto technologies, but also are developing new technologies for unique UV needs. One major strength: vehicle electronics.

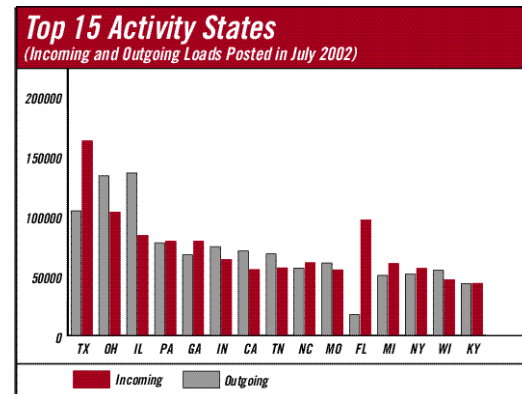
TRANSITION

BorgWarner reorganizes into two groups: Engine & Driveline. Engine includes chain systems, turbochargers, cooling systems & air/fluid systems. Roger Wood continues as president/gen.mgr., Morse TEC; Lee Wilson continues as president/gen. mgr., Turbo Systems. Air/Fluid Systems & Cooling Systems combine as BorgWarner Emissions/Thermal Systems with Alfred Weber as president/gen. mgr. Daniel CasaSanta is gen. mgr., cooling systems. Driveline group includes transmission, 4-wheel/all-wheel drive & torque management systems. Robert Welding is group president. John McGill is president/gen.mgr., TorqTransfer Systems.

Mitsubishi Motors shareholders OK spin-off of truck & bus unit. DaimlerChrysler, which owns 37% of Mitsubishi, will buy 43% of new company; another 15% will go to 10 Mitsubishi group companies

Fontaine Trailer drops Ravens steel dump trailer product line, closes Knox, IN, facility. Denso opens sales & manufacturing company in Istanbul, Turkey. International cuts medium-duty truck production at Springfield, OH, plant from 162 to 143/day, laying off 250 workers. Bankrupt Consolidated Freightways selling 27,000 trailers, 6,600 tractors through Blackmon Auctions; hopes to raise \$50 million from court-approved sale.

Budget agrees to stop using Ryder name/trademark, accelerate removal of Ryder identification from its consumer "yellow" trucks & pay Ryder \$1.25 million. Out-of-court



settlement resolves brand confusion going back to '96 when Budget bought Ryder's consumer truck rental business, including limited use of Ryder mark.

U.S. Xpress, Chattanooga, Tenn., to replace Qualcomm's OmniTRACs mobile communications system with Aether System's MobileMax in fleet's 5,500 trucks.

ALLIANCES & ACQUISITIONS

Autocar parent Grand Vehicle Works Holdings buys former Dana plant in Hagerstown, IN, for Autocar's new world HQ & truck manufacturing facility. Company says it looked at many facilities but this strategically located to Autocar suppliers & close to other Grand Vehicle facilities. Pilot production starts 2nd quarter; full production by July '03.

TMB Industries buys Phillips & Temro from The Budd Co. Rocore Industries buys assets of Modine Manufacturing's Albraze+ operations. GE Fleet Services buys Wells Fargo Fleet Services. Snap-on International buys vehicle scanner & eTechnician heavy truck diagnostics & telematics assets from Nexiq Technologies. SmarTire & Visteon to jointly develop tire monitoring systems for autos & explore market for commercial vehicle systems.

HONORS

Peterbilt ranks highest among conventionals, Hino among cabovers in J.D. Power & Assoc. '02 Medium Duty Truck Customer Satisfaction Survey. GMC Truck dealers score highest in dealer service satisfaction. Kenworth,

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Sterling, Chevrolet, GMC Truck, Ford & Freightliner also performed above industry average in conventional segment. UD Trucks & Mitsubishi Fuso scored above average in COE segment. Ford ranked above average in dealer satisfaction. Study based on interviews with 2,282 primary maintainers of 2-year-old Class 5-7 trucks.

ASSOCIATIONS

Mack to continue sponsorship of American Trucking Assns. Share the Road program designed to teach car drivers how to safely share the road with tractor/trailers. This will be Mack's 3rd year as a sponsor.

ATD/N.A.D.A. Official Commercial Truck guide expanded to include light-duty cab & chassis trucks. Contact: American Truck Dealers div. of National Automobile Dealers Assn., (800) 248-6232.

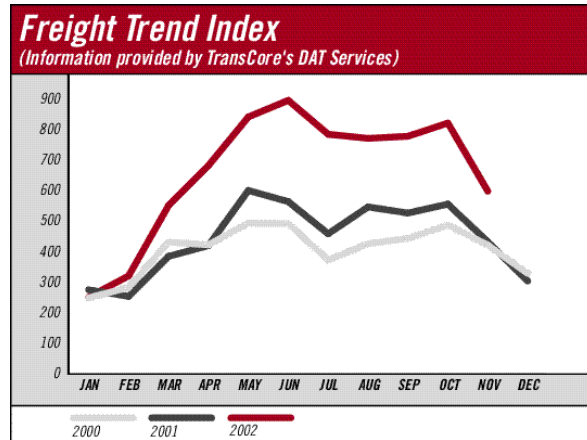
Roger Nielson, COO, Freightliner LLC, to offer strategies for today's economic challenges at Heavy Duty Manufacturers Assn. 13th annual Breakfast and Briefing, Mar. 21 during Mid-America Trucking Show. For tickets call: (919) 549-4800.

PEOPLE

David Hovind to Paccar vice chairman. He is succeeded as Paccar president by Tom Plimpton. Daniel Ustian to CEO, Navistar International, from president/COO. He succeeds John Horne who continues as chairman. Robert Lannert remains vice chairman/CFO.

Jonathan Rich to president, Goodyear Tire & Rubber N. American Tire unit, from president, Goodyear Chemical. He succeeds John Polhemus, who retired. Peter Christofferson to gen. mgr., Goodyear Commercial Tire Systems, from market development mgr., Paccar parts.

Phyllis Cochran to gen. mgr., Navistar Financial, from operations vp. Ramin Younessi to chief test engineer, Freightliner LLC, from director, strategic product planning & production network, DaimlerChrysler Commercial Vehicle Div. Mark Neale to sales engineer, Autocar.



Gordon Exel to sales vp, Cummins Westport, from sales & marketing vp, Datawest Solutions. Jeff Campbell to product marketing dir., Cummins Westport, from exec. vp & gen. mgr., Taymor Industries.

Stephen Crowley to president, VIPAR Heavy Duty. Mike Cole to suspension system sales specialist, Tuthill Transport Technologies. Mike Mickle to marketing & sales vp, Pegasus TransTech, from trade management vp, Crowley American Transport.

Skip Yeakel, principal engineer, advanced engineering, Volvo Trucks N. America elected chairman, Truck Manufacturers Assn. Robert Clark to TMA president, succeeding William Leasure Jr. who retires. Clark was a senior policy advisor to the Secretary of Transportation.

Robert Egan, vp of aftermarket sales-the Americas, Federal-Mogul, elected chairman, Heavy Duty Manufacturers Assn. David Woods, CEO, Charles Machine Works, elected chairman, Assn. of Equipment Manufacturers. Vic Tedesco, president, Zoresco Equipment, elected president of National Truck Equipment Assn.

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| MANUFACTURER | CLASS 8 33,001 LBS. & OVER | | | CLASS 7 26,001-33,000 LBS. | | | CLASS 6 19,501-26,000 LBS. | | |
|---------------------------|-------------------------------|----------------|----------------|-------------------------------|---------------|----------------|-------------------------------|---------------|----------------|
| | NOVEMBER | YTD | YTD | NOVEMBER | YTD | YTD | NOVEMBER | YTD | YTD |
| | SALES | SALES | SHARE | SALES | SALES | SHARE | SALES | SALES | SHARE |
| Chevrolet | 0 | 0 | 0.00% | 238 | 3,493 | 5.38% | 74 | 888 | 2.18% |
| Ford | 0 | 0 | 0.00% | 183 | 1,784 | 2.75% | 884 | 10,686 | 26.23% |
| Freightliner | 4,261 | 42,025 | 31.07% | 1,534 | 16,260 | 25.04% | 774 | 9,585 | 23.52% |
| GMC | 0 | 0 | 0.00% | 718 | 8,654 | 13.33% | 127 | 1,320 | 3.24% |
| Hino | 0 | 0 | 0.00% | 13 | 204 | 0.31% | 73 | 751 | 1.84% |
| International | 1,938 | 22,352 | 16.53% | 1,937 | 25,713 | 39.60% | 1,187 | 15,766 | 38.69% |
| Isuzu | 0 | 0 | 0.00% | 88 | 898 | 1.38% | 0 | 31 | 0.08% |
| Kenworth | 1,018 | 15,635 | 11.56% | 202 | 2,283 | 3.52% | 0 | 0 | 0.00% |
| Mack | 1,222 | 18,306 | 13.53% | 38 | 289 | 0.45% | 35 | 312 | 0.77% |
| Mitsubishi-Fuso | 0 | 0 | 0.00% | 4 | 63 | 0.10% | 37 | 474 | 1.16% |
| Nissan Diesel (UD Trucks) | 0 | 0 | 0.00% | 3 | 40 | 0.06% | 38 | 442 | 1.08% |
| Peterbilt | 1,403 | 16,621 | 12.29% | 181 | 2,338 | 3.60% | 0 | 0 | 0.00% |
| Sterling | 916 | 7,943 | 5.87% | 185 | 2,887 | 4.45% | 15 | 491 | 1.21% |
| Volvo | 761 | 10,437 | 7.72% | 0 | 0 | 0.00% | 0 | 0 | 0.00% |
| Western Star | 66 | 1,190 | 0.88% | 2 | 25 | 0.04% | 0 | 0 | 0.00% |
| Other | 74 | 741 | 0.55% | 0 | 0 | 0.00% | 0 | 0 | 0.00% |
| Totals | 11,659 | 135,250 | 100.00% | 5,326 | 64,931 | 100.00% | 3,244 | 40,746 | 100.00% |

Compiled by Heavy Duty Trucking Magazine. Source: Ward's Communications

