

FUEL PRICES

Escalating fuel prices could have devastating effect on trucking, warns American Trucking Assns. President/CEO William Canary. In a letter to President Bush, Canary cited a number of forces that could cause price volatility over the next few months: situations in Venezuela, Middle East & low oil inventories. "This makes me believe that, unlike the last time diesel prices reached their current levels, we are more likely to see higher prices than lower ones in the future," he said.

"Fuel is typically the 2nd highest expense for motor carriers, especially smaller ones," Canary noted. "As a result, with every 10-cent increase in the price of diesel fuel, on average, 1,000 motor carriers with 5 trucks or more will file for bankruptcy; and this excludes the potentially thousands of smaller truckers that will fail in the same environment." He asked Bush to "take steps necessary to keep escalating diesel fuel prices under control, like potentially using the Strategic Petroleum Reserve. "To stay healthy," he said, "we need to make sure that there is enough diesel fuel available at a reasonable price."

Newport Communications economist Jim Haughey says current higher than expected prices are due to a sharp drop in shipments from Venezuela, where oil workers are on strike, and to some speculative buying in advance of a feared war in the Middle East. "Both of these are political problems that have been simmering for more than a decade so they are not likely to be voluntarily resolved soon," he says. OPEC has promised enough additional oil. Diesel prices had stabilized in mid-Jan.

"Steady growth in worldwide industrial oil demand and consumer demand in Asia is currently masked by these political problems," Haughey adds. "But this will be increasing oil demand enough within a year to give OPEC another opportunity to fatten their margins."

THE ECONOMY

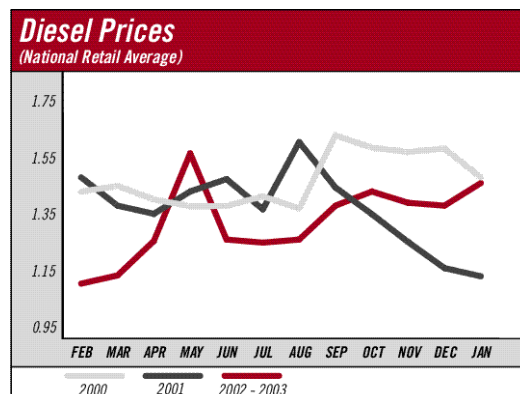
The '02 economy ended on a mixed note. Housing, consumer vehicles & many business

services remained strong & continue to expand rapidly. But retailing, investment & exports are still depressed. Thus, '03 began "with sub-par growth and a surplus labor & capital," Haughey says. Economic growth for next 6 months is forecast at 3% – not enough to stop unemployment, push capacity utilization high enough to spur investment, or to fatten profit margins. More tax cuts, weaker dollar & faster economic growth elsewhere point to further pickup in U.S. economic growth by year-end. GDP forecasts for '03 range from over 2% to near 4%, compared to estimated 2.5% in '02.

The Bush administration's proposed growth & jobs package "represents insurance for an economy that is growing, but not as quickly as it should," ATA's Canary said in another letter to the president. ATA supports the plan because tax relief would increase spending & consumption, which would boost growth for retailers, manufacturers & ultimately, freight haulers. He also noted that earlier tax write-offs for equipment purchases, included in Bush plan, is a key provision for trucking – especially smaller motor carriers.

SALES TRENDS

Dec. Class 6-8 U.S. retail truck sales were lowest since last Mar. – down 3,100 units from Nov. after seasonal adjustments. However, notes Haughey, truck manufacturers anticipated this and cut production sharply, so summer build-up of units with pre-Oct. engines has now been absorbed.



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Sales pace will be flat or up only slightly this winter due to economic and fuel supply concerns surrounding conflict with Iraq. Sales should rebound significantly if this is resolved, probably in spring, Haughey says. That will boost '03 sales 20% or more after a 50% drop in last 3 years.

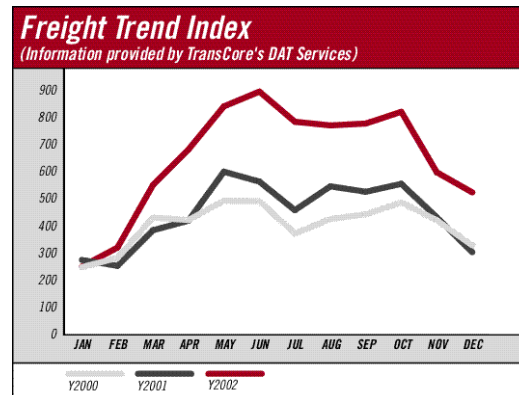
Accelerated write-offs for capital equipment are likely to be OK'd by Congress since they're called for in plans proposed by both Bush & Democrats. Equally likely, the provisions will be retroactive to Jan. 1. Haughey says that could cause some delay in truck purchases until the smoke clears, but should then spur sales for several months.

Expanding traffic, increasing revenue & profits, aging equipment & low interest rates will intensify pressure to acquire new equipment in the quarters ahead, says Economic Planning Associates. Pre-buying to beat '02 emissions, plus current slowing of economic momentum, means sluggish start for Class 8 sales in '03 but they should pick up in 2nd quarter. Class 8 retail forecast: 155,000 U.S. sales in '03, up 4.4% from '02; 176,000 in '04. Canadian market will remain relatively flat at 24,000 units after 27.7% increase in '02; 25,000 units in '04.

Class 7 customers must still be digesting the huge influx of equipment purchased '99 through early '01, since retail sales are languishing despite improvement in major customer markets, Economic Planning says. But expanding economy should boost Class 7 N. America retail truck sales to 55,000 in '03, up 13.6% from '02 and 66,600, up 21.1% in '04

Retail sales of Class 5 & 6 "held up relatively well" in '02, considering economic challenges, analysts note. More business & consumer spending should boost demand this year. So should increased acceptance of medium trucks in markets traditionally dominated by Class 7 & in some instances, Class 8. Forecast: Class 5 commercial trucks: 27,000 this year vs. estimated 24,000 for '02. Class 6 commercial trucks: 49,000 vs. 43,500.

Trailer shipments expected to "score an impressive gain," albeit from an extremely depressed '02. Forecast: 177,500 units this year, up 29.3% from '02; 205,800 in '04, up 16%. Contact: Economic Planning Associates (631) 864-4900 or epacorp@aol.com.



Once buyers overcome EPA '02 jitters, shrinking used-truck inventories & aging fleets will likely boost heavy truck sales, McDonald Investments analyst Brett Hoselton tells Cleveland Plain Dealer. "The average fleet age is at its highest level in nearly a decade" & is near peak levels, he said. McDonald surveyed 19 large trucking companies that are testing '02 engines. So far, he said, they have uncovered no major problems.

"There's a lot of strong (order) activity among national accounts," says Don Alles, Eaton/Dana Roadranger marketing services manager. Example: "A fleet that formerly would buy 2,000 trucks a year, but thought that this year they'd only buy 500, will actually buy around 1,500."

And they want to spec the trucks themselves, says Bob Goldston, Dana global marketing manager. "Our monthly reports show most fleets are adamant about spec'ing major components," he says. "If vertical integration is going to happen, it's quite a ways down the road."

FREIGHT TRENDS

Freight volume slowed to 1.4% annual growth pace in last quarter, hurt by weak consumer spending in late summer & early fall, says Newport's Haughey. Volume expected to rise at 3% pace this winter, then strengthen as economic growth accelerates. The mix will change in '03, he adds. Carriers probably won't see any additional growth in motor vehicle & construction-related freight, but should see higher growth in consumer packaged & capital goods.

The LTL freight rate index dropped 1.4% in Dec., reversing a similar gain in Nov. The index ended year up 6.7% from previous Dec. with

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most gain coming in last 5 months. A large share of that was due to fuel price adjustments as diesel prices jumped over 30%. Haughey expects slower rate increases – perhaps at a 2-3% annual pace – in early '03.

Truckload rates slipped marginally lower in Dec., ending year up 0.5% from last Dec. Quicker rate increases expected in early '03, probably about same pace as LTL rates.

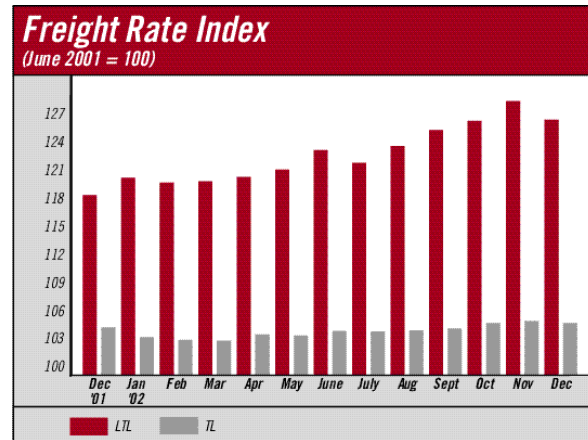
Dec. '02 load activity was more than double Dec. '01, says Brian Rollins, TransCore's DAT Services market research analyst. This is 11th consecutive month that load activity on TransCore's DAT Network has increased over previous year. "There is typically a seasonal decline in exception freight availability in Dec.," he says. "However, this year the seasonal decline is the smallest in the past 10 years. This may suggest that freight availability may recover from the winter slowdown more quickly than in previous years." Based on historical data, best combinations of high freight volumes & favorable inbound-to-outbound load ratios in March are likely to come from Ohio, Illinois, Georgia, Tennessee, Alabama, Arkansas, S. Carolina, Wisconsin, Louisiana & Mississippi.

EXECUTIVE VIEWPOINT

Possibility of war with Iraq is causing some truck buyers to put off purchasing decisions, Volvo CEO Leif Johansson tells *Financial Times*. Despite uncertainty, Johansson predicts a "flat to improving" N. American truck market. Orders will be flat early in year but improve in 2nd half, pushing total to around 172,000, about same as '02. Johansson expects significant improvement in profitability for Volvo's N. American operation, after 2 losing years.

Johansson said he expects European market to fall slightly from last year's 210,000 deliveries due to weakness in France, Spain & Italy. Volvo hasn't found a buyer for its 45% stake in Scania and doesn't know if it will ask European Commission to extend April deadline for divestiture. Volkswagen is Scania's majority owner but isn't interested in picking up the rest. One possibility: a spinoff to Volvo shareholders.

Volvo is increasing its presence in China through joint ventures & imports. Johansson



said they're focusing on China & rest of Asia rather than Japan, after their alliance with Mitsubishi was quashed by DaimlerChrysler. "We haven't found a way to turn a Japanese or Korean acquisition into a quicker way to build our presence in Asia than what we're already doing," he said.

'02 ENGINES

Cummins' 2002 ISX engines "are performing as expected," says Jordan Feiger, vp/gen. mgr. of International's Heavy Vehicle Center. "Real numbers to date show that even as volume of engines shipped goes up, number of engines needing repair is only a fraction," he told truck journalists. "Among the several hundred engines on the road, there have been zero mission-critical breakdowns."

Fuel economy drops slightly – 0-5% from pre-October engines, he said. "However, we believe that buyers in a position to invest in new trucks are likely driving trucks anywhere from 3-5 years old, which means that actual fuel mileage will remain constant when they make the switch. For example, if a customer currently running a Cummins N14 switches to the '02 ISX, there will be no loss in fuel economy." Feiger added that aerodynamic improvements on International's 9000i can help offset that loss.

Customer feedback has been excellent regarding power & performance, he said, giving much of the credit to 9000i series modifications made to complement new engine technology. Customers "love the ride & the feel of the new trucks and it's pretty clear that power has been retained and, in some cases, even improved."

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International Truck Group President Steve Keate said they're collaborating with engine OEMs & after-treatment providers on research & development of new technologies to meet '07 emissions standards. International's own medium-duty engines "are in a good position to meet the '07 challenge because of modifications made in '02 to our technology," he said.

EXPANSION

Autocar adds 25 dealer locations, bringing total to 290 including 63 full-line sales & service dealerships, 42 parts & service only dealers, & 185 parts only outlets. "We are keeping our pledge to our vocational customers to make it easy for them to purchase & maintain Autocar LCOE trucks," says Sales & Marketing VP Mike Popovich.

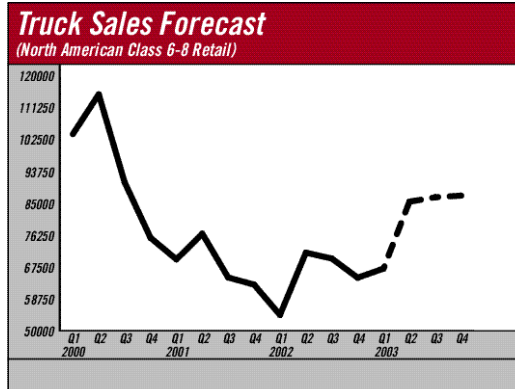
Volvo Powertrain AB to invest 375 million SEK (\$45 million) to modify Skovde, Sweden, engine plant for production of next generation diesels. Company says changes will double casting line capacity to 80,000 cylinder blocks/year.

ALLIANCES & ACQUISITIONS

Dana/Eaton marketing partnership, operating under Roadranger banner, is 5 years old. Don Alles, marketing services mgr., says 5-year goal is for 80% of product design offerings to be 5 years old or less. It plans several '03 product introductions, including: MD Tool (diagnostic tool for any ECU-controlled component on truck data bus) at TMC meeting; UltraShift 10 (2-pedal automatic transmission) at Mid-America Trucking Show; heavy drive axles in 4th quarter.

Chicago Rawhide to distribute BorgWarner Quik-Kool cooling system components in U.S. & Canada commercial truck aftermarket. Delphi Delco Electronics Systems marketing its heavy truck audio products through PANA-PACIFIC.

ArvinMeritor to acquire remaining 51% interest in German joint venture exhaust & emissions supplier Zeuna Starker. It will become part of ArvinMeritor's Light Vehicle Systems' Air & Emissions Technologies product group.



Rockland Industrial Products buys idled HPA Monon laminated flooring plant in Indiana, says it will resume production by mid-Feb. Rockland paid \$2.3 million & will get tax abatements & other incentives from state & county. Some proceeds from sale will be used to pay property taxes owed by Monon, now in bankruptcy. Former Monon executives Thomas Rosby & John Franklin were convicted in Dec. of directing fraudulent borrowing to keep company afloat. They're scheduled for sentencing this month.

NEW BUSINESS

ArvinMeritor gets \$250 million, 4-year contract from Volvo Group to supply air disc brakes for Renault & Volvo heavy trucks. Companies inked a supply contract for N. American truck axles last year.

USA Truck orders 963 International 9400i tractors with '02 Cummins ISX engines. Delivery to start in April. Swift Transportation orders 50 Volvo VN670 tractors with Cummins ISX engines. Delivery early 2nd quarter. United Kingdom Ministry of Defense names Oshkosh "preferred bidder" for 350 wheeled tankers. Contract details expected to be finalized first half of '03. Anticipated order value is \$160 million for initial vehicle acquisition, maintenance & support over 15 years.

TRANSITION

Performance-based wage increase program brings Wabash National manufacturing workers a 4.1% raise, first increase in over 2 years. Company says "higher than average" raise was based on improved efficiency, quality, safety & on-time delivery. Wabash trimmed debt by \$100 million in '02, reaching \$75 million

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in liquidity as of Dec. 31, vs. \$24 million a year ago. Sr. VP/CFO Mark Holden says efforts to divest non-core assets continue, including pending sale of part of lease/rental operation. Proceeds will pay down debt.

LABOR

UAW gets another chance at organizing Freightliner's Gastonia plant. Union lost earlier election but charged Freightliner with unfair tactics. Now both have agreed to accept outcome of a "check card" vote. International Truck & Engine lays off 250 Springfield, OH, workers; cuts medium duty truck production from 162 to 143/day.

RESOURCES

2003 National Motor Carrier Directory gives info on 23,000 trucking companies including CEO, HQ address, revenues, fleet size, & commodities hauled. Directory is available in print or CD-ROM. Contact: Transportation Technical Services, (800) ONLY-TTS or www.ttstrucks.com.

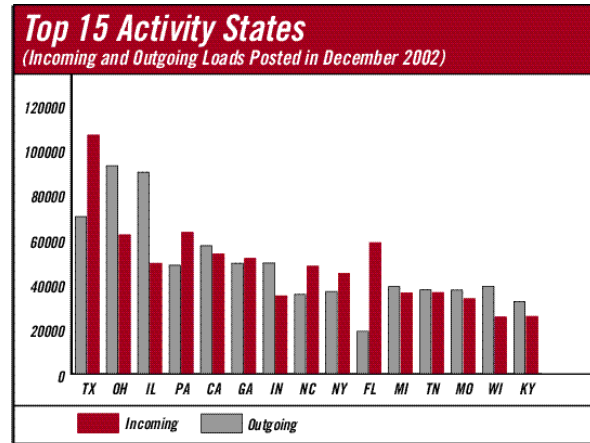
National Truck Equipment Assn. 2003 Membership Roster & Product Directory lists 1,600 companies that manufacture, distribute, install, sell & repair commercial trucks, truck bodies, truck equipment, trailers & accessories. Contact: (800) 441-NTEA or www.NTEA.com.

HONORS

FedEx Express Presents Comdata with its Global Strategic Supplier Symposium Excellence Award for customer support & product development.

EVENTS

ATA Technology & Maintenance Council 2003 Annual meeting & Transportation Technology Exhibition Mar. 11-14, Ft. Lauderdale, FL. Meeting will be first for new Vocational Trucks Study Group. Full technical sessions include discussions of TMC's Far Horizons timeline paper and Mobile Intelligent Asset Management. Mini sessions to cover emissions, Tread Act, 2002 engines. Technology & logistics sessions to discuss web-based hiring, XML Transportation standard, new cell technologies. Contact: TMC, (703) 838-1763.



National Truck Equipment Assn. convention, Mar. 2-5, Atlanta, to offer educational sessions for fleet managers & truck equipment suppliers. Accompanying Work Truck Show, Mar. 3-5, will exhibit Class 1-8 commercial equipment. Contact: (800) 441-NTEA or www.ntea.com.

PEOPLE

Robert Kurnick Jr. to president, Penske Corp., from exec. vp. He is also UnitedAuto Group general counsel. Roger Penske continues as chairman of Penske & UnitedAuto. Larry Mitrovich to manufacturing vp, Autocar LLC.

Michael Gallagher to COO, Westport Innovations, from sr. vp, operations, Americas, mining & minerals, Fluor Corp. Michael Bates to engineering director, Bostrom Seating, from system architect, General Motors.

Heil Environmental Industries names David Baratti marketing director, Herb Wells western sales director, Toby Harris marketing services mgr., Steve Dupuis director-distributor sales & ready trucks, Terry Welch ready truck mgr.

Brian Carroll to president, FleetBoss Global Positioning Solutions, from COO. Todd Felder to marketing vp, Terion. Bill Patrolia to N. American Truck sales dir., Iteris, from sales & marketing dir., Siemens Integrated Local Govt.

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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.		
	DECEMBER	YTD	YTD	DECEMBER	YTD	YTD	DECEMBER	YTD	YTD
	SALES	SALES	SHARE	SALES	SALES	SHARE	SALES	SALES	SHARE
Chevrolet	0	0	0.00%	316	3,809	5.49%	148	1,036	2.30%
Ford	0	0	0.00%	204	1,988	2.87%	954	11,640	25.81%
Freightliner	3,908	45,933	31.45%	1,267	17,527	25.28%	957	10,542	23.38%
GMC	0	0	0.00%	619	9,273	13.38%	207	1,527	3.39%
Hino	0	0	0.00%	22	226	0.33%	79	830	1.84%
International	1,640	23,992	16.43%	1,076	26,789	38.64%	1,846	17,612	39.06%
Isuzu	0	0	0.00%	114	1,012	1.46%	1	32	0.07%
Kenworth	1,025	16,660	11.41%	248	2,531	3.65%	0	0	0.00%
Mack	1,281	19,587	13.41%	51	340	0.49%	47	359	0.80%
Mitsubishi-Fuso	0	0	0.00%	6	69	0.10%	38	512	1.14%
Nissan Diesel (UD Trucks)	0	0	0.00%	4	44	0.06%	48	490	1.09%
Peterbilt	1,336	17,957	12.30%	228	2,566	3.70%	0	0	0.00%
Sterling	820	8,763	6.00%	241	3,128	4.51%	24	515	1.14%
Volvo	588	11,025	7.55%	0	0	0.00%	0	0	0.00%
Western Star	113	1,303	0.89%	1	26	0.04%	0	0	0.00%
Other	70	811	0.56%	0	0	0.00%	0	0	0.00%
Totals	10,781	146,031	100.00%	4,397	69,328	100.00%	4,349	45,095	100.00%

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

