

## DIESEL & ENERGY

Diesel prices hit average \$1.77/gallon the 2nd week in March – topping \$2 in New England. Newport economist Jim Haughey says most of the recent 40-50 cent jump is due to situations that can reverse quickly – but it's not certain when the reversal will start.

Cold weather means a bump in heating oil demand & heating days are up 10%-plus in the East & Midwest. This is a 30% jump from last year's warm weather, Haughey says. President Bush recently put 40 million barrels into the U.S. Petroleum Reserve – roughly 2 days of national consumption. The Pentagon is silent but has likely purchased lots of extra oil lately, he says. No war or a short war means the military won't buy more, and buying may drop below normal in the months ahead. Delayed or prolonged war could mean more military buying. "Defense needs are probably light on diesel," he notes, "so the refineries have had to tweak their processes to yield more gasoline & kerosene (jet fuel) and less diesel."

Crude oil & product shipments from Venezuela aren't yet back to normal and the earlier, larger shortfalls are still reflected in low inventories. There haven't been reports of overall availability problems & none are expected as long as Middle East crude continues to be shipped, Haughey says. Any shipping disruption would take about 6 weeks to produce availability problems – but the price impact would be immediate. Saudi Arabia has loaded extra tankers and sailed them out of the area to serve as floating inventory reserves.

"Normal" prices now would be about \$1.35-1.40 based on OPEC prices targets and world economic demand. Normal is at least two months away even if there's a quick resolution to the Iraqi conflict.

Less-than-truckload rates were up 0.4% in Feb., truckload rates rose 0.3%, but both gains were well short of the average 14% Feb. hike in diesel prices. Fuel price adjustment clauses in freight contracts & rate schedules will push freight rates slightly higher for a few months, even if diesel prices don't get higher.

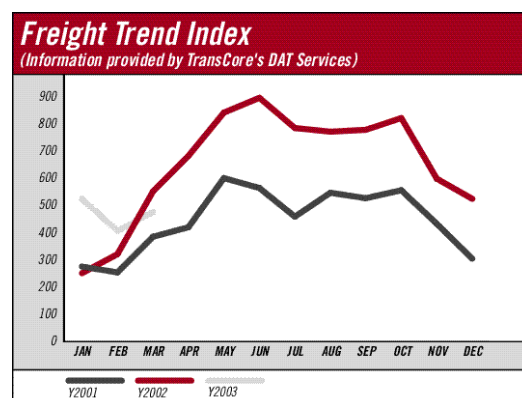
## FREIGHT TRENDS

All early economic data for Feb. was sour, says Haughey. This includes unusually large declines in jobs & retail sales, another small dip in already low confidence levels and a sharp pickup in inflation, driven mostly by higher energy prices. Still, relatively strong spending in Dec. & Jan. should put 1st quarter GDP growth near the 1.4% pace of the previous quarter.

Freight volume is expected to increase at a 1-2% annual pace this quarter, about in line with GDP growth. But this is front-loaded, Haughey says. March volumes will likely be the same or slightly higher than Jan. Cheap credit & high energy prices have tilted spending to new homes, new mortgages, gas & utility bills, thus current consumer spending isn't favorable to freight.

Availability of exception freight rose 48% in Feb. compared to a year earlier, says Wayne Kirchmann, TransCore's market research mgr. Freight volume typically starts to increase in Feb. following a 3-month seasonal decline. This marks the 13th consecutive month of increased load availability on a year-over-year basis. Based on historical data, the best combos of high freight volumes & favorable inbound/outbound ratios in May will come from Ohio, Illinois, Indiana, Tennessee, Michigan, New York, Missouri, Kentucky, Arkansas & Wisconsin.

U.S. rail intermodal traffic totaled 9.35 million trailers & containers in '02, setting a



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record high for the 6th time in 7 years, according to the Assn. of American Railroads. Intermodal traffic was up 9.7% in Dec., 1.5% in the 4th quarter, and 4.6% for the year. International shipping continued to show the most improvement but domestic shipments were up 4% – an improvement over recent years, said AAR. Inventory replenishment helped. So did higher fuel & insurance costs, which forced truckload carriers to raise their prices.

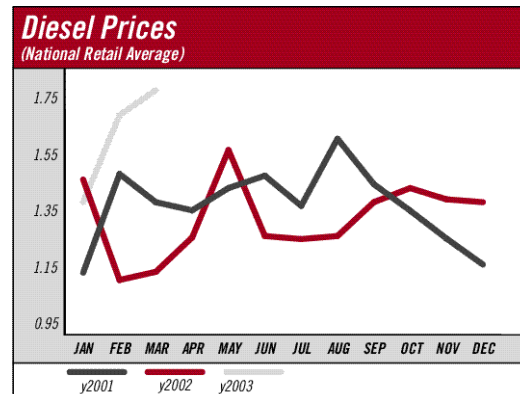
### SALES TRENDS

Feb. Class 6-8 truck sales were 19,000 units after seasonal adjustments, about the same as the previous 2 months. This is 18% below the monthly average for the previous 7 months & back to the monthly average for late 2001/early 2002, says Newport's Haughey. Much, perhaps most, of the recent decline is due to last year's EPA '02 pull-ahead buying; but some is due to war-related weakness in the economy – especially weakness in capital spending – plus the surge in diesel prices. "All three of these negatives are reversible and should largely disappear in the summer," he says. As a result, monthly sales should jump as much as one-third a year from now.

### FINANCIALS

Caterpillar posts '02 profit of \$798 million on revenues of \$20.15 billion vs. \$805 million on \$20.45 billion the previous year. 4th quarter profit was \$302 million on revenues of \$5.38 billion vs. \$167 million on \$5.1 billion a year earlier. "Caterpillar is not the same company we were 10 years ago," says Chairman Glen Barton. "We've made some hard choices to diversify our business so we're not only the 'tractor company' we used to be known as." Company says it invested \$4 million each working day on technology like ACERT, designed to meet new diesel emissions standards.

Caterpillar engine sales for the year were \$6.67 billion, down 3% from '01. Truck engine sales rose 36% due to a surge in demand from N. American truck OEMs prior to the Oct. 1 emissions deadline & improved fleet operating profits, the company said. It also noted that all Cat on-highway truck & bus engines will be equipped with ACERT emissions reduction technology by 4th quarter '03.



### EXECUTIVE VIEWPOINTS

Next generation Macks will have a common structure beneath the skin, says President/CEO Paul Vikner. But Volvo & Mack products will continue to be separate – no re-badging a la GMC/Chevy, he says. Volvo is working on a family of corporate frames for worldwide use. Volvo N. America currently has 3 frames, Mack has 4. None are interchangeable – yet. Frames for Mack CH & CX models now built at Volvo's New River Valley, VA, plant will be built on the frame line there. Frames/axles for Macungie, PA, will be built at a Pottstown, PA, plant formerly owned by Dana. Mack bought the facility after ending its supply deal with Dana & has hired another company to run it.

Economics may force Mack to discontinue some of its low-volume products, says Vikner. The CL heavy conventional with special frame & heavy/heavy Mack bogie sells 600-1,000/year – at best. Company still makes its predecessor, the RD-800, for less than 10 customers. Success of the vocational Granite line led Mack to drop the R-model. A set-back front axle Granite is 2 years away but he says the DM mixer/dump is still going strong. Mack discontinued its midrange Freedom line, a Renault product, the end of last year. Vikner says a Class 6/7 line for Mack & Volvo dealers is "being studied."

Vikner says they're concerned about EPA heel dragging re '07 emissions, especially the use of selective catalytic reduction. SCR is being accepted in Europe, including the injection of urea in the exhaust to neutralize NOx – something Mack is working on. Vikner says the entire engine industry needs government decisions now so engineers can move forward with technology to meet the '07 standards. Mack, he

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says, hopes to have prototype engines ready for testing in '05.

### EXPANSION/TRANSITION

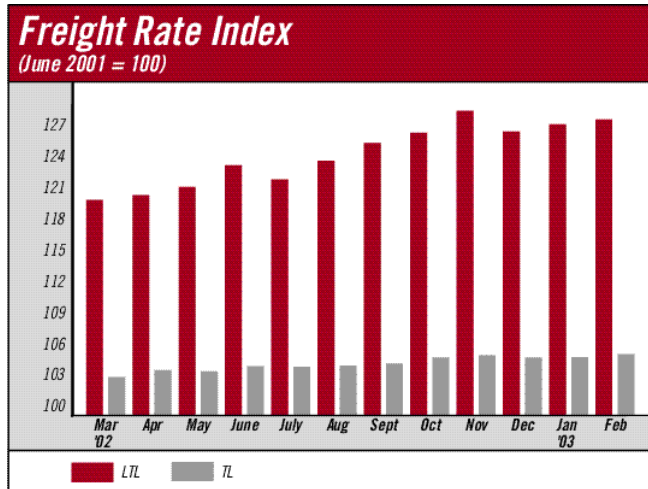
Volvo Truck N. America to increase Class 8 truck production at its New River Valley, VA, truck plant from 44 trucks/day to 72/day, starting mid-April. Company says increase is due to current order intake and "the excellent market reception to the new Volvo VN" introduced last year. Production boost should bring back some 400 laid off workers.

Kenworth ups T300 build rate despite flat Class 6/7 market. Medium Duty Product Mgr. Mike Parrish says their sales last year were up 35% although industry medium-duty truck sales were off 20%.

International offers vocational-specific web site for govt. customers including spec'ing guide, sample bid spec, competitive comparisons, info on its municipal lease program & payment calculator. Company estimates 20,000-25,000 Class 6-8 trucks are sold annually to government agencies & 250,000 trucks in govt. service. International claims 30% market share in that segment. Severe Service Marketing Director Rob Swim says govt. workers, especially in smaller cities & towns, use the Internet as a source of information.

Germany's Mann+Hummel says it will more than double its N. American sales & marketing operations by 2010. Company says its acquisition of Solvay's air induction & technical parts business last year is making it a "significant player" in the N. American car, light & heavy truck sectors.

Autocar launches web-based dealer communications system, ADNet, for quotes, orders, order status. Company also marked its official move to Hagerstown, IN, with a ceremony in mid-March. Bendix Mintex changes name to FMP (Friction Materials Pacific) Group.



### ALLIANCES & ACQUISITIONS

GE Driver Development buys remaining interest in I-Sim LLC from its original founders. Instructional Technologies & P.A.Y. Back Systems to co-market safety, driver retention & employee improvement services for trucking. Instructional Technologies to provide computer-based driver training via IdleAire Technologies truckstop idle reduction & communications systems. Worldwide Connectz & Fleet One to jointly provide wireless high-speed Internet access at truck plazas & restaurant chains.

SmarTire Systems signs extension & settlement agreement with TRW Automotive reinstating its royalty-free access to TRW tire monitoring system patents granted under a 2001 licensing deal. The extension gives SmarTire until June 1 to pay \$850,000 in debt obligations.

Faucher Industries to distribute Kemlite transportation products in Canada. Haldex signs on as primary truck sponsor for 2003 Super Truck Celebrity Challenge. Haldex is also the exclusive brake systems supplier for the Super Truck Racing Championship Series.

### NEW BUSINESS

Volvo Truck N. America adds 465 hp Volvo VE D12 diesel engine option for its new VN models. Autocar to offer 7-11 liter Caterpillar & Cummins engines in its '04 Xpeditor WX, WXR & WXLL LCOE models.

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Kenworth adds Eaton Fuller Lightning 10-speed manual transmission option on T600, T800, W900, T2000 & C500 models; offers Donaldson polished SST stainless steel air cleaner for "image conscious" buyers. Heil dump bodies now available through Kenworth dealers.

XTRA Lease buys 4,000 Terion FleetView trailer tracking units, J.B. Hunt orders 1,500 FleetView units. Georgia-Pacific to equip 300 vehicles with Qualcomm's OmniExpress mobile communications system & MVPc in-vehicle computers.

Oshkosh gets federal grants for development of its ProPulse hybrid electric drive technology for heavy trucks. \$4.5 million grant from U.S. Energy Dept. will help fund 3-year development effort focusing on advanced heavy hybrid propulsion systems for refuse vehicles. \$500,000 Defense Dept. research grant geared to development of a ready-for-production ProPulse for military vehicles.

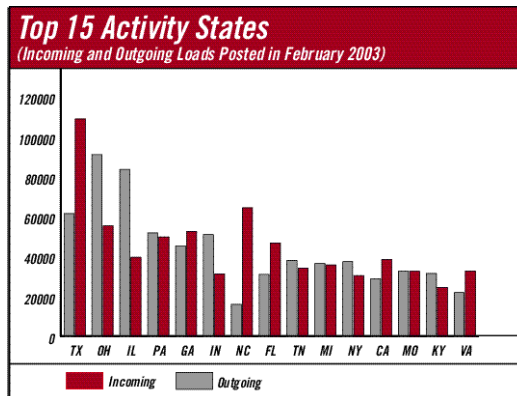
Bendix Commercial Vehicle Systems selects Enterprise Data Management's Datalliance for its vendor managed inventory system. Holland Group to use SolidWorks 3-dimensional computer-aided design (CAD) software to design & develop heavy truck components including 5th wheels, trailer landing gear & truck and trailer air and mechanical suspension systems.

Hyundai Translead awarded patents for its variable height gooseneck chassis, adjustable wheelbase trailer & its method & apparatus for coupling trailers plates. The Kalb Corp. gets patent for its HeatBlocker exhaust insulation system. ExxonMobil's Exxon XD-3, Exxon XD-3 Elite & Mobil Delvac 1300 Super meet Caterpillar ECF-1 spec.

### EMISSIONS

Clean Diesel Technologies says commercially available ultra low-sulfur diesel fuels used with its fuel-borne catalyst & emission control after-treatment devices cut NOX emissions 13% & particulate matter 90% in a dozen separate tests on a '98 Detroit Diesel Series 60 engine.

Clean Air Partners raises \$8.6 million in venture capital funding for ongoing product &



market expansion of low-emission vehicle, electric distributed generation & oil & gas application products. Company's joint venture with T. Baden Hardstaff, CAP-Hardstaff, says its Dual-Fuel technology has passed the European Union's Euro III & Euro IV emissions tests for heavy duty truck engines. Euro III standards were initiated in 2001; Euro IV becomes effective in '05.

U.S. Army unveils Class 8 Freightliner with prototype liquid-fueled, roadworthy fuel cell auxiliary power unit. System uses a Ballard Power Systems fuel cell stack & reforming technologies to generate electricity for onboard demands & to power external devices.

### EVENTS

First joint meeting of the Heavy Duty Distribution Assn & Council of Fleet Specialists, April 13-16, Westin Crown Center, Kansas City, MO. Contact: CFS, (816) 421-2600, [www.cfshq.com](http://www.cfshq.com); HDDA, (301) 654-6664, [www.aftermarket.org](http://www.aftermarket.org). N. American Truck Show May 8-10, Bayside Expo Center, Boston. Contact: (800) 225-1577, [www.truckingexpo.com](http://www.truckingexpo.com).

### HONORS

Newport's *Heavy Duty Trucking* takes top prize in the Jesse H. Neal National Business Journalism Awards How-To Series category for its "Safe & Secure" series dealing with security risks facing fleet managers following 9-11. Editors: Patricia Smith, senior editor; Oliver Patton, Washington editor; John Bendel, technology editor; Deborah Lockridge, senior editor.

*HDT* was also awarded a Certificate of Merit for "When Clean Air & Economy Collide," an analysis of how new EPA emissions standards

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will impact trucking. Editors: Deborah Whistler, editor; Steve Sturgess, senior editor; Oliver Patton, Washington editor; Jim Winsor, executive editor; Tom Berg equipment editor.

Considered the Pulitzer Prizes of the business press, the annual Neal awards were created by the American Business Media to recognize & reward excellence in independent business publications. *HDT* has won 24.

### PEOPLE

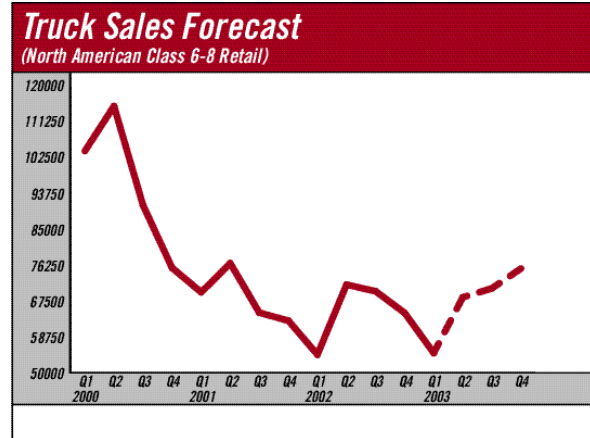
Alex Bernasconi to sales vp, Freightliner Trucks, from gen. mgr., western sales region. Brian Mooers to gen. mgr., Freightliner Portland, OR, truck plant, from Freightliner Group gen. mgr., procurement & supply. Bob Pacillas to mgr., Freightliner Gastonia, NC, parts plant, from production director, Cleveland, NC, truck plant. Thomas Hough to vp-strategic initiatives, Navistar International, from vp/treasurer. He is succeeded by Terry Endsley, formerly assistant treasurer.

Holland names Pat McGurk director, trailer suspension systems PMT (product management team), David Roe PMT director-coupler/kingpin products, Bill Hicks trailer suspension systems engineering group leader, Mark Molitor engineering group leader, truck & bus suspension product group, John Cook marketing project manager, Mark Thomas market intelligence analyst. Dan Millar, coupler/kingpin products director will also direct Holland's global aftermarket activities.

Robert Dubsy to president, Hadley Products, from sales & marketing vp. Gary Saunders to sales & marketing vp, Magnum Systems. Jim Hoban to gen. sales mgr., Hansen International. Matt Molz to design engineer, Reinke trailer/chassis div.

Donald Poland Jr. to president, SKF Service Div., N. America. He succeeds Denny Clark who retired. Gary Ciapetta to national accounts director, Hendrickson International, from marketing director, Hendrickson Trailer Suspension Systems. Bruce Seay and Kevin Motz to Hendrickson International account mgrs.

Leslie Scalzott to president/CEO, Carrier Information Exchange, from vp & engagement partner, Integrated Architectures Inc. Died:



Richard Reinke, 80, founder of Reinke Manufacturing.

Dewey Clower named NATSO president emeritus. He retired Dec. 31 after 15 years as president/CEO. Arthur Levario to safety & compliance director, Arizona Motor Transport Assn., from Phoenix operations supervisor, UPS. Vic Tedesco, president of Zoresco Truck Equipment, Pittsburgh, elected president, National Truck Equipment Assn.

Died: Retired Michelin N. America exec Alex Jankowsky, 65, of injuries suffered in a bicycle accident near his home in Hilton Head, SC.

Died: Ken Self, 87, former Freightliner chairman & president. Self joined Freightliner as production manager in 1947 when it was a start-up truck manufacturing operation of Consolidated Freightways and was instrumental in the development of several pioneering innovations & designs, including the COE & the 90-degree tilting COE cab. He was named president in 1959 & chairman in 1975. He retired in 1979 but continued to build & restore trucks in his garage. Self was an original founder of the Pacific Northwest Truck Museum in Brooks, OR. He was inducted into the Automotive Hall of Fame in 1994.

Died: Flying J Founder and Chairman Jay Call, 62, died in a plane crash March 15 in Hailey, Idaho. Also killed in the accident were former Vice President Richard E. "Buzz" Germer and his wife, Ilene.

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## U.S. RETAIL TRUCK SALES REPORT

MANUFACTURER	CLASS 8 33,001 LBS. & OVER			CLASS 7 26,001-33,000 LBS.			CLASS 6 19,501-26,000 LBS.		
	FEBRUARY SALES	YTD SALES	YTD SHARE	FEBRUARY SALES	YTD SALES	YTD SHARE	FEBRUARY SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	111	265	2.84%	112	160	2.13%
Ford	0	0	0.00%	114	233	2.49%	750	1,338	17.82%
Freightliner	2,777	5,388	32.57%	1,532	2,994	32.05%	1,063	1,989	26.49%
GMC	0	0	0.00%	286	502	5.37%	83	133	1.77%
Hino	0	0	0.00%	13	34	0.36%	61	109	1.45%
International	1,403	3,162	19.11%	1,937	3,916	41.92%	1,851	3,505	46.68%
Isuzu	0	0	0.00%	55	102	1.09%	0	0	0.00%
Kenworth	774	1,508	9.11%	252	399	4.27%	0	0	0.00%
Mack	741	1,293	7.82%	37	53	0.57%	35	50	0.67%
Mitsubishi Fuso	0	0	0.00%	3	7	0.07%	29	77	1.03%
Nissan Diesel	0	0	0.00%	10	12	0.13%	38	55	0.73%
Peterbilt	871	1,757	10.62%	192	399	4.27%	0	0	0.00%
Sterling	586	1,342	8.11%	260	425	4.55%	75	92	1.23%
Volvo	830	1,798	10.87%	0	0	0.00%	0	0	0.00%
Western Star	71	150	0.91%	0	0	0.00%	0	0	0.00%
Other	71	147	0.89%	0	0	0.00%	0	0	0.00%
<b>Totals</b>	<b>8,124</b>	<b>16,545</b>	<b>100.00%</b>	<b>4,802</b>	<b>9,341</b>	<b>100.00%</b>	<b>4,097</b>	<b>7,508</b>	<b>100.00%</b>

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

