

HOURS OF SERVICE

New hours of service rules for truck drivers will likely increase productivity of LTL carriers because of the additional hour of drive time, but regional, vocational & solo drivers may experience less productivity because of shortened work day, says Nick Panza, Peterbilt gen. mgr. & Paccar vp. Starting Jan. 4, truckers will be allowed to drive 11 hours instead of 10, but on-duty time is cut from 15 non-consecutive to 14 consecutive hours. Mandated off-duty time goes from 8 to 10 hours.

"Peterbilt has surveyed a number of customers regarding the impact the new rules will have on their operations & equipment needs and, for the short-term, most owner-operators & fleets say the impact will be marginal," Panza adds. "For the longer term, we may see an increase in team drivers as the industry looks to fully utilize every power unit. An increase in team drivers will likely create greater demand for trucks with larger sleepers & more luxurious amenities to increase the comfort & satisfaction of the off-duty driver."

Impact study commissioned by FMCSA

says new rules will have minimal cost impact on all but small (2-9 truck) fleets that lack flexibility to take immediate advantage of extra driving time. Analysts say some additional drivers and vehicles may be needed, but overall cost to most fleets will be minimal and revenue & incomes will return to – or surpass – current levels as carriers increase shipments.

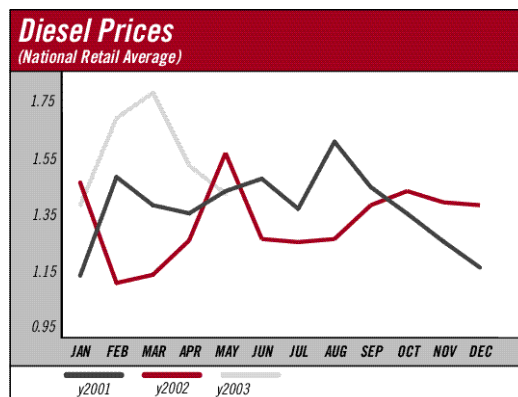
FREIGHT TRENDS

Post-war economic reports are much more positive than grim news in Feb. & Mar., says Newport economist Jim Haughey. Energy costs are back to pre-war level. Retail sales have rebounded. The consumer confidence index jumped a third. Stock indexes have jumped 20% from the early '03 lows. "This restores the economic environment to where it was last Sept.," he says. "We still have surplus capacity & labor, but we also have enough confidence & spending power – with an assist from rising exports – to quickly return economic growth to 3% this year, then 4% next year."

Freight volume is rising at close to a 4% annual pace this quarter after 6 months of

almost no gain. A 4 - 4.5% growth pace is likely through the end of next year. Haughey says the packaged goods industry was only sector with significant freight growth in last 2 quarters. Consumer durables, business equipment & exports will provide most freight growth.

April availability of exception freight was 22% higher than a year ago, says Wayne Kirchmann, TransCore market research mgr. Freight volume increase is typical this time of year, he notes, adding this is the 15th consecutive month of year-over-year load volume increases. Based on historical data, following states should have the best combination of freight volume & inbound/outbound load ratios in July: TX, PA, FL, OH, NC, IN, MO, MI, VA, KY.

**SALES TRENDS**

Class 8 truck sales total 12,300 in April (11,500 seasonally adjusted) – up 37% from Mar. & highest in 5 months. Haughey says some of the surge was release of purchases put on hold during cautious investment environment of past few months – and we may see a similar bump in May. Growth will slow after that. Class 6 & 7 sales were steady to slightly lower. He expects '03 Class 6-8 sales to be 1.5% below '02, followed by a 24% increase in '04.

Over 75% of fleets in latest quarterly survey done by CK Marketing & Communications said they plan to buy power units & trailers in next 6 months. Half the purchases would be fleet additions, not replacements, researchers say. Contact: www.ckkemmercom.com.

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EXECUTIVE VIEWPOINT

Class 8 industry order intake has stabilized at replacement levels says Jordan Feiger, vp/gen. mgr., International Heavy Vehicle Center. International's order boards look even stronger because much of the growth is coming from smaller truck fleets. Overall trends look good: tonnage has bounced around but seems to be firming, factory production isn't great but heading in right direction, diesel prices dropped after Iraq war. Bush's tax cut may not be a big economic stimulus "because it's too darn small."

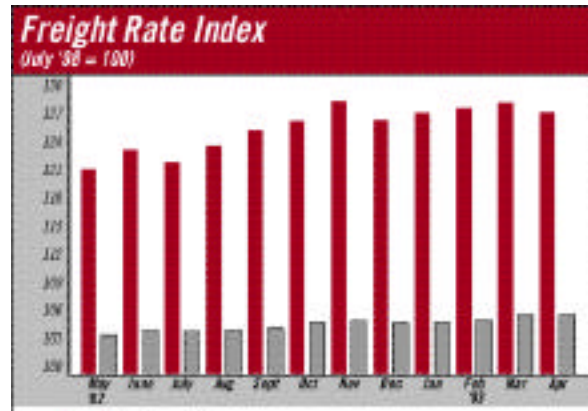
Feiger warned that many factors affect carrier & industry success but there's a strong correlation between high diesel prices & fleet failures. \$1.40/gallon for diesel seems to be threshold for change. Historically, when diesel falls below \$1.40 the Class 8 market shows improvement. When prices rise above \$1.40 we often see stagnation & decline. The speed of price change is critical: If prices rise quickly, carriers can't adjust quickly enough to recoup losses. While Feiger admits he takes the numbers "with a grain of salt," he also said they'll look for truck demand to rise if prices head lower than \$1.40. "If they hover at \$1.40 or \$1.50 that doesn't mean that demand won't increase, but if they get into the \$1.60-\$1.70 range we'll be concerned that we might not see the kind of (market) increase we're expecting for '04."

LEASE/RENTAL

\$25 billion truck renting & leasing industry poised for strong growth, TRALA President/CEO Peter Vroom tells Bridgestone/Firestone's BIZCOM7 in Las Vegas. Latest Truck Renting and Leasing Industry report says 21.5% of all commercial trucks in operation are rented or leased. Share jumps to 37.5% for trucks 5 years old or less. Trucks under 5 years old make up 68% of lease/rental fleet. Contract maintenance by truck leasing & rental companies rose 11% in past year.

Vroom said factors are in place for economic improvement: "The used truck inventory backlog is gone, motor carrier freight capacity needs are rising, '02 engine performance fears have almost completely subsided, and the war in Iraq has ended. The consensus from our view is noticeable expansion likely coming later in '03 or early '04."

Idealease VP Lance Bertram says they continue to see increased utilization & expansion



of rental fleet. "The expansion is slight, and still below 2001 fleet size numbers, but increased volume plus increased utilization is definitely a positive trend, and one that we have not seen in about 2 years," he says. "We are cautiously optimistic because usually the lease & retail markets lag about 6 months behind a surge in rental utilization."

Dick Carson, sr. vp, Ryder Fleet Management Solutions, says they've seen increased lease/rental activity over last few weeks. "Revenue is up due to increased prices & a 6% increase in utilization in 2003 year to date," he says. "Demand has been for shorter-term commitments (like rental) due to general economic conditions."

FLEET UTILIZATION

Class 6-8 truck utilization dropped 3 consecutive quarters, logging lowest 1st quarter since '99, according to latest MacKay & Co. survey. But analysts say overall utilization is still relatively high & this may be a "breather" before economy starts rolling again.

Class 8 1st quarter utilization was 82.3% vs. 83.5% year ago. Owner-operator utilization dropped 4.3 points, to 73%, which analysts said may be due to March fuel price spike. For-hire utilization was up 1.6 points, lease/rental up 1.9 points, private fleet down 2.4 points, construction/mining/refuse down 2.3 points, ag down 13.9 points. Class 7 utilization was 85.3%, up from 83.3% year ago. Class 6 was 75.9 vs. 80.6%. Utilization for the two classes combined rose 6.2 points for lease/rental fleets, was up slightly among for-hire carriers, but dropped 3.7 points for owner-operators & 6 points for private fleets. Trailer utilization was 83.9%, up from 82.7% a year ago but increase was limited to lease/rental fleets, which saw a 7.1 point gain. Owner-operator utilization was down 2.2 points; for-hire down 0.7 point, private carriage down 4.6 points. Contact: www.mackayco.com.

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FINANCIALS

Paccar posts 1st quarter income of \$110.8 million, up 135% from 1st quarter '02. Sales & financial service revenues were \$1.9 billion, up 28%. Financial Services revenues were \$114 million vs. \$105 million year ago; pretax income was \$26.7 million vs. \$9.7 million. Company expects '03 N. American heavy truck industry sales to be comparable to last year, despite 32% 1st quarter drop. European market will be down 5-10%.

Navistar International posts \$12 million operating loss on \$1.9 billion revenues for its 2nd fiscal quarter ending Apr. 30, vs. \$2 million loss on \$1.7 billion same time last year. First half loss was \$110 million on \$3.4 billion revenue vs. \$55 million loss on \$3.1 billion a year ago. Company shipped 21,400 medium & heavy trucks and school buses worldwide vs. 20,800 2nd quarter last year. Mid-range diesel engine shipments were 95,800 vs. 78,900. Company says 2nd half improvement should give it "modest profitability" for fiscal year.

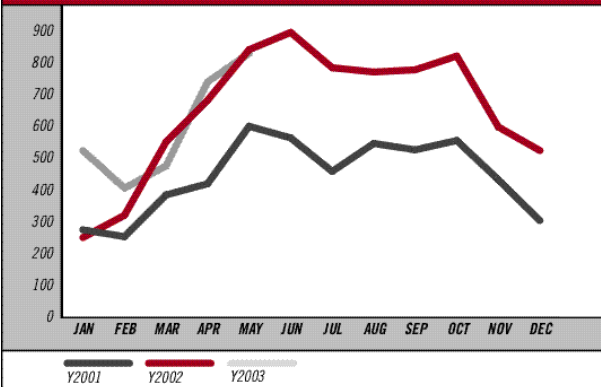
Volvo reports 1st quarter earnings of 506 million kroner (\$61.2 million), after one-time charges, vs. 746 million kroner loss same period last year. Revenue was 40.9 billion kroner (\$4.9 billion) vs. 40.4 billion kroner. Truck div. operating income was 527 million kroner (\$63.7 million) vs. a 474 million kroner loss. Volvo delivered 17,018 trucks worldwide, 31% more than 1st quarter '02. Europe was up 43%, N. America up 4%, Asia up 48%. Company predicts 5-10% decline in European heavy truck demand this year, to about 200,000 units. N. American Class 8 demand forecast at 172,000 trucks, down slightly from '02.

Wabash National posts \$1.4 million 1st quarter profit – its first profitable quarter in over 2 years. Sales were \$233 million. Same period last year: \$14.6 million loss on \$162 million. Company says new trailer demand & production was nearly double that of depressed levels year ago. They expected continued growth, but at slow pace.

Cummins posts 1st quarter loss of \$34 million on \$1.39 billion sales vs. \$26 million loss on \$1.33 billion year ago. Engine business sales were up 5% from 1st quarter '02. Automotive market revenues up 13%, industri-

Freight Trend Index

(Information provided by TransCore's DAT Services)



al market revenues down 10%, filtration & other sales were up 11%, international distributor business up 10%.

Caterpillar reports \$129 million 1st quarter profit, up 61% from year ago. Revenues were \$4.82 billion, up 9%, due mainly to currency adjustments & slightly higher volume in truck engines & machines. Worldwide engine sales were up 1% from year ago, including 44% increase in on-highway truck & bus engines. Caterpillar's N. American on-highway truck & bus engine sales were up 26%.

ArvinMeritor posts \$24 million income, after 1-time charges, on \$2 billion sales for its 2nd fiscal quarter ending Mar. 31. 2nd quarter '02 income was \$35 million. Sales up 18% from year earlier but essentially flat after adjustments for acquisitions & stronger euro. Commercial vehicle systems sales up 11% from year ago; operating margin was 4.9% vs. 3%.

Eaton posts \$72 million 1st quarter profit after one-time charges, vs \$33 million year ago. Revenues were \$1.92 billion, up 12%. Operating earnings were \$77 million vs. \$66 million. Truck segment sales were up 7%; operating profit was \$22 million vs. \$10 million loss a year ago.

ALLIANCES & ACQUISITIONS

Former Freightliner & American LaFrance President Jim Hebe & group of private investors managed through Ballamor Capital Management buy assets of FWD Corp., including Seagrave Fire Apparatus, Clintonville, WI; Almonte Fire Trucks, Carleton Place, Ontario, Canada; Aerialscope Inc., Richmond, VA; Seagrave Sales & Service, S. Plainfield, NJ; & Seagrave West, Rancho Dominguez, CA. Hebe is

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president/CEO of new Seagrave Fire Apparatus LLC. Company makes fire & emergency services vehicles, employs 422 in U.S. & Canada.

International Truck & Engine, the National Private Truck Council & Idealease of N. America launch online education & professional development program for private fleet owners & managers. NPTC & PrePass develop "Best Practices Safety Guide" tool to help fleets benchmark & improve safety performance.

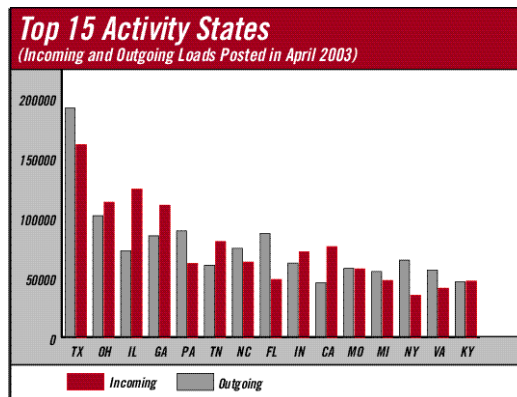
Aero Industries gets 5-year exclusive rights to distribute Razor International's electronic "driver aid" landing gear activation system in U.S. **Combustion Component Associates** gets non-exclusive license to use & develop **Clean Diesel Technologies'** ARIS urea selective catalytic reduction technology for existing on- & off-highway mobile engines and portable diesel engines in U.S. & Canada. **Webtec Products** buys assets of **H&C Hydraulic Components**. **ArvinMeritor** now producing truck & trailer suspensions & axles in Brazil through **Suspensys** joint venture with **Randon Participacoes**. **American Wholesale Insurance** buys **Seaboard Underwriters**.

Navistar & Ford agree on cancellation of V-6 diesel supply agreement for Ford light trucks. Details confidential, but Navistar says deal includes compensation for continued costs at Huntsville, Ala. plant. Navistar will continue to provide diesel engines for Ford heavy duty pickups through 2012.

NEW BUSINESS

GE TIP enters trailer tracking business with **VeriWise** system. TIP long-term lease customers get first units, but GE will offer it to other fleets before yearend. **P2S Mobile** to distribute **Wireless Links'** GPSTrack locator devices. **Best Transport** to incorporate **Rand McNally's** IntelliRoute software in its web-based carrier selection & shipment tendering system.

Schneider National orders 5,500 **Wabash** trailers. **Terex Corp.** & **SDC International**, Fla.-based parent of Czech truck maker **TATRA**, get \$50 million to build 315 trucks for Israeli military. **OrderPro Logistics** to build & manage national logistics database service for Pakistan International Chamber of Commerce. **Qualcomm** to provide wireless equipment management services to **ACME Lift Co.**



Truck-Lite named primary harness & lighting supplier for **Trailmobile**. **Innovative Computing** to use **Rand McNally's** MileMaker software for rating & routing in its Enterprise Business Service Provider applications for truckload carriers. **ACS** to manage **Ryder System** roadside assistance, vehicle repair dispatch & driver support services. **Lease Assurance Corp.** selects **AirIQ** for lease vehicle monitoring. **Ei3 Corp.** to provide call receiving & forwarding functions for new **Bosch Rexroth** customer service center.

Catalytica Energy Systems completes 2 prototypes of fuel processor technology to be tested by unnamed heavy duty diesel manufacturers. California Air Resources Board verifies **Longview** retrofit emissions reductions system developed by **Cummins West's Cleaire Advanced Emissions Controls**.

EXPANSION/TRANSITION

Holland Group opens rep office in Beijing, China. Office will work with China partner **The Corpco Group** to expand sales, identify new markets & investment products, & will establish a procurement office to source materials for other worldwide Holland Group divisions. **Jeffrey Talaga**, former product management team director, is managing director, Holland China.

Wix Filters renews emphasis on heavy duty filters with benchmark study & intensive training for field sales force. Company says study of 5 top-selling filters put them 1 or 2 in most categories.

Interstate Group to open trailer plant in Conway, Ark. Renovation of existing facility starts in June. Production expected to begin in Sept. Company also has plants in Kingman, Ariz., & Nampa, Idaho. New **Cognis** plant in Jacarei, Brazil to produce company's ProEco synthetic refrigeration lubricants.

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International Truck & Engine and Canadian Auto Workers agree on plan to keep Chatham, Ontario, heavy truck plant open. Deal hinges on ability to secure financial support from local, provincial & federal govts.

Truck frame maker Midland Steel Products closes, citing decline in heavy truck production & high steel prices caused by import tariffs. Company filed for Chapter 11 bankruptcy in Jan.

AFTERMARKET

Mexico has "considerable potential for aftermarket parts, accessories, tools & equipment" says new AAIA report. Total vehicle population in Mexico grew 70.5% from '91 to 2002, country has oldest vehicle population in NAFTA region & its domestic market is "increasingly accepting U.S. products & services." Contact: Automotive Aftermarket Industry Assn., (303) 654-6664 or www.aftermarket.org.

NationaLease Purchasing Corp. members earned \$15 million in rebates in '02, up 20% over '01. NPC sales in '02 were \$180 million. Products available to members include capital equipment, filters, fuel, tires, parts & components.

EVENTS

N. American Truck Show to alternate between Baltimore & Boston, starting with Baltimore's Convention Center in '04, then Boston's new \$800 million Convention & Exposition Center in '05. Show will continue to be held 1st week in May at both locations.

PEOPLE

Peter Karlsten to president, Volvo N. America, from president, Volvo Trucks Brazil. He takes over Oct. 1, succeeding **Michel Gigou**, whose foreign service contract expires at end of '03. **Gigou** will continue as chairman of Mack Trucks & be responsible for Mack & Volvo common corp. functions through yearend.

Navistar International President/CEO **Daniel Ustian** assumes operating responsibility for International's truck group following departure of truck group President **Steve Keate**.

Jerome Guillen to gen. mgr., new product development, Freightliner LLC, from management consultant, McKinsey & Co. **Walt Sherbourne** to aftermarket sales director,



ArvinMeritor Commercial Vehicle Aftermarket group, from eastern regional sales mgr.

Jack Creamer, Distribution Marketing Services, joins Wade & Partners aftermarket consulting firm.

Marty Thomas to president/CEO, GE TIP/GE Modular Space, from general mgr., business integration, GE Interlogix. He succeeds **Joseph DeAngelo**, who resigned to become president of Stanley Works' Tools Group. **Peter Corrigan** to exec. vp/COO, Prestolite Electric. **Ted Fick**, vp, Goodyear commercial tire div., named chairman, Assemblies on Time, a joint venture of Goodyear & Accuride. **Al Pawluk** to sales vp, NewTech Brake.

Steve Allen to president/CEO, AMBEST, from senior vp, Rogers Petroleum. **Scott Miller** to aftermarket sales director, Leece-Neville Heavy Duty Systems. Transportation Technologies Industries names **John Schneider** regional sales director, **Dan DeBord**, OEM account rep. Retired: **Mark Paul**, president, First Fleet Corp.

Correction: **Dan Millar**, director of The Holland Group global marketing services is now also directing global aftermarket activities. His responsibilities were incorrectly reported in April Hotline.

Roger Olds, Boise Cascade general mgr., trucking, named National Private Truck Council private fleet exec. of year. **Elizabeth Miller**, The Schwan Food Co., is fleet safety professional of year; **Rick Foster**, Wal-Mart Transportation, fleet member of year; **Michael Cancelliere**, International Truck Group vp-N. American Sales, allied member of year. **William Foltz**, corporate logistics director, Foster Farms, won membership development award.

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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.		
	APRIL SALES	YTD SALES	YTD SHARE	APRIL SALES	YTD SALES	YTD SHARE	APRIL SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	210	648	3.16%	93	346	2.14%
Ford	0	0	0.00%	151	492	2.40%	682	2,632	16.29%
Freightliner	4,765	12,453	33.02%	1,607	6,266	30.56%	1,073	4,188	25.92%
GMC	0	0	0.00%	382	1,307	6.38%	191	433	2.68%
Hino	0	0	0.00%	19	70	0.34%	64	281	1.74%
International	1,656	6,411	17.00%	2,105	8,311	40.54%	1,903	7,508	46.47%
Isuzu	0	0	0.00%	80	283	1.38%	3	3	0.02%
Kenworth	1,215	3,856	10.22%	274	910	4.44%	0	0	0.00%
Mack	1,228	3,564	9.45%	24	126	0.61%	23	118	0.73%
Mitsubishi Fuso	0	0	0.00%	12	28	0.14%	42	147	0.91%
Nissan Diesel	0	0	0.00%	2	20	0.10%	38	137	0.85%
Peterbilt	1,462	4,330	11.48%	275	916	4.47%	0	0	0.00%
Sterling	873	2,777	7.36%	313	1,123	5.48%	131	365	2.26%
Volvo	844	3,562	9.45%	0	0	0.00%	0	0	0.00%
Western Star	184	441	1.17%	1	1	0.00%	0	0	0.00%
Other	88	319	0.85%	0	0	0.00%	0	0	0.00%
Totals	12,315	37,713	100.00%	5,455	20,501	100.00%	4,243	16,158	100.00%

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

