

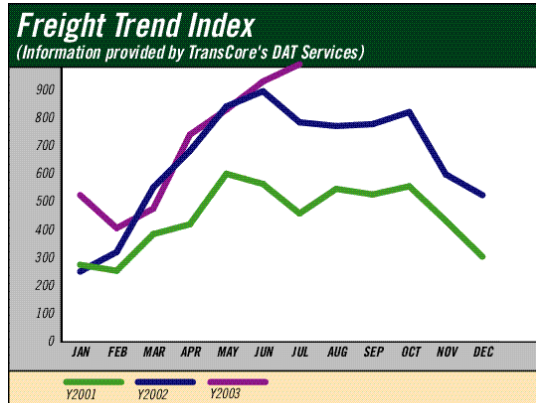
**ARVINMERITOR/DANA**

**ArvinMeritor's bid for Dana** could be a long, bitter battle. Dana's board is urging shareholders to reject ArvinMeritor's \$15/share tender offer, calling it "inadequate from a financial standpoint" & risky for shareholders. "There is virtually no rationale for accepting this offer," said Dana Chairman/CEO Joe Magliocetti. The company is just completing an extensive restructuring program including the sale of non-core assets & consolidation of plants. Magliocetti said that, plus Dana's market leadership & an expected upward trend in heavy duty markets will enhance shareholder value & position the company "to outperform our peers as the industry recovers."

**Dana's board also said the proposed buy-out** poses serious antitrust issues since Dana & ArvinMeritor "are the only substantial N. American producers of axles, driveshafts & foundation brakes for medium & heavy duty trucks, with combined market share ranging from 80% to 100%." They further argued that the buyout, valued at \$2.2 billion cash plus another \$2.2 billion in assumption of Dana debt, could bring ArvinMeritor's pro forma debt-to-capital ratio to 88%, "among the highest in the automotive supply industry."

**The rejection wasn't a surprise.** In a teleconference announcing the offer, ArvinMeritor Chairman/CEO Larry Yost detailed a series of attempts to negotiate with Dana's board, all of which were rejected with the message that the company "isn't for sale." Thus, he said, ArvinMeritor's only course was to take the offer directly to Dana's shareholders – and to file a lawsuit charging that Dana's board had breached its duties to the shareholders.

**"Our offer permits Dana's shareholders** to realize an attractive cash price for their shares today without bearing the risks of Dana's long term restructuring efforts," ArvinMeritor said in its response to Dana's rejection recommendation. It noted that the \$15/share offer is 56% higher than the stock price when ArvinMeritor submitted its first proposal to Dana's board, 39% over the average closing price for 30 trading days prior to the tender offer, and 25% over the price on the last trading day before



ArvinMeritor announced its tender offer.

**"We believe Dana's board and management team** has failed to seize this unique opportunity to maximize value for its shareholders," ArvinMeritor said. "As we have indicated previously, if Dana's board is willing to work with us to consummate a transaction quickly, we may be prepared to analyze further whether a higher value is warranted." The company also noted that, instead of the cash offer on the table, it would consider a mix of cash & stock.

**A combined ArvinMeritor/Dana** would be able to expand content per vehicle by developing a complete undercarriage & drivetrain system technology to serve both the light & commercial vehicle industries, he said. By optimizing the use of facilities, enhancing procurement leverage, and eliminating overlaps in sales, marketing & administration Yost said they could achieve cost savings of \$200 million/year within the 2nd year of the merger.

**Shareholders will make the final decision,** but analysts say Dana's management could make the process long & difficult. Among other things, they could activate a "poison pill" designed to dilute the shareholder base in a takeover attempt, making a buyout extremely costly. And laws in Virginia, where Dana is incorporated, may allow the company to delay a shareholder vote for as much as a year. "Dana's management is entrenched," one analyst told the *Detroit Free Press*. "They have really deep foxholes."

**One yet-to-be answered question:** the fate of Roadranger, the Dana/Eaton joint marketing

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venture formed in '98 after Dana bought Eaton's axle & brake division and Eaton bought Dana's Spicer Clutch. In a recent teleconference with analysts to review Eaton's 2nd quarter results, Chairman/CEO Sandy Cutler said he couldn't discuss the proposed ArvinMeritor/Dana acquisition but did add that they don't feel it imposes a material threat to Eaton's truck components business because of protections in the alliance agreement.

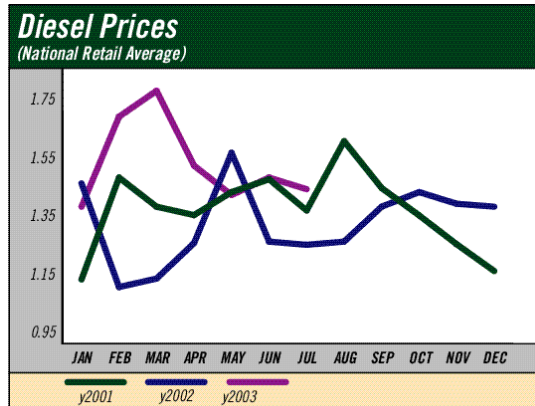
## SALES TRENDS

**Merrill Lynch projects '03 heavy truck production** at 176,000 units, down slightly from '02. Analysts cite preliminary data from ACT Research that puts June Class 8 net orders at 16,800 units, up 61.7% from a year ago & they note that June '02 was the start of pull-ahead ordering by fleets trying to avoid EPA '02 compliant engines. May Adjusted Truck Tonnage Index, compiled by the American Trucking Assns., showed a 1.3% dip from May '02 but Merrill Lynch analysts note that the year-to-date index was up 3.5% from the same period a year ago & the overall upward trend is expected to continue.

**Weakness persists in the medium duty market,** but demand for Class 8 trucks continues to strengthen modestly, says Fulcrum Global Partners. Analysts there expect the Class 8 truck replacement cycle to begin "in earnest" next fall, when Class 8 orders could top 20,000/month.

**Truck & trailer sales in the next few years will benefit** from last 2 years of "dismal demand," which has upped the age of equipment in the field, says Economic Planning Associates. Rising traffic volumes, lower oil prices & extremely modest interest rates should boost carrier profitability & cash flow. Acceptance of EPA-compliant engines & stronger economy should mean moderate boost in commercial truck sales this year with momentum stepping up in '04. Their forecast, Class 8 U.S. retail: Class 8, 139,000 '03, 171,000, '04; Class 7, 66,000, '03, 86,000, '04; Class 6, 48,000, '03, 55,000, '04.

**Trailer shipments are forecast at 182,100 this year,** up 31.7% from '02, followed by a 16.3% gain in '04. Dry van shipments are forecast at 107,000 units for '03, up 48.6% from last year, insulated van, 25,300, up 24.7%; platforms, 12,500, up 5%; tanks, 4,500, up 13.9%,



lowbed, 9,100, up 8.4%; dump, 7,950, up 11.1%. Contact: Economic Planning Associates, (631) 864-4900 or EPACORP@aol.com.

## AFTERMARKET

**U.S. heavy duty parts demand for '03** will be 1.1% lower than '02, says MacKay & Co. Reason: improved component durability will offset higher mileage & increased vehicle population. Their forecast: \$11.8 billion this year (in constant '02 dollars), \$11.9 billion in '04.

**Latest MacKay survey** puts 2nd quarter Class 6-8 utilization at 87.6%, matching the 2nd quarter record set last year. Class 8 utilization was down a half point, to 88%. Owner-operator was up 6.2 points, for-hire up 1.7 points, lease/rental up 0.2 point, agriculture up 6.4 points. Class 8 utilization was off among private fleets, construction/mining/refuse & "other" – mainly utilities & govt. Class 6 & 7 utilization was up 1.2 points overall. Owner-operator, for-hire, lease/rental & school bus fleets posted gains while private fleet, agriculture & construction/mining/refuse utilization were down for the quarter. Trailer utilization was up 3.6 points, to 86.8%, with gains in all user categories but "other." For the year, MacKay projects an average 85.9%, down from 86.3% in '02, but researchers expect a rebound in '04 to a record 87.1%.

**MacKay forecasts '03 Class 8 U.S. retail sales of 164,200 units,** up 12% from '02. President Stu MacKay says that's more bullish than most, but they see very little excess capacity so, when the economy turns, people will start buying trucks. Class 6/7 '03 sales are projected at 137,900, up 21%; trailers & chassis, 187,000, up 24%. For '04 MacKay forecasts a 14% increase from '03 for Class 8, 4% for Class 6-7, 11% for trailers & chassis.

**Class 8 vehicle population** is to increase

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1.1% in '03, to about 2.4 million units, & rise another 1.8% in '04. Class 6/7 is expected to decline 0.7%, to 1.65 million units, & inch up 0.1% the following year. Trailers & chassis population will drop 0.5% this year, to under 3.4 million, rising 0.6% in '04.

### **Average annual mileages will increase**

**1.5%** for trailers & chassis this year & another 0.9% next year. Expected increase for Class 6/7 trucks 0.8% then 0.7%. But better asset management, improved tracking capabilities & better routing software will mean 0.2% drop in Class 8 annual mileages this year & slight 0.1% decline in '04.

### **Continuous improvement in component durability**

meant a \$258 million reduction in replacement parts demand in 2002 & will carve an estimated \$170 million from the market this year – and the trend will continue. For instance, MacKay estimates that miles between Class 8 out-of-frame overhauls will increase 6.3% from '04 to '07, miles between clutch replacement will increase 9.5%. Average months to clutch replacement will increase from 63.5 in '04 to 70.8 in '07. Contact: MacKay & Co., (630) 916-6110, [www.mackayco.com](http://www.mackayco.com).

## FREIGHT TRENDS

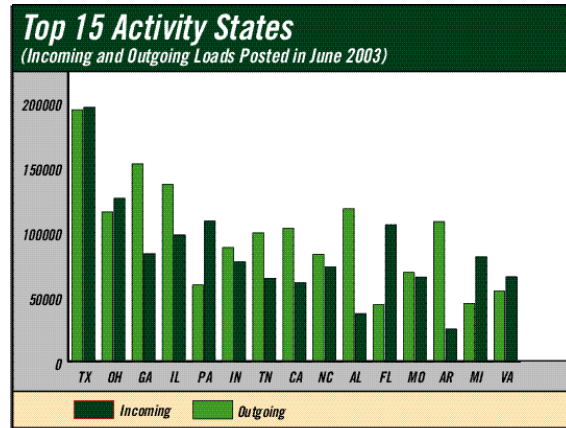
### **Availability of exception freight was up**

**11%** in June, according to TransCore. While the increase in freight volume is consistent with historical & seasonal trends for this time of year, Market Research Mgr. Wayne Kirchmann said June was notable for exception freight for a number of reasons. It was the 17th consecutive month of increase load availability on a year-over-year basis, & it set both a single day (June 26) & a monthly record number of loads.

## FLEET PERFORMANCE

### **1st quarter carrier revenue & earnings**

**were strong** considering the “very challenging landscape,” say analysts at Legg Mason. Earnings/share for the dozen publicly held companies they monitor were up an average 44%. Positive revenue & earnings were attributed to “excellent blocking & tackling” by carrier management, efficient application of fuel surcharges, ongoing reduction of industry capacity & the core carrier process with customers consolidating freight with “an ever smaller” group of carriers. Many carriers were



able to get a 2-4% year-over-year rate increase on top of fuel surcharges, in part because they're shedding marginally profitable traffic but also because some shippers were willing to pay more to secure capacity for the coming peak shipping season.

### **Truckload carriers in Legg Mason's analysis**

ended the quarter with an average 2.9% more tractors than a year ago but analysts say another round of rate increases, some fine-tuning of the new engines, & economic recovery should put some carriers in a position to ramp up fleet expansion programs starting late '03 or early '04. Supply of drivers to fill company-owned seats appears adequate for now, but the supply of owner-operators is hampered by high insurance costs & the weak economy.

## TRANSITION

### **DaimlerChrysler to consolidate worldwide truck & component development**

under one management team, dissolve Powersystems Unit & move responsibility for major component production to regional vehicle units. That puts Detroit Diesel under the Freightliner LLC umbrella &, with DaimlerChrysler decision to stop selling its truck components to other manufacturers, makes DD on-highway engines exclusive to Freightliner LLC brands. Freightliner President/CEO Rainer Schmueckle says most U.S. truck builders dropped Detroit Diesel from their published options after DaimlerChrysler bought the engine maker in '98.

**New P4 Organization**, headed by former Powersystems chief Dr. Gerald Weber, will be responsible for global product planning, product development, procurement & production strategy. Schmueckle says Freightliner engineering will be part of P4, but will continue to work out of the company's Portland, Ore., headquarters. "Trucks in the N. American marketplace will be designed in Portland, not

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Stuttgart," he says, adding that P4 will be a "backbone" to insure maximum use of common parts but "there will be no world truck. There will be trucks to fit the markets in Europe, Asia & N. America."

### EXECUTIVE VIEWPOINT

**It's been a long road from Ford Heavy Truck to Sterling Truck** for John Merrifield, sales & marketing vp. "It has taken a long time to establish the brand, longer than I ever thought," he says. Freightliner LLC bought Ford's HN80 series in '97, changed the name to Sterling, then had to wait until a glut of Ford-built Louisvilles & AeroMaxes were absorbed by dealers & buyers. Along with setting up the Cleveland HQ & St. Thomas, Ont. Assembly, managers had to rebuild a dealer network & grapple with recognition problems.

**"What is Sterling?" a '99 survey asked.** The answers weren't encouraging, Merrifield recalls. "One-third thought we were still Ford, one-third thought we were Freightliner &, what's worse, one-third didn't know what we were." Restyling the grille seems to have helped; so has adding more dealers.

**Sterling has 251 U.S. & Canadian dealers now,** vs. 193 two years ago. It also has 74 parts & service locations. Increased demand for day-cab tractors helped boost Sterling's Class 8 U.S. market share from 6.7% to 7.1% in mid-July. "At some point it has got to go to 10%," Merrifield says. "It's an emotional number & there's some economy of scale there."

### FINANCIALS

**Eaton posts 2nd quarter sales of \$2.08 billion,** up 8% from same period last year. Net income was \$93 million vs. \$88 million. Operating earnings were \$99 million vs. \$90 million. Eaton's Truck segment sales were \$317 million, up 1% from 2nd quarter '02. Operating profits were \$40 million, up 33%. NAFTA heavy duty truck production for the quarter was down 5% from a year ago, when manufacturers were starting to ramp up for EPA '02 driven pull-ahead buying. Eaton forecasts '03 NAFTA heavy truck production at 190,000 units, up from 181,000 in '02.

### ALLIANCES & ACQUISITIONS

**Reineke buys PressureGuard Tire Inflation**

**System** product line from **Innovative Transportation Products. Pilot Travel Centers** buys **Giant Industries'** Gallup, N.M. Travel Center. **Fontaine International** buys **BIG D Fifthwheel & Landing Legs** in the UK. **Art's-Way Manufacturing Co.** buys assets of **OBECO** steel truck body builder.

**Tele Atlas & MapMart** to offer online mapping. Tele Atlas mapping data to be incorporated in Navtrak automatic vehicle location systems. **FreightDATA Software & Ventura Transfer Co.** to develop bulk transportation management software. **OrderPro Logistics'** purchase of **Loadbook Inc.** falls through after OrderPro fails to meet acquisition terms. Loadbook continues to operate from Tucson & Phoenix locations.

**Yellow Corp.** buys **Roadway** for \$966 million. Combined **Yellow-Roadway** will be one of the largest transportation providers in the world & the largest in the U.S. Yellow Chairman/President/CEO Bill Zollars will be chairman/president/CEO of the combined company. Roadway will be an operating unit of Yellow-Roadway. Roadway President/CEO James Staley will stay in that position.

### NEW BUSINESS

**TransAm Trucking** installs 200 **Eaton** Vehicle Information Management Systems, with option to buy another 300 units by year-end. **Logex Corp.** buys 38 trucks with **Iteris'** AutoVue lane departure warning system. **Dana** selects **MTS Systems'** Swift wheel force transducers for truck axles & other large vehicle systems. **All American Travel Plazas** to offer **TMI's** TripPak Express & TripPak Online at 9 travel centers in PA & VA.

### EXPANSION

**Champion Laboratories to invest \$50 million** to upgrade facilities, improve working conditions, reduce costs & increase capacity. Project also includes a major redesign of the company's spin-on oil filters.

**Phillips Industries' Dallas (Texas) Div. broadens focuses** from OTR trailer harnesses to harnesses for lighter duty trailers, box vans, towing, RVs. **IdleAire** installs its travel center electrification system in West Memphis (AK) Petro Stopping Center, its 6th installation & its first west of the Mississippi.

**Clean Air Partners' Dual-Fuel technology** meets Japan's new emissions requirements. Company will market its products in Japan through Nippon Ecology Work System. **DENSO** to build fac-

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tory in Osceola, AK, to produce heavy equipment radiators & car air conditioners.

### MILESTONES

**TruckersB2B rebates to members top \$10 million.** Membership in the Celadon Group's buying group exceeds 14,000 small to medium fleets, representing 400,000 trucks. Autocar begins production of Xpeditors at Hagerstown, Ind., plant.

### EVENTS

**International Trucking Show moves back to Anaheim, Calif.,** in '04 to showcase light & medium as well as heavy trucks. "It puts us closer to the market," says CTA Exec. VP/CEO Joel Anderson. Move to Las Vegas in '94 lost some 10,000 California attendees, he adds. "We probably picked up 8,000-9,000 from the Mountain states but the reality is that when you're talking trucking activity & truck market in the West, you're talking California."

**Switch from mid-summer to last week in Sept.** puts ITS between the summer & fall tourist seasons. Disneyland attendance is down, which opens some of its parking. The mid-season lull also frees space in the Anaheim Convention Center for a concurrent show centered on light & medium duty trucks.

**"We're going to keep the Class 8 focus,** but moving back to So. Calif. gives us more opportunity to spotlight light & medium work trucks," says Anderson. **Kimberly Read** joins CTA to manage ITS & other events.

**Long-time ITS producers, Independent Trade Show Management,** will stay in Las Vegas with The Truck Show set for June 10-12. Surveys show that Las Vegas is preferred by visitors, says Manager Roger Sherrard.

**Council of Fleet Specialists'** to hold inaugural session of The Institute for Transportation Parts Professionals Sept. 21-24, Salt Lake City. Presentations cover quality systems management, time management, survival economics for distribution, operational excellence & "What Fleets Want?" panel discussion moderated by *HDT* Executive Editor Jim Winsor. Contact: (816) 421-2600, [www.cfshq.com](http://www.cfshq.com).

**National Truck Equipment Assn.'s Economic Outlook Conference** to be held Sept. 15, Hyatt Regency Dearborn, Mich. Contact: [www.ntea.com](http://www.ntea.com) or (800) 441-NTEA. Commercial Vehicle Telematics, Sept. 29-30 in Chicago, to discuss strategies & challenges for commercial vehicle prod-

ucts & services in telematics. Contact: Telematics Update magazine, (800) 814-3459.

### ASSOCIATIONS

**Assn. of Equipment Manufacturers** pledges up to \$1 million to match member contributions to Transportation Makes America Work campaign promoting the need to double federal transportation investment by '09. Effort supports proposed legislation by Rep. Don Young (R-Alaska), House Transportation & Infrastructure Committee chairman, calling for \$60 billion in federal highway funding & \$14 billion in federal mass transit funding.

**ChevronTexaco Global Lubricants** to sponsor Texas Motor Transport Assn's mobile classroom & driver simulator used for training & public education.

### PEOPLE

Former Volvo Truck N. America & Mack exec. **Marc Gustafson** named president of Freightliner LLC subsidiary, American LaFrance. **Larry Moore** to vp, strategic sourcing & quality, Autocar Truck, from purchasing mgr. & site director, Volvo Trucks N. America.

**Keith Stephenson** to sr. vp, global operations, Hendrickson Intl. **Dave Beasley** to commercial systems sales & marketing director, Goodyear N. American Tire Systems, from sales director. **Walt Weller**, previously marketing director, is leaving the company to pursue entrepreneurial interests.

Great Dane consolidates Multi-Product & Van sales & marketing, with headquarters in Savannah, Ga. **Jim Pines** is exec. vp; **Chris Adkins** senior vp; **Brandie Fuller** manager, advertising & industry relations. **J.J. Singh** to vp, financial & communications services, Flying J Inc.

**Wayne Clifton** to sales & marketing director, PuraDYN Filter Technologies, from southwest regional mgr. **Bob Montgomery** to national sales mgr., private fleet services for ACS's PrePass, from regional vp, membership services, American Trucking Assns.

Landstar System Chairman/CEO **Jeffrey Crowe** named U.S. Chamber of Commerce Chairman for '03/'04. Tankstar CEO **Jack Schwerman** elected chairman, National Tank Truck Carriers.

Died: **Connie Garcin**, founder of Garcin & Associates Fleet Safety Services and *Heavy Duty Trucking's* Safety Editor, July 2 of cancer. She was 52. Ms. Garcin was the only woman the California Trucking Assn. ever named "Safety Professional of the Year."

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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.		
	JUNE SALES	YTD SALES	YTD SHARE	JUNE SALES	YTD SALES	YTD SHARE	JUNE SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	216	1,113	3.60%	118	555	2.29%
Ford	0	0	0.00%	168	816	2.62%	787	4,154	17.17%
Freightliner	3,756	20,448	32.48%	1,752	9,518	30.62%	1,054	6,211	25.67%
GMC	0	0	0.00%	409	2,023	6.51%	190	883	3.65%
Hino	0	0	0.00%	22	110	0.35%	67	435	1.80%
International	1,897	10,096	16.04%	1,989	12,223	39.32%	1,733	10,751	44.44%
Isuzu	0	0	0.00%	47	430	1.38%	0	3	0.01%
Kenworth	1,378	6,437	10.22%	367	1,505	4.84%	0	0	0.00%
Mack	1,477	6,448	10.24%	24	174	0.56%	24	166	0.69%
Mitsubishi Fuso	0	0	0.00%	3	34	0.11%	61	265	1.09%
Nissan Diesel	0	0	0.00%	3	29	0.09%	44	228	0.94%
Peterbilt	1,636	7,572	12.03%	237	1,472	4.74%	0	0	0.00%
Sterling	849	4,487	7.13%	227	1,697	5.46%	106	560	2.31%
Volvo	1,501	6,267	9.96%	0	0	0.00%	0	0	0.00%
Western Star	105	689	1.09%	0	1	0.00%	0	0	0.00%
Other	84	503	0.80%	0	0	0.00%	0	0	0.00%
<b>Totals</b>	<b>12,683</b>	<b>62,947</b>	<b>100.00%</b>	<b>5,464</b>	<b>31,145</b>	<b>100.00%</b>	<b>4,184</b>	<b>24,211</b>	<b>100.00%</b>

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

