

NTEA ECONOMIC SUMMIT

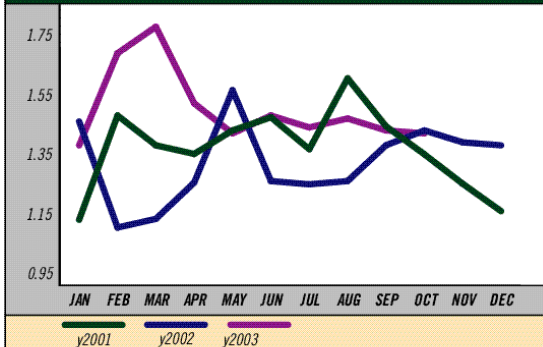
Truck sales boom is likely between now & '07, Eli Lustgarten, managing director, Wainwright & Co., told attendees of the National Truck Equipment Assn's 2004 Economic Outlook Conference. Recent statistics show the economy moving faster than may be apparent in everyday business life, he said. Consumer, business & govt. spending are all up – sometimes substantially. Capital spending is starting to move out of its 5-year lull, and should get a boost from federal tax incentives.

Higher engine costs expected with '07 emissions regs will prompt "rational truck owners" to replace most of their fleets before the changeover, Lustgarten said. He predicts a pre-buy similar to the one before EPA '02 but it will stretch over a longer period & the post-changeover "bust" won't be as deep since configurations will be set sooner & operators will have a chance to test the new engines.

Freight forwarding activity is expected to grow 4% by year end, 5% in '04 & another 4% in '05, said Ken Kremar, a principal in Global Insight's Industry Practice Group. "The freight forwarding industry accounts for more than 650,000 trucks. Growth in that market will create significant Class 8 demand (mostly dry van freight tractor/trailers) regardless of what happens in the other class ranges."

Douglas Clark, founder/president/CEO, AmeriQuest Transportation & Logistics Resources told conference attendees: "Trucks in general, regardless of the industry using the trucks, will need to be more sophisticated in incorporating wireless technology options in the vehicles in order to provide the end-user with better communication resulting in increased productivity."

Growth of imports & exports is a sign of increasing global economic activity, said Steve Latin-Kasper, NTEA director of marketing & data research. "There are some specific markets in Eastern Europe, China, Russia & Australia that have continued to buy U.S. products even during the recent recession in the U.S. There are growing numbers of truck equipment manufacturers that export and this continues to be good news for them."

Diesel Prices
(National Retail Average)**PETERBILT**

Class 8 U.S. & Canada retail annual sales pace is currently 175,000/180,000; '03 total sales projected at 165,000 Class 8, 70,000-75,000 Class 6/7, says Nick Panza, former Peterbilt gen. mgr & Paccar vp, recently promoted to Paccar sr. vp. Forecast for '04: 204,000 Class 8, 75,000-80,000 Class 6/7.

Market drivers: EPA '02 engines, fuel price, insurance costs & credit crunch. Panza says Caterpillar C12 Bridge appears to be the most efficient engine in service so far. Fuel prices have eased to year-ago levels. Credit is improving as a few more banks come back to the marketplace, and repos are down significantly. Despite an August volume dip, freight business in general has been strong & will likely get better with holiday shipments.

Used truck sales peaked toward end of last year's pre-buy. They're off 3-4% but late model, low mileage trucks are generally scarce. Price of a 3-year-old tractor is now near '98-'99 level. Panza estimates pent-up used truck demand at 1.1 million trucks 3-7 years old, 750,000 in the 3-5 year bracket.

Peterbilt is looking to retain brand equity – & build it with younger buyers – by focusing on its "Class" theme, stressing craftsmanship, performance, resale. He says studies of repurchase intent put Peterbilt well ahead of competitors but, overall, there's less product loyalty than in previous years.

New product development centers on "purposeful innovation" with resources devoted to products that increase customer value, says Peterbilt Chief Engineer Craig Brewster. Engineers looking at

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corporate jets, luxury RVs & passenger cars to see what values they're bringing to customers. Example: They tore down a Lexus LS400 to study how it was designed & how manufacturing drove quality.

Dan Sobic, newly appointed Paccar vp & Peterbilt general mgr, says they have no intention of flooding the market with one particular kind of used truck, which rules out some big fleet business. But they're interested in premium fleets, like U.S. Xpress, which just ordered 250 Petes. Sobic says they learned a lot about making the product "manufacturing friendly" when building first 50 & expect experience to pay dividends going forward.

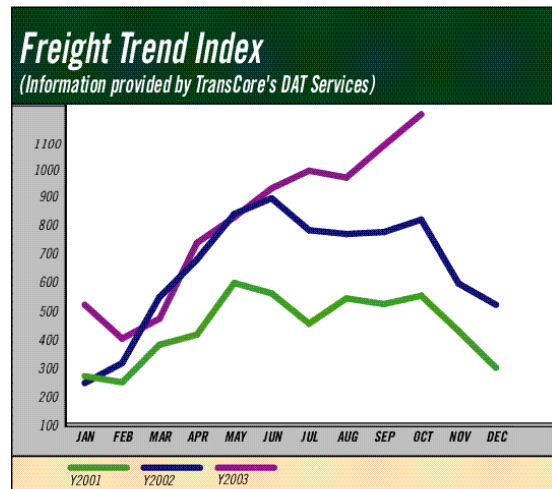
Owner-operators will always be a Peterbilt focus but that market has changed, he says. Single-truck buyers are coming back to retail market but Peterbilt is also looking to serve that market through companies that use owner-operators, like Landstar, and groups like the Owner-Operator Independent Drivers Assn. (OOIDA).

Sobic says their 212-location dealer network is financially sound & company is looking to grow the network with new franchises & expansion of current dealers. Standards of Excellence yearly audit focuses on customer care & consistent service. Peterbilt offers certification courses on vocational, construction & refuse sales and will add a sales mgr. certification this year. New customers are surveyed at 30 days & 18 months by web or phone so dealers get results quickly & react fast to problems.

INTERNATIONAL

"I came here to make sure International wins in the business of being a full-line truck manufacturer," says new Truck Group President Dee Kapur. "I haven't seen anything to keep us from reestablishing ourselves as the leading Class 8 manufacturer in N. America."

Keeping the Chatham, Ont., heavy truck plant open is key, says Jordan Feiger, vp/gen. mgr., Heavy Vehicle Center. Company had planned to close Chatham & move production of its heavy duty sleepers to Mexico, but government assistance & union concessions instead led to a \$189-million, 1-year modernization project for Chatham. Feiger says the Mexican plant would have required some "pretty substantial" investments to add the capacity needed for the next business up-cycle & International's market share growth plans. Chatham, he adds, also has "great management & an experienced workforce."



Class 8 strategy includes products & dealers. Feiger says they've introduced more new models in the last 18 months than any competitor & are the leader in fuel economy & aerodynamics. Company is leaning to product integration through more partnerships with component suppliers. Closer ties, he says, are critical to providing the value customers expect. International's 1,000-location dealer network is biggest in N. America & Feiger says they'll expand that & continue to add services such as a pre-owned truck certification program due out soon.

FREIGHT TRENDS

American Trucking Assns.' Freight Index shows a 9.5% drop from July to August but, "I still believe that truck tonnage is on a recovery path," says ATA Chief Economist Bob Costello. The decline wasn't a surprise since manufacturing production fell in Aug., retail sales were low & the East Coast blackout caused shipping disruptions. The good news, he says, is that inventories are lean through the supply chain & new orders for manufactured goods still point to continued increases in truck tonnage. "That doesn't mean we still won't have months like August, but the trend line will continue upwards," he said.

Sept. availability of exception freight was up 53% from Sept. '02, says Wayne Kirchmann, TransCore's market research mgr. "Exception freight continues to be strong with 20 consecutive months of year-over-year increases." 10% increase from Aug. continues seasonal upward trend as retailers stock shelves for the holidays, he notes. "Hopefully, this is an early indication of good news for retailers." Looking to Dec., the best combinations of high freight volumes & favorable inbound/outbound load ratios have traditionally come from Illinois, Ohio, Indiana, Oregon & California.

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3rd quarter will be unexciting from a freight volume standpoint, but solid from a pricing standpoint, say analysts at Fulcrum Global Partners. Higher fuel prices, backlogged inventories at the retail & automotive levels, a stagnant industrial economy made it tough for trucking companies to overcome summertime weakness, but many ended the quarter better than expected.

SALES TRENDS

Weaker than expected Sept. new truck orders & decline in ATA Tonnage Index may point to slower than expected ramp-up in the heavy truck cycle, say analysts at Merrill Lynch Machinery Research. They cite preliminary net order figures from ACT Research which, for Class 8, were more than double Class 8 orders for Sept. '02 – the month orders dived after EPA '02 pre-buys – but the seasonally adjusted annual rate was the lowest since Mar. '03. Class 5-7 orders were up almost 73% from Sept. '02 & the seasonally adjusted annual rate was the highest this year, which analysts say could signal the start of an upturn. Merrill Lynch '03 production projections: 176,000 Class 8, 174,000 Class 5-7.

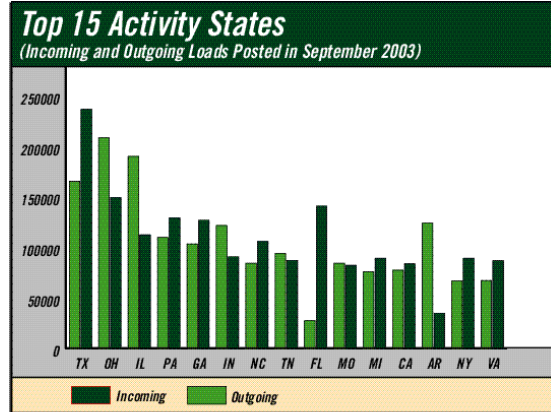
Fewer trucks were repossessed in the 1st 2 quarters of '03 than the first 6 months of '02, according to Nassau Asset Management. Company cites a 36% decrease in repossessions of trucks & trailer during the 1st quarter & a 32% decrease in 2nd quarter.

EXPANSION

Volvo Trucks N. America creates Volvo Truck Leasing System with 160 full-service truck lease/rental locations in N. America. Initial members are also members of Mack Leasing System (23 are dual Mack/Volvo dealers) but Volvo dealers with independent leasing operations also expected to join VTLS. Terry Dubowick, directs Mack Leasing & VTLA.

International Truck & Engine opens military sales unit. Company says it will leverage existing medium truck & parts platforms along with its diesel engines, naming Archie Masicotte vp. International has a coop deal with Vision Technologies Systems to jointly design/market a repowered solution for the high mobility multipurpose wheeled vehicle (HMMWV, pronounced HUMVEE) which includes an International 4.5 liter V-6 engine & hybrid electric drive with plug-in power. Masicotte was formerly manufacturing director of the Blue Diamond joint venture with Ford.

Next generation diesel engines for N. American Mack & Volvo trucks to be built at the Mack



engine plant in Hagerstown, MD. Plant has been producing Mack engines since 1961 & recently delivered its 1 millionth. Volvo truck engines sold in N. America are currently built at Volvo Powertrain's plant in Skovde, Sweden.

Ricardo invests \$4.8 million in 2 new heavy duty emissions test cells designed for engines developed to meet '07 emissions requirements. Both will be operational in mid-'04. Ceradyne buys plant in Lexington, KY, to build ceramic products used in heavy truck engines & other industrial applications.

Cat Scale buys 2nd calibration test truck.

Iowa80.com mail order & e-commerce div. of Iowa 80 Group launches redesigned web site for trucking accessories, apparel & gifts.

ALLIANCES & ACQUISITIONS

Dana to supply Spicer driveshaft assemblies for **Volvo Trucks, Renault Trucks, Volvo Bus & Volvo Construction Equipment** in Europe. 5-year agreement includes Spicer Compact 2000, Spicer PEP, Spicer SPL & Spicer Italciano wing-style driveshafts.

Matco Tools to market **Eaton MD** Mobile service tools, Eaton to sell Matco hand tools & tool kits via its roadrangerstore.com. PSR Group to distribute Accident Prevention Plus on-board recorders to trucking industry, commercial fleets market & govt. agencies.

Paccar & Bridgestone/Firestone N. American Tire sign new long-term global agreement continuing specification of Bridgestone as standard tire on Kenworth & Peterbilt, also Paccar

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European brands DAF, Foden & Leyland. Bridgestones were original equipment on Kenworth and Peterbilt for many years, but selected as "standard" in 1991, meaning Kenworth & Peterbilt trucks will be delivered with Bridgestone radials unless otherwise specified.

SmarTire Systems & Vansco Electronics to jointly develop tire pressure monitoring system for commercial trucks, buses, agricultural, construction & RVs. New system to be launched 1st quarter '04. **Mitsui's** PUREarth commits to equity investment in Clean Diesel Technologies. Two companies are working on several joint programs.

Dana to form 50/50 joint venture with **Donfeng Motor Co.** to produce commercial vehicle axles & components in China. Plans also include a research & technical center for manufacturing, materials & systems development for medium & heavy duty axle products. Nick Cole, president of Dana's Heavy Vehicle Technologies and Systems Group, says the joint venture will be the largest commercial vehicle axle & component manufacturing company in China. New company, he says, "will serve as a key component manufacturing base for Dana's global heavy vehicle assembly operations."

China's **Hangzhou Zhongce Rubber Co.** to produce 250,000-350,000 radial medium truck tires for **Cooper Tire & Rubber**. Outsourcing will allow the company to expand its current offering without significant capital outlay, says Tire Group President Dick Stephens. Company's Albany, GA, plant makes 25,000 tires/day, including 1,200 RMT tires. Resources there will be realigned to produce performance tires, specialty light truck & other tires which are currently in high demand. Stephens stressed that Cooper engineers are participating in the technology & equipment transfer to make sure quality standards are maintained.

NEW BUSINESS

Kenworth now offering **Cummins** ISL engine for vocational and P&D trucks. Peterbilt to start limited production of Model 320s with Westport C8.3G natural gas engines later this year; full production 1st quarter '04. C-11 dual fuel engine to be added later next year.

International to offer Iteris Lane Departure Warning Systems as aftermarket option. **Purolator Courier** signs order for up to 2,000 hybrid electric vehicle chassis from **Azure Dynamics. Ryder**

System to use **CheckFree i-Solutions'** software for electronic billing & payment services. **Interstate Connections** to sell **PocketMail Group's** Composer handheld mobile e-mail device through its retail stores in **Petro Truck Stops & Travel Centers of America. Idealease** adds PrePass to its full-service lease package.

TRANSITION

Hyundai Truck America may close its doors, at least in part because of snags in the **DaimlerChrysler/Hyundia S. Korean** truck joint venture. According to *WardAuto.com*, HTA has imported 20 trucks since launching the U.S. operation late last year with dealers that had signed to sell Hyundai trucks through the now-defunct Bering Truck Corp. The soft market may be a problem but some say HTA is also worried about the uncertainty of the joint venture, stalled by S. Korean union demands. DaimlerChrysler recently told a German trade publication that most of the major issues had been resolved, but gave no deadline for completion of the deal. Meantime, trailer builder Hyundai Translead has issued a statement saying it's not affiliated with Hyundai Truck, will continue to operate in the U.S., has 3 new patents here, & will celebrate its 10th anniversary in N. America next year.

DaimlerChrysler scraps plans for Sprinter assembly plant in GA, cites current weakness of U.S. dollar & flagging vehicle sales. Company now imports partially assembled Sprinter cargo vans & fully assembled passenger vans. Finish assembly is done at S. Carolina facility.

Heil Environmental Industries combines Parts Inc. and Heil Certified OEM Parts as Heil Parts Central. Unit will market Heil Certified OEM parts & Parts Inc. aftermarket parts for Heil & other refuse collection vehicles.

FINANCIALS

Wabash National says bank refinancing, issuance of \$125 million in convertible senior unsecured notes, & sale of its trailer lease/rental and aftermarket distribution business assets to Aurora Trailer enabled the company to refinance substantially all outstanding debt and reduce its average cost of debt from over 10% to less than 4%. Annual savings: \$20 million.

MILESTONES & EVENTS

Former president George Bush to address Mar. 4 President's Breakfast, celebrating the 40th

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annual convention of the National Truck Equipment Assn. Convention runs Mar. 2-5, 2004, Baltimore Convention Center, in conjunction with The Work Truck Show, Mar. 3-5. Contact: (800) 441-NTEA or www.ntea.com.

N. American Truck Show web site, *trucking-expo.com*, gives exhibitors online access to info regarding the show, which alternates between Baltimore & Boston. Site also offers show tickets, hotel options, directions & show news.

Urea Distribution Stakeholder Group holds its first meeting Sept. 10 in Chicago. Organizers said purpose of the meeting was to develop a better understanding of the key components of a new urea supply chain & to brainstorm various scenarios for a distribution process that would support SCR technology in heavy duty diesel trucks. Meeting hosts were Volvo Power train & Detroit Diesel. Contact: Tom Freiwald, marketing vp, Detroit Diesel, (313) 592-5912 or Jim McNamara, sr. communications mgr., Volvo Trucks (336) 393-2143.

Truck Renting & Leasing Assn.' eighth annual Larry Miller Memorial Golf Tournament raises over \$150,000 for the Founders Roundtable scholarship fund. Scholarship program, started in '96, has provided more than \$200,000 in scholarships to 31 children whose parents work at TRALA member companies. Golf event honors Larry Miller, former Ruan Transportation Management Systems President/CEO and former TRALA Chairman who died in '94.

International Truck & Engine builds 800,000th truck at its Chatham, Ontario, plant. **Sterling** produces 100,000th truck at its St. Thomas, Ontario, plant. Nebraska trucker wins new **Volvo VN780** in the manufacturer's "Get in & Win" sweepstakes. Company says tens of thousands of professional truck drivers participated & the promotion drew thousands of solid leads. Grand prize winner, Dale Brown, is a 27 year veteran leased to U.S. Xpress.

PEOPLE

Don McKenzie joins Stemco as OEM account manager for Hendrickson Axle Div. and various OEM Trailer accounts. **Nick Panza** to senior vp., Paccar, from Paccar vp & Peterbilt gen. mgr. He is succeeded by **Dan Sobie**, who moves up from Peterbilt assistant gen. mgr. **Nicholas Cole** to southeastern region gen. mgr., Sterling Truck, from vocational sales director. **Kevin Martin** to Sterling vocational sales director from vocational sales mgr., concrete & refuse.

Steve Andrews to gen. mgr., Hendrickson International truck division from managing director, Hendrickson Europe. **Mike Keeler**, general mgr, auxiliary axle systems, gets added responsibilities managing Hendrickson Europe. **Bob Keister** to engineering director, Dana Commercial Systems, from engineering systems director, Dana Torque & Traction Technologies Div.

Kent Jones to vp, heavy duty sales & marketing, Delco Remy, from vp, aftermarket sales & marketing. **Dan Rosen** to product management director, Heil Environmental. Metalforming Technologies names **Dennis Kazmierski** vp Engineered Systems, **Bruce Howard** vp Safety Systems, **Jeff Brune**, vp Structural & Tubular Systems.

Tracy Leinbach to exec. vp/CFO, Ryder System, from exec. vp, Ryder Fleet Management Solutions. **Brian McLaughlin** to marketing vp, PeopleNet. Chris Moss to implementation vp, Datatrac, from founder & managing principal, The Ashtree Group. **Ted Barnicoat** to exec. vp, Richer Systems Group, from CIO, Trimac Corp.

Jim Cahill to president/CEO, Kimble Mixer, from exec vp-manufacturing, Gradall Co. Per Jacobsson to marketing communications director, SKF/CR, from similar post with SKF Vehicle Service Market in Sweden. **Kristin Persson** to advertising director, Ridewell Suspensions, from marketing development mgr., Springfield (MO) News-Leader.

Autocar Trucks names **Paul Blanchard** manufacturing vp, **Bill Dolesh** engineering vp, **Tom Vatter** sales vp, **Mike Popovich**, marketing & business development vp, **Victor Birchmeier**, finance vp.

Died: **Charles Calvin**, 84, former president, Truck Trailer Manufacturers Assn.

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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.		
	SEPTEMBER SALES	YTD SALES	YTD SHARE	SEPTEMBER SALES	YTD SALES	YTD SHARE	SEPTEMBER SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	145	1,584	2.90%	84	821	2.26%
Ford	0	0	0.00%	181	1,396	2.81%	667	6,459	17.75%
Freightliner	4,190	32,915	32.70%	1,545	14,505	29.00%	1,663	10,777	29.61%
GMC	0	0	0.00%	349	3,009	6.01%	108	1,236	3.39%
Hino	0	0	0.00%	15	174	0.30%	69	733	2.01%
International	1,918	15,921	15.81%	2,864	21,027	34.75%	1,320	14,564	40.03%
Isuzu	0	0	0.00%	51	549	1.02%	7	14	0.01%
Kenworth	1,379	10,638	10.57%	311	2,383	4.76%	0	0	0.00%
Mack	1,457	10,286	10.22%	13	211	0.42%	10	198	0.54%
Mitsubishi Fuso	0	0	0.00%	9	59	0.12%	53	368	1.01%
Nissan Diesel	0	0	0.00%	6	47	0.09%	47	392	1.07%
Peterbilt	1,698	12,457	12.38%	313	2,299	4.59%	0	0	0.00%
Sterling	763	6,966	6.92%	341	2,826	5.64%	78	823	2.26%
Volvo	1,307	9,681	9.62%	0	0	0.00%	0	0	0.00%
Western Star	134	1,138	1.33%	1	2	0.00%	0	0	0.00%
Other	56	646	0.56%	0	0	0.00%	0	0	0.00%
Totals	12,902	100,648	100.00%	6,143	50,071	100.00%	4,106	36,385	100.00%

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

