

EQUIPMENT OUTLOOK

Truck equipment demand will see the "mother of all cycles" in the next 2-3 years, starting late '03, predict Fulcrum Global Partners' industry analysts Jeff Kauffman & Salvatore Vitale. Class 8 fleet is "about as old as we have seen the fleet in any recession" they say. Some fleets might like to delay buying until economy is on a firmer footing but Kauffman & Vitale say they may end up paying premium prices – especially if manufacturers refuse to boost capacity for an EPA '07 pre-buy. Stronger economy & lower fuel prices would accelerate the Class 8 recovery, but improvement is more likely to be intermittent until sales take off next spring. Forecast: up 30% in '04.

Class 5-7 trend is positive. Talk of gov't. crises could be overblown & '04 could be better than expected for those markets. Indiana University's Center for Economic Research, they note, forecasts a \$26 billion state & local operating surplus next year. Demographic trends in the school bus, RV & motor home markets continue to favor sales growth. Economic activity should move lease/rental truck demand. Forecast: up 15-20% next year.

Trailers may have the best short-term outlook. Some reasons: Pent-up demand created by low '01/'02 sales, low price relative to other equipment is attractive in uncertain economy, and new hours of service rules coming in Jan. could push truckload fleets to more drop & hook operations. '04 forecast: 30% over '03.

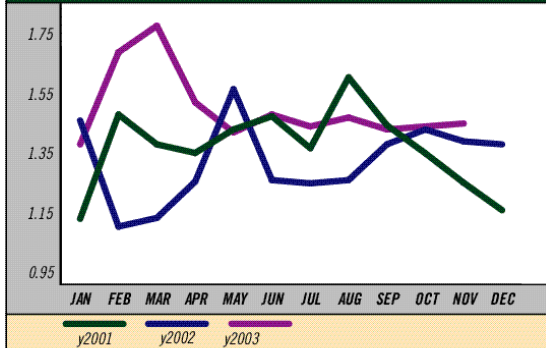
FREIGHT TRENDS

American Trucking Assns.' seasonally adjusted Truck Tonnage Index rose 10.6% in Sept., offsetting a 9.6% drop in Aug. Its unadjusted index was up 2% from Sept. '02. Year-to-date tonnage was up 3%. "It is encouraging that tonnage bounced back in Sept. after the surprisingly large decrease in August," said Bob Costello, chief economist, "but it is very clear that motor carriers are dealing with a large degree of volatility in the amount of freight to haul."

Costello said he believes the fundamentals are set for the truck tonnage recovery to remain

Diesel Prices

(National Retail Average)



on course. "Extremely lean inventories, growth in orders for manufactured goods, and increasing retail sales will keep trucks moving," he said. "Additionally, the tightening supply of available trucks will benefit those carriers that have survived the rough past couple of years."

Economic improvement plus tightening equipment capacity pushed Oct. availability of exception freight 56% above Oct. '02, says Wayne Kirchmann, TransCore's market research mgr. On a month-to-month basis, Oct. continued the upward seasonal trend with an 8% increase in loads. "Increases this time of year are typically the result of retailers stocking shelves for the holiday season," he says. "This year's late fall extended the agricultural & construction seasons in many typically colder regions." Looking to Jan., the best combinations of high freight volumes & favorable inbound/outbound load ratios have traditionally come from Ohio, Illinois, Arkansas, Texas and Indiana.

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SALES TRENDS

Truck & trailer sales in the next 5 years will benefit from dismal demand the last two, as well as a stronger economy, expanding trade (especially among NAFTA countries) & higher fleet profits, says Economic Planning Associates. A weak start will keep '03 Class 8 U.S. retail sales at 141,000 units – down from 146,000 last year. Forecast is 171,000 for '04, rising to 215,000 in '08. Class 7: 69,000 this year, down 0.5% from '02; 84,000 in '04, rising to 110,000 in '08. Class 6: 49,000 in '03; 55,000 in '04; 64,000 in '08.

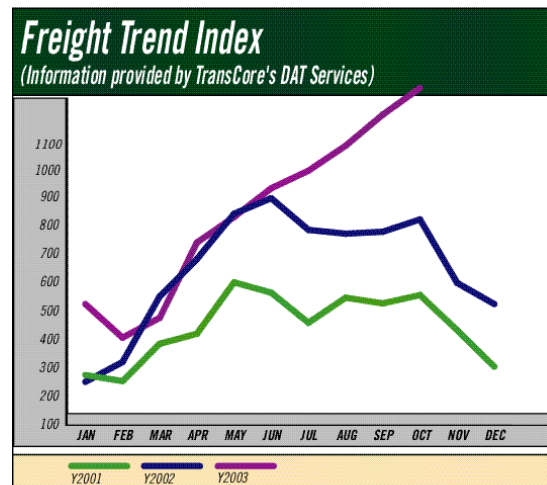
Trailer shipments flattened in 2nd quarter after 4 quarters of growth, but Economic Planning expects the pickup to resume late '03 & continue through '04. '03 estimate: 173,150 units, up 25% from '02. Van shipments will be up 31.5% over last year, non-vans up 8.5%. Forecast for '04: 206,700, up 19.4%; vans up 18.6%, non-vans up 22.1%. Steady growth to 274,300 units in '08. Contact: Economic Planning Associates, (631) 864-4900.

Ramp-up of N. American medium & heavy truck production could take longer than many anticipate, say analysts at Merrill Lynch. Citing Oct. data from ACT Research, they note that Class 8 orders were up 14.5% from a month earlier & 72.7% from a year ago – but the seasonally adjusted annual rate was flat following Aug. & Sept. declines. Class 5-7 orders were down from Sept. but still the 2nd highest order month of this year. Year-to-date orders were up 3.9% from a year ago. Merrill Lynch '03 production estimates: 176,000 Class 8, 187,000 Class 5-7.

70% of fleets in 4th quarter survey by CK Marketing & Communications said they plan to purchase trailers sometime in the next 6 months – 73% for replacement, 43% for added capacity. Only 48% indicated replacement plans in the previous quarter. This survey also indicated strong demand for reefer units. 67% of the fleets said they'll buy power units in the next 6 months – 72% as replacement vehicles. New equipment will include extras such as tire pressure/inflation systems, on-board scales, air-ride suspensions, automatic transmissions with retarders, road surface temperature gauges, & auxiliary HVAC systems. Contact: www.ckkemmercomm.com.

UTILIZATION

3rd quarter Class 6-8 vehicle utilization was 89.8%, up a point from the same period a year



ago & the highest 3rd quarter since MacKay & Co started its survey 20 years ago. Class 8 utilization was 90.1%, down 0.2 points from the record high last year. Owner-operators had the highest utilization since early '99. For-hire, private fleets & agriculture also reported gains.

Class 6 & 7 utilization was up 4.8 points, with only construction/mining/refuse fleets reporting a decrease. Trailer utilization was down 4.6 points, to 81.9%. Owner-operator & private fleet trailer utilization rose some; agriculture fleets reported a significant increase. Lease/rental was down 7.8 points.

FINANCIALS

Paccar posts \$132.5 million 3rd quarter profit on revenues of \$2.1 billion vs. \$128.9 million on \$2 billion for 3rd quarter '02. Vice Chairman David Hovind noted that N. American industry truck orders & build rates have remained steady during '03 & Paccar will increase its build rates slightly during the 4th quarter. In Europe, DAF boosted its market share to 12.8% despite lower industry sales. Hovind says the goal is a market share comparable to Paccar's 23.7% of U.S. & Canadian Class 8 sales.

Cummins posts 3rd quarter sales of \$1.63 billion vs. \$1.65 billion a year ago. Profits were \$24 million vs. \$44 million. Engine sales were \$942 million, down 9% from 3rd quarter '02. International heavy duty truck engine shipments were up 9% from a year ago and 38% from 2nd quarter. Revenues from automotive markets were down 15%, mainly because of last year's pre-buy. Company said demand in N. American automotive markets hasn't fully recovered, but it has shown sequential quarterly improvement in both volume & operating leverage.

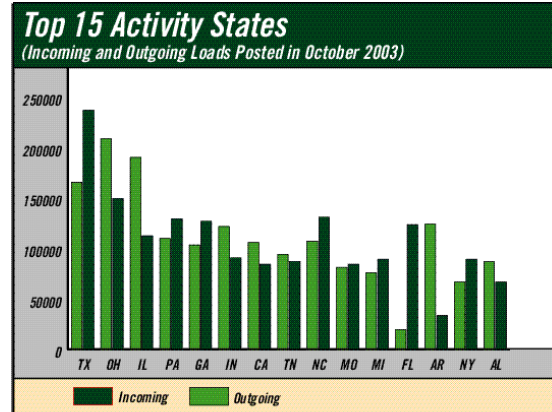
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Eaton posts 3rd quarter income of \$107 million on \$2.03 billion sales vs. \$93 million on \$1.83 billion a year earlier. Truck segment sales were \$336 million, up 4% from last year; operating profits were \$52 million, up 17%. The company said NAFTA heavy duty truck production was down 16% from the same period last year, which was the height of the EPA '02 pre-buy. Medium duty production was down 4% from a year ago. European truck production was down 5%. Eaton projects '03 NAFTA heavy truck production at 180,000 units.

Dana had 3rd quarter profits of \$41 million, excluding one-time gains, on \$2.45 billion revenues vs. \$4 million on \$2.36 billion a year ago. Heavy Vehicle Technologies & Systems Group had pre-tax earnings of \$98 million vs. \$95 million a year ago. Group sales were \$1.57 billion, about the same as last year. Acting President/COO Bill Carroll says their restructuring plan initiated 2 years ago is now yielding results; steadily improving heavy truck market, stability in the light truck market & recent product launches puts Dana in a good position for further improvement next year.

ArvinMeritor posts fiscal 4th quarter income, before one-time charges, of \$37 million on sales of \$1.98 billion vs. \$41 million on \$1.75 billion a year earlier. Income for its fiscal year, ending Sept. 30, was \$140 million on \$7.79 billion sales vs. \$149 million on \$6.88 billion the previous year. Commercial Vehicle Systems sales were \$616 million for the quarter, up 1% from 4th quarter '02. Operating income was \$31 million vs. \$32 million. The company said higher trailer sales in N. America & higher sales in Asia/Pacific offset declines in N. American truck volumes; productivity improvements were partially offset by higher engineering investments & warranty charges. ArvinMeritor is forecasting calendar '04 truck production at 233,000 units, up 37% from '03.

"The industry needs consolidation & I'll forever be a champion of that concept," ArvinMeritor Chairman/CEO Larry Yost told investment analysts regarding the company's bid to take over Dana. Citing automotive industry issues like rising globalization & regulatory costs, overcapacity & a trend to systems vs. individual components, he said restructuring & cost cutting aren't enough to create long-term shareholder value. ArvinMeritor has extended the deadline on its tender offer 3 times & will likely move it out beyond the current Dec. 1 date. Dana



continues to stand firm on its contention that the offer is financially inadequate & high risk for shareholders. Yost said they are working to resolve anti-trust concerns of the U.S. Federal Trade Commission. He wouldn't disclose details of ArvinMeritor's settlement proposal or divestiture plans, but said they are consistent with what they had in mind when they made the buyout offer.

ALLIANCES & ACQUISITIONS

ArvinMeritor front & rear axles, air brakes and automatic slack adjusters now standard on International 9000i and 5000i Series vehicles. **Paccar & Bridgestone/Firestone** renew long-term global agreement making Bridgestone tires standard on **Kenworth, Peterbilt** & other Paccar trucks.

Dana Spicer E-12021 steer axles now standard on **Peterbilt** trucks. **Cummins, Fleetguard, Emission Solutions & Environmental Solutions Worldwide** sign exclusive marketing/distribution deal & preferred supplier agreements for **EDW's** Particulate Reactor diesel oxidation catalyst. **Dana** named preferred & standard axle & brake supplier for **Workhorse Custom Chassis**.

ArvinMeritor & the **Volvo Group** create two joint ventures to produce commercial vehicle drive axles. The joint ventures will take control of a Volvo axle plant & a foundry in Lyon, France, which ArvinMeritor management will operate. ArvinMeritor says it will merge hub reduction products using Volvo & Renault VI technology with its own drive & steer axle technology. Plans also call for the production of some no-drive axles to be moved from Volvo's Koping, Sweden, plant to ArvinMeritor's Lindsberg, Sweden, facility purchased from Volvo in '98. At

HOTLINE

that time, ArvinMeritor entered a long-term agreement to supply heavy duty drive axles to Volvo.

SmarTire Systems & Haldex Brake Products launch program to integrate SmarTire's tire pressure monitoring systems with Haldex's brake systems & create commercial vehicle products to be marketed by Haldex. **ALK Technologies'** FleetSuite Condensed Driving Directions module to be integrated with PeopleNet's Wireless Fleet System. ALK Technologies & **Inter-Tax** to offer fuel tax & toll calculation services.

Eaton Vorad Technologies & Preco Electronics to offer stand-alone side object detection system. Eaton forms joint venture with **Shaanxi Fast Gear Works & Xiang Torch Investment** to produce heavy duty truck transmissions for the Chinese market.

Joint operating agreement between **Newport Communications** and **Kona Communications** will combine strengths of **Newport's Truck Sales & Leasing** magazine with **Kona's Successful Dealer** in a single publication under the SD name. First issue to be introduced in March at Mid-America Trucking Show. Editorial, marketing, circulation & research elements of both magazines will team up to produce it.

NEW BUSINESS

International Truck & Engine confirms plans to enter the Class 3-5 low cab forward market, starting with Class 4-5 models in early '05. The International CF Series to be sourced through the company's Blue Diamond joint venture with Ford & built in Escobedo, Mexico. CF trucks will feature International diesel engines & Ford automatic transmissions.

XTRA Lease to provide 1,200 trailers to **Schneider Logistics** for use in the carrier's GM Service Parts Organization distribution operation. Schneider National to install Webasto Air Top 2000 in-cab parking heaters in all new tractors purchased since June '03. **IdleAire Technologies** opens 3 Advanced Travel Center Electrification installations in Texas. Company has installations in New York, Georgia, Tennessee, Arkansas & California, says it will have another dozen under construction before year-end.

Kenworth factory-fill synthetic lubricants now offered through Kenworth dealers. New Flyer of

America orders 260 **Caterpillar** C9 engines with ACERT technology for use in Seattle transit buses. Most of the buses will be equipped with diesel electric hybrid technology.

AFL Automotive's Specialty Products Group & **Pacific Insight Electronics** to design & supply solid state turn stalk control module for **Paccar. Reineke** offering Stemco Sentinel technology with its PressureGuard Tire Inflation Systems. **Freightliner** endorses **Decisiv** online customer pay estimating systems for Freightliner dealers.

TRAINING

Over half of respondents in a survey of heavy duty truck parts branch managers done by Wade & Partners said manufacturers aren't providing sufficient training for counter & outside sales people – especially at the entry level. Managers said as little as 2 days/year were devoted to product training, 80% could name no real standout supplier or training program, 60% said they are not comfortable with product knowledge of direct factory or manufacturers' reps, 65% said there is at least one key line for which they themselves require better training.

"I was surprised at the commonality of the opinions expressed, even with a broad geographical cross section of branch managers," said industry veteran Chuck Vollman, who conducted the study for Wade & Partners. "There is a lot of frustration out there. A number of these guys said that they were probably losing sales opportunities every day due to uncertainty about the technical aspects of some of their lines, and many were concerned about the inability to recruit new people who were familiar with these products." Contact: www.wade-partners.com.

ASSOCIATIONS

Major independent aftermarket groups form Joint Operating Committee to develop a plan to consolidate meetings & events and explore different approaches to events. Sept. meeting hosted by MEMA's Heavy Duty Manufacturers Assn. drew reps from the Council of Fleet Specialists, FleetPride, Heavy Duty Distributors Assn., Heavy Duty America, National Wheel & Rim Assn., Service Specialists Assn., TruckPride/IWDE & VIPAR. HDMA says groups unanimously agreed that event consolidation & rationalization is needed. Committee is to come up with recommendations by year-end.

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American Trucking Assns. signs Louisville-based PriceWeber to develop new image campaign. ATA's Agricultural Transporter Conference changes its name to the Agricultural and Food Transporters. ATA takes over hosting & maintenance of Trucker Buddy web site, www.truckerbuddy.org.

Automotive Warehouse Distributors Assn. to join the Automotive Aftermarket Industry Assn. as a new segment on Jan. 1. National Private Truck Council launches Fleet Learning Center online training for private fleet managers.

HONORS

Ron Cutler, TRW Automotive sales & marketing vp, gets Motor & Equipment Manufacturers Assn.'s Triangle Award for contributions to the global automotive business. **Roadranger** Field Marketing named Idealease Supplier of the Year.

RESOURCES

73rd edition of World Automotive Market Report includes vehicle census summary, production/assembly statistics, U.S. automotive parts trade, world trade in new vehicles & world motor vehicle markets. Publishers are the Overseas Automotive Council & MEMA's Educational & Research Foundation. Contact: www.oac-intl.org or www.mema.org. Automotive Aftermarket Industry Assn. 2003 Financial Benchmarks for Success has statistics on distributor profitability, sales, asset turnover, return on assets, etc. Contact: www.aftermarket.org or (301) 654-6664.

MILESTONES

Kenworth's Renton, WA, plant marks 10th anniversary. Facility recently won state honors for ergonomics innovations. **XM Satellite Radio** celebrates 1 millionth customer. **Freightliner Custom Chassis** builds 100,000th chassis. **Speedco Truck Lube** performs 2 millionth service.

PEOPLE

Mack Truck President/CEO **Paul Vikner** named to Volvo Group Exec. Committee. **Susan Alt** to president/CEO, Volvo Logistics N. America, from marketing vp., Volvo Trucks N. America.

Brent Copeland to president/CEO, Goodyear Tire & Rubber's Wingfoot Commercial Systems, from Wingfoot vp. He succeeds **Stephen McClellan**, recently named vp, Goodyear N. American Tire's commercial tire systems. **Chris Hines** to president, Pegasus TransTech Transportation Div.

Kent Jones to vp, heavy duty sales & marketing, Delco Remy, from vp, aftermarket sales & marketing. **Todd Felker** to Terion sales & marketing vp. Phillips Industries names **Travis Hopkey** marketing director, **Teresa Heaton** marketing mgr., **Michael Langan** to national sales & engineering mgr.

Christopher Baer to vp, VIPAR Heavy Duty, from program management director. **Doug Sanford** to gen. mgr., Hendrickson stamping div, from director, marketing & program management, truck suspension system div. **Jeff Zawacki** to Hendrickson stamping div. director of marketing & engineering. Webb Wheel names **Ed Wentz** business development vp.

Robert Hirsch resigns as Truckload Carriers Assn. president. **Fred Burns Jr.**, president, Burns Motor Freight, Marlinton, WV, named chairman, American Trucking Assns. **Jennifer Blount**, president, Carpet Trailer Sales, Dalton, GA, elected president, National Trailer Dealers Assn.

James Staley, president/CEO, Roadway Corp. named chairman, ATA's American Transportation research Institute. **Neal Zipser** to marketing & communications vp, Motor & Equipment Manufacturers Assn., from communications director. **George Billows** to exec. director, Illinois Trucking Assn., from district mgr., Roadway Express.

Retiring: Paccar Vice Chairman **David Hovind** – whose 39-year career encompasses management roles in Kenworth, Peterbilt, Paccar Parts & International operations – in Jan.

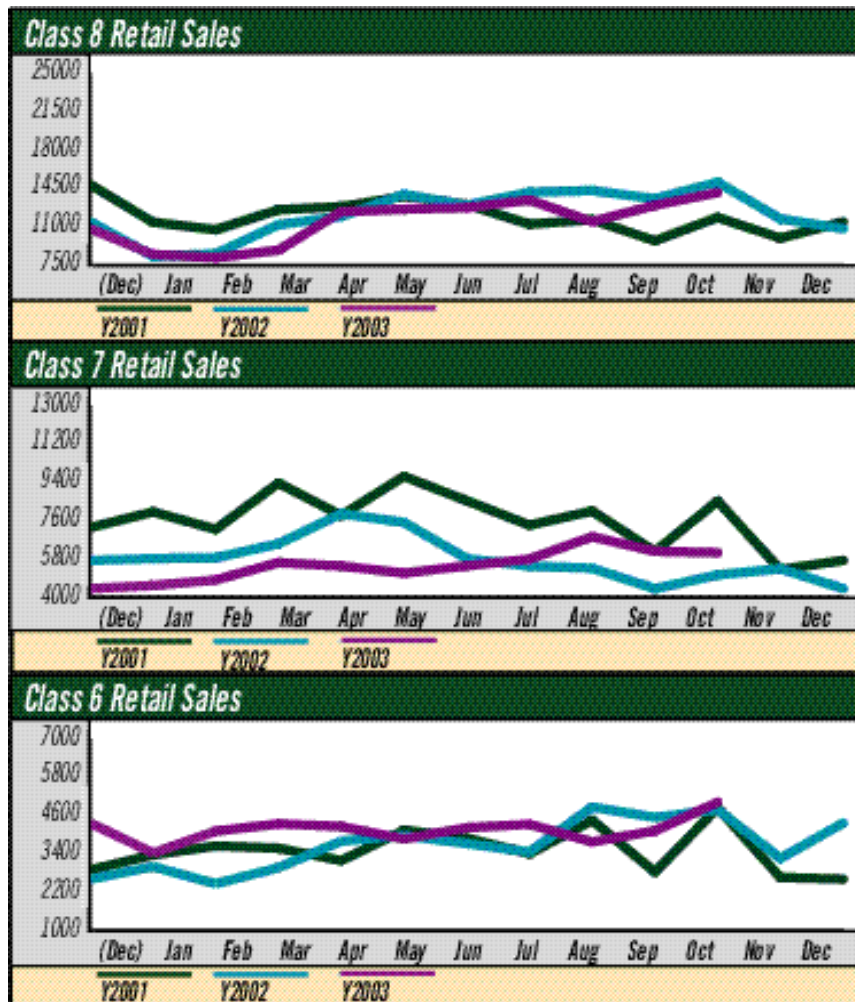
Died: **Linda Householder**, 60, former trucker, safety advocate who founded the Professional Drivers Institute of America & developed the "Sharing the Highways" national safety program.

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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.		
	OCTOBER SALES	YTD SALES	YTD SHARE	OCTOBER SALES	YTD SALES	YTD SHARE	OCTOBER SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	220	1,804	3.21%	95	916	2.21%
Ford	0	0	0.00%	216	1,612	2.88%	1,281	7,740	18.70%
Freightliner	4,389	37,304	32.52%	1,575	16,080	28.64%	1,618	12,395	29.96%
GMC	0	0	0.00%	321	3,330	5.93%	87	1,323	3.20%
Hino	0	0	0.00%	15	189	0.34%	88	821	1.98%
International	2,288	18,209	15.87%	2,751	23,778	42.35%	1,628	16,192	39.13%
Isuzu	0	0	0.00%	40	589	1.05%	5	19	0.01%
Kenworth	1,493	12,131	10.57%	304	2,687	4.79%	0	0	0.00%
Mack	1,621	11,907	10.38%	11	222	0.40%	10	208	0.50%
Mitsubishi Fuso	0	0	0.00%	11	70	0.12%	48	416	1.01%
Nissan Diesel	0	0	0.00%	2	49	0.09%	56	448	1.08%
Peterbilt	1,748	14,205	12.38%	290	2,589	4.61%	0	0	0.00%
Sterling	921	7,887	6.88%	323	3,149	5.61%	84	907	2.19%
Volvo	1,375	11,056	9.64%	0	0	0.00%	0	0	0.00%
Western Star	187	1,325	1.15%	1	3	0.00%	0	0	0.00%
Other	50	696	0.61%	0	0	0.00%	0	0	0.00%
Totals	14,072	114,720	100.00%	6,080	56,151	100.00%	5,000	41,385	100.00%

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





November 21, 2003

To Trucking Industry Leaders

Since the mid-1970s, Newport Communications and Kona Communications have served the truck dealer market with two important journals—*Successful Dealer* and *Truck Sales & Leasing*.

Both publications have gained a loyal following among dealership management and sales staffs. Both have prospered by recognizing and meeting dealers' specific business needs. They pride themselves on anticipating market changes, and meeting those changes with aggressive innovation in publishing.

That innovation continues, now with an historic joint operating agreement between our companies. In March 2004, we will bring the market a new *Successful Dealer* that incorporates the strengths of *Truck Sales & Leasing* with its own.

The combined talents of our editorial, circulation, marketing and research departments will offer dealers a single, comprehensive information source to help them deal with escalating change.

Dealers have already undergone significant changes; more are coming. Truck OEM movement to more vertical integration, exemplified by DaimlerChrysler's plan to use "standardized" Mercedes-Benz components in Freightliner trucks starting in 2004, will have a profound effect on dealers.

The dealer's role as primary advisor to America's truckers is as strong as ever, but it is evolving. So too, is our companies' response to the market.

Details will follow, and your Newport and Kona representatives will be in touch with you soon with specifics, and to introduce you to the new *Successful Dealer*!

Best regards,

A handwritten signature in black ink, appearing to read "Doug Condra".

Doug Condra
President
Newport Communications

A handwritten signature in black ink, appearing to read "Jim Moss".

Jim Moss
President
Kona Communications