

FREIGHT TRENDS

"A robust rebound in manufacturing activity, solid holiday consumer spending, and inventory rebuilding each translate to better truck tonnage levels for the industry," says Bob Costello, chief economist, American Trucking Assns. Signs from the manufacturing sector, trucking's largest customer, are especially positive: 3rd quarter orders for manufactured goods were up 3% from a year ago; Oct. durable goods orders were up 8.2%. Holiday sales "appear solid" & should be strong enough to prompt retailers to restock shelves in early '04. Inventories throughout the supply chain are "too lean," he says.

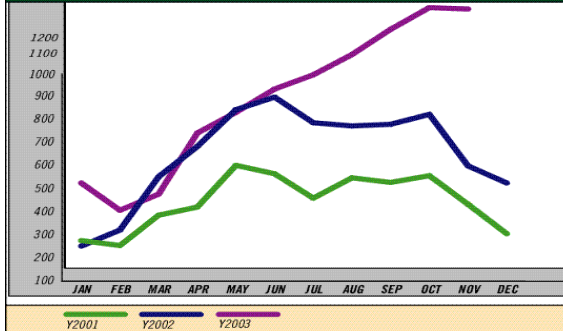
ATA's seasonally adjusted Truck Tonnage Index fell 1.2% in Oct after a 10.6% jump in Sept. Year-to-date unadjusted tonnage through Oct. was up 3% from the same period a year ago. Costello says tonnage volatility has been higher during this recovery because businesses are better able to fine tune their needs – increasing deliveries to meet demand one day and reducing them the next. "New technology, just-in-time inventory management & a responsive trucking industry have actually resulted in a 'bumping rebound' for us, but it's a rebound nonetheless," he says. "I expect even better tonnage growth in '04 as manufacturing output climbs higher & job growth gains strength."

Purchasing & supply execs expect relatively strong growth in '04, according to the semiannual survey by the Institute for Supply Management. Overall manufacturing revenue is expected to grow 5.8% in '04. Electronic components & equipment should see highest growth, followed by transportation & equipment, study says. Capital expenditures expected to rise 3.2%. Manufacturing employment will grow a modest 0.3%, but labor & benefits costs are expected to rise 2.7%.

Truckload fleets are running at full capacity & some are turning down loads because they don't have the trucks, says MacKay & Co. 6 of 8 fleets in MacKay's monthly survey said Oct. revenue miles were up from Sept.; 7 of 8 reported a year-over-year increase. Less-than-truckload revenue miles were flat but revenue improved. Rather than buy new trucks, fleets are being

Freight Trend Index

(Information provided by TransCore's DAT Services)



selective about the freight they haul, adding capacity with rentals or owner-operators. Contact: MacKay & Co., (630) 916-6110.

Availability of exception freight in Nov. was up 78% from a year ago, according to Wayne Kirchmann, TransCore's market research mgr. "Improvement in the economy, combined with a tightening in equipment capacity, continues to increase exception freight." Nov. loads dropped 17% from Oct. but he says a decline is typical for this time of year because retailers have already stocked shelves for the holiday season. Nevertheless, he adds, this year's decline is the smallest since Nov. 2000. Looking to Feb., the best combinations of high freight volumes & favorable inbound/outbound load ratios have traditionally come from Illinois, Ohio, Indiana, Pennsylvania, Texas & Arkansas.

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SALES TRENDS

Merrill Lynch forecasts N. American heavy truck production at 212,000 units in '04, up 20.5% from projected '03. Citing data from ACT Research, analysts note a seasonally adjusted annual order rate of 187,000 in Oct., up 75% from a year earlier. Preliminary Nov. data put the order rate at 227,000. Class 5-7 seasonally adjusted order rate was 246,373 in Oct., up 53.2% but early data shows a drop in Nov. to 198,000. Merrill Lynch forecast: 205,000 in '04, up 9.5% from projected '03.

NEW BUSINESS

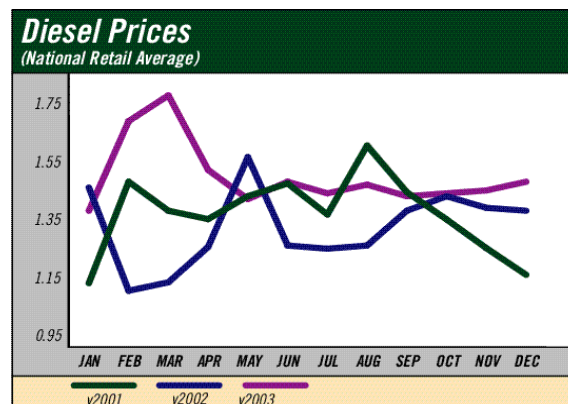
Swift Transportation signs 2-year deal with Volvo Trucks N. America for 4,000-plus Volvo VN670 tractors with Cummins ISX & Volvo D12 engines, all with electronic idle management systems. Production to start 1st quarter '04.

Dana to supply Spicer Life Service 70, 100 & 140 driveshaft assemblies for '05 model **Hino N. American Class 4-7 vehicles**. Driveshafts will be assembled at Dana's Renton, Wash. Customer Focus Center. **Coca-Cola Enterprises** to retrofit beverage delivery trucks in 3 states with **Clean Diesel Technologies' Platinum Plus Purifier System**.

Utility Trailer dealers to offer **Air-Weigh Self-Weighing Trucking & Trailer Scales** as after-market accessories. Scales have been a Utility factory option since '01. **IdleAire** systems to be installed at **Pilot Travel Centers**. **e-FoodSafety.com** adds truck sanitizing div. **Petro Stopping Centers** adds **FleetOne card** option.

ALLIANCES & ACQUISITIONS

ArvinMeritor drops its bid for Dana, saying it was not in its shareholders best interest to continue expending corporate resources for an indeterminate period of time. "We are disappointed that the Dana board is unwilling to sit down with us," said ArvinMeritor Chairman/CEO Larry Yost. Dana had no official response but a company spokesperson told financial reporters that they were "pleased that this distraction is apparently behind us." ArvinMeritor met steadfast opposition from Dana's board when it launched the takeover attempt last June with a \$15/share tender offer. Bid was upped to \$18 in Nov., a week before it was terminated.



Goodyear tires to be standard on Mack & Volvo trucks built for N. America through Oct. '06. Goodyear named standard tire supplier for Freightliner LLC, including Freightliner, Western Star, Sterling American LaFrance & Thomas Built Buses.

Meritor MA212 brake lining materials to be standard on **International** heavy duty longhaul & regional tractors, including the 9000i series. MA212 linings were already standard on International school buses & 4000, 7000 & 8000 series vehicles. **NEXIQ Technologies** to provide **International truck dealers** with EZ-Tech Line wireless diagnostic communication.

Horton Holding assumes full ownership of **Horton Sachs**, German joint venture formed when Horton bought the fan clutch business of ZF Sachs. New name: **Horton Europe GmbH**. **Commercial Power Solutions** to develop, manufacture & market **FaZtech's** Fatz battery-charging technology.

Dana to be development source & sole supplier of **Permo-Drive Technologies' Regenerative Drive System** for the U.S. Army's family of Medium Tactical Vehicles. Army has indicated it will introduce a hybrid drive system in its FMTVs as early as '06.

Mobil Delvac named "featured engine oils" at **TravelCenters of America**.

Comdata buys assets of **Fleet Team**. **American Seating** buys **Transportation Seating**. **Barloworld** buys **Texarkana Truck Center**. **Integrated Decision** buys **TransSoft Corp**. **Sure Power Industries** to manufacture **SiriCOMM's InstaCheck devices**; **Pana-Pacific** to manage fleet & OEM distribution.

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LEGAL

Eaton asks U.S. International Trade Commission to block import of ZF Meritor's FreedomLine

automated transmission systems & components into the U.S. and launch a patent infringement investigation of ZF Meritor and the joint venture partners, ArvinMeritor & ZF Freidrichshafen AG. Eaton also filed a patent infringement suit in U.S. District court asking for an injunction against sale of the FreedomLine products in the U.S. FreedomLine is the U.S. version of the ZF-AS Tronic sold in Europe. It competes here with the Eaton Fuller AutoShift & UltraShift transmissions.

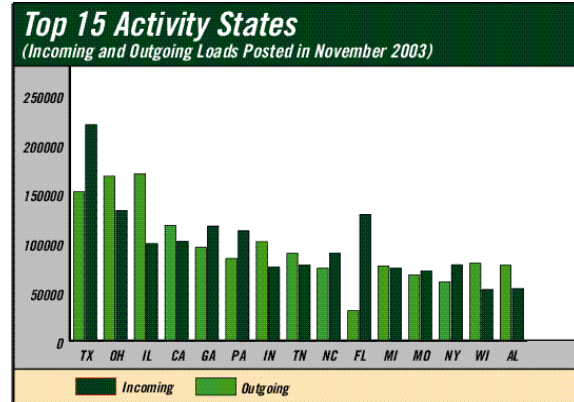
ArvinMeritor promised a "vigorous defense" and accused Eaton of using the patent-actions as a way to eliminate competition in the heavy truck transmission market. In 1997 Eaton sued ArvinMeritor predecessor Rockwell International, charging that its Engine Synchro Shift transmission infringed on Eaton patents. Eaton initially won that suit but the decision was overturned by a Federal Appeals Court last year.

Dana & its Torque-Traction Technology subsidiary file lawsuit against S&S Truck Parts, charging patent & trademark infringement. Suit alleges that the Illinois-based distributor unlawfully labeled its materials with several Dana trademarks & is infringing on at least one of Dana's universal-joint patents.

Bendix Commercial Vehicle Systems files patent infringement suit against **Midwest Truck & Auto Parts**, including World American Parts, Midwest's heavy duty distribution div. Suit alleges that Midwest sells heavy & medium duty truck components in the U.S. that infringe on a number of Bendix patents, that Midwest has improperly used Bendix trademarks & that improper use of recognized Bendix trademarks in Midwest literature & product catalogs is likely to cause confusion among replacement parts buyers.

EMISSIONS

Cummins says it will meet '07 EPA emissions standards with cooled-exhaust gas recirculation technology. Company said in '01 that cooled-EGR was the foundation for '07 as well as '02 emissions standards & recently confirmed the selection after evaluating other options. After-treatment filters will be necessary to meet



'07 particulate matter standards, says Cummins VP John Wall, but "our experience with particulate filters & the availability of ultra-low-sulfur diesel fuel combine to give us confidence in meeting these tough standards."

International says its Class 8 engine suppliers agree that selective catalytic reduction (SCR) after-treatment technology is "unnecessary" to meet '07 emissions. Patrick Charbonneau, vp, regulatory & technical affairs, also says that a breakthrough with existing '04 engine technology eliminates the need for NOx adsorbers. '07 International trucks will meet '07 particulate matter standards through the use of particulate filters, but he noted that the filters have been used successfully on International Green Diesel Technology products for 3 years & are used extensively in the retrofit of older electronic diesel engines.

AFTERMARKET

Replacement parts demand fell with record new truck sales & longer-lived components, but lower truck sales & an aging fleets will reverse that trend, says Harry Howard, vp/gen. mgr., ArvinMeritor Commercial Vehicle Aftermarket.

In the past, suppliers focused on providing a variety of components & customers bought parts from numerous suppliers to form a complete system. Today they're striving to develop complete systems & modules with the potential for longer replacement cycles. Howard says those that don't follow the trend could be facing difficult times.

European companies now account for close to 60% of N. American Class 8 truck production, Howard says. With increased European influence there appears to be an effort to verti-

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cally integrate with proprietary drivetrain & undercarriage components. But consolidation among trucking companies makes vertical integration harder to accomplish "especially with the mega fleets that have the management of operation expenses down to a science."

Differences between the Canadian & U.S. aftermarket: Canada's vast geographic area & widely dispersed population often forces fleets & drivers to scramble for parts on the road, he says. The market for heavier-duty components is bigger in Canada because of the diversity of applications.

Aftermarket opportunity in Mexico is enormous, he says. There are far fewer trucks than in the U.S., but replacement mileage is one-half to one-third because poor roads accelerate wear. Majority of Mexican truckers do their own repairs. Heavier-duty driveline components are in great demand. Mexican fleets looking to haul into the U.S. are starting to spec' more lighter-weight components & adopt better maintenance practices to avoid penalties here.

FINANCIAL

Navistar International posts \$77 million profit on \$2 billion revenues for its 4th fiscal quarter ending Oct. 31. Company had a \$405 million loss on \$2.1 billion 4th quarter '02. Net loss for the full year was \$16 million vs. a \$536 million loss in '02. Revenues were \$7.1 billion vs. \$6.5 billion. Worldwide Class 8 truck shipments totaled 28,300 vs. 31,100 the previous fiscal year; Class 6/7 trucks totaled 34,900 vs. 32,900; school buses, 21,400 vs. 19,500. Engine shipments totaled 396,000 vs. 375,500. Company expects industry '04 demand to be up 20% for heavy trucks & 15% for 6/7.

Navistar says it plans to double in size & become a "solidly profitable" \$15 billion company by the end of the next business cycle which is typically 8-11 years. President/CEO Daniel Ustian tells security analysts they plan to grow by increasing share of current markets & by finding new business opportunities in similar markets such as its recent expansion into the military market.

TRANSITION & EXPANSION

Dana to sell its Automotive Aftermarket Group. Company says it wants to focus on the original equipment marketplace. Webasto

Product N. America opens new headquarters & technical center in Fenton, Mich.

COSTS

Rising materials costs push up commercial truck tire prices. Michelin raised prices an average 5%; Goodyear, 4-6%; Continental, 3-5%; Bridgestone/Firestone, 5%; Yokohama 3-5%; Hankook, 2-4%.

RESOURCES

'03 U.S. heavy duty replacement parts market grew 0.9% in '03 & growth will remain at a modest 1% through '05, according to Heavy Duty Aftermarket Study & Forecast done for Automotive Market Research Council by TLG Research. Under-vehicle & wheel end market was est. \$2.8 billion in '03, expected to grow 0.4%/year through '05. Under-hood, \$4.47 billion, growing 0.5%; chemicals, \$1.65 billion, growing 1.3%; accessories, \$1.38 billion, growing 1.5%; maintenance & other, \$1.07 billion, growing 1.8%. Study includes general market direction & detailed product trends. Contact: AMRC Heavy Duty Aftermarket Committee Chair Mark Kahane, (610) 709-3161.

HONORS

Michelin ranks 1st in truck tire quality & innovation in latest brand study by **Tire Review** magazine. **Bridgestone** topped the dealer opinion poll in application coverage & retreadability. **Firestone** ranked first in product support. **Dayton** in product availability. Annual survey asks auto, light truck & tire dealers across the country to analyze brands they carry. Contact: Bob Roberts, (330) 670-1234 x. 252.

ArvinMeritor's Meritor Tire Inflation System by P.S.I. gets '03 Intermodal Achievement Award from the Intermodal Assn. of N. America.

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EVENTS

American Trucking Assns.' Technology & Maintenance Council to hold Diesel Engine Emissions Summit II at its '04 Annual Meeting & Transportation Technology Exhibition, March 15-19, Ft. Lauderdale, Fla. Contact: <http://tmc.truckline.com> or (703) 838-1763.

International Truck Group President Dee Kapur to discuss the future for heavy trucks at the Heavy Duty Manufacturers Assn's 14 annual Breakfast & Briefing, Mar. 26, during the Mid-America Trucking Show in Louisville, KY. Contact: HDMA, (919) 549-4800.

Challenge Bibendum to make Asian debut next Oct. in Shanghai, China.

Heavy Duty Dialogue 2004, Feb. 9-10, Atlanta. Sponsor is the Heavy Duty Manufacturers Assn. of MEMA. Contact: Brent Hazelett, bhazelett@mema.org

Used Truck Assn's Professional Used Truck Management seminar, Feb. 18-20, Ft. Lauderdale, Fla. Contact: (866) 454-4362 or HDMAinc@earthlink.net

Truck-frame & Axle Repair Assn. (TARA) winter meeting Feb. 18-21, at Palm Coast (FL) Golf Resort, will focus on frame & alignment procedures, finance, promotion & supplier discussions. Contact: Wayne Reich (800) 232-8272 w.g.reich@att.net.

PEOPLE

Daniel Ustian elected chairman, Navistar International, succeeding **John Horne** who retires in Feb. Ustian is also Navistar president/CEO. **Jay Sather** to warranty parts & service mgr., Autocar Trucks, from sales & marketing director, Kar-Tech. **Donn Kramer** to marketing director, commercial tire systems, Goodyear N. American Tire unit from consumer tire marketing director.

Dave Olsen to president, GVW Holdings' subsidiary Workhorse Custom Chassis, from president, GVW Parts. **Chuck Kosmin** to president GVW Parts, from vp. Southwest Research Institute names **Steven Marty** director, fuels &

driveline lubricants research; **Benjamin Weber** director, engine lubricants research.

Gary Schultz to vp & director, truck/bus suspension product management team, The Holland Group, from vp/director, truck OEM sales, Holland USA. **Michael O'Connell** to director, truck OEM sales, Holland USA, from president, Volvo Trucks Canada.

Mike Ginocchio to director, European fifth wheel development, Holland Group.

Rosalyn Fineran to vp/CFO/CIO, Horton Holding, from CFO, Trim Systems. **John Adami** to head combined GT Development sales/engineering group as vp engineering & sales. **Rolf Lichtner** to marketing services director, Webasto Product N. America. **Dan Qualls** to national sales mgr., Total Seal Piston Rings. **Urszula Miezo** to marketing/program management specialist, Johnson Matthey Diesel Emission Control Systems.

TransCore President/CEO **John Worthington** also becomes acting general mgr. following resignation of **Joel McGinley**. **Bob Helms**, Pegasus TransTech chairman, assumes role of CEO with departure of founder **Leslie Berlin**.

Richard Adams, automotive vp, The Timken Co., elected chairman, Heavy Duty Manufacturers Assn. **Steve Kiefer** to marketing director, Hendrickson Truck Suspension Systems. He also continues to oversee program mgmt., sales engineering & technical services.

Denise Rondini to editor/publisher, *Successful Dealer With Truck Sales & Leasing*. New magazine, to debut in March, combines Newport Communications' *Truck Sales & Leasing* with Kona Communications' *Successful Dealer*. Newport editorial staff will contribute; both companies' marketing staffs will handle advertising sales.

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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.		
	NOVEMBER SALES	YTD SALES	YTD SHARE	NOVEMBER SALES	YTD SALES	YTD SHARE	NOVEMBER SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	145	1,949	3.13%	84	1,000	2.20%
Ford	0	0	0.00%	181	1,793	2.88%	667	8,407	18.49%
Freightliner	4,190	41,494	32.52%	1,545	17,625	28.29%	1,663	14,058	30.90%
GMC	0	0	0.00%	349	3,679	5.90%	108	1,431	3.15%
Hino	0	0	0.00%	15	204	0.33%	69	890	1.97%
International	1,918	20,127	15.78%	2,864	26,642	42.77%	1,320	17,512	38.50%
Isuzu	0	0	0.00%	51	640	1.03%	7	26	0.01%
Kenworth	1,379	13,510	10.48%	311	2,998	4.81%	0	0	0.00%
Mack	1,457	13,364	10.46%	13	235	0.38%	10	218	0.49%
Mitsubishi Fuso	0	0	0.00%	9	79	0.13%	53	469	1.03%
Nissan Diesel	0	0	0.00%	6	55	0.09%	47	495	1.09%
Peterbilt	1,698	15,903	12.46%	313	2,902	4.66%	0	0	0.00%
Sterling	763	8,650	6.70%	341	3,490	5.60%	78	985	2.17%
Volvo	1,307	12,363	9.69%	0	0	0.00%	0	0	0.00%
Western Star	134	1,459	1.15%	1	4	0.00%	0	0	0.00%
Other	56	752	0.59%	0	0	0.00%	0	0	0.00%
Totals	12,902	127,622	100.00%	6,144	62,295	100.00%	4,106	45,491	100.00%

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

