

EXECUTIVE VIEWPOINTS

"The truck cycle is playing out and we are only seeing the proverbial tip of the iceberg in terms of order flow," say market analysts Jeff Kauffman & Salvatore Vitale, Fulcrum Global Partners. The industry is at the front end of a 3-year equipment super-cycle, they say. Estimated truck build at its peak is 310,000 trucks & 270,000 trailers.

Improving economy brings higher industrial production, inventory replenishment & freight tonnage. Changes in unemployment, improvement in capital markets & increased taxes, coupled with fiscal restraint over the past year, should mean healthier state & municipal budgets – good news for industries that depend on govt. spending.

Since 9-11 most companies – including those in transportation & equipment – have been stockpiling cash & improving balance sheets, the analysts note. As the economy shifts from stagnation to growth, there could be pressure to put these higher-than-normal cash balances to work. Most likely areas: increased capital spending, dividend increases, share repurchases & acquisitions. Two areas to watch: share repurchases & acquisitions.

New hours of service rules will push fleets to add more equipment & raise driver wages, but truck capacity is so tight that carriers should be able to pass on the cost in '04, say Kauffman & Vitale. But look for "the tightest squeeze on the qualified truck driver market in 20 years."

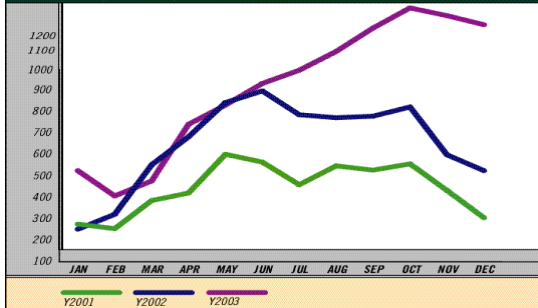
Commodity inflation & a falling dollar could result in a sharper than expected increase in interest rates this year, the analysts warn. Increased geopolitical risk, adherence to quotas by OPEC & a multi-year dislocation of non-OPEC production have kept fuel costs high. They predict that new production could bring some relief, but not until 2005.

TRUCK & TRAILER UTILIZATION

4th quarter 2003 Class 6-8 utilization was 88.4%, up 2.8 points from a year ago, accord-

Freight Trend Index

(Information provided by TransCore's DAT Services)



ing to latest MacKay & Co. study. Rate is the highest for 4th quarter since the company began surveying utilization in 1985.

Class 8 utilization was 89.5% vs. 86% a year earlier. Biggest gain: construction/mining/refuse where utilization rose 20.1 points. Agriculture was up 11.5 point, lease/rental up 2 points, owner-operators up 1.8 points, for-hire up 0.2 point. Class 8 utilization for private fleets was about the same as last year.

Class 6 utilization was 81.5%, down 1.3 points overall but MacKay says most of the decline came in the "other" category – mainly local governments & public utilities – where utilization fell 18.6 points from a very high level last year. Class 7 was 85.8%, up 1.3 points overall. Combined Class 6 & 7 utilization was up 24.9 points for ag fleets, 16.2 points for con-

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struction/mining/refuse, up 10.4% for owner-operators, 2.1% for lease/rental, 1.7% for private fleets. For-hire medium duty utilization dipped 0.3 points.

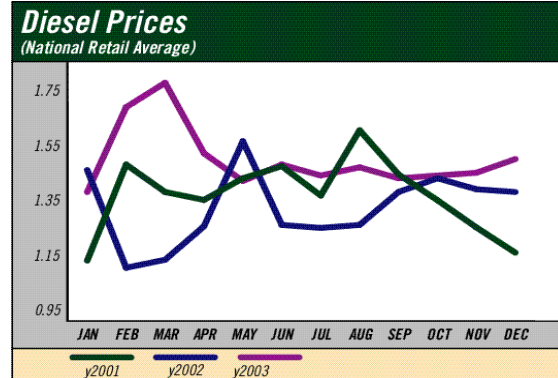
Trailer utilization was 84.9%, down 1.7 points from a year ago but up 3 points from 3rd quarter '03. "Other" had the biggest gain – 8.6 points, ag was up 7.6 points, construction/mining/refuse up 0.9 point, for-hire carriers up 0.1 point. Lease/rental utilization was down 0.1 point; owner-operator down 2.2 points. Contact: MacKay & Co., (630) 916-6110 or www.mackayco.com.

FREIGHT TRENDS

Nov. freight volume was down 6.8% from Oct. & 1% from a year earlier, according to the American Trucking Assns.' seasonally adjusted Truck Tonnage Index. Unadjusted index was down 15.3% from the previous month but year-to-date tonnage was up 2.6% from same period 2002.

ATA Chief Economist Bob Costello says Nov. is typically weaker than Oct., but this year the reduction was significantly larger than usual. "Our truck tonnage index will end up higher this year compared to '02, but tonnage is not growing as strong as we had hoped given other domestic indicators," he says. "One reason for this discrepancy is that most government statistics measure dollars, or the value of goods, not weight. Many industries that are currently witnessing better growth produce goods that are high in value but low in weight, like technology, thus it is not translating into as much truck tonnage."

Freight coming through TransCore's posting & matching services was up 81% from a year ago, due to improvements in the economy plus a tightening in equipment capacity, says Wayne Kirchmann, market research mgr. Availability was down 11% from Nov., but decreases this time of year are typical, he says, and this was the smallest Dec. drop in the past 6 years. Looking to March, the best combinations of high freight volumes & favorable inbound-to-outbound load ratios have traditionally come from Illinois, Ohio, Arkansas, Texas, Pennsylvania & Georgia.



SALES TRENDS

Preliminary data indicates Dec. Class 8 truck orders were the highest since spring '02 when the industry was in the midst of the '02 pre-buy, say analysts at Merrill Lynch. Excluding pre-buy effects, Dec. could be the highest order month since June '99. Citing data from ACT Research, analysts note that heavy truck orders in Dec. reached a seasonally adjusted annual rate of 295,000. The average for '03 was 202,000. Analysts say one reason for the boost could be what they called the "Swift Effect." Some fleet execs may have been prompted to move by Swift Transportation's 4,000 truck, 2-year order recently placed with Volvo Trucks N. America.

Class 5-7 orders in December were at the lowest annual rate since May, in line with the full year average of 206,000 units. But analysts say medium duty orders tend to be less volatile than heavy truck orders & this market segment is probably not benefiting from the "Swift Effect."

Merrill Lynch is forecasting N. American Class 8 production at 212,000 for '04, Class 5-7 at 205,000. But analysts say strong heavy truck orders in Dec. could suggest something higher.

HONORS

Sterling, Hino & GMC Trucks win top rankings in '03 Medium Duty Truck Customer Satisfaction Survey done by J.D. Power & Assoc. Sterling's L-Line & Acterra models got the top overall score for customer satisfaction among medium duty conventionals, ranking highest for engine, cab interior & exterior design/styling. Peterbilt & Kenworth were close behind. Peterbilt was first in quality & transmission; Kenworth in ride, handling & braking.

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For the 2nd consecutive year, Hino got the highest overall score in the medium duty COE category with first-place ranking in quality, engine, ride, handling & braking, cab interior and exterior styling/design. Mitsubishi Fuso ranked 2nd overall and first in transmission.

GMC Truck ranked highest overall in dealer service satisfaction with the top scores in dealer attitude, service delivery process & service quality. International & Ford followed GMC in overall rankings. International & GMC tied for first in the service advisor factor and International took first in service initiation.

Study is based on response from 1,600 primary maintainers of 2-year-old Class 5, 6 & 7 trucks. It looks at customer satisfaction across a number of factors including vehicle performance, product quality, interior & exterior design, dealer service, dealer parts & manufacturer images.

AFTERMARKET

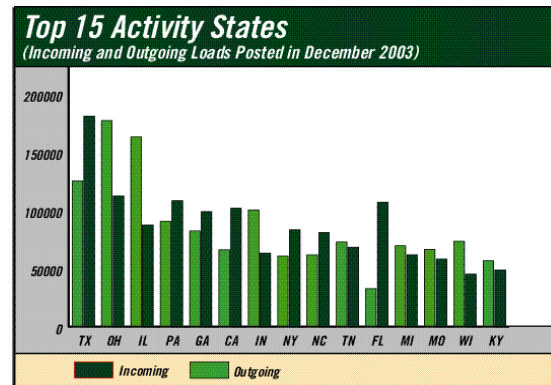
Medium/heavy replacement parts demand was \$12 billion in '03, up 0.3% from '02, says MacKay & Co. Demand for Class 6 vehicle parts was up 2.4%, Class 7 down 2.9%, Class 8 up 1.0%, trailers up 0.5%. Contact: (630) 916-6110 or www.mackayco.com.

European Union & 10-nation Assn. of Southeast Asian Nations agree to jointly establish an enforcement system to fight counterfeiting, according to the Automotive Parts & Service Alliance. APSA says many ASEAN countries – particularly Thailand – are being used to transship Chinese-made fakes to Europe. Asia, it says, accounts for two-thirds of counterfeits seized at EU borders.

Recent surge of EU interest in counterfeiting "lends support to longstanding efforts by U.S. government & industry to thwart global piracy," APSA says. Intellectual property rights protections were included in World Trade Organization rules in '94. APSA says it's also working with aftermarket groups in Europe to make sure that European OEMs don't use the counterfeit scare "to undercut sales of legitimately branded independent aftermarket products."

LEASE/RENTAL

Ruan is selling its truck full-service



lease/rental business to Ryder System but the company is still going to be around "big time" in transportation, says Sales & Marketing VP Mark Murphin. "A lot of the good things that have happened to us over the last several years have happened in the rest of our company, which is really the majority of what we do," he says.

Strategic plan, he says, was to "significantly downplay" or phase out of the lease/rental business in order to focus more attention on logistics, dedicated common carriage and its brokerage business. "There are things happening in the transportation environment that are forcing all companies to look at alternatives," he says. "That's creating a lot of opportunities for us."

Ruan will continue to own & maintain trucks used in the dedicated carriage operation – currently about 2,200 power units – "where we think it's the right thing to do," he says. The lease/rental fleet is nearly 6,800 vehicles plus 4,800 units under contract maintenance agreements. The sale is expected to close sometime 1st quarter '04.

ALLIANCES & ACQUISITIONS

Dana named standard & preferred suspension supplier for **Transcraft**. Company will supply Dana Spicer RF Series air-ride suspensions for Transcraft's Eagle & Eagle II flatbed combo trailers. **FHI** sells Flexfab Molded Products to **The Thistle Group. Fleet Management Solutions** to provide wireless data access through **Orbcomm's** satellite network.

ArvinMeritor to sell Kenton, OH, plant to **Sypris Solutions** & make Sypris a long-term,

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key supplier of trailer axle beams to ArvinMeritor's trailer assembly facility in Frankfort, KY. Company said sale of the plant allows it to focus on core processes for design/assembly of complete trailer systems.

ArvinMeritor Commercial Vehicle

Systems group to supply axle/brake systems to **N. American Bus Industries**. **Shell** Rotella T to be featured heavy duty motor oil at MHC **Kenworth's** 30 dealership locations & 11 PaLease sites.

Penske Truck Leasing names **Goodyear** primary supplier of replacement & retreaded tires to 2008. **Fleetguard** teams with antifreeze recycler **EET Corp.** to offer recycled coolant in its line of heavy duty antifreeze products. **Motorola & Skybitz** to jointly develop products using Skybitz' Global Locating System platform.

Hayes Lemmerz Intn'l to supply all standard, non-specified wheel end components for **Strick** trailers in '04 & '05. Hayes Lemmerz also signed a long-term agreement with **Hendrickson Trailer Suspension Systems** to supply Ductile Iron hubs & CentruCast brake drums for HN & HP trailer applications, plus product development for future wheel-end components.

Delphi debuts FleetOutlook onboard computer with a fleet & security management system in an AM/FM radio. System was developed by consortium led by **Freightliner** & known as the Truck Productivity Computer or TruckPC. FleetOutlook for all truck makes is marketed by **Pana-Pacific**. Fleet management service is provided by Delphi subsidiary **MobileAria**.

NEW BUSINESS

International Truck & Engine to build 1,700 4000 Series medium-duty trucks for the U.S. Postal Service in '04. **Uilmaster** will supply the 18- and 24-foot van bodies. Trucks will have '04 emissions compliant International DT 466 diesel engines & International Diamond Logic Technology multiplexed electrical system. Vans will also have **XATA's** OpCenter system.

Terex's American Truck Co. gets \$54 million contract from the U. S. Army to supply 302 medium tactical trucks & associated logistics support to the Israeli Ministry of Defense. U.S.

supplies trucks to Israeli under the U.S. Foreign Military Sales program. Contract has an option for 243 additional vehicles.

Jost International fifth wheels now available as options on new **Kenworth** trucks. Jost is also an aftermarket option through Kenworth dealers & is standard on trucks built by **DAF**, **Paccar's** European subsidiary. **Barr-Nunn Transportation** to offer owner-operator lease/purchase program financed through **Schneider Financial & Transportation Alliance Bank**. **Phillips Industries** signs **CK Marketing & Communications** as PR consultant.

Martin Marietta Composites builds first trailer at its Sparta, N.C. plant. 48-foot, live-floor transfer trailer is made of glass fiber reinforced polymer materials, except for kingpin, misc. fasteners, landing gear, axles, wheels & brake components. **Marangoni Tread N. America** starts construction of a plant in Madison, TN, its first in the U.S. Production is set to begin in 2nd quarter.

TRANSITION & EXPANSION

American Stores becomes **CATCO Parts & Services**. CATCO bought the company in '02 but has operated it as a separate company until now. CATCO, a VIPAR Heavy Duty Stockholder Distributor, is now directing all its purchasing volume for its 16 locations through VIPAR. **Autocar Trucks** debuts Autocar Solutions customer support program with 24-hour web & phone parts & service help.

EVENTS

Bridgestone/Firestone N. American Tire to again sponsor Stars & Stripes truck beauty competition series, a Newport Communications program. In addition to sponsoring the competition, Bridgestone/Firestone provides gifts & prizes for competitors & attendees. '04 schedule: Paul K. Young Memorial Championship, Mid-America Trucking Show, Louisville, Ky., Mar. 20-22; N. American Truck Show, Baltimore, Apr. 29-31; The Truck Show, Las Vegas, Jun. 10-12; Truckerfest, Reno, Nev., Aug 5-7. Contact: "Events" section of www.roadstaronline.com.

ArvinMeritor Chairman/CEO Larry Yost to discuss challenges to heavy duty supplier industry at Heavy Duty Manufacturers' Assn.

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Heavy Duty Dialogue 2004, Feb 9-10, Atlanta. Other speakers include Larry Chimierine, president, Radnor International Consulting; Anthony Lupo, attorney, Arent Fox; Stu MacKay, president, MacKay & Co.; Chip McClure, president, Federal-Mogul. Contact: HDMA, (919) 549-4800 or www.mema.org.

National Truck Equipment Assn. adds distributor profitability to seminar lineup at The Work Truck Show and 40th annual NTEA Convention, Mar. 3-5, Baltimore. Schedule also has sessions for truck equipment suppliers & fleet managers. Show features Classes 1-8 work trucks. Contact: www.ntea.com or (800) 441-NTEA.

Ryder System Chairman/President/CEO Gregory Swienton & U.S. Chamber of Commerce Chief Economist Dr. Martin Regalia will be featured speakers at the Truck Renting & Leasing Assn's '04 Leadership Conference & annual meeting, Mar. 31-Apr. 4, Arizona Biltmore Resort & Spa, Phoenix. Panel discussions to look at leasing's place in the economy & budgeting maintenance program costs. Contact: TRALA, (703) 299-9120 or www.trala.org.

'04 N. American Truck Show, Apr. 29-May 1, Baltimore Convention Center, to include business improvement seminars by J.J. Keller & Stars and Stripes Truck Show. Show has been held in Boston the past 31 years but, starting this year, will alternate between Baltimore & Boston. Contact: N. American Exhibitions, www.truckingexpo.com or (800) 225-1577.

Paccar Chairman/CEO Mark Pigott is featured speaker at the American Truck Dealers annual convention, Apr. 17-19, Seattle. Contact: ATD (703) 821-7188 or www.NADA.org. Automotive Parts Rebuilders Assn. European Symposium to be Apr. 25-28, Raddison SAS Alcron Hotel, Prague, Czechoslovakia. Contact: APRA, (703) 968-2772 or www.apra.org.

Used Truck Assn. '04 sales & management workshops to cover used truck sales fundamentals, March & Sept.; used truck management, Feb. & Nov.; used truck selling skills, May & Oct.; sales prospecting, April, May, June & Aug. Group also offers a video-based program on used truck appraisals. Contact: Heavy Duty Marketing Assoc. (866) 454-4362 or

www.uta.org.

LEGAL

S&S Truck Parts defends patent & trademark infringement charges by Dana, saying it "goes to great lengths to ensure that neither its products nor its business practices violate any valid patents or trademarks." Company says it promotes the quality of replacement parts sold under its NewStar label and "will not misrepresent its products as being anything other than genuine S&S and/or NewStar replacement parts." Suit brought by Dana & its Torque-Traction Technology charges that the Illinois-based distributor unlawfully labeled its materials with Dana trademarks & is infringing on at least one Dana u-joint patent.

PEOPLE

Jack Allen to president, International engine group, from parts vp/gen. mgr. He succeeds **Richard Fotsch** who resigned to accept an executive position with Kohler Co. **Phyllis Cochran** to International parts vp/gen mgr, from CEO/gen. mgr., Navistar Financial Corp.

Richard Howard to vp-DaimlerChrysler Services Truck Finance, from managing director, Chrysler Financial Canada. **Lee Whittman** to vp, US Auctioneers, from vp-asset management, Orix Financial Services. Arrow Truck Sales names **Pete Monize** group purchasing director, **George Papp** eastern regional sales mgr., **Ken Kosic** western regional sales mgr.

David Merrion to president/CEO, Entec Engine. He recently retired from Detroit Diesel as exec. vp, engineering. **James Hyland** to vp, investor relations & corp. communications, USF, from senior vp, investor relations, Comdisco.

George Davis resigns as Aether Systems president/vice chairman & board member. **Michael Nark** to exec. vp, sales & marketing, GEOCOMtms. **Matt Sweitzer** to customer service mgr., Johnson Matthey catalyst div., diesel emission control systems group.

Rod Robinson, president of WALTCO Truck Equipment, elected president, National Truck Equipment 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.		
	DECEMBER SALES	YTD SALES	YTD SHARE	DECEMBER SALES	YTD SALES	YTD SHARE	DECEMBER SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	234	2,183	3.19%	180	1,180	2.31%
Ford	0	0	0.00%	308	2,101	3.07%	1,350	9,757	19.16%
Freightliner	4,618	46,112	32.31%	1,096	18,721	27.39%	1,545	15,603	30.64%
GMC	0	0	0.00%	470	4,149	6.07%	177	1,608	3.16%
Hino	0	0	0.00%	46	250	0.37%	122	1,012	1.99%
International	2,498	22,625	15.85%	2,706	29,378	42.99%	1,722	19,234	37.78%
Isuzu	0	0	0.00%	47	687	1.01%	2	28	0.01%
Kenworth	1,712	15,222	10.67%	368	3,366	4.93%	0	0	0.00%
Mack	2,010	15,374	10.77%	18	253	0.38%	0	218	0.43%
Mitsubishi Fuso	0	0	0.00%	18	97	0.14%	71	540	1.07%
Nissan Diesel	0	0	0.00%	10	65	0.09%	112	607	1.12%
Peterbilt	1,751	17,654	12.37%	384	3,286	4.81%	0	0	0.00%
Sterling	844	9,494	6.65%	318	3,808	5.57%	153	1,138	2.23%
Volvo	1,414	13,777	9.65%	0	0	0.00%	0	0	0.00%
Western Star	227	1,686	1.18%	0	4	0.00%	0	0	0.00%
Other	32	784	0.55%	0	0	0.00%	0	0	0.00%
Totals	15,106	142,728	100.00%	6,023	68,344	100.00%	5,434	50,925	100.00%

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

