

HOTLINE

Freight Trends

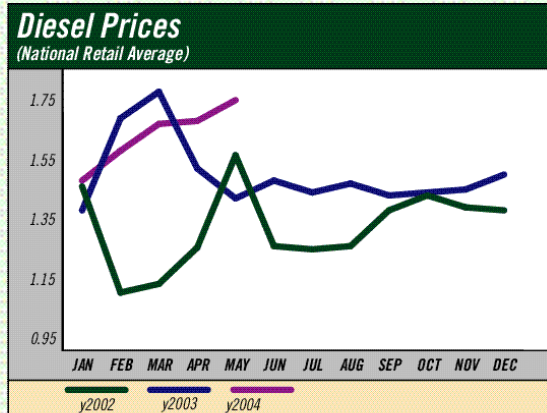
Trucks carry 68.9% of U.S. freight volume & account for 86.9% of revenues, according to '03 data compiled by the American Trucking Assns. Truckload accounts for 32.8% of tonnage, less-than-truckload 1%, private fleets 35.1%. Truckload's share of freight revenues is 38.4%, LTL 8.8%, private fleets 39.7%. Railroads account for 12.9% of freight volume, 5.1% of revenues. Rail intermodal: 0.9% volume, 1.1% revenues. Air freight: 0.1% volume, 1.9% of revenues. Pipeline: 9.4% volume, 3.9% revenues. Water: 7.7% volume, 1.1% revenues.

Domestic intermodal volume rose 8.7% in 1st quarter, the highest gain since '96 when the Intermodal Assn. of N. America began publishing its quarterly *Intermodal Market Trends & Statistics*. Trailer volume was up 11%, the strongest growth IANA has reported for trailers. Domestic container volume was up 7%, just below the record 7.6% 4th quarter gain. Reasons: improving economy & concerns regarding new hours of service rules that moved trailers from roads to rails, IANA says. Greatest expansion came from the Northeast, Southeast & Midwest regions. Contact: IANA, (301) 982-3400.

April exception freight was up 94% from a year ago, according to TransCore market research. Analysts say steady growth is due to credited economic improvement & tightened equipment capacity. April was up 11% from March, following the typical seasonal trend. Exception freight includes overflow business booked through TransCore's electronic freight exchange network by carriers & intermediaries, thus is considered a good gauge of freight trends. Looking to July, best combinations of high freight volumes & favorable inbound-to-outbound load ratios have historically come from Illinois, Alabama, Arkansas, S. Carolina, Indiana, Texas, Ohio, Georgia, Tennessee & California.

Sales Trends

Class 5-8 truck orders are likely to take the customary summer dip but should regain momentum in the fall, say Merrill Lynch analysts. Preliminary data from ACT Research puts April Class 8 orders at 38,000 units for a seasonally adjusted annual rate of 483,000 units. That's up from 196,000 a year earlier, when business was still



affected by the EPA '02 pre-buy. But analysts estimate that 8,000 Class 8 trucks ordered in April have '05 delivery dates, which drops the SAAR to 381,000. Preliminary data puts Class 5-7 orders at 21,000 in April, for a SAAR of 267,000 units, up 46% from same time last year.

Expanding economy, greater traffic flows, improving trucking profitability, coupled with low interest rates, moderate inflation, depreciation incentives & an aging fleet should bode well for truck & trailer sales in '04 & '05, says Economic Planning Associates. Forecast is 18.9% growth in commercial truck sales this year, to 498,500 Class 3-8 vehicles, with another 14.6% boost in '05. Class 8 U.S. retail: 175,000 in '04 (vs. 141,900 in '03), 201,000 in '05. Class 7: 74,500 '04 (66,800 '03), 94,000 '05. Class 6: 67,000 '04 (51,000 '03), 72,000 '05. Trailer shipments in '04 are forecast at 203,000, up 16.7% from '03. Forecast is 232,500 for '05. Van shipments: 156,000 in '04 (vs. 134,300 '03), 177,500 '05. Contact: Economic Planning Associates, (631) 864-4900.

1st quarter truck and trailer repossessions were down 61% from a year ago, according to Nassau Asset Management's NasTrac Quarterly Index. Company tracks equipment values as part of its remarketing operation and launched NQI in '03. Along with trucks/trailers, current index includes construction equipment, medical devices, machine tools & woodworking equipment - the top 5 repossessed capital assets in 1st quarter. Contact: (800) 800-4NASSAU or www.nasset.com.

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Equipment Utilization

1st quarter Class 6-8 vehicle utilization was 87.4%, up 4.9 points from a year ago & the highest 1st quarter utilization recorded in 20 years MacKay & Co. has been doing the study. Class 8 utilization was 88.1%, up 5.8 points. For-hire carrier utilization slipped some, but owner-operators, private fleets, agriculture, construction/mining/refuse, and other (mainly primarily government and utility fleets) all showed gains.

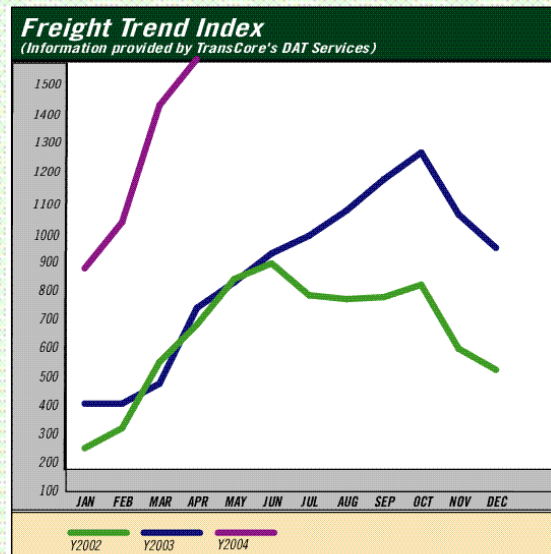
MacKay says improving economy is one reason. Also, fleets are doing a better job of managing their assets. "The 1990-1991 recession eliminated fleets who believed their business was hauling freight," analysts note. "The fleets that emerged from the recession understood they were managing assets to maximize returns. Along with this clearer focus on profits, new technologies evolved that made wireless communications, location (GPS) tracking, route optimization, and load specific cost accounting both available and affordable. The bar was raised."

Class 6 utilization was 80.3% vs. 75.9% a year ago. Class 7 was 86.8% vs. 85.3%. Only category to drop was owner-operators, which is 3% of medium duty trucks. Construction/mining/refuse fleets gained 26.2 points. Trailer utilization was down 0.1 point, to 83.8%. Agriculture and lease/rental reported declines. Largest gains: construction/mining/refuse & other. Contact: MacKay & Co., (630) 916-6110.

Financials

Paccar posts \$182.2 million 1st quarter profit, up 64% from a year ago. Revenues were \$2.5 billion vs. \$1.92 billion. After-tax return on sales was a record 7.7%. President Tom Plimpton says N. American heavy truck retail sales this year could top '03 by 20-30%. European industry sales of trucks over 15 tons are expected to improve slightly over last year.

Cummins posts \$33 million 1st quarter profit vs. \$31 million loss last year. Sales were \$1.77 billion, up 28%. Engine sales were \$1.1 billion, up 40%. Operating earnings were \$40 million vs. a \$22 million loss. Company says "significant improvements" in N. American heavy truck & global medium duty truck markets helped boost its automotive



market sales 34%. They expect 30% increase in N. American heavy duty engine sales this year.

Caterpillar had record 1st quarter revenues of \$6.47 billion, up 34% from a year ago. Profit was record \$412 million vs. \$283 million. Engine sales were \$1.85 billion vs. \$1.49 billion. Engine operating profit was \$40 million vs. a \$54 million loss. Company forecasts 4.5% - 5% U.S. economic growth this year, which will support increases in all engine industries. On-highway truck & bus industries should benefit from low financing costs, higher freight-handling requirements & improved fleet operating profits.

Dana reports \$63 million 1st quarter income on \$2.3 billion sales vs. \$41 million on \$2 billion a year earlier. Company said majority of the increase was driven by new business programs & higher production volumes in its principal markets, particularly N. American heavy trucks.

Eaton posts \$134 million 1st quarter profits, up 86% from a year ago. Sales totaled \$2.24 billion vs. \$1.93 billion. Truck segment sales were \$381 million, up 39%; operating profits were \$61 million vs. \$22 million. Company said NAFTA heavy truck production was up 47% from a year ago & monthly build rates were running above 30,000 units. Chairman/CEO Alexander Cutler said they are "growing increasingly confident" that this year's NAFTA heavy duty market will likely be at least 240,000 units.

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ArvinMeritor reports record \$2.3 billion sales & \$41 million income for its 2nd fiscal quarter ended Mar. 31. Sales a year ago were \$2 billion, income was \$24 million. Operating income this quarter was \$81 million, up 29%. Commercial Vehicle Systems sales were \$769 million, up 31%. Operating income was \$38 million, up 4.9%. Company forecasts 243,000 Class 8 N. American production, up 43% from '03.

Wabash posts \$6.9 million 1st quarter profit on \$222 million sales vs. \$1.4 million on \$223 million a year ago. President/CEO William Greubel said quote & order patterns remained high through the quarter, prompting Wabash to boost production to meet demand.

Transportation Technologies Industries files registration statement with the SEC for a proposed initial public offering of its common stock. Number of shares to be offered & price range had n't been determined.

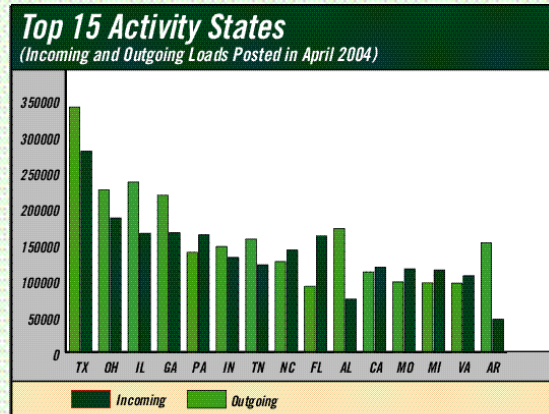
New Business

International Truck & Engine offering Eaton Fuller UltraShift automated transmission in 8600 & 9000i Series tractors. Haldex Anchorlok Gold Seal Actuator to be standard on Utility trailers. The Morey Corp. to provide hardware for International's new telematics product. Siemens Energy & Automation gets \$10 million contract to assemble grid-powered systems for IdleAire Technologies' Advanced Travel Center Electrification system. Caterpillar names StarLink Worldwide its media planning agency.

Heartland Express to replace its current fleet of 2,800 tractors with International 9400i models over the next 3 years. Oshkosh & its Pierce Manufacturing subsidiary get \$21.7 million order from U.S. Army for 31 Tactical Fire Fighting Trucks, with option for another 31. Deliveries to be completed by end of '05. Werner Enterprises implements TripPak Express.

Acquisitions & Alliances

Yellow Roadway opts out of Roadway's outsourcing deal with Bandag. The agreement, in place since '99, calls for the carrier to repurchase all Bandag-owned wheels used on Roadway vehicles. Bandag estimates the value at \$37 million.



Michelin says it will supply "well over half" the tires & retreads for the 450,000 consolidated Yellow Roadway wheel positions under an expanded relationship with the carrier.

Sypris Solutions buys ArvinMeritor's Kenton, Ohio, trailer axle plant; will build axles for ArvinMeritor. Genstar Capital sells Prestolite Electric to First Atlantic Capital affiliate. ArvinMeritor & Gillig Corp. to collaborate on new emission control technologies for N. American transit bus industry. Quick Fuel Fleet Services buys Great Lakes Petroleum's nighttime mobile refueling business.

Legal

U.S. Patent Board of Appeals & Patent Interferences sides with ArvinMeritor on Eaton transmission patent claims. Interferences are proceedings to determine who was first to come up with a product & thus owns the patent. At issue was torque prediction technology used for some automated transmissions. Eaton initiated the patent inquiry several years ago, along with a lawsuit charging patent infringement by ArvinMeritor's Synchro Shift transmission. A Federal Court of Appeals ruled in ArvinMeritor's favor. Eaton said the patent ruling is disappointing, but "largely irrelevant" since it doesn't manufacture any products covered by the patents, and "the technology for computer-enhanced manual transmissions is now practically obsolete."

Still pending are Eaton's complaint with the U.S. International Trade Commission charging patent infringement by the ZF Meritor FreedomLine transmission, and its lawsuit in U.S. District Court seeking permanent injunction against sales of the transmission in the U.S. ArvinMeritor has dis-

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solved its transmission joint venture with ZF Friedrichshafen in favor of a marketing agreement covering the FreedomLine transmission, and says it – and ZF Friedrichshafen – will continue to their vigorous defense against the actions.

Emissions

International Truck & Engine and the U.S. Environmental Protection Agency to jointly pursue Clean Diesel Combustion technology as a way to meet automotive Tier 2 emissions requirements in 2007/2010. CDC, invented by EPA's National Vehicle & Fuel Emissions Lab in Ann Arbor, Mich., uses in-cylinder NOx control to reduce or eliminate the need for aftertreatment. International's testing will start with its V-6 diesel for SUVs & pickups. Company says they'll focus on light vehicle applications for 2007 & look at heavy duty for 2010.

EPA adds restrictions for off-road engines to its Clean Diesel Program. New rules governing construction, agriculture & industrial diesel-powered equipment mandate exhaust aftertreatment devices & low-sulfur fuel by 2010. Engine Manufacturers Assn. says standards can be met "as long as the ultra low sulfur diesel fuel is available & the development of control technology proceeds on the expected pace." EPA is also considering stricter standards for marine & locomotive diesels.

Caterpillar says it will have '07 compliant prototype engines to truck makers later this year & evaluation units to customers in the "mid-2005 timeframe." Company recently displayed an '07 emission compliant truck with real-time emissions monitoring at a joint Society of Automotive Engineering and U.S. Dept. of Energy conference in Washington D.C.

U.S. Supreme Court rules that California's South Coast Air Quality Management District stepped out of bounds with regulations requiring purchase of alternative fueled trucks. Rule required S. Calif. public fleets operating 15 or more vehicles to limit new purchases to natural gas, methanol, electricity or fuel cell power.

Events

'05 Mid-America Trucking Show, held annually in Louisville, Ky., has been moved back a week, to Mar. 31-Apr. 2, to avoid conflicts with the Easter holiday. '04 MATS drew 74,454 attendees &

1,050 exhibiting companies from 40 states & 13 foreign countries, show management said. Contact: www.truckingshow.com. '04 Walcott Truckers Jamboree celebrates 25th anniversary July 8 & 9. Event is sponsored by Iowa 80 Truckstop. Contact: www.walcotttruckersjamboree.com.

Honors

Paccar Chairman/CEO Mark Pigott earns 2nd consecutive A+ rating in Forbes magazine's annual CEO pay-versus-performance review. Only 10 of 194 CEOs evaluated received the top score. Michelin N. America's 2003 Challenge Bibendum takes 1st place for special events/observances in the annual Excellence in Automotive Public Relations Awards sponsored by the Automotive Public Relations Council of the Motor & Equipment Manufacturers Assn. Continental Teves Electronic Stability Control was 1st for trade media relations. ArvinMeritor's Viewpoint II 2003-2006 was 2nd.

Ralph Benson, president, Sentinel Transportation, Wilmington, Del. is National Private Trucking Assn.'s Private Fleet Executive of the Year. Other NPTC honors: Kevin Conners, national safety director, Con Agra Foods, Omaha, Fleet Safety Professional of the Year; Ken Higgins, safety & human resources director, J.F. Ficke Inc., Fredericksburg, Va., Fleet Member of the Year; Chris Oliver, sales & marketing director, PrePass, Allied Member of the Year; Don Metcalf, lease product marketing mgr., Penske Truck Leasing, Membership Development Award.

Expansion/Transition

Pilot Travel Centers to build truck maintenance shops at more than half its 260 travel center locations. Pilot Truck Care Centers will have 4 bays open 24/7 offering maintenance, tires, lube & oil changes. Centers will feature Kenworth parts, shell & Mobile Delvac oil, and Goodyear, Michelin & Bridgestone tires.

Sloan Transportation Products adds 600 part numbers & 9 new categories to its product lines. Aurora Trailer Holdings to build new Aurora Parts & Accessories distribution center in Lebanon, Ind. Col-Met Spray Booths moves to new production facility in Dallas.

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Haldex opens state-of-the-art brake shoe remanufacturing facility in Little Rock, Ark.; says it will open new friction distribution operations in Sioux City, Iowa & Grand Junction, Colo., within the next few months. Great Dane starts construction on new branch facility in Dallas. Opening expected in early '05.

Costs

Escalating raw materials costs, including steel, aluminum & lumber, are a big challenge for truck & trailer manufacturers, says Wabash President/CEO William Greubel. Despite recent signs of stabilizing steel prices he said they don't expect any significant improvement in materials prices in the immediate future.

Rising materials costs forced most tire makers to raise prices. Bridgestone/Firestone N. America increased prices up to 5% on all tire products sold in original equipment & replacement channels. Some off-road prices went up as much as 8%. Yokohama prices on all commercial tire lines went up 2-4%. Goodyear increases started at 2%. Hankook 3%. Toyo up to 4% on consumer & commercial products. Continental, 2-5% for truck & OTR tires.

Aftermarket

Heavy duty aftermarket isn't growing fast enough to offset bad business practices. And discounted pricing intended to overcome deficiencies in servicing accounts won't keep heavy duty parts distributors in business, speakers told attendees of the 2nd joint conference of the Council of Fleet Specialists and Heavy Duty Distribution Assn. Value-added services like training & technical support are critical to profitable business relationships. Top 10% of distributors average 15.4% return on investment while the majority are averaging 5.4%. Advice to those at the bottom: define niches, focus on profitable lines & best customers, don't take on lines just to keep them out of the hands of competitors.

Associations

Council of Fleet Specialists selects Chicago-based Wade & Partners as its new management firm, effective July 1. Firm specializes in management services for worldwide parts aftermarket. Affiliated operations include The Wade Agency, a

full-service ad agency, & Wade Industrial Scholastics, involved in applied learning for entry level employees.

National Truck Equipment Assn. establishes The Louis V. Kleinstiver Institute to promote commercial truck & transportation safety through research, training & seminars. Louis Kleinstiver was NTEA's director of technical services for 16 years & is credited with developing ASE certification for truck equipment mechanics. He died of cancer last February.

People

Cooper Tire & Rubber names D. Richard Stephens president, N. American Tire Div., Phillip Caris sales & marketing vp, Carl Casalbore, vp, marketing & retail sales. Harold Miller to president, Cooper International Tire Div., Patricia Brown to vp, global branding & communications.

Jeff Wallis to senior vp, parts, service & customer support, Detroit Diesel, from vp, parts sales & marketing. Horton names Jeff Lindgren vp/general mgr., Gary Pellegrom director, U.S./Canada sales; David Hennessy, director, advanced development, quality & warranty. Charles "Buzz" Clark to vp/general mgr., Kentucky Trailer Technologies.

Vincent Daviero to director, Northwood's University of the Aftermarket, from training & education director, Tires Plus franchise div. of Bridgestone/Firestone-Morgan Tire & Auto. Ann Willson to vp, govt. affairs, Motor & Equipment Manufacturers Assn., from sr. vp, govt. affairs, Rubber Manufacturers Assn.

Matthew Peterson, national accounts mgr., Mack Leasing System, elected chairman, National Private Truck Council. Charles Dutil, Manac, elected chairman, Truck Trailer Manufacturers Assn. Kathy Edge, marketing mgr., Parker Hannifin/Racor Filtration elected chairman, Filter Manufacturers Council.

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Complete your profile to be included.

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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.		
	APRIL SALES	YTD SALES	YTD SHARE	APRIL SALES	YTD SALES	YTD SHARE	APRIL SALES	YTD SALES	YTD SHARE
Chevrolet	0	0	0.00%	202	623	2.75%	254	821	3.23%
Ford	0	0	0.00%	370	1,256	5.55%	1,206	5,387	21.10%
Freightliner	4,176	17,509	31.00%	1,644	6,299	27.85%	1,944	7,794	30.69%
GMC	0	0	0.00%	532	1,496	6.61%	223	613	2.41%
Hino	0	0	0.00%	35	99	0.44%	76	452	1.78%
International	3,418	10,166	17.99%	2,655	9,269	40.80%	1,956	9,387	36.96%
Isuzu	0	0	0.00%	28	117	.52%	3	9	0.04%
Kenworth	1,966	5,946	10.53%	359	1,306	5.77%	0	0	0.00%
Mack	2,040	5,605	9.92%	4	8	0.04%	0	0	0.00%
Mitsubishi Fuso	0	0	0.00%	23	44	0.19%	57	204	.80%
Nissan Diesel	0	0	0.00%	3	15	0.07%	82	279	1.10%
Peterbilt	1,975	6,860	12.15%	402	1,257	5.56%	0	0	0.00%
Sterling	816	3,428	6.96%	205	900	3.98%	102	452	1.78%
Volvo	1,673	6,055	10.72%	0	0	0.00%	0	0	0.00%
Western Star	284	723	1.28%	10	10	0.00%	0	0	0.00%
Other	67	186	0.33%	0	0	0.00%	0	0	0.00%
Totals	16,415	56,478	100.00%	6,472	22,619	100.00%	5,903	25,398	100.00%

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

