

# HOTLINE

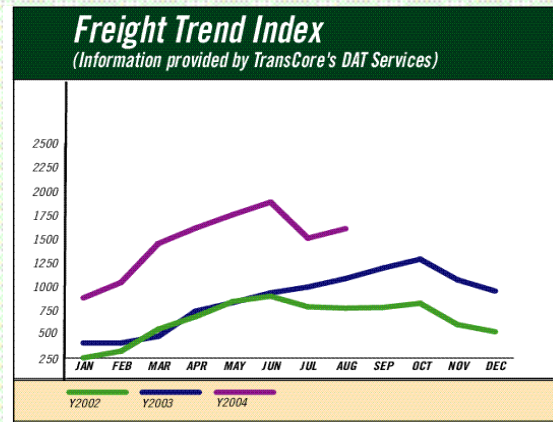
## Sales Trends

A summer slowdown in new truck orders was largely seasonal, not a signal that we're moving into another down cycle, says Bear Stearns analyst Peter Nesvold. Even before preliminary data put August Class 8 orders 15% ahead of July and 94% ahead of Aug. '03, Nesvold predicted demand would get a second wind this fall. The upturn came sooner than expected since August is usually the weakest order month of the year. One explanation could be modest economic recovery following a soft patch this summer. Or maybe buyers are implementing next-year budgets a little earlier this year.

Despite manufacturer assurances that users will have plenty of time for testing, Nesvold expects a wave of '07 pre-buying starting late this year. Reasons: It's going to be hard for fleet managers to get enough test miles on the new engines to convince them that timing orders to beat stricter emissions standards isn't beneficial. Hoped-for tax incentives will help, but aren't likely to offset higher costs expected with the new technology.

"Demand in the marketplace is brisk and will stay brisk right up to the technology change," says Dick Carson, sr. vp, Ryder Fleet Management Solutions. Ryder isn't expecting fuel economy degradation, but Carson says they have been told to pay \$4,000-\$5,000 per truck with the '07 compliant engines. "We're not recommending anything (to lease customers) other than if your truck is in the normal replacement cycle, renew it now. If you're going to add a truck, do it before 2007 to save yourself \$4,000."

Expanding economy & improvements in trucking revenues & profitability should mean continued growth in truck & trailer demand the rest of this year and into '05, says Economic Planning Associates. Low interest rates, moderate inflation, and liberal depreciation guidelines should facilitate investment decisions. Low new equipment sales during recent years will intensify replacement pressures. Class 8 retail sales forecast: 193,000 '04; 227,000 '05. Class 7 truck & bus: 75,400 '04; 86,000 '05. Class 6: 71,700 '04; 78,000 '05.



First half '04 trailer shipments totaled 85,950, up 26.4% from the same period a year ago. EPA projects full-year shipments of 221,000 units, up 27% from '03, followed by a 10% advance in '05. Container & chassis shipments are projected at 15,000 units, up 5.3% from '03; 23% growth is expected for '05. Contact: Economic Planning Associates, (631) 864-4900.

Approx. 71% of those polled in 3rd quarter Fleet Sentiment survey by CK Marketing & Communications said they're planning to buy power units in the next 6 months - 20% of that group said they were adding capacity. About 38% said they are planning to grow their trailer fleets. Contact: [chris@ckemmercomm.com](mailto:chris@ckemmercomm.com).

## Shortages

Materials & parts shortages are pushing up backlogs & stretching delivery times on some truck models to 4-5 months or more. Bear Stearns' Nesvold says when backlogs reach 200 days they start questioning the order boards. "If you're a trucker, and if tonnage is picking up and you have enough drivers to move the freight, you may be concerned that you're going to be caught off guard without enough equipment," he explains. "If cancellation penalties aren't enforced - and there hasn't been a great history of that - you may end up double ordering." Some buyers will turn to used trucks but probably without much luck since late model, low mileage trucks are reportedly hard to find & command a premium price.

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Tire shortages so far have been mostly sporadic and not critical for most OEMs, but Bear Stearns analysts say the tire supply is likely to become increasingly tight over the next several months as build rates accelerate. Some OEMs are reportedly stockpiling tires, others are working with smaller tire suppliers they haven't dealt with before. Tire manufacturers are adding capacity but the build-up could take 12-18 months. Truck tire prices went up 10-15% this year & analysts say another 5-15% increase could be on the way. Replacement tire prices seem to be going up faster & higher than prices for new vehicle tires.

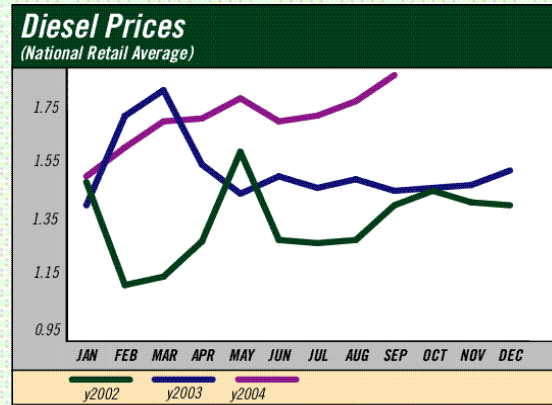
The ability of suppliers to support OEM production ramp-ups and raw material surcharges, as well as a driver shortage may impact overall sales volumes, according to Dan Sobic, Peterbilt's general manager. Class 8 retail sales for 2004 should fall between 230,000 and 240,000 units, he said in recent market update.

## Freight Trends

Exception freight coming through TransCore's load posting services in August was up 44% from a year ago. Company says the increase is much lower than year-over-year growth seen the past 6 months. Load volume was up 4% from the previous month, likely due to a pick-up from the July summer dip. TransCore says current freight volume levels are consistent with historical and seasonal trends for this time of year. Looking to Nov., the best combinations of high freight volumes & favorable inbound/outbound load ratios have traditionally come from Illinois, Alabama, Arkansas, Texas, Ohio, Pennsylvania, Indiana, Tennessee, Georgia and California.

## Executive Viewpoint

"Finding and keeping good drivers and dealing with high fuel prices are key issues that fleets will continue to address in '05," says Bob Christensen, Kenworth general mgr. & Paccar vp. "Class 8 retail sales in '05 will be driven by fleets completing their replacement cycles and starting to expand capacity. As a result, fleets will find it even more challenging to fill seats. Trucking companies that offer vehi-



cles with premium sleepers will have an edge in driver recruiting & retention.

"Fuel prices continue to be high. Many fleets realize that an investment in aerodynamics and fuel efficient vehicles will continue to achieve lower operating costs," Christensen says. "And those fleets already operating premium equipment & entering them into the used truck market next year will receive resale values that further reduce operating costs."

## New Business

Peterbilt announces several new product enhancements, including availability of the Caterpillar C15 engine rated at 600 and 625 horsepower for the Model 379-127 and Model 379X, new high quality exterior finishes, Allison automatic transmissions for use with every Cummins and Caterpillar heavy-duty engine, Eaton's UltraShift available with the new Model 335 and optional Bostrom wide ride seats.

Peterbilt's aftermarket services continues to attract new customers, with more than 100,000 vehicles registered for the free TruckCare Customer Assistance program and more than 3,000 units covered by a TruckCare Preventive Maintenance agreement, says GM Dan Sobic.

Freightliner aiming to increase penetration of the local & regional distribution & services market with new Business Class M2 106V, complementing the 112V introduced earlier this year. Production began 3rd quarter at Mt. Holly, N.C. plant.

"Idle Solutions" system now offered on select Class 8 Freightliner trucks features

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Dometic Corp.'s Tundra HVAC system & Temco Metal Products' auxiliary generator. Air-Weigh in-dash on-board truck & trailer scale system now available as option on Freightliner trucks with air suspensions.

Distribution Technologies testing Driver Fatigue Monitor marketed by Attention Technology in 8 of its trucks. Dashboard mounted DFM has video-based sensor that measures slow eyelid closure & sounds an alarm when drowsiness is detected.

Con-Way Transportation Services orders Volvo VN670s with Volvo VED12 engines for its new Con-Way Truckload operation. Continental Eco Plus tires now an option on Volvo trucks.

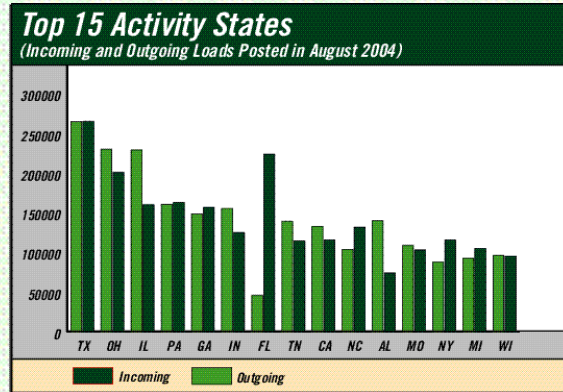
Oshkosh gets \$144.6 million contract to build up to 796 truck armor kits for the U.S. Marine Corps. Kits include protective armor, suspension upgrades & AC units. Contract has option for another 124 kits, plus installation.

J.B. Hunt, XTRA Lease, Bridgestone/Firestone N. America private fleet order Terion FleetView 3 trailer management systems. Fuelman Fleet Cards now honored at Rip Griffin Truck Plazas & convenience stores.

Detroit Diesel offering 'reliabilt' remanufactured MBE 900 engines. Calif. & federal officials approve Cleaire Advanced Emission Controls' Longview diesel emission retrofit system for on-road heavy duty diesel engines built between '94 & '02. Combustion Components Associates gets contracts for 18 of its ELIM-NOx SCR systems; 6 for trucks in the New York metro area & 12 for off-road construction trucks in Southern Calif.

## Financials

Navistar International posts \$56 million income on \$2.4 billion sales & revenues for its 3rd fiscal quarter ending Oct. 31 vs. \$18 million on \$1.9 billion a year ago. Worldwide shipments of International heavy & medium duty trucks and school buses totaled 28,100 units vs. 21,200. Shipments of mid-range diesel engines



to OE manufacturers totaled 83,000 vs. 82,200. Chairman/president/CEO Daniel Ustian said the company's ability to mitigate the impact of current economic challenges, "principally the impact of the current steel situation & the fact that all truck manufacturers now are on allocation of 15-liter engines from Caterpillar & Cummins" will affect earnings for the year.

## Alliances & Acquisitions

Bendix Commercial Systems' ABS-6 becomes standard antilock braking system on Mack Class 8 highway trucks. Volvo Trucks N. America selects Chevron Delo Gear Lubricant ESI as factory fill for its VN models.

Caterpillar Remanufacturing Services buys Williams Technologies Inc. from Remy International. Shell Oil Products US & Motiva Enterprises Commercial Fuels group offering Vendor Managed Inventory to commercial users through Simmons-Corp.

ArvinMeritor to market, engineer & manufacture Raydan Manufacturing's Air Link rear tandem suspension product line to commercial truck, trailer, specialty and military OEMs. Raydan will continue to manufacture the suspension for crane chassis, custom retrofit & all applications above 52,000 lbs. gross tandem weight.

## Expansion & Transition

Volvo Trucks N. America opens parts distribution center in Joliet, Ill. Company also has PDCs in Reno, Memphis, Toronto & Columbus, Ohio.

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Great Dane Trailers adds 100 jobs at its Brazil, Ind., plant, boosting dry van trailer output to 250/week. Company says trailer orders are strong, especially for the dry van product line.

Utility Trailer adds second assembly line to its Paragould, Ark., plant. Company says expansion will increase flexibility to keep up with demand for its 3000D dry van & 4000-X. \$4 million expansion will add 100 jobs.

Peterbilt's dealer network has expanded to a record level with 220 North American locations. GM Dan Soboc says company will continue to strategically grow the distribution network, focusing on convenient locations.

Autocar's Hagerstown, Ind., plant celebrates 1st anniversary. Company says build rate has grown from 3 trucks its first month to 110/month in July '04. Kyosan Denso Manufacturing to expand its Mt. Sterling, Ky., manufacturing facility to accommodate additional fuel pump module assembly lines.

### **Marketing**

Sterling interactive electronic Body Builder Guide enables users to custom build L-Line trucks by adding and/or removing cab & chassis components & view truck as it's "built." Consolidated Metco updates web site with new navigation & online features.

Kenworth adds online customer satisfaction surveys to web features. New customers are invited to fill out forms after 90 days & 18 months. Dealers are notified of any concerns within 5 business days. Independent 3rd party company also conducts monthly phone surveys.

Redesigned Volvo Trucks N. America web site offers used truck locator, dealer locator, lease & finance info., service manuals, training course sign-up, accessories catalog, product details & business tools section.

International takes first for dealer service in J.D. Power and Associates '04 Heavy Duty Truck Customers Satisfaction Study. Kenworth scored above average in all customer satisfaction factors but did "particularly well" in quality, exterior & interior factors, researchers said. KW T800 received strong scores across the board but especially for ride/handling/braking & exterior. Peterbilt & International also ranked above average for the segment.

International had "significantly improved" marks for all service factors but researchers said its strength was in "people" factors - dealer attitude, service initiation & service adviser. Peterbilt was a close second. Kenworth & Mack also scored above average. Due to restrictions on Class 8 truck registrations available in '04, sufficient sample was not available to issue rankings for the over-the-road and pick-up and delivery segments.

J.D. Powers says brand loyalty is coming back. In this survey, 43% of respondents said they would definitely buy the same brand of Class 8 truck again, up from 39% last year but well below 50-plus brand loyalty levels in the late 1990s. "The decrease of 10% in repurchase intention from the 1990s may not look like much, but when you're talking about lost sales it's a disturbing downward trend," said Jen Loukes, director, transportation industry practice. "Overall product satisfaction scores followed the same slight downward trend over time, which helps to explain lower rates of repurchase intention and brand loyalty. However, the '04 overall results show improvement, which is good news for the industry." The study is based on responses from 1,596 primary maintainers of 2-year-old trucks.

Caterpillar engineers Jim Weber & Scott Leman win "Inventor of the Year" award from the Intellectual Property Owners Assn. for development of ACERT emissions reduction technology. Wabash National gets '03 U.S. Senate Productivity Award for cost savings & productivity improvements over the past 2 years. Annual award is sponsored by Sen.

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### **Honors**

Kenworth ranks highest in customer satis-

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Richard Lugar (R-IN), Indiana Manufacturers Assn., & the Assn. for Manufacturing Excellence.

### **Regulations**

U.S. Senate defeats amendment to the Homeland Security appropriations bill that would have required trucks transporting hazardous materials to be equipped with global positioning satellite tracking devices and required truckers to file route plans before hauling hazmat. The American Trucking Assns., which opposed the amendment, said it would also have expanded security background checks to all CDL holders, not just those with hazmat endorsements as required now.

### **Associations**

Used Truck Assn. Annual Convention Nov. 3-6, Scottsdale Radisson Resort, Scottsdale, Ariz. Program will address the economy, marketing strategies, high mileage equipment, effective management & other key topics. Chris Brady, Commercial Vehicle Consulting, to give state of the industry presentation & forecast. Contact: UTA (317) 297-5500 or [www.uta.org](http://www.uta.org).

'04 National Truck Equipment Assn.'s Distributor Profit Survey Report offers financial benchmarks for equipment distributors. Contact: (800) 441-NTEA or [www.ntea.com](http://www.ntea.com). Truck Trailer Manufacturers Assn. 2004-2005 Membership Directory lists trailer, cargo container, cargo tanks & container chassis manufacturers, also component, materials & services suppliers. Contact: TTMA(703) 549-3010.

Automotive Parts Rebuilders Assn. changes its name to Automotive Parts Remanufacturers Assn. Equipment & Tool Institute starts Underhood Technologies Statistical Reporting Program to track sales of tools & equipment. Contact: [www.ertools.org](http://www.ertools.org).

Council of Fleet Specialists & the Automotive Parts Remanufacturers Assn. join to offer heavy duty educational seminars Oct. 29-Nov. 1 in conjunction with the International BIG R Show in Las Vegas.

Contact: [www.BIGRShow.com](http://www.BIGRShow.com) or (703) 968-2772 ext. 105.

Assn. of Equipment Manufacturers annual conference Nov. 7-9, Amelia Island, Fla., to feature "talk-back" sessions moderated by ABC News correspondent Scott Shuster. Breakouts will look at channel management, innovation & off-shoring. Contact: NTEA, (414) 298-4143 or [www.aem.org](http://www.aem.org). HDdXchange releases Version 5.1 of the Price Communication File Specification standard for '05 price sheet releases. Contact: (616) 682-9900 or [hdx@att.net](mailto:hdx@att.net).

### **People**

Keith Carpentier to president/COO, Fuel Systems LLC, from exec. vp/CFO. David Cardew to vp, syndications, First Fleet Corp., from business development vp, GATX Technology Services.

Tyrone Cross to maintenance vp, Ryder System, from customer training & aftermarket logistics director, Bell Helicopter Textron. Penske Truck Leasing names Jim Feenstra senior vp, marketing; Sherry Newbaker marketing vp. Joe Monroe to sales vp, Ruan Transportation, from vp, transportation & logistics, The Schwan Food Co.

Rick Rickman to sales vp, Ridewell Suspensions, from sales director, Watson & Chalin Manufacturing. He succeeds Jerry Steele who retired but will continue with Ridewell in a variety of capacities including customer service & trade show representation. Ron Kneule to eastern U.S. regional sales mgr., The Holland Group, from regional sales rep.

David Krohn to president/COO, Engineered Machined Products, succeeding Brian Larche to continues as chairman/CEO. Michael Ross to marketing & sales vp., The Cherry Corp., from global sales vp., Gast Manufacturing. Russell Burford to OEM & aftermarket sales mgr., Cole Hersee, from vp, Behr America.

Died: Bill Lucas, heavy duty sales director, The Timken Corp. Joseph Irwin Miller, former Cummins chairman/CEO.

**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.		
	AUGUST SALES	YTD SALES	YTD SHARE	AUGUST SALES	YTD SALES	YTD SHARE	AUGUST SALES	YTD SALES	YTD SHARE
Chevrolet				156	1,225	2.55%	70	1,436	2.93%
Ford				331	2,703	5.63%	1,311	10,862	22.19%
Freightliner	4,721	36,507	29.11%	1,443	12,961	26.98%	1,722	15,325	31.08%
GMC				263	3,685	7.67%	101	1,160	2.37%
Hino				45	213	0.44%	100	839	1.71%
International	3,501	23,394	18.66%	3,095	18,797	39.12%	2,534	17,417	35.56%
Isuzu				54	291	.60%	2	18	0.04%
Kenworth	2,356	14,337	11.43%	420	2,935	6.11%			
Mack	1,686	12,863	10.26%	1	21	0.04%			
Mitsubishi Fuso				7	77	0.16%	38	398	.81%
Nissan Diesel				5	54	0.11%	78	590	1.21%
Peterbilt	2,692	16,023	12.78%	417	2,662	5.54%			0.00%
Sterling	1,079	7,378	5.88%	324	2,429	5.05%	134	904	1.85%
Volvo	1,933	12,839	10.24%						
Western Star	147	1,438	1.15%						
Other	118	623	0.50%						
<b>Totals</b>	<b>18,233</b>	<b>125,402</b>	<b>100.00%</b>	<b>6,561</b>	<b>48,053</b>	<b>100.00%</b>	<b>6,090</b>	<b>48,949</b>	<b>100.00%</b>

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

