

HOTLINE

Economy

Manufacturing activity in Sept. was up for the 16th consecutive month, according to the Institute for Supply Management. Growth slowed some but new orders & production remain strong. ISM Prices Index continues to show upward pressure on prices, but the pace has slowed. Supply execs continue to report shortages of steel & steel products, and higher prices for aluminum & aluminum products, steel & steel products, fuel and freight.

Inflationary pressures – especially high energy costs – are also a concern for non-manufacturing businesses. So is the current capacity squeeze in transportation. “There is a significant shortage in over-the-road truck transportation, which is causing concerns,” one purchasing exec noted. “If a product is available from manufacturers it may not be shipped to arrive on a schedule that meets demand.”

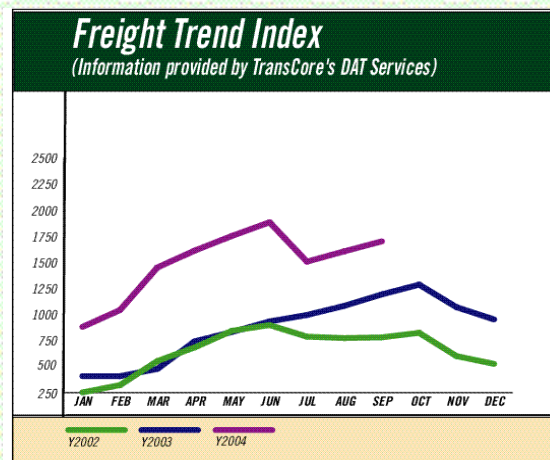
Fuel Prices

Given the current tight global oil market, “any hiccup in oil supplies, whether real or perceived, can have an exaggerated impact on oil prices,” says the U.S. Energy Dept. Some “wild card” issues: tax problems of a major Russian oil firm, turmoil in the Delta region of Nigeria, instability of the Iraqi infrastructure, concerns over lack of oil sector investment in Venezuela, escalating tensions in Iran.

DOE says change in any of those issues would have a relatively minor impact if global inventories were higher or there was more spare capacity available, but global demand “has now nearly matched global production capacity,” leaving little flexibility to respond to even minor supply disruptions. Retail diesel prices reflect not only the rise in crude oil prices but also pressure from strong demand & high spot prices for heating oil. Absent an unexpected resolution of any wild card situation, DOE says it will take many months to get oil prices below \$40/barrel again.

Sales Trends

Bear Stearns analysts expect Class 8 net new truck orders to improve sequentially for the next several months – on top of the usual



seasonal uptick. One reason: Many large fleets are pushing to get orders in before Dec. in order to secure premium Class 8 slots ahead of next year's peak shipping season. Preliminary data from A.C.T. showed Sept. Class 8 orders up 5.4% from Aug. & 104% from a year ago. Class 5-7 orders dropped 8.8% from a very strong Aug. & were up 3% from a year ago. Analysts expect orders to track in the lower 20,000 for the next several months.

Freight Trends

American Trucking Assns.' seasonally adjusted Truck Tonnage Index fell 1.3% July to August, the 2nd consecutive monthly drop & the 3rd decrease in 4 months. But freight was up 10% from a year ago with “very robust” 7.2% year-to-date growth.

“Truck tonnage data for July & August, on a month-to-month basis, show an economy that took a summer breather, especially in retail sales,” said ATA Chief Economist Bob Costello. “However, on a year-over-year basis, we see an underlying growth trend whereby truck tonnage not only remained strong in August, but picked up steam. There are plenty of reasons to remain bullish on truck freight volumes considering the strength in the manufacturing sector.”

Exception freight moving through TransCore load posting services in Sept. was up 43% from last year, the company reports. Market analysts say recent year-over-year

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increases are much lower than those seen early in the year. On a month-to-month basis, Sept. showed a 9% increase in loads. Current freight volume levels are consistent with historical & seasonal trends for this time of year, they say. Looking to Oct., the best combinations of high freight volumes & favorable inbound/outbound load ratios have traditionally come from Illinois, Arkansas, Texas, Pennsylvania, California, Tennessee, Ohio, Indiana, Wisconsin & Missouri.

Market Trends

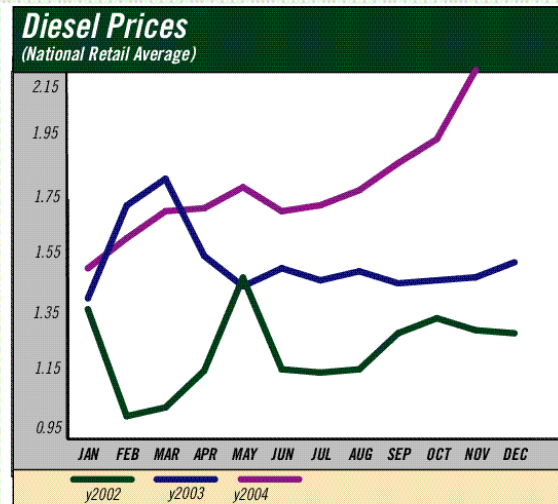
Makers of construction machinery expect robust business growth through '04, followed by continued but more moderate gains in '05, according to the annual forecast of the Assn. of Equipment Manufacturers. U.S. construction equipment market is expected to be up 16.1% this year, 14.3% in Canada & 8.8% in the rest of the world. '05 market growth forecast: 8.4% U.S., 6.6% Canada, 7% elsewhere.

Commodity costs, especially for steel, could be a major determinant of '05 business growth. High oil & gas prices could hurt the construction machinery business. AEM says government funding under a new federal highway bill should boost public works spending, even if authorized spending levels don't fully meet road & bridge repair needs. Interest rates will be monitored closely since they play a significant role in overall construction.

Financials

Eaton Corp. posts \$170 million 3rd quarter income on \$2.5 billion sales vs. \$142 million on \$2 billion a year earlier. Its Truck segment had sales of \$485 million, up 44% from Q3 last year, and operating profits of \$93 million, up 79%.

"Third quarter production of NAFTA heavy duty trucks totaled 69,000 units, about 10% more than in the 2nd quarter of '04," said Chairman/CEO Alexander Cutler. "Monthly orders for new NAFTA heavy duty trucks during the 3rd quarter have averaged 28,000 units. While order levels would support another significant growth in production for the 4th quarter, given the capacity constraints faced by other suppliers to the truck assemblers we continue to estimate that the NAFTA heavy duty market in '04 is likely to total 255,000 units."



New Business

Caterpillar C15 600 & 625 hp engines now offered on select Western Star trucks. Phillips Industries expands battery terminal & accessory product line; latest catalog lists over 500 battery-related part numbers. Federal-Mogul adds National cast aluminum hubcaps to heavy duty truck & trailer wheel-end offerings.

Volvo Trucks N. America & Mack Trucks launch Premium Used Truck programs to help dealers capitalize on current demand for used trucks. Programs post fleet trade-ins on the Internet 90 days before trucks are actually returned. Trucks must pass in-depth inspection & dealers must comply with training standards for used truck salespeople.

International & Eaton to jointly develop integrated hybrid powertrain for national diesel-electric pilot program. Powertrain will couple an International DT466 in-line 6-cylinder diesel engine with an Eaton hybrid-electric drivetrain, incorporating a transmission, batteries & permanent magnet motor. Test vehicles will be International 4000 Series medium duty trucks. International dealers will provide field support for the pilot units. International says if the pilot program is successful & customer needs are met, they're ready to start production as early as '06. WestStar, a consortium of fleets, manufacturers, tech companies & the military, will administer the pilot program with support from the U.S. Army's National Automotive Center.

Dodge Sprinter received California Air Resources Board certification for 5-cylinder, 2.7-liter diesel now available in all 50 states. Marking new availability in California,

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Craig Fisher, marketing and product planning director for commercial vehicles, said the demand in the West is strong and growing.

The full range of Sprinter vans, buses and cab/chassis vehicles are to be available through the Dodge dealer network. Included are long, short wheelbases and standard and high-roof variants.

Denso 130-amp Brushless Alternator an option on Kenworth trucks. Heritage Trucking specs lightweight Watson & Chalin lift axles on 27 Kenworth T800 dump trucks.

SKF gets 5-year, \$4 million contract from Detroit Diesel for front & rear crankshaft seals produced by SKF's Chicago Rawhide unit. Seals to be used on Detroit's Series 60 engines.

Petro Lube stores to carry Yokohama medium truck tires. Safer Corp. to distribute Vigia Automatic Tire Pressure systems in the U.S. Getloaded.com Internet load board services offered through TruckersB2B.

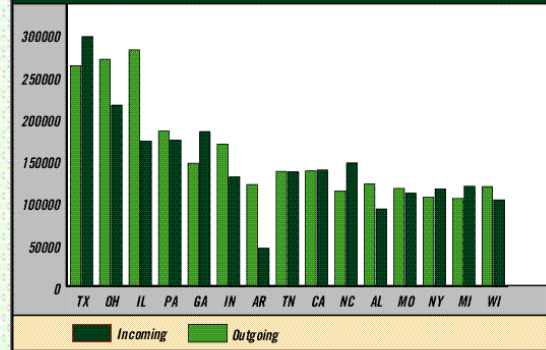
Axiom Resource Management gets \$3.5 million contract from Federal Motor Carrier Safety Administration to develop a training & certification program for medical examiners who perform required DOT physicals for interstate truck drivers.

Manhattan Associates signs new or expanded licensing agreements for its Carrier Management solutions with Averitt Express, Celadon Trucking, Covenant Transport, Interstate Distributor Co., Roehl Transport, Transport America, JDC Logistics and CalArk International.

J.B. Hunt Transport Services to use Maptuit's FleetNav routing & fuel optimization system. U.S. Xpress Enterprises to implement Cetaris Fleet Assistant with PocketPC wireless capability for use by technicians & parts personnel. SiriCOMM completes first phase installation; will offer WiFi network high speed Internet connectivity, productivity applications & other services to trucking.

Top 15 Activity States

(Incoming and Outgoing Loads Posted in September 2004)



Alliances & Acquisitions

Roper Industries buys TransCore Holdings for \$600 million. TravelCenters of America buys 11 Rip Griffin travel centers, expanding the TA network to 160 locations in the U.S. & Canada. Internet Commerce Corp. to continue providing network capabilities for HDX Services & its industry projects.

Sterling Truck & Heil Environmental offering complete medium duty dump truck packages through Sterling dealers. Class 6 Acterra trucks feature MBE900 engines, Eaton Fuller 9-speed transmissions, Heil SL 10-foot bodies. Class 7 packages have upgraded suspensions & axles.

Holland USA buys Simplex fifth wheel product line from Consolidated Metco. Continental AG & Qingdao Doublestar Tire Industrial Co. to form joint tire manufacturing venture in China. LINEdge & U.S. Insurance Group to jointly offer insurance programs for small & mid-sized fleets.

Jacobs Vehicle Systems & Iveco to apply Jacobs Variable Valve Actuation System to a 3.01 Iveco diesel engine. Production may come as soon as '08. Companies say system will improve overall combustion optimization, reduce emissions & improve reliability.

Expansion & Transition

Volvo Group begins construction of engine development lab at Mack's Hagerstown, MD., plant. Building will house state-of-the-art testing areas & equipment and will use latest communications & Internet technology to link with other Volvo engine development facilities around the world. Project also includes major

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investment to ready the plant, which now builds Mack engines, for the addition of Volvo engines next year.

FleetPride adds FleetCare Truck Service Center in Conley, Ga., its 22nd company-owned center. IPD emerges from Chapter 11.

Labor

Mack United Auto Workers OK 3-year master agreement covering 2,500 workers at facilities in Allentown, Macungie & Middletown, Pa.; Hagerstown and Baltimore, Md., & Atlanta. UAW says contract calls for 3% lump sum payments each year & includes language designed to ensure that all vocational models, such as refuse & construction trucks, will be built at Mack's Macungie plant.

Technology

Commodity wireless communications services & open systems-based mobile computing devices are the key to cost-effective on-board computing applications for commercial trucking, says Marc Mitchell, Enterprise Information Solutions. The trend to open, non-proprietary technologies will lower deployment costs & ensure longevity & flexibility needed to accommodate future improvements & innovations. "Previously, the costs of an investment in on-board computing systems were very hard to justify for many fleets," he says. "While the rewards of increased computing flexibility were always clear, the risks often proved too difficult to overcome & the costs of capital expenditures simply too high. Utilizing a cellular phone as the in-cab computing device (as opposed to simple communications) can now reduce hardware investments by 10-20 times while increasing productivity & efficiencies." EIS offers phone-based dispatch & communications applications.

Industry & Community

Volvo Trucks N. America renews sponsorship of America's Road Team for another year. Program, run by the American Trucking Assns., selects professional drivers with exemplary records to present highway & vehicle safety messages to media, lawmakers, citizen groups, schools & others.

Mack Trucks to be primary sponsor of ATA's Share the Road program for 2005. Program is designed to teach car drivers how to safely share the road with large trucks. Primary spokespersons are members of America's Road Team. This will be Mack's 5th year as sponsor.

Sloan Transportation Products awards \$1,000 scholarships to 2 students pursuing careers in the heavy duty aftermarket at Northwood University. Convoy of 150 trucks participates in 7th annual Trucking for Kids event organized by the Maine Professional Drivers Assn., The Lions Clubs of S. Portland & Scarborough Downs. Events also include a driving skills competition & pancake breakfast. Proceeds are used to help critically ill children.

Associations & Events

American Trucking Assns. forms Intermodal Motor Carriers Conference. Chairman is John Drewes, president/CEO, Devine Intermodal, Sacramento, Calif. Truck driver group forms American Truckers Advocacy Council as a resource for professional truck drivers.

Technology & Maintenance Council Annual Meeting & Transportation Technology Exhibition, Feb. 15-18, Tampa, Fla., to offer full slate of programs for maintenance & info technology/logistics professionals. Show will have 250 exhibitors. A Vehicle Maintenance Reporting Standards workshop will be held in conjunction with the meeting. Contact: TMC, (703) 838-1763 or <http://tmc.truckline.com>.

National Trailer Dealers Assn. aiming to boost membership from 300 to 500 by next annual meeting, Oct. 5-8, '05 in Reno. Group launched a Federal Excise Tax Hotline for members last year & a business insurance program this year. A strategic plan will be presented in '05. Contact: www.ntda.org.

Automotive Parts Remanufacturing Assn. teams with Frost & Sullivan to offer Growth Partnership Service detailing major market metrics of the starter & alternator aftermarket in N. America. Contact: APRA at (703) 968-2772 or www.apra.org.

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Society of Automotive Engineers celebrates 100th anniversary in '05. Organization was originally founded as an association for automobile engineers but now has 85,000 members from "all corners of the mobility industry" & from all over the world. Target Communications, Plymouth Meeting, Pa., to develop strategic PR program to celebrate the anniversary & promote the annual SAE World Congress Expo.

Registration opens for The Work Truck Show, Mar. 2-4, Indiana Convention Center & RCA Dome, Indianapolis. Show is produced by the National Truck Equipment Assn. & held in conjunction with the 41st Annual NTEA Convention, which starts Mar. 1. Contact: (800) 441-NTEA or www.ntea.com.

Over 5,600 qualified visitors attended AutoTrans '04, billed as Russia's first dedicated, trade-only exhibition for commercial vehicles & buses. Show, held last Sept., was organized by International Exhibition Group & co-sponsored by the Russian Union of Industrialists and Entrepreneurs. '05 event will be Sept. 13-16 in Moscow. Contact: Carlos Cano, (203) 357-1400 x 113 or ccano@iegexpo.com.

International Trucking Show (ITS) draws over 15,000 registered attendees. Show returned to Anaheim, Calif., after 6 years in Las Vegas & is now managed by the Calif. Trucking Assn. '05 ITS will be Sept. 8-10, Anaheim Convention Center. Contact: www.intltruckshow.com.

IRP Inc., a subsidiary of the American Assn. of Motor Vehicle Administrators that administers the International Registration Plan, celebrates 10th anniversary with new education & communications programs. IRP reciprocity program allows trucking companies to register their vehicles in a single jurisdiction, then fees are apportioned among all states & provinces where the trucks travel.

People

John Stevenson to president, American LaFrance, from plant mgr., Freightliner LLC's Cleveland, N.C. truck plant. He succeeds Marc Gustafson, who is leaving the company to

pursue other opportunities. Robert Parry, retired president/CEO, Federal Reserve Bank of San Francisco, named to Paccar Inc. board of directors.

Joe Zekoski to director, retread systems, Goodyear N. American commercial tire systems, from director, commercial & farm tire technology. Brian Walters to director, heavy duty sales, The Timken Co., from mgr., global business development.

Bob Krohn to strategic account mgr., Webb Wheel Products, from sales mgr., western U.S. & Canada aftermarket business. Kevin Holton succeeds Krohn as aftermarket business sales mgr. Bill Stout to sales vp, Tech International from owner/operator, Stout's Tech Supply.

Mark Palmer to vp, business development, Terion, from trailer ops chief, J.B. Hunt Transport Svs. Julianna Benedick to group mgr., marketing, Panasonic Digital Communications & Security products. Doug Dresslaer to partner, Wade & Partners.

Robert McKenna to president/CEO, Motor & Equipment Manufacturers Assn., from group vp, Genuine Parts Co. & chairman, National Automotive Parts Assn. (NAPA). Don Cartwright, president, Cartwright Trailer Sales & Services, Amarillo, Texas, elected president, National Trailer Dealers Assn.

Sam Dunbar, director of safety & zone operations, Con-Way Western Express is '04 ATA Safety Director of the Year. David Kolman, associate director, Tire Retread Information Bureau, joins TRIB Managing Director as regular contributor to The Open Road Café, Sirius radio's trucking news & information program.

Six receive Silver Spark Plug honors for exemplary service from the American Trucking Assn's Technology & Maintenance Council: Dave Rehurek, transportation mgr., Alcoa Extrusions; Herman Miller, fleet equipment mgr., Shopko Stores; Ken Claar, program mgr., Lubrizol Corp.; Jerry Warmkessel, sales engineer, Mack Trucks; Carl Kirk, TMC executive director & VP, ATA Councils; and Robert Braswell, TMC technical director.

Died: Tim Aigner, sales account mgr., Holland USA Trailer OEM Team.

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.		
	SEPTEMBER SALES	YTD SALES	YTD SHARE	SEPTEMBER SALES	YTD SALES	YTD SHARE	SEPTEMBER SALES	YTD SALES	YTD SHARE
Chevrolet				142	1,367	2.52%	113	1,549	2.88%
Ford				317	3,020	5.56%	1,165	12,027	22.35%
Freightliner	5,546	42,053	29.20%	1,482	14,443	26.58%	1,684	17,009	31.60%
GMC				438	4,123	7.59%	101	1,261	2.34%
Hino				31	254	0.47%	133	972	1.81%
International	3,645	27,039	18.78%	2,550	21,347	39.29%	1,456	18,873	35.07%
Isuzu				54	345	0.63%	1	19	0.04%
Kenworth	2,548	16,885	11.72%	565	3,500	6.44%			
Mack	1,514	14,377	9.98%		21	0.04%			
Mitsubishi Fuso				6	83	0.13%	52	450	0.84%
Nissan Diesel				14	68	0.12%	84	674	1.25%
Peterbilt	2,623	18,646	12.94%	413	3,075	5.66%			0.00%
Sterling	887	8,265	5.73%	259	2,688	4.95%	81	985	1.83%
Volvo	1,637	14,476	10.04%						
Western Star	174	1,612	1.12%						
Other	68	691	0.48%						
Totals	18,642	144,044	100.00%	6,271	54,334	100.00%	4,870	53,819	100.00%

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

