

# HOTLINE

## Freight Trends

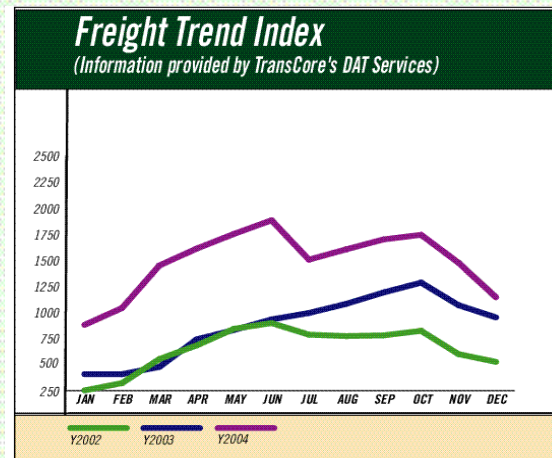
Truck freight will likely not grow as fast this year as '04, but should remain very solid, says the American Trucking Assns.' economics & statistics group in its latest Trucking Economic Review. Despite late summer/early fall dips, '04 is the best year ever in terms of freight levels, with growth over 6%. The truckload industry saw good volumes & small TL carriers registered their best results in many years. Large TL carriers reached all-time volume highs.

Higher interest rates, high energy prices & a weaker dollar will slow consumer spending growth, which ultimately impacts freight. But the weaker dollar will also help U.S. manufacturers since it makes U.S. goods cheaper overseas. This has already helped boost manufacturing output, which should be up even more next year. "Undoubtedly, the continued strength in manufacturing will keep truck tonnage robust in '05, even if it slows slightly compared to '04," ATA analysts said.

Trucking capacity remains tight, mainly due to the shortage of quality drivers. ATA expects the driver shortage to continue – possibly even get worse – in '05, despite rising driver wages. "U.S. Class 8 truck sales are accelerating," they added, "but we continue to believe that most of these sales are simply replacements." Thus the tight capacity situation will likely continue this year, especially in the truckload market.

Despite the favorable supply/demand situation, trucking companies still face challenges on the cost side: Driver pay increases, continued high driver turnover, & high fuel prices top the list. ATA says the trucking industry's tab for fuel last year was \$10 billion higher than '03. The U.S. Energy Dept. is forecasting prices below the '04 peaks, but still higher than '04 overall.

ATA Nov. Truck Tonnage Index was up 12.1% from a year ago; seasonally adjusted index was up 1.6% from Oct. "November's gain



was the largest month-to-month increase since April of this year and put the tonnage index at its highest level since June," said ATA Chief Economist Bob Costello. "This increase placed the truck tonnage index at its 3rd highest level ever, behind April & June of this year, and was the best Nov. increase since '94."

Dec. availability of exception freight coming through TransCore load posting services was up 20% from same period last year. Volume was down 22% from Nov. – typical for this time of year. Best combinations of high freight volumes & inbound/outbound load ratios in Jan. were expected to come from Georgia, Florida, New York, Texas, Pennsylvania, California, Tennessee, Michigan, N. Carolina & New Jersey.

U.S. railroads post record-breaking '04: 17.4 million carloads, up 2.9% from '03; 11 million intermodal loadings, up 10.4%, according to the American Assn. of Railroads. Top 28 highest volume intermodal weeks in history occurred last year. Analysts at Legg Mason say most of the rail volume growth came from Burlington Northern Santa Fe & Norfolk Southern, which are operating more fluid networks.

## Sales Trends

" '05 looks like a great year if supply base & OEMs can handle the demand," says Frank Sheehan, vp global affairs, marketing & planning, Dana Commercial Vehicle Systems. "We still believe the demand we are seeing is being driven by replacement needs and to

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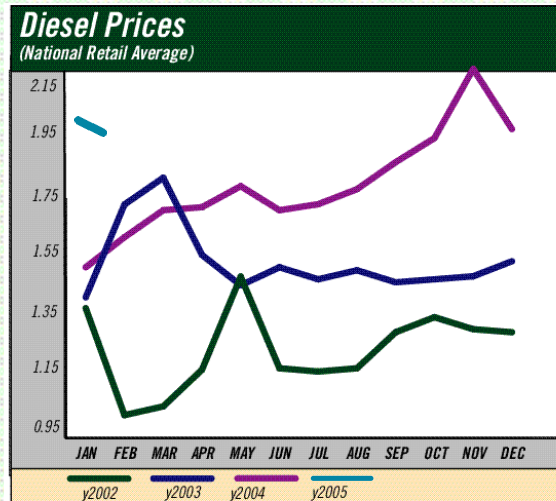
avoid '07 EPA standards."

Class 8 backlog in Dec. was at 172,000 units, daily build rate was close to 1,300 units, which Sheehan says is only about 200 units below the Oct. '99 peak. Final heavy duty production numbers won't be out until March but should be around 253,000 units for '04. Forecast for '05: 293,000. Medium truck demand cooled in 2nd half '04 but he says sales are holding steady & "we still look for a better '05."

Industrywide orders for new trailers in Nov. beat the 3-month moving average by 15%, according to Bear Stearns analysts. Some of the strength could be urgency to fill Jan. build slots ahead of the Feb. model change-over but they data also indicates that underlying trailer demand is strong. "When a small number of carriers realize that steel costs are unlikely to come down in '05, the replacement orders can sharply move the needle," they said.

After a short breather in '05, the European trailer market will see "consistent if unspectacular growth, and by '08 the market will reach a new record level exceeding 140,000 units," says CLEAR, a British automotive marketing consulting group. In the 7 largest European markets, '99 & 2000 were particularly strong years with trailer demand running over 130,000 units. Then came 3 years of consistent decline followed by an estimated 14% increase to 135,000 units - in '04.

"The principal market drivers are business investment growth & the replacement cycle," says CLEAR Managing Director Gary Beecroft. "Investment growth has strengthened recently and this has produced a spectacular upturn. However, relative to the Euro-zone economy, the market is slightly over-



heated and I would expect a slight fall in sales in '05 before growth resumes."

CLEAR says trailer markets have changed drastically since the 1990s when they were essentially national in character. Trailers tended to be bought locally, but there is now significant import/export trade & local assembly by international groups.

## Fleet Utilization

4th quarter Class 8 vehicle utilization was 88.8%, down 0.7 point from a year ago, according to latest study by MacKay & Co. For-hire utilization was up 0.1 point, private fleets up 1.8 points, lease/rental up 1.3 points. Owner-operator utilization dropped 7.8 points, agriculture was down 7.8 points, construction/mining/refuse down 2.7 points.

Class 6 utilization was 80.9%, down 0.6 point from 4th quarter '03; Class 7 was 88.1%, up 2.3 points. For-hire medium duty (Class 6 & 7) utilization was up 1.6 point, private up 0.4 point, construction/mining/refuse up 8.8 points. Lease/rental was down 2.2 points, ag down 12.7 points.

Trailer utilization was 88.4%, up 3.5 points. For-hire utilization was about the same as a year earlier, private fleet was up 3.3 points, lease rental up 6.6 points, owner-operator down 3.1 points. Contact: MacKay & Co., (630) 916-6110.

Correction: 3rd quarter Class 6 utilization was 79%, down 6.2 points from a year ago in the MacKay survey; not Class 8 as stated in the

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Dec. Hotline. 3rd quarter Class 8 utilization was 90.1%, about the same as 3rd quarter '03.

### Alliances & Acquisitions

MTU Friedrichshafen & Detroit Diesel form MTU Detroit Diesel for off-highway engine development, manufacturing, sales & service. Company will be headquartered in Detroit & will be an integral part of DaimlerChrysler Off-Highway.

TRW subsidiary Autocruise to provide long-range radar sensors for Eaton's VORAD Collision Warning & Adaptive Cruise Control systems. New sensor to be sold under the VORAD and SmartCruise brands.

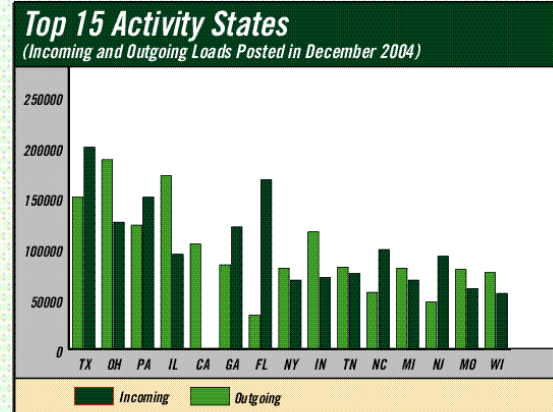
Accuride to buy Transportation Technologies Industries. Horton buys Engineered Cooling Systems. Bucks Fabricating buys AmeriDeck's detachable deck & loader product line.

Shell Oil Products US sells its Bakersfield Refinery to Big West Oil, a subsidiary of Flying J. Two more Bosselman Travel Centers license with Pilot, bringing number of Bosselman locations in the Pilot network to 6.

### New Business

Allison 3000HS automatic transmission now available on Kenworth T300 medium duty trucks. Transcraft names Navistar Financial Corp. preferred finance provider for Transcraft's 146 dealer locations. Freightliner includes a year of SIRIUS Satellite Radio service for trucks equipped with factory-installed Delphi stereo systems & SIRIUS tuners.

Owner-Operator Independent Drivers Assn. & InsurLease launch finance program



for owner-operators. Menu includes loans & leases for new & used trucks and trailers. Program will accommodate dealer sales and sales between individuals.

### Expansion & Transition

Great Dane to invest \$5 million to re-tool reefer & dry freight trailer productions lines at its Brazil, Ind., facility. Project includes addition of specialty foam presses for wall & roof assemblies, part of a new modular trailer design assembly. Accuride files SEC registration statement for initial public offering of common stock.

### Marketing

Donaldson adds Spanish-language option to its web site. GE launches nationwide tour of Mobile Solutions Center. Representative from GE's Trailer Fleet Services (formerly TIP) use the 53-foot unit to showcase GE products & services, including VeriWise Asset Intelligence technology & future technology for the trucking industry.

### Shows & Events

Council of Fleet Specialists Annual Executive Conference. Apr. 17-20, Kansas City, to feature legislative update, a "computer solutions midway," educational seminars & "Newsmaker Live" panel interviews presented by representatives of Heavy Duty Trucking & Truck Parts & Service magazines. Other CFS '05 conferences: Executive Enrichment Forum, Institute for Truck Parts Professionals, 20/20 Branch Level Focus Groups, plus co-op meetings/seminars with other industry associations. Contact: [www.cfshq.com](http://www.cfshq.com) or (816) 801-7964.

CONEXPO-CON/AGG '05 to be biggest ever with 1.85 million sq. ft. of exhibit space. Show

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organizers say advance attendee registrations are tracking well ahead of the last show, held in '02. Show is Mar. 15-19, Las Vegas. Contact: [www.conexpoconagg.com](http://www.conexpoconagg.com) or (800) 867-6060.

Automotive Aftermarket Industry Assn.' report, "The Aftermarket Consumer: Do it Yourself or Do It For Me?" looks at types of maintenance & repairs consumers are doing themselves, how DIY has changed over the past 5 years, key criteria for selecting service providers. Study does not specifically address commercial truck issues. Contact: AAIA, [www.aftermarket.org](http://www.aftermarket.org).

### **Community**

Paccar donates \$1 million for the American Red Cross Tsunami Disaster Relief Fund. Volvo Group, parent of Volvo Trucks N. America & Mack Trucks, pledges 1 million SEK to Red Cross. Company, which has operations in South Asia, also provided trucks & other equipment.

Caterpillar Foundation donates \$1 million to relief agencies, also matches employee & retiree donations. Dana contributes \$100,000 to the Red Cross & will match employee & retiree donations.

Shell Lubricants Transport Group contributes \$100,000 to the Make-A-Wish Foundation. Make-A-Wish grants wishes to children with life threatening medical conditions.

### **Legal**

Administrative law judge recommends that the U.S. International Trade Commission prohibit importation of ZF FreedomLine transmission systems into the U.S. & issue a cease-and-desist order halting sale of the products here. FreedomLine, the U.S. version of the ZF-AS Tronic sold in Europe competes with the Eaton Fuller Autoshift & Ultrashift automated

transmissions in the U.S.

Eaton filed a complaint with the ITC late '03, charging 76 patent infringements on 6 Eaton patents. Judge ruled that one claim in one patent was infringed. The case now goes to the Commission for a final ruling, expected within a few months. Under ITC rules, ArvinMeritor can ask for a review of the administrative law judge's initial determination. The company says that, if necessary, the commission's final ruling can be appealed to the Federal Court of Appeals.

### **Awards**

Peterbilt, Kenworth, Hino take top spots in J.D. Power and Associates' '04 Medium Duty Truck Customer Satisfaction Study. Peterbilt ranked highest in the conventional truck category – the 4th time in 6 years that it held the ranking. Its 330 model performed "significantly above average," in all factors. Kenworth, Sterling & Chevrolet, in that order, also received higher than industry average scores.

Hino ranked highest in the cab-over segment for the 3rd consecutive year. It received segment-leading ratings in 5 of 6 customer satisfaction factors. UD Trucks also ranked above average.

Kenworth ranked highest in dealer satisfaction, with the highest scores in 5 of 7 service categories. GMC Truck, Peterbilt, Ford & Sterling followed Kenworth.

Conventional & cabover owners reported considerably higher satisfaction levels compared to 3 years ago, J.D. Power said. 45% said they would definitely buy the same make, compared to 38% in '03 and 39% in '02.

### **People**

Eaton names Jeffrey Barylak VORAD global marketing mgr., David Plaster Global Aftermarket marketing mgr., Matthew Sturdy Aftermarket NAFTA sales mgr., Sergio Sanchez marketing & business development mgr., Mobile Diagnostic Tools & Solutions.

Bob Pacillas to mgr., Freightliner LLC's Cleveland, N.C. truck plant, from mgr., Gastonia,

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N.C., parts plant. Carmen Smothers to marketing mgr., Bayne Premium Lift Systems.

Javier Loyola to strategic marketing mgr., Dana trailer products, from operations mgr., Hendrickson International in Monterrey, Mexico. Ken Kelley to wheel end product mgr., Consolidated Metco, from vp engineering & business development, Walther Engineering & Manufacturing.

Tom Nelson to vp/general mgr., Horton Fan Systems, from manufacturing vp, Horton Holding Inc. Greg Koziel to director, commercial vehicle sales, Purosil-Mission Rubber Co. C. Randy Porter to district sales rep., TODCO, from senior sales director, Kidron Inc.

John Lewis to president/CEO, GeoLogic Solutions, from CFO, XATA Corp. Stu MacKay,

MacKay & Co., named to LINC Preferred Group board. Margaret Beck to communications director, Motor & Equipment Manufacturers Assn., from communications mgr.

Rebecca Souffrant joins Newport editorial staff as equipment editor. Her background includes 1 year as an associate editor with Cahners Business Publications where she worked on several trucking magazines. Souffrant will be based in the Chicago area.



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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				235	1,892	2.51%	154	1,883	2.68%
Ford				571	4,277	5.68%	1,705	16,091	22.89%
Freightliner	6,314	59,573	29.33%	1,563	19,213	25.54%	1,632	22,334	31.77%
GMC				1,759	6,530	8.68%	224	1,743	2.48%
Hino				33	321	0.43%	133	1,356	1.93%
International	4,004	38,241	18.82%	2,396	28,873	38.78%	1,402	23,855	33.93%
Isuzu				121	553	0.74%	18	42	0.06%
Kenworth	2,129	23,294	11.47%	512	5,020	6.72%			
Mack	2,807	20,630	10.16%		21	0.03%			
Mitsubishi Fuso				18	113	0.15%	109	716	1.02%
Nissan Diesel				15	97	0.13%	96	909	1.29%
Peterbilt	2,623	26,145	12.87%	444	4,494	5.97%			
Sterling	1,356	11,950	5.88%	486	3,834	5.10%	145	1,375	1.96%
Volvo	2,299	20,323	10.00%						
Western Star	252	2,208	1.09%						
Other	38	778	0.38%						
<b>Totals</b>	<b>21,822</b>	<b>203,142</b>	<b>100.00%</b>	<b>8,153</b>	<b>75,238</b>	<b>100.00%</b>	<b>5,618</b>	<b>70,304</b>	<b>100.00%</b>

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

