

HEAVY DUTY TRUCKING HOTLINE

Trucking's Most Respected Business Report

MAY 2006

SALES TRENDS

N. American Class 8 sales are expected to reach a record 300,000 units this year, but could plunge 30-50% in '07, according to a study by Roland Berger Strategy Consultants. Reasons: higher fuel costs, tough new EPA rules & labor shortages. Significant highs/lows in commercial truck demand are projected to continue into 2015.

Issues for manufacturers going into the '07 slump: adjusting to demand fluctuations without significantly increasing fixed costs; producing more durable trucks (especially in low-durability areas like A/C & seats) for extended fleet trade cycles; getting dealer shops ready to pick up the slack as number of independent shops declines; improving financial services & leasing operations. More at: www.rolandberger.com.

U.S. Class 8 truck builders may have only 41,000 production slots left for this year

due to EPA '07 pre-buying, say analysts at Bear Stearns. There may be some spill-over into Jan. '07 due to timing of engine inventories, but that could add another 40,000-50,000 units at best. Preliminary data from ACT Research puts March Class 8 new orders at record 49,900. Class 5-7 new orders were up 63% from a year ago, mainly due to efforts by some OEMs to maximize dealer inventories ahead of '07.

Freightliner is preparing its plants for a 40-50% reduction in '07 heavy truck production, but "barring disaster, a complete recovery to normal market conditions in '08," COO Roger Nielson tells Heavy Duty Manufacturer Assn.'s annual Breakfast & Briefing at the Mid-America

Trucking Show. Nielson says Freightliner is focusing design & engineering efforts on making '07 "little more than a speed bump" on the way to '08. Half the company's '06 engineering resources are dedicated to upcoming EPA regs.

Nielson says there's no cost pressure relief in sight for manufacturers & suppliers.

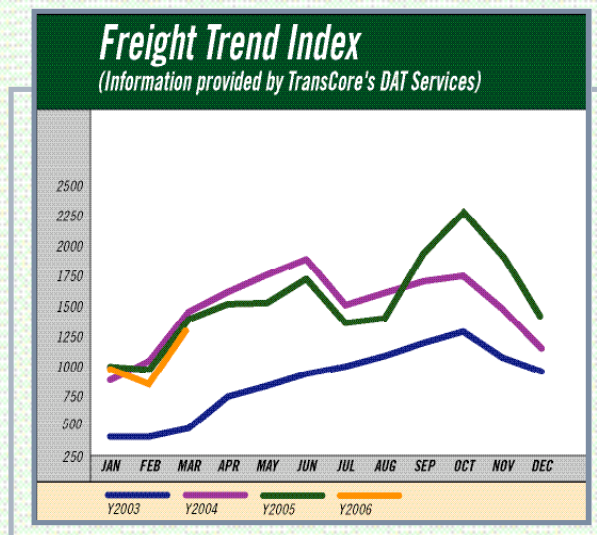
Freightliner's goal: 3% annual cost reduction, starting this year. "Cost reductions are good, but not at the sacrifice of quality," he says. Suppliers need to "focus on earning our business locally, but keep your eyes on global solutions."

Economic Planning Associates expects commercial truck sales to increase 5.9% this year, to 526,000 units (Class 4-8). In '07, the "payback" from accelerated heavy-duty truck buying in '05/'06 will drop commercial vehicle sales 14.4%, to 450,000. After that, an expanding economy will support a recovery to 545,500 units by 2011. U.S. retail '06 forecast: 54,000 Class 4, 50,000 Class 5, 66,000 Class 6, 91,000 Class 7, 265,000 Class 8. Forecast for '07: 56,000 Class 4, 48,000 Class 5, 65,000 Class 6, 81,000 Class 7, 200,000 Class 8.

Trailer shipments will rise 2.4% to 246,000 this year, nudge upward to 248,000 units in '07, then advance steadily to 275,000 in 2011. Van shipments will total 183,000 this year, 187,200 in 2007.

Contact: (631) 864-4900.

More than 95% of fleets surveyed by Caterpillar's FCC Equipment Financing said business this year will be as good as or better than '05; 81% said their capital budgets would be the same or better. Approx. 75% expect truck pricing to increase in '06, and 25% said the increase would be significant; 75% expect trailer



pricing to go up, 12% said the increase will be significant. Most important cost factors impacting fleets: fuel costs (64%) and driver costs (23%); 82% of fleets are implanting fuel surcharges.

TRUCKING ECONOMY

American Trucking Assns.' seasonally adjusted for-hire Truck Tonnage Index fell 2.5% in Feb., the first monthly decline since Aug. '05. The index had increased 5 consecutive months before the Feb. contraction. Latest dip put it 0.2% below Feb. '05 & the lowest since Sept. '05.

"The string of consecutive monthly increases was bound to come to an end at some point," said ATA Chief Economist Bob Costello. "Motor carriers have been telling us that volumes have been fair recently, and our index clearly reflects that sentiment. We continue to believe that motor carriers should expect modest growth in volumes going forward and that the latest decrease should not alarm the industry."

Q1 freight demand was spotty, due to inventory adjustments by big retailers & normal seasonal weakness, says Stifel Nicolaus Transportation Research. Industry capacity is barely growing, except in the less-than-truckload sector where several non-union carriers are expanding. Driver shortage continues to be a major constraint. Capital is being diverted to pre-buying Class 8 trucks. Pricing is strong for truckload & rail carriers, "firm" for LTL, parcel & express sectors – except for some pockets of weakness in LTL.

The construction industry is "hitting on all cylinders with strong, balanced growth," says Ken Simonson, chief economist for The Associated General Contractors of America. U.S. Census Bureau data puts Feb. construction spending at a record seasonally adjusted annual rate of \$1.19 trillion, up 0.8% from Jan. & 7.4% from a year earlier. "Not only was the overall total up strongly from a year ago, but all major segments showed similar growth," he says.

EXECUTIVE VIEWPOINT

'06 was a good year for ArvinMeritor's Commercial Vehicle Systems & this year should be even better, Tom Gosnell, CVS president, tells trade media at Mid-America Trucking Show. Market strength will likely spill over into early '07 before a downturn in new equipment demand signals another industry cycle. But the downturn is "infinitely manageable," he said, noting streamlining measures they've already taken & CVS's broad product line with leadership positions in most markets it serves.

When asked about the trend to vehicle integration (i.e. use of proprietary components in new trucks), Gosnell said he's not sure it really is a trend. If so, "it resides only with certain OEMs." Besides, he added, the choice of components depends largely on products & technology. "If we're doing our job, we can provide the OEs with incentives to de-integrate."

ArvinMeritor unveiled plans to focus its commercial vehicle marketing on the Meritor product brand. That goes back to '97 when Rockwell International spun off its automotive business, forming Meritor Automotive. ArvinMeritor was the result of a 2000 merger with Arvin Industries. Company says studies indicate that the Meritor name has high awareness & positive associations among fleet customers.

NEW BUSINESS

International Truck & Engine unveils MaxxForce International Diesel Power, a new global brand for its '07 on-highway automotive engines. Product line will range from 4-cylinder, 2.8-liter engine to new 11- to 13-liter class. Big bore products are being developed with Germany's **MAN** & with recently formed **MWM-International** in S. America. MaxxForce engines for N. America will be built at International plants here; engines for other markets will be produced in S. America.

ArvinMeritor to supply exhaust aftertreatment device packaging for DaimlerChrysler's '07 U.S. Detroit Diesel & Mercedes Benz heavy-duty engines for Freightliner, Sterling & Western Star trucks.

Company has also introduced ActiveClean plasma fuel reformer technology, developed with the Massachusetts Institute of Technology, which it says is a key component in next-generation diesel exhaust aftertreatment systems.

Eaton gets \$65 million contract to supply its Power Truss system for **IdleAire Technologies'** Advanced Travel Center Electrification System. Eaton has been a design partner with IdleAire & co-developed the Power Truss system that distributes electrical power to individual parking spaces.

Bergstrom NITE (No-Idle Thermal Environment) System now offered on Freightliner Century, Coronado & Columbia models. **Meritor** hubs & brake drums to be standard on **Wabash** trailers. Utility Trailer offering **Alcoa Mill Products'** Translite option on its 3000R reefers. **Freightliner Trucks** to offer rack & pinion steering on Class 8 models later this year.

Kenworth GPS navigation system available on T600, T800 & W900 models. **Bendix** ADB22X front & rear air disc brakes available on select Kenworth Class 8s. **Phillips Industries'** Permalite fluorescent trailer lighting fixture to be standard on new reefer trailers purchased by **Ryder System**. **Prime Inc.** makes **Iteris'** Lane Departure Warning systems standard on company-owned trucks & an option on trucks leased to owner-operators.

Stevens Transport outfits half its 1,600 trucks with **Oil Purification Systems'** OPS-1 on-board oil refiner system. **Schneider Finance** makes **Thermo King's** TriPac auxiliary idle reducing/temperature management system standard for its new truck packages & will install the system on used tractors in inventory.

Hankook to provide new truck tires to **International Truck & Engine** for its 4000 & CF Series vehicles. **ZF** named exclusive supplier of heavy-duty shocks for **The Holland Group's** truck & bus suspension systems. **ArvinMeritor** to supply ActiveClean Atomizer technology as part of the emissions control aftertreatment system for **General Engine Products'** '07 Optimizer 6500 V8 TurboDiesel engines.

TravelCenters of America to install **IdleAire Technologies'** ATE shore power systems at more

than 50 sites over the next 15 months. **Cadec Global LLC** awarded patent for its Split-screen Global Positioning & Electronic Tachograph feature. **Terion** awarded patent for its FleetView Cargo Sensor.

ALLIANCES & ACQUISITIONS

AB Volvo buys 13% of **Nissan Diesel** from **Nissan Motor**, with option to buy the rest of Nissan Motor's stake in the truck manufacturing company within 4 years. With 19% of common shares, Nissan Motor is the largest owner of Nissan Diesel. It also owns 50% of **Dongfeng Motors**, China's largest truck producer. **Volvo & Nissan** say they will assess possible cooperation in the Chinese truck market.

Newly formed investor group, **Truck Bodies & Equipment International**, buys **Crysteel Manufacturing, Rugby Manufacturing & Ox Bodies**. **SKF** to buy French bearing manufacturer **SNFA S.A.S. ArvinMeritor & Pressure Systems International** renew exclusive marketing/distribution arrangement covering PSI-manufactured Meritor Tire Inflation Systems. Original agreement was signed in 1999.

TruckMovers.com awarded 2-year contract to be exclusive provider of transportation services for **International Truck & Engine's** used truck organization. **MHC Kenworth** extends "preferred partner" relationship with **Jost International**. **HTAEW.com** (Heavy Truck and Equipment Wholesaler) and **Coldiron Companies** offering online driveaway quote service. **Transcore** and **PaperWise** create **TransCore Imaging**, document imaging system to be integrated with **Transcore** management systems.

O'Reilly Automotive & Mitchell 1 sign joint marketing agreement for Mitchell's **Tractor-Trailer.net** web-based service & repair database. **McLeod Software** develops carrier insurance renewal interface with **Registry Monitoring Insurance Services**. **Qualcomm** integrates **Magtec Products'** M5K with its **OmniTRACS** system, enabling wireless connections between dispatchers & onboard devices.

TRANSITION & EXPANSION

Eaton creates **Vehicle Solutions Business Unit**, says new unit allows its Truck group to realign the **VORAD** and **MD Tools Mobile Diagnostics** product lines & transform its business model from a component-based supplier to a systems-based solutions provider. Future **VSBU** offerings: integrated diagnostics, safety & other operational management solutions for fleets. Through new relationship with **@Road Inc.**, **Eaton** will combine its on-board diagnostic & safety systems with **@Road Mobile Resource Management** to offer customized fleet management solution such as on-demand GPS-based location intelligence, real-time vehicle diagnostics, shop management & wireless communications.

Denso adds new facility at its **Daian** plant in Japan to manufacture ceramic substrates & diesel particulate filters for exhaust emission purification. **Sloan Transportation Products** opens West Coast warehouse in Portland, Ore.

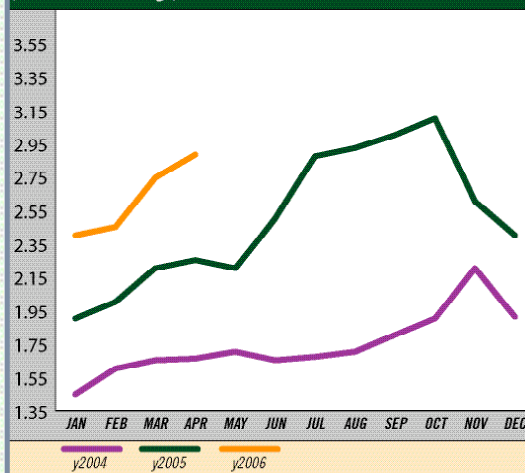
TECHNOLOGY

Freightliner LLC starts delivering demo trucks with '07 engines to fleet customers.

Company says its field service managers have been trained & all Freightliner, Western Star & Sterling dealerships & ServicePoint locations will be certified to work on the new engines by year-end.

Paccar's goal is to improve fuel efficiency for selected medium-duty applications by 30% over the next 7 years. Hybrid technology will be key, says Mark Pigott, chairman/CEO. Working with **Eaton's Hybrid Power Systems** business unit, Paccar expects to have hybrid-powered trucks in defined medium-duty applications by 2008. For over-the-road applications, Kenworth Clean Power & Peterbilt Comfort Class systems are scheduled for release next year. The onboard energy management systems maintain cabin temps & provide power to operate other cab electrical systems without running the engine. Based on national average of 1,850 idling hours/year for an OTR Class 8 vehicle, Paccar says the system can potentially improve fuel efficiency 8%.

Diesel Prices (National Retail Average)

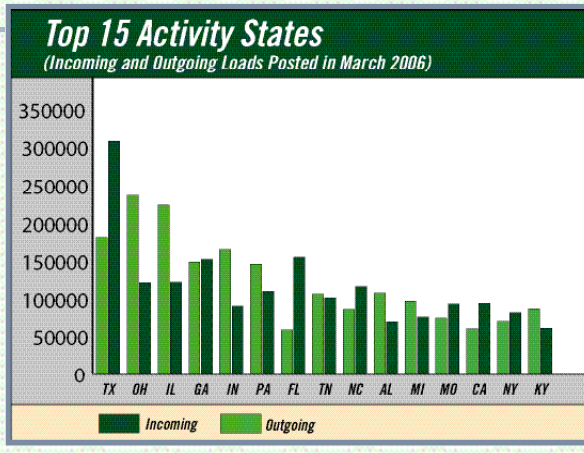


Autocar introduces E3 hybrid-drive Class 8 refuse truck featuring Parker Hannifin RunWise drive system designed to recover brake energy & store it to be used later.

REGULATIONS

ArvinMeritor Commercial Vehicle Systems supports the intent of the National Highway Traffic Safety Administration's proposal to implement vehicle braking system improvements that will reduce stopping distances by 20-30%, says Paul Johnston, senior director, N. American Foundation Brake Business. He expects to see changes in the front axle steering & suspension as well as the ABS system in order to implement either drum or disc brake solutions. A more aggressive reduction in truck-tractor stopping distances may result in more attention to the trailer brake requirements.

New rules could be effective as early as '08. Only new tractors would be affected. NHTSA has requested additional comments regarding revisions



to dynamometer test procedures & requirements, which could impact trailer brakes sometime after the new rule takes effect. If stopping distance reductions can be achieved with steer axle brake upgrade only, tractor/trailer compatibility should not be impacted, Johnston says.

MARKETING

Kenworth's "White Paper on Fuel Economy" offered at: www.kenworth.com. **Volvo Trucks N. America** marks the 10th anniversary of its Volvo VN series Class 8 with special badge mounted on the side of the truck. Country music star Trace Adkins to be a spokesman for **IdleAire Technologies**.

Contestants strike out in the "Pump 'Em, Don't Thump 'Em" contest sponsored by the **Tire Retread Info. Bureau & Meritor Tire Inflation System by PSI**. CDL holders at Mid-America Trucking Show were invited to kick, thump, bang or hit ties to determine the pre-set inflation pressure. Nobody came close enough to win a prize, but everybody who tried got a gift. "Trying to determine if tires need air by thumping them is as effective as trying to determine if the vehicle's engine needs oil by thumping on the hood," says TRIB Managing Director Harvey Brodsky.

ASSOCIATIONS & EVENTS

ATA's Technology & Maintenance Council creates special membership category for owner-operators, defined as individuals who own or operate up to 5 power units. More at TMC section of www.truckline.com.

W. Michael Cox, senior VP/chief economist, Federal Reserve Bank of Dallas, to discuss market opportunities & challenges in China & India at the **Global Automotive Aftermarket Symposium**, May 17-18, Dearborn, Mich. More at: www.globalsymposium.org.

Motor & Equipment Manufacturers' Assn. '06 Legislative Summit, June 7-8, Washington, D.C., to include a Congressional reception, Supplier Fair, meetings with members of Congress & their staffs. More at: www.mema.org.

HONORS

RoadStar magazine's "Truckers' Guide to Success" wins '06 Jesse H. Neal Award for Best How-To Series. Winning editors: **Deborah Whistler**, editorial director; **Steve Sturgess**, editor; **Patricia Smith**, senior editor; **Steve Mitchell**, managing editor; **Susan Overstreet**, creative director. *Heavy Duty Trucking* magazine's "In Search of the Real McCoy," written by Senior Editor **Deborah Lockridge**, was a finalist in the Best Single Article category. This marks 37th time Newport Communications Group editors have been awarded Neal prizes.

Knaack Mfg. (Weather Guard steel truck boxes) and **MGM Brakes** (e-Stroke electronic brake monitoring system) tied for The Work Truck Show '06 New Product Innovation Award, voted on by show attendees. Editors' Choice Award, selected by trade journalists, went to **Sterling Truck** for its Sterling 360 low COE. Work Truck Show and 42nd Annual National Truck Equipment Assn. convention drew more than 7,000 attendees. Next year's event is Mar. 7-9, Indianapolis. More at: www.ntea.com.

Lana Batts, managing partner, Transport Capital Partners, receives Professional Truck Driver Institute's Lee J. Crittenden Memorial Award for

advancing PTDI ideals & goals. Batts was formerly president of the Truckload Carriers Assn. & in that role was responsible for revitalization of PTDI.

PEOPLE

Michael Lewis to president/general mgr., First Fleet Corp. & senior VP, truck strategy, PHH Arval. He succeeds **John Flynn**, founder & former president/CEO, who left after a contractual 2-year transition period following the acquisition of First Fleet by PHH Arval. **Jeff Smith**, PHH Arval senior VP, assumes added responsibility as VP, N. American truck sales.

Art Hernandez to engineering VP, Grote Industries, from sr. mgr., instrumentation products development, Visteon Corp. **Doug Sanford** to general mgr., Hendrickson Spring. **Matt Boler** to general mgr., Hendrickson Bumper & Trim. **Steve Pittman** to chief marketing officer, GE Trailer Fleet Services business. **Jeffrey Geist** to business development director, Motor Wheel Commercial Vehicle Systems.

David Baratti to sales & marketing VP, Heil Environmental; **Richard Bout** to N. American

sales director. **Scott Kerns** to marketing director-commercial transportation, Alcoa, from eastern regional sales mgr., Alcoa Mill Products. **Chris Stephens** to aftermarket sales director, Motor Wheel Commercial Vehicle Systems.

Roxane Campbell Rose to executive director, Trucker Buddy International. **Robert Shingle**, president, PRIMMS LP, elected '06/'07 chairman, Truck Renting & Leasing Assn.

Died: **Peter Rupp**, former chairman/president/CEO, Freightliner Corp. He was the first Freightliner CEO after Daimler-Benz acquired Freightliner in 1981. He was named chairman of Daimler-Benz Holding Co. in Washington, D.C., in 1988 and retired in 1990. Rupp died in Wiesbaden, Germany. He was 75.

TRUCK SALES CHARTS ON PAGE 7

MARCH 2006

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.		
	MARCH SALES	YTD SALES	YTD SHARE	MARCH SALES	YTD SALES	YTD SHARE	MARCH SALES	YTD SALES	YTD SHARE
Chevrolet				211	652	3.06%	264	433	2.60%
Ford				570	1,442	6.77%	1,303	3,386	20.31%
Freightliner	7,529	19,149	29.22%	2,071	6,150	28.86%	1,446	3,266	19.59%
GMC				516	1,347	6.32%	247	560	3.36%
Hino				93	214	1.00%	500	998	5.99%
International	4,788	12,081	18.44%	2,823	7,936	37.24%	3,227	7,124	42.74%
Isuzu				61	131	0.61%	30	51	0.31%
Kenworth	2,936	7,106	10.85%	437	1,172	5.50%			
Mack	2,949	7,045	10.75%						
Mitsubishi Fuso				33	55	0.26%	152	283	1.70%
Nissan Diesel				7	12	0.06%	107	241	1.45%
Peterbilt	3,032	7,793	11.89%	632	1,481	6.95%			
Sterling	1,582	3,949	6.03%	223	720	3.38%	132	326	1.96%
Volvo	2,666	7,370	11.25%						
Western Star	315	771	1.18%						
Other	98	259	0.40%						
Totals	25,895	65,523	100.00%	7,677	21,312	100.00%	7,408	16,668	100.00%

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

