

Hotline

Trucking's Most Respected Business Report

AUGUST 2010



Navistar claims economy win, says drivers can cheat SCR



01010

Navistar says it's possible to run SCR engines without diesel exhaust fluid.

Navistar last month came out swinging with a one-two punch in its latest effort to demonstrate the superiority of its Advanced Exhaust-Gas Recirculation over the selective catalytic reduction strategy used by other engine makers to meet EPA 2010 emissions standards.

First, the company announced results of third-party testing showing that its ProStar+ tractor with a 2010 MaxxForce 13 diesel is more efficient than two major competitors when both fuel and diesel exhaust fluid are counted.

The next day, Navistar unveiled a video it says proves drivers can operate EPA 2010 SCR-equipped trucks without the diesel exhaust fluid required to make those pollution-reduction systems work.

Other truck makers criticized Navistar's testing and tactics on both fronts.

'Fluid economy'

In "fluid economy" – Navistar's term for the sum of fuel plus DEF consumed – Navistar's vehicle beat similar but bigger-engined tractors from Freightliner and Kenworth, executives told reporters in a webinar Jan. 19.

"The industry will need to review overall fluid consumption, including DEF," said marketing executive Mike Cerilli, because "like fuel, DEF costs

Steve Sturgess • Executive Editor

Tom Berg • Senior Editor

- 2 Acquisition interest
- 2 Freight Trend Index
- 4 Pulse of Commerce Index
- 5 Capacity crunch
- 5 Retail Truck Sales Report

Keep up with the latest news each day at www.truckinginfo.com

Hotline

Trucking's Most Respected Business Report

money.” Navistar contends that it’s not fair for competitors to cite only mpg numbers without including the amount of DEF needed to operate SCR systems. Navistar’s MaxxFord diesels control emissions “in-cylinder” and need no DEF.

The formal on-road tests this summer pitted the MaxxFord-13-powered ProStar+ against a Freightliner Cascadia with a Detroit Diesel DD15 and a Kenworth T660 with a Cummins ISX15. The ProStar+ used 0.9 percent less fluid than the DD 15/Cascadia and 2.5 percent less fluid than the ISX15/T660, said Navistar’s director of test and validation, Matt Baus.

Competitor engines’ approximately 2 liters of extra displacement could be seen as a fuel-economy disadvantage for them, but all were similar in ratings, making this a fair “performance” comparison, said Jim Hebe, Navistar’s senior vice president for North American sales operations. The MaxxFord 13’s rating was 430 horsepower/1,550 pounds-feet, the DD15’s was 455 horsepower/1,550 pounds-feet and the ISX15’s was 435 horsepower/1,450 pounds-feet.

Improving economy means increased interest in fleet acquisitions

Business is up, capacity is tightening, and suddenly there’s more interest among trucking companies in making acquisitions of other fleets.

One carrier executive told *HDT* he expects to complete at least six acquisitions over the next six months, growing 30 or 40 percent in the process. He attributed it to a “coming out of the recession” phenomenon, “where the beleaguered lenders are finally acting on the weakest in their portfolios and forcing action from the deadbeats ... which causes them to run for a safe harbor into the arms of the strongest of the competitors.”

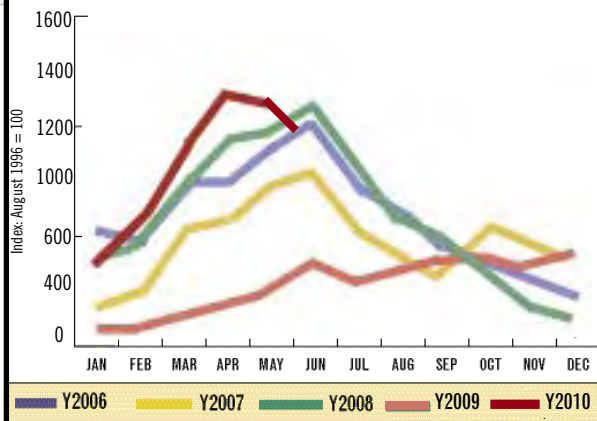
Transport Capital Partners’ Business Expectation Survey for the second quarter of 2010 found that almost half of carriers surveyed are translating optimism for the year ahead into interest in buying another company.

“The present surge of freight and general outlook for improved rates has spiked interest in acquisitions, rising from around mid-30-percent range by respondents in the prior five quarters to 45 percent now interested,” explains Richard Mikes, partner with TCP, which handles transportation mergers and acquisitions, capital sourcing and advisory services.

Lana Batts, TCP managing partner, notes that according to the survey, carriers of all sizes are interested in buying, but larger carriers are more interested in finding opportunities. Stock values for publicly traded carriers have risen over the past year, reflecting general optimism for transportation firms, though prices have dropped somewhat with the general market recently.

Freight Trend Index

(Information provided by TransCore’s DAT Services)



The test was a TMC/SAE Type IV, run over a 444-mile triangular route within Indiana, beginning and ending at Navistar’s technical center in Fort Wayne. The testing agency was the Transportation Research Center, based in East Liberty, Ohio.

Daimler Trucks North America, in a statement issued following the announcement, said Navistar’s 440-mile test “tampers with the outcome by calibrating regeneration intervals to occur immediately before and immediately after the test is completed. DTNA’s BlueTec Detroit Diesel engines regenerate after thousands of miles, not hundreds of miles.”

Like the reporters on the webinar, DTNA questioned the validity of comparing a 13-liter to 15-liter engines. It said it’s eager to get its hands on a 2010-certified MaxxFord to run its own tests.

‘License to pollute’

Meanwhile, Navistar’s legal challenges to 2010 engine rules could mean changes to the EPA regulations regarding selective catalytic reduction technology.

A Navistar lawsuit against EPA challenged guidelines issued during the implementation of the SCR technology. Navistar argued that the guidelines were in effect a rule, and that the correct procedure had not been followed in the rulemaking process. When EPA agreed to review and issue new guidelines, Navistar agreed to drop the lawsuit. A similar settlement was made with the California Air Resources Board.

As part of those settlements, CARB and EPA agreed to hold workshops to discuss the operation of SCR engines and address what Navistar calls “compliance loopholes.” The first of these workshops was held by CARB July 20.

At that workshop, Navistar presented its evidence that drivers can defeat the DEF requirements of SCR engines. A short video, “License to Pollute,” showed three vehicles that could be driven without diesel exhaust fluid in the tank, or with water instead of DEF. This would permit post-2010 trucks running the SCR tech-

It's clear in 2010 —
natural gas fuel is here.
It's cleaner, cheaper, abundant
and All-American.

Clean Energy is the leading provider nationwide.

While oil costs less than its peak, over 60% is still imported, threatening our national energy security. Natural gas fuel is nearly **All-American**. And we have a domestic supply estimated to last for more than a century.

Natural gas fuel is still **cleaner** than diesel or gasoline — over 20% lower greenhouse gas emissions.

And natural gas fuel is still **cheaper**, day after day, than gasoline or diesel.

Switch to natural gas fuel for transportation. Call Greg Roche at 562-493-2804.



Trucking's Most Respected Business Report

Hotline

nology to continue to operate without DEF, emitting 10 times or more the regulated amount of NOx (0.2 g per hp-hr), according to the video.

Proposals discussed during the workshop would change the "inducement strategies" engine makers have built into their technology to keep drivers from running without fluid or with incorrect fluid, or tampering with the SCR system. Current inducement strategies include dash lights, warning chimes, limiting the speed and de-rating the engine.

The competition responds

Making changes to the rule only six months after it went into effect would be neither fair nor easy to meet, especially since changes could go into effect as soon as next January. That was the gist of comments by representatives from Volvo, Mack and Cummins at the workshop.

John Mies, Mack and Volvo vice president of corporate communications, had the strongest response.

"We learned a few weeks ago – not even six months after the implementation date for the new technology – that the regulations we followed in good faith were to be reconsidered," Mies read from his prepared statement. "And why? In large part because of concerns being raised by a single competitor."

He went on to criticize both Navistar and the EPA. He accused Navistar of using the courts to achieve its commercial purpose and the EPA of colluding. He also brought up the fact that Navistar's engines actually emit more NOx than competitors, because they are certifying them using emissions credits. He took issue with the fact that Navistar "apparently believes that most of its customers, and the trucking industry as a whole, are hell-bent on illegal circumvention of emissions controls."

In the Navistar video, the three trucks – a Freightliner

Cascadia with DD15 engine, a Kenworth T660 with Cummins ISX and a Class 4 Dodge Ram with Cummins B Series diesel – were all run out of DEF. The inducement strategies for the vehicles (only the Cascadia and Dodge were featured in the video) duly played out with warning messages, dash lights and chimes reminding the driver to refill with the DEF.

In the trucks in the video, adding plain water to the DEF tank defeated the severe inducement strategies and allowed the vehicles to be restarted and driven normally, said the commentary. The Cascadia was driven a total of 11,000 miles, at up to 55 mph.

Navistar apparently got the Detroit engine in the Cascadia to run at up to 55 mph with only water by stopping often to add fuel (less than 20 gallons each time), said Tim Tindall, director, component parts for DDC, in a conversation with *HDT* later that week. This is an unrealistic scenario in real life.

The scarce 2010 MaxxForce

Another issue cited by competitors and some fleet executives is the fact that Navistar has produced very few 2010 diesels. During the CARB workshop, Mack's Mies noted that Navistar "has only been able to compete in the market this year by selling thousands and thousands of pre-2010 engines."

Later in the week, during a Truckload Carriers Association event, Steve Perkins, senior engine specialist at Navistar, admitted the number of 2010-legal MaxxForce diesels produced thus far is only "in the hundreds." By contrast, Detroit Diesel and Cummins have each made thousands of SCR 2010 diesels, according to Tim Tindall of DDC and Cummins' Zack Ellison on the same panel.



Ceridian Index (seasonally- and workday-adjusted) 2002=100

Ceridian-UCLA Pulse of Commerce Index



The Ceridian-UCLA Pulse of Commerce Index represents real-time diesel fuel consumption data from over-the-road trucking tracked by Ceridian. These figures are seasonally- and workday-adjusted.

Logistics experts talk about capacity crunch, driver shortage

Transportation and logistics providers and shippers attending the recent Eyefortransport 3PL Summit in Atlanta repeatedly expressed concern about a capacity crunch that's already showing up in some areas – a crunch that is expected to be exacerbated by a driver shortage.

"You are seeing an uptick in how much tonnage is moving through the system, on trucks or through the warehouses," said Sid Brown, CEO of New Jersey-based logistics and trucking company NFI. "I was talking to one of my competitors, a large trucking company, and he said his load board was almost double what it was a year ago."

Flatbed carriers are one area where capacity has been tight. "If you're a flatbed carrier, you asked for an increase in March, April and May when we were begging for loads," said Wayne Johnson, director of logistics for American Gypsum.

Vic Springer, director of supply chain for Atlanta-based White Birch, the second largest manufacturer of

newsprint in North America, said his company has had to back off of the "core carrier" concept. "The carriers just don't have the capacity now," he said. "We're seeing a lane where in the past we might have used just one carrier, now we have two or three."

Speakers noted that shippers today are more willing to pay extra to get high-priority shipments where they need to go, including premium services such as air freight. Shippers that want to get their goods on the next ocean sailing are finding that the rates on their contracts won't make it happen. They have to pay extra.

Driver shortage

Many predicted the capacity crunch will only get worse, because even if companies buy more trucks (which many are reluctant to do), they will have problems getting drivers to put in them. The driver shortage is only expected to worsen as the Federal Motor Carrier Safety Administration's new CSA 2010 enforcement program takes full effect next year.

Sponsored by **ArvinMeritor**

JUNE 2010

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.		
	JUNE SALES	YTD SALES	YTD SHARE	JUNE SALES	YTD SALES	YTD SHARE	JUNE SALES	YTD SALES	YTD SHARE
Chevrolet				46	127	0.70%	28	73	0.45%
Ford				146	979	5.37%	416	2,350	14.60%
Freightliner	2,658	15,787	32.05%	1,270	6,844	37.54%	643	3,050	18.95%
GMC		-		99	330	1.81%	29	65	0.40%
Hino		-		44	517	2.84%	190	1,235	7.67%
International	2,884	14,217	28.86%	1,185	7,377	40.46%	1,536	8,408	52.23%
Isuzu		-		11	36	0.20%	8	45	0.28%
Kenworth	823	4,903	9.95%	256	883	4.84%	37	242	1.50%
Mack	614	3,820	7.76%		-			-	
Mitsubishi Fuso		-		22	39	0.21%	64	192	1.19%
UD Trucks		-		34	96	0.53%	70	219	1.36%
Peterbilt	877	5,708	11.59%	177	905	4.96%	13	80	0.50%
Sterling	132	461	0.94%	19	99	0.54%	36	138	0.86%
Volvo	776	3,884	7.89%						
Western Star	130	467	0.95%						
Other	2	10	0.02%						
Totals	8,896	49,257	100.00%	3,309	18,232	100.00%	3,070	16,097	100.00%

Kenworth and Peterbilt year-to-date figures have been revised to include Class 5 and 6 sales previously reported as Class 7.

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

“What I find amazing is that there’s 10 percent unemployment, yet carriers are struggling right now to hire quality drivers,” said NFI’s Brown. “And that’s today, let alone when [CSA 2010] takes effect at the end of the year. The net result is we’re going to have to raise the level of pay to attract more people in to the industry. And when you raise that level of pay it’s going to put pressure on carriers to raise the rates to shippers.”

Higher rates

Many shippers and third-party logistics companies already are seeing higher rates. Spot rates are already up 10 to 40 percent, depending on the geographic area, said Paul Newbourne, vice president of operations for Pennsylvania-based LXP Managed Freight Solutions.

“I think we’re only in the second inning of a nine-inning game as to where rates are going to go,” said NFI’s Sid Brown.

A number of carriers pointed out that shippers who stuck with their transportation providers and didn’t try to beat them to death on rates during the downturn are now seeing the fruits of that attitude.

Kevin Lhotak, president of Reliable Transportation Specialists, said his company was operating at 100 percent capacity as of April. “We’ll probably be looking at a raise of rates in August this year. Customers we haven’t dealt with in two years are now crawling out of the woodwork asking for power. We aligned ourselves with people who didn’t come to us in 2009 and ask for major cuts and shared what little freight they had, and that’s who we’re going to support going forward.”

Brown put it this way: “I’m sick and tired of dealing with companies that do nothing but beat you down, beat you down. We’ve had a lot of shippers that over the past couple of years that didn’t beat us down because they’ve been through these cycles before. You remember those

folks. If [as a shipper] you’re strictly looking for a transactional type relationship, you’re going to be beholden to supply and demand in the market.” ■

— By Deborah Lockridge, Editor

Get social with HDT!

Heavy Duty Trucking’s editors share behind-the-scenes insights, links to interesting articles on Truckinginfo.com and other web sites, and more at:

twitter

www.twitter.com/hdtrucking

facebook

www.facebook.com/heavydutytrucking