

North America Commercial Vehicle Industry: 2002–The Year Of The Roller Coaster

K. W. Vieth
Partner & General Manager
A.C.T. RESEARCH Co., LLC

Overview

- Definitions
- Trucking – More Bumps in the Road?
- Highways, Freight and the Evolution of Vehicles
- Trucker Profits and the CV Industry
- New NA Class 8 Vehicles: A Leading Economic Indicator?
- US Trailer Industry: The Other Half of Freight Movement
- Medium Duty Commercial Vehicles: Three Markets
- Looking Forward – Vehicle Sales and Build Forecasts
- A.C.T. Research Co., LLC

Definitions: What Is...?

- Market Indicators:
 - Orders: New – Cancellations = Net
 - Backlog
 - Build & FS
 - Inventory
 - Retail Sales
- Geography:
 - US, North America, South America
 - NAFTA
 - Imports, Exports
- Vehicle Characteristics
 - Axles: 4x2 to 6x4 to.....
 - GVW Classes and Duty Cycle
 - Chassis (Truck, RVs, Bus) & Tractors

Trucking – More Bumps in the Road?

- Safety and Trucking: Ongoing
 - About 9M CDLs in US with 2.5M for HAZMAT
 - Borders are a special problem, also containers
 - A growing expense for trucking, both execution and insurance

- Food for Thought:
 - Continuing deterioration and crowding of highways with growing transportation needs will ultimately impact “time based delivery strategies”, i.e., JIT & XOT. Will the nation’s shipper’s allow inventories to reverse course due to transportation deterioration?

Trucking – More Bumps in the Road? (Con't)

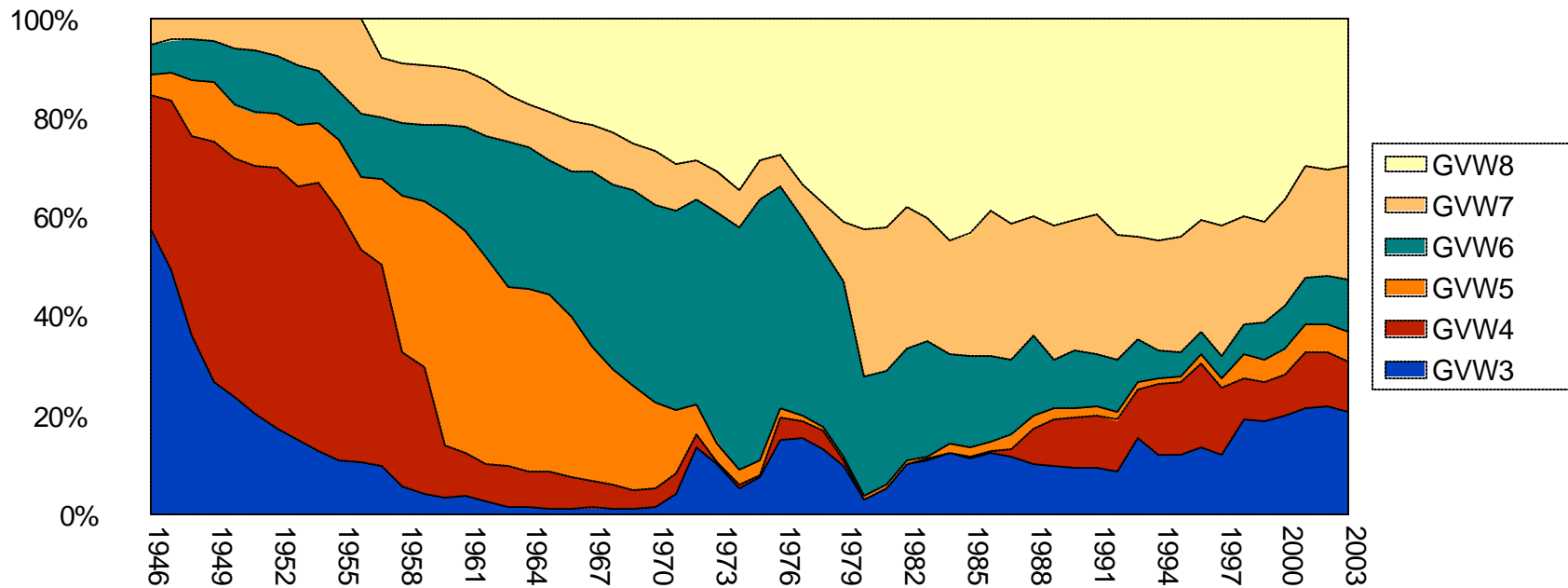
- US Sizes and Weights: NAFTA Currently Has Three Sets of Limits
 - Tractor/trailer combinations capped at 80K lbs w/53' trailer
 - Twin 28' trailers west of Mississippi more or less
 - 2003 will see reauthorization of Intermodal Surface Transportation Equity Act. Will that be the year of new limits?
- QI '02 Net Orders Up, But....
 - NA Class 8 at 65,000 units – Highest volume since QII '99
 - NA Classes 5-7 at 45,000 units – Highest volume since QIII '00
 - Perspective: NA OEM Cl. 8 build plans for April – September 2002 require 21,000 units to fill all 94,500 planned build slots.
- Class 8 Build Headed Up In QII and III. But Will Collapse Occur In QIV and QI '03?

Highways, Freight, and the Evolution of Vehicles

U.S. Classes 3-8 Trucks

History at a Glance

Percent Mix 1946-2003 Forecast



N.A. Truck Market: A Historical Perspective (%)

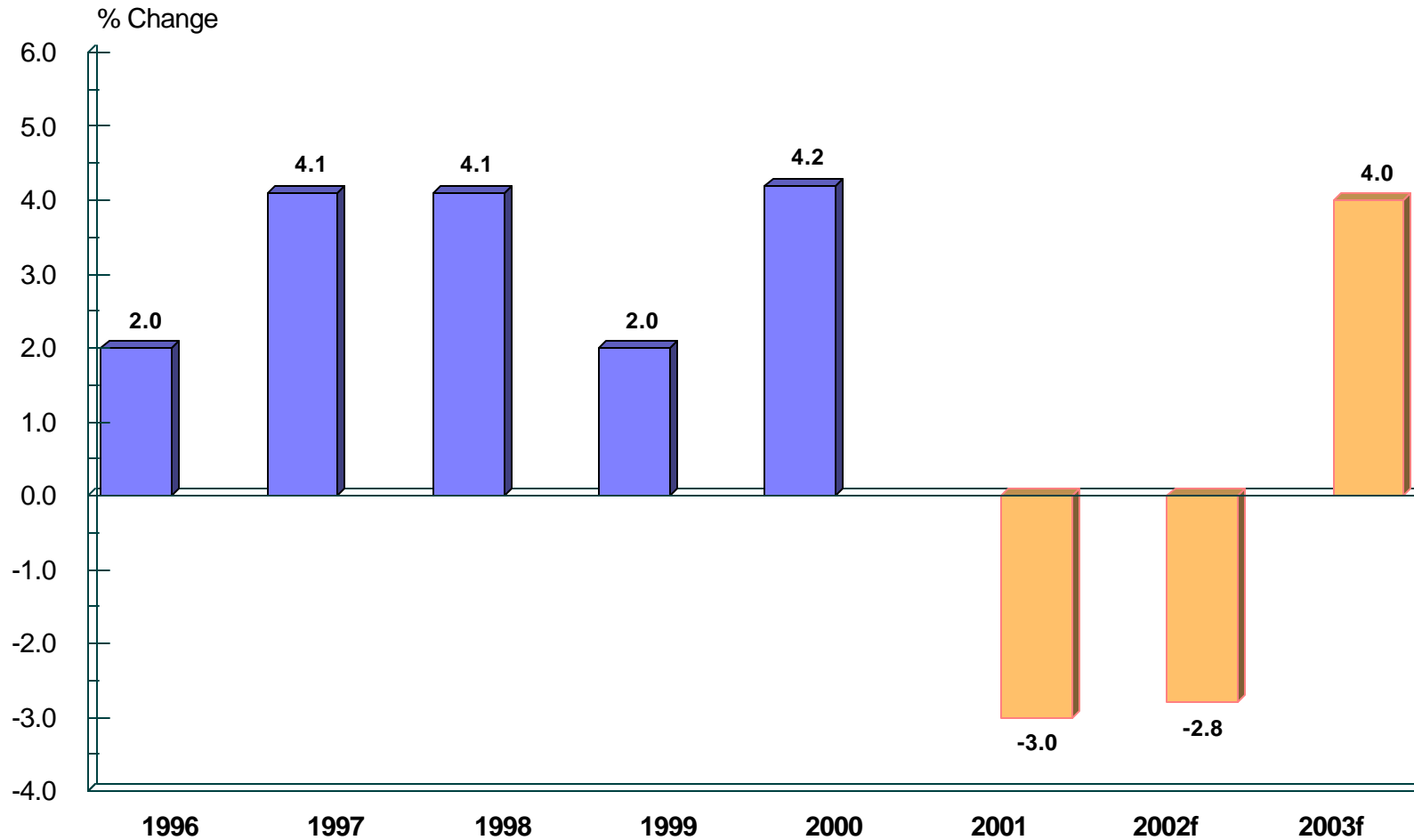
GVWR/ GCWR (Pounds)	10,001- 14,000 (Class 3)	14,001- 16,000 (Class 4)	16,001- 19,500 (Class 5)	19,501- 26,000 (Class 6)	26,001- 33,000 (Class 7)	Over 33,000 (Class 8)	Total Medium (Cl. 5-7)	Total Class 4-8
1950	21%	51%	12%	10%	6%	NA	29%	79%
1960	4%	10%	47%	21%	10%	9%	77%	96%
1970	2%	3%	21%	34%	11%	29%	66%	98%
1980	2%	0%	1%	25%	23%	48%	50%	98%
1990	7%	9%	2%	13%	29%	41%	43%	93%
2000	20%	8%	5%	9%	21%	37%	35%	80%
2010								?

N.A. Truck Market: A Historical Perspective (Units-000s)

GVWR/ GCWR (Pounds)	10,001- 14,000 (Class 3)	14,001- 16,000 (Class 4)	16,001- 19,500 (Class 5)	19,501- 26,000 (Class 6)	26,001- 33,000 (Class 7)	Over 33,000 (Class 8)	Total Medium (Cl. 5-7)	Total Class 4-8
1950	97	235	56	48	29	NA	133	368
1960	14	38	177	78	36	34	291	363
1970 1979	7	12	74	123	39	104	236	352
1980 1989	6	0	4	70	65	132	139	271
1990 1999	21	27	5	38	85	121	128	276
2000	116	47	29	51	123	212	203	462
2010								575?

U.S. Total Truck Freight Tonmiles-% Change

1996 - 2003

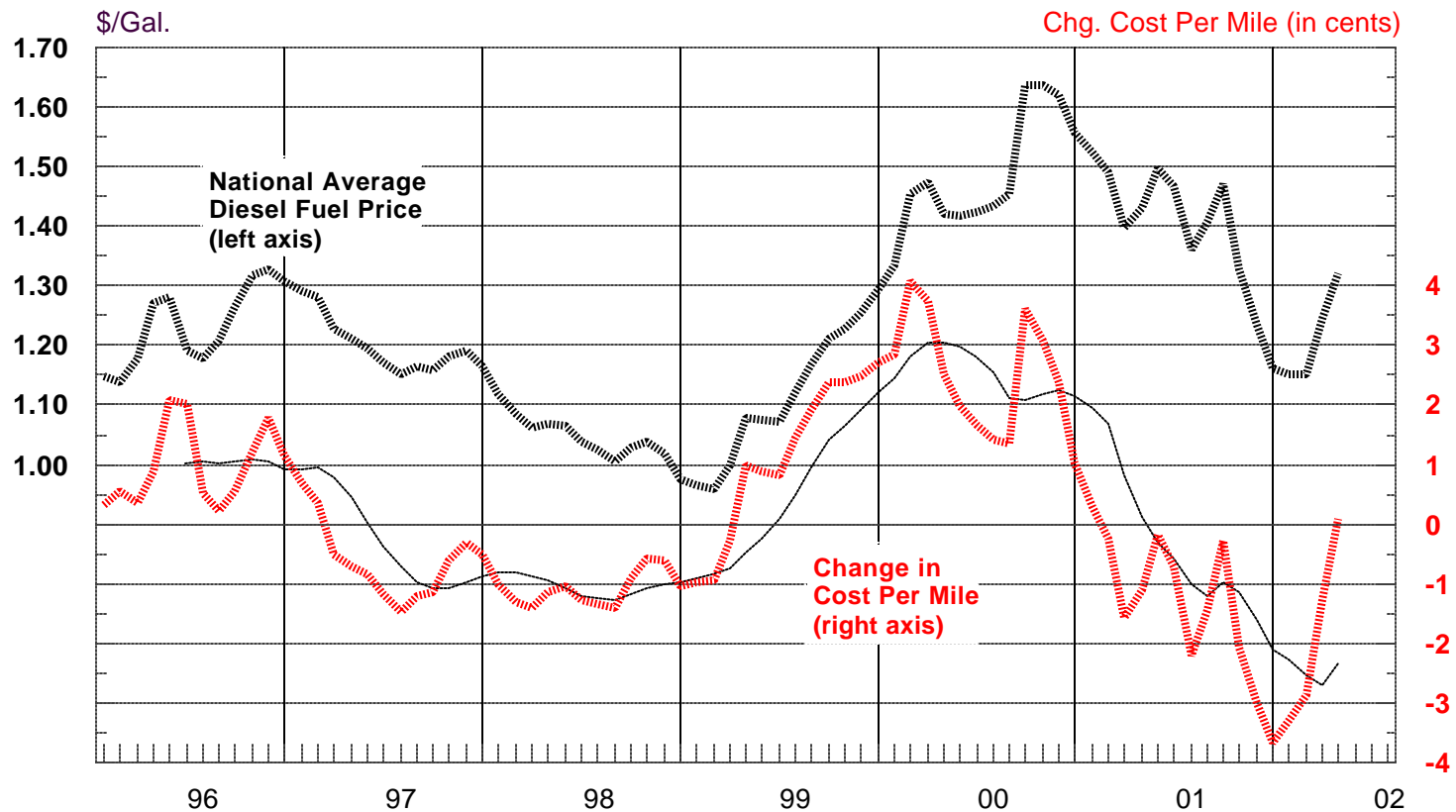


Trucker Profits and the CV Industry

Fuel Price Swings Impact Profitability

National Average Diesel Fuel Price & Per Mile Impact

January 1996 - 2 Wks. April 2002 (Seasonally Adjusted)



Publicly Traded TLs: 15 Carriers

	1996	1997	1998	1999	2000	2001
Revenue: \$Mil	6,201	7,164	8,376	9,642	10,657	10,931
Y/Y % Chg.	13%	16%	17%	15%	11%	3%
Net Income: \$Mil	174	265	335	342	264	155
Y/Y % Chg.	-2%	52%	26%	2%	-23%	-41%
Profit Margin: %	2.8%	3.7%	4.0%	3.6%	2.5%	1.4%

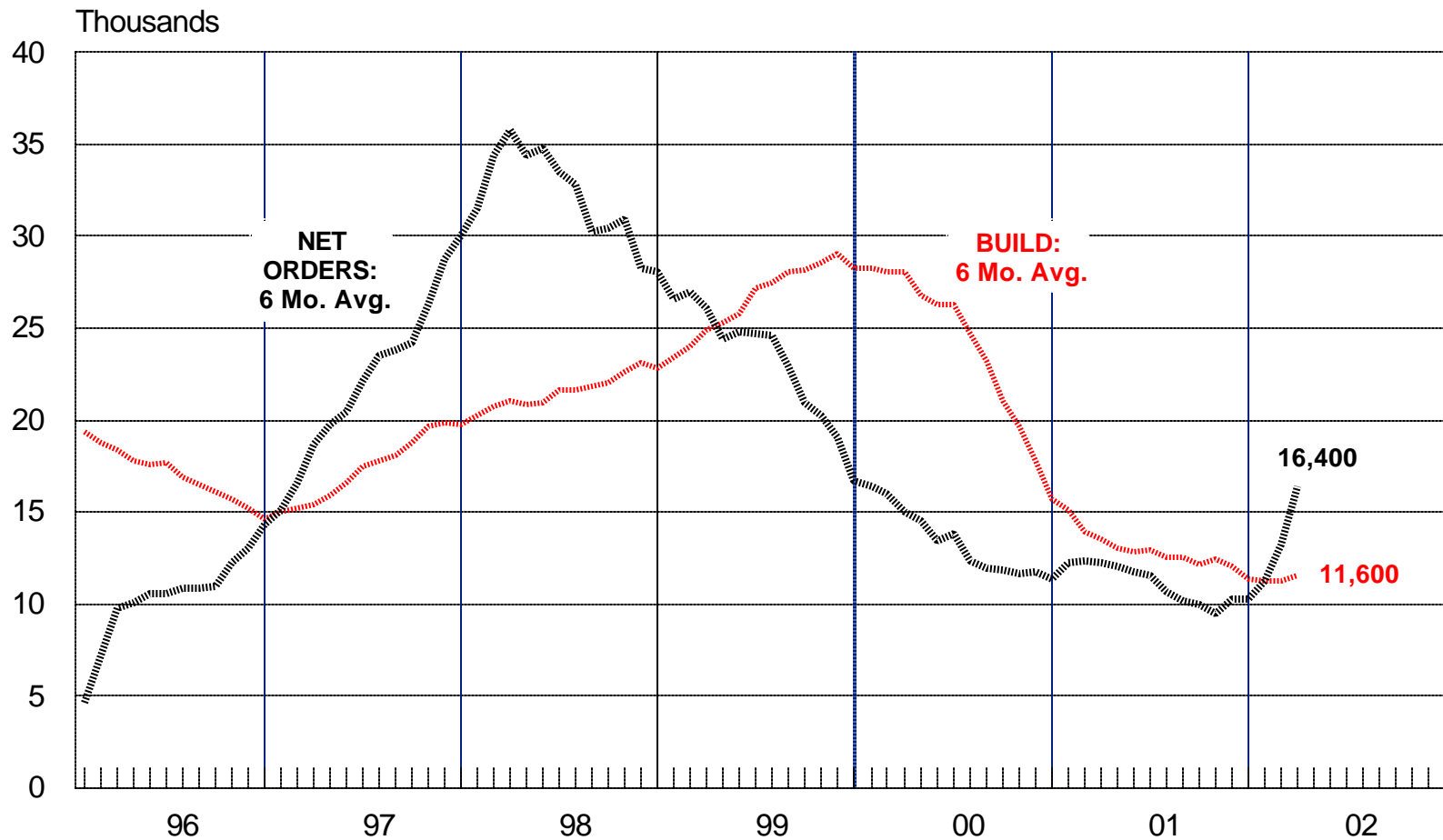
Trucker Business Failures – The Aftermath

- ±70,000 units repo'd from business failures in 2000
- ± 45,000 units from business failures in 2001
- A return to a more “normal” failure rate of +15,000 units expected from failures in 2002

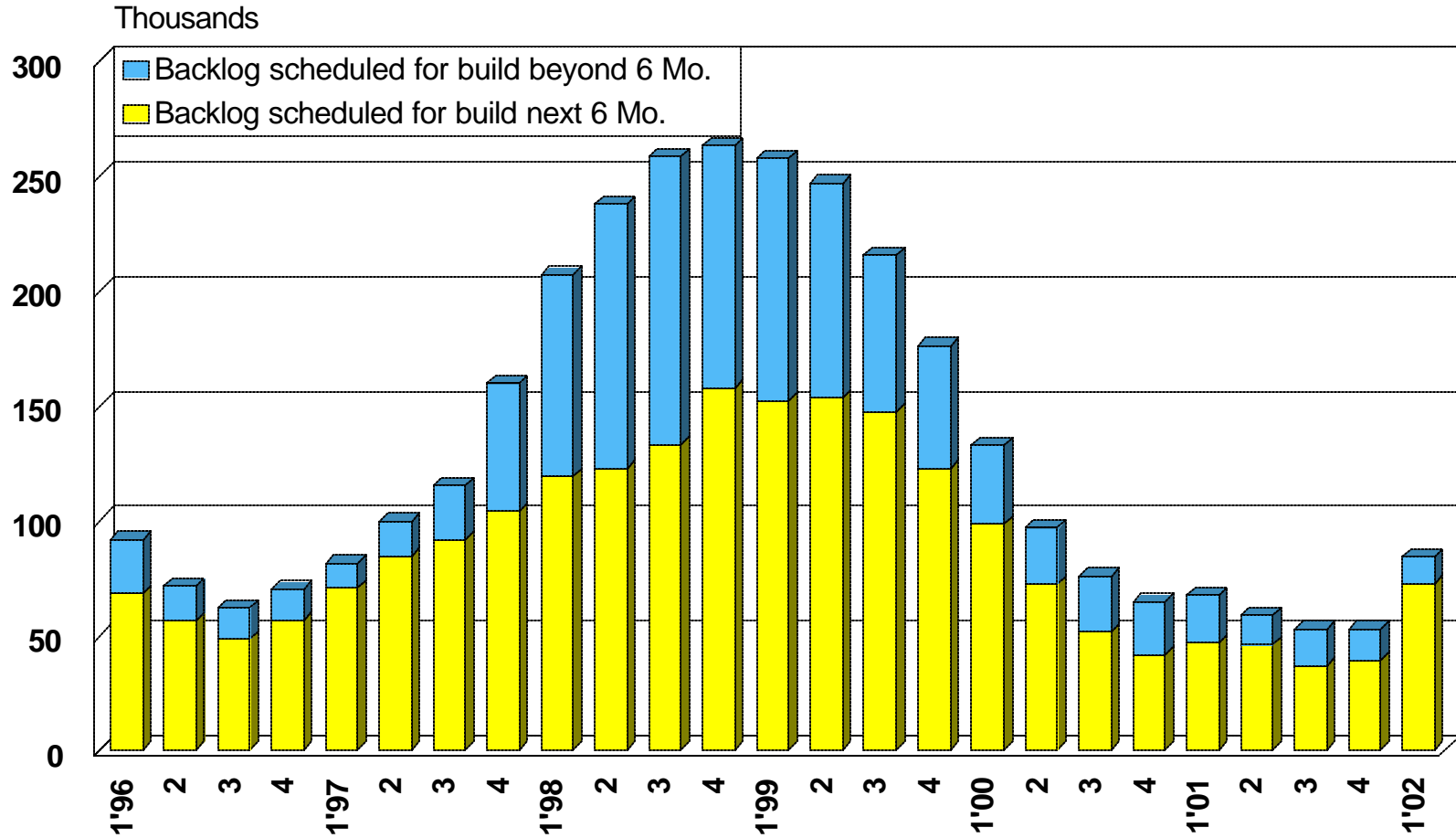
New NA Class Vehicles: A Leading Economic Indicator?

TOTAL CLASS 8 NET ORDERS & BUILD - 6 Mo. Avg.

January '96 - March '02 (Not Seasonally Adjusted)

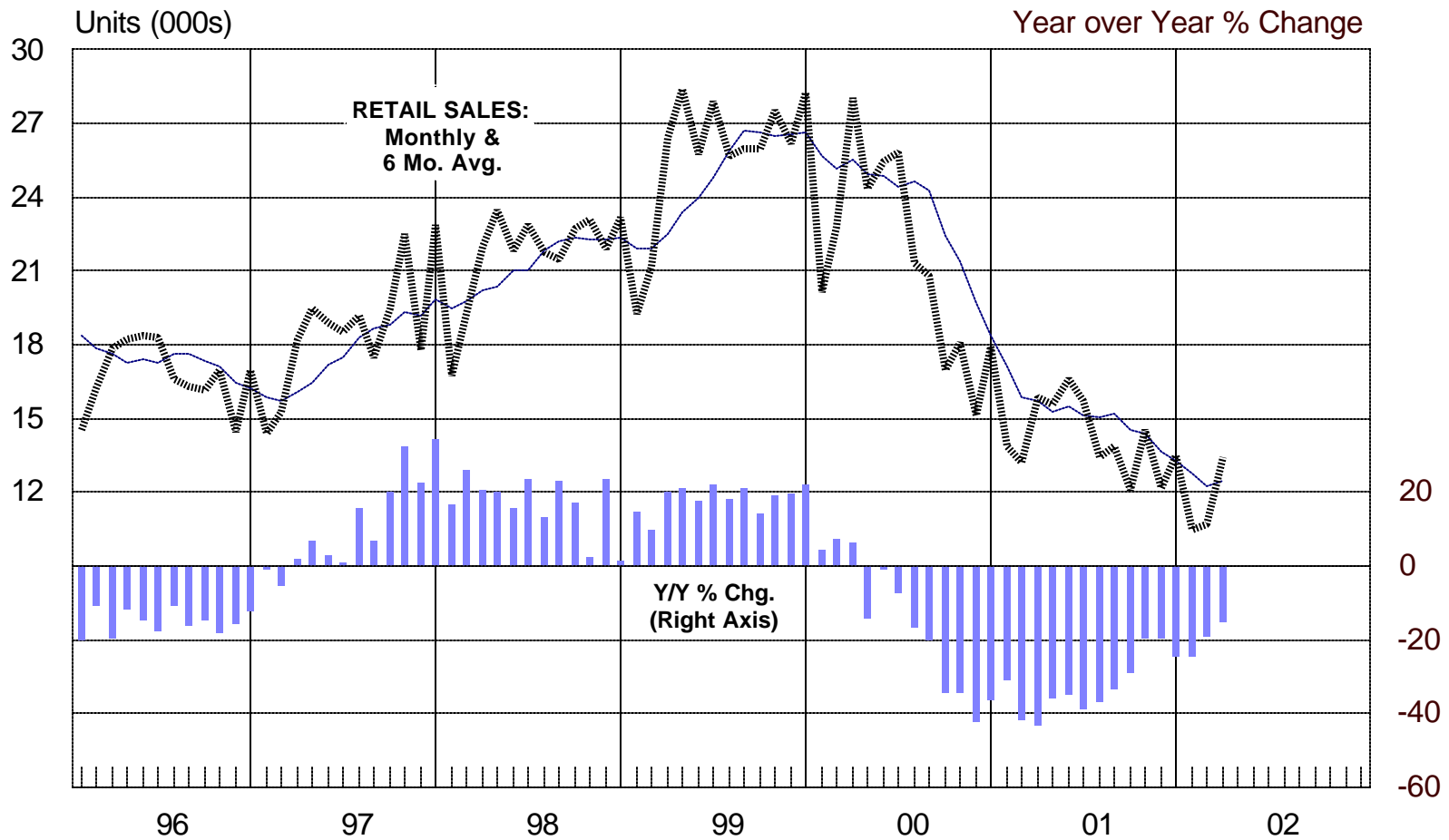


Class 8 Backlog Analysis: Backlog Timing to Build



TOT. CL. 8 RETAIL SALES: YEAR OVER YEAR PERCENT CHANGE

January '96 - March '02 (Not Seasonally Adjusted)



Class 8 Performance Comparisons

	Mar 02 vs. Feb 02	Mar 02 vs. Mar 01	Q1 02 vs. Q1 01	Current 12 vs. Previous 12
Backlog	22%	25%	N/A	N/A
Build	9%	-6%	-10%	-32%
Inventory	-2%	-43%	N/A	N/A
Net Orders	41%	164%	70%	9%
Retail Sales	25%	-16%	-20%	-29%

A Question of Demand – NA Class 8

Thousands of units Annualized, Not SA

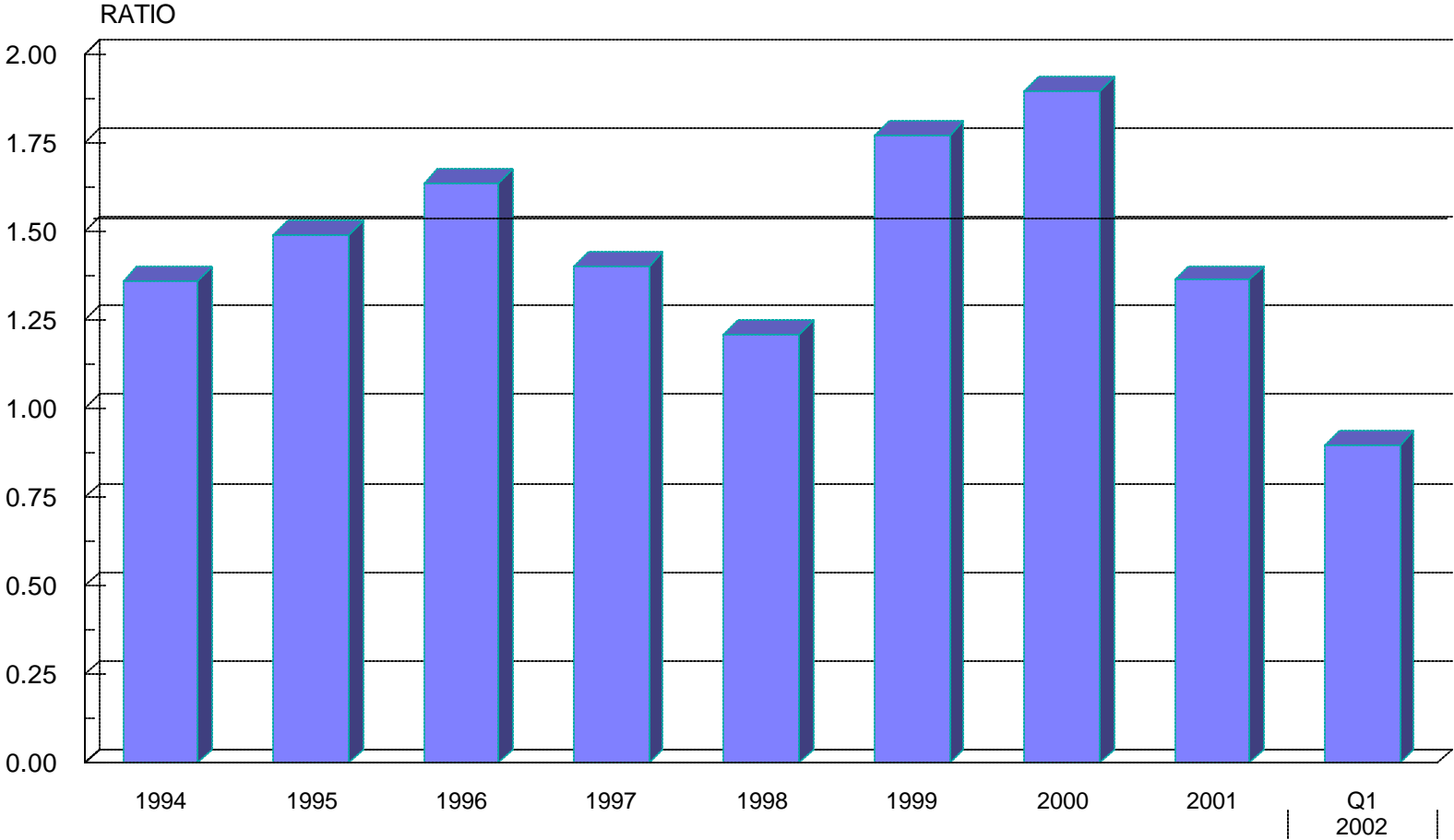
March Ending	New Orders (A.R.)	Net Orders (A.R.)	Build (A.R.)	Retail Sales (A.R.)
Past 12 Mo.	180.9	158.2	142.0	161.3
Past 6 Mo.	223.4	196.6	138.4	149.5
Past 3 Mo.	288.2	260.6	139.7	138.3
Past 3 SAAR	283.9	254.6	137.4	150.7
Apr '02 Prelim		27.3		

The Class 8 Market Is Up, But For How Long?

- Net orders at three year high
 - Net orders up 164% year over year in March 2002
- Backlogs at highest level since July 2000
 - Climb 25% from March 2001 to March 2002
- Build lags significantly behind orders
- Retail sales down 16% year over year, but still absorbing inventory

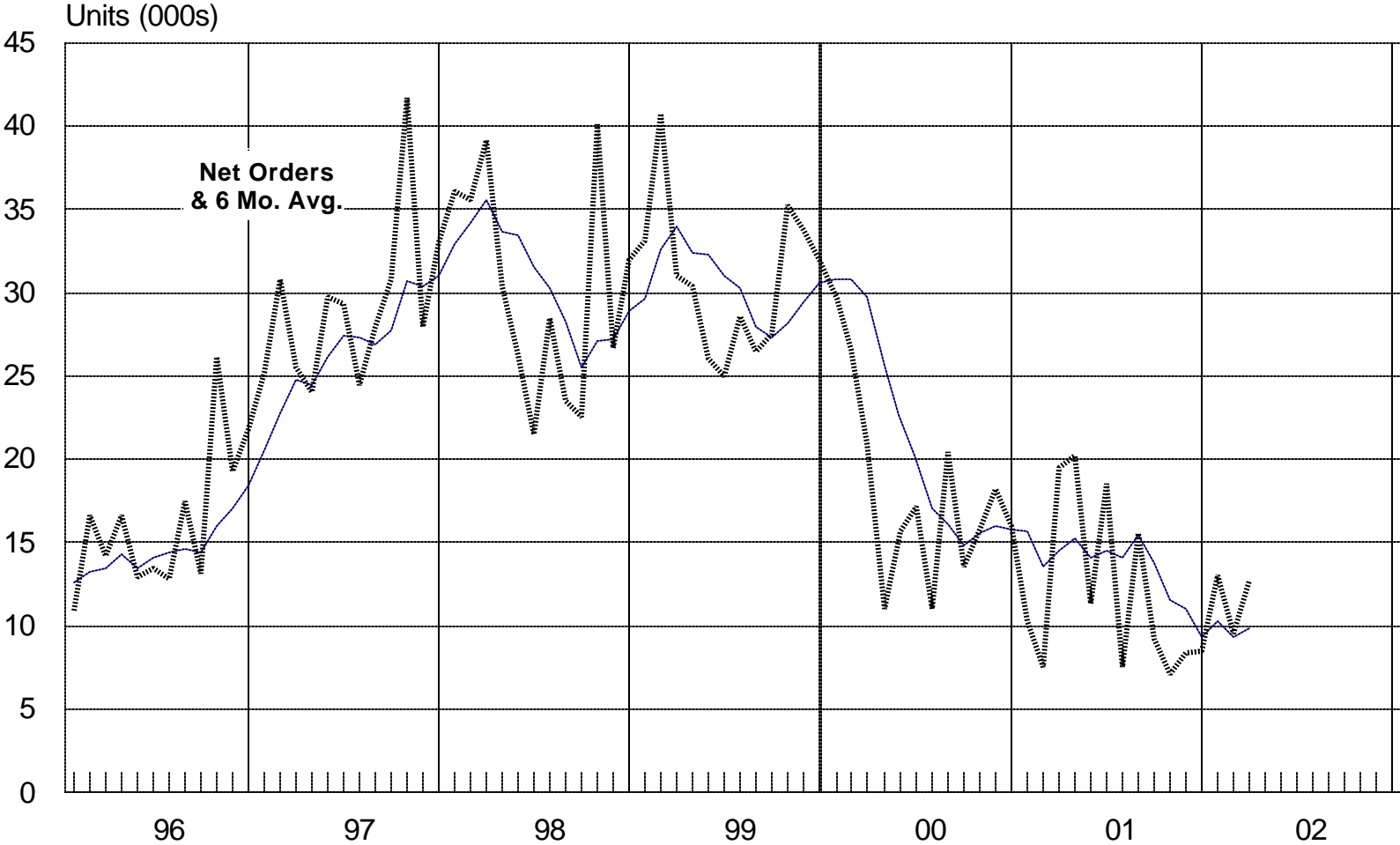
US Trailer Industry: The Other Half of Freight Movement

U.S. TRAILERS & CHASSIS and U.S. CL.8 HDD TRUCKS
Net Order Ratio
January '94 - Q1 '02



TRAILER INDUSTRY NET ORDERS

January '96 - March '02



A Question of Demand – US Trailers

Thousands of units
Annualized, Not SA

<u>March Ending</u>	Industry New Orders (A.R.)	Trailer Only Net Orders (A.R.)	Trailer Only Build (A.R.)
Past 12 Mo.	157.9	117.0	124.5
Past 6 Mo.	134.5	108.7	100.8
Past 3 Mo.	154.6	132.0	88.3
Past 3 SAAR	168.9	139.7	87.2

Trailer Summary

- Q1'02 new trailer orders are 12% below Q1'01
- Q1'02 trailer-only factory shipments are down 44% from Q1'01
- Q1'02 trailer-only build has dropped 45% from Q1'01 due to extremely weak demand
- Class 8 trucks will lead trailers in this recovery

Medium Duty Commercial Vehicles: Three Markets

CLASSES 5-7: Three Markets in One

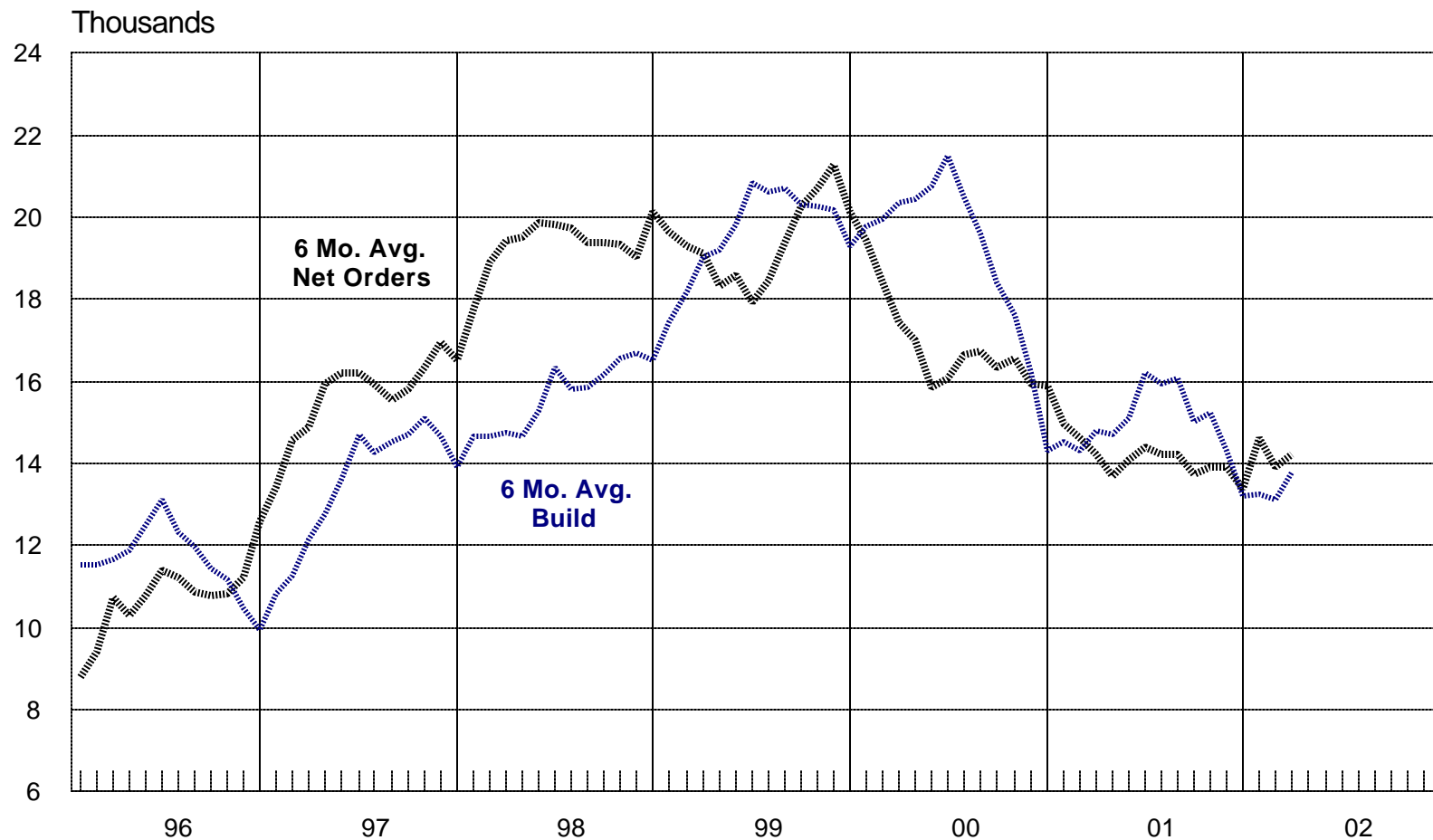
- Trucks: Multiple Vocations
 - Consumer spending, rather than manufacturing, drives demand
 - Housing starts, consumer durables

- School/Urban Buses
 - Demographics
 - Tax receipts

- Recreational Vehicles
 - Demographics
 - Wealth

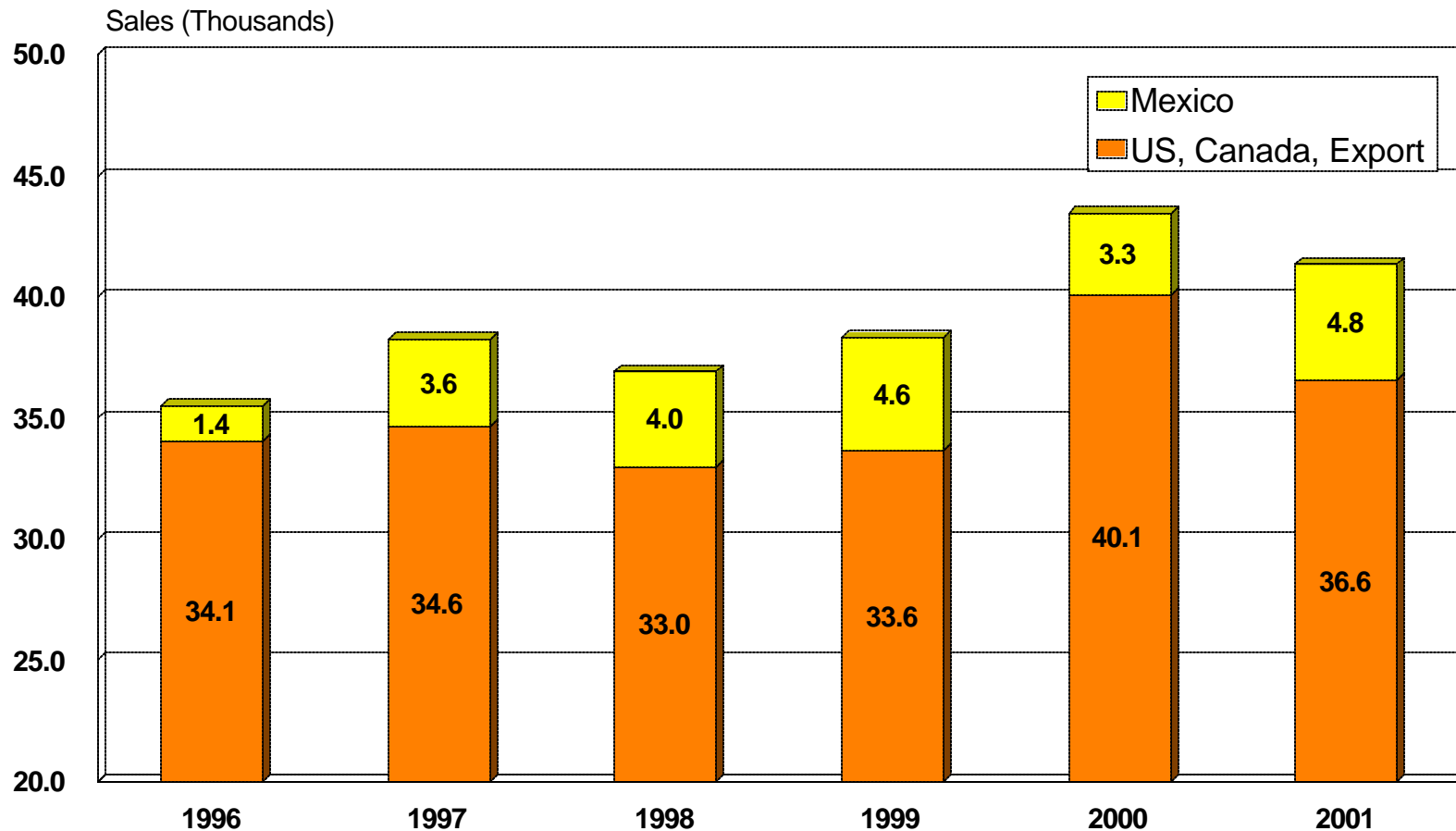
TOTAL CL. 5-7: NET ORDERS & BUILD - 6 MO. AVG.

January '96 - March '02 (Not Seasonally Adjusted)



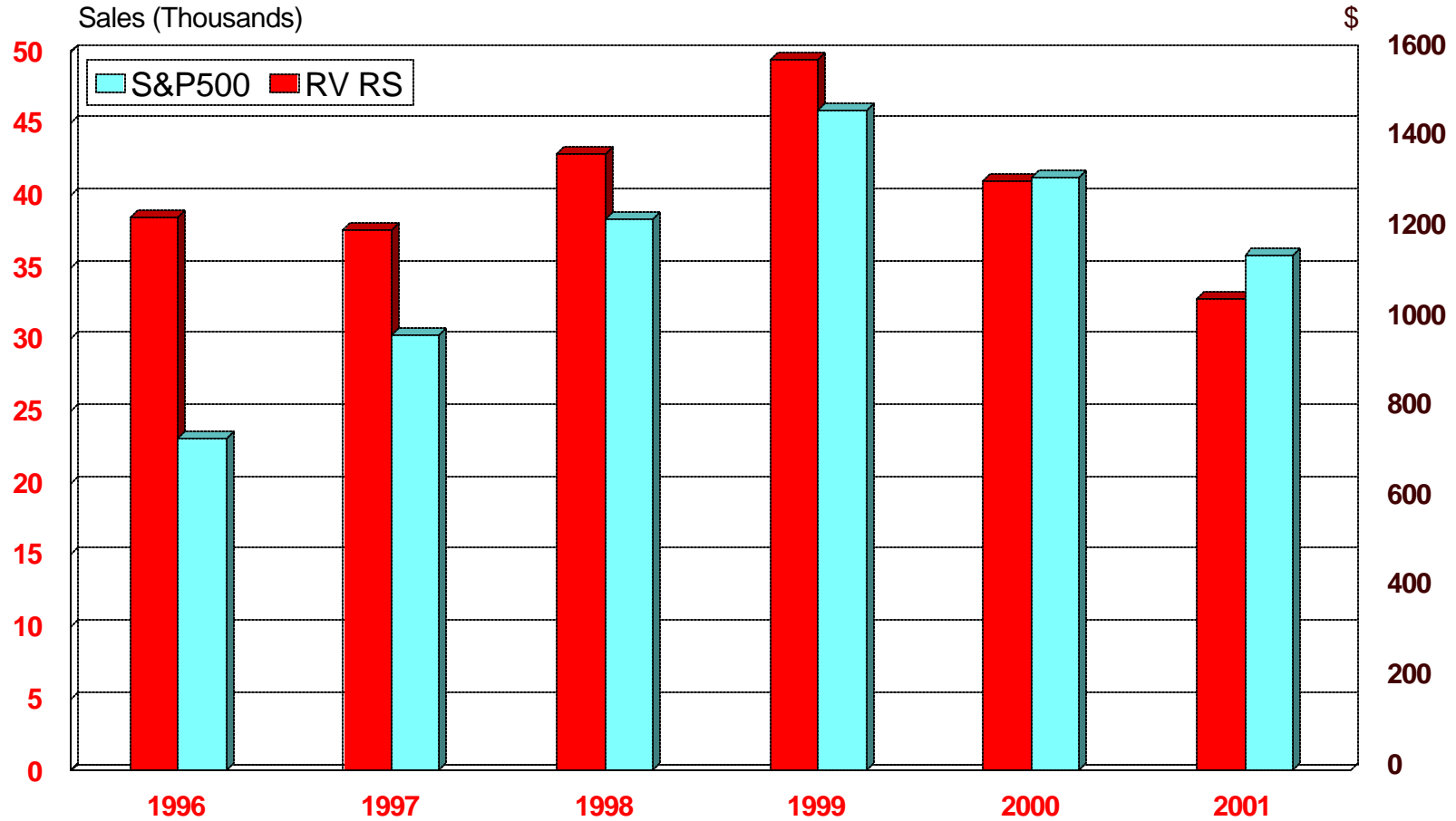
NA School/Urban Bus Retail Sales

January '96 - December '01



Wealth & Class A RV Sales

1996 - 2001



Classes 5-7 Summary

- Improved truck demand requires healthy consumers and consumption
 - Lower interest rates may help recovery as economy turns
- Demographics suggest that school/urban bus demand will moderate this decade. Mexico a plus.
- Long-term, outlook for RVs is favorable
 - S&P 500 at \$1,500 before highs of 1999 are repeated

Looking Forward – Vehicle Sales and Build Forecasts

Looking Forward

- 2002 is going to be a long year
 - See very few positives for Class 8 truck demand in next twelve months – EPA changes need to be absorbed.
 - Historically, low interest rates favor medium trucks. Some Cl. 8 OEMs are offering 0% financing.
- Speed of recovery for Cl. 8 commercial vehicles will largely be determined by economics/freight. Timing will be 2nd half of 2003.

NA CV INDUSTRY FORECAST: ACTP Outlook, March 2001

	2000 (A)	2001 (A)	2002 (F)	2003 (F)
CI 8 RS	256,778	170,414	151,300	199,300
CI 8 BU	252,006	145,978	156,800	196,300

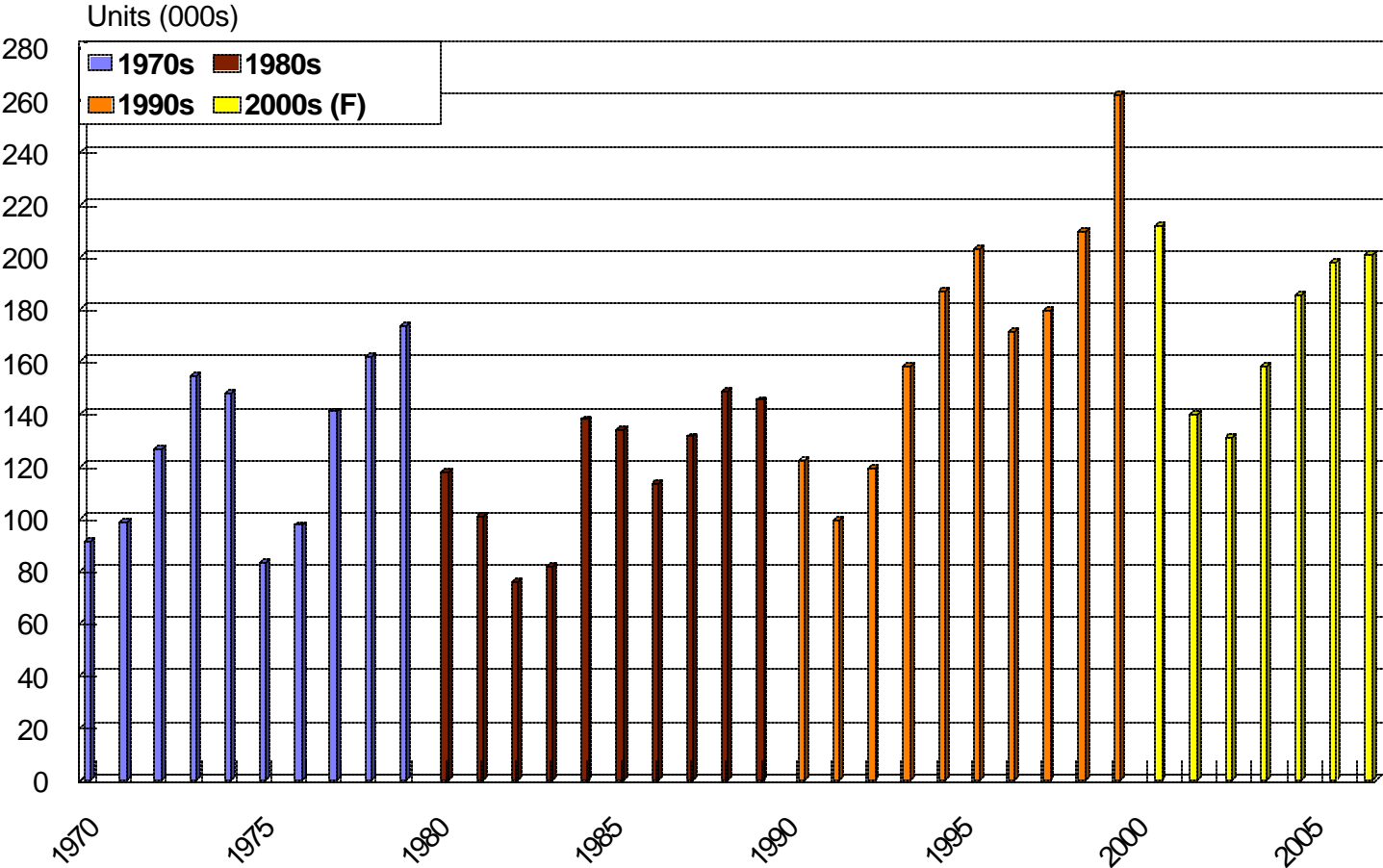
CI 5-7 RS	233,414	199,399	187,800	219,300
CI 5-7 BU	214,908	176,487	187,700	212,600

US Trlr FS	324,743	173,959	128,200	206,600
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Will History Repeat Itself?

U.S. CLASS 8 RETAIL SALES

by Year by Decade:1970-2006f



**AMERICAS COMMERCIAL TRANSPORTATION RESEARCH CO., LLC (ACTR)
Monthly Data & Forecast Services**

ACTR

**Publication
Schedule**

STATE OF THE INDUSTRY (SOI) REPORTS

I. NORTH AMERICAN CLASSES 5-8 VEHICLES

Monthly

- Flash E-MAIL/Web Access to Market Indicators
- Complete report with industry OEM build plan
- **I.A. NA CL. 5-8 VEHICLES by COUNTRY:** U.S. Canada, Mexico, Export

16th – 18th
18th – 20th
18th – 20th

II. N.A. OEM CLASSES 5-8 BUILD & RETAIL SALES *

Monthly

- Flash E-MAIL/Web Access to Market Indicators
 - Complete report
- To subscribe to report # II, you must also subscribe to report #I and/or #IV.

16th – 18th
18th – 20th

III. U.S. TRAILERS

Monthly

- Flash E-MAIL/Web Access to Market Indicators
- Complete report with industry OEM build plan

17th – 22nd
19th – 24th

ACT PUBLICATIONS (ACTR and F.T.R. - Joint Effort)

IV. COMMERCIAL TRUCK BUS & TRAILER INDUSTRY OUTLOOK

Monthly

- Flash E-MAIL/Web Access to seasonally adjusted Market Indicators,
- Complete N.A. Report (U.S. Canada, Mexico, Export) with specific country detail
- OUTLOOK SEMINARS: Private for OUTLOOK subscribers

30th
7th – 10th
Next Month
May 21st – 23rd, 02
Oct 15th – 17th, 02

V. U.S. STCC FREIGHT FORECASTS BY MODE

Quarterly

- Ten STCC reports published quarterly for major modes (rail, water/pipeline, & commercial vehicles) with CVs further divided into 4 categories: Cl. 5-7 MD, Cl. 8 straight trucks, tractor/trailers, and total Class 8 trucks.

Mid-month Jan.,
Apr., July & Oct.

ACTR and LMC AUTOMOTIVE – Joint Effort

VI. GLOBAL COMMERCIAL VEHICLE FORECAST

Quarterly

Quarterly reports covering top 28 countries of world with major OEM and regional summaries

Mid-month March
June. Sept. & Dec.



11545 North Marr Road
Columbus, IN 47203
Phone: (812) 379-2085
Fax: (812) 378-5997
Email: trucks@actresearch.net

**Visit our Web site at:
www.actresearch.net**