In Rust We Trust:
Commercial Vehicle Demand Drivers and Forecast Update

Kenny Vieth
ACT RESEARCH Co., LLC

Federal Reserve Bank of Chicago
Automotive Outlook Symposium
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Overview

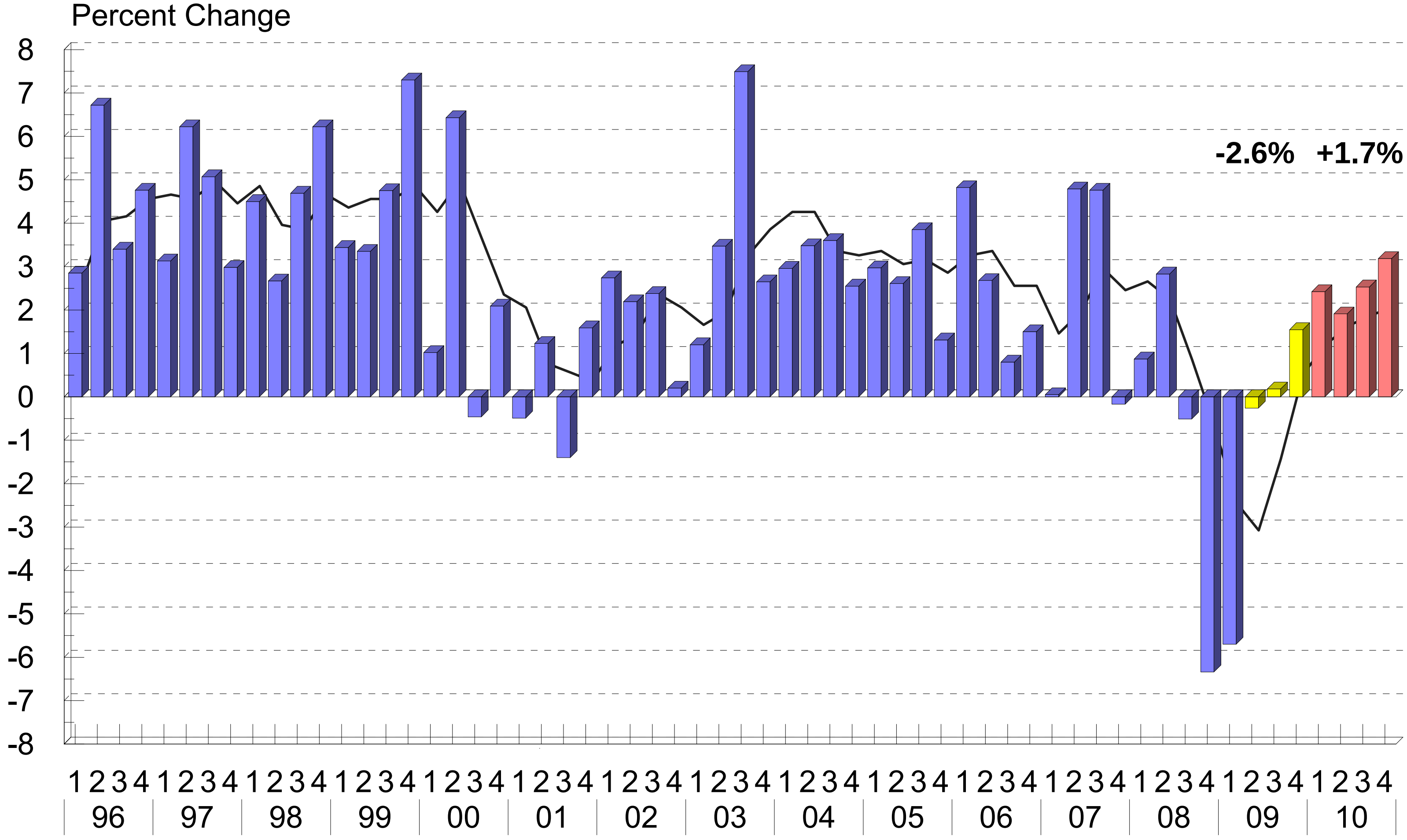
- Underlying Economics
- Population Metrics
- External Influences
- Current Market Conditions
- Forecasts
- Questions & Answers

The Economy & CVs

- You buy Class 8 trucks & tractor trailers to haul freight
- The economy generates the freight that needs to be hauled
- Medium-duty trucks are purchased for second derivative/service level business activities

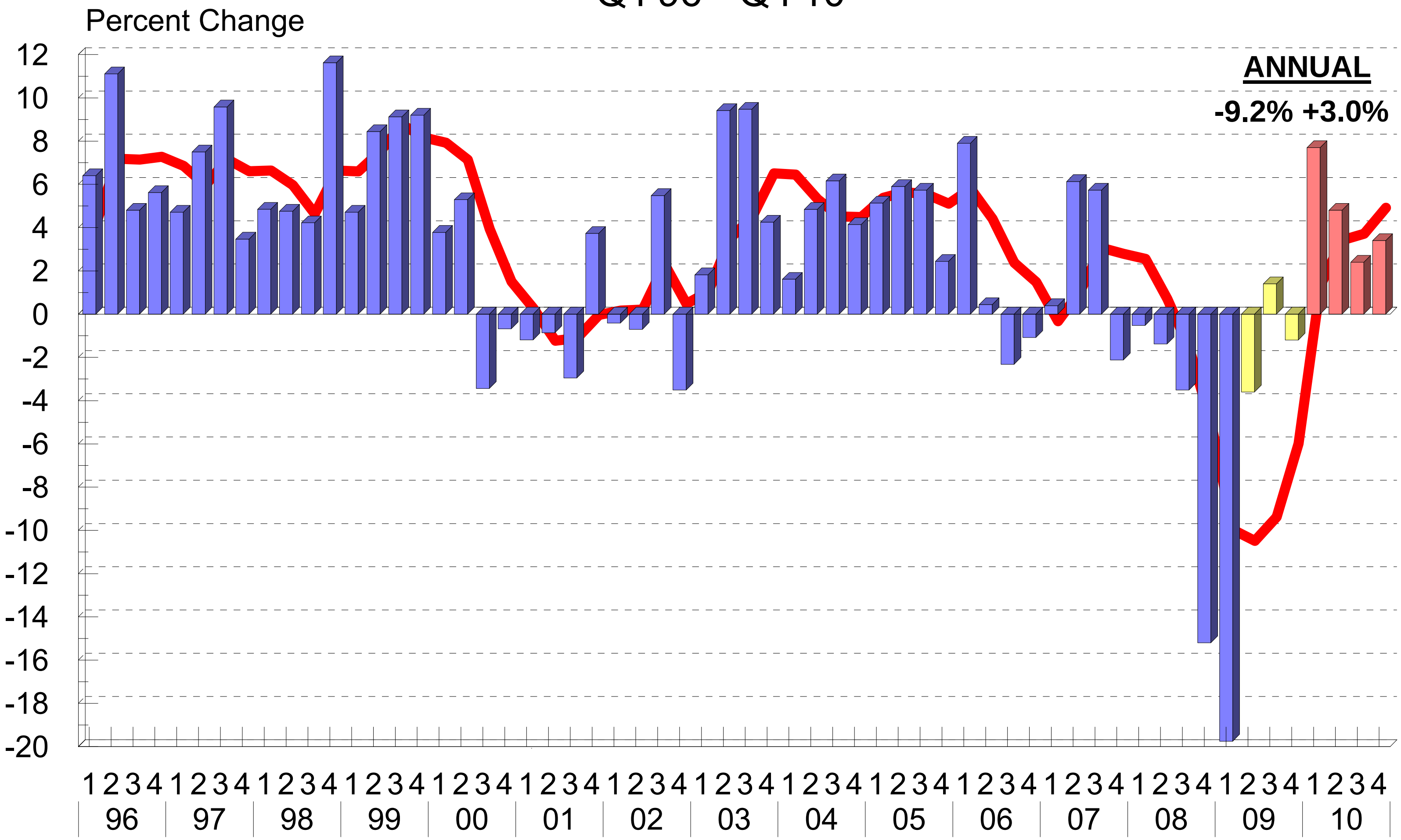
Real Gross Domestic Product

Q/Q at SAAR
Q1'96 - Q4'10



ACT U.S. Freight Composite

Q/Q at SAAR, Y/Y
Q1'96 - Q4'10

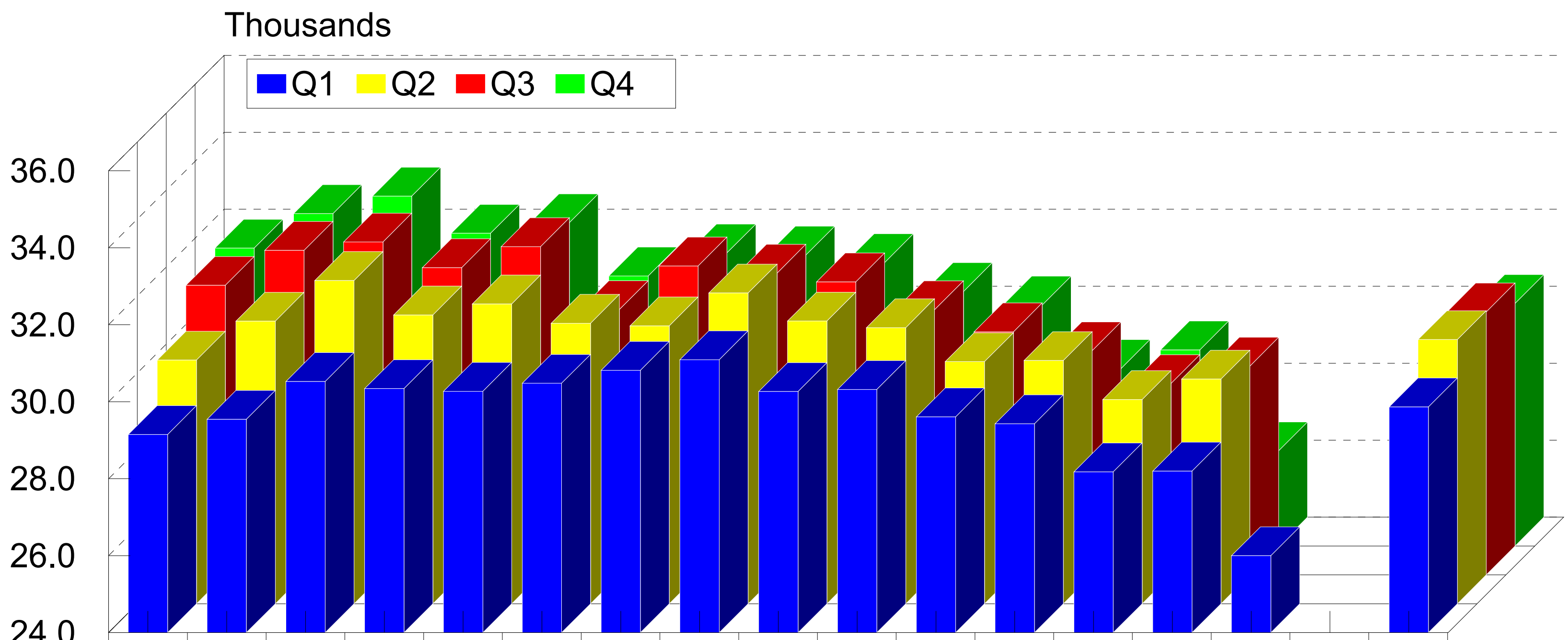


Class 8 Market Dynamics

- Economic contraction extends period of overcapacity
  - Y/Y Q4: 6% less freight in 2009 = 6% too many trucks
  - Below replace sales, used truck exports narrow capacity overhang
- Fleet demographics suggest a strong replacement cycle is a healthy economy away
  - Fleet age to rise to record high in 2010
- Synchronized global economic downturn slows used truck exports, but exodus continues
  - NAFTA rule change allows exports to Mexico starting in ’09. But …

TL Carrier Database:
Average Miles Per Tractor

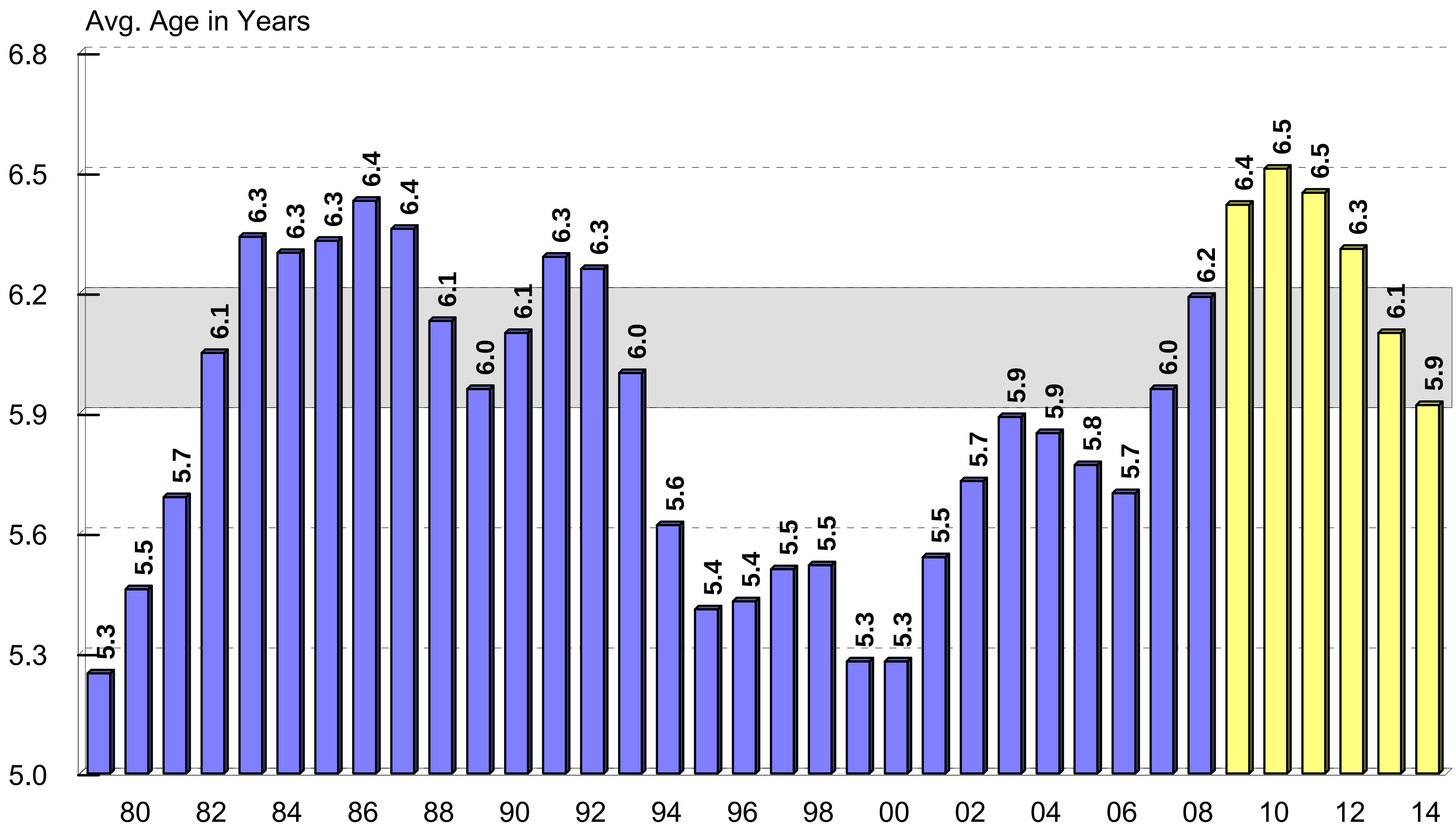
Q1'95 - Estimated Q1 '09



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009		10 Year Avg
Q1	29.1	29.5	30.5	30.3	30.3	30.5	30.8	31.1	30.3	30.3	29.6	29.4	28.2	28.2	26.0		29.9
Q2	30.3	31.3	32.4	31.5	31.8	31.3	31.2	32.1	31.3	31.2	30.3	30.3	29.3	29.8			30.9
Q3	31.5	32.4	32.7	32.0	32.5	30.9	32.0	31.8	31.6	30.9	30.3	29.8	29.0	29.4			30.8
Q4	31.7	32.6	33.1	32.1	32.4	31.0	31.6	31.6	31.4	30.6	30.3	28.6	29.1	26.5			30.3

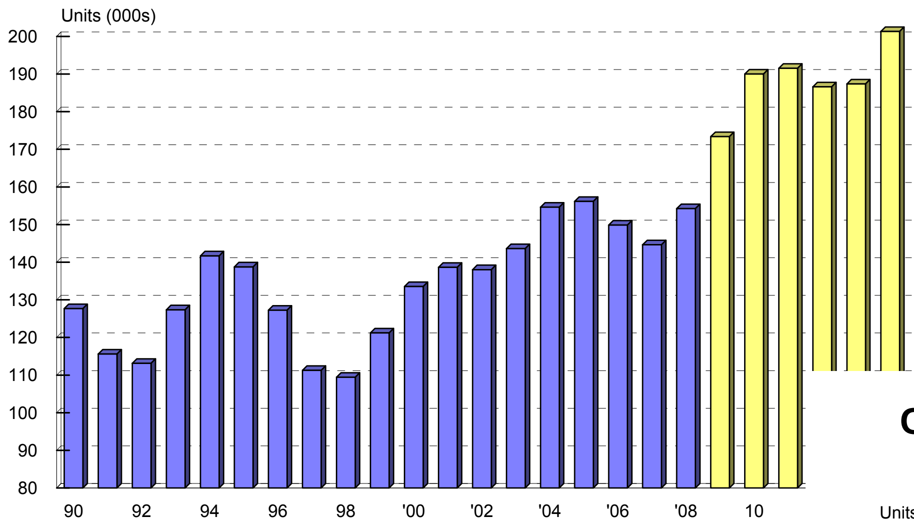
AVERAGE AGE:
U.S. Class 8 Active Population

1979 - 2014



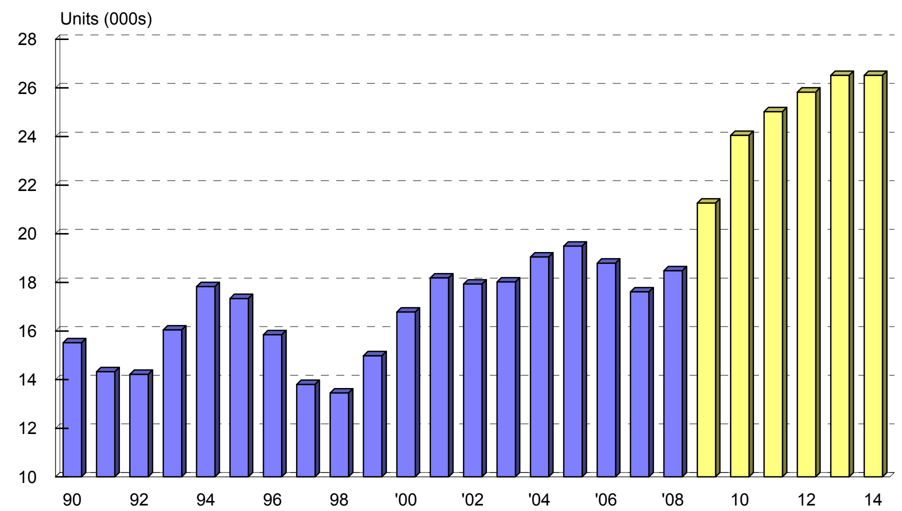
U.S. Cl. 8 ACTIVE STOCK SCRAPPAGE

1990 - 2014



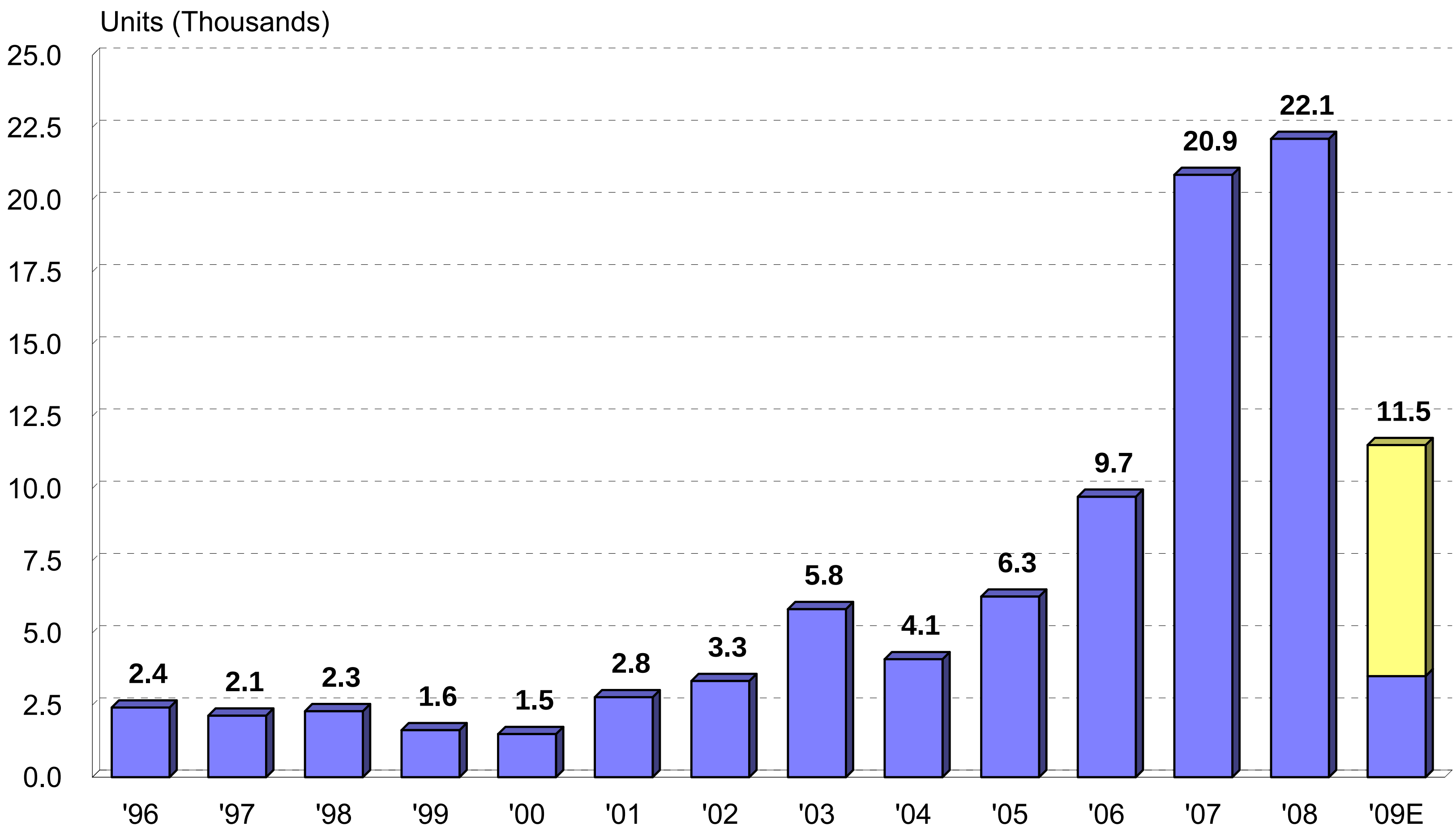
CANADA Cl. 8 ACTIVE STOCK SCRAPPAGE

1990 - 2013



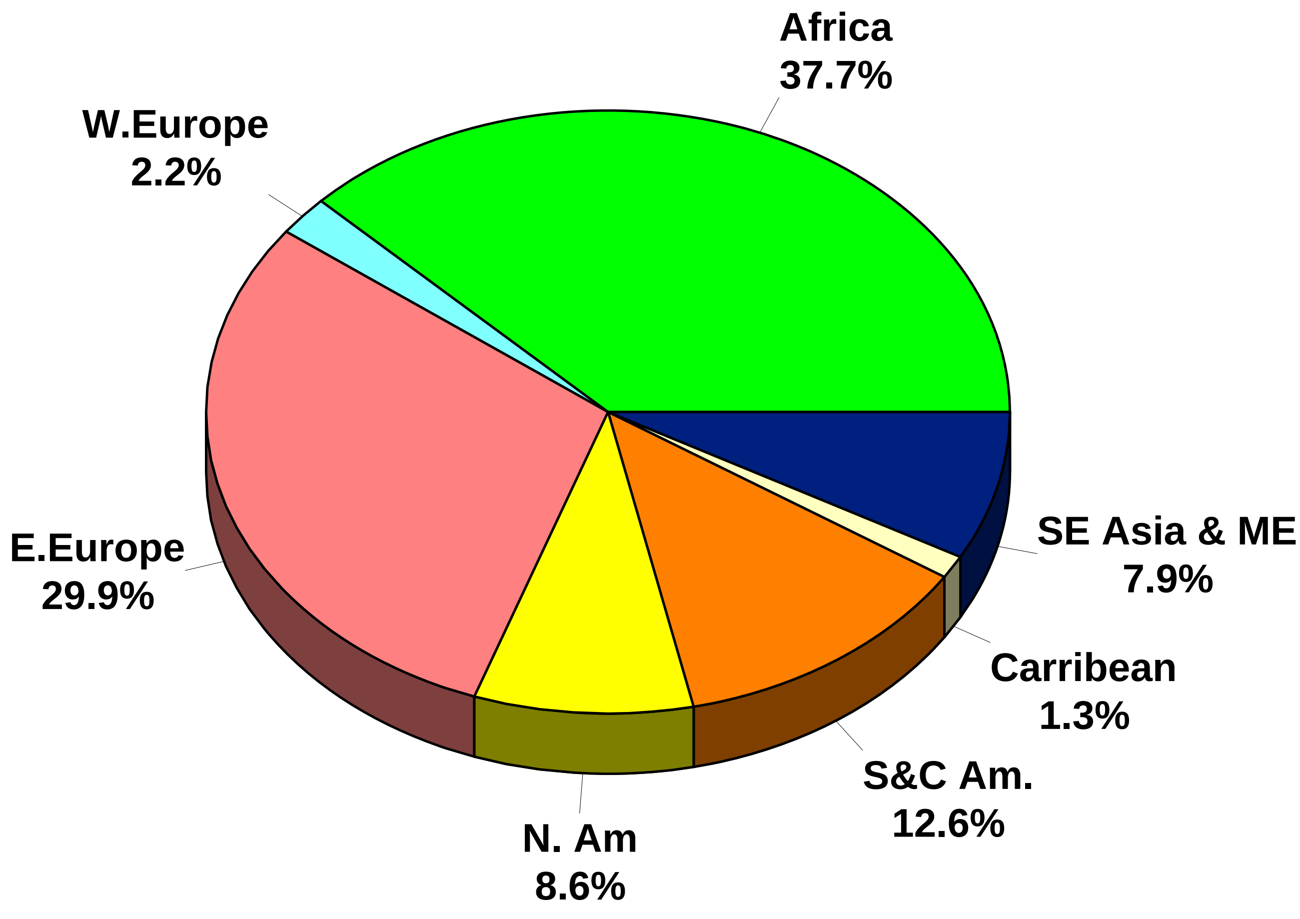
Used Class 8 Exports

1996 - March 2009, 2009 Estimated



Used Class 8 Exports 2008

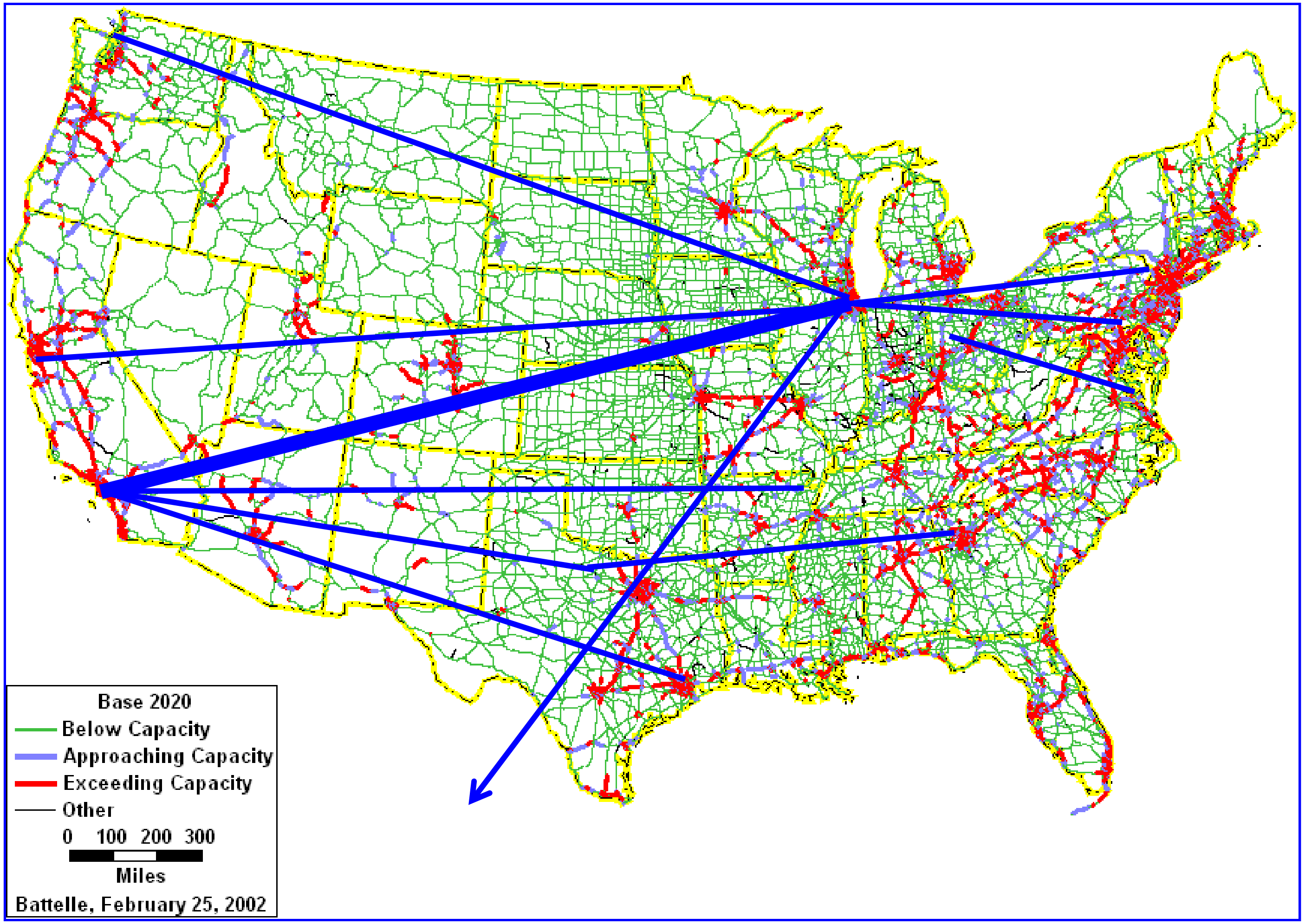
Geographic Distribution of 22,100 Road Tractor Exports



Tightening the Supply Chain

- Higher fuel prices in 2008 make shippers reexamine supply chains and shipping costs
  - Packaging revolution:
    - Square milk, flat balls, wringing out the water
    - The flip side of the Amazon-ization of consumer spending
  - Sourcing closer to home
  - Producing closer to end markets/assembly facilities
  - Willingness to slow system velocity
    - Consider shift to intermodal

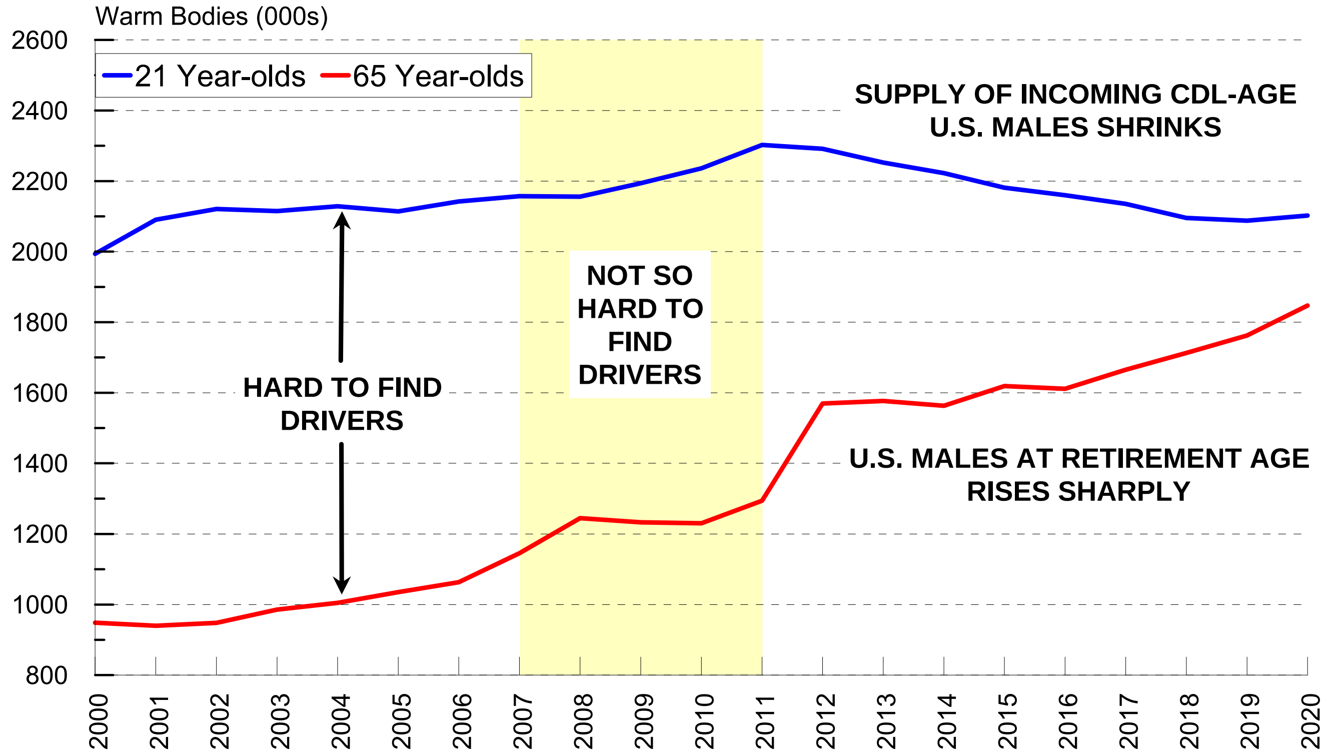
Trucking & Intermodal



Driver Pool Will Get Shallower

DRIVER SUPPLY: U.S. MALES
Potential Hirees & Impending Retirees

2000-2020



Source: U.S. Census Bureau, ACT Research Co., LLC: Copyright 2009

Class 8 Market Direction

- Class 8 Market Indicators
  - Orders: Credit squeeze, freight freeze, choke-off demand
    - » September - December: 10k
    - » Jan. - April: 8k
  - Backlog: Smaller than it looks
    - » BL at 46k in March – first increase in 13 months
    - » BL/BU at 4.6 months/97 days
  - Build: Down weeks, not down days
    - » Big holes remain in near-term build plan
  - Retail Sales: Seasonal rise in March, but at low level
    - » In highly spec'd market, sales follow where build leads
  - Inventory: Lowest since December 2004
    - » IN/RS ratio remains elevated

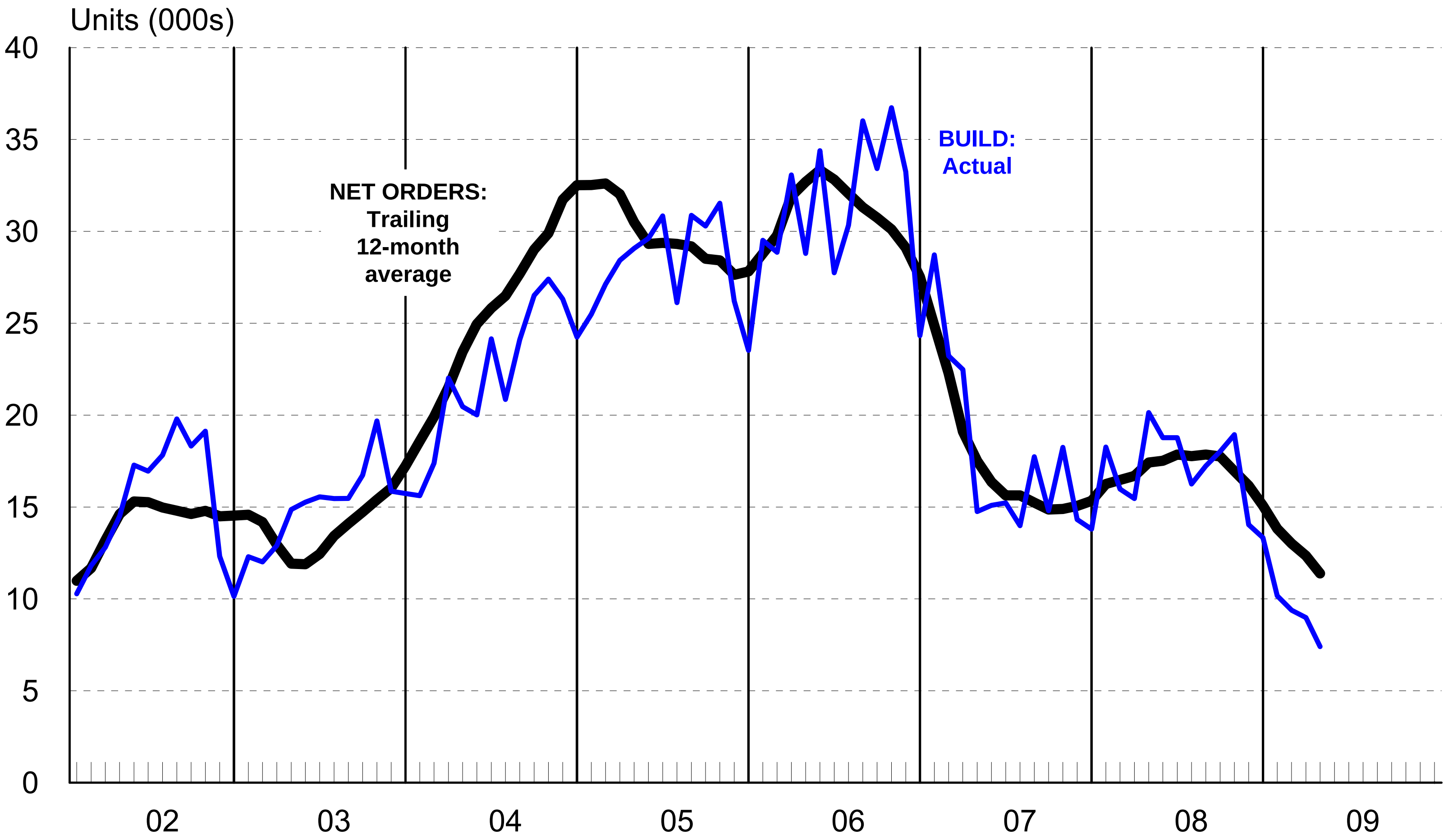
Class 8 Order Distribution

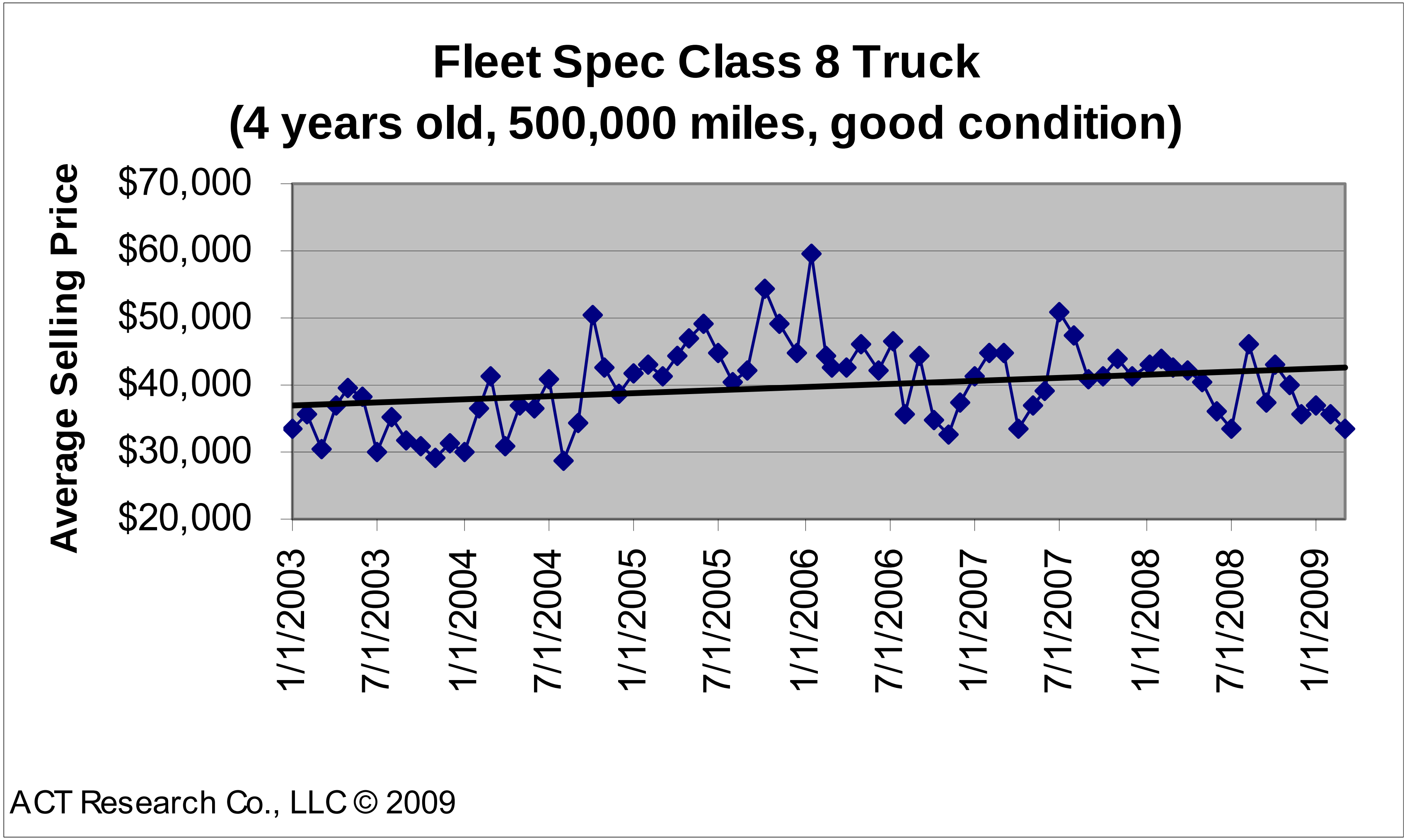
(Data through April 2009, annualized)

Class 8 Orders	U.S. (000s)	Canada (000s)	Mexico (000s)	Exports (000s)	Total (000s)
Past 12 Mo.	103.7	13.3	8.8	10.9	**136.7**
Past 6 Mo.	89.4	6.2	3.9	3.0	**102.6**
Past 3 Mo.	77.6	8.1	4.0	3.2	**92.9**
April	79.2	12.1	2.3	0.3	**93.8**
April SAAR	--	--	--	--	**96.6**

TOTAL CLASS 8 NA:
NET ORDERS (Trailing 12 Months) & BUILD

January '02 - April '09 (Not Seasonally Adjusted)




Fleet Spec Class 8 Truck
(4 years old, 500,000 miles, good condition)
Average Selling Price
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
1/1/2003
7/1/2003
1/1/2004
7/1/2004
1/1/2005
7/1/2005
1/1/2006
7/1/2006
1/1/2007
7/1/2007
1/1/2008
7/1/2008
1/1/2009
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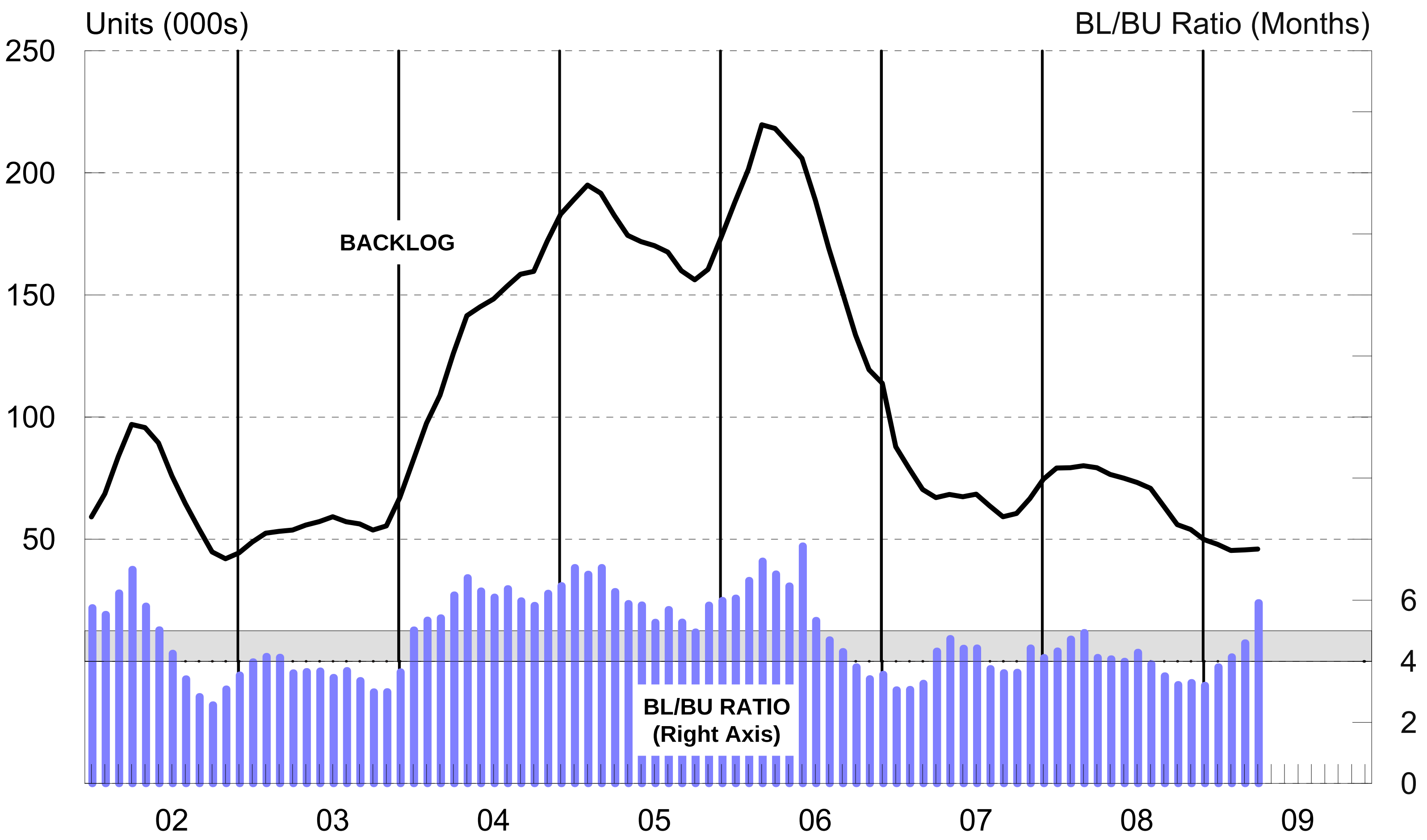
TOTAL CLASS 8: N.A. BACKLOG & BL/BU RATIO

January '02 - April '09 (Not Seasonally Adjusted)

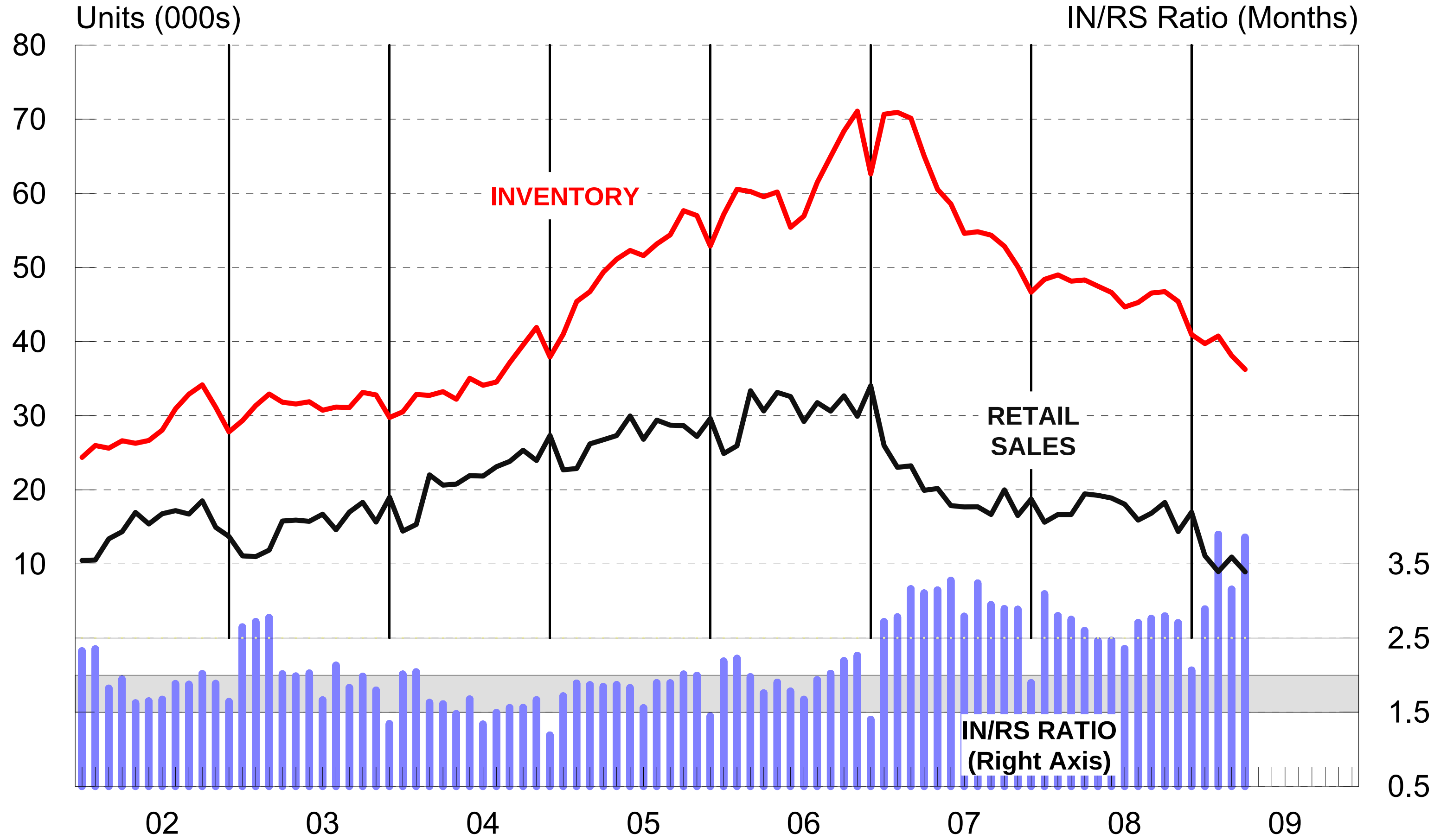


Build Timing of Units in Backlog: as of April 30, 2009

CLASS 8	Actual: YTD Mar.	Q2'09 Apr.-Jun.	Q3'09 Jul.-Sep.	Q4'09 Oct.-Dec.	Beyond	TOTAL
BACKLOG DISTRIBUTION	--	**12,765**	**13,421**	**16,824**	**2,957**	**45,967**
. Mix by scheduled build date	--	27.8%	29.2%	36.6%	6.4%	
Class 8 Actual/Forecast	35,945	**18,051**	28,000	**35,500**	--	**117,496**
. Open build slots	--	**5,286**	**14,579**	**18,676**	--	**38,541**
. % Open	--	29.3%	52.1%	52.6%	--	

TOTAL CLASS 8: N.A. INVENTORY/RETAIL SALES RATIO

January '02 - April '09 (Not Seasonally Adjusted)



Medium Duty: Three Major Markets

- Trucks/Step Vans (70% ▲)
  - Distribution 70%
  - Construction 18%
  - Refuse Truck 5%
  - Services Truck 5%
  - Fire/Emergency 2%
- Buses (15% ▲)
- Recreational Vehicles (15% ▼)

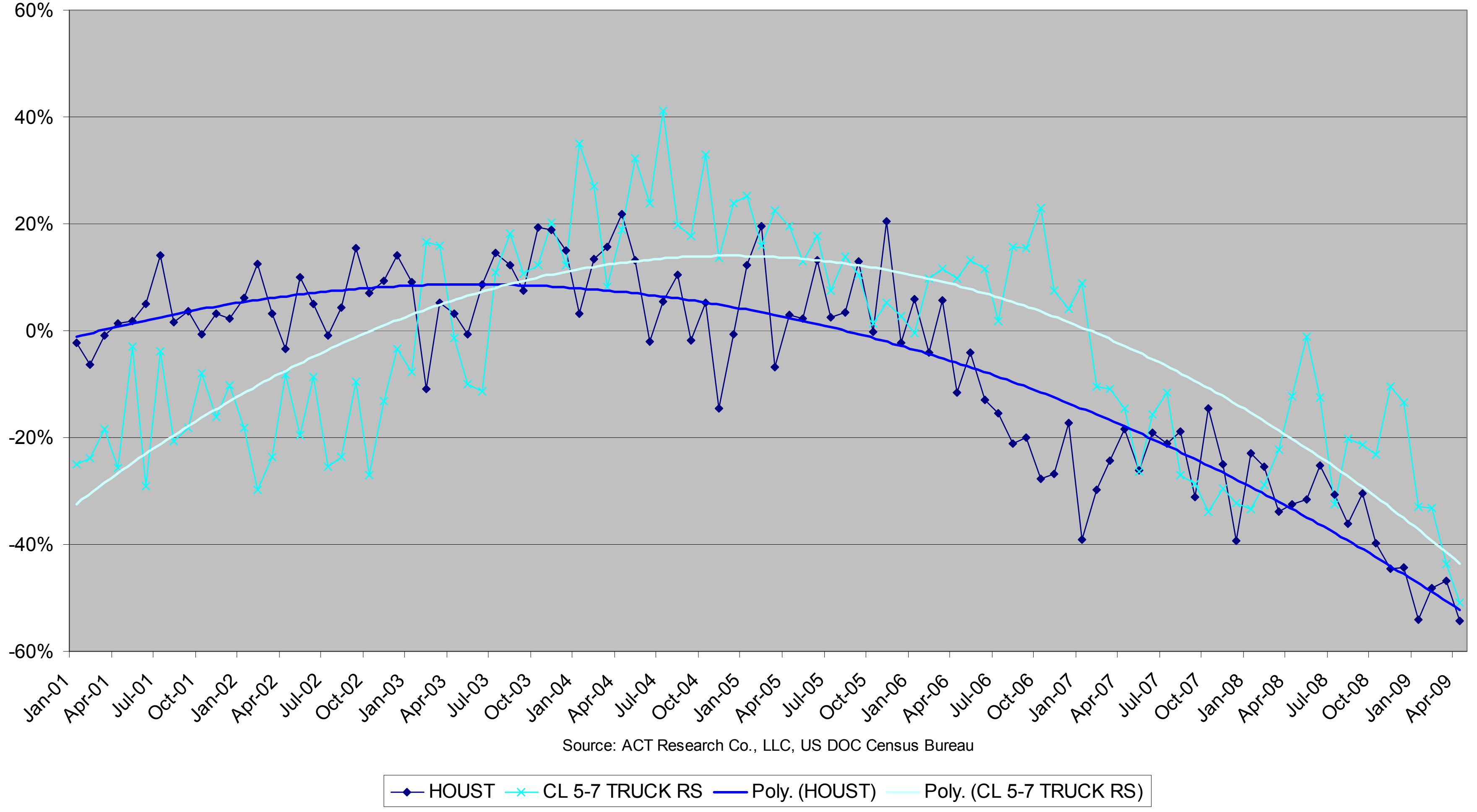
N.A. Classes 5-7 Order Distribution

(Data through April 2009, annualized)

Classes 5-7 Orders	Truck (000s)	Bus (000s)	RV (000s)	Total (000s)
Past 12 Mo.	67.0	29.2	3.0	**101.0**
Past 6 (AR)	53.7	27.8	0.8	**82.9**
Past 3 (AR)	52.7	22.9	0.6	**77.5**
April (AR)	43.8	21.1	2.0	**67.2**

Housing Starts vs. Cl 5-7 Truck Sales

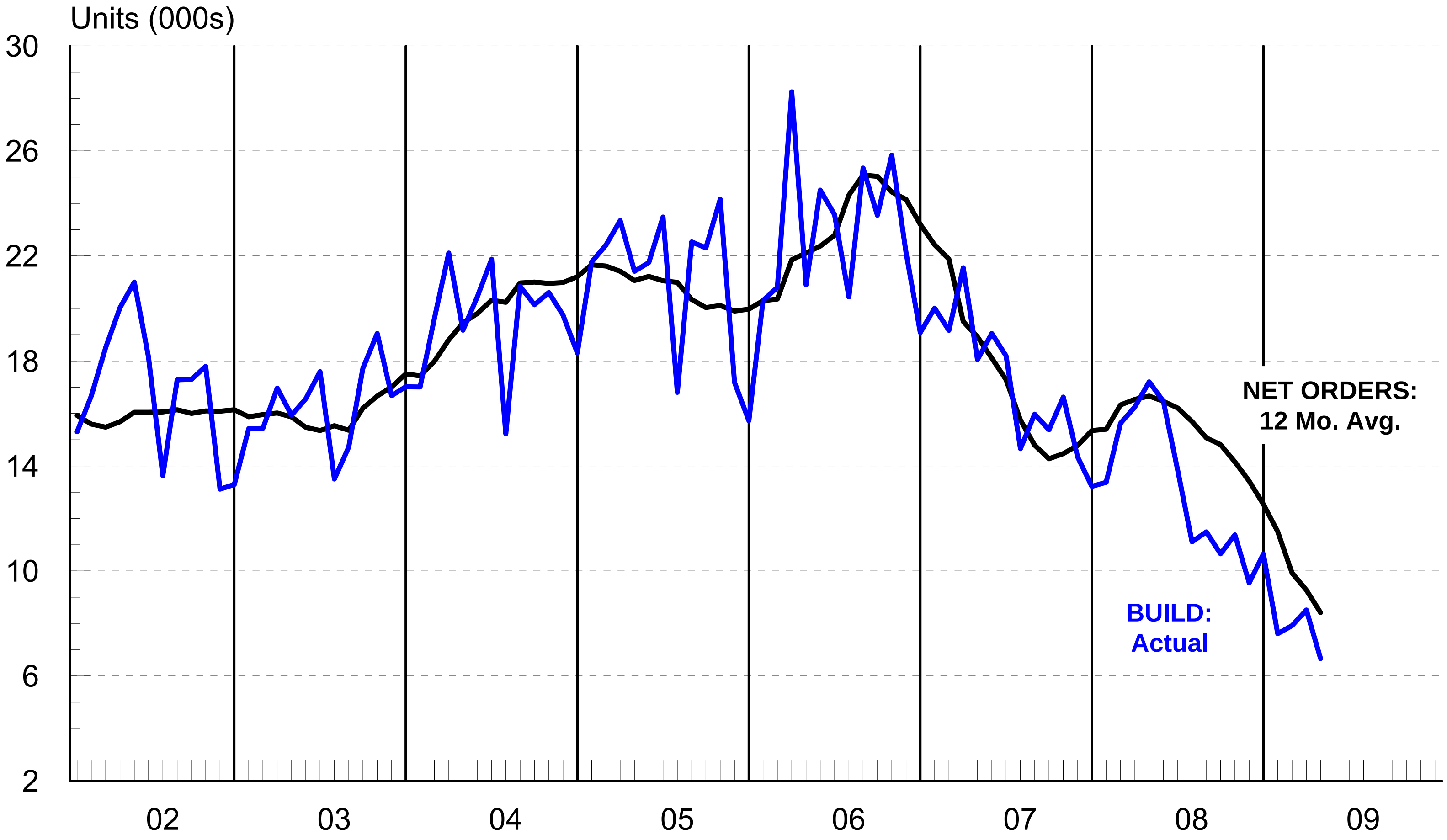
Y/Y % Change of SAAR



Source: ACT Research Co., LLC, US DOC Census Bureau

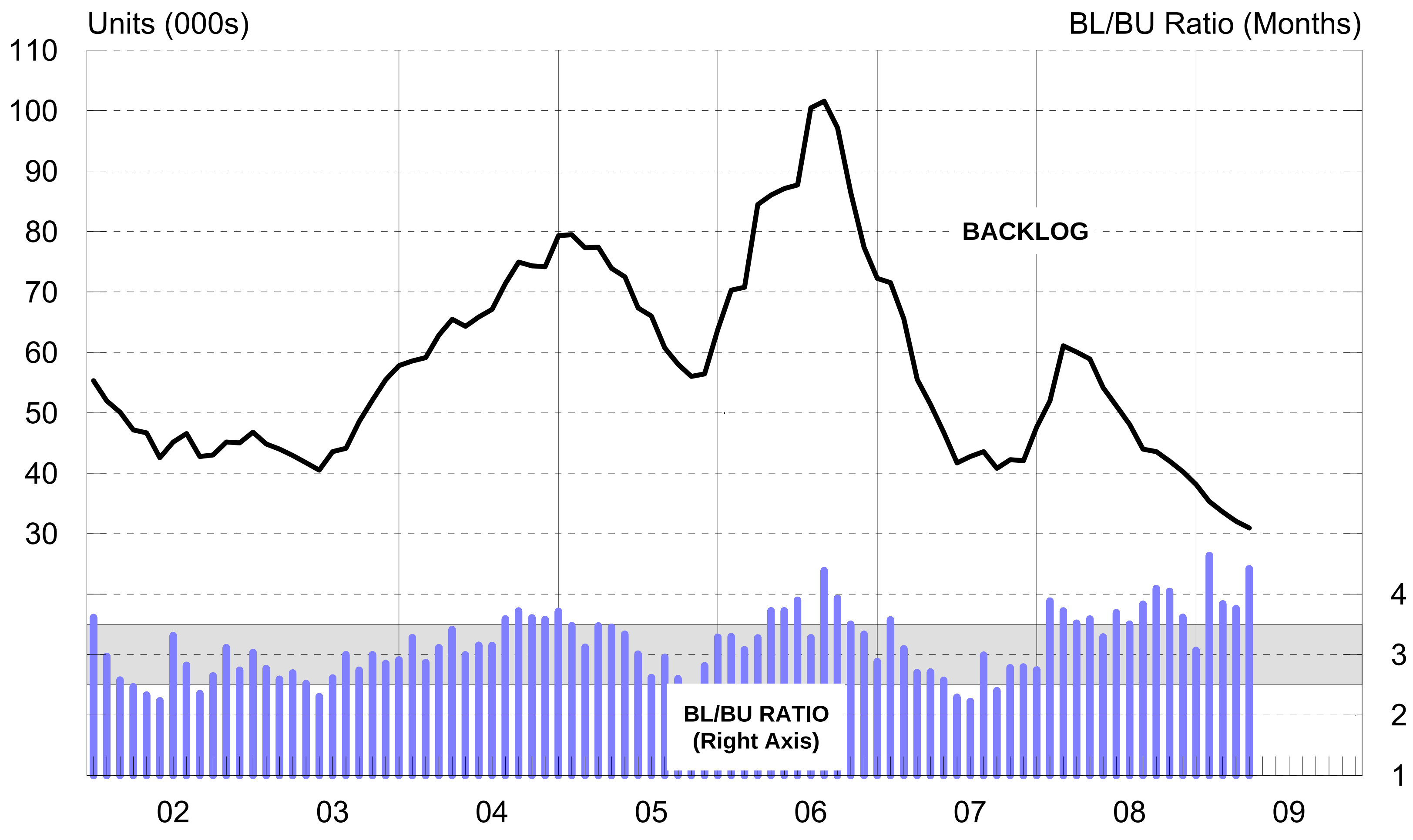
TOTAL CLASSES 5-7:
N.A. NET ORDERS (Trailing 12 mo.) & BUILD (Actual)

January '02 - April '09 (Not Seasonally Adjusted)



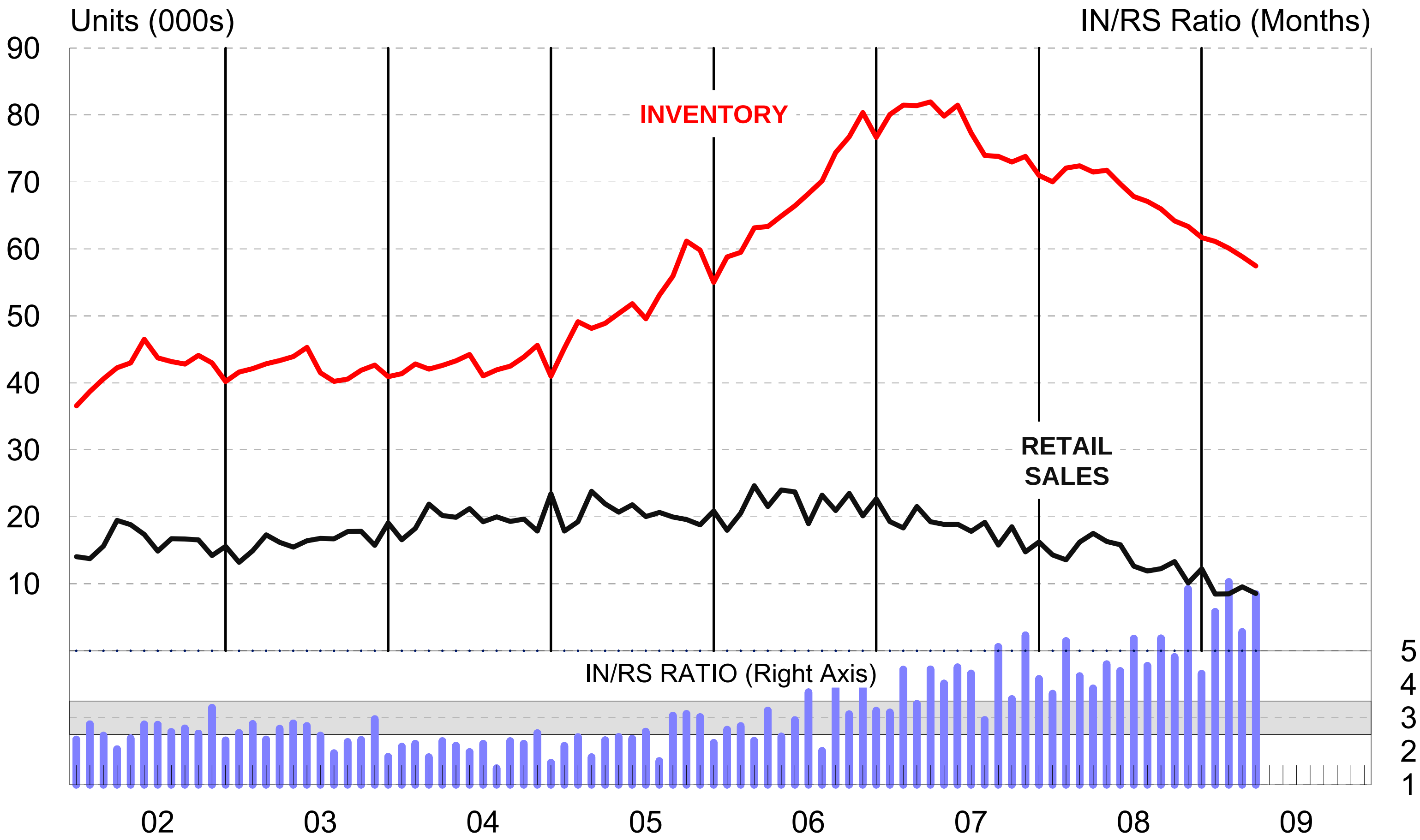
TOTAL CL. 5-7: N.A. BACKLOG & BL/BU RATIO

January '02 - April '09 (Not Seasonally Adjusted)



TOTAL CLASSES 5-7: N.A. INVENTORY/RETAIL SALES RATIO

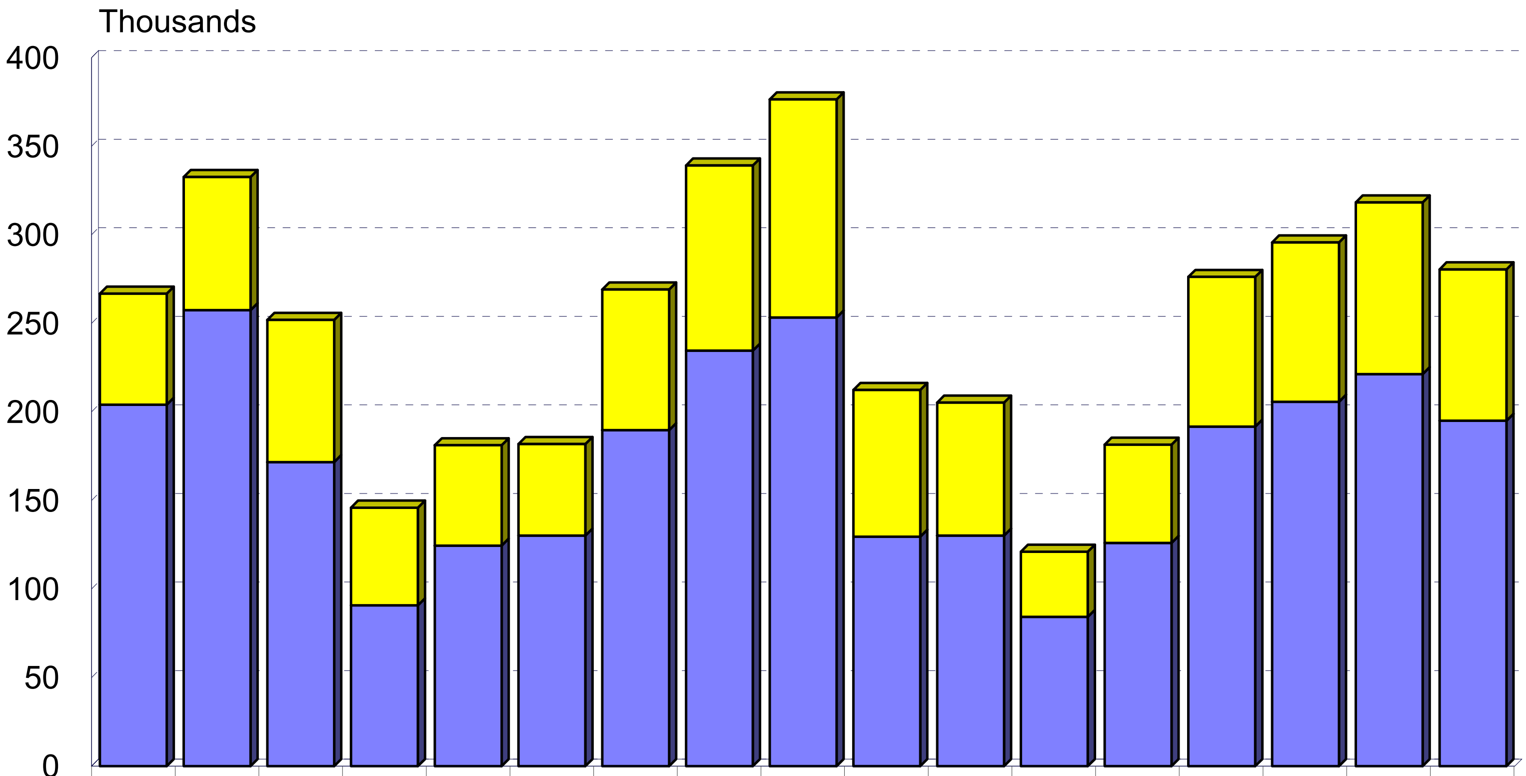
January '02 - April '09 (Not Seasonally Adjusted)



Class 8 Summary

- Primary question for CV demand recovery:
  - How long will deleveraging process continue?
    - Economic growth will be constrained through forecast
- As economy stabilizes and trucker confidence improves, U.S. Class 8 demand should be strong
  - If there is freight to haul, trucks are needed to haul the freight
  - EPA 2010 expected to cause drag through 1H'10
    - By the end of 2010, fleet age will be at record levels
    - Replacement cycle will drive significant demand
  - Potential remains for modest Class 8 demand pickup ahead of EPA2010
    - Lack of freight & confidence will keep any up-tick modest

N.A. Class 8 Production
2002-2014



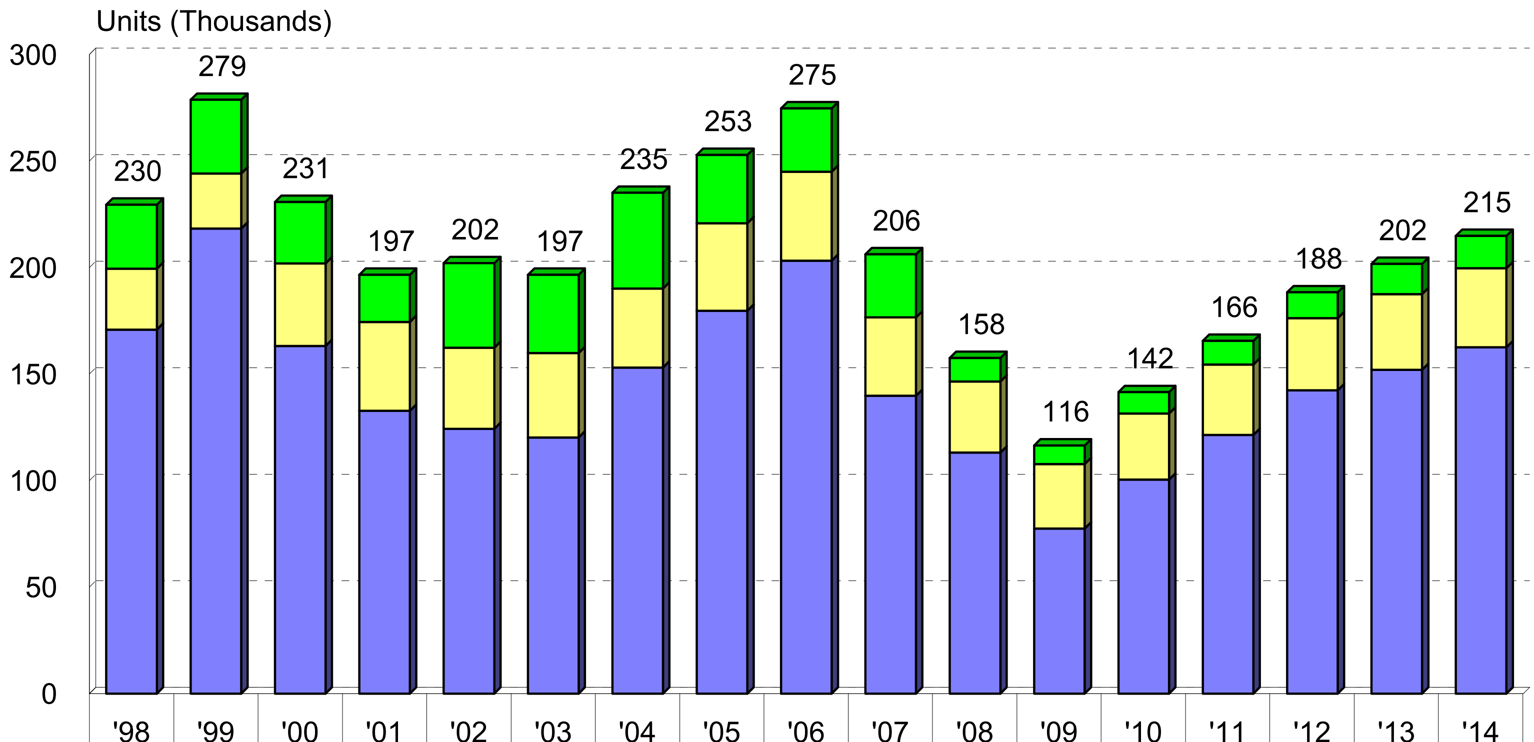
	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14
Total C8	**267**	**333**	**252**	**146**	**181**	**182**	**269**	**339**	**376**	**212**	**205**	**121**	**182**	**276**	**296**	318	280
Trucks/Rigids	63	75	80	55	57	52	79	104	123	83	75	37	56	84	90	97	85
Tractors/Artics	204	257	172	91	125	130	190	235	253	130	130	84	126	192	206	221	195

MD Demand Summary

- Recovery from EPA2007 pre-build
- M&A potential
- It's tough out there:
  - Net orders may just be bottoming
  - Build at historically weak levels
  - Housing's "collateral damage" quashing MD truck demand
  - RV decline tantamount to disappearance
  - Buses slowing, further declines possible
- Velocity of growth for medium duty market is determined by the pace of economic growth

Total Classes 5-7 N.A. Production

1998-2014



	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14
RVs	30	35	29	22	40	37	45	32	30	30	11	9	10	11	12	14	15
Buses	29	26	39	42	38	40	37	41	42	37	33	30	31	33	34	36	37
Trucks	171	218	163	133	124	120	153	180	203	140	113	78	100	121	142	152	163

ACT Research Company, LLC
11545 North Marr Road
Columbus, IN 47203

Phone: (812) 379-2085
Fax: (812) 378-5997
Email: trucks@actresearch.net
www.actresearch.net