In re: All Asbestos Litigation Filed by The Simmons Firm, Circuit Court, Third Judicial District, Madison Cty., IL; 8/28/03

September 8, 1983

TO: G.L. COTTER
Axle & Brake - Galesburg

FROM: T.W. O'BOYLE
Axle & Brake - Galesburg

SUBJECT: MARKETING DEPARTMENT MONTHLY REPORT - AUGUST 1983

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Eaton Corporation

Inter-Office Correspondence

Date	August 31, 1983
To	G.L. Cotter
Division & Plant	Axle & Brake - Galesburg
From	T.W. O'Boyle
Division & Plant	Axle & Brake - Galesburg
Copy to	See Distribution List
Subject	MARKETING DEPARTMENT MONTHLY REPORT - AUGUST 1983

EATON

I. GENERAL ECONOMY

Although the general economic outlook remains favorable, the recent growth in long term interest rates is beginning to have a measurable impact on the interest sensitive segments of the economy. While non-defense capital spending finally appears to be a participant in the recovery, the interest rate rise threatens to again truncate or delay the near term spending in this segment of the economy.

The general outlook is for level or slightly rising interest rates near term, with some easing by 1st quarter 1984. Consumer spending growth and growth in the money supply has slowed over their rapid 2nd quarter gains, and will hopefully settle down to sustainable levels, allowing the Fed's to slow its tightening of the money supply.

II. MARKET SITUATION

A. North American Truck Market - Medium Duty

The medium duty truck market continues to improve, albeit, slowly. July's U.S. Retail Sales of 10,542 units was the highest level this year, and the highest since July, 1982. North American Truck Factory Sales also continue to improve. June's sales of 12,006 units was the highest level this year, and the highest since last June. Although factory sales for the first half of 1983 posted a 21% decline over the first half of 1982, the market is increasing as opposed to declining as we move into the second half of the year. The market forecast of 120,000 units remains unchanged from last month.

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CLASS 5 - 7 TRUCK FACTORY SALES BY QUARTER

(In Thousands)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
1981-Actual					
Units	41.7	46.3	37.7	29.3	155.0
SAAR	172	171	151	125	
1982-Actual					
Units	32.8	38.2	24.0	23.8	118.8
SAAR	133	138	97	104	
1983-Forecast					
Units	24.5*	31.7*	31.7	32.1	120.0
SAAR	99	110	128	149	
1983-Profit Plan					
Units	27.9	31.7	31.7	30.7	122.0
SAAR	113	115	128	134	

*actual

B. North American Truck Market - Heavy Duty

The heavy duty truck market continues to show improvement. July retail sales of 6,258 units represents the healthiest month since the pre-buying phenomenon of March which was caused by the Surface Transportation Assistance Act of 1982. North American truck factory sales for June posted the highest increase since March, and the second highest since July of last year. Factory sales for the first half of 1983 declined 18% from the first half of 1982. However, like medium duty, the second half of 1983 was entered with a growing market as opposed to the 1982 market which was in a state of decline during the second half. The forecast for 1983 remains at 85,000 units.

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CLASS 8 TRUCK FACTORY SALES BY QUARTER

(In Thousands)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total
1981-Actual					
Units	32.0	35.3	29.9	28.1	125.3
SAAR	128	133	123	116	
1982-Actual					
Units	23.4	24.0	17.5	18.8	83.7
SAAR	93	91	71	79	
1983-Foredcast					
Units	19.1*	19.8*	22.4	23.7	85.0
SAAR	77	73	93	99	
1983-Profit Plan					
Units	17.6	19.9	20.3	23.2	81.0
SAAR	70	75	83	97	

*actual

C. Medium Duty Drive Axle Penetration

For the first half of 1983, penetration into the class 5-7 domestic market stands at 41.8%, which is above the profit plan target and 1982 actual level. In June 1983, a significant increase in 15 through 17 series two-speed shipments at GMC resulted in our improved position overall.

An analysis of the 1981-1983 TCM data base information indicates that the manufacturing, service, and wholesale sectors are utilizing two-speeds more in 1983. Leasing has also picked up slightly, but the for-hire, state and utilities appear to be shifting to single-speeds. The bulk of the TCM data is classified into the dealer category, where two-speed usage is running ahead of 1982 but still behind 1981. The sample sizes on the federal, construction, mining, forestry, and agriculture segments are too small to generate any solid conclusion.

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EATON CLASS 5-7 PENETRATION

	Y-T-D 1983	Y-T-D 1982	Y.E. 1982	P.P. 1983
Ford	60.1%	54.1%	45.9%	49.7%
GMC	43.1	35.5	40.0	38.6
IHC	24.7	19.2	25.5	27.9
Total	41.8%	36.1%	37.0%	38.8%

D. Heavy Duty Drive Axle Penetration

First-half 1983 penetration into the Class 8 vehicle market is holding a the 29% level, as displayed below. Our position at the West Coast OEM's remains strong, while the contrary can be said of the level at Mack asnd IHC, who combined, presently control 41% of the heavy duty market.

EATON CLASS 8 PENETRATION

	Y-T-D 1983	Y-T-D 1982	Y.E. 1982	P.P. 1983
Ford	69.9%	76.3%	66.5%	68.0%
Freightliner	34.5	29.6	30.0	26.5
GMC	48.6	32.8	32.1	35.6
IHC	13.8	20.2	18.2	19.5
Kenworth	36.6	37.2	33.8	37.5
Mack	.4	3.3	2.0	2.5
Peterbilt	34.1	36.9	33.9	37.5
Volvo White	33.0	40.4	33.7	30.0
Western Star	46.3	22.0	33.0	20.0
Total	29.3%	29.1%	26.9%	28.0%

E. Eaton Air Brake Penetrations

Air brake penetrations remain below profit plan but ahead of 1982 year end. Ford remains a bright spot, although recorded penetration levels have been lowered to reflect an increase in the assumed percentage of Ford medium trucks with air brakes.

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EATON DRIVE BRAKE PENETRATION

	Y-T-D 6 Mo. 1983	3 Mo. AVG. 4/83 - 6/83	Y.E. 1982	P.P. 1983
Ford	59.0%	57.0%	45.0%	34.0%
Freightliner	51.0	50.0	50.0	61.0
GMC	17.0	13.0	14.0	10.0
IHC	47.0	47.0	41.0	59.0
Kenworth	4.0	5.0	4.0	5.0
Mack	11.0	15.0	12.0	15.0
Peterbilt	91.0	87.0	86.0	90.0
Volvo White	5.0	7.0	62.0	10.0
Western Star	97.0	81.0		
Total	38.0%	38.0%	34.0%	42.0%

EATON STEER BRAKE PENETRATION

	Y-T-D 6 Mo. 1983	3 Mo. AVG. 4/83 - 6/83	Y.E. 1982	P.P.* 1983
Ford	0%	0%	0%	20.0%
Freightliner	22.0	22.0	15.0	35.0
GMC	0	0	0	0
IHC	44.0	38.0	9.0	50.0
Kenworth	0	0	0	0
Mack	8.0	16.0	3.0	40.0
Peterbilt	44.0	46.0	18.0	40.0
Volvo White	20.0	30.0	6.0	10.0
Western Star	19.0	25.0		
Total	20.0%	19.0%	5.0%	35.0%

*15 X 4 Penetration Only!

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F. Eaton On-Highway Steer Axle Penetration

Kenworth penetration levels show a recovery as the 12F4 units are introduced, and Peterbilt shows substantial strength.

EATON HIGHWAY STEER AXLE PENETRATION

	Y-T-D 6 Mo. 1983	3 Mo. AVG. 4/83 - 6/83	Y.E. 1982	P.P.* 1983
Peterbilt	33.0%	36.0%	26.0%	25.0%
Kenworth	26.0	25.0	19.0	18.0
Freightliner	10.0	15.0	8.0	5.0

G. General

Consolidation of Axle and Brake production pricing activities is continuing, with all quotes now coming out of Galesburg.

The strategic business plan has been completed and approved, although additional summaries for senior management may yet be required.

The Federal Government has indicated in several different forums that heavy vehicle braking system performance is again coming under governmental scrutiny. Specifically, NHTSA is studing the effects of increased steer axle braking, brake proportioning, and antilock again. BMCS is trying to determine how many brakes on a combination vehicle can be "safely" out of adjustment, and NHTSA plans research on automatic adjustment. Finally, the FHWA, as part of its study of longer combination vehicles under STAA1982, will include recommendations of braking standards and performance for these vehicles.

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III. OEM ACTIVITY

A. Ford Motor Company

1. Ford Product Planning

Meeting was held with Jim Culbertson, Ford Product Manager for Cargo Ram. Braseixos will be the supplier of axles for the Ford Cargo Ram Program in Brazil. Vehicles produced in Brazil and exported to th U.S. will be built with axles produced in the U.S. Jim indicated that Ford has not made a decision relative to the supplier of axles for these trucks exported from Brazil. He did indicate, however, there are basically two suppliers in contention for this business and alluded to the fact that Dana was not a strong contender. A meeting with Nat Adamson is planned for 9/7 to closely follow Cargo Ram.

2. Ford Purchasing

Meeting was held with Ford Purchase Analysis Group and R.A. Pacetti on 8-16. The meeting was an attempt to resolve some of the open questions regarding the pending price increase. Two main problem areas were forgings and castings. Eaton's request on forgings was 10.92 percent and Ford showed a 6.12 percent for the period of time that we had requested. The other area that was questionable was castings, whereby Ford showed a higher figure than we had requested. Alan Bau is to review these areas and also bearings and fasteners. Follow up meeting has been set for 9/16.

3. Ford Square Edge Housing Meeting

On 8-11-83 meeting was held with Ford Engineering to update them on the square edge program. Ken Timmer who is now Manager of Engineer and Drivetrain Department, was very interested and understanding with the progress we have made relative to square edge program. In attendance with Ken was R.A. Pacetti, Ford Purchasing. Ken and Jeff Thompson were advised of the technical developments of the program and timing information on availability of axle housings from the 17 through the 480's.

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B. General Motors

1. Eaton Square Edge Program

On 8-12-83 a meeting was held with GMC relative to the new square edge rear axle housing program. In attendance from GM were D.L. Bliss, D. Carter, G.A. Drake and R.C. Nelson. Eaton attendees were P. Johnson, Jeff Thompson and Bob anders. As explained to GM, the square edge housing program is an attempt to improve the fatigue life of our housings. Data was presented to GM that showed the B-10 life in fore-aft loadings to be tripled over the current housing design. Implementation of the new housing design will require GM to change suspension attaching components. Feasibility study done at GM Truck & Bus showed that in worst case situations current anchor plates have an interference condition with all the new square edge housings. In addition, some of the spring seats appear also to have an interference problem. GM advises changing these designs to fit the new housings will require both a new design and testing. The questions as to cost of redesign for spring seats and anchor plates was resolved to some extent in that I indicated we would be willing to participate in the cost of the redisign. This particular questions will be followed through Purchasing.

2. GM Purchasing

Since meeting with Messrs. Prescott and MacKay to review our axle proposal, T. O'Boyle met with Jack DeLorge to review again the rationale behind GM's decision to use Rockwell over Eaton and why our proposal was not acceptable to GM. The details of that meeting were previously reported, but it is still my feeling that Jack DeLorge was instrumental in persuading his people not to accept our proposal.

3. GM Purchasing - Front Axles

On 8-9-83 a meeting was held with Ron Wagoner to review the possibility of Eaton obtaining the 7K and 9K front axle business. Ron advised that currently the 7K and 9K front axles are being purchased from Rockwell and they have a three year agreement starting with model year 1984 and extending through 1986. Ron advised that Rockwell's pricing was very competitive and in fact, they have seen some price reductions from Rockwell since the time Rockwell closed their Foundry Division and sourced some of the components for front axles from outside sources. They found in doing so that some of the components contained in the front axle could be purchased at a lower cost than what Rockwell could produce them for, thus the reduction in price to GM.

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The 12,000 lb. front axle is a GMC design with some of the components in the axle being secured from Tisson which is a German company. Their current volume on the 12,000 is between 40,000 and 45,000 units per year. Ron did advise that even though Rockwell had a three year contract they are open to other suppliers for their 1987 program. According to Ron the 87 program involves a world chassis and is called a Coordinate Chassis Program and is being handles through Gordon Bahn. Ron advised that generic type prints are available for review of this program and GMC will be looking for suggestions from front axle suppliers relative to the conceptual design that they have. A follow up meeting will be held with Mr. Bahn to determine if there is a business opportunity for Eaton. A footnote to this meeting is the proposal that Ariel Reilly submitted to Hugh MacKay during the week of 8-21. Ron Wagoner advised during the meeting, according to L. Valentine, that GM would be willing to purchase a few sets of components to run dimensional checks.

4. GM Brake Engineering

Meeting was held with Steve Bolinger to review our proposal on non-asbestos brake linings for their vehicle line up for 1985. In reviewing this with Steve it was apparent that we elected to change some of the power requirements versus GM's suggested power requirements. The change was made because it is our feeling that with the non-asbestos material we needed additional power to achieve the same braking properties that could be achieved through asbestos linings. Additional follow up will be made on this program due to some unanswered questions on Steve's part and also to supply additional information on our views on non-asbestos linings. Steve has advised that the non-asbestos program is not as urgent as they initially indicated and will advise GM's timing on this program.

C. International Harvester

1. PURCHASING

Mr. George Elliott, International Harvester's Director of Worldwide Purchasing, appointed Mr. S.E. Douglas as manager of their Canadian Central Purchasing Office.

August 31, 1983 Meeting

Reviewed Production & Service Contract

- Both contracts accepted
- Effective date - Production 9-1-83
- Effective date - Service 5-1-83

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Service Parts "Canadian Blitz"
- Cooperated in special parts blitz for Canada. - Electric Shift Repair Kit Program

Fall Parts Specials - Canada & U.S.
- Axle shaft
- Dealer's choice

Wheel Nut
- Proposal for wheel nut business at IHC - Price quotes delivered

12K - 18K Steer Axle quotes
- 12K - Dana has under contract, however working program to have Eaton listed as option in data book at no charge.
- 18K - Annual volume 2,000. Prints and price to be quoted complete with RW FL941

15 - 16 - 17 Series
- IHC has rescheduled and increased build rates to where this week shortages has IH scrambling and calling everyone for delivery. J. Schweinfurth and N. Valentine are coordinating delivery to minimize problem. At this juncture, it's IHC problem, but with increased schedules by all customers, it will be Eaton's problem.

2. MMC/PRODUCTION

Chatham started production on Paystar, Cargostar and Transtar on July 25, 1983, with no significant problems. Conversely, Springfield started on July 10, 1983 to build all "S" series and CO-9670 and are having extreme difficulties. It appears that line changes are being made hourly, and components are being shifted which are ultimately lost. Thus, we are being called to "rush" material and/or pull up schedules on commodities that have conceivably been setting on their property somewhere.

As of September 1, 1983 International Harvester will be installing complete single axle assemblies and receiving 34/38 K tandem axle assemblies with axle shafts.

E.S.U. 113700 is still targeted for October 1, 1983 of which we received International Harvester schedules.

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3. ENGINEERING

(a) IHC Brake Meeting - August 26, 1983

On Friday August 26, we met with I.H. Brake Engineering group to discuss crown shoe change and associated timing. Attendies as listed:

INTERNATIONAL HARVESTER	EATON
Al Beier - Ch. Engr. Brakes	Bill Hoenes
Bill Church - Heavy Duty Brakes	Gopal Singh
Larry Kuhn - Med. Heavy-Air Brakes	John Urban
John Risley - Med. Chassis "S" Series	Milt Barnhart

- Change to crown shoe and targeted date for implementation was presented which ultimately resulted in our need to supply I.H. support data as follows:
- Review of all test certification and verify or re-certify, in writing, that new design will meet 121 criteria using I.H. new rolling radius.
- Based on item A, priorities were established for testing by I.H. and to be submitted in writing to us.
- I.H. is concerned about life on crown shoe change which we agreed to run comparison test with current production to proposed change or, physically show them crown shoes that had been used in field test.
- Timing for implementation is a serious issue in that we indicated early first quarter 1984 production. I.H. indicated that a major change of this nature with the amount of existing assembly part numbers in their system would take up to one year to process at a great deal of expense to I.H. with no added value to them. Eaton will review sharing Engineering cost of implementation.

C. CRANE CARRIER CORPORATION

Crane Carrier personnel are desirous of our holding a meeting late September or early October to present and discuss our organization, complete update on current and future products and services parts programs. This will be arranged.

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D. MACK TRUCKS

1. MACK TRUCK SALES ENGINEERING

- A Smith Transfer order for 300 units has been placed with the Eaton 15 X 4 front brakes.

- Mack shows a $36.00 premium to specify any brake other than their standard. The standard specs do not name the brake manufacturer, only the size and type. We need TCM pull-thru effort, possibly with incentives for dealers and fleets, to obtain brake business at Mack.

2. MACK PURCHASING

Purchasing personnel have indicated that Eaton cannot expect a better data book position than Rockwell for brakes regardless of our pricing due to Mack agreeing to give Rockwell standard position. It is felt that it would be unethical and possible illegal for Mack to favor Eaton since agreeing to a standard position contract with Rockwell. It was stated that Eaton Corporation had their chance during the quoting process. Purhasing will try to have Sales Engineering show our brakes as a no-charge option. It was mentioned that the Rockwell proposal was for a three (3) year duration. Mack has hooked up to Rockwell computers for production schedules, and Rockwell is putting in local inventory of slow-moving brakes and special items.

Quotation for Mack axle housing business will be completed early September. We have learned Mack has been experiencing housing failure with the Hoyes Dana housing. Our completion prices will allow us to be a prime contender for the business.

Quotations for front axle business are coming together, however, the best opportunity may be Raba. We are attempting to have a package to Mack by late September. Rockwell and Dana quotations have already been received by Mack.

3. MACK TRUCK WARRANTY REVIEW

A warranty review for Axle & Brake claims was held a Mack on August 16. Axle claims consisted of:

22 Speedometer adaptors
10 axle shaft (RVI Model)
8 head assembly claims
35 oil seal claims
2 carrier assemblies for vibration

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4. MACK RVI MIDLINER ENGINEERING

Dick Sinko, Shane Hardy and I met Leo Kasaczun, Director Engineering Srvices for Mack Midland, to discuss RVI's plans for a new Class 6 and 7 conventional cab chassis. Mr. Kasaczun said the new vehicle will use today's Midliner components and chassis. Some thought is being given to a 6 X 4 version with a 34,000 lb. tandem range. He expects volumes for the 6 X 4 to come out of current Midliner sales.

5. MACK SERVICE ENGINEERING

During a meeting on Friday, August 26, Paul Pipik, Roger Hobbie, Tom Hoy and Frank Zalar met with Clark Smith to discuss the Eaton housing failures with Reyco suspension in Mack vehicles at Leaseway Corporation. We explained Eaton's position that the Reyco mounting hardware was considered less than adequate for maintaining joint integrity. We said that Eaton would participate with parts and labor to help Mack with this problem but expected Mack or Reyco to furnish 7/8" u-bolts and new mounting hardware.

F. Paccar

Two major issues remain with this organization. Z. Elander has requested we bid on standard position in the Foden vehicle in the UK with our DS381. New weight laws in Britain may encourage usage of 6 X 4 tractors for the first time in the British market. If the market moves this way, Foden wants to be in position to take advantage. Elander states we must equalize price with our UK division, then offer some significant price reduction from that level for consideration as standard axle. This request has been turned over to B. Gustafson to analyze. Expect to hear respons from Brad within the next week.

Second issue centers on returnable racks and pallets, Over the years several programs have developed rgarding return of containers. Brake Division developed one program. Axle Division developed a second. Paccar Purchasing has requested we commonize all programs into one format. Specifically, they are rejecting our request for a deposit on racks for the new F4 front axle. The central question in the entire issue of a returnable rack program is Eaton's ability to audit and monitor the flow of returnable racks throughout the Paccar plant system. If we have any hope of developing one program, we must put ourselves in a position to know precisly where the racks are and thus capable of auditing once or perhaps twice a year. We will follow on this and hope to have a written offer in front of L. Petrovich sometime early or mid-September.

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G. KENWORTH

Order/board continues to climb and Kenworth expects stable production at current levels through the remainder of this year. There are several unique reasons for Kenworth's success in the current market. First, they are recovering from a strike at the Seattle facility. Second, they have run a promotional program for the past 60 days and expect to extend it another 30 days. Third, they are recovering from abnormally low market share in 1982 and have taken an aggressive sales approach. All indications are that a sawtooth pattern will occur in their production pace during 1984. They expect gain, followed by slight set back, followed by gain, slight set back etc. Overall trend should be favorable, although will not be sustained at the current growth percentages.

Introduction of our new brake shoe to Kenworth production has now been set back to mid-October. Ability of Engineering to supply bill of material information until the latter portion of August, put Kenworth in a difficult position to accept the originally targeted August 31 production date. Through communication with Kenworth Engineering and Purchasing we have agreed to delay production introduction till October 17. The primary difficulty encountered by our Engineering Department was the existence of over 100 end assembly brake part numbers which Kenworth used at its Chillicothe plant.

The square edge housing program is currently stalled in Kenworth Engineering. The problem centers on the old game of scarce resources. Due to staff reductions, Kenworth Engineering is not in position to dedicate the kind of time required to handle the engineering associated with our change. At this time it is too early to determine if any delays will be caused by this allocation problem. Apparently the notion of obtaining outside engineering assistance is not feasible. October review of the entire matter will be scheduled at the Kenworth facility, if deemed necessary.

Have supplied Kenworth Engineering with drawings of our new 23 series to evaluate our request to move to a 1-7/8 inch bowl offset. Kenworth response has been favorable. They have evaluated all affected brackets as well as the issue of a wider housing and its impact on wheel equipment. B. Taylor advises they could accomodate a move to the 1-7/8 inch bowl offset.

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The issue of interference caused by the steer and ackerman arms of our new F4 front axle appears resolved. Eaton Engineering has worked with Kenworth Engineering to determine a set of all affected axle/wheel equipment commbinations. Resolution was obtained by reverting back to the F3 configuration arms. This change was put into production mid-August and appears to have gone smoothly. We did lose a handful of orders obtained through the Kenworth promotional program, but that number appears to be less than 10. Confirmation will come from Kenworth Purchasing.

We researched the issue of front brakes at Kenworth. The only barrier in the way of a data book listing for our product is successful completion of Kenworth tests at their Skagit test facility. A test program on our 15 X 4 front brake was initiated in early summer by Paccar. The test has been halted due to the inability of our product to complete burnish. The 15 X 4 product was returned to us for evaluation. The problem centered on excessive heat checking in the drums. We are attempting to duplicate the Kenworth test at our own test facility. In the event the difficulty lies with the Paccar test, our Engineering personnel will communicate same to Paccar. In the event our product design is causing this difficulty, we are faced with a much longer process to obtain test verification. Regardless of the solution, Kenworth Marketing will not be able to place us in the data book until test completion. If we can complete Paccar testing by Nov-Dec '83, we can anticipate a databook position at Kenworth with the April 1st '84 revision.

Kenworth Marketing is considering a 30 day extension of their current sales promotion program. They have asked us to participate in this extension. I have approved such participation after learning the extent of our performance in the program to date. We are running approximately 40% of order for rear axle, front axle and rear brake product. This, of course, is a significant gain in the area of front axle and rear brake. We are achieving most of what we set out to do with this program. I have added one additional feature to our participation for the remaining 30 days. For any stock order calling out Eaton front axle, rear axle and rear brake product, we will add a $100.00 cash incentive to be delivered to the ordering dealer by our TCM Field Rep. once the vehicle is on the ground at the dealership. This hopefully will pull through stock orders which to date have not been placed during the Kenworth program. Kenworth Marketing believes the reason for this is that dealers expect a better program to come in the final months of 1983. Every effort will be made to communicate to the dealer body that this program will terminate all promotional activity in 1983. Kenworth Marketing expects a significant stock order to appear in the final days of the program.

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Kenworth purchasing has asked us to verify prices on a number of front axle, rear axle, rear brake specs currently in the Kenworth databook. They are reviewing pricing of all component products to prepare their April 1, 1984 databook revision. The information has been forwarded to K. Swift for completion.

H. PETERBILLT

The news continues to be encouraging regarding incoming orders. Peterbilt Purchasing believes the worst use scenario for the remainder of this year is stable production at current levels. There is a greater than 50% chance that higher line rates will be achieved within the next month. In point of fact, Peterbilt is expecting to raise line rates to the following levels next week: 18 per day at Newark, 18 per day at Nashville, 8-9 per day at Denton, 2-6 gliders and service cabs are included.

For reasons similiar to those cited in the Kenworth portion of this report, we have delayed introduction of our new brake shoe to September 26th at Peterbilt. This has been reviewed with Peterbilt Purchasing and Engineering and I have verbal concurrence to the program. Peterbilt's primary concern is that we acknowledge the requirement to protect them with existing product until they are able to balance out plant by plant inventory. This was done by written communication with Tom Paver of Peterbilt Divisional Purchasing.

We have proposed a promotional program to Peterbilt Marketing to obtain greater share of production volume. S. Meeker, Marketing Manager has evaluated our proposal and indicated he wishes to take advantage. He will try to do so by incorporating it into a larger Peterbilt on this program is expected early the week of August 29. If Meeker can do what he wants, we will be listed as a participant in the stock rebate program to be introduced immediately to Peterbilt dealers. The program will allow dealers something on the order of a $5,000.00 rebate from Peterbilt factory, plus the additional rebate cited in our promotional proposal. Meeker does want to make several modifications to our offer. Since brakes are a generic product (i.e. Eaton brakes are standard in all Peterbilt vehicles) he does not want to call attention to the dealers' ability to modify orders in the brake area. He want to drop reference to the Eaton rear brake as a condition for rebate. He also does not want to restrict our program to just highway tandems. In his view, all Eaton axles ought to qualify for rebate. The program will commence with qualifying orders effective August 1st with delivery requested in the 4th quarter of '83. The program in reality will last until early to mid-Nov., since orders received after that date cannot be delivered in the 4th quarter.

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Peterbilt engineering has evaluated our request to consider moving to a 1-7/8 inch bowl offset on our new 23 series product. The response is negative, as they have some bracketry used not only on single, but also on tandem axles. Any request to change bowl offset would have to go across the board in order to be initiated by Peterbilt Engineering.

I. FREIGHTLINER

Freightliner Engineering's review of our request to change bowl offset on the D2300S falls between Kenworth and Peterbilt. They have tentively determined they can accomodate the bowl offset change, but will have accommodate difficulty with the additional 1/2" length of the housing. Will forward carrier prints to Freightliner. This should give them a complete set of information for evaluation of our request.

J. NON-AUTOMOTIVE - WEST COAST

Contacted Nicholson Equipment in Medford, Oregon. They are manufacturing replicas of San Francisco cable cars and would like to be considered for OEM purchase of our product. To date, they have been purchasinng componentry through GM, essentially GM6000 series school bus componentry. Volume from this customer could be in the range of 20 units per year.

Pierce Pacific has been denied a request for usage of our DP451P in a crane carrier application deemed too severe by Application Engineering. The approval sheet indicated a loaded rating of 87,500 on the rear tires at creep speed. They were looking for the Dragon Wagon housing of 81.2 inch width. Have subsequently learned that Pierce Pacific obtained approval from Rockwell Engineering to use the SSHD in this application with a 90 inch housing.

K. OSTERLUND INC. - HARRISBURG, PA

Osterlund is an old time Dia Reo dealer that now has the manufacturing rights to make the Dia Reo. Met R. Corwin, Purchasing Manager, and R.C. Knight, Production Manager. They are currently running three units per week and like to maintain a 28 to 30 unit backlog. A new assembly facility is under construction in Harrisburg on 49 acres and is due to open next year.

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Mr. Corwin is interested in our quoting prices on tandems starting at 38K thru 65K. They currently purchase Rockwell 18K front steer, the SQHD, SQHP, SSHD, SU170 and SW270 complete with 16-1/2 X 7 cast spider brakes.

They are considering a 4 X 4 chassis, and Mr. Corwin seemed interested in our concept after I mentioned it. I sent a packet of Axle & Brake literature to him and promised price quotes.

L. VOLVO WHITE

1. A request by Tony Chase for dyno testing to validate extrapolated test results of the 16.5 X 5 front steer brake. Test number 1939 and IE-3E has been delayed due to no material and lack of dynamometer time. B. Meacham and Ernie Sampson have scheduled a test run and promised test results for my submittal to Volvo White on August 31.

2. Volvo White Engineering at Dublin has re-designed the current Roadway 18,000 pound front trailer axle to obtain satisfactory turning radius and steer angle as demanded by their sales department. Because of this action, it is not necessary that Eaton Engineering continue to hold the whole expedition chassis for further testing. We are unable to continue a meaningful test program because our initial tests were without brakes and we do not have a spindle design to accept the current Roadway brakes used on the Volvo White 18,000 pound steer axle. During a meeting on Tuesday, August 2, with Larry Hopper, Barry Meacham and Mike Popovich, it was agreed that after discussing these issued with Volvo White Engineering a decision would be made as to continuing the test or dropping the project at this time. Tony Chase, Volvo White Engineering, recommends that we not continue until we have proper brakes to be used on the test.

3. Volvo White Warranty - Marty Mertz, Warranty Manager, called for field assistance on axle CTD problems on White vehicles in Switzerland. Paul Pipik has responded by telephone to M. Mertz, we at Eaton must obtain more data relative to the failure. P. Pipik contacted Eaton U.K. for assistance on this matter.

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4. Volvo White Dublin - Tommy Bird confirmed no interference problem on air suspension hardware to our square edge housing design providing Eaton cam assure the housing surface will be flat between the corners. Charles also stated no new part numbers will be required.

5. Volvo White Purchasing - Rick Larson was contacted regarding a possibility of Volvo White building six vehicles with the E2300S axle on the end of the Roadway order. He has offered a special axle price of approximately $900.00 as an incentive to White for building these six units with the new Eaton axle.

   I also informed him that we will not be bidding a special price on this Roadway order for our 23421 as requested by Jon Adolfsson to R. Sinko and Gordon Mann during the recent visit. Rick Larson is interested in discussing this issue further when we visit Greensboro at the end of August.

6. A meeting has been arranged for August 31 between M. Lawrence, Volvo White purchasing and engineering personnel to discuss the Eaton L.W. Brake Presentation given earlier this year to Volvo Sweden. The meeting was to clear up certain Volvo technical and pricing questions on L.W. brakes.

IV. SERVICE PARTS

There are various indications that the aftermarket activity is picking up. The Axle Shaft Special with Ford, new orders from A M General, miscellaneous special program orders from IH and Ford, and a committment from Freightliner to build up their parts availability on Eaton Axle Parts. Aside from the Special programs, J.I. Case has asked for delivery as soon as possible for everything on schedule through 1983, and Ford has increased their releases. There is also some rumor that Mexico is beginning to move.

A. FORD

Ford has been questioning initial pricing on new parts such as seals, gear and pinions, clutch gears, and axle shafts. However, with a little give and take, pricing is being accepted.

New packaging cost to Ford should be in place the first part of September with retro billing effective to April 1, 1983.

FPSD is still waiting for the axle price settlement before implementing new service parts pricing.

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Len Schuby, FPSD Field Sales Coordinator, has written us a letter requesting our position on the Voucher program and spiffs. A meeting will soon be held with FPDS Marketing to discuss the addition of brake parts to Ford's Direct Ship Program.

A meeting is planned with Ford Engineering to finalize SPL content. This meeting will occur during September.

Ford Canada's Don Munroe will be using an Eaton prepared parts presentation during Ford dealer meetings across Canada which will start in October.

B. INTERNATIONAL HARVESTER

International Harvester will be offering our axle shaft and dealer's choice specials during September, October, and November.

C. GENERAL MOTORS

1983 pricing implemented for GM August 1, as agreed. The GM Parts Marketing Department has relocated from Willow Run to 3031 West Grand Boulevard in Detroit, Michigan 48202.

Westfall GM was visited in Kansas City. Leo Maness, Parts Manager, voiced his concern about supplier giveaways to fleets. While there, Scott Corbett tentatively set up a parts training session with the Westfall parts personnel. This will certainly help build relations with Westfall.

D. KENWORTH

On going discussions with John Gowdy, Parts Sales, concerning Ship Direct Programs and the class 6 market. Kenworth is evaluating a more agressive marketing program directed at both the heavy and medium duty markets.

Parts training sessions were schedulled by Scott Corbett with Midwest Kenworth during August. We met with Midwest personnel at Kansas City and Springfield in an effort to promote Eaton. We received favorable comments during the meetings.

E. PETERBILT

Peterbilt is offering our axle shaft and dealer's choice special during July, August and September.

We have been requested by Peterbilt to meet and discuss parts marketing. A tentative date of October 3 is set for this meeting.

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F. FREIGHTLINER

Freightliner will be offering their own special program on Eaton Axle parts during September and October. For any order from their dealers, they willl give them a free Master Parts Catalog. I have agreed to mail their program to our Roadrangers for pull through at the dealer level.

G. CRANE

Crane has only seen a moderate increase in sales with nothing in Mexico. They are purchasing more inventory but only to increase inventory at their newly acquired Six States operations.

Crane's National Parts Managers Meeting is tentatively scheduled for October in Tulsa. No suppliers have been invited as yet. Bob Stipes is still complaining about poor service out of Henderson. The Crane account will be reviewed to qualify his complaints.

H. TEREX

Terex has again requested an update on our ability to provide 2590 and 3910 parts. We are getting close on inventory on some parts.

I. TIMBERJACK

We are in a serious problem with some old style wheel reduction parts for Timberjack. Eaton manufacturing capability doesn't exist and out sourcing has been reviewed. We should be in a favorable position in October.

J. VOLVO WHITE

Volvo White has scheduled their first National Dealers Meeting in Las Vegas the week of November 14. Eaton Axle will only participate in the Trade Fair. I am asking TCM to man the booth.

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K. MISCELLANEOUS

A new genuine seal has been designed for packaging to incorporate the brake name. Brake packaging is now being reviewed by Henderson's Manufacturing Services.

Part numbers have been established for the new two speed electric shift retrofit kits for Service. Also, service kits and individual component part numbers for the units have been established. The retrofit kits will be available for Service as soon as we can get the connector and harness assembly part number 113738. Currently expected availability will be mid October. A new product information letter will be sent to the OEM's September 1, outlining service part numbers. However, drawings will be required by Ford, GM, and Harvester before they will release the parts.

A quality problem with the drive screw assembly part number, 32364, has caused our back orders to increase. Henderson Quality is inspecting 100% and some volume will be available after inventory.

V. TRAILER AXLES

A. As reported in July, OEM order boards continue to increase. Rockwell, Dana and Standard Forge continue to be very price competitive. Many major trailer manufacturers competing for large fleet orders are asking for price protection well past mid year 1984. It is impossible for this Divisions consideration because of the uncertainty of the U.S. Commerce Departments actions regarding 1984 cost for RABA Axles.

B. STRICK CORPORATION

Strick's current build rate is approximately twenty-eight trailers per day total, at their Danville, Pennsylvania and Monroe, Indiana plants. They also have a small chassis order to be built at their Dunsmore, Pennsylvania plant. They released an order for two hundred forty (240) model HJ-501-L-162V to be delivered, one-hundred twenty (120) September 5, 1983 and one-hundred twenty (120) September 12, 1983 for use on this order.

Strick also has an order from Yellow Freight for one thousand, five hundred (1500) dollies. This order will be built at their Dunsmore, Pennsylvania plant, at a rate of 100 to 120 per month, starting October 17, 1983. They have requested a price on the axles for this order that will be firm until the order is complete. Projected completion date on this order is October, 1984.

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Also, Strick advised of a pending order from American Freight for two hundred (200) single axle trailers and one-hundred (100) dollies. Strick is bidding on the pending order for chassis at U.S. Lines. Currently U.S. Lines specification calls for Rockwell TN4670 or Dana D22 trailer axles.

C. VAN - Co.

Van - Co. is currently producing ten trailers per day. Their standard trailer axle is Rockwell. Eaton prices on HJ-501-L-162V (71.5" track) and HJ-501-L-160V (77.5") were reviewed with Van Company's purchasing. However, we were advised that with just a competitive price they had no incentitive to change.

D. THEURER

Our quoted price for the six-thousand chassis axles for Evergreen was second best. They are still not willing to reveal the source for these axles other than that they were imported.

E. BUDD TRAILER DIVISION

Budd's current build rate is twenty-eight trailers per day and they are doing all possible to increase this.

We are working on an order for three-thousand trailer axles to be used on the order Budd has for Transamerican. Considerable time was spent with Budd's purchasing, quality assurance, engineering and sales departments in an attempt to rid them of any fears of the break drum breakage problem.

VI. INDUSTRIAL ACCOUNT

A. Koehring - Bantam Division

Koehring Bantam will complete an order for thirty units using Eaton DS341 by the end of October 1983. They are then forecasting two to five units per month.

We offer the following proposals to Koehring Bantam.

1. Price proposal on Eaton model DS324-P, comparable to the DS341 they currently purchase.

2. Price proposal on Eaton 18F3 front steer axle, comparable to the Rockwell FL-931 they currently purchase.

3. Price proposal on Eaton 12F4 front steer axle, comparable to the Rockwell FF-931 they currently purchase.

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B. WILSON MFG CO. - HOUSTON, TEXAS

Recommended axles, both front and rear, for Wilson's drill rig models Super 38 and 42.

Engineering is involved with the program of re-powering its high volume rigs so that it can build the best possible rig and realize a cost savings from its current design.

Prior to meetings, Engineering was leaning toward a single reduction tandem, which has been an "on-and-off" program for approximately two years. I again cautioned them of the potential problems with single reduction gearing in an off-road application.

The Rockwell representative continues to visit regularly and is attempting to pursuade Wilson to switch to its single reduction tandem which has been approved for the oil well servicing rig.

During the past six years we have not had a report of a gear and pinion failure in this application with our double reduction axles.

Meeting was held with the International Sales group which is currently involved with selling rigs to Libya and China.

C. IDECO - BEAUMONT, TEXAS
(M. Zemanick - Engineering Group Leader)

An inventory of DCB-34-50-6 and DKB-34-50-15 front axles continues to exist; however preparations are being made to engineer the EFA-22T5 axle into Ideco's high volume rig. All indications are that we will receive an order for a prototype during the latter part of the year.

We have attempted to sell our rear tandems to Ideco for some time and were very close to cracking this account in early 1982 but were not successful due to the dry-up of the oil patch which left a large inventory of Rockwell axles.

M. Zemanick feels that if we can offer an attractive axle package, he will certainly consider switching to our axles totally.

Ideco Sales, along with Ingersol Rand, Wilson and Skytop, is involved with the Libyan government for a potential order of between four and six rigs. Ingersol Rand, Wilson and Skytop are quoting our DP-480-P. Hopefully this will force Ideco to engineer our tandem into its rig.

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D. MOELLER MFG. CO. - VICTORIA, TX
P. Williams - Chief Engineer

Moeller, which used Rockwell's front and rear axles in all of its servicing rigs, has a total of six (6) rigs remaining in inventory, three of which are sold.

Williams is sure that he will be able to make a switch to the Eaton package 22T5 & DP-440P in early 1984.

E. RIG EQUIPMENT - VICTORIA, TX

Rig Equipment has not purchased axles from us in some time, it has been buying them from the larger rig manufacturers at a very low price as surplus.

F. AMERICAN COLEMAN CO. - LITTLETON, CO

American Coleman manufacturers trailer spotters, airplane towing vehicles and drive steer axles.

The towing vehicles are equipped with IHC Axles and the trailer spotters with Rockwell's FD931 & FF-931 front axles the R-155, R-255 & V-240 rear axles.

The airforce will be buying approximately 600 trailer spotters within the next few months. Coleman was confident that they will get all or at least a portion of this order.

D. Gilmore has attempted to persaude management to use Eaton components for some time without success, however, there has been a complete turnover of management personnel in the past two months and Dennis feels that the new group will finally allow him to make decisions involving component selection.

Dennis is interested in designing our 12 FY and 23121 into the trailer spotter replacing the Rockwell.

Our front and rear axles will be quoted in the next Post office contract which should take place in early 1984.

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G. SNOWBLAST - DENVER, CO

Snowblast is a producer of Airport rotary snow removers and sweepers.

Our 23321 is used on the rear of the highest volume snow remover model RAHS-3000A with a Fabco front drive steer and Eaton 17320 head and a Fabco transfer case.

During an average year, Snowblast builds between 15 and 25 snow removers that are furnished to the major airports.

I covered our 4 X 4 concept and there was certainly a lot of interest shown in it.

H. MERTZ COMPANY - PONCA CITY, OK

Mertz has placed an order for (36) Model 30327 axles to be used in vibrating machines. Fabco will also be placing an order for (36) 35327 heads to be used in conjunction with its 23,000 lbs. FDS axle. Since these are the first Eaton axles ever to be used by Mertz, it is important that we make an all out effort to supply these axles on a timely basis.

I. KENWORTH - KANSAS CITY, MO

The Kansas City Plant will be building the truck Model K-100 beginning in September. It has been building the W-900 series for the past few years, but due to the increase in Kenworth's business, the Kansas City Plant has been asked to pick up this high volume model.

The following Eaton Rear Axles are on order through September:

9 - 23121
72 - DS-381
6 - DS-401
2 - DS-460

There are also 60 DSA-12F4 Front Steer Axles scheduled per month through October.

J. C.B.T. INC. - INDEPENDENCE, MO

C.B.T. is involved with a construction company that is planning to convert three trucks to the all-wheel drive concept.

Long range plans are to design and build a generic truck that can compete with FORD and IHC. This truck will be built to utilize all available drive line components.

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K. T & J INDUSTRIES - KANSAS CITY, MO

T & J Industries, a manufacturer of large off-highway equipment, has built and sold its first shuttle wagon to the U.S. Post Office. There were a total of 249 trucks sold and T & J will be building 20 per month beginning in mid-September. Order for 249 units was lost due to our refusal to sell service parts prior to doing business with an OEM.

Although we lost this order, our 12F4 & 23321 with brakes, will be the standard components on the domestic trucks built by this O.E.M.

L. VERSATILE - WINNEPEG, CANADA

Reviewed axle pricing with purchasing personnel and reviewed potential cost savings proposals. Versatile presently buys 10% of their 23K requirements from an Italian manufacturer. Two Japanese companies are discussing axles as well. If proposal is accepted will secure our position at Versatile.

M. EUCLID, INC. - CLEVELAND, OH

Sale of 65 off-highway dump trucks to Egypt complete with resulting purchase order for 65 model 3910 carriers issued to Axle/Brake Division.

N. MERCEDES BENZ - CLEVELAND, OH
Mr. John Bohn, Chief Drive Train Engineer

While Mercedes seems interested in the MTT program, program requirements were discussed with John and available Eaton drawings and layout prints were left with him.

O. AMERICAN LAFRANCE, INC.- Elmira, NY

The OE is really looking for a second source. Our pricing program was very timely and opportune, and resulted in Eaton being speced into a 125 chassis bid for the city of Los Angeles, and we will also be speced into the New York City rebid.

VII. MILITARY

A. H.E.M.T.T.

Current speculation that total H.E.M.T.T. contract will run for another 15 to 16 years with a total of 16,000 units, including options, being purchased.

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B. RETROFIT PROGRAM

There are over 900 chassis built that will require retrofit. It is anticipated that all retrofit will be completed by year end. Inspected the Eaton retrofit facilities at Oshkosh, current rate of work is at 7 chassis a day with plans to complete 10 chassis per day as more material is available.

C. ABERDEEN TESTING

Mr. Jack Murray has been assigned to be in the APG area on a daily basis to collect and collate all test mileages and pertinent data noted during the test procedures.

D. TELEDYNE - MUSKEGON, MI

Reviewed MTT Program with Teledyne. Reviewed the prospects of attaching the Eaton 15 X 4 cam brake to the Rockwell "Lancia" Helical Drop Axle.

Teledyne suggested they would consider using the Eaton Mors axle on prototypes if three sets could be supplied free of charge with availability of the first set by October 15, 1983.

E. A M GENERAL - DETROIT, MI

A M General was quoted a selling price of $5,200.00 (for a set) of Mors Axles.

A M General is building the first MTT prototype vehicle with Dana axles and Eaton 15 X 4 cam brakes.

F. MEDIUM TACTICAL TRUCK (MTT)

Will replace the present 2-1/2 ton vehicle.

The tactical wheeled vehicle (TWV) fleet study conducted in October 1980, established the requirement for a vehicle in the two to three metric ton payload category for the Army's future TWV fleet. The current 2-1/2 ton truck fleet is nearing its programmed life and will not provide a suitable basis for support of air-land battle 2000.

This vehicle will be designed to operate on primary and secondary roads, trails and off-road at tactical standard and expanded mobility levels; and to transport payloads between 5,000 and 7,000 pounds and provide a towed-load allowance of 6,000 pounds minimum.

The MTT will be a prime mover of the 105MM howitzer.

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POTENTIAL MANUFACTURERS OF THE M.T.T.

A.M. General
General Motors
Teledyne
Others

POTENTIAL DRIVE LINE SUPPLIERS

Eaton - Brakes, Axles
Dana - Axles (Eaton 15 X 4 brakes)
Rockwell - Brakes, Axles

BRAKES

15 X 4 air s/cam
Wedge - air
Disc - air
Disc - Hydraulic
15 X 3 1/2" - Hydraulic drum
- Wedge Hydraulic

* Air drum 15 X 4 s/cam appears to be most popular.

IMPORTANT ITEMS

(1) Drive train components of U.S. manufacture
(2) Weight
(3) Price
(4) Ground clearance

A.M. GENERAL

Eaton offered A.M.G. two axles - (MORS) available February 1984 - A. M. General will not accept these proto-type axles without Eaton 15 X 4 air cam brakes. Would consider MORS axles with Eaton 15 X 4 cam brakes.

TELEDYNE

Working primarily with Rockwell.

Potential - Eaton/MORS hub reduction axle. Must be available by October 15, 1983. Two or three sets of hardware no charge. Will accept existing air cam on proto-types. Production units would have to be Eaton 15 X 4.

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VIII. DRIVE AXLE PROGRAMS

A. Square Edge Housing Program

Drawings have been sent to all the OEM's, both major and industrial, which show change to the rectangular arm section and the change to the transition section from the arm section to the bowl.

We will be monitoring these accounts' responses as to additional information they may require, particularly in the case where bracketry may be mounted in the transition section.

B. E-2300S PROGRAM

- The Anchor Motor Freight field test units should have been installed or will be installed within the next ten days.
- We are still waiting for details required to make the UPS installation.

International Harvester has asked if there is a possibility for us to supply them an E-2300S axle to be used in a test vehicle, the end result which would be to run a vibration test of that drive-line system with a yoke-mounted fly wheel in which they have sent us prints. R. Muselin is reviewing this fly wheel situation at this time. International Harvester has stated they would be more than happy to have us be a part of witnessing the test when it will be performed.

C. ELECTRIC SHIFT MOTOR PROGRAM (113700)

All the OEM's have up-dated drawings, etc. within their system and will be ready to receive these units at this time. Manufacturing relocation in some instances may require SQA of the Rocksboro facility; however it appears as if Ford has already been through this process. The account managers are abreast of this issue and should respond accordingly if additional SQA's are required of the Rocksboro facility.

D. LOCK-OUT FOR DUAL-RANGE AXLE

- Items requiring confirmation are complete print and customer update as well as due dates to be establishsd relative to the availablity of these units. Follow-up and customer drawing packages should be forthcoming. Cost and selling price are yet to be established.
- "Timed" lock-out. A service kit will be established for field conversion. OEM's have responded and kits will be established where interested. Field pull through will sell devise to operators.

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E. STEER AXLE 18,000 SERIES - ESA 18F4

The West Coast people are being supplied data sheets to fill out in detail as well as a drawing which depicted our proposal for EFA-18F4 series steer axles. Hopefully this review this review from the West Coast customers will be available by the end of the next month.

IX. WARRANTY

The warranty budget for July is complete. The Division is running slightly below budget:

Warranty Budget (January - July):	$2,299,171.00	
Y-T-D Costs:	2,086,537.38	
VARIANCE	$ 212,633.62	9%

Campaigns and B2 Claims continue well below budget. TCM shippers, lease warranties and B1's exceeded budget.

Warranty reveiws were conducted at FORD Canada and MACK. The vast majority of claims at FORD were seal-related. Gear noise and thrust washer failures in 15's and 38's were also prevalent. 16247 differential failures were in the majority at MACK as were brake linings cracked through the rivet holes. Brake parts were returned.

X. AXLE HOUSINGS

A. FORD convened a meeting August 29 to further discuss a major effort on vehicles built without hardened washers. They are convinced that pad welding is the way to go. EATON data substantiates that housings can be repaired effectively in this way and the costs are far lower than complete replacements. They have asked us to recommend a basic approach for the field, acknowledging that EATON has more experience handling the situation there than they do. They also want a proposal from us concerning EATON participation in the costs of the program. We committed to providing FORD information about pads and welding procedures immediately. They expect our position concerning financial participation within a week.

The pad program at ROADWAY is lagging due to continued delay in delivery from the foundry. 1645 machined pads will be in our hands by September 6. We expect to begin shipping that week. I met August 24th with Bob Hepworth of ROADWAY and explained the situation.

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The program at CAROLINA FREIGHT continues, but the fleet has requested further assistance with the increase in freight shipments, demand on CAROLINA's maintenance personnel has increased tremendously and they don't feel they can complete the program quickly enough. We are attempting to develop an outside source which could complete the program at a negotiated rate similar to the price we've already agreed to at CAROLINA.

The decision was made to defer payment of AMERICAN FREIGHT's labor claims for worn spindle changeouts. Engineering believes strongly we can prove conclusively that DAYTON-WATHER wheels are the cause factor in the situation. We agreed to arrange a meeting with AMERICAN"s personnel for presentation of these conclusions prior to payment of any further monies. TCM has a real concern over the decision because there has been a substantial deterioration of EATON's relationship with AMERICAN.

XI. PINION NUT CAMPAIGN

Completion stands at 35% (the percentage stated in the July report should have been 31%). There have been inquiries from the field about extending the program as the end dates established by the OEM's are reached. We are continuing to honor claims and will approach OEM's concerning extensions in the near future. I do not feel we should continue the program beyond year-end.

XII BRAKES

Activity continued at several accounts to regain lost ground by settling outstanding claims or installing improved parts. We settled with LEASEWAY BULK HAUL DIVISION in Cleveland August 29th and were told we would be back in their specs at some point in the future.

A. INTERSTATE SYSTEMS held a meeting August 24th to discuss severe drum scoring problems in 1979 and 1980 Fords. At this point, the issue appears to be one of brake balance - BENDIX has run instrumented trucks and found severe imbalance in the Ford chasis. We are committed to nothing more than coming back with an evaluation of our product for INTERSTATE and intend to keep our exposure at a very low level. The fleet is in severe financial straits and they intend to work the "guilty" suppliers over thoroughly.

We continue to survey disc brake users and have found two fleets (DAGGET and PALMER) who desire immediate return to cam brakes. The biggest single user (DAIRYMAN's) will make a decision after a winter's experience with the second generation brake. The remaining fleets have either not responded or indicate they will stick with the product as long as we do.

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XIII. HEAVY TANDEM AXLES

The Canadian Region reports a major increase in activity on oil pumps for D440 and 480P axles. After very low volume for a period of years, they shipped 103 oil pump kits out of the branch in one quarter. Dealers are known to be removing pump parts from heads they rebuild and a key dealer in Western Canada has recently threatened to stock only SSHD's because of recurring pump failures in the 440. TCM will locate power dividers running at various mileages and return unfailed units for inspection of the system in a cross-section of wear rates. As a short term measure, production will be instructed via deviation to prime and LOCTITE pump drive gear nuts. The Canadian Region will be supplied sufficient qualified parts to changeout known problems and have reserve material.

Updated parts for 650's in CANADA and AUSTRALIA were completed and shipped in late August. TCM hopes to install their parts in REED PAPER vehicles rather than at OUTARDES.

XVI. TCM SUPPORT

Paul Pipik is attempting to visit the TCM regions as quickly as possible, show the flag and indicate that the Division remains fully committed to its service program.

XV. TRAINING PROGRAMS

Failure Analysis: Final slides and script delivered. 50 sets being duplicated.

Driver Training: Developing presentations for Don Harbin (TCM CANADA) for use at TRI-MAC on driver do's and don'ts on axle operation.

Brake Training: Slides duplicated, script being researched. Used at WAL-MART early this month.

A. BULLETINS

TSB and SPB on new shift unit being developed for September release.

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B. PROMOTION

2 Speed Shift Motor: Preliminary plan developed for first quarter 84. Product Literature being developed.

Failure Analysis: News release written for action by PUBLICOM

XVI. See J. Schweinfurth's report attached.

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PRICING

Confidential

Ford - The 1-1-83 increase was returned from purchase analysis 8-15-83. Variance between malleable castings and forgings under review by Eaton Accounting. A meeting has been scheduled for 9-6-83 to substantiate differences.

International Harvester - Brake and axle increase accepted by IHC effective 9-1-83. Service Parts increase effective 5-1-83. Amendments will be in house 9-15-83.

GMC - Pricing increase proposal is under preparation for GM. Strategy will depend upon their pricing of axles in data book.

JI Case - Meeting to finalize negotiations set for 9-20-83.

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