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Paccar Inc. Q3 2008 Earnings Conference Call Transcript

Question-and-Answer Session

[Operator Instructions]. Your first question will come from the line of J.B. Groh with D.A. Davidson.

J.B. Groh - D. A. Davidson & Co.

Good morning Mark, can you hear me?

Mark C. Pigott - Chairman and Chief Executive Officer

Yes, you bet, good morning.

J.B. Groh - D. A. Davidson & Co.

How are you doing?

Mark C. Pigott - Chairman and Chief Executive Officer

Fine.

J.B. Groh - D. A. Davidson & Co.

Just a question on your outlook for U.S., Canada and Europe. Can you maybe discuss the swing factors that put you towards, in your opinion, the top end or the bottom end of those ranges? I'm assuming the factors are different for Europe than they would be for U.S. and Canada.

Mark C. Pigott - Chairman and Chief Executive Officer

Sure, you bet. U.S. and Canada, and of course you have been following the industry and the company for a while, I think one point I'd just make is, and I've mentioned it briefly in the comments is that for the U.S. and Canada, we've been in the down part of this cycle for coming up about a year and a half. And every five years we go through some sort of cyclical adjustment. So that's why we pointed out some of the reasons that we think there could be an improvement next year.

Obviously, the macro economy is probably 6 to 12 months behind the leading indicator of truck production and freight. That's going to have an impact perhaps on a negative view point. On the positive, a lot of our customers have not purchased for two to three years. They are still doing 200,000, 250,000 miles a year. They're now getting these vehicles up to 600,000 to 800,000 miles. And frankly, that's typically the time when they turn it in to continue to maximize their, let's call it, or minimize their operating costs. So that would be really that the range is how many of the customers will be trading in and purchasing new vehicles.

In Europe, which is probably 6 to 12 months behind the U.S. in terms of the truck economic cycle. And I guess I keep emphasizing that because it is a little bit different than just a general economic cycle. If we... you've got the positive impact of Central Europe, which has certainly cooled down, but is still estimated to have GDP growth of 2% to 4% next year, you compare that to Western Europe of, let's say, 0% to 1%. But with about 60,000 to 70,000 in Central Europe, which we did not have even six, seven years ago, that's going to be a certain buoyant effect.

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