#9:

**Related News Articles**

\[ \text{DNAC 81-02} \]

\[ \text{Noise Emissions Standards} \]
At Harvester: Spirits Start Up Despite Losses

By MEG COX

Staff Reporter of THE WALL STREET JOURNAL

CHICAGO—To celebrate the 150th anniversary of Cyrus McCormick's invention of the reaper and bounder in 1967, the International Harvester Co. commissioned a lavish musical, "Cyrus." But the chairman wasn't worried about the company's declining credit ratings, continuing layoffs and "swelling losses." Because there's little in Harvester's present to celebrate, "Cyrus" will confine itself to nostalgia.

Over the past three years, Harvester's cigar-puffing chairman and chief executive, Mr. McCordel, has pushed the company in the direction of its former glory. Last year, he cut costs and raised cash, and the company has started to sink deep into the hole. For the fiscal year ended Oct. 31, it lost an estimated $200 million, more than it earned in the best years of its long history. At the end of the fiscal third quarter, short-term debt had swollen to 25.7 billion, dwarfing Harvester's $1.7 billion in equity.

Last year's lengthy United Auto Workers strike and this year's sharp recession seriously hurt Harvester in its major markets: trucks, farm equipment and construction equipment. Some securities analysts detect a "dilapidated" illusion of the company's finances, and they profess astonishment that the company treats its troubles as temporary. "There's an impressive facade being constructed, about how the company is doing," says analyst Bill Laughran of Prudential Webber Mitchell Hutchins. "Announcements of acquisitions programs, talk of 'We won the strike,' all while the balance sheet and cash flow are deteriorating. They aren't generating the cash flow they need for all the businesses they're in."

Calls Firm "Much Stronger" "Mr. McCordel says he doesn't want to talk about "short-term problems with our balance sheet." He concedes that "it'll probably take us five years to recover the cost of the strike in increased efficiencies," but


he insists that "this is a much stronger company than it's ever been historically." He reasons that "the earnings estimates for fiscal 1980, just ended, from 1979's sales. Earnings estimates for fiscal 1981 run as low as $25 million, compared with 1979's $270 million. For at least the first half, construction and truck businesses are expected to stay flat. Though sales of farm equipment have picked up sharply this fall because of high crop prices, steel prices have recently been driven up by the strike, "he says.

Mr. McCordel also asks questions about the source of needed cash. "We'll have an income-tax refund of about $100 million in the first quarter," he says, "and we'll accelerate our program to reduce working capital, but we'll still have to raise $50 million more."

Mr. McCordel's advice to Harvester's increased market share is that it's "a major player," said. "We'll have to adjust our program to reflect working capital, but we'll still have to raise $50 million more."

Mr. McCordel also asks questions about the source of needed cash. "We'll have an income-tax refund of about $100 million in the first quarter," he says, "and we'll accelerate our program to reduce working capital, but we'll still have to raise $50 million more."

Mr. McCordel has said that Harvester should spend $50 million for capital projects alone this year. And millions more will be needed for research (the company is building an $8 million lab, to be completed in 1982), general expenses and debt service.

Puzzled: On Cash Flow

People who follow the company are puzzled over just where the cash will come from. Mr. McCordel himself says that most of "our industries combined should be down 15% to 20%" in fiscal 1980, just ended, from 1979's sales. Earnings estimates for fiscal 1981 run as low as $25 million, compared with 1979's $270 million. For at least the first half, construction and truck businesses are expected to stay flat. Though sales of farm equipment have picked up sharply this fall because of high crop prices, steel prices have recently been driven up by the strike, "he says.
International Harvester's earnings fell 87% in the fourth quarter, ending Oct. 31, to $0.1 million, or 4% of a share. The company expects a loss in the current quarter.
International Harvester Slashes Payout
In Move Analysts Say Was Long Overdue

By Moe Cox

Staff Reporter of THE WALL STREET JOURNAL

CHICAGO—International Harvester Co. slashed its quarterly dividend more than 50% to 30 cents a common share from 62.5 cents, and Wall Street heaved a sigh of relief. The dividend is payable Jan. 15 to stock of record Dec. 31.

The maker of trucks and farm and construction equipment had steadfastly kept its dividend intact despite a loss of nearly $660 million in the year ended Oct. 31, after enduring a five- and-a-half month strike and the recession. Stock analysts had been expecting a dividend cut for several quarters and viewed yesterday's action as a sign that Harvester finally has begun to recognize the severity of its financial problems.

"It's certainly no surprise," said Larry Hollis, an analyst with Robert W. Baird & Co. "It should probably have been cut nine months ago. The savings of about $60 million (if Harvester maintains the 30-cent rate all year) is only a drop in the bucket, though, compared to the capital they'll need in the next few years."

"Uncertain Economic Outlook"

Harvester issued a statement saying the directors' decision to cut the dividend was "based on the increasingly uncertain economic outlook caused by continued high inflation and the recent sharp rise in interest rates, the impact of these conditions on HI's near-term sales and earnings prospects, its capital needs, and its financing requirements.

The company already has said it expects to report a loss for the first quarter, ending Jan. 31.

Analysts have lately been painting a much bleaker picture of Harvester's financial condition than the company does. Several analysts estimate that Harvester's operating cash needs will soon exceed its funds by as much as $500 million. But James Cotting, chief financial officer, reported yesterday: "The analysts are all wet."

"There's a whole cash-flow mechanism here to work with and our situation is completely manageable," Mr. Cotting insisted. "Our net cash flow will be at balance for the year. We always have a cash deficit in the first quarter, because of the seasonality of our agriculture equipment and the necessity of building inventory before the (spring) selling season."

Mr. Cotting says Harvester finances that deficit each year through short-term borrowings, and added, "We can hold you too, and we will."

Debt and Equity Markets

Analysts remain skeptical about Harvester's access to both debt and equity markets for a variety of reasons. At the end of fiscal 1980, the company's ratio of debt to equity stood at 1.1 to 1, compared with 1.5 to 1 at the end of fiscal 1979. In addition, Harvester had had ratings cut on several of its debt offerings. In the equity market, Harvester already had abandoned plans for a $300 million offering of cumulative preferred shares and diluted its earnings per-share somewhat with a $250 million offering of convertible preferred shares.

Also, the book value of Harvester's stock dropped to 533.50 Oct. 31, down from 699.35 a year earlier. Its stock has been trading at about 51 a share this week down from a 52-week high of more than 90. That means that in order to raise a large amount of cash, a stock offering would have to be big enough to cause "significant" dilution to earnings, Mr. Hollis said.

Harvester has said its earnings prospects for the year will be helped by a record number of new product introductions. But Mr. Hollis said: "New products are fine, but if the market isn't there, it doesn't do a heck of a lot of good."
Ford sets overseas truck record

ARACAO — Ford Motor Co. and its subsidiaries last month shipped more than 100,000 trucks outside the United States, a record for the company.

The total included 112,000 trucks, up 15 percent from last year's record, and 82,000, a new monthly record, which maintained Ford's leadership position in the European truck market.

In Europe, truck sales were 25 percent of the market, the highest percentage achieved by Ford in any month. Ford's sales were 20 percent of the market, up 12 percent from last year, represented by the introduction of the new, more competitive model.

In the Latin American market, Ford made a record 10,000 trucks last month, up 4 percent from the previous year's record, and 10,000, a new monthly record, which maintained Ford's leadership position in the Latin American truck market.

White loss $37 million for quarter

FARMINGTON HILLS, Mich. — White Motor Corp. reported a second-quarter net loss of $23,916,000, compared with net income of $13,306,000 in the same period of 1976.

In the quarter, the company sold 23,000 trucks, up 5 percent from the same period of 1976, and 16,000, a new monthly record, which maintained White's leadership position in the Latin American truck market.

An extraordinary credit of $4,300,000 for the third quarter of 1976 was not included in the quarter's earnings, which resulted in a net loss of $23,916,000, an increase of $19,670,000 from the same period of 1976. The extraordinary credit was the result of a reorganization of the company's foreign operations, which resulted in a net loss of $23,916,000, an increase of $19,670,000 from the same period of 1976.

On a continuing operations basis, the company earned $2,600,000, up 33 percent from the same period of 1976, and 2,600,000, a new monthly record, which maintained White's leadership position in the Latin American truck market.

White's sales were 20,000, up 12 percent from last year's total, and 14,000, a new monthly record, which maintained White's leadership position in the Latin American truck market.
August registrations are lowest in 9 years

August registrations of new trucks of all types in the U. S. were the lowest for that month in nine years, and marked the first time since 1977 that the monthly total had dropped below 250,000 for the month.

In August, 1977, new-truck registrations totaled 241,312, 5 percent below the total of 252,492 in August, 1976, the last time the total had dropped below 250,000 in five years and 1975 in two years.

For the first eight months of 1978, industry registrations fell 13 percent below a year ago, with declines in all three major segments. The total was 5.8 percent compared with 3,581,092 in 1977.

Group 1 registrations for the eight-month period numbered 713,432 units, compared with 751,813 of the August, 1977, total. The Group 1 count has been falling steadily since September, 1977, when the total was 1,158,213.

Group 2 registrations numbered 1,943,633 units, compared with 1,985,469 of August, 1977. The Group 2 volume count was 7,652,053 units, compared with 8,164,743 of the August, 1977, total.

Group 3 registrations for the eight-month period numbered 15,406,541 units, compared with 17,850,990 units of the August, 1977, total.
10-month truck sales drop 23.8 pct.

The 10-month total was 354,030, down 23.8 percent from last year's 474,839. According to the latest Press release, sales were down 23.8 percent from the year-ago period in 1979. For the first six months of 1979, sales were down 23.8 percent.

For the 10 months, the total was 1,471,179, up 23.8 percent from last year's 1,183,499.

Through October, truck sales were up 23.8 percent from the same period last year. For the first six months of 1979, sales were down 23.8 percent.

For the 10 months, the total was 1,471,179, up 23.8 percent from last year's 1,183,499.

During the month, the Big Three truck manufacturers sold 175,757 units, up 23.8 percent from the year-ago period. For the first six months of 1979, sales were down 23.8 percent.

The Big Three October sales were 1,471,179, up 23.8 percent from the year-ago period. For the first six months of 1979, sales were down 23.8 percent.

For the 10 months, the total was 1,471,179, up 23.8 percent from last year's 1,183,499.
**Registrations down 26 pct. in first half; all markets weaker**

First-half registrations of new trucks in all types of the U.S. declined sharply from a year ago, with significant decreases in two of the three market segments and losses in both of the eight weight classifications. In the first six months, totaling 1,448,840 units, registrations, a decrease of 28.6 percent, are down about 42.2 percent from the year ago, 1,776,796 and 20.2 percent from first half of 1966, 2,886,579. The total for June was down 55.1 percent, to 475,912, versus 1,057,114 last year, and registrations were down 48.9 percent, to 416,158, versus 804,970.

**Group 7 surge #1 softens decline in HD registrations**

As a result of a spate of orders for a group of new 3 and 4-tonners in the second half of the year, Group 7 registered 13,807 units in the current year, a gain of 4.2 percent over the first half of 1966. This is the only group in the market to show a gain for the first six months, although registrations of heavy-duty trucks in general were down 28.6 percent from a year ago. In June, Group 7 registrations were down 45.1 percent, to 2,625, versus 4,759,000 last year, and registrations for the first half were down 45.1 percent, to 13,607, versus 24,969.

**Truck registrations off 26 pct. in first half**

Table below shows the decline in registrations for all HD trucks.

<table>
<thead>
<tr>
<th>Class</th>
<th>June 1967</th>
<th>June 1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3.5</td>
<td>475,912</td>
<td>1,057,114</td>
</tr>
<tr>
<td>3.6-5</td>
<td>1,161,921</td>
<td>1,937,869</td>
</tr>
<tr>
<td>5.1-8</td>
<td>934,957</td>
<td>1,102,911</td>
</tr>
<tr>
<td>8.1-10</td>
<td>710,005</td>
<td>1,027,784</td>
</tr>
<tr>
<td>10.1-16</td>
<td>413,220</td>
<td>608,915</td>
</tr>
<tr>
<td>16.1-30</td>
<td>203,005</td>
<td>325,023</td>
</tr>
<tr>
<td>35-50</td>
<td>31,471</td>
<td>28,250</td>
</tr>
<tr>
<td>51-80</td>
<td>12,427</td>
<td>19,755</td>
</tr>
<tr>
<td>80+</td>
<td>3,727</td>
<td>5,523</td>
</tr>
</tbody>
</table>

Total HD: 3,140,153

**Registrations were down 266,000 in first half**

Year-to-date registrations were down 424,771 units, or 26.6 percent, from the 1,573,900 trucks sold in the first half of 1966. This is the largest decline in registrations since the first half of 1963, when registrations were down 34.5 percent, to 1,032,000 units.

**U.S. TRUCK REGISTRATIONS**

<table>
<thead>
<tr>
<th>Class</th>
<th>1967</th>
<th>1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3.5</td>
<td>475,912</td>
<td>1,057,114</td>
</tr>
<tr>
<td>3.6-5</td>
<td>1,161,921</td>
<td>1,937,869</td>
</tr>
<tr>
<td>5.1-8</td>
<td>934,957</td>
<td>1,102,911</td>
</tr>
<tr>
<td>8.1-10</td>
<td>710,005</td>
<td>1,027,784</td>
</tr>
<tr>
<td>10.1-16</td>
<td>413,220</td>
<td>608,915</td>
</tr>
<tr>
<td>16.1-30</td>
<td>203,005</td>
<td>325,023</td>
</tr>
<tr>
<td>35-50</td>
<td>31,471</td>
<td>28,250</td>
</tr>
<tr>
<td>51-80</td>
<td>12,427</td>
<td>19,755</td>
</tr>
<tr>
<td>80+</td>
<td>3,727</td>
<td>5,523</td>
</tr>
<tr>
<td>Total HD</td>
<td>3,140,153</td>
<td>4,007,871</td>
</tr>
</tbody>
</table>

**U.S. HEAVY DUTY REGISTRATIONS**

<table>
<thead>
<tr>
<th>Class</th>
<th>1967</th>
<th>1966</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.6-5</td>
<td>1,161,921</td>
<td>1,937,869</td>
</tr>
<tr>
<td>5.1-8</td>
<td>934,957</td>
<td>1,102,911</td>
</tr>
<tr>
<td>8.1-10</td>
<td>710,005</td>
<td>1,027,784</td>
</tr>
<tr>
<td>10.1-16</td>
<td>413,220</td>
<td>608,915</td>
</tr>
<tr>
<td>16.1-30</td>
<td>203,005</td>
<td>325,023</td>
</tr>
<tr>
<td>35-50</td>
<td>31,471</td>
<td>28,250</td>
</tr>
<tr>
<td>51-80</td>
<td>12,427</td>
<td>19,755</td>
</tr>
<tr>
<td>80+</td>
<td>3,727</td>
<td>5,523</td>
</tr>
<tr>
<td>Total HD</td>
<td>1,776,796</td>
<td>2,886,579</td>
</tr>
</tbody>
</table>
Sales decline in Canada for cars and trucks

Sales of new vehicles in Canada dropped 16.8 percent in November, to 111,330 from 133,939 in the corresponding month last year. This is the only month resulting in a smaller total, down 15 percent from the total of 136,000 last year.

Here's a breakdown of sales:

- New cars: 125,400, down 17.3 percent from 151,000 last year.
- New trucks: 7,438, down 2 percent from 7,451.
- Total vehicles: 132,838, down 15.3 percent from 158,451.

Despite a 12.4 percent drop in November sales, Ford still leads in Canada. Its sales jumped 3.5 percent from 21,000 last year to 21,661. Domestic sales were up 26 percent, but foreign sales dropped 29 percent.

Ford cars for the November period totaled 12,600, down 17 percent from the previous year. Domestic sales were down 13 percent, while foreign sales were down 22 percent.

We are confident that these new cars are right for the times and, together with our existing products, will ensure that we will maintain Ford's traditional leaders outside North America, according to the Ford Motor Co.

Ford's overseas sales declined in November, with a 16.8 percent drop. Domestic sales were down 15 percent, while foreign sales dropped 18 percent.

In Canada, Ford's sales were down 17.3 percent, but domestic sales were up 3.5 percent, while foreign sales dropped 29 percent.

Chrysler reported sales of 10.45 cars, down 17.3 percent from the previous year. Domestic sales of 10.45 cars were down 17.3 percent.

General Motors reported sales of 10.45 cars, down 17.3 percent from the previous year. Domestic sales of 10.45 cars were down 17.3 percent.

In Canada, GM's sales were down 17.3 percent, with domestic sales down 17.3 percent and foreign sales down 17.3 percent.

We note that these numbers reflect a drop in sales due to the ongoing economic downturn. We are confident that Ford will continue to lead in the Canadian market, maintaining its strong position in the face of tough competition.

Canada is one of the largest markets in the world, and Ford's sales are a good indicator of the overall health of the industry. We look forward to seeing how the company will perform in the coming months.