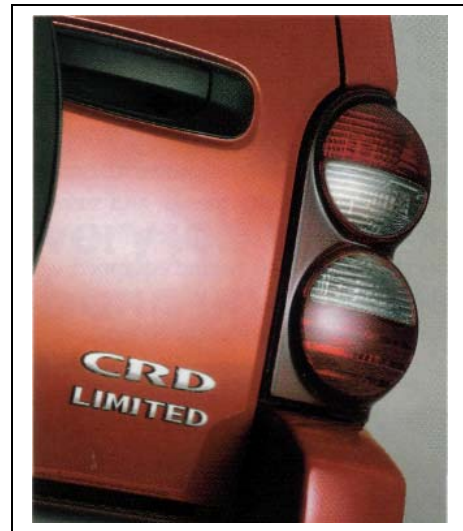


Bright Future for Diesels and Hybrids

New vehicles powered by hybrid electric or clean diesel engines are expected to garner 11% of U.S. sales by 2012-up from 4.8% in 2005-according to a report by J.D. Power-LMC Automotive Forecasting Services. Their report indicates that hybrids, which accounted for 0.5% of the U.S. market in 2004, are expected to increase to 3.5% market share by 2012, while diesels are expected to grow from 3% market share in 2004 to 7.5%.

"Higher fuel prices are acting as a catalyst for automakers and consumers to find alternatives to the traditional gasoline internal combustions engine," said Anthony Pratt, senior manager of global powertrain forecasting at J.D. Power-LMC. "We anticipate this will lead to dramatic growth, particularly with diesels, over the next several years." While automakers continue to design hybrid vehicles, they also are turning to diesels to help them offer more fuel-efficient alternatives. However, new U.S. Environmental Protection Agency regulations, which go into effect in 2007-2008, require cars and light-duty trucks to meet Tier 2 emissions standards of 0.07 grams of Nox per mile.



Diesel technology, coupled with low-sulfur fuel that will be available at gas stations next year, will have to meet these standards before these vehicles can be sold in the United States. "Most consumers are already familiar with diesel technology, whereas automakers are still trying to educate consumers about hybrid technology," Pratt said. "Outside of meeting future emission standards, the biggest challenge for automakers concerning diesel technology will be convincing consumers that today's diesel engines have increased performance and run cleaner and quieter than previous-generation diesels."

The price premium associated with alternative powertrain vehicles continues to be a prohibiting factor that will limit the potential for both hybrid- and diesel-powered vehicles. Pratt notes that manufacturers will have to reduce this premium to attract buyers who are not currently motivated to purchase these vehicles as a means to improve the environment, or as a means to save money by consuming less fuel. Despite the price premium, the study shows the number of hybrid electric models on the market is expected to increase from 10 in 2005 to 44 by 2012, while the number of diesel models is expected to grow from 14 to 26. "The bulk of the growth in hybrid models will be in SUVs and midsize cars," Pratt said. "The bloom of diesel vehicles will be in the pickup truck segment, as well as the luxury car and SUV segments."