PACCAR INC
Form PRE 14A
March 03, 2004

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SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. ___)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x Preliminary Proxy Statement
o Definitive Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Additional Materials
o Soliciting Material under Rule 14a-12

PACCAR INC

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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March 15, 2004

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of PACCAR Inc, which will be held at the Meydenbauer Center, 11100 N.E. 6th Street, Bellevue, Washington, at 10:30 a.m. on April 27, 2004.

The principal business of the Annual Meeting is stated on the attached Notice of Annual Meeting of Stockholders. We will also provide an update on the Company s activities. The Board of Directors recommends a vote **FOR** Items 1, 2 and 3 and **AGAINST** Items 4 and 5.

Your **VOTE** is important. Whether or not you plan to attend the Annual Meeting, please vote your proxy either by mail, telephone or over the Internet.

Sincerely,

Mark C. Pigott
Chairman of the Board and
Chief Executive Officer

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Notice of Annual Meeting of Stockholders

The Annual Meeting of Stockholders of PACCAR Inc will be held at 10:30 a.m. on Tuesday, April 27, 2004, at the Meydenbauer Center, 11100 N.E. 6th Street, Bellevue, Washington, for these purposes:

1. To elect three directors to serve three-year terms ending in 2007.

2. To amend the Certificate of Incorporation to increase the authorized common shares from 200 million to 400 million.

3. To approve amendments to the Restricted Stock and Deferred Compensation Plan for Non- Employee Directors to increase the number of shares reserved for award from 112,500 to 487,500 and to increase the annual award from $10,000 of restricted stock to $60,000 of restricted stock.

4. To vote on a stockholder proposal regarding the Company s shareholder rights plan.

5. To vote on a stockholder proposal regarding performance-based restricted stock grants to executives.

6. To transact such other business as may properly come before the meeting.

Stockholders entitled to vote at this meeting are those of record as of the close of business on March 1, 2004.

IMPORTANT: The vote of each stockholder is important regardless of the number of shares held. Whether or not you plan to attend the meeting, please complete and return your proxy form.

Directions to the Meydenbauer Center can be found on the back cover of the attached Proxy Statement.

By order of the Board of Directors

J. M. D Amato
Secretary

Bellevue, Washington
March 15, 2004

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PROXY STATEMENT

The Board of Directors of PACCAR Inc issues this proxy statement to solicit proxies for use at the Annual Meeting of Stockholders on April 27, 2004, at the Meydenbauer Center in Bellevue, Washington. This proxy statement includes information about the business matters that will be voted upon at the meeting. The proxy statement and proxy form were first sent to stockholders on or about March 15, 2004.

GENERAL INFORMATION

Voting Rights

Stockholders eligible to vote at the meeting are those identified as owners at the close of business on the record date, March 1, 2004. Each outstanding share of common stock is entitled to one vote on all items presented at the meeting. At the close of business on March 1, 2004, the Company had 175,413,375 shares of common stock outstanding and entitled to vote.

Stockholders may vote in person at the meeting or by proxy. Execution of a proxy does not affect the right of a stockholder to attend the meeting. **The Board recommends that stockholders exercise their right to vote by promptly completing and returning the proxy form either by mail, telephone, or the Internet.**

Voting by Proxy

Mark C. Pigott and Gerald Grinstein are designated proxy holders to vote shares on behalf of stockholders at the 2004 Annual Meeting. The proxy holders are authorized to:

- vote shares as instructed by the stockholders who have properly completed and returned the proxy form;
- vote shares as recommended by the Board when stockholders have executed and returned the proxy form, but have given no instructions; and
- vote shares at their discretion on any matter not identified in the proxy form that is properly brought before the Annual Meeting.

The Trustee for the PACCAR Inc Savings Investment Plan (the SIP Plan) votes shares held in the SIP Plan according to each member s instructions on the proxy form. If the proxy form is not returned or is returned without voting instructions, the Trustee will vote the shares in direct proportion to the shares for which it has received timely voting instructions, as provided for in the SIP Plan.

Proxy Voting Procedures

The proxy form allows registered stockholders to vote in one of three ways:

Mail. Stockholders may complete, sign, date, and return the proxy form in the pre-addressed, postage-paid envelope provided.

Telephone. Stockholders may call the toll-free number listed on the proxy form and follow the voting instructions given.

Internet. Stockholders may access the Internet address listed on the proxy form and follow the voting instructions given.

Telephone and Internet voting procedures authenticate each stockholder by using a control number. The voting procedures will confirm that your instructions have been properly recorded. Stockholders who vote by telephone or Internet should not return the proxy form.

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Stockholders who hold shares through a broker or agent should follow the voting instructions received from that broker or agent.

Revoking Proxy Voting Instructions. A proxy may be revoked by a later-dated proxy or by written notice to the Secretary of the Company at any time before it is voted. Stockholders who hold shares through a broker should contact the broker or other agent if they wish to change their vote after executing the proxy.

Online Delivery of Annual Meeting Materials

PACCAR s 2003 annual report and the 2004 proxy statement are available on PACCAR s website at www.paccar.com/corp/finance.asp. Registered stockholders who previously elected to receive these documents electronically and now wish to receive paper copies of the annual report and proxy statement may contact the Company s transfer agent, Wells Fargo Shareowner Services, at 1.800.468.9716 or visit www.econsent.com/pcar/. Stockholders who hold PACCAR stock in street name must contact their bank or broker to change their election and receive paper copies of the annual report and proxy statement.

Registered stockholders can receive future proxy statements and annual reports in electronic format, instead of receiving paper documents, by registering at www.econsent.com/pcar/. Stockholders who hold PACCAR stock in street name may inquire of their bank or broker about the availability of electronic receipt of future annual meeting materials.

Stockholders who choose electronic receipt of annual meeting materials will receive a notice when the proxy materials become available with instructions on how to access them over the Internet.

Multiple Stockholders Sharing the Same Address

Registered stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should contact Wells Fargo Shareowner Services at 1.877.602.7615 or P.O. Box 64854, St. Paul, Minnesota 55164-0854. Street name stockholders at a shared address who would like to discontinue receipt of multiple copies of the annual report and proxy statement in the future should contact their bank or broker.

Some street name stockholders elected to receive one copy of the 2003 Annual Report and 2004 Proxy Statement at a shared address prior to the 2004 Annual Meeting. If those stockholders now wish to change that election, they may do so by contacting their bank, broker, or PACCAR at 425.468.7520, P.O. Box 1518, Bellevue, Washington 98009.

Vote Required and Method of Counting Votes

The presence at the Annual Meeting, in person or by duly authorized proxy, of a majority of all the stock issued and outstanding and having voting power shall constitute a quorum for the transaction of business.

Item 1: Election of Directors

Directors are elected by a plurality of the votes cast for the election of directors. If a stockholder does not vote for the election of directors because the authority to vote is withheld, because the proxy is not returned, because the broker holding the shares does not vote, or because of some other reason, the shares will not count in determining the total number of votes for each nominee. The Company s Certificate of Incorporation does not provide for cumulative voting. Proxies signed but returned unmarked will be voted **FOR** the nominees for Class III Director.

If any nominee is unable to act as director because of an unexpected occurrence, the proxy holders may vote the proxies for another person or the Board of Directors may reduce the number of directors to be elected.

Item 2: Amendment of the Certificate of Incorporation

The affirmative vote of two-thirds (2/3) of the shares outstanding is required for the adoption of an amendment of the Certificate of Incorporation to increase the number of authorized common shares. If the

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abstain box on the proxy is checked, it will count as a vote against the proposal. Proxies that are signed and returned unmarked will be voted **FOR** the proposal. Brokers who hold shares in accounts for their clients and are not given instructions on how to vote on this proposal do not have discretion to vote and should return the proxy unmarked on Item 2 (a broker nonvote). Broker nonvotes will count as a vote against the proposal.

Item 3: Amendments to the Restricted Stock and Deferred Compensation Plan

To be approved, the Plan amendments must receive the affirmative vote of a majority of shares present in person or by proxy and entitled to vote at the Annual Meeting. Abstentions will count as a vote against Item 3. Broker nonvotes do not affect the voting calculations. Proxies that are signed and returned unmarked will be voted **FOR** Item 3.

Items 4 and 5: Stockholder Proposals

To be approved, each item must receive the affirmative vote of a majority of shares present in person or by proxy and entitled to vote at the Annual Meeting. Abstentions will count as a vote against each item. Broker nonvotes do not affect the voting calculations. Proxies that are signed and returned unmarked will be voted **AGAINST** Items 4 and 5.

Expenses of Solicitation

Expenses for solicitation of proxies will be paid by the Company. Solicitation will be by mail, except for any facsimile, telephone, or personal solicitation by directors, officers, and employees of the Company, which will be made without additional compensation. The Company will request banks and brokers to solicit proxies from their customers and will reimburse those banks and brokers for reasonable out-of-pocket costs for this solicitation.

STOCK OWNERSHIP

The following persons are known to the Company to be the beneficial owners of more than five percent of the Company s common stock as of December 31, 2003 (amounts shown are rounded to whole share amounts):

Name and Address of Beneficial Owner	Shares Beneficially Owned(a)	Percent of Class
Bank of America, N.A. 100 N. Tryon Street Charlotte, North Carolina 28255	8,855,254(b)	5.1

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The following list shows the shares of common stock beneficially owned by (a) each director, (b) the Chief Executive Officer and the other four most highly compensated executive officers (collectively the Named Officers) and (c) by all directors and executive officers as a group as of December 31, 2003 (amounts shown are rounded to whole share amounts):

Name	Shares Beneficially Owned(a)	Percent of Class
John M. Fluke, Jr.	6,937(c)	*
Gerald Grinstein	10,836(c)	*
David J. Hovind	161,817(d)(h)	*
David K. Newbigging	1,836(c)	*
Nicholas P. Panza	39,365(d)	*
James C. Pigott	8,331,571(c)(e)	4.8
Mark C. Pigott	2,547,402(f)(g)	1.5
Thomas E. Plimpton	70,856(d)	*
William G. Reed, Jr.	297,432(c)(f)	*
Harry C. Stonecipher	20,069(c)	*
Michael A. Tembreull	263,480(d)	*
Harold A. Wagner	15,166(c)	*
Total of all directors and executive officers as a group (15 individuals)	11,875,126	6.8

* Does not exceed one percent.

(a) Numbers reflect the Company s 50% stock dividend paid to stockholders on February 5, 2004. At the close of business on December 31, 2003, the Company had 116,743,307 shares of common stock outstanding (175,114,360 adjusted). The value of any resulting fractional share was paid in cash.

(b) Of the 8,855,254 shares, Bank of America, N.A. and/or its 4 affiliates jointly reported that they have sole voting power over 8,189,794 shares, shared voting power over 321,180 shares, sole investment power as to 8,224,887 shares, and shared investment power as to 597,355 shares.

(c) Includes shares in the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (the RSDC Plan) over which the participant has sole voting but no investment power. Also includes deferred cash accrued as stock units as follows: H. C. Stonecipher (7,979) and H. A. Wagner (8,830).

(d) Includes shares allocated in the Company s SIP Plan for which the participant has sole voting power over all shares and investment power as follows: D. J. Hovind (24,842 total/7,892 investment), N. P. Panza (17,818 total/2,693 investment), T. E. Plimpton (15,948 total/1,914 investment), and M. A. Tembreull (32,820 total/9,001 investment). Includes deferred cash awards accrued as stock units under the Deferred Incentive Compensation (DIC) and the Long Term Incentive (LTI) Plans as follows: D. J. Hovind (28,110), T. E. Plimpton (1,498), and M. A. Tembreull (49,515). Also includes options to purchase shares exercisable within sixty (60) days of December 31, 2003, as follows: D. J. Hovind (86,449), N. P. Panza (19,365), T. E. Plimpton (53,410), and M. A. Tembreull (160,122).

(e) Includes 3,245,691 shares held by a charitable trust of which he is a co-trustee and shares voting and investment power.

(f) Includes shares held in the name of a spouse and/or children to which beneficial ownership is disclaimed.

(g) Includes 23,049 shares allocated in the Company s SIP Plan for which he has sole voting power over all shares and investment power over 4,454; deferred cash awards accrued as 43,750 stock units under the LTI and DIC Plans, and 581,730 shares owned by a corporation over which he has no voting or investment power. Also includes options to purchase 839,627 shares exercisable within sixty (60) days of December 31, 2003.

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(h) David J. Hovind retired as an officer of the Company effective January 11, 2004, and as a director effective December 31, 2003.

ITEM 1: ELECTION OF DIRECTORS

Three Class III Directors are to be elected at the meeting. The persons named below have been designated by the Board as nominees for election as Class III Directors for a term expiring at the Annual Meeting of Stockholders in 2007. All of the nominees are currently serving as Directors of the Company.

BOARD NOMINEES FOR CLASS III DIRECTORS

(TERMS EXPIRE AT THE 2007 ANNUAL MEETING)

DAVID K. NEWBIGGING, OBE, age 70, is chairman of Friends Provident plc, a life assurance and asset management company based in the United Kingdom. He has held that position since 2001, having been chairman of Friends Provident Life Office from 1998 to 2001 and a director from 1993. He is also chairman of Faupel Plc, Talbot Holdings, Ltd, and deputy chairman of Benchmark Group Plc, all United Kingdom based companies. From 1995 to 1998 he served as chairman of Equitas Holdings Limited, the parent company of a group of reinsurance companies based in the United Kingdom. He is a director of Merrill Lynch & Co Inc. He has served as a director of the Company since 1999.

HARRY C. STONECIPHER, age 67, is president and chief executive officer of The Boeing Company, a manufacturer of aerospace equipment, commercial and military aircraft, and provider of related services, as of December 1, 2003. He served as Boeing s vice chairman from May 2001 to May 2002 and its president and chief operating officer from August 1997 to May 2001. He was president and chief executive officer of McDonnell Douglas Corporation from 1994 until its merger with Boeing in 1997. He was chairman, president and chief executive officer of Sundstrand Corporation from 1991 to 1994. He is a director of The Boeing Company. He has served as a director of the Company since 2001.

HAROLD A. WAGNER, age 68, is non-executive chairman of Agere Systems Inc., a provider of communications components. He has served in that position since 2001. He served as chairman and chief executive officer of Air Products and Chemicals, Inc., a supplier of industrial gases, related equipment and chemicals, from 1992 to 2000, and as its chairman, chief executive officer and president from 1992 to 1998. He is a director of Agere Systems, Inc., CIGNA Corporation, Maersk Inc., and United Technologies Corporation. Mr. Wagner also serves on the Business Advisory Council of A. P. Moller, Inc. He has served as a director of the Company since 1999.

CLASS I DIRECTORS (TERMS EXPIRE AT THE 2005 ANNUAL MEETING)

JOHN M. FLUKE, JR., age 61, is chairman of Fluke Capital Management, L.P., a private investment company, and has held that position since 1990. He is a director of Cell Therapeutics Inc. and American Seafoods Group, LLC. He has served as a director of the Company since 1984.

GERALD GRINSTEIN, age 71, is chief executive officer of Delta Air Lines Inc., a global commercial passenger airline, effective January 1, 2004. He retired as non-executive chairman of Agilent Technologies, Inc., a manufacturer of test and measurement instruments, in November 2002 after serving in that position since August 1999. He is also a principal of Madrona Investment Group, L.L.C., a private investment company, and a strategic advisor to the Seattle-based Madrona Venture Fund. Mr. Grinstein served as non-executive chairman of Delta Air Lines, Inc. from August 1997 to October 1999. He served as chairman of Burlington Northern Santa Fe Corp., a railroad transportation company, until his retirement in 1995. He was chairman and chief executive officer of Burlington Northern Inc. from 1991 to 1995. He is a director of Delta Air Lines, Inc., The Brink s Company, and Vans, Inc. He has served as a director of the Company since 1997.

MICHAEL A. TEMBREULL, age 57, is Vice Chairman of the Company and has held that position since January 1995. He was Executive Vice President from January 1992 to January 1995 and Senior Vice President from September 1990 to January 1992. He has served as a director of the Company since 1994.

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CLASS II DIRECTORS (TERMS EXPIRE AT THE 2006 ANNUAL MEETING)

JAMES C. PIGOTT, age 67, is president of Pigott Enterprises, Inc., a private investment company, and has held that position since 1983. He was chairman and chief executive officer of Management Reports and Services, Inc., a provider of business services, from 1986 until December 1999. He is the uncle of Mark C. Pigott, a director of the Company. He has served as a director of the Company since 1972.

MARK C. PIGOTT, age 50, is Chairman and Chief Executive Officer of the Company and has held that position since January 1997. He was a Vice Chairman of the Company from January 1995 to December 31, 1996, Executive Vice President from December 1993 to January 1995, Senior Vice President from January 1990 to December 1993 and Vice President from October 1988 to December 1989. He is the nephew of James C. Pigott, a director of the Company. He has served as a director of the Company since 1994.

WILLIAM G. REED, JR., age 65, was chairman of Simpson Investment Company, a forest products holding company and the parent of Simpson Timber Company, from 1971 through June 1996. He served as chairman of the board of Safeco Corporation from January 2001 through December 2002 and currently serves as lead independent director. He is a director of Microsoft Corporation, Safeco Corporation, Simpson Resource Company, The Seattle Times, and Washington Mutual, Inc. He has served as a director of the Company since 1998.

THE BOARD RECOMMENDS A VOTE FOR EACH OF THE NOMINEES.

BOARD GOVERNANCE

The Board of Directors has determined that the following persons are independent directors as defined by NASDAQ Rule 4200: John M. Fluke, Jr., Gerald Grinstein, David K. Newbigging, James C. Pigott, William G. Reed, Jr., Harry C. Stonecipher, and Harold A. Wagner.

Stockholders may contact the Board of Directors by writing to: The Board of Directors, PACCAR Inc, 11th Floor, P.O. Box 1518, Bellevue, WA 98009 or by e-mailing PACCAR.Board@paccar.com. The Corporate Secretary will receive, process, and acknowledge receipt of all written communications. Suggestions or concerns involving accounting, internal controls or auditing matters will be directed to the audit committee chairman. Concerns regarding other matters will be directed to the individual director or committee named. If no identification is made, the matter will be directed to the executive committee of the Board.

The Board of Directors met four times during 2003, and each member attended at least 75% of the combined total of meetings of the Board of Directors and the committees of the Board on which each served. All PACCAR directors are expected to attend each annual stockholder meeting. All directors attended the 2003 annual stockholder meeting. The Board has four standing committees. The members of each committee are listed below with the chairman of each committee listed first:

Audit Committee	Compensation Committee	Executive Committee	Nominating Committee
W. G. Reed, Jr.	G. Grinstein	M. C. Pigott	J. C. Pigott
J. M. Fluke, Jr.	J. M. Fluke, Jr.	J. C. Pigott	G. Grinstein
H. C. Stonecipher	D. K. Newbigging	W. G. Reed, Jr.	D. K. Newbigging
H. A. Wagner			

The Audit Committee selects and evaluates the independent auditors and approves all services they provide; it reviews reports of independent auditors, internal auditors, and the annual financial statements; and monitors the effectiveness of the audit process, financial reporting, and the corporate compliance programs. The Committee met three times in 2003.

The Compensation Committee reviews and approves salaries and other compensation matters for executive officers. It administers the Long Term Incentive Plan (LTI Plan), the Senior Executive Yearly Incentive Compensation Plan (SEI Plan), and the Deferred Incentive Compensation Plan (DIC Plan). The Committee met five times in 2003.

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The Executive Committee acts on routine Board matters when the Board is not in session. The Committee did not meet or take action in 2003.

The Nominating Committee selects candidates for election to the Board of Directors and considers nominees recommended by stockholders. All director nominees must be approved by a majority of the Board s independent directors. The Committee met four times in 2003.

COMPENSATION OF DIRECTORS

In 2003, each director who was not an employee was entitled to an annual retainer of $60,000, of which $50,000 is paid in cash and $10,000 is paid in restricted stock under the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (RSDC Plan). The Company also paid non-employee directors a fee of $7,500 for each Board meeting attended and $5,000 for each committee meeting attended, unless the meeting was held by telephone. A single meeting attendance fee was paid when a board and committee meeting were held on the same day. Non-employee directors may elect to defer all or a part of their cash retainer and fees to an income account or to a stock unit account under the RSDC Plan.

ITEM 2: PROPOSAL TO AMEND CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED COMMON SHARES

It is recommended that the stockholders adopt an amendment to the Fourth Article of the Certificate of Incorporation to increase the authorized number of shares of common stock of the Company from 200 million (200,000,000) to 400 million (400,000,000). The par value of the common stock of the company will remain at $1 per share and the authorized number and par value of shares of preferred stock will not change. The proposed amendment and the language currently in effect are set forth as Appendices A and B, respectively, to this proxy statement. As in the past, each share of common stock will be entitled to one vote and no holder of common stock will have any preemptive rights.

The authorized capital stock of the Company consists of 200 million shares of common stock and one million shares of preferred stock. On February 5, 2004, the Company paid a 50% stock dividend to stockholders. As a result, the Company had issued and outstanding 175,413,375 shares of common stock on March 1, 2004. No preferred stock is outstanding (see chart below).

Authorized Capital Stock

Currently Authorized	Par Value	After Amendment	Par Value
Preferred 1,000,000	No par	1,000,000	No par
Common 200,000,000	$1 per share	400,000,000	$1 per share

Management believes it is desirable to increase the number of authorized common shares. This action will provide the Company with flexibility in the future by assuring availability of sufficient authorized but unissued common stock for possible acquisitions, stock splits, stock dividends, financing requirements and other corporate purposes without the necessity of further stockholder action.

It is possible that the issuance of additional common stock may result in some dilution of the voting rights of existing stockholders as the shares become more widely distributed. It could make an unsolicited acquisition more difficult. The Certificate of Incorporation presently contains the following provisions previously approved by stockholders which may discourage unsolicited takeover attempts: (1) affirmative vote of two-thirds of the outstanding shares entitled to vote is required to approve a merger, consolidation, dissolution or sale of substantially all the Company s assets or to change the Bylaws or the Certificate of Incorporation; (2) a person who acquires 20% of the Company s outstanding common stock must purchase the remaining shares in any subsequent merger or other business combination at the highest price paid for any of the initial shares acquired; (3) the Board of Directors is divided into three equal classes, each class being elected annually for a three-year term; (4) directors may be removed only with the approval of two-thirds vote

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of outstanding common shares entitled to vote; and (5) stockholder action may be taken only during a duly called meeting of stockholders.

Further, the Company s Bylaws provide that a special stockholders meeting may be called by a majority of the Board of Directors. The Bylaws also require stockholders to give timely notice prior to an annual meeting of any matter they wish to present or nomination they wish to make for election to the Board.

In December 1998, the Board of Directors approved a Rights Agreement designed to protect the Company against abusive takeover attempts. A dividend of one preferred share purchase right (the Rights) was declared on each outstanding share of common stock. The Rights become exercisable when a person or group (an Acquiring Person) publicly announces its intention to acquire or acquires 15% or more of the Company s common stock. After such an announcement, each Right entitles the holder to purchase for $200.00 a fractional share of Company preferred stock designed to have a market value equal to the market value of a common share. If an Acquiring Person acquires 15% or more of the common stock, a holder of a Right (other than the Acquiring Person) will then be entitled to receive, upon exercise of the Right, shares of PACCAR common stock having a market value of two times the exercise price of $200.00. In the event the Company is acquired in a merger, each holder of a Right will be entitled to receive upon exercise of the Right shares of common stock of the Acquiring Company having a market value of two times the exercise price. At any time after an Acquiring Person acquires more than 15% but less than 50% of the Company s common stock, the Board of Directors may exchange the Rights, in whole or in part, at a ratio of one common share per Right.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 2.

ITEM 3: PROPOSAL TO APPROVE AMENDMENTS TO THE PACCAR Inc. RESTRICTED STOCK AND DEFERRED COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The Company recommends to the stockholders the approval of the amended and restated PACCAR Inc Restricted Stock and Deferred Compensation Plan (RSDC Plan) for Non-Employee Directors. The Plan was first approved by the stockholders in 2000.

Description of the Amendments. The purpose of the amendments is to increase the shares available under the plan from 112,500 to 487,500 (as adjusted for intervening stock dividends) and to increase the dollar amount used to determine the annual restricted stock award from $10,000 to $60,000 effective January 1, 2004. If the amendments are not approved, the RSDC Plan will continue in effect pursuant to its prior terms.

Stock Available for Grants. As of December 31, 2003, 84,099 shares are available for issuance under the Plan (as adjusted for the February 5, 2004 stock dividend). The Plan reserves shares of PACCAR common stock for benefits under this Plan, which shall be authorized but unissued shares of stock or treasury shares. The Board of Directors may adjust the number of shares granted to prevent dilution in the event of a stock split, a stock dividend, or other event that increases or decreases the number or value of issued and outstanding shares.

Summary of Benefits. Under the Plan, each non-employee director receives a grant of restricted stock annually in addition to the cash compensation discussed above. There are currently seven non-employee directors. Effective January 1, 2004, the number of shares granted will be determined by dividing sixty thousand dollars ($60,000) by the fair market value of PACCAR Inc common stock on the grant date. The grant date is the first business day of each calendar year. Plan participants have all the rights of a stockholder with respect to the restricted shares from the date of the grant, including the right to vote the shares and to receive cash dividends on those shares. Each grant is evidenced by a written Restricted Stock Grant Agreement.

The restricted shares cannot be sold or otherwise transferred for three years from the grant date. Shares that have not been held for the three-year holding period at the time the director terminates service with the company are forfeited unless termination is due to mandatory retirement, disability, or death. In those circumstances restricted shares are not forfeited and immediately become unrestricted.

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The Plan also allows non-employee directors to defer their cash compensation into an income account with interest at a variable rate or into a stock unit account representing the value of an equal number of shares of PACCAR stock. Stock units are credited with dividend equivalents in the same amount as dividends paid on PACCAR shares. Upon retirement or termination from the Board the stock unit account will be paid out in shares of PACCAR stock. The director may elect to receive payment from the income account in a lump sum or in installments over a period of up to 15 years.

New Plan Benefits. The following table sets forth the dollar amount of the Plan benefits in each fiscal year. If the Plan amendments are approved, each non-employee director, including each nominee for election as a director, will receive 1,073 shares of PACCAR stock in 2004 determined according to the Plan formula.

Name and Position	Dollar Value
Non-Executive Director Group(7)	$420,000

Plan Administration. The Plan is administered by the Executive Committee of the Board of Directors. The Committee has sole discretion to make all determinations necessary for Plan administration. Its decisions are binding.

Amendment or Termination. The Board of Directors or the Executive Committee may amend or terminate the Plan at any time. Approval by the Company s stockholders shall be obtained only if required by law.

Change in Control. In the event of a change in control all restricted stock will become unrestricted. Deferred accounts will be payable within 30 days from the date the change in control occurs.

Federal Tax Consequences. Grants of restricted stock are taxable to the non-employee director as ordinary income in the year the grant becomes unrestricted unless the director elects to be taxed in the year the stock is granted under IRS Section 83(b). Deferred compensation accounts are taxable as ordinary income in the year received. The Company is entitled to receive a corresponding deduction for the year that monies are included in the non-employee director s taxable income.

Effective Date and Duration. The Plan amendments are effective January 1, 2004 upon approval by the Company s stockholders and shall remain in effect until terminated.

The text of the amended Plan is set forth in Appendix C to this proxy statement. The foregoing summary of its principal features does not purport to be complete and is subject to and qualified in its entirety by Appendix C.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE <u>FOR</u> ITEM 3.

EQUITY COMPENSATION PLAN INFORMATION(1)

	(a)	(b)	(c)
Plan Category	**Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights(2)**	**Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights**	**Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)(3))**
Equity compensation plans approved by security holders	4,123,101	$24.56	9,693,771
Equity compensation plans not approved by security holders	None	None	None

Total	4,123,101	$24.56	9,693,771

(1) The number of securities reported and the exercise price reflect the fifty percent (50%) stock dividend of the Company s common stock paid to stockholders on February 5, 2004. The value of any resulting fractional share was paid in cash.

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(2) The number of securities reported includes the PACCAR Inc Long Term Incentive Plan (LTI Plan) and the Restricted Stock and Deferred Compensation Plan for Non-Employee Directors (RSDC Plan). Included in this total are 233,010 shares which represent deferred cash awards payable in stock. The weighted-average exercise price does not include the deferred stock account balances referenced above.

(3) The number of securities remaining is comprised of shares authorized under the following two plans: (a) 9,609,672 shares under the LTI Plan, which provides for annual awards in the form of Restricted Shares, Stock Units, Options (which may constitute incentive stock options (ISO) or nonstatutory stock options (NSO)), stock appreciation rights or cash, as well as deferred cash awards payable in stock and (b) 84,099 shares under the RSDC Plan that provides for annual grants of restricted stock, as well as deferred cash awards payable in stock.

COMPENSATION OF EXECUTIVE OFFICERS

The Named Officers received the following compensation for each of the last three fiscal years ended December 31, 2003.

Summary Compensation

	Annual Compensation(a)			Long Term Compensation: Awards	Long Term Compensation: Payouts	
Name and Principal Position	Year	Salary	Bonus(b)	Securities Underlying Options/SARS (Shares)(c)	Long Term Incentive Payouts(d)	All Other Compensation(e)
M. C. Pigott	2003	$1,100,000	$1,056,000	110,412	$1,068,750	$10,489
Chairman & Chief	2002	1,100,000	1,056,000	126,544	1,068,750	10,691
Executive Officer	2001	1,100,000	1,056,000	152,151	688,500	9,371
D. J. Hovind	2003	790,000	632,000	66,079	656,250	27,503
Vice Chairman	2002	758,308	608,000	71,901	609,376	28,864
	2001	750,000	600,000	86,449	438,750	25,177
M. A. Tembreull	2003	795,000	636,000	66,498	656,250	15,234
Vice Chairman	2002	759,346	609,000	71,901	609,376	19,361
	2001	750,000	600,000	86,449	438,750	14,485
T. E. Plimpton	2003	596,538	456,000	45,168	312,188	15,842
President	2002	525,000	378,000	40,263	296,156	14,995