

V O L V O

TO: The Honorable C.T. Wilson, Chair
Members, House Economic Matters Committee
The Honorable Pam Queen

FROM: Richard A. Tabuteau

DATE: March 8, 2023

RE: **OPPOSE** – House Bill 955 – *Vehicle Laws - Manufacturers and Dealers - Incentives*

The Volvo Group, which includes Mack Trucks, Volvo Trucks, and Volvo Construction Equipment, is the last remaining major vehicle and powertrain manufacturer in the State of Maryland. Volvo Group's Hagerstown Powertrain Production facility employs nearly 2,000 people including over 1,400 members of the UAW Locals 171 and 1247. The plant develops, manufactures, and tests heavy-duty powertrains, transmissions and axles for its Mack and Volvo trucks as well as Prevost and Volvo buses at its 280-acre campus. Volvo Group also employs more than 60 people at one of its U.S. parts distribution facilities in Elkridge. The Volvo Group opposes House Bill 955.

House Bill 955, among other provisions, requires a vehicle manufacturer or its affiliates to offer the same prices, discounts, and incentives to all dealers and customers. To begin, the intent of the bill is not clear.

Md. Transportation Code 15-207(h), like the federal Robinson-Patman Act, is designed to protect dealers by requiring manufacturers to equalize prices between dealers. Price differences are allowed (1) if the price difference is justified by different costs in manufacture, sale, or delivery, *e.g.*, volume discounts, or (2) if the price concession was given in good faith to meet a competitor's price. This is particularly relevant in the commercial truck market, where a manufacturer may offer the same price or discount to its Maryland dealers that are intended for a specific customer obtaining quotes on the same transaction from different dealers.

Under this bill, a commercial truck manufacturer may not be able to give different discounts through commercial truck dealers to different fleet customers. As a result, the default price for commercial trucks in Maryland will be higher and fleets will purchase trucks from other states where truck manufacturers are able to offer discounts. Maryland's commercial truck dealers will lose business and the state will lose revenue if large customers make out-of-state transactions.

Moreover, according to Md. Transportation Code 15-305(f), manufacturers are only permitted to sell to dealers, not end customers, so including "all purchasers of vehicles" raises a

conflict within the Code. Finally, Volvo Trucks, Mack Trucks and their finance companies are all affiliated but separate companies with separate management. Legally requiring cooperation jeopardizes the separateness of the entities and creates risks that the corporate entities could be disregarded.

If the intent of adding “or affiliates” to the bill is to regulate captive finance companies of vehicle manufacturers, then the bill should not be modifying the Transportation Code, which governs manufacturers, distributors, and dealers, but the Maryland Financial Institution Code instead. Moreover, captive finance companies are separate legal entities from manufacturers and are separately managed, and issue risk-based loans depending upon the customer’s credit score. If the same prices and discounts must be given to “all purchasers of vehicles,” the finance companies will no longer be able to make price determinations based upon credit risks.

House Bill 955 also requires manufacturers to disclose to dealers the method by which vehicles are allocated. Allocation of commercial trucks can be highly complex and not always able to be reduced to a simple statement. As such, a vehicle allocation report would be unduly burdensome and therefore unreasonable.

In short, the Volvo Group urges the House Economic Matters Committee to give House Bill 955 an unfavorable report.

For more information call:

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