

V O L V O

TO: The Honorable William C. Smith, Chair
Members, Senate Judicial Proceedings Committee
Senator William G. Folden

FROM: Richard A. Tabuteau

DATE: January 22, 2025

RE: **UNFAVORABLE** – Senate Bill 45 – *Vehicle Laws - Manufacturers and Dealers - Alterations*

In Maryland, Volvo Group North America's Hagerstown Powertrain Production facility employs nearly 2,000 people including over 1,400 members of the UAW Locals 171 and 1247 and is the last major automotive manufacturer in the state. 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.

Volvo and Mack Trucks are the North American industry leaders in Zero-Emission (ZE) Class 8 truck sales. In 2020, the Volvo Group made a global commitment to having 100% of its product sales being fossil free by 2040, including a nearer term goal of 35% of product sales being zero-emission by 2030. The Hagerstown plant plays a key role in this transition through the manufacturing of all modular power boxes for the Volvo VNR electric and Mack LR electric Class 8 trucks. Mack Trucks also sells an electric refuse truck.

Senate Bill 45 alters various provisions governing the compensation that vehicle manufacturers must pay to vehicle dealers in relation to service obligations of the dealers; prohibits manufacturers from selling vehicle parts directly to retail customers; prohibits manufacturers from requiring or coercing dealers to engage with third-party manufacturers in the course of the dealers' service obligations; and authorizes a dealer for which the franchise has ceased to exist to begin and complete certain warranty and recall repairs.

It is unclear whether Senate Bill 45 was intended to apply only to light-duty motor vehicles (i.e. passenger vehicles), as it underappreciates the nuances of commercial vehicle manufacturing (i.e. medium- and heavy-duty vehicles). As written, Senate Bill 45 applies to passenger vehicles and commercial vehicles alike and would have profound negative consequences for Volvo, its customers and the public.

For example, Senate Bill 45 prohibits a vehicle manufacturer from requiring that its dealers engage with third party manufacturers in connection with vehicle repairs. Unlike the light-duty

vehicle industry, in the medium- and heavy-duty vehicle industry products are non-integrated. Often, a truck's engine, transmission, and axles are wholly manufactured by third party suppliers. Warranties on these components are either (i) not provided or administered by the vehicle manufacturer, or (ii) are provided and administered by the vehicle manufacturer, but individual repairs require pre-authorization by the third-party supplier to ensure warranty coverage. In the latter circumstance, this pre-authorization is requested by the dealer as they are in the best position to describe the needed repair and gather required information about the vehicle in question.

This prohibition in Senate Bill 45 would place a significant administrative burden on Volvo, as it would effectively require Volvo to play "middle man" between the repairing dealer and the supplier. This would negatively impact Volvo, its customers and consumers, including its Hagerstown manufacturing facility, because (i) vehicle down time would be increased as the customer waits on the repair authorization to pass through additional hands, and (ii) the additional administrative and other costs incurred by Volvo and its customers would lead to higher prices for consumers. Medium- and heavy-duty commercial vehicles are revenue-generating assets for their owners, and therefore any additional downtime equates to additional cost.

Senate Bill 45 also permits dealers who are no longer manufacturer-authorized to continue to perform warranty and recall repairs. Generally, manufacturers cannot terminate a dealer relationship without very good reasons (e.g. significant failure to invest in facilities; very poor sales and/or service performance; committing fraud, etc.). Forcing a manufacturer to allow such a dealer to continue to represent the manufacturer's valuable brand to the manufacturer's customers and the public is unreasonable.

This provision also presents significant public safety concerns. A terminated dealer is highly unlikely to continue investing in tools, facilities, or personnel. Moreover, when a dealer is no longer manufacturer-authorized (regardless of cause), the manufacturer loses oversight to ensure that (i) the dealer's technicians are fully trained and certified, especially regarding any recall issued after the dealer's termination, and (ii) that the correct, genuine parts are being used in warranty and recall work. As a result, the quality of their warranty and recall work will suffer. In addition to the reputational damage caused to the manufacturer, this could also place unsafe vehicles back on the road. This risk is only amplified with regard to medium- and heavy-duty vehicles weighing up to 80,000 pounds. Such an outcome could irreparably damage Volvo's brand and reputation with potential negative downstream impacts on the Hagerstown manufacturing facility.

Volvo Group strongly urges the Senate Judicial Proceedings Committee to give Senate Bill 45 an unfavorable report.

For more information call:

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