

Ext. Comm. - Testimony - 2025 - Maryland SB 45 - F

Uploaded by: Joshua Fisher

Position: UNF



January 20, 2025

The Honorable William C. Smith, Jr.
Chair, Senate Judicial Proceedings Committee
2 East Miller Senate Office Building
Annapolis, Maryland 21401

SB 45 - Vehicle Laws - Manufacturers and Dealers - Alterations
Position: Unfavorable

Dear Chair Smith:

On behalf of the Alliance for Automotive Innovation,¹ please accept the following comments in opposition to SB 45. The bill would pose risks to consumers and manufacturers by allowing repair shops to do unauthorized repair work under a manufacturer's warranty. The bill would also create avenues for abuse of Maryland's current law that governs the contractual relationship between manufacturers and their dealer business partners.

SB 45 would allow a former dealer to perform warranty and recall repairs on any vehicle that it sold while it was a dealer and complete any warranty or recall repair that was underway when the dealer ceased to be one of the manufacturer's authorized dealers. That is harmful for consumers who reasonably expect that the work being done on their vehicle is being done by someone who is authorized to do it. The idea also does not recognize that a warranty on a new vehicle is the manufacturer's warranty not the dealer's warranty. The legal responsibility—under federal and state laws—to see that the warranty is honored is on the manufacturer. SB 45 would force manufacturers to allow former dealers to do work on the manufacturer's behalf despite their lack of authorization to do so. It would be illogical and unreasonable to place a burden on manufacturers to comply with state and federal warranty laws while at the same time depriving them of the right to control who is allowed to do work on their behalf.

SB 45 would also create avenues to abuse the existing state franchise law by allowing dealers to be compensated for duplicative costs and by prohibiting efficiencies that manufacturers use across the country. First, it creates several "administrative fees" that are already part of the compensation. For example, it creates fees for inspecting vehicles and preparing reports. Yet diagnostic and administrative costs such as billing are already baked into the compensation required by state law. That would create duplicative costs. The bill would also prohibit manufacturers from using kits (bundles of individual parts) to assist dealers in warranty and recall repairs. Those kits make repairs

¹ From the manufacturers producing most vehicles sold in the U.S., to autonomous vehicle innovators, to equipment suppliers, battery producers, and semiconductor makers – the Alliance for Automotive Innovation represents the full auto industry, a sector supporting 10 million American jobs and five percent of the overall economy. Active in Washington, D.C. and all 50 states, the association is committed to a cleaner, safer, and smarter personal transportation future. www.autosinnovate.org.

more efficient and avoid unnecessary costs in the system which ultimately benefits consumers. Maryland should not be an outlier state and prohibit that practice.

The above examples are only a sample of the unfair costs that SB 45 could create. The bill is unreasonable and unnecessary. The Alliance for Automotive Innovation respectfully asks you to vote against this bill. For more information, please contact our local representative, Bill Kress, at (410) 375-8548.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Josh Fisher". The signature is fluid and cursive, with the first name "Josh" and last name "Fisher" clearly distinguishable.

Josh Fisher
Senior Director, State Affairs

EMA Written Testimony in Opposition to Maryland SB

Uploaded by: Patricia Hanz

Position: UNF

Submitted Electronically
Written Testimony of the Truck and Engine Manufacturers Association
By
Patricia Hanz

SB 45
Maryland Senate Committee on Judicial Proceedings
January 20, 2025

The Truck and Engine Manufacturers Association (EMA) strongly opposes SB 45 and respectfully requests that the Committee not move the bill forward. The bill appears to be intended to apply to passenger vehicles, however as drafted would also apply to commercial vehicles such as medium and heavy-duty trucks. The way passenger vehicles and commercial vehicles are manufactured, marketed and sold is significantly different. While passenger cars are mass produced, commercial vehicles are typically custom manufactured to meet customer specific needs and sold with customer specific maintenance agreements. The commercial vehicle market is “non-integrated” - different manufacturers provide major components, completing assembly of the vehicle and installation of custom features, all of which may be warranted by different entities. In the commercial vehicle sector it is common for Dealers to be trained and certified to work on components manufactured by entities other than the Dealer’s sponsored manufacturer. The proposed legislation would provide no benefits to owners/operators of commercial vehicles and is unnecessary.

The Truck and Engine Manufacturers Association (EMA) is a not-for-profit trade association that represents worldwide manufacturers of internal combustion engines and on-highway medium- and heavy-duty trucks. EMA works with government and industry to help the nation achieve its goals of cleaner air and safer highways and to ensure that environmental and safety standards and regulations are technologically feasible cost-effective, and provide safety and environmental benefits.

It is Unnecessary. This bill is premised on the belief that dealers are not receiving adequate payment for service work. There is no data to support the contention that motor vehicle dealers are being underpaid, while 2023 and 2024 data suggest that automobile dealers are enjoying record profits and, if the intent is to help consumers and/or technicians, the dealers have the financial means to do so. The bill also suggests that dealers are not fairly compensated for work related to service contracts, warranty and recall repairs, which is not true. If such payments did not sufficiently cover the dealer’s costs, dealers would simply not accept the work. The bill is also premised on the assumption that commercial vehicles owners and operators do not have a stable, reliable, convenient retail network for the sales and service, however this is simply not the case for medium and heavy-duty commercial vehicles.

Additional Costs to Manufacturers and Consumers. This bill prohibits a 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 would place a significant administrative burden on manufacturers, as it would effectively require the manufacturer to play "middle man" between the repairing dealer and the supplier. This would negatively impact manufacturers, their customers, and consumers 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 the manufacturer 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.

It presents a potential hazard to commercial vehicle owner/operators. The bill includes a provision which specifically authorizes a terminated Dealer to continue to perform warranty and recall related work. Commercial vehicle manufacturers value their relationship with their dealers and invest significant resources to ensure that they are trained to perform work on their products. Warranty and recall related work often involves emissions and safety compliance. Allowing a terminated Dealer to continue to service commercial vehicles presents a potential hazard to the owners/operators of those vehicles, and to the general public, as they no longer participate in the regular training and updates provided to certified Dealers.

This bill simply paints with a much too broad brush and results in the search of a solution for which there is no legitimate public policy concern – it would not help owner/operators of commercial vehicles or technicians, but it *would* further enrich dealers. For these reasons, EMA strongly opposes SB 45 and urges the Committee to not forward this bill. If you and the legislature believe there are issues which should be addressed, that can be done in a properly scoped bill which excludes medium and heavy-duty vehicles.

Thank you for your consideration of our comments and concerns. If you have any questions or need additional information, please do not hesitate to contact me at phanz@emamail.org or (312) 929 - 1979.

SB45.pdf

Uploaded by: Richard Tabuteau

Position: UNF

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:

Richard A. Tabuteau
347.886.2904