TESTIMONY OF MR. MIKE VIRNIG
PRESIDENT, REV SPECIALTY VEHICLES GROUP
SUBCOMMITTEE ON DISASTER MANAGEMENT, DISTRICT OF COLUMBIA & CENSUS
SEPTEMBER 10, 2025

Thank you for the opportunity to testify before the Senate Subcommittee on Disaster Management, District of Columbia, and the Census. I look forward to the opportunity to discuss the fire apparatus industry, the challenges we have faced in the industry and at REV Group, and how REV Group is working hard to overcome those challenges.

REV Group is a proud American manufacturer, headquartered in Brookfield, Wisconsin. REV Group's subsidiaries manufacture a variety of specialty vehicles, including firefighting vehicles.[1] We are honored to supply our nation's first responders with exceptional products as they put their lives on the line to protect us.

All of our manufacturing operations are located in the United States, and we source the large majority of our parts and components from U.S.-based suppliers. We manufacture fire apparatus at facilities in Florida, Louisiana, Michigan, Nebraska, New York, Pennsylvania, and South Dakota.

The fire apparatus industry is complex and highly competitive. Different fire departments have highly individualized needs and vehicle specifications, and contracts are typically awarded in a competitive market in which a number of very capable manufacturers vie to win orders. According to the Fire Apparatus Manufacturers' Association ("FAMA"), there are over four dozen original equipment manufacturer members in the United States and Canada, in addition to the approximately one dozen non-FAMA member manufacturers of which we are aware.

Moreover, fire apparatus are very complicated and often highly customized vehicles, which is reflected in the labor-intensive engineering and production processes. Most of REV Group's trucks take well over a thousand, if not several thousand, skilled labor hours to produce, and even our simplest trucks take many hundreds of labor hours to build. This process is in contrast to, for example, a Ford F-150 pickup truck, which can be mass produced in approximately twenty hours.

You have asked me to address REV Group's perspective on issues faced by the fire apparatus industry, including delivery delays and price increases. I appreciate this opportunity to discuss what REV Group is doing to address the challenges faced by our industry.

With respect to increased delivery times experienced by the fire truck industry in recent years, REV Group is committed to doing our part to increase production of fire trucks and decrease delivery times while providing outstanding equipment to our nation's fire fighters. There are a number of reasons why fire truck delivery times can be extended, including supply chain constraints, labor challenges, customer change orders, manufacturing issues, and unprecedented increases in orders driven by sudden increases in municipal budgets

[1] While individual REV Group subsidiaries separately manufacture and sell vehicles, I will provide information regarding all of REV Group's firefighting vehicle subsidiaries. For ease of reference, I will use the term "REV Group" or "the company" to include all such subsidiaries.

resulting from federal stimulus funds. Many of these issues were exacerbated during and in the aftermath of the Covid-19 pandemic.

Because fire apparatus are highly complex and customized vehicles, they by their nature take a long time to produce. The timeline for delivery of firefighting vehicles was further extended by an unprecedented increase in demand that began during the Covid-19 pandemic and accompanied the influx of Covid-19 relief funding to state and local governments under the CARES Act and the American Rescue Plan Act.

According to data from FAMA, orders for new firefighting vehicles in the United States for their members increased over 50%, from an average of approximately 3,650 units a year from 2011–2020, to an average of approximately 5,500 new orders a year from 2021–2023.[2] This increase occurred at the same time that production was already constrained by pandemic-related challenges to supply chains and operations. Even under normal circumstances, the industry would not have been able to ramp up production quickly enough to meet this sharp increase in demand. This situation was exacerbated by the shortages of skilled labor and broad supply chain constraints that resulted in the industry not even being able to produce fire trucks at pre-pandemic levels during this time.

Recent data from FAMA indicates that demand is beginning to normalize, with approximately 4,350 new orders in 2024 and approximately 1,950 new orders in the first half of 2025. While we expect orders to continue to normalize and come back to pre-pandemic levels, the temporary surge in orders created a backlog that will take time for us, and the industry, to work through.

As was the case for many industries during the Covid-19 pandemic, the fire truck industry experienced extensive, prolonged supply chain disruptions and delays on critical items, including commercial chassis, wire harnesses, steel and other components, electronics, radiators, axles and assemblies, tank and exhaust components, and tires and steering components, among others. In many instances, REV Group was not able to obtain necessary components for our vehicles due to disruptions along the supply chain. We worked hard to mitigate these challenges as best we could, but they inevitably interfered with production rates. As an example, in mid-2021, one of REV Group's key axle suppliers indicated that it might have to shut down production due to labor shortages. A shutdown of its factory would have further delayed production at certain REV Group facilities as well as at other manufacturers. In response, REV Group sent our employees to temporarily work at the supplier's facility. While that further strained our production labor force, it also demonstrates our commitment to continuing to supply first responders with the equipment they need to do their jobs. This is just one example of the numerous challenges we worked hard to overcome during this time period. During and since this time, we have also made and continue to make efforts to add multiple supply sources for key components to our vehicle manufacturing processes, in order to increase our resilience against future supply chain disruptions.

REV Group also faced our own significant labor constraints. For example, increased employee absenteeism during the Covid-19 pandemic affected REV Group's production capacity. Employees were often absent due to required quarantine periods during the pandemic—both for infected persons and those who were exposed—greatly impacting the staffing of manufacturing facilities. This was an especially significant challenge in the fire truck manufacturing industry, where assembly is particularly labor intensive. Social

[2] FAMA utilizes a third party to collect and aggregate anonymized past unit sales volumes from FAMA members who chose to provide that data.

distancing protocols also limited the number of employees allowed per work area, further reducing productivity. Additionally, government stimulus payments offered during this period incentivized some workers to choose to remain home rather than return to work.

Even after the challenges of the Covid-19 pandemic started to wane, many of REV Group's skilled workers, particularly those nearing retirement age, chose to leave the company. Employee attrition at REV Group's fire subsidiaries in fiscal year 2022 was double the rate of employee attrition in fiscal year 2019. The result was a decrease in plant staffing, aggravated by a concurrent decrease in productivity. The loss of skilled workers is a significant challenge. Many of the employees REV Group lost during the pandemic, and since, were highly skilled craftsmen with years of experience, and the number of new skilled workers entering the workforce is in decline. REV Group has hired and continues to hire new workers, and we have made and continue to make investments in employee development and training. However, recruiting and training new workers takes time, particularly given the skill and training needed to build custom fire apparatus by hand.

While the pandemic-related disruptions coupled with the related spike in demand are the primary drivers of the increased delivery times for fire trucks, there are other factors affecting the delivery times of specific vehicles, including operational activities. One of the more notable challenges for REV Group has been related to our attempt to salvage Kovatch Mobile Equipment ("KME"), a manufacturer of a full line of custom fire apparatus. KME was highly distressed when REV Group purchased it in 2016 and was on the brink of imminent closure due to its financial condition. We expended significant resources to maintain this struggling operation and have incurred substantial costs subsidizing KME's losses while we made operational changes in order to return the business to a sustainable state. This included the difficult decision in 2021 to consolidate KME's manufacturing locations into other company operations. We acknowledge that this transition did not go as smoothly as planned, and challenges incurred during the transition resulted in reduced production of KME trucks and resulting delayed deliveries, as well as significant losses for the company. However, while these deliveries were delayed, the company has continued to honor the KME sales contracts, in many cases at a significant loss to the company.

Given the production delays and backlog, we continue to prioritize operational improvements to increase production of KME fire apparatus units. We believe that KME's production capabilities would have been lost to the industry, and its sales contracts cancelled, had REV Group not acquired and subsidized the business. Without the financial and operational backing of REV Group, KME likely would not have survived, and the industry would have been even further challenged to meet customer needs.

In the face of all of these challenges, we have invested in our people, processes and facilities to increase our production levels, meet the increased demand and reduce backlog and delivery times, and we are proud of the progress we have made. Our production output of firefighting vehicles increased approximately 40% over the last three years.[3] As a result of these efforts, our delivery times have also decreased significantly. While the lead time for fire trucks vary by type and complexity, the average delivery time is now approximately two years.

While we are proud of the progress we have made addressing these unprecedented challenges, we continue to invest in our people, processes and facilities across our locations to further increase production levels. As an example, last month we broke ground on a

[3] From third quarter fiscal year 2022 to third quarter fiscal year 2025.

major expansion of our Brandon, South Dakota facility that will significantly increase its manufacturing footprint and capacity, and create new manufacturing jobs for the American working class.

As demand continues to normalize and output continues to increase, we will be able to continue to work through the backlog and reduce delivery times, but that process will take time. It is critical to recognize that fire trucks are not commodities, and ramping up production for highly customized vehicles requiring thousands of hours of work by skilled tradespeople takes time in order to meet the special, mission critical requirements of the vehicles REV Group is building.

While we continue to work hard to reduce delivery times of our traditional custom fire trucks, we have also developed innovative product lines which offer a cost-effective alternative and can be delivered in under a year. As discussed above, firefighting vehicles are typically highly customized, which results in complex design and production processes and leads to higher costs and longer lead-times. For example, a fully customized fire truck can require about 250 hours of upfront processing, design and engineering time. This time is required before the labor-intensive hand-made building process – which typically takes a thousand or more hours – can begin.

Our semi-custom vehicles, such as the highly capable line of S-180 vehicles, have a modular design that significantly cuts down on both engineering and build time. Because the S-180 is pre-engineered, the upfront process and engineering time for each vehicle takes only about 25 hours. The manufacturing process, portions of which can be run on more of an assembly line basis, takes significantly fewer hours than for a fully custom truck. These trucks use the same components as our fully custom trucks, offer the same quality and performance, and offer many variants and options. By moving from a fully custom to a more pre-engineered design, these trucks can be delivered in significantly less time and at a lower cost, and provide a great option for fire departments who need a truck quickly or at a lower price.

While we continue to offer fully custom vehicles for those who want them, we have been encouraged to see fire departments take advantage of our semi-custom options when it is right for them, and we have received highly positive feedback. For example, San Bernardino County, California was facing delays in their purchasing cycle, so rather than waiting for a fully customized fire truck with a longer lead time, they bought ten of our S-180 units that we can deliver in under a year to meet their immediate needs.

You also asked me to address the price increases experienced in the fire apparatus industry in recent years, which I appreciate the opportunity to discuss. Firefighting vehicles are highly complex, and the production process requires both intensive skilled labor and a large number of inputs that manufacturers must source from upstream suppliers. Like most products manufactured in the United States, firefighting vehicles have faced significant inflation of input and manufacturing costs over recent years, including increased costs of labor, raw materials and other inputs. As is well known, and is clearly demonstrated by official U.S. government data, inflation started to increase in 2020 and became particularly acute in 2021 and 2022, remaining high into 2024.[4] The increase in the Producer Price Index was correspondingly significant and higher in the United States than in Europe, Japan,

[4] See, e.g., Michael D. McCall, "Did the COVID-19 pandemic affect real earnings? Analyzing average hourly earnings and inflation before and after the onset of the pandemic," Bureau of Labor Statistics, 13 *Beyond the Numbers* 7 (2024) (https://www.bls.gov/opub/btn/volume-13/did-the-pandemic-affect-real-earnings.htm).

or China.[5] This reflects the particular disadvantage faced by U.S. manufacturers during the pandemic, especially with the labor market distortions created by stimulus payments. Like others in this highly competitive industry, REV Group has had to raise prices in order to offset these increased costs, so the price for new firefighting vehicles has increased along with such production cost increases.

We have also had to increase prices to address other market changes, such as changes to the safety requirements set forth by the National Fire Protection Association ("NFPA") and changing emissions standards. The NFPA sets safety standards for new fire apparatus and REV Group builds our apparatus to meet those requirements, as safety is paramount. However, each new NFPA requirement comes at an increased cost. In addition, changing emissions standards, which REV Group is required to meet, also impose additional costs. The EPA has imposed a number of new requirements over the last decade, each of which has increased costs. Significant new emissions requirements are expected to take effect in 2027, which again impacts the price of fire apparatus.

In addition, REV Group sells fire trucks on fixed price contracts, and there is a long lead time between sale and delivery (even before the increased lead-times described above). This pricing model provides customers with certainty as to the cost of their vehicle – they know that the cost agreed upon at the time of contract will not change. But, as a result of this commitment, we need to price not only for actual historical inflation, but also for expected inflation and other challenges between the sale and ultimate delivery. Like many American manufacturers operating in highly competitive industries, REV Group has lean margins and does not have the earnings to absorb the considerable input and manufacturing cost increases it has faced over the last several years, and expects to continue to face, without adjusting our prices for future orders.[6]

REV Group takes our commitment to our customers and our nation's first responders very seriously, and we have honored our fixed price contracts and produced fire trucks at a significant loss when input and production costs have increased between sale and delivery, including during the unprecedented, extreme and widespread increases in these costs during the pandemic. This commitment to our customers, even in the face of increasing input and manufacturing costs, resulted in our fire division losing money for the period of 2020 to 2024.[7]

REV Group takes great pride in supplying our nation's first responders with high quality products built in the United States. While REV Group, along with the rest of the industry, has been challenged with extreme cost inflation, operational challenges, and an unprecedented spike in demand in recent years, we continue to work to provide the best products as quickly as possible and at competitive prices.

Thank you, and I look forward to answering your questions.

[5] Statista, Monthly producer price index (PPI) for all commodities in major economies from January 2020 to November 2024 (https://www.statista.com/statistics/1034504/monthly-producer-price-index-major-economies/).

[6] REV Group reported consolidated cumulative net income margin of 2.8% from fiscal year 2020 through fiscal year 2024, and 3.7% for the first three quarters of fiscal year 2025.

[7] The fire division had a cumulative net loss for the five fiscal years ending October 31, 2024.