

PACCAR: How Fast Should the Line Run?

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The decision

PACCAR's executive team is preparing its hypothetical FY2027 North American Class 8 production plan. Orders have strengthened, freight rates have improved, and management says most 2026 build slots are full. Yet first-half deliveries and U.S./Canada retail sales are below the prior year, public disclosures do not show order firmness or cancellations, and the emissions requirements affecting model-year 2027 engines remain in transition.

How should PACCAR set production cadence and dealer and parts readiness? It could accelerate selectively, hold near a flexible baseline until demand is clearer, or release capacity in evidence-based stages. This is a planning exercise, not a claim that PACCAR disclosed an internal FY2027 allocation decision. No precise build target or dealer inventory target is available publicly.

A stronger order signal, a softer delivery record

PACCAR reported 38,700 worldwide truck deliveries in Q2 2026, compared with 39,300 a year earlier. U.S./Canada deliveries were 22,000 versus 23,000; Europe was 11,200 versus 10,600. For the first half, worldwide deliveries were 71,800 versus 79,400, including 39,800 in U.S./Canada versus 45,200. PACCAR attributed the Q2 worldwide decline primarily to lower U.S./Canada retail demand, partly offset by Europe and Mexico. Its dealer-network U.S./Canada heavy-duty share through H1 was 29.6%, versus 30.4% a year earlier. These are reported deliveries and market measures, not current orders or a forecast. [Q2 Form 10-Q, MD&A, pp. 36-38](#)

CEO Preston Feight said Q2 build rates increased “due to strong orders.” On the July earnings call, management described North American slots as full through Q3 and mostly full for 2026-about 90%-with expected sellout and some carryover into 2027. The call transcript is a third-party rendering, not a filing, and was not checked against the webcast audio. PACCAR did not disclose an underlying Q2 order count, cancellation rate, buyer mix, order-to-retail conversion, or FY2027 unit plan. The 10-Q says the company does not disclose truck backlog because most orders have a duration under one year (Note B, p. 10). The \$4.9 billion production backlog reported at year-end 2025, of which \$2.6 billion scheduled within 90 days was firm, is a different-date measure and cannot establish today's order quality. [Q2 release](#) · [Q2 call transcript, lines 475-495](#) · [2025 Form 10-K, Item 1, p. 4; Note A, pp. 41-42](#)

Management attributed customer interest to improving freight rates, constrained freight capacity, and an aging fleet that may need replacement. The call cited spot rates up 20% and contract rates up 6.5%, without identifying the series, geography, or comparison period. A competing interpretation is that orders reflect a cyclical rebound, timing shifts, or supply

normalization that may not persist into 2027. The evidence provided does not show whether buyers are replacing trucks or expanding fleets, how much they use existing equipment, or whether current order strength converts into retail deliveries.

PACCAR estimated 2026 U.S./Canada Class 8 retail sales at 230,000-270,000. That is a management forecast, not a realized total. Its separate estimates for Europe above 16 tonnes and South America use different markets and measures; they do not establish North American demand. Kenworth and Peterbilt primarily serve North America, while DAF has a distinct regional footprint.

Readiness has more than one measure

Management offered two supplier signals on the call. President Kevin Baney said suppliers had been told of higher build rates and that PACCAR felt good about support. Feight also said a few hundred trucks were not delivered during Q2 because supplier constraints emerged as demand ramped, with deliveries expected to move through in Q3. The record does not identify the parts, plants, suppliers, duration, or recovery outcome. Positive supplier support and missed deliveries can coexist; neither statement measures a lasting capacity ceiling.

PACCAR Parts reported Q2 revenue of \$1.747 billion and pretax income of \$417.0 million. H1 revenue was \$3.457 billion, up from \$3.411 billion, while H1 pretax income was \$819.3 million, down from \$843.0 million. The company attributes Parts performance to several factors, including distribution investments, its installed powertrain population, truck utilization, pricing, costs, and warehouse effects. This is an aftermarket business with its own drivers, not a leading indicator of new-truck orders.

PACCAR reported 21 global parts distribution centers, more than 4 million square feet, over 2,000 DAF/Kenworth/Peterbilt dealer sales-parts-service locations, and over 350 TRP stores. Those global counts do not reveal North American dealer stock, local parts fill rates, staffing, service bays, or technician capacity. The \$2.384 billion consolidated inventory balance at June 30 covers Truck, Parts and Other; it is not dealer truck stock or model-level inventory. PACCAR Financial Services is another separate business: its Q2 pretax income was \$124.1 million, with a 222,000 truck/trailer portfolio and \$22.3 billion in assets. Financing conditions and used-truck values may affect customer choices, but those segment figures are not order measures. [Q2 release, Parts and Financial Services sections](#) · [Q2 Form 10-Q, balance sheet p. 4, Note D p. 13, MD&A pp. 39-41](#)

Management's 2026 company-wide outlook was \$700-750 million in capital expenditures and \$450-480 million in research and development. These are not an FY2027 budget or an allocation for North American truck capacity. Public sources do not quantify production constraints, dealer readiness, or any fixed resource conflict between truck manufacturing and Parts.

An unsettled model-year transition

The 2023 EPA heavy-duty rule established criteria-pollutant requirements for model-year 2027 and later engines. In July 2026, EPA proposed amendments to selected warranty and useful-life provisions, DEF/SCR inducement provisions, and nonconformance penalties. At the cutoff, the comment period had closed, but the reviewed EPA materials still described the action as a proposal. It had not replaced or repealed the underlying MY2027 criteria-pollutant standards. EPA's separate February 2026 final action on federal greenhouse-gas standards was a different proceeding and did not change that criteria-pollutant distinction. [EPA July proposal, 91 FR 43154](#) · [EPA criteria-pollutant rule](#) · [EPA separate GHG action](#)

On the call, management said it expected an answer later in 2026, discussed possible engine rollout timing, and estimated nonconformance penalties of roughly \$6,000-\$7,000 per truck. Those were management views and estimates, not final EPA amounts or confirmed customer behavior. The underlying proposal and docket were not fully reviewed: selected notice sections and status pages were read, while the docket index and comments were inaccessible to the researchers. The case therefore treats applicability, final timing, compliance economics, and customer purchase response as open questions.

Historical research offers a reason to monitor purchase timing, not a forecast. A full EPA technical report found mixed Class 8 pre-buy and post-rule low-buy patterns around earlier standards; its delivery-date data imperfectly proxy orders. A peer-reviewed 2018 article reports a 2007 pre-buy and slump, but only the abstract was available in this review, so its methods and uncertainty could not be assessed. Neither source estimates a 2027 effect for PACCAR.

Powertrain choices also depend on where and how trucks operate. A fully reviewed 2026 European scenario study finds wide differences in battery-electric truck cost and technical feasibility across use profiles and infrastructure assumptions. A 2024 model likewise reports sensitivity to range, charging, battery costs, temperature, and duty cycle, but its appendix and equations were not fully validated here. These studies can help identify questions for customer segmentation; neither predicts PACCAR's North American FY2027 mix or customer economics.

Three credible paths

1. **Accelerate selectively.** Raise builds where demand signals and customer commitments are strongest; align dealer, service, and parts preparation to the specific models and regions. This may capture replacement demand and carryover orders, while exposing the plan to cancellations, softer freight conditions, supplier gaps, or regulatory timing shifts.
2. **Preserve a flexible baseline.** Maintain a cautious cadence until orders convert into deliveries and demand, compliance timing, and readiness become more observable. This limits exposure to a short-lived rebound but may forgo production opportunities or leave customers waiting if demand proves durable.
3. **Stage additional capacity against evidence.** Release increments when defined order-conversion, customer-use, supplier, dealer, and model-year compliance gates are met. This can preserve adaptation across regions and powertrains, but adds coordination and may delay decisions; the public record does not specify what increments or lead times are feasible.

The evidence does not select a path. Any plan should say which indicators would trigger a change and how managers would distinguish firm customer demand from forecasts, regulatory timing, and channel readiness.

Questions for discussion

1. What should “strong orders” mean for this decision? Which additional measures would help distinguish replacement demand, fleet expansion, order timing, and order-to-delivery conversion?
2. What cadence would you choose for the next planning gate? State the evidence that would lead you to accelerate, hold, or slow it.
3. How should dealer and Parts readiness be assessed by model, region, and customer use case? Which operational indicators are missing from public disclosure?

4. What exactly had EPA proposed by the cutoff, and what remained unchanged or unresolved? How could different final timing or customer interpretations affect order timing without assuming they will?
5. What can European battery-electric cost studies and historical U.S. pre-buy evidence teach decision-makers? What cannot be transferred to PACCAR's North American FY2027 plan?
6. Design a two-gate monitoring plan. Specify leading and lagging indicators, owners, review intervals, and the result that would change the production or readiness decision.

Exhibit 1. Selected public indicators

Indicator	Public record by cutoff	What it measures-and does not measure
PACCAR global deliveries	Q2 2026: 38,700 vs. 39,300 prior year; H1: 71,800 vs. 79,400	Realized global deliveries, split across different regional patterns; not North American orders or FY2027 demand.
U.S./Canada market and PACCAR deliveries	H1 heavy-duty retail: 104,800 vs. 120,800; PACCAR deliveries: 39,800 vs. 45,200; dealer-network share: 29.6% vs. 30.4%	Separate industry retail and company delivery measures. Share is reported by PACCAR and not independently verified here.
Order / slot commentary	Management said Q2 build rates rose due to strong orders; call described slots as mostly full for 2026 (~90%) and some carryover into 2027	Attributed management commentary. Order count, firmness, cancellations, buyer mix, and conversion remain undisclosed.
2026 U.S./Canada market outlook	230,000-270,000 Class 8 retail sales	Management estimate, not realized sales or PACCAR production guidance.
Parts	Q2 revenue \$1.747bn; pretax \$417.0m. H1 revenue \$3.457bn; pretax \$819.3m	Aftermarket segment results with separate drivers; not new-truck demand or local service readiness.
Network	21 global parts distribution centers; >4m sq. ft.; >2,000 dealer sales-parts-service locations; >350 TRP stores	Company-reported global scale; local inventory, fill rates, staffing, and capacity not shown.
Supplier / delivery commentary	A few hundred Q2 trucks not delivered due to supplier constraints; management expected movement in Q3	Attributed transcript statement; supplier identity, cause, duration, and recovery outcome unknown.
EPA status	July 2026 selected amendments proposed; comment period closed; proposal remained a proposal in reviewed materials	Not final repeal of MY2027 criteria-pollutant standards; separate from February GHG action.

Source and cutoff notes

- PACCAR [Q2 2026 earnings release](#), July 28, 2026; complete release and tables reviewed in the underlying research.

- PACCAR **Q2 2026 Form 10-Q**, filed July 29, 2026; printed pp. 1-59 were read in archived filed HTML. Independent review accepted that reading record and locators, but did not reproduce archive retrieval or reread every page.
- PACCAR **FY2025 Form 10-K**, filed Feb. 18, 2026; scope-relevant sections read. Distinct from the shareholder-letter annual-report PDF.
- PACCAR **Q2 earnings call event page** and **third-party transcript**; prepared remarks and relevant Q&A read, but not audited against audio.
- EPA **July 2026 proposal** and **rule-status page**; selected notice sections and status materials reviewed, not all 428 pages. Docket comments were not accessible.
- Academic context: Samet et al. (2024), *Applied Energy* 361, 122976, **DOI** (provisional appendix/equation review); Hoppe et al. (2026), *Nature Communications* 17, 8013, **article** (full main text/methods, European scenarios); U.S. EPA (2021), **technical report** (full OCR review); Rittenhouse & Zaragoza-Watkins (2018), **DOI** (abstract only).

Cutoff discipline: This case uses evidence available through October 4, 2026. Q3 2026 results and later regulatory or market outcomes are excluded. Forecasts and management explanations are attributed. It does not assume an internal PACCAR decision, an EPA final action on the July proposal, or a future production or powertrain outcome.