



INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE & AGRICULTURAL IMPLEMENT WORKERS OF AMERICA – UAW

GARY R. JONES, *PRESIDENT* RAY CURRY, *SECRETARY-TREASURER*
VICE-PRESIDENTS: TERRY DITTES • CINDY ESTRADA • RORY L. GAMBLE

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Driving in Reverse: The Administration’s Rollback of Fuel Economy and Clean Car Standards
House Committee on Energy and Commerce Subcommittee on Consumer Protection and
Commerce and Subcommittee on Environment and Climate Change
Submitted by Josh Nassar
UAW Legislative Director
1757 N Street NW, Washington, D.C. 20036

Madam Chair Schakowsky, Ranking Member McMorris Rodgers, Chairman Tonko, Ranking Member Shimkus and members of the Subcommittee on Consumer Protection and Commerce and Subcommittee on Environment and Climate Change, it is my honor to testify on behalf of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), President Gary Jones, the UAW International Executive Board (IEB) and our one million active and retired members. Thank you for the opportunity to share our views on the Safer Affordable Fuel Efficient (SAFE) proposed rule and its potential impact on the economy and working people.

No other membership organization in the United States is more directly affected by the health and stability of the domestic auto manufacturing industry than UAW members and retirees. The majority of our members and retirees work in or have retired from the auto industry and are therefore are directly impacted by fuel economy and clean car standards. By extension, these standards also impact their families and communities.

After careful consideration, the UAW opposes the preferred alternative in the SAFE proposed rule, which would freeze emissions standards at Model Year 2020. UAW shares concerns expressed by auto manufacturers that the preferred alternative could lead to protracted litigation and uncertainty in the industry that will limit growth.¹ We fear the preferred option would stifle innovation and discourage investment in the industry while insufficiently combating climate change. We are very concerned that the final rule will be a setback for U.S. workers, the economy and environment. We urge the Administration, Congress, California Air Resources Board (CARB), manufacturers, and all other stakeholders to develop balanced regulations that are good for the environment, American workers, U.S. manufacturing, and the economy. We stand ready to work with all stakeholders to create a win-win for the industry and environment.

¹ <http://media.freep.com/uploads/digital/Trump-GHG-CAFE-Letter-June-6-2019.pdf>

Importance of the U.S. Auto Industry

The United States' motor vehicle industry is the cornerstone of American manufacturing jobs. Nearly one million people work in the auto and auto-parts manufacturing sectors.² Of course, the economic impact of the auto industry reaches far beyond the workers employed at the plants and their families. The domestic vehicle assembly and parts industries are vital to our manufacturing base and it is imperative that we stay strong and competitive now and into the future. When jobs from other linked industries are included, the auto industry is responsible for over 7.25 million jobs nationwide.³ The long-term health of the industry is critically important to both workers and the economy at large.

Manufacturing workers and domestic manufacturing face serious headwinds including the continued offshoring of U.S. jobs as many home-grown corporations choose to invest overseas instead of at home. The causes are many from bad trade deals that lower wages and destroy good paying U.S. jobs, perverse tax provisions that incentivize businesses to move jobs overseas, and employers who do not recognize workers' right to collectively bargain. Extensive damage has already been done and workers are paying the price for policy failures and neglect by our elected leaders over many decades. Corporate Average Fuel Economy (CAFE) and Greenhouse Gas (GHG) Emissions standards have not created the circumstances that workers are in today.

Over the past ten years, U.S. automotive production workers' wages have shrunk. When adjusting for inflation, average hourly earnings for workers in auto assembly have declined by 10%, while average hourly earnings for parts workers have declined by over 15%. Real wages have dropped despite remarkable increases in productivity.⁴ From 1973 to 2017, net worker productivity rose 77 percent, while the hourly pay of typical workers essentially stagnated—increasing only 12.4 percent over 44 years (after adjusting for inflation).⁵

GHG and CAFE Standards

We are proud of the role we played in the creation of the GHG Emissions Standards for Model Year (MY) 2011-2025 light duty vehicles by helping to reach a consensus among a wide variety of stakeholders including the prior Administration, state and federal regulators, the automobile industry, environmental advocates, elected officials and many others. This consensus was not easily obtained and required decades of hard work and compromise. It would be a tragic mistake to ignore this progress and go back to square one. To be clear, adjustments to regulations are sometimes necessary and appropriate. With that said, the changes must be done in a targeted and judicious manner. The proposed rule does not meet this test.

² Bureau of Labor Statistics, "Automotive Industry: Employment, Earnings, and Hours", <https://www.bls.gov/iag/tgs/iagauto.htm>

³ Hill, Kim, Deb Menk, Joshua Cregger, and Michael Schultz. "Contribution of the Automotive Industry to the Economies of All Fifty States and the United States." Center for Automotive Research. January 2015.

⁴ BLS "Average hourly earnings of production and nonsupervisory employees" (Series CEU3133610008 & CEU3133630008); BLS "Inflation Calculator"

⁵ Economic Policy Institute, "The Productivity- Pay Gap," August 2018: <https://www.epi.org/productivity-pay-gap/>

To date, current standards have resulted in significant reductions in greenhouse gases, increases in the average fuel economy of passenger vehicles sold in the United States and the creation of the “One National Program” that was implemented in 2012. We have learned from experience that strong standards are good for the environment and domestic manufacturing. Analysis by the Union of Concerned Scientists projects these standards will create an estimated 650,000 jobs (full-time equivalent) throughout the U.S. economy by 2030, including 50,000 in light-duty vehicle manufacturing (parts and vehicle assembly).⁶ According to the Blue Green Alliance, more than 1,200 U.S. factories and engineering facilities in 48 states—and 288,000 American workers—are building technology that improves fuel economy for today’s innovative vehicles. Nine states (Michigan, Indiana, Ohio, Tennessee, Kentucky, California, Alabama, North Carolina, and South Carolina) each count 10,000 or more manufacturing and engineering jobs building fuel-efficient technologies, and half of U.S. States count fuel-efficient technology jobs in the thousands.⁷

We are troubled that the preferred alternative appears to have not been based on a consensus and holds the possibility of becoming mired in extended litigation and polarization. The preferred alternative could inadvertently threaten to disrupt the “One National Program,” creating uncertainty for the industry and likely discouraging investment. It also risks allowing the U.S. auto industry to fall behind on advanced vehicle technology and sustainable innovation, just as other nations are promoting increased efficiency and lower emissions. It would set back efforts to address air pollution and the climate change crisis. We cannot afford to ignore this global crisis that threatens our shared future.

Consequently, we do not support the preferred alternative in the SAFE proposed rule, which would freeze emissions standards at Model Year 2020. If implemented, it could prove harmful to the U.S. economy, the domestic auto industry, our members, and the communities that rely on union manufacturing jobs. Any changes to the existing standards should be created with meaningful input among all key stakeholders to reach a single National Program. States along with workers, manufacturers, environmental advocates, and consumer groups should work together to reach consensus on regulations that help the economy and the environment.

Final regulations must continue to promote increased efficiency and lower emissions to ensure the U.S. auto industry does not fall behind on advanced technology. Our rules need to acknowledge the dynamic realities of the auto industry and give automakers the flexibility necessary to meet stringency requirements and bring new products to market. It will be important for the final standard to strengthen incentives for companies to invest in diverse domestic fleets, provide credits for off cycle technologies that reward innovation, and increase efficiency.

⁶ Union of Concerned Scientist, “Fact Sheet: Fuel Economy and Emissions Standards for Cars and Trucks, Model Years 2017 to 2025”, June 2016: <https://www.ucsusa.org/sites/default/files/attach/2016/06/Fuel-Economy-Standards-2017-2025-summary.pdf>

⁷ Natural Resources Defense Council (NRDC) and the Blue Green Alliance, Supplying Ingenuity II: U.S. Suppliers of Key Clean, Fuel-Efficient Vehicle Technologies, June 2017. Available online: <https://www.bluegreenalliance.org/resources/supplying-ingenuity-ii-u-s-suppliers-of-keyclean-fuel-efficient-vehicle-technologies/>.

Importance of Addressing Climate Change

We reject the notion that we must choose between environmental standards and economic prosperity and job security. This is a false choice that hinders our ability to tackle real dangers and build a better future. Significant actions are needed across the globe to mitigate this threat. This is why the strong vehicle emissions standards must be part of a broader policy to address climate change, which includes emissions regulations, investment in sustainable infrastructure and the green economy, and international cooperation, such as the Paris Climate Accord.

As referenced earlier, the need to address climate change is urgent and we have no time to lose. The connection between fossil fuel consumption, rising carbon dioxide levels in the earth's atmosphere, and climate change is real, and we are now living with the impact, which promises to only worsen. A large body of scientific research predicted for decades that climate change would increase the number and strength of extreme weather and climate events such as heat waves and droughts. Unfortunately, their predictions are proving correct. Global sea level rose about eight inches in the last century. The rate in the last two decades, however, is nearly double that of the last century and is accelerating slightly every year.⁸ We must act now to protect our future and the future of our children and grandchildren.

Single National Program

We continue to support the harmonization of the Environmental Protection Agency (EPA), National Highway Traffic Safety Administration (NHTSA), and state regulations in the development of a single national program. We should all work towards a single National Program. Any proposed changes to emissions standards that result in a bifurcated market or a protracted legal battle will make regulatory compliance burdensome and create uncertainty, both of which will discourage investments in the U.S. auto industry. The auto industry is especially sensitive to uncertainty. Vehicle design and product decisions occurs years before vehicles are produced and come to market. Without certainty about where emissions targets will be set, it will be difficult for companies to make the massive, long-term investments required to auto production. To avoid this outcome, all stakeholders must have a seat at the table. The longer we wait, the greater the uncertainty, which undermines strategic business planning.

Regulations must strike a balance between achieving the program's objectives while not adversely impacting working families and domestic U.S. manufacturing. Done right, standards can benefit the environment, American workers, U.S. manufacturing and the economy.

Support U.S. Domestic Manufacturing

Our rules must recognize the long-term importance of manufacturing a diverse fleet of motor vehicles in our country. Emission and efficiency standards must never incentivize automakers to move production out of the U.S. or import more passenger cars as a path towards compliance with the standards. In addition, manufacturers must be held accountable by policymakers for the

⁸ R. S. Nerem, B. D. Beckley, J. T. Fasullo, B. D. Hamlington, D. Masters and G. T. Mitchum. Climate-change-driven accelerated sea-level rise detected in the altimeter era. *PNAS*, 2018 DOI: [10.1073/pnas.1717312115](https://doi.org/10.1073/pnas.1717312115)

way they treat their workers. For far too long, companies have received extensive support from taxpayers only to turn around and shirk their responsibilities to U.S. workers and our economy.

Similarly, it is critical for the regulations to maintain the domestic footprint formula that is currently used. Simply put, to do otherwise undermines domestic manufacturing, workers' living standards, and communities' well-being. All vehicles do not have the same function and surely our rules need to continue to reflect this reality.

The growth of electric vehicle (EV) production provides an example of the importance of policy to encourage domestic production and the growth of high-quality jobs. Nearly all major automakers have set ambitious goals for EVs, and they plan to spend over \$300 billion globally to transition to EVs.⁹ While some manufacturers have made commitments to domestic EV production, without additional policy guidance and market growth, much of the industry could move overseas, compromising the quality of jobs.

Current EV and plug-in hybrid models are being produced in California (Tesla), Michigan (GM), Tennessee (Nissan), and South Carolina (Volvo). Automakers have made recent announcement of more EVs to be produced in the US. These include Ford's plans to make EVs in Flat Rock, MI,¹⁰ GM's plans to build a new EV in Orion Township, MI,¹¹ Volkswagen's plans to make Chattanooga, TN the company's center for EV manufacturing in North America,¹² and Mercedes's plans to build an EV SUV in Vance, AL.¹³

Promote U.S. Leadership in Advanced Automotive Technology

Fuel efficiency is the auto industry's future. From EVs to full-sized pickups, fuel efficiency is improving across the industry, including in vehicles made by UAW members. We support the development of EVs but are deeply concerned that a significant portion of vehicles or their components will not be built in the United States as companies continue to pour investments in EVs overseas.

The global market is moving towards ever more efficient vehicles, including hybrids and e vehicles. Sales of EVs are expected to continue to grow at a rapid pace. It has been projected that by 2040, over 50 percent of new car sales globally will be electric and over 30 percent of cars on the road will be powered by batteries.¹⁴ Yet, where will the batteries that power these vehicles be made? As it stands today, most of the production footprint of tomorrow's advance automotive technology will be overseas. It is projected that by 2021, 56 percent of battery manufacturing

⁹ *Bloomberg New Energy Finance*, "Electric Vehicle Outlook 2018": <https://about.bnef.com/electric-vehicle-outlook/>

¹⁰ <https://media.ford.com/content/fordmedia/fna/us/en/news/2019/03/20/ford-adds-2nd-north-american-site-to-build-battery-electrics.html>

¹¹ <https://media.gm.com/media/us/en/gm/news.detail.html/content/Pages/news/us/en/2019/mar/0322-orion.html>

¹² <https://media.vw.com/releases/1117>

¹³ <http://www.madeinalabama.com/2018/10/mercedes-launches-construction-of-alabama-battery-plant-for-evs/>

¹⁴ <https://about.bnef.com/electric-vehicle-outlook/>

capacity will be in China and another 19 percent will be in Europe. The U.S. will only have 14 percent of global battery production capacity.¹⁵

Additionally, EVs and autonomous vehicles (AVs) of the future will be heavily reliant on semiconductors. It is estimated that an EV/AV will have over a thousand dollars' worth of semiconductors. This increase in semiconductor usage comes at a time when U.S. semiconductor manufacturing has been in decline. The total number of U.S. fabs has decreased from 123 in 2007 to 95 today,¹⁶ while the industry employs 100,000 fewer production workers than it did at the turn of the century.¹⁷ Currently, U.S. manufacturers account for only 13 percent of the global semiconductor supply. This is because the U.S. is no longer attracting new fabs. In 2011, of 27 high-volume fabs built worldwide, only one was in the U.S.; 18 were in China and 4 in Taiwan. In 2018, 20 new fab projects had been announced in China, with total investment exceeding \$10 billion.¹⁸

We cannot allow this trend to continue, and we are concerned that the preferred alternative in the proposed rule could unintentionally make the problem worse as countries around the globe continue to promote greater efficiency and lower emissions. The greener vehicles of the future are going to be made somewhere and other countries are preparing for these new technologies. We could see the U.S. auto industry fall behind on advanced technology, hurting the American economy and American workers.

The final regulations must strongly incentivize continuing investment in and production of advanced technology components and vehicles in the U.S. We are concerned that the preferred alternative does not sufficiently incentivize investment in the U.S. Countries around the globe continue to implement regulations that promote technological innovation and investment in future manufacturing. If the U.S. falls behind on this front, it will erode our competitive advantages in manufacturing and research. We all have an obligation to not cede the jobs and technology of the future to other countries.

The U.S. is in a race with other advanced countries to develop the automobiles and technologies of the future. We recognize that trade enforcement actions alone will not get the job done. While Germany and other industrial countries have developed policies that are investing in its citizenry and infrastructure, the U.S. has instead taken a low-road approach. American companies may develop new products, but they have increasingly outsourced manufacturing to low-cost countries. As noted above, with job losses and decreases in wages, this has hollowed out much of middle America. Maintaining the status quo is not an option. Special attention must be paid

¹⁵ *Financial Times*, "The Great Battery Race", December 18, 2017: <https://www.ft.com/video/0bdc9c56-021a-4f02-b508-e26a0170b903>

¹⁶ MForesight, "Manufacturing Prosperity: A Bold Strategy for National Wealth and Security", June 2018: <http://mforesight.org/download/7817/>

¹⁷ BLS, Quarterly Census of Employment and Wages (QCEW) for NAICS 334413, <http://www.bls.gov/cew/>.

¹⁸ MForesight, "Manufacturing Prosperity: A Bold Strategy for National Wealth and Security", June 2018: <http://mforesight.org/download/7817/>

to key components that are important for the U.S. to remain relevant in vehicle parts manufacturing.

Safeguards should be put in place to ensure domestic production of specific strategic parts. Technologies that have been developed primarily thanks to American R&D (for example, AVs) and regulatory requirements (emissions and fuel efficiency standards) should be manufactured in the U.S. Protecting strategic parts will help ensure U.S. manufacturers will remain industry leaders, and that all American workers will share in that prosperity.

Tariffs can be an effective when appropriately targeted to specific trade practices and are a part of a comprehensive strategic plan to address unfair trade actions. However, tariffs alone are insufficient to boost U.S. jobs and strengthen our industrial base. The UAW believes that tariffs are a tool, not a comprehensive plan for ensuring industries of the future are created and built in the U.S. It would be shortsighted to categorically rule out using tariff and other enforcement mechanisms to level the playing field. We shouldn't compete with one arm tied behind our back.

Program Flexibility

As we know, the auto industry is dynamic and major advances in technology are happening in real time. Effective regulations must respond to changes in technology and consumer preference through a data-driven process that gives all key stakeholders a seat at the table.

Automakers need significant flexibility to meet stringent requirements and bring new and more efficient products to market via a mix of different technologies and paths driven by competitive advantages, market position, brand, customer demands and product cadence. Flexibility is vital to the program's success. EPA and NHTSA's analysis stresses the importance of maintaining a flexible standard that takes into account that every automaker has a unique footprint and should pursue innovations that have the greatest impact on their specific fleet.

Conclusion

Done right, emissions and fuel efficiency standards can continue to be good for the environment, American workers, U.S. manufacturing and the economy. Well-constructed regulations can promote investment, establish certainty, create new jobs in vehicle production and advanced technology, and allow manufacturers the flexibility necessary to meet the standards. This can only happen if we work together towards a common goal.

We urge Congress to support policies that invest in US manufacturing, promote US leadership in advanced auto technology, fuel efficiency and reduced emissions, and provide the industry flexibility to meet those standards. The proposed standards do support these goals. We stand ready to work with you and all other stakeholders on developing standards that are good for working people and our environment. Thank you for considering our views. I look forward to answering your questions.