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The CLEAN Future Act: Driving Decarbonization of the Transportation Sector
House Committee on Energy and Commerce Subcommittee on Energy
Submitted by Josh Nassar
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Chairman Rush, Ranking Member Upton, and members of the Subcommittee, on behalf of the one million active and retired members of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), UAW President Rory L. Gamble, and the UAW International Executive Board (IEB), I want to thank you for the opportunity to share our perspective on reducing carbon emissions in the transportation sector and on the CLEAN Future Act. It is my honor to appear before you today.

Global Challenges

We currently face several global crises that have a direct impact on the topics before us today. The World Health Organization (WHO) announced that the number of global COVID-19 cases reported in recent weeks eclipses the first six months of the pandemic. Over the past year, more than 17% of the U.S. population has been infected by COVID-19 (32 million cases), and over 583,000 Americans have died. The global coronavirus pandemic is by no means over and will take many years until we fully appreciate the profound impact it has had on our country and the world.

COVID-19 has already demonstrated how past strategic decisions can come back to haunt us today. Regarding the motor vehicle sector, lack of resilience in our global supply chains has painfully demonstrated that the slightest disruption can have significant impacts on working people and the economy. Our members have been severely impacted by the pandemic-driven shortage of automotive-grade semiconductors. Production at numerous U.S. plants have been idled and tens of thousands of workers have been laid off, with ripple effects across the automotive value chain.

The current shortage is relevant to the discussion of electric vehicles (EVs) and autonomous vehicles (AVs). EVs and AVs are heavily reliant on semiconductors. It is estimated that an EV autonomous vehicle 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. fabrication plants have decreased from 123 in 2007 to 95,¹ while the industry employs 100,000 fewer production workers than it did at the turn of the century.² Currently, U.S. manufacturers account for only 13% 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 were announced in China, with total investment exceeding \$10 billion.³ Clearly, we need to bolster domestic production of automotive-quality semiconductors and we commend the Biden Administration for making these domestic investments a priority in the American Jobs Plan. We urge Congress to fully fund the Administration's initiative and ensure a sufficient portion of the production is dedicated to the motor vehicle sector to support U.S. made vehicles.

Climate Change is Here

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, these predictions regarding climate change are proving correct, and we all have a responsibility to take action to mitigate its impacts. We need cleaner and more efficient vehicles on the road and jobs building these cleaner vehicles should pay family and community-sustaining wages and provide benefits that workers can count on to care for themselves and their loved ones.

U.S. manufacturing workers face serious headwinds, including weak labor laws that fail to protect workers' rights to join a union, bad trade deals that put interests of investors before workers, and misguided tax incentives that allow corporations to pay fewer U.S. taxes on profits earned overseas than those earned within our borders and some to pay no corporate taxes at all. Over the past fifteen years, U.S. automotive production workers' wages have fallen significantly. When adjusting for inflation, average hourly earnings for production workers in auto assembly have declined by 21%, while wages in the auto parts sector have declined by 19%.⁴ The status quo is unacceptable. The transition to EVs could either further exacerbate these problems or protect and create good-paying union jobs. Federal and state policies will play a significant role in determining which path we take.

Labor law reform is desperately needed. In fact, the National Labor Relations Act (NLRA) has not been strengthened since becoming law over 85 years ago. Our laws must ensure workers are able to collectively bargain for better wages, safer worker conditions and a dignified retirement. We urge the Senate to pass the *Protecting the Right to Organize (PRO) Act*. The PRO ACT could help raise job standards in the motor vehicle industry. We applaud the House for passing the *PRO Act* in the 117th and 116th Congresses on a bipartisan basis. If signed into law, the PRO Act will protect a worker's right to join a union by strengthening penalties against corporations that violate

¹ MForesight, "Manufacturing Prosperity: A Bold Strategy for National Wealth and Security", June 2018: <http://mforesight.org/download/7817/>

² BLS, Quarterly Census of Employment and Wages (QCEW) for NAICS 334413, <http://www.bls.gov/cew/>.

³ MForesight, "Manufacturing Prosperity: A Bold Strategy for National Wealth and Security", June 2018: <http://mforesight.org/download/7817/>

⁴ Bureau of Labor Statistics. "Average hourly earnings of production and supervisory employees." Series CEU3133610008 & CEU3133630008, Data from January 2006-January 2021. Adjusted using BLS CPI Inflation Calculator.

workers' rights, provide for mediation and arbitration of first contracts, eliminate right to work laws, prohibit captive audience meetings, and support workers' right to strike. Passing the PRO Act will go a long way in strengthening outdated labor laws and rebuilding our nation's middle class.

Comprehensive Manufacturing Policy

The UAW supports a coordinated industrial policy centered on maintaining and growing high-quality jobs in U.S. manufacturing while combating climate change and advancing equity. As we work toward the future of clean transportation, it will be critical to ensure this transition benefits American workers, enhances U.S. competitiveness, and promotes economic security. Unless comprehensive policies are adopted which focus on raising standards for U.S. workers and boosting domestic manufacturing, we will continue to fall behind in production of EVs and middle class, and union jobs in auto sector will be eroded even further.

As the Committee deliberates on legislation aimed at improving the environment and ensuring that jobs of the future are good jobs, it is incumbent to incorporate provisions related to shoring up domestic supply chains and strengthening Buy America provisions. Consumer and deployment incentives must support domestic assembly and high domestic content requirements. Lawmakers should include U.S. domestic content requirements for key vehicle components, like those considered super-core components in the USMCA, focusing on domestic EV batteries, plug-in hybrid engines, hybrid transmissions, and electric motors. Companies that fail to meet labor standards and U.S. final assembly requirements will still be able to sell their automobiles, they just should not get taxpayer assistance.

In his first 100 days, President Biden has made it clear that his Administration will do all it can to support buying American products, made here by American workers by signing the Executive Order to Strengthen Buy America provisions. President Biden also has a plan to build out and re-shore critical supply chains, including medical equipment, semiconductors, energy and grid resilience technologies, key electronics and related technologies, telecommunications infrastructure, and key raw materials. These initiatives have the potential to create new jobs and protect U.S. supply chains against national security threats. We urge you to work with the Administration to strengthen domestic supply chains and support U.S. made products.

Future of the EV Industry

The global market is moving towards ever more efficient vehicles, including hybrids and electric vehicles. Global electric car registrations increased by 41% in 2020, despite the pandemic-related worldwide downturn in car sales in which global car sales dropped 6%.⁵ It has been projected that by 2040, over 50% of new car sales globally will be electric.⁶ If the U.S. fails to make public investments and adopt smart public policies to encourage and attract investment in the growing electric vehicle market, companies will locate production and supply facilities in countries that are making these investments. The greener vehicles of the future are going to be made

⁵ International Energy Agency, "Global EV Outlook 2021." <https://www.iea.org/reports/global-ev-outlook-2021>

⁶ BloombergNEF, "Electric Vehicle Outlook 2020." <https://about.bnef.com/electric-vehicle-outlook/>

somewhere and other countries are preparing for these innovative technologies. We could see the U.S. auto industry fall behind on advanced technology, hurting the American economy and American workers.

Years of inaction have put the U.S. far behind other nations in public and private investments needed to make the U.S. a competitive player in vehicle electrification. China has invested more than \$60 billion to support EV manufacturing. Chinese firms, either owned or supported by the Chinese government, currently produce 60% of passenger EVs sold around the globe and produce almost 70% of battery cells.⁷ China also controls some 80% of the supply of rare earth minerals—which are essential for aerospace, defense, and EV production—and may impose export controls on these vital materials.⁸ The European Union (EU) has established the European Battery Alliance to promote production of batteries and key components within EU.⁹ South Korea is home to LG Chem, the world’s largest producer of lithium-ion batteries for electric vehicles, with a 24.6% market share. The company has plans to triple its battery production.¹⁰

The transition to EVs is not going to happen overnight. EV sales have grown steadily over the past decade, but they still represent a fraction of vehicle sales. EVs and PHEVs combined represent just 2% of U.S. auto sales in 2020.¹¹ And EVs face several hurdles to mass-adoption. EVs are more expensive to produce, making them less profitable and dependent on consumer incentives. In most parts of the country, EV charging infrastructure is woefully inadequate, and the electrical grid is unprepared. And consumers shopping for an EV, face barriers in battery range and charging speed, as well as a limited selection of models and segments.

The industry is preparing for EVs to be a much larger part of the market going forward, both in the U.S. and abroad. Major automakers around the world, including the Detroit 3, have each announced several billion in EV investments and ambitious new product plans and target dates. As automakers improve technology, decrease battery costs, and produce at scale, EVs will become more competitive with ICEs. And in the coming years, automakers plan to launch EVs in the segments that are most popular with American consumers: CUVs, SUVs, and pickups.

UAW members must lead this transition and are in fact already building the vehicles of the future. Our members currently make advanced technology vehicles that include battery electric (Chevy Bolt), plug-in hybrids (Jeep Wrangler PHEV, Ford Escape PHEV), and autonomous vehicles (Cruise AV). UAW employers have also announced plans to make EVs and PHEVs at UAW plants in a range of segments, including CUVs, SUVs, pickups, and delivery vans. This year will also see production

⁷ New York Times, “The Auto Industry Bets its Future on Batteries,” Feb. 16, 2021. Available online:

<https://www.nytimes.com/2021/02/16/business/energy-environment/electric-carbatteries-investment.html?action=click&module=Top%20Stories&pgtype=Homepage>

⁸ Financial Times, China targets rare earth export curbs to hobble US defense industry, Feb. 16, 2021. Available online:

<https://arstechnica.com/tech-policy/2021/02/china-targets-rare-earth-export-curbs-to-hobble-us-defense-industry/>

⁹ European Battery Alliance, “EBA 250,” accessed Jan. 15, 2020. Available online: <https://www.eba250.com/about-eba250/>

¹⁰ Reuters, “LG Chem to triple its EV battery production capacity,” October 21, 2020. Available online:

<https://www.autoblog.com/2020/10/21/lg-chem-to-triple-ev-battery-production/>

¹¹ Wards Intelligence, “U.S. Light Vehicle Sales, December 2020 - Updated”

<https://wardsintelligence.informa.com/WI965360/US-Light-Vehicle-Sales-December-2020--UPDATED>

launches by several start-ups. If new entrants are hostile to unions and provide subpar wages & benefits, it will further erode job quality in the industry.

The CLEAN Future Act (H.R. 1512)

The CLEAN Future Act is a comprehensive clean energy bill covering a range of sectors, including transportation. H.R. 1512 wisely includes supply-side manufacturing programs, such as funding the Domestic Manufacturing Conversion Grant program, strengthening the Advanced Technology Vehicle Manufacturing (ATVM) loan program, and creating the Clean Energy Manufacturing Grant program. It also includes funding to transition the school bus fleet to Zero Emission Vehicles (ZEVs), and money for EV charging infrastructure.

We support transparency and accountability provisions, such as the requirement found in the Clean School Bus Program (Sec. 423) that requires manufacturers disclose three years of labor, employment, civil rights, health & safety violations, outline plans for compliance, and describe actions to ensure compliance from their direct suppliers. We recommend enhancing this requirement and ensuring that labor standards are applied to all government spending intended to promote green technologies and bolster EV adoption.

Where applicable we recommend adding provisions to reward domestic production and linking labor standards to public funds used to subsidize the industry.

Conclusion

We do not have to choose between protecting our environment and economic prosperity. This is a false choice that hinders our ability to tackle real dangers and build a better future. In fact, to effectively combat climate change and strengthen our middle class, we must do both. To lead the future, electric vehicles and other green technologies must create good U.S. jobs where workers have a voice on the job.

The shift to more EVs will be a costly endeavor for the industry. Even with billions in planned investments, auto companies are relying on public subsidies and other policies to promote sales, transform production capacity, and speed up profitability for EVs. Strategic government support is a crucial tool for strengthening American innovation and manufacturing capacity. But if the public is going to foot the bill, the public should get economic benefits in return, in the form of domestic investments and quality jobs. To make EVs work for American workers, we need policies that promote domestic manufacturing and quality union jobs.

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.

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