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

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"A Big Climate Deal: Lowering Costs, Creating Jobs, and Reducing Pollution with the Inflation Reduction Act" for the Select Committee on the Climate Crisis
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Chairwoman Castor, Ranking Member Graves, and members of the Select Committee, on behalf of the over one million active and retired members of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America (UAW), UAW President Ray Curry, and the UAW International Executive Board (IEB), I want to thank you for the opportunity to share our perspective on the Inflation Reduction Act. It is my honor to appear before you today.

The recent passage of the Inflation Reduction Act is an unambiguous win for the American people. The law squarely takes on two of the main drivers of inflation: energy costs and astronomical prescription drug costs. The law addresses energy costs by investing in a wide variety of domestic energy sources of energy production, which is projected to reduce carbon emissions by 40 percent by 2030.[1] It is the single biggest investment, $369 billion, to address climate change in our history. It will cut household energy costs by an average of $500 a year, tackle the climate crisis by significantly reducing carbon emissions, and create thousands of good-paying jobs.[2] Importantly, the new law is "paid for" by placing a minimum tax on corporations and ensuring the wealthiest pay their fair share of taxes.

The 117th Congress and the Biden Administration have been highly productive and have succeeded where prior Administrations and Congresses from both parties have fallen short. The American Rescue Plan Act (ARPA), Inflation Reduction Act, CHIPS and Science Act, and bipartisan Infrastructure Investment and Jobs Act (IIJA) work in tandem to strengthen our economy and national security. The laws put our country in a position to have a brighter future by investing in our manufacturing base that is essential to ensure industries and jobs of the future are made in America. These four laws stand to benefit UAW members and retirees for decades to come.

Urgency of Climate Change
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 have already been proven right by mother nature. We are witnessing the impacts of

[1] https://www.whitehouse.gov/omb/briefing-room/2022/08/23/New-OMB-Analysis-The-Inflation-Reduction-Act-Will-Significantly-Cut-the-Social-Costs-of-Climate-Change/
[2] https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/15/by-the-numbers-the-inflation-reduction-act/

climate change in real time. Higher water temperatures intensify hurricanes and other extreme weather events. Addressing climate change will become increasingly difficult as time marches on. The realities of climate change demand action. We have a responsibility to current and future generations. The Inflation Reduction Act takes critical steps that will be looked kindly upon by our children and grandchildren in the decades ahead.

Before discussing specific provisions, I must address some of the misinformation about the Inflation Reduction Act that is being widely disseminated by deep pocketed special interests in a clear attempt to convince working people they will pay higher taxes because of the law. These claims are demonstrably false. No one earning under $400,000 will pay more in taxes due to this law.[3] The tax provisions in this law will ensure that some of the largest corporations in the world pay their fair share by imposing a 15% minimum corporate tax on corporations with profits exceeding $1 billion. The Joint Committee on Taxation (JCT) estimates that this provision will generate $222.2 billion in revenue from FY 2022 through FY 2031.

The minimum corporate tax is long overdue. Thirty-nine profitable corporations in the S&P 500 or Fortune 500 paid no federal income tax from 2018 through 2020, the first three years that the Tax Cuts and Jobs Act (TCJA) was in effect.[4] These same corporations generated $122 billion in profits during that period. The corporate share of federal tax revenue has dropped by two-thirds in the last 60 years, from 32% in 1952 to 10% in 2013.[5]

The Inflation Reduction Act also invests $80 billion in the Internal Revenue Service (IRS) to modernize and strengthen enforcement to ensure the wealthy are paying their fair share. The law substantially increases the budget of the IRS and staffing levels to go after ultra-wealthy tax evaders. The richest 1% evade paying $160 billion in taxes every year.[6] The Congressional Budget Office (CBO) estimates that the IRS will collect about $203.7 billion because of improved tax compliance.[7] Inflammatory rhetoric about armed IRS agents going after ordinary Americans is misleading and dangerous.

Further, the new law imposes a 1% excise tax on corporate stock buybacks to encourage investments to grow the business instead of enriching stockholders. The UAW has long supported creating disincentives to curb stock buy backs. Taxing stock buybacks will, in addition to raising $74 billion over the next ten years, limit excessive compensation of corporate insiders and promote sounder investment decisions that are more likely to benefit workers and communities.[8]

Inflation

[3] https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/19/fact-sheet-the-inflation-reduction-act-supports-workers-and-families/
[4] https://itep.org/corporate-tax-avoidance-under-the-tax-cuts-and-jobs-act/
[5] https://americansfortaxfairness.org/tax-fairness-briefing-booklet/fact-sheet-corporate-tax-rates/#:~:text=Corporate%20share%20of%20federal%20tax%20revenue%20has%20dropped,no%20federal%20income%20taxes%20from%202008%20to%202012.
[6] https://home.treasury.gov/news/featured-stories/the-case-for-a-robust-attack-on-the-tax-gap
[7] https://www.cbo.gov/system/files/2022-08/hr5376_IR_Act_8-3-22.pdf
[8] https://www.washingtonpost.com/us-policy/2022/08/12/inflation-reduction-act-biden-buybacks/

There is a great deal of confusion about the causes of inflation. There are no simple answers and inflation is caused by multiple factors. The COVID-19 pandemic contributed greatly to the spike in global inflation as supply chains have been continuously interrupted which limit production and distribution of goods. Just as the COVID-19 pandemic is a global problem so is inflation, as the Eurozone and other countries have recorded their highest inflation rates on record ever.[9]

Annual U.S. inflation in the first quarter of this year averaged just below 8.0%, the 13th-highest rate among the 44 countries examined. According to Department of Commerce data, corporate profits rose 35% last year.[10] Chevron's 240% profit spike in early 2022 was part of "the best two quarters the company has ever seen."[11] Shell said adjusted earnings were $11.5 billion for the second quarter of 2022 and topped their previous record of $9.1 billion in the first quarter.[12]

To make matters worse, multinational corporations in many industries have capitalized on rising costs to mark up prices to increase profits. Over the past several decades the oil, consumer goods, beverage industry, pharmaceutical industry, and many other sectors have become less competitive. When there are only a few major players in an industry, it becomes easier to price gouge consumers.

In the U.S., the motor vehicle sector has been one of the largest contributors to inflation as many Original Equipment Manufacturers (OEMs) cannot keep up with demand due to the shortage of auto-grade semiconductor chips and other supply shortages. The CHIPS and Science Act puts us in a better position to avoid future disruptions but does not solve the current shortage as it takes years for new facilities to be built and ramped up.

Inflation Reduction Act's Manufacturing Investments

The Inflation Reduction Act stands to help the U.S. become less reliant on China, which dominates the electric vehicle battery market. According to the Financial Times, 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 as China has invested more than $60 billion to support EV manufacturing. China also controls approximately 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.[13]

The Inflation Reduction Act also includes significant investments that stand to benefit workers, their families, and communities including:

- Fully funding the Advanced Technology Vehicle Manufacturing (ATVM) loan program and expand to additional vehicle sectors.
- Domestic Manufacturing Conversion grants will support the conversion and retooling of vehicle technology manufacturing facilities, including those at risk of closure, to onshore and build batteries and other advanced vehicle technologies. Funding, updating, and targeting the 48C tax

[9] https://www.reuters.com/world/europe/euro-zone-inflation-confirmed-91-energy-food-prices-surge-2022-09-16/
[10] https://www.bloomberg.com/news/articles/2022-03-30/2021-was-best-year-for-u-s-corporation-profits-since-1950
[11] https://www.theguardian.com/business/2022/apr/27/inflation-corporate-america-increased-prices-profits
[12] https://www.reuters.com/business/energy/shell-reports-record-profit-115-billion-2022-07-28/
[13] https://www.ft.com/content/d3ed83f4-19bc-4d16-b510-415749c032c1

credit is included to support the establishment, retooling, and expansion of clean energy and technology manufacturing facilities.

- The Investment Tax Credit (ITC) and Production Tax Credit (PTC) are big wins for clean energy projects like wind and solar and they include a 10% bonus credit for projects located in an energy transition community.
- Robust funding is also available for rural renewable energy investments through the United States Department of Agriculture (USDA) including over $1 billion for the Rural Energy for America Program, with prioritization of "underutilized renewable energy technologies" and technical assistance. Assistance will be provided for rural electric co-ops with $9.7 billion in loans and grants for new renewable deployment, carbon capture and storage, and fossil fuel debts.
- More than $9 billion is included for federal procurement of American-made clean technologies to create a stable market for clean products, including $3 billion for the U.S. Postal Service to purchase zero-emission vehicles.
- Commercial Vehicle Tax Credit and the Heavy-Duty Fleet Conversion Grants has $1 billion available in grants to support adoption and deployment of vehicles until 2031. $400 million is carved out for replacement of vehicles serving one or more communities in non-attainment areas for any air pollutant.
- $4,000 tax credits for lower/middle income consumers to help purchase used electric vehicles (EVs), and up to $7,500 for new EVs. The $7,500 tax credit for new clean vehicles requires that final assembly of the car be made in North America. The 200,000 cap has been lifted beginning in 2023, but Tesla, GM, and Toyota have surpassed the 200,000-vehicle cap for 2022. Without the Inflation Reduction Act, many established automakers would be unable to utilize the tax credit to lower the price of the vehicle.

Electric Vehicle Manufacturing

The global auto market is moving towards even more efficient vehicles, including hybrid 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%.[14] It has been projected that by 2040, over 50% of new car sales globally will be electric.[15] 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 have announced billion-dollar EV investments and ambitious new product plans and target dates. The Inflation Reduction Act stands to facilitate more manufacturing of electric vehicles. Without such incentives we will fall further behind China in the race to build the vehicles and batteries of the future.

EV sales have grown steadily over the past decade, but they still represent a small percentage of vehicle sales. EVs and PHEVs (Plug-in Hybrids) combined to represent 4% of U.S. auto sales in 2021[16] and EVs face challenges 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

[14] https://cleanenergynews.ihsmarkit.com/research-analysis/global-electric-vehicle-sales-grew-41-in-2020-more-growth-comi.html#:~:text=Global%20electric%20vehicle%20sales%20grew%2041%25%20in%202020%2C,...%205%20Looking%20ahead%20...%206%20Inevitability%20

[15] https://edition.cnn.com/2019/05/15/business/electric-car-outlook-bloomberg/index.html

[16] https://wardsintelligence.informa.com/WI966151/US-Light-Vehicle-Sales-December-2021

inadequate, and the electrical grid is unprepared. Consumers shopping for an EV have been known to have concerns about battery range and charging speed as they have a limited selection of models and segments. Fortunately, the Inflation Reduction Act along with the previously mentioned laws contain investments in the infrastructure needed to support EV deployment.

The greener vehicles of the future are going to be built 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. Ignoring these realities is not an option because it concedes our future to other nations that have a significant auto manufacturing footprint.

To lead the future, electric vehicles and other green technologies must be harnessed to create good U.S. union jobs where workers have a voice on the job. It is important to ensure all manufacturing workers can join a union free from intimidation by employers seeking to maintain the status quo. Manufacturers of EVs should be required to pay family and community-sustaining wages and provide benefits that workers can count on to care for themselves and their loved ones as a condition for receiving taxpayer assistance.

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. Auto manufacturing is not regional and extends well beyond the upper Midwest. For example, in the past year, significant investments in motor vehicle and battery manufacturing have been announced in Tennessee, Georgia, Michigan, North Carolina, and Kentucky. The auto industry's supply chain extends far and wide throughout the country. Fortunately, the Inflation Reduction Act and other aforementioned laws put us on the right track, yet more work remains.

To be clear, the transition will take time and will occur at different rates throughout our country and world. However, there is little doubt that the transition will happen. The Administration's goal is to have at least 50% of new vehicles be EVs or PHEVs by 2030. They announced nearly $5 billion will be made available to build out an electric vehicle charging network over the next 5 years and $3 billion to advance the domestic EV industry in communities that have historically been part of the auto industry.

As automakers improve technology, decrease battery costs, and produce at scale, EVs will become increasingly more competitive with ICEs (Internal Combustion Engine). And in the coming years, automakers plan to launch EVs in the segments that are most popular with American consumers: CUVs, SUVs, and pickups. Electrification is not limited to the light-duty auto industry. Companies that produce heavy-duty trucks and off-highway vehicles are also investing in future technology for electrification and autonomy.

The U.S. is behind other nations in public and private investments needed to make the U.S. a competitive player in vehicle electrification. The European Union (EU) has established the European Battery Alliance to promote production of batteries and key components within the EU.[17] South Korea is home to LG

[17] www.eba250.com/about-EBA250?/cn-reloaded=1

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.[18]

Creating and Maintaining Good Auto Jobs

Over the past several years, U.S. automotive production workers' wages have fallen significantly. When adjusting for inflation between January 2006 and January 2021, average hourly earnings for production workers in auto assembly declined by 21% while wages in the auto parts sector have decreased by 19%.[19]

For the transition to benefit auto workers, the entire supply chain, from the gathering of minerals needed to power batteries to the manufacturing of the battery and other parts to final assembly, must support the creation and preservation of good union jobs. Of course, it is far from certain that growth in EV sales will lead to more good union jobs. If new entrants are hostile to unions and provide subpar wages and benefits, it will further erode job quality in the industry. This is not a theoretical concern as foreign-based automakers typically resist efforts to unionize in the United States. This strong opposition exists even though every foreign-based light duty Original Equipment Manufacturer (OEM) is unionized in its own country. A report by Professor Gordon Lafer details the array of tactics foreign-based automakers have utilized to prevent unionization.[20] Professor Lafer's research serves as a strong reminder as to why we need the PRO Act to become of the land. Congress has not strengthened our nation's labor laws in over 85 years.

In the auto industry, Toyota, Nissan, Hyundai, Mercedes-Benz, BMW, Volkswagen, and Honda have all hired "union avoidance" specialists to guide their anti-union campaigns in the United States. Nissan's anti-union campaign led the National Labor Relations Board (NLRB) to issue a formal complaint charging the company with twenty-four counts of lawbreaking. The fact Nissan engaged in such tactics so soon after having been forced to post public notices vowing to respect the law is a testament to the near total absence of meaningful penalties under current law. All of Nissan's plants in other countries are unionized.[21] Corporations like Amazon spends millions of dollars to hire anti-union consultants to interrogate and intimidate workers when they seek union representation.[22] It has become all too common for employers to threaten relocation or shutting down operations if workers seek to form a union.

We must also look at the impact that procurement has on job quality. In February 2022, Oshkosh Defense was awarded a contract to design and build the next-generation vehicles for the United States Postal Service (USPS). Oshkosh Defense is a defense contractor that manufactures products for the U.S. military in its unionized plants in Oshkosh, Wisconsin. Oshkosh workers have been UAW members since 1938. Despite these facts, Oshkosh, upon winning the contract, announced they are planning to take the $6 billion contract to a new, non-union plant in South Carolina instead of having UAW members in Wisconsin carry out this lucrative contract by building the next-generation vehicles in Wisconsin. It is far from clear that USPS gave any meaningful consideration to the impact on workers and communities

[18] https://www.autoblog.com/2020/10/21/lg-chem-to-triple-ev-battery-production/
[19] https://www.bls.gov/cew/data.htm
[20] https://nwlaborpress.org/wp-content/uploads/2022/01/BuildingBackReport.pdf
[21] https://nwlaborpress.org/wp-content/uploads/2022/01/BuildingBackReport.pdf
[22] https://www.huffpost.com/entry/amazon-anti-union-consultants_n_62449258e4b0742dfa5a74fb

when awarding this significant contract. We urge Oshkosh to reverse course and build the next generation vehicles in Oshkosh with its proven workforce.

We cannot allow this to continue to happen. Our procurement policies across the board need to hold employers accountable and support working families. More work remains to improve labor standards in the federal contracting process as the U.S. government spends hundreds of billions of dollars through a wide variety of grant programs and contracting on an annual basis.

Investing in American Autoworkers

We are at a pivotal juncture as automakers are transitioning many of their fleets from gas and diesel-powered vehicles to electric ones. The shift to EVs cannot come at the expense of good wages and benefits and it is critical that we do not leave workers behind as the industry transitions to electrification.

To meet the ambitious EV targets put forward by major automakers and elected officials, we will need to invest in workforce capabilities. Luckily, the U.S. economy is not starting from nothing thanks to the large pool of American workers who not only assemble vehicles but build a wide range of materials and components for those vehicles. The UAW has around 200,000 members in auto-related manufacturing throughout the country from Michigan to Texas. These workers have a high baseline knowledge of manufacturing and a familiarity with manufacturing training programs. As we see a growth in battery pack, cell, and component manufacturing, material processing, and recycling, UAW workers are well positioned to transition into these new types of manufacturing. With investment in key EV & battery-specific training programs for the current workforce, these workers can hit the ground running building the vehicles of the future and require less investment than starting with a whole new workforce.

The UAW has a long history of supporting investments to train American manufacturing workers with labor input. For example, the UAW has a Skilled Trades Department with a long and successful history of building a strong pipeline of skilled workers critical for auto companies to grow their business and compete in a global economy. And through collective bargaining, the UAW has pushed the industry to continually invest in skilled trades and production workers, whether through work-based training, apprenticeships, or tuition assistance for skill development. With new vehicle and manufacturing technologies, the union is exploring all avenues for productive partnerships with employers, government, and educational institutions to promote upskilling and reskilling related to batteries, motors, material processing, recycling, fuel cell technology, and electric vehicle assembly.

If there is one thing that is a “constant” in the auto industry, it is that it is constantly evolving and changing. Jobs that were once done by hand are now done by robots and machines. UAW joint training programs work hand in hand with local training coordinators to determine what additional education and training is needed for journeymen and apprentices when innovative technologies emerge, such as EVs. Training programs also need to coordinate with local community colleges to modify curriculum and classes to prepare the workforce for such changes.

As changes occur, we also need to simultaneously provide comprehensive re-training programs to prepare displaced workers for this shift to new technologies. Federal and state governments must invest in improving and expanding vocational training and apprenticeship programs, with an active role for

unions to ensure quality training and high road working conditions. These programs must provide workers not only with the skills to make EV vehicles and components, but also prepare them for the changing nature of manufacturing work as automation and other new technologies change the production process. Congress should also incentivize the development of joint training and apprenticeship programs between employers and unions and push employers to commit to retraining workers displaced by new technology.

In addition to investing in American autoworkers, we must ensure that the investments to build vehicles and components are made in the communities where autoworkers are currently building traditional gas-powered vehicles and powertrains. We cannot wait for ICE jobs to be lost as we need to target new investments for auto manufacturing communities now. Auto manufacturing is central to the economy of many communities, creating community-sustaining manufacturing jobs and stimulating economic activity in other sectors. Government support for EV investments should prioritize investments that create jobs in communities currently producing ICE vehicles and powertrains, hire incumbent autoworkers, and provide wages and benefits on par with unionized auto industry standards.

Union workers must lead this transition. In fact, UAW members are currently building the vehicles of the future. Our members currently make advanced technology vehicles that include battery electric (Chevy Bolt, GMC Hummer, Ford F-150 Lightning, Ford E-Transit), plug-in hybrids (Jeep Wrangler PHEV, Jeep Grand Cherokee PHEV, Ford Escape PHEV, Lincoln Corsair PHEV), and autonomous vehicles (GM's Cruise Autonomous Vehicle). UAW employers have announced plans to make EVs and PHEVs at UAW plants in a range of segments, including CUVs, SUVs, pickups, and delivery vans.

The EV transition reinforces the continued importance of putting in place policies that facilitate vehicle and parts production in the United States and ease impediments to workers at non-union automakers to organize. As the nation invests in a transition to innovative technology, we must seize upon these opportunities to preserve and increase quality jobs. We have an opportunity, right now, to ensure that future EV investments incentivize production of EVs in the United States, made by union workers. Unionized workers earn on average 10.2% more than their non-union counterparts.[23] Union workers are more likely to have paid sick days and health insurance compared to non-union workers. Ninety-four percent of union workers participate in a retirement plan compared with 67% of non-union workers.[24] Policies that strengthen labor standards and support workers' right to collectively bargain are foundational to building a strong middle class. There is little debate about whether the auto industry is going to change significantly because of the growth of electric vehicles (EVs) and plug-in hybrids. While we do not know how quickly EV markets in the U.S. will expand, we do know EVs will become a larger component of fleets in the decades ahead. A proactive policy approach at the federal and state level can potentially mitigate disruptions and harness the opportunities of the EV transition.

The full impact of EVs on U.S. auto industry and job quality are to be determined. There are many open questions about the future. For instance: Will EV's support help create good new jobs over time? Will EV battery assembly work? Where and how will the supply chain operate?

[23] https://files.epi.org/uploads/226030.pdf
[24] https://files.epi.org/uploads/226030.pdf

Our union is working to ensure the answers benefit workers. Decisions by policy makers can help ensure that the advanced technology vehicles of the future are made here in the U.S., thereby promoting U.S. competitiveness, and creating quality manufacturing jobs. We have an obligation to advocate for workers and ensure that our ideas are shaping the future of the domestic auto manufacturing industry.

As we work toward the future of clean transportation, it will be critical to ensure this transition benefits American workers in both the short and long term and enhances U.S. competitiveness and economic security.

Conclusion

The passage of the Inflation Reduction Act in conjunction with the CHIPS and Science Act, ARPA, and the IIJA will take meaningful steps to reduce costs, create jobs, bolster domestic manufacturing, and tackle climate change. We stand ready to work with this Committee and all other stakeholders to ensure the transition is good for working people, the U.S. economy, and our planet. It is critical that policymakers fully implement these laws and build upon them in coming years.

Thank you for considering the views of autoworkers. I look forward to answering your questions.

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