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September 17, 2021

Liane Randolph
Chair, California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Fourth Investment Plan for Fiscal Years 2022-23 through 2024-25

Dear Chair Randolph,

On behalf of the one million active and retired members of the International Union, United Automobile, Aerospace, and Agricultural Implement Workers (UAW) — and our tens of thousands of California members and retirees — we appreciate the opportunity to share our views on the draft "*Fourth Investment Plan for Fiscal Years 2022-23 through 2024-25*."[1]

We commend CARB for making the crucial recommendation in this investment plan that climate spending should create and support high quality jobs.

In the Draft Investment Plan, CARB lists its Recommended Funding Priorities, which includes "Direct funding towards high-quality jobs and high road workforce development." And affirms,

"The state has clear priorities to promote high road jobs and a just transition to a carbon-neutral economy, presenting opportunities to proactively advance high-quality job creation and high road workforce development strategies that create pathways for high-quality jobs, increase access to quality training and employment for priority populations, and support low-carbon technologies and sectors."[2]

We strongly agree that for the vehicle manufacturing and transportation sectors, with the right policy direction, the transition to clean vehicles creates opportunities to reinvest in high-quality American jobs that protects against further offshoring and the displacement of the sizeable auto manufacturing workforce currently employed in final assembly and components for conventional engines.

The members of the UAW, current and future, are ready to build these electric cars and trucks and the batteries that go in them.

UAW members are proud of their important role in creating middle class jobs that have enabled generations of

[1] https://calepa.ca.gov/climate/carbon-neutrality-studies/

[2] California Climate Investments, "Draft Cap-and-Trade Auction Proceeds Fourth Investment Plan Fiscal Years 2022-23 through 2024-25," Release date: August 19, 2021, https://ww2.arb.ca.gov/resources/documents/california-climate-investments-investment-plan

workers to provide for their families and retire with dignity. However, as unionization rates decline in the manufacturing sector, fewer workers are enjoying the benefits of quality manufacturing jobs, including in electric vehicle production.

Quality Jobs are Not Guaranteed in the Transition to EVs

Although automakers around the world invest billions in developing electric vehicles, quality jobs for the manufacturing workers are not assured.

Over the past two decades, 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 23%, while wages in the auto parts sector have declined by 22%.[3] For workers overall, real wages have dropped despite remarkable increases in productivity. From 1979 to 2018, net worker productivity rose 69.6%, while the hourly pay of typical workers increased by a mere 11.6% over 39 years (after adjusting for inflation).[4] To make matters worse, since 2000, the U.S. has lost of over three million manufacturing production jobs.[5]

Research by UC Berkeley and the National Employment Law Project found that manufacturing production wages had fallen into the bottom half of all jobs in the United States, and that manufacturing workers were increasingly likely to rely on public assistance programs.[6] The study found that California's manufacturing production workers were among those most likely to access public safety net programs.

The initial transition toward electric vehicles does not bode well for reversing those negative trends for workers.

In conventional engines, powertrains have historically been made by automakers in shops where workers have won union representation and quality jobs with safety protections and family-sustaining wages and benefits. To date, EV batteries are mostly made by suppliers in other countries, with China in the lead. For example, China is projected to dominate the EV battery supply chain throughout the decade, producing over two-thirds of the world's battery cells that power EVs.[7] Without strong domestic manufacturing investments to produce both vehicles and components, the U.S. will continue to fall behind.

And where automakers are entering battery production, they are often doing so through joint ventures with battery companies that have an unknown track record on providing quality jobs. The White House review of critical supply chains found that EV battery production jobs have been far below the wages of traditional vehicle powertrain jobs, not counting other benefits. To support a sustainable EV industry, the report recommends that policies supporting EVs should invest in current EV manufacturing workers through access to training and the opportunity to unionize and collectively bargain.[8]

Whether it is new technologies or new business models, the EV transition must not result in increased outsourcing or erosion of job quality in the industry. It is vital that we create a strong domestic supply chain that creates quality auto jobs.[9]

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[3] Bureau of Labor Statistics. "Average hourly earnings of production and supervisory employees." Series CEU3133610008 & CEU3133630008, Data from April 2004-April 2019. Adjusted using BLS CPI Inflation Calculator.
[4] Economic Policy Institute. "The Productivity-Pay Gap." July 2019. https://www.epi.org/productivity-pay-gap/
[5] U.S. Bureau of Labor Statistics, Production and Nonsupervisory Employees: Manufacturing [CES3000000006], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/CES3000000006
[6] UC Berkeley and NELP, "Producing Poverty: The Public Cost of Low-Wage Production Jobs in Manufacturing," May 2016 https://laborcenter.berkeley.edu/pdf/2016/Producing-Poverty.pdf
[7] Benchmark Mineral Intelligence. June 2020. "Written Testimony to the US Senate Committee on Energy and Natural Resources Committee": https://www.energy.senate.gov/services/files/6A3B3A00-8A72-4DC3-8342-F6A7B9B33FEF
[8] The White House, June 2021, "Building Resilient Supply Chains, Revitalizing American Manufacturing, and Fostering Broad-Based Growth": https://www.whitehouse.gov/wp-content/uploads/2021/06/100-day-supply-chain-review-report.pdf?utm_source=sfmc%E2%80%8B&utm_medium=email%E2%80%8B&utm_campaign=20210610
[9] UAW, "Making EVs Work for American Workers," March 2021 https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwiYxPH-

California's subsidies for the transition to new technology must be contingent on domestic manufacturing of vehicles and parts with wages, benefits and safety standards comparable to traditional powertrain jobs.

Job-Quality is a Policy Priority for California Climate Spending

The Draft Investment Plan refers to Assembly Bill (AB) 398 (E. Garcia, Chapter 135, Statutes of 2017) directed the California Workforce Development Board to present a report to the Legislature on strategies "to help industry, workers, and communities transition to economic and labor-market changes related to statewide greenhouse gas emissions reduction goals."[10]

The report, published by UC Berkeley, *Putting California on the High Road: A Jobs & Climate Action Plan for 2030*,[11] includes recommendations for the state climate funding "to advance high-quality job creation and high road workforce development. The state could prioritize investments in sectors with strong employment outcomes, leverage its spending power to create and support high-quality jobs, and provide dedicated resources for high road workforce development to establish pipelines that connect those most in need with high-quality employment opportunities."

As part of California's economic recovery and the Workforce Development Agency's forthcoming "Just Transition Roadmap," we applaud the authors for acknowledging that "the transition global and statewide shifts in key industries and regional economies likely to result from a transition to carbon neutrality" and that incorporating "strategies for high-quality job creation and high road workforce development, into climate incentive programs presents another key opportunity to foster a sustainable and equitable economic future."[12]

California's Climate Policy Can Strengthen Domestic Manufacturing

California continues to lead the U.S. in EV sales, increasing to over 10% market share in the first half of 2021.[13] That puts California ahead of the nation, where EV sales still hover around a 2% market share. But both California and the US are behind compared to global EV sales.[14] In 2020, more than one in three BEVs sold in the U.S. were sold in California. As a market leader, California has an opportunity to set standards for quality job creation that will benefit workers in California and nationally.[15]

The combination of California's EV market and the various incentive programs is a perfect opportunity to support and create high-quality jobs. The BlueGreen Alliance produced a report*, The High Road to California EV Goals: Raising Ambition for High-Quality Domestic Manufacturing Jobs*, finding that "For everyday people, the EV transition holds the potential to be a boon for family-sustaining jobs in a climate-resilient economy or, alternatively, to decimate whole regions of the United States which depend on manufacturing automobiles and their components."[16]

BlueGreen's research showed that "By enacting domestic content standards, [California] could help onshore

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[10] California Climate Investments, "Draft Cap-and-Trade Auction Proceeds Fourth Investment Plan Fiscal Years 2022-23 through 2024-25," Release date: August 19, 2021, https://ww2.arb.ca.gov/resources/documents/california-climate-investments-investment-plan

[11] https://laborcenter.berkeley.edu/putting-california-on-the-high-road-a-jobs-and-climate-action-plan-for-2030/.

[12] California Climate Investments, "Draft Cap-and-Trade Auction Proceeds Fourth Investment Plan Fiscal Years 2022-23 through 2024-25," Release date: August 19, 2021, https://ww2.arb.ca.gov/resources/documents/california-climate-investments-investment-plan

[13] https://www.veloz.org/wp-content/uploads/2021/08/Q2_market-share.pdf

[14] https://www.pewresearch.org/fact-tank/2021/06/07/todays-electric-vehicle-market-slow-growth-in-u-s-faster-in-china-europe/

[15] Alliance for Automotive Innovation. "Electric Vehicle Sales Dashboard": https://www.autosinnovate.org/resources/electric-vehicle-sales-dashboard

[16] BlueGreen Alliance, "The High Road to California EV Goals: Raising Ambition for High-Quality Domestic Manufacturing Jobs" https://www.bluegreenalliance.org/resources/the-high-road-to-california-ev-goals-raising-ambition-for-high-quality-domestic-manufacturing-jobs/ to

battery, parts, and other vehicle content manufacturing." California, with its strong and growing EV industry, is well-positioned to turn a growing domestic EV industry into quality jobs for its residents.[17] And support for manufacturing jobs, especially motor vehicle manufacturing, is a powerful tool for job creation because of the industry's high job multiplier effects that created jobs in related industries.[18]

To meet equity and emissions reduction goals, California has a range of tools at its disposal to promote high quality jobs in EV manufacturing, and we encourage you to consider them all.

Consumer Incentives
California has led the nation in demonstrating that consumer subsidies are an essential component to stimulating a robust EV market.

Consumer incentives are an opportunity to ensure public investment in EV adoption promotes domestic high-road production of EVs by considering where the vehicle was assembled, the level of the vehicle's domestic content, and the conditions under which the vehicle and components were produced, including wages, benefits, health and safety, and freedom of association.

Procurement Policy
California policy already recognizes that government EV fleet purchases, whether it is light-duty cars, medium- and heavy-duty trucks, or public transit vehicles, are a critical tool for creating cleaner transportation and that EVs are well-suited for fleet purchases due to their operating cost advantages.

Given California's size, such purchases also shape manufacturers' decisions around development of such vehicles. Clean procurement initiatives can be a tool to promote quality domestic jobs making EVs and PHEVs. State vehicle procurement programs should be conditioned on high-road labor standards and the domestic production of vehicles and components like batteries.

Manufacturing Incentives
Public policy can heavily impact companies' investment decisions around plant locations, suppliers and working conditions. Manufacturing incentives to establish or expand clean vehicle assembly, battery manufacturing, or other parts production should be structured to stimulate quality jobs through strong job quality provisions.

State support for clean vehicle manufacturing should include requirements related to job quality, health and safety conditions, compliance with labor law, and support for workers transitioning from traditional to clean energy vehicles.

Conclusion

By adopting high-quality jobs standards into climate spending California would be poised to build an inclusive clean economy. The strategic use of public dollars to develop a robust EV supply chain in California and the U.S. will ensure the transition to clean vehicles creates stable quality employment opportunities for marginalized communities and displaced workers. At the same time, it ensures that California and the U.S. secure a competitive position in the global race to dominate clean vehicle technologies, innovating in vehicle technologies, final assembly, and parts manufacturing.

[17] Los Angeles County Economic Development Corporation. March 2020. "Energizing an Ecosystem: The Electric Mobility Revolution in Southern California": https://laedc.org/2020/03/01/laedc-ev-industry-report/; Advanced Energy Economy & BW Research. April 2021. "Electrifying California: Economic Potential of Growing Electric Transportation": https://info.aee.net/hubfs/AEE%20CA%20ET%20Supply%20Chain%20Report.pdf

[18] Economic Policy Institute, January 2019, "Updated employment multipliers for the U.S. economy": https://www.epi.org/publication/updated-employment-multipliers-for-the-u-s-economy/

Job quality standards requirements on all incentives to clean transportation would help protect the quality jobs of hundreds of thousands of workers in vehicle production and the supply chain, jobs that have long been a cornerstone of a stable middle class.

As a major stakeholder in the transition of the auto industry to clean vehicles, we thank you for the opportunity to comment and look forward to future discussions.

Sincerely,

Mitchell Smith, Director
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