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October 18, 2019

Chair Mary Nichols and CARB Members
California Air Resources Board
1001 I Street
Sacramento, CA 95814

To Mary Nichols and Air Resources Board Members,

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 thank you for the opportunity to comment on the Air Resources Board’s Fiscal Year 2019-20 Funding Plan for Clean Transportation Incentives and updated Clean Vehicle Rebate Program (CVRP) plan.

The Air Resources Board has been a leader in climate policy, and the FY 19-20 Funding Plan presents the opportunity to enhance CARB’s programs’ impact in facilitating the transition to a cleaner, more inclusive economy. It is critical that climate policies explicitly seek to generate co-benefits for workers, disadvantaged communities, and low-income families. Many of the proposed CVRP program adjustments under consideration are reasonable, but we urge you to adopt requirements for high quality jobs for EV manufacturers that will lead to resilient communities.

California’s incentive programs to accelerate EV adoption should promote domestic production and high-quality jobs for workers across all vehicle classes – heavy, medium, and light-duty. Labor standards should be required for the greening of government fleets, consumer-side rebates like the CVRP, initiatives to promote the electrification of commercial fleets, and policies to stimulate clean-vehicle manufacturing.

The climate crisis is growing, and the impact is happening in real time as the number and strength of extreme weather events such as heat waves and droughts have increased. UAW members and retirees throughout the continental United States and Puerto Rico have suffered from extreme weather events in recent years. Failing to take concrete steps to address climate change puts us on an unsustainable course. It not only creates risks for our planet, but it is also a direct threat to our jobs, and an even bigger threat to the jobs and quality of life to be enjoyed by our future generations.

California continues to set the pace on climate policy and emissions reductions, and as Governor Newsom said in his recent Executive Order, “California is proof that a bold climate agenda is good for the economy, for workers, for health and for our future.”¹ Governor Newsom’s Executive Order directed CARB to push automakers to manufacture more clean cars, and to find ways to grow consumer demand for those cars. California’s CVRP has already supported the purchase of over 300,000 EVs and PHEVs, investing over \$700 million in consumer incentives.²

However, California’s goal to deploy five million EVs, PHEVs, and FCEVs by 2030 will require further investment and adaptations to ensure that the State’s funds are optimized for the greatest impact. Against a backdrop of federal policy that seeks to unwind environmental progress, California’s policy decisions have repercussions far beyond the State’s borders.

Our hope is that California will continue to set a path forward in greening transportation, a path that ensures American workers across the auto supply chain have the opportunity to build clean vehicles while preserving the job quality that union auto workers have fought to establish and maintain.

Support for Negotiated National Emissions Standards

Over the last decade, UAW members have played an important role in reaching a hard-fought consensus among a wide variety of stakeholders to significantly reduce passenger vehicle emissions and raise the Corporate Average Fuel Economy (CAFE) for passenger vehicles sold in the United States. This standard demonstrated that well-constructed regulations and policies can promote investment in advanced technology, create jobs, and make our cars more attractive in foreign markets while allowing manufacturers the flexibility they need. Fuel efficiency is improving across the industry, including many vehicles and components made by UAW members.

Standards have helped to incentivize the development of more energy efficient vehicles. Analysis by the Union of Concerned Scientists projects that investments in technology to meet 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).³

We oppose the EPA & NHTSA’s preferred alternative on emissions standards for light duty vehicles. The Administration’s proposed rollback would jeopardize efforts to address air pollution and the climate change crisis, and 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 could also lead to years of litigation and uncertainty that

¹ <https://www.gov.ca.gov/wp-content/uploads/2019/09/9.20.19-Climate-EO-N-19-19.pdf>

² <https://cleanvehiclerebate.org/eng/rebate-statistics>

³ 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>

discourages investment. This would not be a good outcome for workers, the economy, or the environment.

We have advocated for a national uniform standard derived from a consensus-driven process that includes all stakeholders, along with workers, manufacturers, environmental advocates, and consumer groups, working together to reach an agreement on regulations that help the economy and the environment.

California's EV Initiatives Should Promote Quality Domestic Jobs

UAW members are proud of their important role in creating middle class jobs that have enabled generations of 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. 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 23 percent, while wages in the auto parts sector have declined by 22 percent.⁴ Real wages have dropped despite remarkable increases in productivity. From 1979 to 2018, net worker productivity rose 69.6 percent, while the hourly pay of typical workers increased by a mere 11.6 percent over 39 years (after adjusting for inflation).⁵ To make matters worse, since 2000, the U.S. has lost over three million manufacturing production jobs.⁶

It is vitally important that California's policies intended to promote EV adoption must also incentivize the creation of high-quality domestic jobs that provide safe working conditions, free exercise of workers' rights, stable career paths, and economic stability for families. Otherwise, EV manufacturing facilities are likely to continue their trend toward unsafe work environments, substandard wages, and reliance on temporary workers who are underpaid and lack job security.

Modifications to the CVRP to Optimize Impact

California has led the nation in demonstrating that consumer subsidies are an essential component to stimulating a robust EV market. California represents around half of the nation's EV sales, compared to 12 percent of conventional passenger vehicle sales.⁷ EV sales have accelerated, but were still under 8 percent of auto sales in California for 2018,⁸ compared to less than 2 percent nationally.⁹ As a leader in the promotion and adoption of zero-emission vehicles, California is uniquely positioned to show that zero-emission policies can be optimized to address

⁴ 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.

⁵ Economic Policy Institute. "The Productivity-Pay Gap." July 2019. <https://www.epi.org/productivity-pay-gap/>

⁶ 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>

⁷ <https://evadoption.com/californias-share-of-us-ev-sales-is-declining-and-thats-a-good-thing/>

⁸ https://ww2.arb.ca.gov/sites/default/files/2019-06/061319_fundingplanwkshp_presentation.pdf

⁹ <http://www.ev-volumes.com/country/usa/>

economic inequality, promote high quality jobs, improve efficiency fleet-wide, and provide broad access to clean vehicles.

With these goals in mind, we are sharing our views on some of the program adjustments proposed in the *“Updated Three-Year Plan for CVRP, the ZEV Market, Clean Transportation Equity Investments, and Outreach”* and the Fiscal Year 2019-20 Funding Plan.¹⁰

Electric Range

We would caution against more rapid increases in electric range requirements beyond the current recommendation of 25 miles, particularly when applied to larger vehicle segments. Reaching mass-adoption of EVs and PHEVs across a broad range of consumers will require electrifying larger vehicle types, including CUVs, SUVs, vans, and pickups, which are a growing share sale nationwide. In the third quarter of 2019, these light-truck segments made up 56.6 percent of California’s vehicle sales.¹¹

We agree with Staff’s assessment that “more choices in larger vehicle categories like SUV, minivan, and pick-up truck, and light-duty trucks in the PEV market are needed for the emerging EV market to be more attractive to consumers and become competitive with the ICE market.”¹²

Automakers have mostly focused their electrification offerings on sedans, but that is expected to change in coming years. Electrification of light truck segments is still in its earliest stages and may rely more heavily on PHEV models. Electric range requirements should consider the pace of electrification developments across vehicle segments and provide continued support to larger vehicle segments.

Electric range requirements should continue to support a broad range of PHEV options. PHEVs play an important role in electrification by reaching the widest range of consumers and exposing them to the benefits of zero-emission vehicles, all while significantly lowering emissions. PHEVs are good options for consumers who would not otherwise purchase an EV, particularly for consumers who live outside dense public charging networks or whose housing precludes the purchase of home charging equipment. PHEVs are often a more affordable option as well.

The 2018 sales weighted average MSRP for PHEVs was more than \$10,000 cheaper than EVs.¹³ CVRP applications for PHEVs have been higher among key equity communities. Since 2017, 47 percent of CVRP low- and moderate-income applications and 41 percent

¹⁰ <https://ww2.arb.ca.gov/sites/default/files/2019-09/fy1920fundingplan-appc.pdf>

¹¹ <https://www.cncda.org/wp-content/uploads/Cal-Covering-2Q-19.pdf>

¹² <https://ww2.arb.ca.gov/sites/default/files/2019-09/fy1920fundingplan-appc.pdf>

¹³ Argonne National Laboratory, March 2019, “Assessment of Light-Duty Plug-In Electric Vehicles in the United States, 2010-2018”: <https://publications.anl.gov/anlpubs/2019/03/151081.pdf>, page 16

of applications from low income communities were used to purchase PHEVs. This compares to 34 percent among all other individual applicants with standard rebates.¹⁴

As CARB considers future increases in the all-electric range, we urge you to continue to examine technological advancements, consumer accessibility, sales volumes, and available models across all vehicle segments.

MSRP Cap

We believe setting an MSRP cap at \$60,000, as Staff has proposed, is reasonable. Previously, we urged CARB to be cautious about implementing an MSRP cap, which could have the unintended consequence of dampening automakers' electrification efforts and we continue to hold that view. We pointed out that automakers currently struggle to make profits on zero-emissions vehicles because an electric powertrain costs more to produce than a traditional gasoline powertrain.¹⁵

One strategy for recouping those costs is by focusing electric vehicles sales on middle and high-end vehicle, where profit margins are higher. However, we think setting the MSRP cap at \$60,000 is not overly burdensome and in combination with the income caps, an MSRP cap can help target CVRP resources to the most price-sensitive consumers and incentive automakers to offer a broad range of affordable zero-emissions vehicles.

Support for Low Income families

We encourage CARB to continue to expand access to EVs for low-income households and disadvantaged communities through broadening initiatives like Clean Cars 4 All and Financing Assistance, and program improvements like streamlining rebate processing. Disadvantaged communities, people of color, and low-income families have already borne a higher burden from compromised air quality and CARB must continue to enact policies that rectify these inequities.¹⁶

We support increasing allocations to promote demand for clean vehicles, including exceeding the minimum targets set by existing law.

Income Caps

We support maintaining the Income Caps for CVRP eligibility and applaud CARB for retaining them even though the statutory requirement has expired.¹⁷ Based on our own analysis, we

¹⁴ Clean Vehicle Rebate Project, "Rebate Statistics", Data from Dec 30 2016 through March 2019:

<https://cleanvehiclerebate.org/eng/rebate-statistics>

¹⁵ McKinsey & Company, March 2019, "Making Electric Vehicles Profitable":

<https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/making-electric-vehicles-profitable>

¹⁶ Claudia Boyd-Barrett, "People of Color and the Poor Disproportionately Exposed to Air Pollution, Study Finds", California Health Report, <https://www.calhealthreport.org/2019/02/08/people-of-color-and-the-poor-disproportionately-exposed-to-air-pollution-study-finds/> (accessed October 9, 2019)

¹⁷ <https://ww2.arb.ca.gov/sites/default/files/2019-09/fy1920fundingplan.pdf> page 36

agree with Staff’s analysis that, “Since the introduction of the CVRP income cap, roughly 50 percent of ZEVs purchased or leased in California have been rebated. This suggests that the income cap may be having the intended effect of directing the rebates to a smaller portion of the market and reducing the number of rebates issued to consumers who would have purchased an EV regardless of the additional incentive.”¹⁸

As we have previously noted, the income cap ensures the best use of funds by targeting consumers who are most price sensitive, middle- and low-income families. In fact, we would support lowering the income cap over time from its current level, particularly for joint filers (currently capped at \$300,000 annual income), thereby focusing the subsidies on families that otherwise would not be able to purchase a zero-emission vehicle.

Conclusion

As a stakeholder in the transition of the auto industry to clean vehicles, we look forward to working with CARB to ensure a proactive approach to equity and quality job creation that meets our climate goals while building economic and environmental sustainability for all communities.

Labor standards requirements on all incentives to green 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.

We thank you for your consideration of our recommendations and look forward to further dialogue. Please feel free to contact Alyssa Giachino (alyssa.giachino@gmail.com) with any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'JN', with a long horizontal stroke extending to the right.

Josh Nassar
Legislative Director

JN:rk
opeiu494/aficio

¹⁸ <https://ww2.arb.ca.gov/sites/default/files/2019-09/fy1920fundingplan.pdf>