

TESTIMONY OF

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LEGISLATIVE DIRECTOR**

**INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE &
AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)**

on the subject of

**LEGISLATIVE HEARING ON DISCUSSION DRAFT CONCERNING
ALTERNATIVE FUELS, INFRASTRUCTURE, AND VEHICLES**

before the

**SUBCOMMITTEE ON ENERGY AND AIR QUALITY
COMMITTEE ON ENERGY AND COMMERCE**

UNITED STATES HOUSE OF REPRESENTATIVES

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Mr. Chairman. My name is Alan Reuther. I am the Legislative Director for the International Union, United Automobile, Aerospace & Agricultural Implement Workers of America (UAW). The UAW represents over one million active and retired employees, many of whom work for or receive retirement benefits from vehicle manufacturers and auto parts companies. We appreciate the opportunity to testify before this Subcommittee on this legislative hearing on the discussion draft concerning alternative fuels, infrastructure, and vehicles.

The UAW strongly supports this draft legislation. We believe it would achieve significant reductions in oil consumption and greenhouse gas emissions. This would promote our nation's energy security, while addressing the pressing problem of climate change. At the same time, this legislation would help to protect and expand jobs for American workers.

Vehicle Fuel Economy/Carbon Efficiency

The UAW believes the draft legislation contains a number of very positive provisions relating to vehicle fuel economy and carbon efficiency. First, it would amend the Corporate Average Fuel Economy (CAFE) program to mandate that all vehicle manufacturers must improve significantly the fuel economy of their passenger car and light truck fleets. Specifically, it would require passenger cars to meet a 36 mpg average standard by 2022, and light trucks to meet a 30 mpg average standard by 2025. This would represent a 31 percent improvement in fuel economy for passenger cars, and a 35 percent improvement for light trucks. The UAW supports this mandate because we believe it is technologically and economically feasible for the auto manufacturers.

Second, the UAW supports the provision that would authorize the Department of Transportation (DOT) to adopt an attribute-based CAFE system for passenger cars, similar to the system that has already been implemented for light trucks. The UAW believes this authority, which the Bush administration has requested, would enable DOT to reform the CAFE structure for passenger cars so it does not discriminate against particular manufacturers based on their product mix. All companies still will be required to improve the fuel economy of their passenger car fleet, but in a manner that recognizes differences in product mix between different companies.

Third, the UAW is particularly pleased that the draft legislation also maintains the existing domestic/foreign fleet distinction for passenger cars, and also requires companies to meet an "anti-backsliding" requirement. This critically important provision will provide a strong incentive for companies to continue small car production in the United States, thereby protecting the jobs of 67,000 American workers who assemble or make parts for these vehicles. It also will ensure that the companies cannot game any new attribute-based system by "upsizing" their passenger cars, resulting in worse overall fuel economy.

Fourth, the UAW applauds the provision that would require DOT to publish the new CAFE standards both in a miles per gallon format and a grams of CO2 per mile format. Consumers will still get the miles per gallon information they are accustomed to receiving. At the same time, translating this into grams of CO2 per mile will help make it clear that the CAFE program limits carbon emissions from motor vehicles. We also welcome the provision requiring the auto manufacturers to report the projected lifetime carbon emissions of their vehicles. We hope these two provisions will facilitate the integration of the CAFE program with any economy wide cap-and-trade program that may ultimately be developed to reduce greenhouse gas emissions.

Fifth, the UAW supports the provision in the draft legislation reinforcing the long standing policy that DOT has the exclusive authority to regulate the fuel economy and carbon efficiency of motor vehicles through the CAFE program. In order for vehicle manufacturers to be able to retool factories and redesign vehicles to meet the challenging new fuel economy requirements, it is essential that they have the security of knowing that they will only have to comply with a single national standard, and not be pulled in a variety of directions by a multitude of state standards.

We recognize that some groups may advocate for much more stringent fuel economy standards, or for provisions giving states the ability to establish such standards. However, the UAW is deeply concerned that extreme fuel economy standards, such as the CAFE proposal in H.R. 1506 or the vehicle CO2 standard approved by California, are not economically feasible and could seriously threaten the jobs and benefits of active and retired workers in the auto industry.

GM, Ford and Chrysler are already experiencing serious economic problems. They have closed numerous facilities and downsized their workforces by 90,000 employees. At the same time, they are struggling with enormous retiree health care legacy costs for 525,000 retired workers and their families. In contrast, major competitors are making large profits and have no retiree health care legacy costs.

The Bush Administration has estimated that it would cost \$114 billion for the auto companies to achieve fuel economy targets similar to those contained in H.R. 1506 by 2017, and that three quarters of these costs would be imposed on GM, Ford and Chrysler. The UAW is concerned that the magnitude of these costs, and their disparate impact on the Detroit-based auto companies, would lead to calamitous results.

In our judgment, GM, Ford and Chrysler cannot afford to shoulder these enormous retooling costs. This was underscored by the recent report released by Standard and Poors Rating Services on May 7, 2007, which stated that stringent fuel economy and vehicle emissions legislation would “pose a real risk

to global automakers' financial performance, particularly as some are already under pressure from razor-thin margins.”

If these burdens are imposed on the Detroit-based auto companies, the UAW is very concerned that this will lead to more plant closings and the loss of tens of thousands of jobs. It also could lead to cutbacks in or the elimination of health insurance coverage for 525,000 retired workers and their families. We believe that this economic and human toll is unacceptable. The UAW strongly urges that this Subcommittee reject such extreme CAFE proposals. Instead, we urge you to favorably report the more balanced proposal set forth in the discussion draft, which will achieve substantial improvements in vehicle fuel economy, without threatening jobs and benefits for active and retired workers in the auto industry.

Alternative Fuels

The UAW also is very pleased that the discussion draft includes numerous provisions that would promote the use of alternative fuels. This recognizes the important truth that the goals of reducing oil consumption and greenhouse gas emissions can best be achieved by addressing the fuels that go into vehicles, as well as the efficiency of the vehicles themselves.

The UAW supports the provision that would require vehicle manufacturers to make certain percentages of their fleets flex fuel capable by specified dates. The technology needed to do this is readily available and relatively inexpensive. All companies easily should be able to meet this mandate.

The UAW also supports the provision establishing an alternative fuels standard and a low carbon fuels standard. These provisions will assure that we continue to expand the amount of alternative fuels that are produced in our nation, while at the same time requiring movement towards fuels that produce lower carbon emissions.

The UAW applauds the provision requiring the Department of Energy (DOE) to mandate the installation of alternative fuel dispensers and tanks when the market penetration of flex fuel vehicles reaches a certain level. Expanding the distribution network for alternative fuels is critically important if we are to make substantial progress in increasing the actual use of alternative fuels by consumers. The UAW also welcomes the provision establishing a program to increase public awareness of alternative fuels.

The UAW urges the Subcommittee to add a provision extending the FFV credit in the CAFE program for flex fuel vehicles that are produced by a manufacturer in excess of the levels mandated by the bill. This would provide an incentive for companies to make even more rapid progress in this area. We would also note that the FFV credit could be allowed to sunset prior to 2022, so it would not

reduce the overall stringency of the fuel economy standards mandated by the discussion draft.

Advanced Technology Vehicles

To meet the challenge of higher fuel economy standards, vehicle manufacturers will have to rapidly accelerate the introduction of advanced technology vehicles, including hybrids, clean diesels and fuel cell vehicles. The UAW supports the provision in the discussion draft that would establish an advanced battery loan guarantee program to speed the development of this key technology.

Even more importantly, the UAW strongly supports the provision that would create a grant program to encourage the domestic production of these advanced technology vehicles and their key components. This will help to accelerate the introduction of these vehicles, thereby furthering the goals of reducing oil consumption and greenhouse gas emissions. At the same time, this will help to ensure that these vehicles of the future and their key components are built in this country, thereby creating jobs for tens of thousands of American workers.

Currently, most of the advanced technology vehicles are assembled overseas and almost all of their key components are built in other countries. A 2003 study by the University of Michigan showed that federal incentives to encourage domestic production of advanced technology vehicles and their components would generate thousands of jobs. The increased federal and state tax revenues flowing from these jobs would pay for the incentives.

The UAW recognizes the jurisdictional and other constraints on this Subcommittee in dealing with this issue. As this draft legislation moves forward, we would like to work with the Subcommittee and House leaders to refine and expand these provisions. We believe it is critically important that a reliable and substantial source of funds be provided to support this critically important program.

Need for Economy Wide Cap and Trade Program To Reduce Greenhouse Gas Emissions

The UAW does not consider the discussion draft to be the last word on measures to address the pressing problem of global warming. We continue to believe that all sectors of the economy should be asked to participate in reducing greenhouse gas emissions through an economy wide cap-and-trade program. We understand that this Subcommittee is currently working to develop such a proposal for consideration later this year. The UAW looks forward to working with this Subcommittee in developing this proposal, and ensuring that the CAFE program is integrated with it in an appropriate manner.

The UAW wishes to underscore that we do not view the development of an economy wide cap-and-trade program as a means for the vehicle manufacturers to evade their responsibility to meet the tougher fuel economy standards mandated by this discussion draft. Indeed, properly designed, this type of program can lead to even greater reductions in the carbon emissions from both vehicles and fuels. At the same time, we believe it is abundantly clear that the only way to truly combat global warming is to establish a cap-and-trade program that requires all sectors of the economy, not just the auto and fuels sectors, to step forward and do their part to limit greenhouse gas emissions.

Conclusion

The UAW appreciates the opportunity to testify at this legislative hearing on the discussion draft concerning alternative fuels, infrastructure, and vehicles. We strongly support the provisions in this draft legislation. In our judgment, it is a balanced package that will achieve significant reductions in oil consumption and greenhouse gas emissions, while at the same time protecting and expanding jobs for American workers. We urge the Subcommittee to move forward expeditiously to refine and approve this discussion draft. We look forward to working with you Mr. Chairman, and the Members of this Subcommittee, as you consider these vital issues. Thank you.

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