

Biden bill includes boost for union-made electric vehicles

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A Tesla charges at a station in Topeka, Kan., April 5, 2021. President Joe Biden and Democrats in Congress are looking to give U.S. automakers with union employees the inside track when it comes to winning the burgeoning electric vehicle market. The \$1.85 trillion spending package that Democrats are trying to get through Congress includes an array of programs designed to curb global warming, including incentives to hasten the transition to electric vehicles, now about 2% of new car sales in the U.S. A provision that would give buyers of vehicles made at unionized manufacturing plants in the U.S. a more generous tax

credit is sparking an international and regional political squabble. Credit: AP Photo/Orlin Wagner, File

President Joe Biden and Democrats in Congress are looking to give U.S. automakers with union employees the inside track on the burgeoning electric vehicle market, triggering vocal opposition from foreign trade partners and Republicans who worry that manufacturers in their home states will be placed at a competitive disadvantage.

The \$1.85 trillion spending package that Democrats are laboring to pass through Congress includes an array of programs designed to curb [global warming](#) and slash U.S. emissions. It includes incentives to hasten the transition to electric vehicles, which represent a small but rapidly growing share of the market.

If enacted, the bill would provide a \$7,500 tax [credit](#) for consumers who buy electric vehicles through 2026. Beginning the following year, only purchases of electric vehicles made in the U.S. qualify for the credit. The base credit goes up by \$4,500 if the [vehicle](#) is made at a U.S. plant that operates under a union-negotiated collective bargaining agreement. Only auto plants owned by General Motors Co., Ford Motor Co. and Stellantis NV qualify.

"I want those jobs here in Michigan, not halfway around the globe," Biden said when visiting a UAW job training center last month.

The union friendly add-on is raising hackles internationally and inside the U.S., testing the Democratic Party's commitment to a labor-friendly approach that Biden has made central to his political brand. The provision could boost the sale of [electric vehicles](#) while disadvantaging foreign automakers with U.S. plants that employ tens of thousands of

manufacturing workers, particularly in Southern states where laws have made it hard to unionize.

Democrats are undaunted. They say supporting union jobs is good for the economy and the country.

"I'm a student of America's economic history and labor unions have consistently helped build out the middle class," said Rep. Dan Kildee, D-Mich. "We should have a policy that's consistent with our values. Our values are that communities are stronger, the economy is stronger when workers have wages, benefits and protections that not only apply to them, but set the highest standard for all other employees."

But one key Democrat, Sen. Joe Manchin of West Virginia, spoke against the provision when visiting a Toyota plant in his home state Thursday. Automotive News quoted Manchin as saying that in a capitalistic economy, "you let the product speak for itself, and hopefully, we'll get that, that'll be corrected."

In the evenly divided Senate, Manchin's opposition could well prove fatal to the union-friendly tax credit.

Ambassadors from the European Union, Canada and South Korea are among those who recently wrote to congressional leaders saying the credit is inconsistent with U.S. trade commitments and "tarnishes the spirit of trade laws that seek to establish the free and fair movement of goods."

Eleven governors complained that the more generous tax credit for cars made in union plants would punish companies and workers in their states. Republican lawmakers portray it as payback for a major Democratic benefactor, the United Auto Workers, which spent about \$1.25 million in support of federal candidates in the 2020 elections,

more than 99% for Democratic candidates, according to OpenSecrets, which tracks campaign money.

Republican Sen. John Cornyn of Texas said he didn't expect a more generous tax credit for union-made cars to be decisive for car buyers, but said it will be a factor.

"There's nothing about a union-made electric vehicle that makes it greener than a nonunion vehicle, so it just seems pretty obvious it's funneling money to supporters. I think it's shameful," said Cornyn, whose state was selected by Tesla for a manufacturing plant as well as for its new corporate headquarters.

"It's a terrible idea," said Sen. Roger Wicker, R-Miss, whose state is home to Nissan and Toyota plants. "It just strikes me as a blatant gift to a political friend. I don't see any other way to look at it. It's an obvious payoff."

All but the richest Americans would qualify for the [tax credit](#), which would apply to vans, SUVs and pickups costing less than \$80,000 and cars costing less than \$55,000.

UAW President Ray Curry said in a statement supporting the bill that it would support "good paying union jobs and stands to benefit our country for decades to come."

"In addition, this framework encourages nonunion manufacturers to let their workers freely organize," Curry said.

Labor unions have seen their power recede in recent decades, largely due to declining membership. Kildee's congressional district includes the city of Flint, where a sit-down strike by General Motors workers in 1936-1937 brought about one of the biggest victories for labor unions in

America's history. Within a year, UAW membership grew from 30,000 to 500,000 and wages for autoworkers increased by as much as 300%.

"It transformed the community, and we think everybody should have that opportunity," Kildee said.

Foreign carmakers have been steadily expanding their U.S. manufacturing footprint in states such as Alabama, South Carolina, Tennessee, Mississippi and Texas—states where workers cannot be compelled to become members of a union as a requirement of their job. Efforts to unionize plants in Mississippi and Tennessee have fallen short multiple times.

"Let's keep in mind that the American autoworkers that my members employ have chosen not to unionize," said Jennifer Safavian, president and CEO of the trade group, Autos Drive America, whose members include a dozen foreign automakers. "They have made that choice for themselves, and that should be respected."

The combined \$12,000 credit for cars made in U.S. plants with union workers would cut the starting price of a Chevrolet Bolt small electric hatchback from about \$32,000 to around \$20,000. That's well below the average price of a new vehicle, now over \$42,000. The car also qualifies for additional \$500 credit that is available for batteries made in the U.S.

"It plays into the mix, of course, because it makes it more affordable and more accessible to people," IHS Markit auto analyst Stephanie Brinley said of the tax credits.

Just how much of a sales bump the credit will produce is difficult to predict. A global shortage of the computer chips needed to manufacture vehicles, for example, is expected to persist well into 2022, Brinley said.

"Semiconductors will keep inventory constrained for a while," Brinley said. "It's harder to have an immediate impact on that with incentives."

What's likely to have a bigger impact on sales is the sheer number of fully electric models rolling off production lines, many in the most popular segments of the U.S. market. Those include compact SUVs and full-size pickup trucks, two of the most popular vehicle types. There are about 35 fully electric models today, but that will jump to around 150 by 2025, Brinley said.

Electric vehicle sales are now 2% of U.S. new vehicles sales, but IHS Markit, a research and analytics company, expects the share to grow to 32% by 2030.

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