

**TESTIMONY OF  
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INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS  
BEFORE THE  
SUBCOMMITTEE ON COMMERCE, TRADE, AND CONSUMER PROTECTION  
JUNE 16, 2010**

**Introduction**

The International Association of Machinists and Aerospace Workers, (IAM) AFL-CIO, represents several hundred thousand active and retired members throughout North America.<sup>1</sup> Our members work in a variety of industries including aerospace, manufacturing, electronics, defense, transportation, shipbuilding, and woodworking to name a few. Our members also work in the energy sector manufacturing equipment and products. We have argued for many years that the health of our economy rests on our ability to develop technology that can contribute to domestic manufacturing opportunities. Clean energy and all of the goods and services related to the industry can serve as a significant factor in providing much needed manufacturing jobs to U.S. workers. Given our unique position as one of the largest manufacturing unions in the U.S., representing thousands of workers who produce goods for exports and as a firm supporter in the importance of the clean energy sector, we welcome the opportunity to appear before you today.

Support for domestic manufacturing goods related to clean energy is a critical component for our economic recovery. It is urgently needed. U.S. workers continue to be mired in the economic crisis. While the official unemployment rate hovers at around 10 percent, the unofficial unemployment rate is approaching 20 percent. Over 8.5 million workers have lost their jobs since December 2007, with a significant number directly working in manufacturing. Today, there are over 15 million workers who are unemployed. Almost half of all of those who are unemployed have been without work for over six months.

The IAM has urged the Administration and Congress to adopt comprehensive policies that address this job crisis. In order to be effective, these policies must go well beyond a band-aid approach: they must establish a framework for rebuilding our manufacturing base and ensuring its sustainability for the future. H.R. 5156, the Clean Energy Technology Manufacturing and Export Assistance Act of 2010, represents one element of an overall program that is desperately needed. If enacted, the Bill would assist U.S. companies in exporting clean energy products and services. The Bill would also require the Secretary of Commerce to submit a report to Congress which would assess, "the extent to which the program...has been successful in creating jobs in the United States."

While H.R. 5156 represents an important step toward addressing the need to support manufacturing jobs in the clean energy sector, we urge an even more aggressive approach to ensure that federal support for companies to export clean energy technology and services does in fact result in the creation or maintenance of jobs here at home. A direct, verifiable requirement that federal support for clean energy exports results in the creation of U.S. jobs is essential, since it appears that some companies are only too willing to produce clean energy goods and equipment in other countries. For example, BP, announced this spring that it would be laying off 320 workers and closing, "its solar-panel manufacturing

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<sup>1</sup> Portions of this testimony are taken from the witnesses' article, "Green Jobs With Strings Attached", Economic Policy Institute, 12/2/2009.

plant in Frederick (Maryland), the final step in moving its solar business out of the United States to facilities in China, India and other countries...”<sup>2</sup> In making the announcement, BP’s CEO, Tony Hayward stated that BP was “moving to where we can manufacture cheaply.”<sup>3</sup>

As concluded by the Investigative Reporting Workshop (IRW), “[M]oney from the 2009 stimulus bill to help support the renewable energy industry continues to flow overseas...”<sup>4</sup> The IRW had previously reported about an announcement by a consortium of American and Chinese companies, “to build a \$1.5 billion wind farm in Texas, using imported Chinese wind turbines”. The IRW report noted that with respect to this project, “[C]ompany officials said they planned to collect \$450 million in stimulus grants for the project.”<sup>5</sup>

Federal incentives such as those provided by the H.R. 5156 could result in convincing companies in the clean energy industry to build and maintain domestic production to export goods, but only if that support is directly tied to domestic job creation. We are especially concerned that some companies could receive support for the export of capital equipment to other countries, while other exports could contain significant percentages of non-domestically produced parts, components, or materials. Transferring production equipment to other countries, and reinforcing foreign supply chains can, if not properly reviewed, result in creating additional global capacity and competition that could be harmful to U.S. workers. Using taxpayer money to facilitate this offshoring of work is unacceptable for any industry. In light of this hearing, it is particularly objectionable with respect to domestic manufacturing for the clean energy industry which is critical for our economic future.

In order to ensure that federal support for exports of clean energy goods and services will in fact result in the creation of jobs here at home, we offer the following suggestions:

- 1. Require employment impact statements (EIS).** Detailed employment impact statements (EIS) should be a required factor in any decision making process for government assistance. The results of the EIS should be a significant factor in the final determination concerning the project or transaction under consideration. The EIS would contain information pertaining to employment that would be maintained, created, or lost if the program in question were approved. It would also contain in detail the duration, wage, location, and category of those jobs. The jobs analysis would also examine the impact on domestic jobs if the transaction involved the export of capital equipment.

To assure that the EIS is accurate and that they are fully and effectively implemented, federal agencies such as the Department of Commerce should submit annual reports to Congress summarizing the methodology used to calculate the number of jobs supported by federal programs. The reports would also furnish Congress and the Administration with valuable information about how its programs regarding clean energy technology manufacturing and export assistance are assisting with the creation and maintenance of jobs here at home. In terms of HR 5156, such information could be included in Commerce’s report as provided under Section 2(d).

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<sup>2</sup> *BP closing Maryland solar manufacturing plant*, The Washington Post, 3/27/2010.

<sup>3</sup> *Id.*

<sup>4</sup> Russ Choma, *Renewable energy money still going abroad, despite criticism from Congress*, 2/8/2010.

<sup>5</sup> *Id.*, The announcement and subsequent controversy has led to a number of discussions and at least one legislative proposal offered by Senator Schumer.

2. **Equipment used for manufacturing goods, as well as the goods themselves, must be domestically produced.** Capital equipment related to production as well as goods and services to be exported must be domestically manufactured and contain domestic materials. Current domestic content requirements that are in effect throughout government can be vague and present several questions. For example, how is domestic content measured and applied? What factors are included in determining content? Is the calculation limited to raw materials, production assembly and maintenance, or are intangible items like the value of research and development, marketing, and the value of intellectual property rights, which can be used to inflate domestic content included? How will the origin of components and sub-components be considered? Strong domestic content requirements, uniformly implemented and enforced should be specifically contained in HR 5156.
3. **Export Assistance should also be sought through the U.S. Export-Import Bank.** The U.S. Export-Import Bank's objective is to assist companies in financing exports that will support U.S. jobs. Ex-Im has well-developed expertise in export assistance for short, medium, and long-term transactions. Special expertise has also been developed in the energy and environmental sectors. HR 5156 could adopt provisions seeking specific coordination between Commerce and Ex-Im.
4. **Domestic production for export must be based on fair and level global competition.** Clean energy exporters must be able to compete on fair playing field with producers in other countries. If the domestic clean energy sector is to prosper and result in more U.S. manufacturing jobs, trade barriers that exist in other countries like China must be challenged and removed. Demands for transfer of technology and production in return for market access must be curtailed. Currency manipulation must also be formally recognized by our own government and addressed. Relatedly, subsidies to the industry by other countries, like China, should also be challenged by trade complaints. Moreover, subsidies which may take the form of artificially created cheap labor cost derived from the failure to recognize and enforce fundamental human rights must also be challenged and remedied.

As mentioned at the outset, U.S. manufacturing workers are in a crisis, and not coincidentally, so is our country's economy. Promoting U.S. clean energy companies to export domestically manufactured goods with U.S. made materials represents one important solution to this crisis.

We very much appreciate the opportunity to appear before you today and would be happy to answer any questions you might have.