



April 19, 2021

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
H-204, The Capitol
Washington, D.C. 20515

The Honorable Charles Schumer
Majority Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20510

The Honorable Mitch McConnell
Republican Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Schumer, and Republican Leader McConnell:

As the singular, authoritative, and respected voice of the automotive industry in the United States, the Alliance for Automotive Innovation (“Auto Innovators”) writes to express strong support for increasing semiconductor manufacturing capacity in the United States. To help accomplish this goal, Auto Innovators supports robust funding for the programs authorized under the *CHIPS for America Act*. In addition, Auto Innovators urges policymakers to ensure that these programs help increase the resiliency of the automotive semiconductor supply chain.

As you are well aware, the auto industry is currently facing a semiconductor supply chain shortage. This chip shortage has forced a number of automakers to halt production and cancel shifts in the United States, with serious consequences for their workers and the communities in which they operate. The current supply chain crisis has clearly exposed overall capacity limits in the semiconductor sector and revealed significant risks in the current automotive semiconductor supply chain. There is undeniably a need to expand semiconductor capacity to meet the growing demand for semiconductors in the auto industry, as well as other sectors across the economy. Policies that can incentivize this additional capacity in the United States, such as the programs based on the *CHIPS for America Act* authorized in the *FY 2021 National Defense Authorization Act*, are essential to addressing the longer-term challenges. For this reason, Auto Innovators strongly supports full funding for these *CHIPS for America Act* programs.

Consistent with the authorizing language in the FY 2021 NDAA, we further urge you to ensure that these programs benefit all industries and not just those that rely on advanced node chips. As you may be aware, the chips that are generally used in vehicles are not the same chips used in consumer electronics devices. As with many defense and industrial control users, auto production largely relies on chips made using mature nodes. These chips are more robust and reliable than the advanced node chips

that are used in consumer electronics devices because they must withstand challenging internal and external environments for the life of the vehicle.

Chips play a critical role in current auto production and future automotive innovation (including electrification, automation, and connectivity). Therefore, it would be regrettable if none of the funding under the *CHIPS for America Act* were to be used to increase the resiliency of automotive supply chains through the construction of new facilities that produce, or have the ability to produce, auto grade chips. In order to help mitigate the risks to the automotive supply chain evidenced by the current chip shortage, we suggest that at least some portion of such funding be used to build new capacity in the United States that will support the auto industry, as well as other sectors that rely on mature nodes – including defense, medical, and critical infrastructure. This could be accomplished by, for example, specifying that a particular percentage – that is reasonably based on the projected needs of the auto industry – be allocated for facilities that will support the production of auto grade chips in some manner.

New foundries take years to build, so Auto Innovators also recommends that policies be implemented that support increased chip capacity in the mid-term. This includes enactment of a semiconductor manufacturing investment tax incentive. Such an incentive can help companies offset the cost of creating new lines within existing facilities or reallocating current production to meet evolving needs.

A significant investment in, and sustained commitment to, building additional domestic semiconductor capacity that meets the future needs of the auto industry in the United States is absolutely essential. We appreciate your focus and attention to this critical issue and look forward to continuing to work with you to ensure that the auto industry in the United States continues to lead the world in innovation and in building a cleaner, safer, and smarter transportation future.

Sincerely,



John Bozzella
President and CEO
Alliance for Automotive Innovation

Cc:
Committee on Appropriations, U.S. Senate
Committee on Appropriations, U.S. House