

# Detroit emergency manager threatens municipal bankruptcy

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One day after being named Detroit's emergency manager, Kevyn Orr threatened to use the bankruptcy courts to impose drastic cuts on workers in the nation's poorest large city.

Speaking to the *Detroit Free Press* Friday, Orr said he had already considered a prepackaged bankruptcy approved by vendors of goods and services, municipal bondholders, unions and pensioners.

"I would think it would be reasonable within their authority to make a negotiated solution," said Orr. "I don't think that's extreme. I think that's apparent, frankly, and that's why I say you can do this consensually."

Orr, a bankruptcy attorney for the Jones Day law firm in Washington, one of the largest corporate law firms in the US, represented Chrysler in the Obama administration's 2009 restructuring of the auto industry that resulted in the elimination of tens of thousands of jobs.

Orr's stated preference for a "consensual" agreement is a signal to the unions that he wants to work with them in attacking workers' wages and benefits.

If a negotiated agreement cannot be reached, the bankruptcy courts could be used to impose cuts. "The one thing everyone needs to know, if you go into bankruptcy, Chapter 9 of the bankruptcy code is weighted toward the municipality," Orr said at his introductory press conference on Thursday. "I don't want to pull that cudgel out unless I have to. I prefer to pursue a consensual resolution."

According to the *Free Press*, Orr acknowledged "that the threat of such a bankruptcy is a tool he can use to force cooperation on creditors and retiree and employee benefits groups, even those whose leaders would have a difficult time convincing the people they represent to accept losses or benefits cuts."

The threat of bankruptcy also provides a tool to union executives to push through concessions on the grounds that even worse cuts would be imposed by a bankruptcy court.

While presented as "equal sacrifice" by all those involved, including bondholders, the principal target of a bankruptcy would be the city's working class. The political establishment and media are particularly eager to slash pensions for current retirees, which under state law cannot be done except through bankruptcy.

Orr has repeatedly said that he is prepared to carry out whatever action is necessary to achieve cuts. "Everything is on the table," stated Orr. "I've got guns. We are not afraid."

Orr also said on Friday that he is looking into privatizations and the leveraging of city assets to generate profits or cut costs. One target, according to a report in the *Detroit News*, is the Water and Sewerage Department.

For years, the DWSD has been at the center of schemes by Detroit politicians and the corporate elite. Detroit Water and Sewerage takes in revenues of \$800 million annually.

According to the *News*, "Orr said he might consider turning over management of the city's Water and Sewerage Department to a regional authority to leverage lease payments and shed billions of dollars in debt from the city's ledger." This is likely another step towards privatizing the department along the lines put forward by Mayor David Bing a few months ago, calling for the elimination of 81 percent of the workforce and the outsourcing of most functions.

Orr also indicated he is open to leasing Belle Isle Park. Belle Isle, the largest island city park in the US, was designed by Frederick Olmstead who also designed Central Park in NY. It has been the subject of repeated

proposals for state ownership, leasing or even sale to private investors.

The media and the political establishment have enthusiastically welcomed Orr, embracing the need to dispense with democratic forms in sharply escalating the attack on the working class.

Seeking to assuage popular hostility, Orr declared, “The concepts of reorganization, conservatorship, receivership, trusteeship have existed since good King George began granting tariffing commissions in the colonies. So while I understand there’s a lot of concern and emotion behind the concept that I’m depriving people of certain rights, actually it’s very consistent with both the history of this country and specifically in this state.”

Conveniently omitting the fact that American colonists waged a revolutionary war against the hated “good” King George in order to establish a democratic form of government, Orr went on to point out that emergency managers had been named by Democratic and Republican Michigan governors.

“EMs have been appointed in 5 cities and 4 school districts.” In fact, he suggested, “This is democracy in action.”



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