

Day two of Detroit bankruptcy hearings: Unions urge liquidation of city assets, including DIA

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Lawyers representing the United Auto Workers (UAW), the American Federation of State, County, and Municipal Employees (AFSCME), Detroit retirees and the city of Detroit questioned witnesses Thursday during the second day of bankruptcy hearings. The city's investment advisor Kenneth Buckfire, restructuring specialist Charles Moore of Conway MacKenzie and financial consultant Gaurav Malhotra testified before the court.

The city's legal team—headed by Jones Day, the former law firm of Emergency Manager Kevyn Orr—concentrated on arguing before Judge Stephen Rhodes that bankruptcy is legitimate and necessary, while the union representatives continued to argue that bankruptcy should have been avoided by liquidating city assets. All sides accepted the entire framework of the discussion, that massive cuts and asset sales were required to pay off Detroit's debt.

Buckfire, an investment banker from the New York City-based firm Miller Buckfire, defended the bankruptcy, saying it “is a necessary way of protecting the city.” He spoke in favor of the sale of city assets, noting that private equity firms have made inquiries about purchasing Detroit's Water and Sewerage Department.

The Detroit Water and Sewerage Department is one of the largest in the US and is a source of significant revenue. “The only way is to sell it or privatize it,” Buckfire said. “Several private equity firms have expressed interest, but only if they can charge higher rates.”

Speaking about the valuation of artworks at the Detroit Institute of Arts by Christie's auction house, Buckfire said, “I expect to get an estimate from them in

a matter of weeks.” Of Belle Isle, he added, “Converting it into any kind of private use would be a long, contentious process.”

Jack Sherwood, an attorney for AFSCME, pointed to assets such as the Detroit Institute of Arts, the Coleman Young airport, Joe Lewis Arena, Belle Isle and Detroit Windsor Tunnel as possible sources of emergency revenue for the city. Questioning Malhotra, Sherwood implied that these assets were not considered for sale because it would provide fresh revenues, undermining the case for bankruptcy.

In his testimony, Malhotra rejected this line of argument, saying that the sale of city assets would not address structural issues, such as the alleged \$3.5 billion shortfall of the pension funds. “The core structural problems and cash flow problems were that disbursements continued to exceed receipts,” Malhotra claimed.

UAW lawyer Peter DiChiara sought to show in his examination of Malhotra that negotiations between the city and the unions were not carried out in “good faith.” DiChiara argued that Orr sent representatives to negotiations between June 14 and June 18 who did not even have the power to make a deal.

The unions have argued that they were willing to make significant concessions, but that the city was not willing to consider imposing cuts through negotiations with them. Under the guise of fighting the bankruptcy, the unions are actually fighting for a share of the spoils from the looting of the city.

The unions' support for selling off city assets has nothing to do with defending the pensions and other “bread and butter” items, as the union leadership has suggested. Detroit's artistic assets and basic material

assets alike are to be turned over to the highest bidder, along with cuts in jobs, wages and pensions. Orr has already announced plans to eliminate or drastically restructure retiree pensions and health care.

Moore, senior director at Conway MacKenzie, a “restructuring firm” hired by the city also testified. Moore assisted in developing the 10-year restructuring plan advanced by Orr during the summer.

Moore said that the city might disband the Detroit Department of Transportation and merge its operations with regional transportation systems. He also said that 60 percent of Detroit Fire Department calls are in response to incidents at abandoned buildings.

Many city departments have been unable to “perform basic functions,” Moore said. He estimated that \$500 million would be required to carry out “blight removal” in Detroit over the next six years to deal with the city’s 80,000 abandoned buildings.

Moore’s testimony points to the plans of Kevyn Orr and the ruling class to remake Detroit in the wake of the bankruptcy. Blighted buildings are to be removed in order to make way for new investment projects catering to the upper-middle class and the wealthy, or turned into farmland. The Obama administration has pledged aid to carry out the destruction of buildings, and the committee to oversee this process is headed by billionaire Quicken Loans owner Dan Gilbert.

Completely absent from the proceedings was any expression of the interests of the working class. The “opposition” to the bankruptcy consists of lawyers representing the union bureaucracies, while the city itself is represented by a legal team tied to unelected financial dictator Kevyn Orr.

Michigan Governor Rick Snyder is scheduled to give testimony before the bankruptcy court on Monday. It is widely expected that the bankruptcy will be approved when Rhodes issues a ruling in mid-November.



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