

Detroit emergency manager hands tens of millions of dollars to consulting firms

Thomas Gaist
23 November 2013

The city of Detroit has already paid at least \$23 million to legal, financial and consulting firms, according to figures released by the Detroit Emergency Manager's office Wednesday. The information was released to the public only in response to a Freedom of Information filing.

In total, existing contracts commit the city to pay at least \$62 million to private firms involved in facilitating the bankruptcy process, an increase of some \$45 million over original estimates of consulting costs. The final amount is likely to be even higher.

Orr, who wields virtually absolute power unchecked by any elected official, has approved the reallocation of more than \$95 million in debt to bondholders and pension obligations to cover expenses associated with his restructuring plan.

As of October 1, \$11 million had been paid to Jones Day, Orr's former law firm. Another \$4.6 million had been dispensed to the financial and restructuring consultancy Conway MacKenzie, and \$4.2 million to the professional services firm Ernst & Young. The investment banking company Miller Buckfire had by that date received \$1.2 million.

Top Jones Day attorneys are currently charging the city as much as \$1,000 per hour.

Agreements with other contractors call for: \$3.97 million to Plante Moran PLLC; \$850,000 to Pepper Hamilton LLP; \$750,000 to Miller, Canfield, Paddock and Stone PLC; \$621,000 combined to Manhattan Institute for Policy Research and Bratton Group LLC; \$332,000 to Milliman Inc.; \$250,000 to Christie's Appraisals Inc.; \$186,000 to Duffey Petrosky and Co.; and \$120,000 to Abernathy MacGregor Group.

Miller Buckfire, Jones Day and other firms now being rewarded with large payments from the city's purse were key players in what amounted to a

conspiracy to throw Detroit into Chapter 9 bankruptcy. The role played by these consultants is clear from the statements of Kenneth Buckfire, co-founder and co-president of Miller Buckfire, who was previously paid \$1.8 million by the city for acting as Detroit's investment banker.

Buckfire has stressed that the bankruptcy process will necessarily impose harsh sacrifices. “[B]ankruptcy should best be thought of as a dispute resolution tool,” he told the *Free Press* in July. “It is like going into the arena in the Colosseum with a bunch of lions. Somebody is going to come out, but you don't know who.”

During hearings at the end of October and beginning of November before federal bankruptcy judge Steven Rhodes, Buckfire made clear that Orr and Michigan Governor Rick Snyder intended to treat city workers' pension funds like any other “unsecured creditor,” even though the Michigan constitution explicitly protects public employees' pensions.

He also urged Orr to make good on his threat to sell off art masterpieces at the Detroit Institute of Arts (DIA) to help pay off the banks and major bondholders. “They [the city] should be concerned about doing something about the DIA as soon as possible,” Buckfire testified, adding that he was expecting an appraisal from Christie's auction house within weeks.

Jones Day, the most highly paid of all the consultants thus far, has a long record of aggressively pursuing the interests of the corporate and financial oligarchy. It oversaw the bankruptcy of Hostess Brands, which involved the destruction of more than 10,000 jobs, as well as the restructuring of Chrysler, which included an across-the-board 50 percent pay cut for new-hires. During the Chicago teachers strike last year, Jones Day argued for declaring the strike illegal.

While Governor Snyder, who appointed Orr, has indirectly supported paying tens of millions of dollars in city funds to bankruptcy consultants, he has declared that the state will provide no more than \$5 million to Detroit to cover this expense.

Bill Nowling, spokesman for Orr, arrogantly defended the enormous diversion of city funds to private companies, blandly declaring, “There’s no way we can restructure the city without having professionals work on the restructuring.”

Behind the euphemism “restructuring” is the reality of billions of dollars of resources, including the legally guaranteed pensions of workers, being stolen from the poorest big city in the United States, whose population has been devastated by plant closures, mass unemployment and cuts in federal and state aid. These resources will flow into the bank accounts of millionaires and billionaires.

The entire process is rife with corruption and conflicts of interest. There has been virtually no commentary in the media, which fully supports the bankruptcy and the attacks on the working class, on the fact that Orr has guaranteed a multi-million-dollar windfall to his cronies at Jones Day by selecting his former firm to serve as chief legal counsel in the bankruptcy process.



To contact the WSWS and the
Socialist Equality Party visit:
wsws.org/contact