Detroit emergency manager revises restructuring plan

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Detroit Emergency Manager Kevyn Orr released a revised Plan of Adjustment this week amid continuing backroom negotiations involving the unions, union-affiliated retiree committees and financial creditors.

"The city continues to make progress with its creditors and retirees and hopes to reach agreement in the near term on a number of outstanding issues. We believe that the plan we have proposed, and continue to refine, is feasible," Orr said.

The most notable revision to the restructuring plan is an increase of proposed cuts to police and fire pension benefits from between four to 10 percent, up to between six to 14 percent. The larger figures will be enforced if the retirees refuse to sign onto the plan.

Nonuniformed retirees still face a nominal pension cut of 34 percent, with the real reduction rising to 70 percent or more. Retired city workers still stand to have their cost-of-living adjustments and previous years' bonuses confiscated, as well as the bulk of their health benefits. Vision and dental benefits were already terminated on March 1.

Any reduction to the pension cuts will, moreover, be entirely contingent on full payment by all parties to the so-called Grand Bargain involving wealthy private foundations, the Detroit Institute of Arts (DIA) and the state government.

Orr's Plan of Adjustment reads, "The plan, and the treatment of allowed pension claims in the plan, assume the existence and implementation of the DIA settlement and the receipt of the full amount of the state contribution. If the DIA settlement does not, in fact, occur, or if the full amount of the state contribution is not, in fact, received, then the treatment of allowed pension claims in classes 10 and 11 will be at the lower end provided in the plan." The bargain may fall apart at any time, and funding for the settlement has yet to be approved by the Michigan legislature.

The new plan will also recalculate accounts owed to retirees to retroactively reduce what it calls "imprudent and excessive" annuity ("13th check") payments made between 2003 and 2013.

Orr, who once bragged that as a bankruptcy expert he knows how to "cut somebody's throat and leave them to bleed out in the gutter," is indeed functioning like a Mafia gangster to wrap up the bankruptcy process as soon as possible. His deal poses the retirees with an unabashed blackmail, offering slightly reduced cuts if the retirees agree to accept all of the deal's conditions. Under Orr's terms the retiree committees must drop their appeal of the bankruptcy ruling itself, now set for a distant court date in December.

Orr is applying pressure to the unions at the same time. Orr's new plan would remove the pension funds from union control. The pension funds will instead be run by seven-member boards, out of which only five will have power to vote. The plan requires that union representatives be excluded from the voting membership of the boards.

This condition accounts for the noisy opposition staged this week by the union apparatus and union-led retiree committees, which benefit from control over the massive pension investment vehicles. A demonstration of some 200 retirees was held Tuesday in front of the courthouse in downtown Detroit, led by the unions and the pro-Stalinist Workers World Party.

For the unions, Tuesday's demonstration was part of their bargaining strategy. Far from seeking to mobilize retirees in a genuine struggle against the cuts, they are attempting to pressure Orr and the court in pursuit of more favorable terms.

The fact that only a couple hundred out of more than 20,000 retirees and 10,000 current municipal workers

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attended the demonstration showed that workers do not look to these treacherous organizations to defend their interests.

The union affiliated-Detroit retiree committee sent subpoenas Tuesday to the Detroit Institute of Arts (DIA) and Christie's auction house seeking documentation of the value of the artwork, which has been valued between $454 to $867 million.

The subpoenas mark a continuation of the union leadership and pension boards' efforts to offset cuts to their own holdings by milking more funds out of the DIA. The upper-middle-class businessmen who run AFSCME have relentlessly promoted the notion that workers must choose between their benefits and the right to have access to the art and culture of the DIA.

All of this wrangling over spoils is ultimately a diversion from the main social conflict driving developments in Detroit. Whatever settlement emerges from the various conflicts between different business entities, the entire process is aimed at robbing city workers and the people of Detroit of pensions and public assets in order to pay off the big banks and bondholders. What is happening in Detroit, moreover, will set a precedent for similar attacks across the country.

The city announced Monday it is courting some 40 possible investors as contenders to take over private management of the Detroit Water and Sewerage Department (DWSD), one of the largest municipally owned water systems in the US.

On Wednesday, Judge Rhodes approved a $120 million loan to the city from Barclays PLC, which the city says will go to fund police vehicles and other basic services, with $36.2 million going to the police department and $35.6 million going for blight removal. Orr's new Plan of Adjustment also calls for $78.7 million to hire new "civilian police employees," and $25 million to hire security for Detroit's Department of Transportation.

Rhodes is preparing to rule on a proposed payment of $85 million from the city to Bank of America and UBS as a "termination fee" for the interest rate swaps deal. The financial scheme, which Orr and the judge previously acknowledged was likely illegal, has already drained hundreds of millions from the city. Rhodes has scheduled an initial hearing on the "disclosure statement," which accompanied the plan of adjustment, for April 14, and will preside over a trial starting July 16 that will rule on whether the city's plan for restructuring can go ahead.

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