

Detroit charged \$126 million by law firms and consultants in bankruptcy case

Thomas Gaist
17 September 2014

The City of Detroit has been charged at least \$126 million in fees for legal, financial, and consulting firms in connection with the city's Chapter 9 bankruptcy case, according to an internal report cited by the *Wall Street Journal*.

The \$126 million total marks a nearly fourfold increase from the \$28 million in fees reported by the city's fee examiner Robert Fishman in December of 2013. Total fees may rise above \$150 million before the bankruptcy is complete, according to Bill Nowling, a spokesman for Emergency Manager Kevyn Orr.

The Jones Day law firm, where Orr remained a partner prior to accepting the position as Detroit's Emergency Manager, has billed the city nearly \$50 million, the *Journal* confirmed. Previous estimates placed total Jones Day fees at no more than \$18 million.

Conveniently, the supposedly insolvent city has accumulated a cash surplus of more than \$150 million, just enough to cover its legal and consulting costs, during the past quarter, even as it has unceremoniously slashed health benefits owed to retirees by 90 percent, including the abrupt cancellation of dental and vision programs, and prepared blatantly unconstitutional cuts to pensions.

As the *Wall Street Journal* noted, "With its bankruptcy filing, Detroit stopped paying certain debts, including payments to its pension funds, freeing up cash to pay its lawyers and consultants. The city had a cash balance of \$156.8 million for the quarter that ended June 30."

Fishman, a Chicago-based attorney with the law firm Shaw Fishman Glantz and Towbin, who was appointed by Judge Steven Rhodes as the city's official "Fee Examiner," is himself charging the city \$600 per hour to audit and approve the expenses.

Fishman approved the following bills for work relating to the bankruptcy up through March 2014, according to documents filed with the court on August 5:

- * Conway MacKenzie - Restructuring firm which previously worked with the Obama administration to implement the 2009 forced bankruptcy of GM and Chrysler and has aided in the destruction of hundreds of thousands of auto jobs since the 1980s - \$8.3 million

- * Miller Buckfire - Investment banking firm hired by the city to appraise city assets for monetization, including the Detroit Water and Sewerage Department - \$3.6 million

- * Ernst & Young - Consulting firm, contracted by the city since 2011, whose top officers worked on the bankruptcy of Collins & Aikman and the 2011 reorganization of Detroit Public Schools, both of which led to mass layoffs - \$3.5 million

- * Dentons - \$7.4 million

- * Miller Canfield - \$2.3 million

- * Segal - \$1.9 million

- * Pepper Hamilton - \$1.4 million

- * Lazard - \$1.2 million

- * Milliman - \$810,000

- * Kurtzman Carson - \$542,330

- * Brooks Wilkins - \$470,000

- * Dykema Gossett - \$226,000

- * Foley & Lardner - \$154,000

These are provisional calculations for services rendered through March 2014, most of which will rise substantially when the full length of the bankruptcy is taken into account.

While approving most of the city's charges, including the \$1,000 per hour rates charged by Jones Day attorneys, Fishman apparently singled out a handful of payments for "media relations services

whose work includes monitoring newspaper articles about the case” as “unreasonable,” according to the *Journal*. The Emergency Manager’s concern over monitoring the press reflect the fears within Detroit’s political and corporate establishment that the cuts imposed by the bankruptcy court will produce an outpouring of social opposition.

Like Orr and his colleagues at Jones Day, the various professional firms receiving these millions are essentially hired guns, organizing the details of the bankruptcy on behalf of the ultra-wealthy individuals and Wall Street investors that dominate the city’s affairs. Their involvement has been characterized by flagrant conflicts of interest, with multiple associates of the same firms taking the witness stand during the confirmation hearings to testify in favor of the Chapter 9 filing that has enriched them, even as a former partner at the lead firm heads up the entire process.

Proceeding amidst the impoverishment of tens of thousands of retired public workers, the lavishing of funds from the city treasury on these well-healed servants of the financial aristocracy is entirely in keeping with the looting operation known as the Detroit bankruptcy.



To contact the WSWWS and the
Socialist Equality Party visit:

wsws.org/contact