

# Detroit bankruptcy judge approves \$178 million in legal and consulting fees

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Federal bankruptcy judge Steven Rhodes last week approved the payment of \$178 million in fees to the corporate law firms and consultancies involved in orchestrating the Detroit bankruptcy. The ruling comes three months after Rhodes approved the city's plan to exit bankruptcy by slashing retirees' pensions and health care benefits.

Most notably, \$58 million in fees will go to Jones Day, the law firm at which Emergency Manager Kevyn Orr, who thrust the city into bankruptcy four months after his appointment, had been a partner.

With unbounded cynicism, Rhodes declared that "the residents of the city" should "feel and express a strong and genuine sense of appreciation for these professionals and their service."

He went on, apparently unable to contain himself; "The city is now on a path to success precisely because of the expertise, skill, commitment, endurance, personal sacrifice, civility and proficiency of all of the professionals in the case, including most certainly those whose fees are subject to review in this opinion."

The payment of millions of dollars in fees to firms who conspired to push the city into bankruptcy is of a piece with the criminal and predatory character of the entire proceeding. The bankruptcy was part of a conspiracy to set a precedent for using Chapter 9 proceedings to pillage city assets and slash workers' constitutionally protected pension benefits in the interests of Wall Street.

In 2011, Jones Day drafted a memo declaring that chapter 9 bankruptcy offers a "workable solution to the overwhelming and seemingly unassailable pension obligations of many municipal debtors." The test case for this theory was provided by the Detroit bankruptcy, which Jones Day and the other conspirators hoped would unlock up to four trillion dollars in pension

liabilities nationwide for plunder.

When the legal fees were made public last December, Detroit Mayor Mike Duggan professed opposition to them, declaring that, "the bills are too high, that they need to come down." Though Rhodes went through the motion of granting the mayor's office legal authority to challenge the bills, Duggan claimed he was under a gag order and could not discuss the matter publicly.

In granting millions of dollars in fees to the law firms and consultancies, Rhodes deemed the amount to be "reasonable" given the billions of dollars that were supposedly saved for the city of Detroit by the firms' services.

Rhodes proclaimed that city residents should feel a "genuine sense of enthusiasm, optimism and confidence about the city's future." In fact the only people who will benefit from the bankruptcy are the financial vultures who will make millions of dollars from the slashing of pensions, and billionaire real estate moguls who stand to profit off sweetheart deals worked out as part of the bankruptcy.

For the city's working class, the bankruptcy has been a disaster. Rhodes approved slashing Detroit city workers' and retirees' pensions by 4.5 percent, and eliminated health care and death benefits to 23,500 retirees and dependents.

During the course of the bankruptcy proceedings, thousands of families in the city have had their water service cut off by the Detroit Water and Sewerage Department (DWSD) in an effort to slash its liabilities in order to make the system more attractive for future investors.

The Great Lakes Water Authority, which was established during the bankruptcy to move the DWSD toward privatization, last month proposed double-digit

rate increases, to take effect throughout the region in July.

The payment of millions in legal fees to the co-conspirators in the Detroit bankruptcy is Rhodes's final major action before retiring this month. In an interview with local radio station WDET on Tuesday, his last day in office, Rhodes showed no personal remorse for slashing healthcare benefits for the elderly, declaring, "I was actually of the opinion that Detroit should have filed bankruptcy years before it actually did."

He likewise defended his decision to slash pensions despite the fact that they are protected by the Michigan constitution, declaring, "it was not a particularly difficult decision."



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