

**Statement of the Honorable John Conyers, Jr.
for the Hearing on the Ramifications of Auto Industry Bankruptcies, Part III before the
Subcommittee on Commercial and Administrative Law**

**Wednesday, July 22, 2009, at 10:00 A.M.
2141 Rayburn House Office Building**

Today's hearing is the third in a series to be held by this committee on the ramifications of auto industry bankruptcies. Over the course of these hearings, we are considering the wide-ranging ripple effects, and possibly unintended consequences, presented by these bankruptcies. In May, the full committee conducted a hearing that examined how various entities, such as auto dealers, tort claimants, and consumers, were affected by the bankruptcies of Chrysler and General Motors. Yesterday, we heard from a representative of the Presidential Task Force on the Auto Industry who provided the administration's perspective. In today's hearing, we will hear testimony from representatives of Chrysler and GM, bankruptcy experts, several auto dealers, and an injured consumer, among other witnesses.

A primary goal of today's hearing is to allow Chrysler and GM to respond to some of the questions raised during the first two hearings. Although both companies have since sold their principal assets to new entities under the protection of the bankruptcy law, many important questions remain about the companies' use of certain Bankruptcy Code provisions in their cases, the future of the auto industry, and the many millions of Americans affected by these bankruptcy cases. While our first two oversight hearings on the auto bankruptcies have shed light on some issues, I still have several concerns and a number of questions that I hope our witnesses will address today.

First, Now that GM and Chrysler have emerged from bankruptcy, I want to know whether the government and these companies had any other viable options to preserve jobs and prevent a catastrophic blow to our fragile economy. Some have argued over the course of these hearings that the Obama Administration is staging a government takeover of the private sector. They argue that in the auto bankruptcies, the administration is bullying businesses into government-run deals that benefit political allies. However, these critics seem to have a selective memory. Many forget that GM and Chrysler first received government funding under TARP from the Bush administration. The Obama administration did not invite the government's involvement in these proceedings. Both GM and Chrysler came to the U.S. government asking for assistance

to avoid the potentially devastating economic effects of bankruptcy. If the Obama administration had failed to act, both companies would have likely been liquidated. Those who are quick to criticize the administration's approach have been completely devoid of any alternative proposals. From health care to tackling the economic crisis, these critics have preferred obstruction and failure rather than ideas and success.

Second, I want to know how Chrysler and GM intend to address the interests of various aggrieved parties affected by the bankruptcy cases. These parties include auto dealers, whose franchise agreements have been terminated or are slated to wind down in the coming months. In addition, they include current and future victims of product defects, as well as asbestos claimants. At our hearing last May and over the ensuing two months, we have heard from numerous dealers that their business operations have been summarily terminated by Chrysler and GM for what appear to be arbitrary reasons.

Some of these dealers – many of whom are small family-run businesses that have been passed from one generation to the next – believe that it makes absolutely no economic sense to terminate their dealerships, and that doing so could actually undermine the ability of our nation's auto industry to regain its financial stability. These are serious accusations that demand serious responses. Customers are already anxious about whether their repair warranties will be honored. Now, they also have to worry about whether their local dealer will stay in business long enough to service their car, or whether they will have to drive a long distance to see some other dealer instead. Closing too many dealers may even be the breaking point that causes loyal American car customers to decide to purchase their next auto from a foreign car dealer. They might conclude that that is the only way to have some assurance of continued service.

Those injured by product defects will also be affected by these bankruptcies. Those injured prior to when GM and Chrysler filed bankruptcy may not have any legal recourse against these manufacturers – regardless of how egregious the injury – other than to file a claim in the bankruptcy case and take their place in the crowd, along with those whose claims are of the more routine commercial variety, waiting for whatever is available – which may not be much, if anything. Ordinarily, manufacturers are rightly held accountable for the consequences of defective products that they manufacture. But if that business is sold off to another company in a bankruptcy sale, that sale may effectively shield the acquiring company from any successor

liability. What is to stop any company – solvent or insolvent – from resorting to bankruptcy solely for the purpose of shedding legal responsibility for the safety of their its products? Does this undermine the principle of legal accountability? And why should victims of unsafe products and their families be left high and dry?

Third, what is being done to protect and create American jobs in this process? Right now, thousands of Americans across the nation have lost their jobs, or are at risk of losing them – and not just at GM and Chrysler, but also at the many suppliers and other businesses connected to the automobile industry in some way. In Detroit, the official unemployment rate is already at an astounding **22 percent** – **almost three times the national average**. And the unofficial rate is undoubtedly much higher. In addition, many thousands of retirees still risk losing their hard-won health and medical benefits as a result of these bankruptcies. Some of these costs will be shifted to budget-strained state and local governments. Others will fall onto the already overburdened shoulders of the retirees and their families. So, I hope that the auto companies and our other witnesses can address these concerns I look forward to their testimony.