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Opening Statement of Ranking Member Gerald E. Connolly (VA-11)

Subcommittee on Government Operations

Committee on Oversight and Government Reform

Oversight of the SIGTARP Report on Treasury's Role in the Delphi Pension Bailout

September 11, 2013

Thank you Mr. Chairman for holding today's hearing to examine the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) report examining Treasury's Role in GM's Decision to provide pension payments to Delphi employees. SIGTARP's report directly and definitively refutes the Republican narrative on this subject.

This Committee has explored, in great depth, the Federal Government's unprecedented intervention that not only rescued our Nation's auto industry, but enhanced the global competitiveness of domestic auto manufacturers. Hopefully, with the issuance of SIGTARP's report and today's hearing, we can finally put to rest the unsubstantiated conspiracy theories about picking winners and losers to benefit political allies. Unfortunately, some refuse to acknowledge the sheer complexity of the challenge that faced the Administration in assisting General Motors (GM) navigate what SIGTARP characterized as, "...one of the largest and fastest bankruptcies in our nation's history."

It is easy to discount the Administration's monumental achievement in light of current auto industry conditions. Consider that just two years ago, GM sold more than 9 million vehicles, on its way to posting a record-breaking profit of \$7.6 billion, and surpassing Toyota as the global sales leader of automobiles. To date, GM has returned \$34 billion to American taxpayers out of the \$51 billion total investment, and just last month, GM posted its best month of sales since the dark days of the Great Recession.

We must not forget the perilous days of late 2008, when leading economic think tanks were projecting a bankruptcy of U.S. automakers that would trigger a collapse of the domestic auto industry, and eliminate more than 3 million American jobs in a single year. Indeed, it was estimated that the liquidation of GM alone would trigger a loss of 900,000 industry jobs.

Of course, as SIGTARP's report states, "Ultimately, GM did not fail and the broader systemic consequences of a GM failure that Treasury had feared were avoided." Yet, the majority appears disinterested in convening a hearing to examine lessons learned from the effective Federal initiative to

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save the U.S. auto industry. Instead, we find ourselves holding what is now the fifth hearing to rehash the same tired and false allegations.

Of course, a thorough review of SIGTARP's report enables one to test, and ultimately debunk, these unsubstantiated claims. For example, did the Administration inappropriately intervene in the decision to deny Delphi salaried workforce top-ups as part of a nefarious scheme to use GM's bankruptcy proceedings as a cover to protect political allies? No. As SIGTARP reports, there was no impropriety, and it was a sound business decision for GM to deny pension top-ups to certain Delphi employees.

According to SIGTARP, more than a decade ago, Delphi's salaried workers received full funding of their pensions when the firm was spun-off from GM, while the unionized workforce did not. Instead, in exchange for underfunding union pensions in the spin-off, labor negotiated contractual agreements with GM – *legally binding contracts* – to protect the pensions of certain unionized Delphi hourly employees – not in the context of TARP, but nine years earlier. This strategic decision paid off when the financial crisis hit and Delphi's unionized workforce emerged with its pensions protected as a result of GM's decision to honor its legally binding contractual obligations.

Regrettably, Delphi's salaried workforce had not negotiated similar contracts years ago, and when GM entered bankruptcy proceedings, the firm had *no* contractual obligation to top-up the pension benefits of retired Delphi employees. As SIGTARP noted, a hypothetical GM decision to top-up participants in the Delphi salaried pension plans – a cohort that *no longer worked for, nor had any other association with, GM* after 1999 – would be equivalent to GM paying for the Delphi salaried pension plan twice.

The bottom line is that GM's refusal to top up the pensions of certain Delphi employees during bankruptcy proceedings was a business decision, not a government policy decision. Nor was GM in a position before a bankruptcy judge to undertake a new financial obligation, as this would have been.

In a perfect world, perhaps GM would have prioritized fairness over commercial interests, and treated the pensions of all of its former employees at Delphi equally. However, bankruptcy is not a perfect world. It is a deeply unfair and staggeringly difficult battle for survival.

I believe the record presented by SIGTARP and the witnesses before us today clearly demonstrates that GM, supported by Treasury and the Auto Task Force, made tough choices under tremendous pressure and the very real threat of liquidation – and with absolutely no evidence whatsoever of political favoritism, or “picking winners and losers.”

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