Statement by Chairman John Conyers, Jr. for the Hearing Before the Committee on the Judiciary on Ramifications of Auto Industry Bankruptcies
Thursday, May 21, 2009, at 12:00 p.m.
2141 Rayburn House Office Building

This oversight hearing is one of a series that the Judiciary Committee has held on business bankruptcy reorganization in this Congress and the prior Congress.

Today's hearing will consider the wide-ranging ripple effects, and possibly unintended consequences, presented by automobile industry bankruptcies.

In particular, I want to focus on how various constituencies are being affected – the workers; the retirees; the auto dealers; the automobile owners; and consumers generally.

Let me describe just a few of these concerns.

First, we have thousands of dealers – many of whom are small family-run businesses that have been passed from one generation to the next – being summarily terminated by Chrysler and General Motors.

Some say it makes absolutely no economic sense to terminate these dealerships, and that doing so could actually undermine the ability of our Nation's auto industry to regain its financial stability.

Customers are already anxious about whether their repair warranties will be honored.

Now they will 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 some other dealer. Or whether they should just purchase their next auto from a foreign car dealer, to have some assurance of continued service.

The lack of consumer confidence in American cars is largely what drove this industry into bankruptcy. But what the industry now proposes to do to its dealerships may actually exacerbate the industry's financial difficulties, by further undermining consumer confidence.

Second, we need to consider the consequences of these bankruptcies on American workers. Right now, thousands of Americans are either losing their jobs, or at risk of losing their jobs – 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 may lose 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.

And just the other day, we learned that GM may close more than a dozen as-yet-undetermined plants and shift production to Mexico, Korea, China, and other foreign locations.

This latest development is particularly egregious in light of the fact that American workers – as taxpayers – are being asked to bear the burden of funding GM's financial reorganization, a process that now appears to be designed to eliminate American jobs by shipping them overseas.

Third, we should consider how safety and legal accountability concerns will be affected by these bankruptcies. As some of our witnesses will attest, occasionally a business has been known to make a calculated decision to choose higher profits over consumer safety.

Under our legal system, manufacturers are rightly held accountable for the consequences of making that kind of decision.

But if that business is sold off to another company in a bankruptcy sale, does the acquiring company take on this legal accountability?

Or are victims of the unsafe products already out on the market, and their families, left high and dry?

Based on current bankruptcy case law, the answer is not clear.

We plan to closely monitor these issues and others as the automobile industry attempts to financially stabilize.