

Testimony of Congressman Tim Ryan

Chairman Andrews, Congressman Price, and Members of the committee, thank you for allowing me this time to address the Delphi bankruptcy and how it has affected my congressional district. Chairman Miller, thank you as well for your efforts to bring attention to this matter. I would also like to thank Ohio's Governor Ted Strickland for his support, and Senator Sherrod Brown for all he has done on this issue in the United States Senate. Bankruptcy has too often been used as a means to jettison commitments made to workers and that needs to change.

Delphi was spun off from GM in 1999 as an independent parts supplier. Most of the operations spun off had been a part of GM for twenty to thirty years. Within a few years Delphi began a steep decline and filed for bankruptcy in 2005. At that time roughly 150,000 people worked for Delphi, many of whom were represented by collective bargaining agreements. The United Auto Workers, International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, United Steel Workers, International Association of Machinists, Teamsters, International Brotherhood of Electrical Workers, International Union of Operating Engineers, and others represented Delphi employees. Very few bankruptcy issues were resolved in a timely manner, and the company languished in bankruptcy court for nearly 4 years.

During the time the company was in bankruptcy, the various pension funds fell further and further behind on the balances required to meet their obligations. This was compounded by an aggressive push for early retirement by Delphi's management to trim the workforce. When Delphi terminated the pensions plans and sent their obligations to the Pension Benefit Guaranty Corp they covered approximately 70,000 workers and were under funded by over 7 billion dollars.

One category of those left behind include the hourly retirees represented by the IUE-CWA, USW, IAMAW, Teamsters, IBEW, IUOE, and others who lost health care benefits and pensions. While the IUE-CWA, USW and others had their pensions topped off under agreement with GM, thanks to the efforts of this administration and others, their health care benefits are in danger of being lost. Furthermore some workers with the smaller unions have still been left completely behind.

The other category are Delphi salaried retirees who I believe should have had their issues regarding both pensions and healthcare dealt within the context of the GM bankruptcy

Thankfully the PBGC will pay the retirees a large percentage of their promised benefits, but even with that, many retirees will see substantial losses. The younger retirees who were promised the largest early retirement benefits as part of the buyouts Delphi forced on them will see the largest cuts as many of those payments are not insured by the PBGC. Furthermore all retirees from Delphi will see substantial reductions in or outright elimination of health care coverage. Without the stimulus bill the situation would be even worse as many retirees are eligible for an 80% credit

I have spoken with many retirees who are now concerned about how they will be able to afford their mortgages, their health care costs, and even their children's college tuition bills, including Nick

Dragojevic, a member of the IUE-CWA local 717 in my district who drove out to be at this hearing. Nick Started at Delphi, then called Packard Electric shortly after high school and worked there through GM's ownership and the Delphi spin off putting in over thirty four years of service. In exchange for that service, he like everyone else with local 717 has been bounced around by companies that do not want to honor their commitments.

But it does not stop with the direct losses. There are so many retirees in my congressional district that the losses will flow to everyone in the region. A recent Youngstown State University study stated that total losses to the Mahoning Valley could be over 57 million dollars annually. Those losses translate into over 1,700 job losses in my region. The costs to local governments will also be extraordinary through lost revenue and increased need for services.

So the people least responsible for the bankruptcy of a company like Delphi are in the end, the ones who lose their job over it. The bankruptcy system must be reformed to give a higher creditor status to retirees. Many of the creditors currently above retirees are in a position to make informed decisions about the creditworthiness of borrowers and set rates accordingly. Retirees are in no position to make those kinds of decisions. Just imagine what would happen if an employee walked into the C.E.O.'s office and said, "Boss you're overleveraged and I'm concerned about future obligations so I would like a three percent raise in retirement benefits to cover additional insurance on my exposure". They would be laughed out of the room, but the banks, hedge funds, and other lenders who could do exactly that and often fail spectacularly to do just that, are the ones protected by the bankruptcy code.

Furthermore we need to tighten ERISA and other pension protection laws to preserve promised benefits. H.R. 1322 introduced by Congressman John Tierney is a great example of exactly what needs to be done to prevent more situations like Delphi's and what my region saw in the steel industry. An employee cannot possibly plan for unexpected cuts in promised benefits after the game has been played. They cannot go back 25 years and invest more to cover the investment losses and mismanagement of their employer. Once again we see systematic misalignment of who pays for other people's risks.

But unfortunately, even if these steps are taken, it is too late to help many of my constituents. That is why I have introduced H.R. 3455 with bipartisan support to establish a Voluntary Employee Beneficiary Association for former Delphi employees. This bill would use unspent money already authorized by the Emergency Economic Stabilization Act of 2008 to provide health coverage to both hourly and salaried retirees of the Delphi Corporation. If we can use that money to save the bacon of those that made the very errors calculating risk that put us in this position, surely we can use the leftovers to save the innocent bystanders who spent years of their lives working for Delphi and GM.

I ask that the text of these remarks and accompanying documents be added to the record. Once again, thank you to the committee for your time and attention.