

Outsourcing Delphi: The Crime of Felix Rohatyn

New York bankruptcy court documents have revealed the personal signature of Felix Rohatyn—Synarchist banker, “Democrat” powerbroker, enemy of Lyndon LaRouche—on the original May 1, 2005 plan for the outsourcing of Delphi Corporation and the destruction of its union jobs, wages, and benefits.

It is clear from these documents and other evidence that Rohatyn Associates and Rothschild, Inc., through Felix Rohatyn personally, started the Delphi debacle and planned Delphi’s total “globalization by bankruptcy,” as *Business Week* termed it on April 24.

This Delphi outsourcing and bankruptcy plan—which may have gone by the internal moniker “Northstar”—has been a disastrous example, international symbol, and trigger for bankruptcies and shutdowns in U.S. auto and other industries. It had been called “the end for auto,” and the destruction of America’s middle class, by IUE (International Union of Electrical Workers) lead negotiator Henry Reichard, who passed away on June 6. Rohatyn launched that destructive plan, which has been linked with the name of Delphi’s bankruptcy CEO, Robert “Steve” Miller—whom Rohatyn’s plan brought in to head the company and take it into bankruptcy. In addition, Rohatyn has intervened repeatedly on Capitol Hill during 2005-06 with proposals for privatized “infrastructure corporations.” He has directly opposed and sabotaged action on Lyndon LaRouche’s emergency legislation to save the American auto sector with Congressional credits and protection, “retooling” auto for infrastructure construction.

The Delphi debacle has opened the floodgates for the destruction of the entire auto industry still remaining in the United States, including, since at least April, the auctioning off of entire closed plants and their machine tools, as if on eBay. It has already driven another 30,000 production workers out of auto employment in 45 days, with no end in sight. It has triggered Congress to *react* by forming an “auto caucus” and a “manufacturing caucus”—but not to *act* to stop the auto sector’s ongoing destruction.

We lay this potentially fatal inaction by Congress at Rohatyn’s door, and at the doors of Congressmen who continue foolishly to regard him as a “leading Democrat” rather than a Synarchist-fascist banker. LaRouche’s is an “FDR-style” proposed action to save auto and build infrastructure. Rohatyn directly and publicly has opposed any return to Franklin Roosevelt’s policies or “RFC methods,” as he calls them.

And he directly devised the plan which is in the process of shutting down at least 21 major Delphi auto-supply

plants, moving the company’s entire production operations offshore.

Damning Chronologies

The overlapping chronologies being published here as documentation by the LaRouche Political Action Committee, go step by step through the promotion of the Rohatyn/Rothschild strategy for Delphi, and its lamentable implementation over 2005-06.

Immediately after Lyndon LaRouche’s April 13, 2005 memo, “Emergency Action by the Senate,” told Congress it must intervene in the auto crisis signalled by General Motors’ debt collapse, Felix Rohatyn—acting on behalf of his Rohatyn Associates investment firm and Rothschild, Inc.’s bankruptcy division—wrote Delphi a May 1, 2005 proposal to develop a strategy of merger, acquisition, outsourcing, or bankruptcy. Rohatyn Associates and Rothschild were retained, and developed a “strategic plan.” Rohatyn’s strategic plan was adopted, and then the specification was made that when Delphi declared bankruptcy, Rohatyn would personally “withdraw,” leaving Rothschild, Inc. in charge of bankruptcy advice.

An example of the ads for auctions of machine tools from the auto industry that are now being forced into bankruptcy.

If the foregoing correctly sets forth the understanding and agreement among the Advisors and the Company, please so indicate by signing the enclosed copy of this letter, whereupon it shall become a binding agreement between the parties hereto as of the date first above written.

Very truly yours,

ROTHSCHILD INC.

By: _____
David L. Resnick
Managing Director

ROHATYN ASSOCIATES LLC

By: 
Name: FELIX ROHATYN
Title: PRESIDENT

Accepted and Agreed to as of
The date first written above:

DELPHI CORPORATION

Rohatyn's signature on the May 1, 2005 letter agreement, the central focus of which was "a material reduction" of the company's "legacy liabilities"—that is, labor and pension costs—whether achieved through bankruptcy, merger, acquisition, or other means.

Steve Miller was hired as Delphi CEO on July 1, 2005, pursuant to this strategic plan; and Miller described it when he filed for bankruptcy: "[Delphi] believes that a substantial segment of Delphi's U.S. business operations must be divested, consolidated, or wound-down through the Chapter 11 process. . . . In the meantime, the Company will preserve and continue the strategic growth of its non-U.S. operations and maintain its prominence as the world's premier auto supplier"—globalization and outsourcing by the device of "strategic bankruptcy."

In the same May-June 2005 period, Congressional sources have reported, Democratic Members of Congress "were being told" to avoid Lyndon LaRouche's memos for legislative action to save auto, because "LaRouche is proposing to nationalize the auto industry." And beginning early June 2005, Felix Rohatyn began to publish and give Members of Congress proposals for a "National Infrastructure Fund" at a negligible \$50 billion, borrowed by Congress but administered by a National Commission led by bankers like himself. He has been joined in this by former Republican Senator Warren Rudman and others.

Furthermore, the strategic plan adopted by Delphi from Rohatyn and Rothschild, specified that under a Delphi bankruptcy, many of the U.S. manufacturing plants of the corporation—a strategic asset for the economy of the United

States—could be declared to be "*de minimis*" assets [assets of negligible value!] and their machine-tool capacity auctioned off over the Internet. That is exactly what has happened, since no later than early April 2006, pursuant to an order of the bankruptcy court entered Oct. 28, 2005. The purpose of these auctions was made crystal clear: to pay down Delphi's Debtor-in-Possession credit facility of \$2 billion from JP Morgan Chase and Citicorp, a credit facility arranged *before the bankruptcy* by Rohatyn Associates and Rothschild. Delphi plants and machine tools are being auctioned off today for the loan accounts of those banks.

It is such auto-supply plants, and their versatile inventory of machine tools, being discarded by automobile manufacturers, that LaRouche's emergency legislative outline insists must be adopted by a Federal Public Corporation created by Congress, and used—directly or by contract—to produce

critically needed new economic infrastructure of rail transportation, power, and water management.

And it is now established that Felix Rohatyn initiated the plan by which Delphi is auctioning these plants as if they were worthless but for some cash payments on their credit card from JP Morgan Chase. Persons familiar with the auctions report that many, perhaps a majority, of the Internet buyers of the machine tools, are foreign firms. Moreover, it is not only Delphi which has adopted this practice, directly destructive of U.S. technological potential and national security.

If this auctioning off of strategic machine tools is not stopped, the United States will become a Third World country industrially.

And not least of these moral crimes, Delphi's bankruptcy strategic plan included the so-called Key Employee Compensation Plan, by which certain Delphi executives were to receive \$400 million in retention bonuses, while its production employees were to have their wages cut in half or their plants closed.

Rohatyn's "withdrawal" from Delphi's consultancy on the date of its bankruptcy, Oct. 8, 2005, may have been made necessary by his other role, acknowledged in Delphi court papers: Rohatyn led "due diligence" efforts for several private equity firms profiling Delphi and its operations; in other words, he is consulting with equity funds and/or hedge funds

on buying up the wrung-out Delphi which results from “globalization by bankruptcy.”

Keep the Plants Open, Fire Rohatyn!

Congress will be answerable if it does not act to stop this planned obliteration of the industrial and technologi-

cal capabilities of the United States—not to speak of the loss of hundreds of thousands of skilled and productive jobs and the sacrifice of the wages and benefits of the American workers who remain in a decimated automobile sector.

This evidence makes clear that the same “Demo-

The Fight Over the Auto Industry

January 2005 to the Present

What Felix Rohatyn And His Associates Did

JANUARY-MARCH 2005

March 23, 2005. As discussed at a LaRouche PAC Town Meeting in Detroit, Mich., LaRouche’s ideas center on restoring the approach to government taken by Franklin Roosevelt, to meet the breakdown crisis of the financial system, the physical economy, and in Detroit, the collapse of General Motors.

APRIL 2005

April 13, 2005. LaRouche issues his Memorandum to the U.S. Senate concerning what to do about GM’s collapse, after being requested to do so by Democratic Party figures. The Memo is countered by various Democrats stating that the GM crisis is not going to hit until the summer or later.

What Happened: Developments in the GM-Delphi Shutdown Crisis

February 26, 2005. J.T. Battenberg III announces his resignation as chairman, chief executive officer, and president of Delphi Corporation. He is also chairman of the Delphi Strategy Board, the company’s top policy-making group. Battenberg has begun moving Delphi parts production to China and to Mexico.

March 2005. News coverage breaks of an SEC investigation of an accounting scandal at Delphi, involving falsification of company books going back to 2000. Most of Battenberg’s competing “heirs apparent” subsequently resign.

March 10, 2005. *Executive Intelligence Review* magazine publishes, based on an alert from Lyndon LaRouche, the article “GMAC Debt Is a Big Soft Spot in Global Financial Bubble.” The article focusses on the sudden dramatic fall of auto sales in January-February 2005, particularly of GM sales; the imminent downgrading of the \$300 billion in GM/GMAC debt to junk status; and the onset of a crisis among major U.S. automakers and their overseas subsidiaries.

Reports compiled in 2004 of auto sales show a 5% drop in the United States from 2000 to 2004; a 7% drop in Europe over the same period, and a 3% drop in Japan.

April 2005. As of this month, in the four-month period beginning in January 2005 and ending in April 2005, GM has laid off 15,500 production workers, reports the *Detroit News*.

April 13, 2005. Lyndon LaRouche’s memo on the auto crisis, “Strategic Action by the Senate,” is issued.

April 29, 2005. *Newsweek* reports: “In Congress, there is rising concern about the future of American auto manufacturers and their decline’s effect on the economy. ‘We’ve got to do something,’ said Rep. John Dingell, D-Mich. ‘They’re somewhere between two and four years off from a real calamity.’ ”

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cratic” figure who has been advising or pressuring that Party’s leaders against any “FDR-like” response to this crisis, is centrally involved in the shut-down/outourcing plans for American industry, which caused the crisis itself.

Rohatyn is no Democrat, but a Synarchist financier, in

the peculiar tradition of the Lazard Frères bank which trained him, and which played a central role in the European fascist Synarchism of the 1920s-40s.

For several hundred thousand American auto workers, it is immediately necessary that the criminal damage of his “strategic planning” for Delphi be undone.

What LaRouche Did To Save Auto, Machine Tool, and U.S. Economy

Late February 2005. Lyndon LaRouche forecasts a debt blowout of the American auto sector, referring to international coverage, largely blacked out of the U.S. media that General Motors, GMAC, and Ford are going to be downgraded by bond-rating agencies. *EIR* begins indepth coverage of the GM and Ford crises.

March 10, 2005. *EIR* Strategic Alert publishes an item entitled, “GM Heading For Junk-Bond Status?” on impending U.S. auto sector collapse, citing Feb. 26 editorial in *Neue Zuercher Zeitung*, “Thunderstorm over Detroit.”

March 10, 2005. *EIR* reports on a warning from LaRouche on the significance of the General Motors crisis, “GMAC Debt Is a Big Soft Spot in Global Financial Bubble,” focussing on the sudden dramatic fall of auto sales in January-February 2005, and the imminent downgrading of GMAC parent GM’s debt to junk status.

March 23, 2005. At a LaRouche PAC town meeting in Detroit, LaRouche calls for a “reconstruction agenda” to save the nation’s industrial capacity, in the face of the threatened collapse of General Motors.

April 7, 2005. At an international webcast from Washington, D.C. calling for a “New Bretton Woods” financial/monetary system to revive national economies, LaRouche speaks at length on the General Motors crisis, and the way to reorganize the entire auto/machine-tool sector to save and expand industrial output capacity.

April 9, 2005. In a meeting with labor leaders and elected officials, LaRouche calls for saving the auto industry as a crucial aspect for U.S. economic recovery, proposing that the government intervene by placing the productive capacity of the industry in government-supervised receivership, and then fund the retooling and expansion of that capacity, to supply the components of national infrastructure projects.

April 13, 2005. LaRouche issues a Memorandum to the U.S. Senate, “Emergency Action by the U.S. Senate,” with a summary statement of the crisis and guidelines for what must

Overview

January 2005. Between this month and April 2005—four months—GM lays off 15,500 production workers.

February 26, 2005. *Neue Zuercher Zeitung* labels as unpayable the huge indebtedness of Ford and GM.

Late February 2005. Lyndon LaRouche forecasts debt blowout of American auto based on downgrading of GM, Ford, GMAC by bond rating agencies.

February 26, 2005. Delphi CEO J.T. Battenberg III resigns.

March 2005. SEC investigation of accounting practices at Delphi dating from 2000 is announced, leading to resignations of key officers, directors.

March 10, 2005. *EIR* publishes analysis: “GMAC Debt Is a Big Soft Spot in Global Financial Bubble.”

April 7, 2005. At Washington, D.C. webcast, LaRouche speaks at length about GM crisis, and the way to reorganize the entire auto/machine-tool sector, saving and expanding industrial capacity.

April 9, 2005. LaRouche proposes that the government intervene in the auto crisis, by placing auto’s productive capacity in government-supervised receivership, while funding the retooling and expansion of production to supply the components of national infrastructure projects.

April 13, 2005. LaRouche issues Memorandum on “Emergency Action by the U.S. Senate,” addressing the auto crisis. The Memo is countered by various Democrats who state that there is no imminent GM crisis.

April 22, 2005. LaRouche’s “An Economic Reconstruction Policy: Recreate Our Economy!” is issued.

What Felix Rohatyn And His Associates Did

APRIL 2005 *continued*

MAY 2005

By no later than **May 1, 2005**, Rohatyn Associates LLC—specifically its principal, Felix Rohatyn—and Rothschild, Inc. (where Felix Rohatyn is a director) are hired by Delphi Corporation as its primary financial advisors. Delphi, a spinoff of General Motors whose major creditors are GM, its trade unions, and the Pension Benefit Guaranty Corporation, hires Rohatyn and Rothschild for purposes of reorganization; specifically, bankruptcy reorganization.

The letter agreement hiring Rohatyn and Rothschild states that they are being hired to provide services in connection with “formulation, analysis, and implementation of strategic alternatives” relating to Delphi inclusive of mergers and acquisitions, raising new capital, and/or bankruptcy restructuring. According to the May 1, 2005 letter agreement, in the event of a bankruptcy, the company will seek the continued appointment of Rohatyn and Rothschild as financial advisors during the bankruptcy proceeding. The central focus of the letter agreement is “a material reduction” of the company’s “legacy liabilities”—that is, labor and pension costs—whether achieved through bankruptcy, merger, acquisition, or other means.

A key inducement for entering into this agreement for Delphi, according to the letter agreement, is that senior management of Rothschild and Rohatyn, inclusive of Felix A. Rohatyn, will make themselves personally available for the services envisioned by the letter agreement. Under the agreement, Delphi pays Rothschild \$250,000 per month, \$15 million upon completion of a strategic plan inclusive of an approved bankruptcy reorganization, commissions on any new capital raised or upon any merger and acquisition, and separate opinion fees. Rothschild pays Rohatyn under a separate and undisclosed agreement. At the time of the bankruptcy filing, Delphi had paid Rothschild \$1,750,000 in fees.

[Source: Declaration and Statement of David L. Resnick, Managing Director of Rothschild, Inc. dated October 6, 2005 and filed in the U.S. Bankruptcy Court for the Southern District of New York.]

May 18, 2005. Rohatyn is interviewed by the German publication *Handelsblatt* about the role of the “financial locusts” or private equity funds. He states that both the funds and their critics have a point in what they are saying. Asked why private equity funds play such a huge financial role, he states, “The boom is based on the fact that these groups can borrow without limits at extremely low expenses. The reason for that is the monetary policy of the Federal Reserve, which is still very liberal. That’s why there are so many debt-funded takeovers. That is not a sound process. I think this boom will not last.”

What Happened: Developments in the GM-Delphi Shutdown Crisis

May 1, 2005. Felix Rohatyn makes his strategic proposal to Delphi, where J.T. Battenberg III is still acting as CEO and as head of the Delphi Strategy Board.

May 2, 2005. Major auto supplier Tower Automotive Corp. files bankruptcy, and asks the bankruptcy court to void its union contracts.

May 4, 2005. “Vulture capitalist” Kirk Kerkorian makes his move on GM stock, raising his holdings to 9% of the total. LaRouche warns that Kerkorian’s move shows GM’s deterioration is faster than anyone else has been admitting, and says Congress cannot delay action on auto.

May 8, 2005. GM debt is downgraded to junk by Standard and Poors; Delphi’s debt has already been rated as junk.

May 11, 2005. Major auto supplier Collins and Aikman declares bankruptcy, with other suppliers reporting lowered profits or losses, anticipating both GM and Ford would lose about \$1 billion in the second quarter.

Mid-May 2005. House Committee aides inform *EIR* that a Big Three auto management team has been on Capitol Hill about the auto crisis, but aides do not know what they were proposing.

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What LaRouche Did To Save Auto, Machine Tool, and U.S. Economy

be done, emphasizing “The Emergency Measures for the GM Case” and the need for an “Urgent Return to the American System.”

April 22, 2005. LaRouche releases “An Economic Reconstruction Policy: Recreate Our Economy!” asserting that the only solution is to act immediately to save vital productive capacities, such as GM, and then to reorganize the bankrupt global financial-monetary system.

May 10, 2005. LaRouche issues a mass leaflet, “Guts and Government,” calling for Congress and other leaders to stop vacillating on the GM crisis.

May 14, 2005. LaRouche issues a Memorandum to Congress, “Congress Faces New Turn: On the Subject of Strategic Bankruptcy,” highlighting the collapse of the airline industry, the efforts of GM/GMAC to dump autoworkers’ pensions, and the threatened collapse of GM, Ford, and others, and laying out the parameters for a strategic bankruptcy, in the interest of the general welfare.

Throughout **May** LaRouche launched a drive to pass resolutions in local political bodies, which would call upon the U.S. Congress to take up the fight to save the auto industry, as a center of machine tool capability, and to put workers back to work building vital national infrastructure. The first resolution was passed in early May by the Cleveland City Council. Since that time, similar resolutions have been passed in the city councils of at least 8 other major auto-belt cities, including Detroit, Michigan.

At the same time, legislators began to initiate action in state legislatures around the country. Through May of 2006, resolutions to save auto had been introduced in 10 state legislatures, and had been passed in three chambers: the Alabama House of Representatives; the Rhode Island House; and the Vermont House. The last was in Vermont on May 11, 2006.

While not identical, the resolutions all identify the danger of the shutdown of the U.S. auto industry, both in terms of the loss of jobs, and of the machine-tool capacity of the nation. They also point to the need for Congress to take up its responsibility to save this capacity, by providing the means for diversifying out of auto production, into the building of major transport and auto projects, which are so urgently needed throughout the nation. Some even proposed the establishment of a Federal funding agency for this effort.

Overview

April 29, 2005. *Newsweek* reports: “In Congress, there is rising concern about the future of American auto manufacturers and their decline’s effect on the economy.”

May 1, 2005. By no later than this date, Felix Rohatyn and Rothschild, Inc. are hired by Delphi as primary financial advisors to reorganize the company through bankruptcy.

May 2, 2005. Major auto supplier Tower Automotive Corp. files for bankruptcy, and asks the bankruptcy court to void its union contracts.

May 4, 2005. “Vulture capitalist” Kirk Kerkorian raises his GM holdings to 9%. LaRouche warns this means GM’s deterioration is faster than anyone thinks, and that Congress cannot delay action.

May 8, 2005. GM debt is downgraded to junk; Delphi’s debt has already been rated as junk.

May 10, 2005. LaRouche issues a mass leaflet, “Guts and Government,” calling for Congress and other leaders to stop vacillating on the GM crisis.

May 11, 2005. Auto supplier Collins and Aikman declares bankruptcy.

May 14, 2005. LaRouche issues memorandum to Congress, published in *EIR* May 27, “Congress Faces New Turn: On the Subject of Strategic Bankruptcy.”

Mid-May 2005. House Committee aides report that Big Three auto management team have been on Capitol Hill about the auto crisis.

May 18, 2005. Felix Rohatyn is interviewed by the German publication *Handelsblatt* about the role of the “financial locusts” or private equity funds. He states that he doesn’t believe the Federal Reserve-led private equity boom will last.

What Felix Rohatyn And His Associates Did

JUNE 2005

June 14, 2005. Delphi reaches an agreement with its lending syndicate led by JP Morgan Chase to refinance \$3 billion of its available revolving credit facilities with an amended and restated \$1.825 billion secured revolving credit facility and a new \$1 billion six-year-term loan.

June 2005. Delphi completes a financial restatement which reduces retained earnings as of December 31, 2001 by \$265 million, reduces 2002 net income by \$24 million, and improves 2003 net loss by \$46 million. As of this date the Company is under investigation by the Securities and Exchange Commission (SEC), and there is a Justice Department investigation of Delphi financial transactions following its spin-off from General Motors in 1999 and its initial public stock offering. Delphi is also the defendant in numerous private suits as a result of the restatement of earnings.

June 16, 2005. Rohatyn publishes “A Trust Fund for America” in the *Wall Street Journal*. He argues that America’s economic infrastructure and R&D have collapsed and that, while a Federal capital budget could correct this problem, it is not worth the attempt. Instead, the government should establish a trust fund and issue 50-year Treasury bonds, thereby indenturing the government to private banking interests—as opposed to LaRouche’s proposal for direct government issuance of credit to infrastructure projects.

JULY 2005

July 12, 2005. Delphi hires its present bankruptcy counsel, Skadden, Arps & Flom. Skadden is hired to attempt to get consensual agreements from the unions and GM regarding Delphi’s restructuring plan and, if the unions and GM refuse Delphi’s terms, to achieve the same result through bankruptcy.

[Source: Declaration and Statement of Robert S. Miller, CEO of Delphi, dated October 8, 2005 and filed in the U.S. Bankruptcy Court for the Southern District of New York.]

AUGUST 2005

August 2005. By this time, Delphi, through Skadden, Arps, has hired present restructuring and financial advisors FTI Consulting, which has extensive experience in automobile bankruptcy proceedings and reorganizations.

[Source: Declaration and Statement of Robert S. Miller.]

SEPTEMBER 2005

September 2005. No later than this time, Delphi secures bankruptcy debtor-in-possession financing from a group of lenders led by JP Morgan Chase Bank, N.A., and Citicorp USA, Inc. Under the terms of the agreement with the banks, all of Delphi’s U.S. operations are pledged as collateral against a \$2

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What Happened: Developments in the GM-Delphi Shutdown Crisis

July 2005. Wilbur Ross’s WL Ross & Co. buys up a significant chunk of shares of Collins and Aikman, becoming almost a majority owner. Ross’s hedge funds have taken over, stripped down, and sold off Bethlehem Steel and LTV Steel, and Ross is conducting similar “plays” in textiles and coal, as well as auto. Ross has been part of Rothschild, Inc.’s bankruptcy division for 25 years.

July 1, 2005. Robert “Steve” Miller is brought in as CEO of Delphi to replace Battenberg. Miller has been “retired” for a year, following his collaboration with Wilbur Ross in creating and selling off International Steel Group to Mittal Steel—an operation in which over 100,000 retired steelworkers have lost their pensions and healthcare benefits, and several U.S. steel plants have been closed down.

August 26, 2005. GM (along with Ford) announces significant production cuts for the third consecutive quarter.

September 13, 2005. Steve Miller announces his first demands on unions to give up 50-65% of wages, healthcare benefits and accept layoffs and plant closings (unspecified), or Delphi will be “forced into bankruptcy.”

September 15, 2005. Wilbur Ross announces his interest in

What LaRouche Did To Save Auto, Machine Tool, and U.S. Economy

Overview

June 16, 2005. At an international webcast from Washington, D.C., LaRouche stresses that “the automobile industry is a strategically crucial part of the U.S. economy,” and outlines how to save the people employed, and all the industrial capacity associated with it—“the core of the machine-tool capacity of the United States.”

June 21, 2005. Answering questions e-mailed to June 16 webcast from Senate sources, LaRouche emphasizes that “If GM and Ford go down, the United States loses a vital part of our machine-tool capability, in which case we’re no longer a serious nation, economically”—and urges immediate action so that “we maintain this labor force *in production*. . . .”

June 2005. Delphi completes a financial restatement. In addition to the SEC investigation, the Justice Department is investigating accounting frauds.

June 14, 2005. Delphi reaches an agreement with its lending syndicate, led by JP Morgan Chase, to refinance \$3 billion and for a new loan of \$1 billion.

June 16, 2005. Rohatyn publishes “A Trust Fund for America” in the *Wall Street Journal*. Proposes small infrastructure fund funded through 50-year Treasury bonds—indenturing the government to the banks.

June 16, 2005. LaRouche addresses auto-sector crisis at LaRouche PAC webcast in Washington, D.C. Lays out plan to save the critical machine-tool capacity of the U.S. and massively rebuild infrastructure.

July 2005. WL Ross & Co. buys shares of Collins and Aikman, becoming almost a majority owner.

July 1, 2005. Corporate predator Robert “Steve” Miller becomes CEO of Delphi.

July 12, 2005. Delphi hires present bankruptcy counsel, Skadden, Arps & Flom.

August 26, 2005. GM (along with Ford) announces significant production cuts for the third consecutive quarter.

September 16, 2005. At an international LaRouche PAC webcast from Washington, D.C., “Revolutionary Transformation After Hurricane Katrina,” LaRouche again stresses the urgency of Federal emergency measures for the auto/machine-tool sector; “we need a movement,” to dispel the demoralization and fear, and get the job done.

September 2005. No later than this month, Delphi secures bankruptcy debtor-in-possession financing from a group of lenders led by JP Morgan Chase Bank, N.A. and Citicorp USA, Inc., pledging its U.S. assets as payment.

September 13, 2005. Steve Miller demands: Unions must give up 50-65% of wages, healthcare benefits, and accept layoffs and

What Felix Rohatyn And His Associates Did

SEPTEMBER 2005 *continued*

billion lending facility. In addition to this loan, Delphi has \$500 million cash in hand to continue functioning during bankruptcy and winding down its U.S. operations, as outlined below.

[Source: Declaration and Statement of Robert S. Miller.]

OCTOBER 2005

October 2, 2005. The plan for destruction of Delphi's U.S. manufacturing capabilities in place, and its bankruptcy filing less than six days away, Rohatyn withdraws as a financial advisor to Delphi. According to the bankruptcy filing, the parties have agreed that Rohatyn is to withdraw when a bankruptcy filing takes place, although the May 1, 2005 engagement letter states the opposite. It is claimed that Rohatyn concentrated, during the advisory process, on evaluation of proposals from private equity firms for an out-of-court investment in Delphi. It is said that Rohatyn led "due diligence" efforts for several private equity firms profiling Delphi and its operations.

[Source: Declaration and Statement of David L. Resnick.]

October 8, 2005. Delphi files for bankruptcy protection. Its declared goal for reorganization is a shutdown of U.S. operations as it continues major operations outside the U.S. in foreign countries. According to the Declaration of Robert S. Miller, "[Delphi] believes that a substantial segment of Delphi's U.S. business operations must be divested, consolidated, or wound-down through the Chapter 11 process. . . . In the meantime, the Company will preserve and continue the strategic growth of its non-U.S. operations and maintain its prominence as the world's premier auto supplier." In addition, if the unions and GM do not acquiesce in tearing up existing contracts and pension obligations, Delphi's goal is to abrogate the contracts and obligations through the bankruptcy process. One of the first motions filed by Delphi in the bankruptcy court, however, is a motion to continue its derivatives trading, through which it "hedges" \$1.5 billion in foreign currency fluctuation exposure.

[Source: Declaration of David S. Miller and Motion to Enter Into, Continue Performance Under, and Provide Credit Support Under Derivatives Contracts, dated October 8, 2005.]

October 28, 2005. Order is entered by the bankruptcy court allowing the sale of Delphi's U.S. manufacturing plants and capacity to pay for the bank loans arranged by Delphi and its financial advisors for purposes of bankruptcy and restructuring. Under the strategic plan adopted by Delphi, the U.S. manufacturing plants of Delphi, a strategic asset for the economy of the United States, have been declared to be "*de minimis*" assets to be sold at auction.

What Happened: Developments in the GM-Delphi Shutdown Crisis

buying control of Delphi, should it go into bankruptcy, and merging Delphi with Collins & Aikman.

October 3, 2005. *EIR* article warns of a Delphi bankruptcy before the Oct. 17 change in the bankruptcy law, and LaRouche's "Have you no sense of shame?" statement denounces the Steve Miller Delphi management for the Key Employees Compensation Plan, to give \$400 million in bonuses to executives while destroying wages and jobs.

October 8, 2005. Delphi declares bankruptcy.

October 14, 2005. Senator Hillary Clinton's letter calls on President Bush to hold an auto summit, with Members of Congress and representatives of auto management and unions.

October 22-23, 2005. The credit derivatives markets descend into turmoil because of sudden deterioration of the debt of GM and Delphi, and the increased threat of bankruptcy of GM, according to the *Financial Times* and other financial wires.

October 24, 2005. Michigan Governor Jennifer Granholm releases a letter to Michigan's Congressional delegation, on "my sense of urgency about the need for Federal involvement with the serious problems confronting [the auto] industry." At Granholm's press conference the same day, she calls on Michigan's Senators and Congressmen to sign Sen. Hillary Clinton's letter asking Bush to call a national auto summit. "Now that we've seen the largest bankruptcy in Michigan history and the 13th-largest in the United States, it is time for us to act. A crisis is upon us and the Federal government needs to step up and do its share."

October 20, 2005. Bankruptcy Judge Robert Drain issues an order, entered on Oct. 28, 2005, permitting Delphi to contract for third-party public auction sales of its "*de minimis* assets," defined as its plants and machinery no longer required for its operations. Part (10) of this order states, "The DIP [debtor-in-possession] lenders [the JP Morgan Chase/Citigroup combination] hold valid, duly perfected security interests in, and liens upon the *de minimis* Assets. Subject to the final approval of the DIP agreement, any and all proceeds obtained by the Debtors from any sales of such *de minimis* Assets will be applied as required by the DIP agreement."

October 21, 2005. Delphi's Steve Miller extends his demands for massive cuts from Delphi's workforce, to the International Union of Electrical Workers (IUE) in the "Packard Division" electrical plants of Delphi. Packard has been Delphi's only profitable division in 2004, to that point, in 2005. From the industrial standpoint, Miller proposes to close or sell six out of 10 IUE-organized Delphi plants, and cut that part of its workforce from 8,500 to 3,000 (half of these work in the Mahoning Valley, the rest in Dayton, Ohio; Irvine, California, and New Jersey).

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What LaRouche Did To Save Auto, Machine Tool, and U.S. Economy

Overview

October 12, 2005. LaRouche, speaking at an international webcast based in Washington, D.C., calls for putting the auto industry under Federal protection, in response to a question from the Senate Manufacturing Caucus, asking about the recent bankruptcy filing of Delphi.

plant closings (unspecified), or Delphi will be “forced into bankruptcy.”

September 15, 2005. Wilbur Ross announces his interest in buying control of Delphi, should it go into bankruptcy.

September 16, 2005. LaRouche calls for Federal emergency measures to save the U.S. auto and machine-tool sector in the wake of Hurricane Katrina and in light of the task of rebuilding the Gulf Coast.

October 2, 2005. The plan for destruction of Delphi’s U.S. manufacturing capabilities in place, and its bankruptcy filing less than six days away, Felix Rohatyn withdraws as a financial advisor to Delphi.

October 3, 2005. *EIR* warns of Delphi bankruptcy. LaRouche issues “Have you no sense of shame?” statement denouncing Delphi’s \$400-million executive bonus plan.

October 8, 2005. Delphi declares bankruptcy, with its declared reorganization goal being to shut down U.S. operations, continue in foreign countries with minimal U.S. presence.

October 12, 2005. LaRouche, at LaRouche PAC webcast, calls for putting the auto industry under Federal protection, in response to the Delphi bankruptcy.

October 14, 2005. Senator Hillary Clinton calls on President Bush to hold an auto summit.

October 21, 2005. Delphi’s Steve Miller extends his demands for massive cuts from Delphi’s workforce, to the International Union of Electrical Workers (IUE) in the “Packard Division” electrical plants of Delphi.

October 22-23, 2005. Financial press reports that the credit derivatives markets are in turmoil because of the sudden deterioration of the debt of GM and Delphi, and the increased threat of GM bankruptcy.

October 24, 2005. Michigan Governor Jennifer Granholm releases letter to Michigan’s Congressional delegation, on “my sense of urgency about the need for Federal involvement with the serious problems confronting [the auto] industry.”

October 28, 2005. Bankruptcy court orders sale of certain Delphi U.S. properties to pay bank loans for bankruptcy.

What Felix Rohatyn And His Associates Did

What Happened: Developments in the GM-Delphi Shutdown Crisis

OCTOBER 2005 *continued*

NOVEMBER-DECEMBER 2005

December 2005. Washington sources report that Congresswoman Nancy Pelosi, who has previously given a speech at Harvard University urging a new economic Apollo project for a resurgence of the U.S. economy, is being pressured by Rohatyn to adopt his plan for private bonds to finance infrastructure projects.

December 13, 2005. Felix Rohatyn and Warren Rudman publish "It's Time to Rebuild America" in the *Washington Post*, calling for private banker control of public infrastructure financing and development.

November 5, 2005. *EIR* runs an interview with investigative journalist Mark Reutter, called "The Delphi Case and the Misuse of U.S. Bankruptcy Law." The interview reveals that Delphi has \$1.6 billion cash on hand and Debtor in Possession (DIP) financing of \$2 billion from banks headed by JP Morgan Chase; and that the DIP banks in related cases have called the shots in bankruptcy reorganization, based on plans they drew up in advance of the bankruptcy declaration.

November 2-4, 2005. Delphi CEO Steve Miller holds a series of meetings with Congressional members of the industrial caucus, telling them he wishes to maintain as much of Delphi's current production and employment as possible, and asking help with "legacy costs."

November 10, 2005. The actual Delphi plan, "Northstar," is exposed in articles in *New Federalist* newspaper and *EIR*, after an initial report in a study by the Anderson Economic Group in Detroit. "Option 3" of the internal Delphi reorganization plan assumes that 26,931 workers, 77% of Delphi's then-current North American workforce, will be fired, and 20 plants shut down.

November 11, 2005. GM debt falls to 69 cents on the dollar, and a debt rating of B+, now four levels into the junk basement.

November 17, 2005. UAW union leaders meet with representatives of the six other unions representing Delphi workers, to discuss what is now Steve Miller's full threat—to eliminate 26,000 or 35,000 production workers, close a majority of Delphi plants, and reduce wages to \$10-12/hour (later ameliorated in bankruptcy court to \$16/hour).

JANUARY-FEBRUARY 2006

January-March 2006. Delphi three times postpones its final deadlines for asking bankruptcy judge Robert Drain to tear up its union contracts, the last postponement taking place on March 9.

(Continued on page 50)

What LaRouche Did To Save Auto, Machine Tool, and U.S. Economy

Overview

November 16, 2005. A UAW member asks LaRouche, at a Washington, D.C. webcast, if enough is being done “against Steve Miller and the whole situation with the Delphi bankruptcy, as well as the plight of the Big Three as a whole,” to which LaRouche responds, “*No! This is a political fight! Any threat to the General Welfare is a political issue,*” which demands the full power of the Federal government.

November 23-24, 2005. LaRouche writes a public letter—“Reorganizing the U.S. Auto Industry”—and a followup document, “Auto and World Economic Revival,” to Ford Motor Company chairman and CEO Bill Ford, following a Nov. 22 speech by Ford the Washington, D.C. National Press Club.

December 13, 2005. LaRouche writes a major article for *EIR*, “How Not To Build A Recovery: A Tale Of Two Bozos,” in response to the publication of an article by Felix Rohatyn and Warren Rudman in the Dec. 13 issue of the *Washington Post*.

December 19, 2005. LaRouche prepares a major policy paper, “How To Capitalize a Recovery,” for circulation in Washington, D.C. and in pamphlet form. It includes maps of the shutdown of auto industry capacity from 1970 to 2005; and projected shutdowns through 2008.

November 2-4, 2005. Delphi CEO Miller holds a series of meetings with Congressional members of the industrial caucus, claiming he wishes to maintain as much of Delphi’s current production and employment as possible, and asks for help in cutting “legacy costs.”

November 10, 2005. The actual Delphi reorganization plan, “Northstar,” is exposed in articles in *New Federalist* and *EIR*. “Option 3” of the internal Delphi reorganization plan assumes that 26,931 workers, 77% of Delphi’s then-current North American workforce, will be fired, and 20 plants shut down.

November 11, 2005. GM debt falls to 69 cents on the dollar, and a debt rating of B+, now four levels into the junk basement.

November 17, 2005. UAW leaders meet with representatives of the six other unions representing Delphi workers, to discuss Steve Miller’s plan to eliminate 26,000 or 35,000 jobs, close a majority of Delphi plants, and reduce wages to \$10-12/hour.

November 23, 2005. LaRouche issues an open letter to Bill Ford, titled “Reorganizing U.S. Auto industry.”

December 2005. Washington sources report that Congresswoman Nancy Pelosi, who has given a speech at Harvard University urging a new economic Apollo project, is being pressured to adopt Rohatyn’s plan for private infrastructure financing.

December 13, 2005. Felix Rohatyn and Warren Rudman publish “It’s Time to Rebuild America” in the *Washington Post*.

December 13, 2005. LaRouche issues “How Not To Build a Recovery: A Tale Of Two Bozos,” in response to the Rohatyn-Rudman piece.

December 19, 2005. LaRouche issues a major policy paper, “How To Capitalize a Recovery,” for circulation in Washington, D.C. and in mass pamphlet form. A five-page appendix shows shutdowns of auto industry capacity from 1970 to 2005; and projected shutdowns through 2008.

January 6, 2006. *EIR* features a study commissioned by LaRouche, “Deindustrialization Creates ‘Death Zones’ in Baltimore,” on the harm and disease patterns in deindustrialized cities characteristic of the Midwest auto belt.

January 11, 2006. At a Washington, D.C. LaRouche PAC webcast, LaRouche speaks on converting the auto industry to other uses, “like building railroad systems, repairing our river transportation systems, building power systems.”

February 23, 2006. At an international LaRouche PAC webcast in Washington, D.C., LaRouche reviews the fact that

January 11, 2006. At a Washington, D.C. webcast LaRouche speaks at length about retooling the automobile and aerospace sectors to meet critical infrastructure needs, while bringing the level of U.S. productive employment above breakeven.

January-March 2006. Delphi three times postpones its final deadlines for asking bankruptcy judge Robert Drain to tear up its union contracts, the last postponement taking place on March 9.

February 23, 2006. LaRouche confers in Washington with labor, state legislators, and community leaders about the auto-sector crisis.

What Felix Rohatyn And His Associates Did

What Happened: Developments in the GM-Delphi Shutdown Crisis

FEBRUARY 2006 *continued*

MARCH 2006

March 27, 2006. Rohatyn and Rudman appear at the Center for Strategic and International Studies in Washington, D.C. to promote their private financier infrastructure project. Confronted by LaRouche organizers, Rohatyn declares, “We are not going to do what FDR did. Government and financing have come a long way since Roosevelt; we have state or local financing; we have union pension funds; we have the securities markets, the bond markets. We’re far away from the methods of the RFC.”

March 24, 2006. Delphi moves in bankruptcy court for the union contracts to be set aside, making clear at the same time that its management plans to close down at least 21 of Delphi’s 29 major production facilities in the United States.

APRIL 2006

April 2006. In early April, or earlier, public Internet auctions of Delphi machine tools and entire closed plants are underway, involving electrical systems production equipment from plants in Rochester, N.Y.; Indianapolis, Ind.; and Athens, Ala.

April 13, 2006. *Business Week* publishes an article on Delphi, “Go Bankrupt, Then Go Overseas,” which succinctly describes Delphi management’s entire strategy as “globalization by bankruptcy,” and names other auto suppliers, including Tower Automotive, which are following Delphi’s example—and others which will follow it if the bankruptcy court complies with Delphi’s demands.

MAY 2006

May 9, 2006. Delphi and GM announce a first “retirement buyouts agreement” with the UAW, which has since removed 30,000 workers from the auto industry by early retirement. GM, which has been providing the billions of dollars for these buyouts, has been selling off assets, including the pending sale of 51% of its financial arm, General Motors Acceptance Corporation.

May 23, 2006. Delphi’s Irvine, Calif. electrical systems plant as a whole is auctioned off.

JUNE 2006

June 5, 2006. Delphi announces it wants to buy out more workers by early retirement (10,000 Delphi workers out of 33,000 have already quit this way). Delphi indicates as many as another 8-10,000 production workers might be shed in this way. It is “negotiating” with GM and the UAW in an attempt to get agreement on this before the UAW convention starts June 11.

What LaRouche Did To Save Auto, Machine Tool, and U.S. Economy

Overview

“whole sections of the country that used to be prosperous” are now dying. Privately, he confers with labor, state legislative, and community leaders on forcing Federal action on the auto sector crisis.

March 1, 2006. LaRouche PAC issues a press release, “Senate Must Stop Flim-Flamming and Save the Auto Sector.”

March 5, 2006. LaRouche speaks to youth at weekend cadre schools in Toledo, Ohio, and in Canada, on their role in creating conditions to force Federal emergency action on the economy.

March 31, 2006. LaRouche issues a statement, “If Congress Doesn’t Act To Stop the Destruction of the Auto Industry, They Don’t Give a Damn About the U.S.”

April 14, 2006. A mass-circulation DVD is released by LaRouche PAC—an hour-long documentary titled, “Retooling the Auto Industry to Rebuild the Nation.” Within six weeks, 10,000 copies are in circulation.

April 27, 2006. LaRouche speaks at an international webcast from Washington, D.C., on “The Greatest Economic Crisis in Modern History,” and meets with Midwest and other auto, industrial, state legislative and community leaders.

May 2, 2006. LaRouche writes an action document: “For Economists, Legislators, and Labor—Emergency Legislation, Now!”—subsequently issued in pamphlet form as “The U.S. Economic Recovery Act of 2006.”

June 5-9, 2006. A Week of Action in Washington, D.C. focusses on the need for emergency Federal intervention for the auto sector and economy; it includes signed advertisements in Capitol Hill dailies, organizing led by the LaRouche Youth Movement, a fly-in by labor and state leaders to lobby Congress for immediate action, and a June 9 LaRouche PAC webcast.

March 24, 2006. Delphi moves in bankruptcy court for the union contracts to be set aside, making clear at the same time that it plans to close down at least 21 of Delphi’s 29 major production facilities in the United States.

March 27, 2006. Rohatyn and Rudman appear at the Center for Strategic and International Studies in Washington, D.C. promote their private financier infrastructure project. Confronted by LaRouche organizers, Rohatyn declares, “We are not going to do what FDR did. Government and financing have come a long way since Roosevelt; we have state or local financing; we have union pension funds; we have the securities markets, the bond markets. We’re far away from the methods of the RFC.”

Early April 2006. By this time, or even earlier, public Internet auctions of Delphi machine tools and entire closed plants are underway.

April 13, 2006. *Business Week* publishes “Go Bankrupt, Then Go Overseas,” describing Delphi’s strategy as “globalization by bankruptcy.”

April 14, 2006. LaRouche PAC releases DVD, “Retooling the Auto Industry to Rebuild the Nation.”

May 2, 2006. LaRouche PAC issues emergency legislative package to retool the auto industry.

May 9, 2006. Delphi and GM announce a first “retirement buyouts agreement” with the UAW, which has since removed 30,000 workers from the auto industry.

June 5, 2006. Delphi announces its intention to buy out more workers by early retirement.