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.

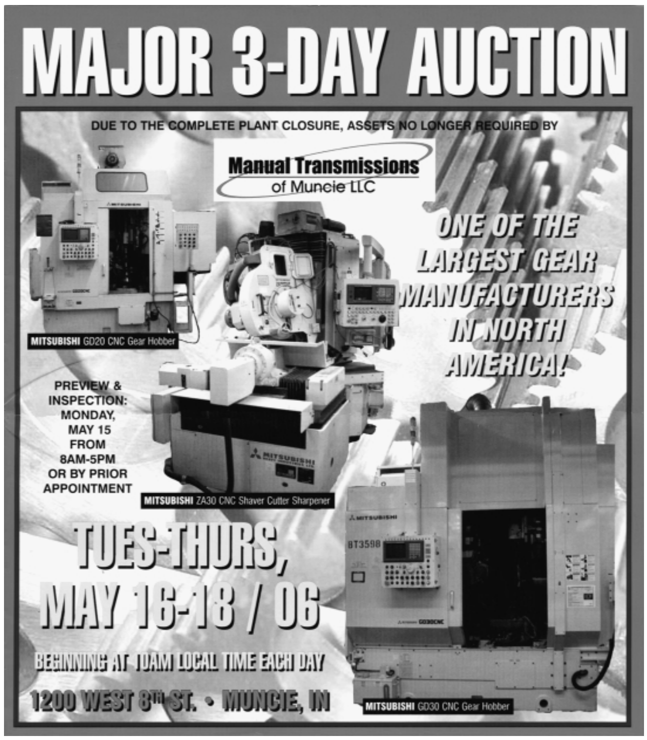
We lay this potentially fatal inaction by Congress at Rohatyn's door, and at the doors of Congressmen who continue foolishly to regard him as a "leading Democrat" rather than a Synarchist-fascist banker. LaRouche's is an "FDR-style" proposed action to save auto and build infrastructure. Rohatyn directly 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.

Delphi Corporation
As of May 1, 2005
Page 13

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: Felix Rohatyn
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 technological 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.

(Continued on page 42)

What Happened: Developments in the GM-Delphi Shutdown Crisis

JANUARY-MARCH 2005

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

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.' "