

Written Testimony by Bruce Gump  
Financial Services Oversight and Investigations Subcommittee Field Hearing  
Canfield, Ohio  
July 13, 2010

Good morning Chairman Moore and members of the committee. We greatly appreciate the concern this subcommittee has expressed concerning this issue, and hope we can offer some insight and ideas on ways to correct what the Ohio Senate, the Speaker of the Ohio House of Representatives, the Ohio and Michigan Democratic Party Executive Committees and numerous others have all called "unfair and inequitable." My name is Bruce Gump and I worked for General Motors for 23 years, then Delphi for 10 more years as a Senior Engineer before being "involuntarily terminated, and pension eligible". In my testimony, I will describe how the misconceptions and misunderstandings about our promised and earned retirement benefits and our connection to the economy of the United States led to decisions that have hurt not only the group I represent, but also other groups and indeed the entire country.

As we have stated in previous testimony offered to other committees in both the House and Senate, we were assured by the company and the PBGC and that our pension plans were being well cared for. The more than 20,000 salaried workers made up of secretaries, clerks, technicians, customer service representatives, accountants, cost estimators, engineers and dozens of other classifications believed we would receive appropriate protection for the promised deferred compensation that makes up a pension. However, as we have learned since the bankruptcy of Delphi and then GM, to the executives of the company and to the United States Treasury Auto Task Force we were nothing but a commodity to be thrown out like yesterday's trash when they no longer wanted us. They were in a hurry to get GM into and out of chapter 11 bankruptcy, but GM needed Delphi to also exit chapter 11 in order to insure the parts supplier Delphi would be able to supply those parts without interruption. In addition, some of the worker groups had significant political and commercial power to affect the outcome and the future of the company, and so the administration chose to treat them in a manner that would prevent any interference with those plans. Other groups were determined to be too politically or commercially weak to require the same treatment because they represented too few people or were too disorganized and not politically active. The testimony from Mr. Frost explains that further. In the end, our government determined we did not have enough "commercial value" or maybe "political power" to deserve any protection during the Treasury orchestrated bankruptcy. So we believe the Treasury directed the PBGC to drop their legal efforts to terminate our pension plans, and instead follow an "involuntary termination" process they had used before that completely ignores and denies any representation for the affected participants, essentially denying them due process and allowing the PBGC to quickly terminate the plans.

The effect of this decision on our community was calculated by the Youngstown State University Department of Urban and Regional Studies. When the results are extended to include lost benefits for all the affected groups, the overall cost to the economy of the United States is about \$1.6 Billion per year, every year, for the next 20 to 30 years. In addition, because the economic activity is reduced so significantly, about 85,000 American Citizens who had nothing to do with the Automotive Industry will see their employment simply evaporate.

When the Emergency Economic Stabilization Act of 2008 that created the Troubled Asset Relief Program – called TARP – was written, Congress wrote in section 113 titled “Minimizing Negative Impact”:

“The Secretary shall use the authority under this Act in a manner that will minimize any potential long-term negative impact on the taxpayer, taking into account the... overall economic benefits of the program, including economic benefits due to improvements in economic activity and the availability of credit, the impact on the savings and pensions of individuals, and reductions in losses to the Federal Government.”

We respectfully submit that the Secretary of the Treasury did not do everything possible to meet this obligation.

Consider just a 10 year time horizon: \$16 Billion of economic activity has been lost because the Delphi Retirees did not receive the same benefit of protection and support that other groups in the auto industry did. Each of those transactions represents income for somebody, and if taxed at 15% then the US Government will NOT collect \$2.4 Billion and local governments will NOT collect \$960 Million in sales taxes calculated using an average 6% rate. This does not include the INCREASED COST to the US Government for programs supported by them such as unemployment compensation and retraining. Nor does it include the devastating long term costs of personal bankruptcies and home foreclosures – many of which have already happened along with family breakups and even suicides.

The Delphi Retirees number about 70,000. In general each will have a spouse, children, brothers and sisters, perhaps grandchildren plus friends and neighbors. The old marketing saw about each dissatisfied customer affecting 10 other potential purchasing decisions, implies that 750,000 to 1 Million purchasing decisions will be affected by the Delphi Retirees. If the goal of the Treasury in their unprecedented involvement in the GM bankruptcy was to rescue that company and make them able to survive well into the future, it would seem appropriate to try to hold on to loyal customers like Delphi/GM retirees. Instead they incorrectly determined that group had no “commercial value” to GM and so deserved no support or protection from the US Government.

And so as a result of this discriminatory decision by the US Treasury to fully fund pensions and benefits for one group while leaving other groups out, economic activity is significantly REDUCED, there is a strong NEGATIVE impact on the savings and pensions of thousands of individuals, and the Federal Government will see significantly more LOSSES than they would otherwise. To me, that obviously is not living up to the requirements of the TARP, and is a policy error that MUST be corrected.

Furthermore, and maybe even more importantly, there are the intangible effects of the decision on the country. This decision was immoral because it was unfair and inequitable. Just imagine what would happen if the United States Government was allowed to determine the fate of citizens or citizen groups based on perceived “commercial necessity” in anything else the government does like Social Security, the Military, mortgage supports or now even Health Care. This certainly goes against the very foundational principles of our country like “Equal Protection.” The decision is also unethical because it affects so many downstream of us in the

economy – people who had nothing to do with the industry or the decision, and have no way to protect themselves. We believe it may even be illegal – we are pursuing that issue in Federal Court in the Eastern District of Michigan. It destroys the credibility of the administration when the President himself said it was necessary to protect the auto workers, and his party published a platform that said they would protect pension plans. This decision justification causes commercial value and political influence to reign supreme over the US Constitution, only those with enough political power and enough “commercial necessity” will receive any benefit from the involvement of the US Government.

In the written testimony we provide thoughts on best ways to resolve and correct this situation. Numerous pathways are open, but only one needs to be followed. Facilitating discussions between all the involved groups is one possible action the committee can take. The bottom line is that we believe the US Government has a responsibility to follow both the letter and the spirit of the US Constitution and use blind justice to determine how they will interface with the citizens of this country, not “commercial necessity.” That concept is simply abhorrent in American Political History and establishes an extremely dangerous precedent for the future. The Secretary of the Treasury must be held accountable to the requirements of TARP, and not allowed to discriminate between citizen groups.

Following is for written testimony only:

The best and most reasonable thing this committee can do to help is to facilitate discussions between the various parties involved including the Treasury, the Auto Task Force, the PBGC, and the DSRA. The goal of the discussions would be to come to an agreement on the funding status of the pension plans including the assets and liabilities of the plans, and the final fair and equitable treatment of all the Delphi Retirees.

We would ask the committee to help us gain access to the documents associated with the Treasury’s and the PBGC’s involvement in the GM and Delphi bankruptcies that have so far been hidden from us in spite of numerous requests and demands from the DSRA, various Senators and Congressmen, and legislative committees. It will do nobody any good to go through the subpoena process to gain access to what should be public documents anyway.