

# AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS



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## **LEGISLATIVE ALERT!**

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April 20, 2006

Dear Senator:

Senator Evan Bayh recently introduced important bankruptcy reform legislation, S. 2556, the "Fairness and Accountability in Reorganization Act of 2006." S. 2556 addresses several abuses in the bankruptcy process that were highlighted by the recent case of the Delphi Corporation. The AFL-CIO supports this bill to protect American workers and urges your cosponsorship.

The Delphi bankruptcy will have an enormous impact on tens of thousands of workers and retirees and dozens of U.S. communities. The company has proposed closing most of its U.S. facilities, canceling its labor contracts, and imposing severe wage and benefit reductions for workers and retirees.

Rather than taking the high road through bankruptcy, Delphi has made some troubling decisions throughout the process. Beginning with an initial proposal to reward executives for the company's financial failures with lavish pay increases and bonuses, Delphi is now exploiting the current law by excluding profitable overseas operations and investments from consideration in the bankruptcy process.

Furthermore, companies have an obligation during bankruptcy to explain why proposed cuts in wages and benefits are the minimum necessary to improve their financial position, and how they will put the company back on track. Delphi, however, has refused to make that information available.

S. 2556 would eliminate some of the abuses that have occurred in recent corporate bankruptcies by addressing two key issues.

First, the bill would close some of the loopholes that have allowed executives at Delphi and other companies to propose huge bonuses and lucrative executive compensation at the same time they are using the bankruptcy process to cut wages and benefits for workers and retirees.

The AFL-CIO believes that management should not be allowed to enrich themselves as a reward for their company's failures. Executives should share equally in any sacrifices made by workers and retirees.

Second, the bill would require bankruptcy judges to take into consideration a company's foreign operations, as well as its domestic ones, in ruling on motions to reject collective bargaining agreements and retiree health benefits. This provision is designed to prevent companies from shifting resources and production to overseas operations while they simultaneously claim poverty in an attempt to cut wages, benefits, and jobs in the United States.

The AFL-CIO strongly endorses the Bayh bankruptcy reform bill. We urge you to show your support for these urgently needed changes by cosponsoring S. 2556.

We also ask that you sign on to a letter being circulated by Senator Kennedy and Senator Stabenow on Delphi Corporation's failure to meet its obligation to provide information to those affected by its bankruptcy proposals. The letter calls on Delphi's CEO and Chairman, Steve Miller, to provide Delphi's employees, their unions, retirees, and communities the information they need to assess the company's proposals.

To co-sponsor S. 2556, please contact Catherine Wojtasik in Senator Bayh's office, at 224-5623 or [catherine\\_cruz\\_wojtasik@bayh.senate.gov](mailto:catherine_cruz_wojtasik@bayh.senate.gov). To sign on to the letter to Delphi CEO Miller, please contact Lauren McGarity in Senator Kennedy's labor policy office at 224-5441 or [lauren\\_mcgarity@help.senate.gov](mailto:lauren_mcgarity@help.senate.gov). The deadline for signing on to the letter is COB April 28.

Thank you for your continued support of America's working families.

Sincerely,

A handwritten signature in black ink, appearing to read "William Samuel", written over a light blue horizontal line.

William Samuel, Director  
DEPARTMENT OF LEGISLATION