



# Obama 'Car Czar' Defends Auto Bailout In Dealers' \$1B Suit

By [Christopher Cole](#)

Law360 (April 16, 2019, 7:20 PM EDT) -- Chrysler made its own decision to declare bankruptcy and accept a multibillion-dollar federal bailout in 2009, so the government can't be blamed for the booting of hundreds of auto dealers from the carmaker's network in the overhaul, the Obama administration's "car czar" told the U.S. Court of Federal Claims on Tuesday.

Former "car czar" Steven Rattner was a key government witness Tuesday in a \$1 billion suit by ex-Chrysler dealers. (AP)

In his testimony, Steven Rattner, the former Treasury Department adviser during the economic crisis who managed the car industry rescue, defended the administration's handling of events in early 2009 as credit evaporated and the auto sector hurtled toward a crash.

Rattner was a key government witness in a decade-old, \$1 billion lawsuit by car dealers who got cut from their contracts in the bankruptcy and bailout as Chrysler sought to trim what Treasury experts had determined was a bloated sales network.

The ex-Chrysler dealers are asking Judge Nancy B. Firestone in the [bench trial](#) — which started April 8 and could last for weeks yet — for the market values of their car lots when they lost their Chrysler banners. They are trying to show that the government exercised the notion of "shared sacrifice" during the crisis unevenly to their clients, but Rattner said Chrysler fully accepted the painful restructuring as the only way out.

"Everybody sacrificed something in the auto industry," Rattner said, adding that Team Auto, the task force that Treasury put together, concluded that the government could not keep lending more money while letting Chrysler keep the dealerships. "We felt it would be an irresponsible use of taxpayer money to do so."

The dealers are [seeking compensation](#) under the Fifth Amendment's takings clause in a case that consolidated three suits filed from 2010 to 2012. They contend the government chose the cheapest path by killing their contracts through the bankruptcy process rather than paying out \$2.25 billion for closing their businesses, something they couldn't really prevent, because of what witnesses, including Rattner under questioning, described as Wall Street's golden rule: "He who has the gold makes the rules."

But Rattner said Chrysler could fully act on its own accord as to whether to restructure with the government's financial lifeline and take the tough measures that went with it. The government has argued that such a situation cannot amount to a "taking."

"Chrysler always had all the choices as to what it did," Rattner said, although Team Auto did not ultimately conclude that the carmaker could become viable without downsizing the network. "It was totally Chrysler's decision whether to accept that money and file for bankruptcy."

Rattner, a onetime journalist turned Wall Street insider who later wrote a book, "Overhaul: An Insider's Account of the Obama Administration's Emergency Rescue of the Auto Industry," told the court that he

"came to a view quite early" in the crisis that bankruptcy was likely. But the team did everything it could short of that drastic step, he insisted. "Nobody wanted to be in bankruptcy if we could avoid it," Rattner said. "We were just trying to find the best outcome for Chrysler."

The dealers' legal team questioned the former Treasury adviser extensively about Team Auto's deliberations

and asked whether he believed the government played a role in the liquidity crisis. Rattner said he pinned much of the blame on policymakers' failure to discharge "regulatory oversight" of the financial sector before the 2008 collapse.

Rattner told Law360 shortly after testifying that he certainly didn't expect the bailout to turn into a yearslong legal fight with the car retailers who lost their businesses and that the case is "very, very disappointing."

"U.S. Treasury determined that the dealer footprint had to be reduced, but the decision as to which dealers and how to do it was entirely that of the company, so there's really nothing for me to have done differently," he said.

"I think the government saved this industry, and ending up testifying in a court case 10 years later is not desirable," he said.

The dealers are represented by Leonard A. Bellavia of [Bellavia Blatt PC](#), Roger J. Marzulla and Nancie G. Marzulla of [Marzulla Law LLC](#), Marquette W. Wolf and Richard Mann of [Ted B. Lyon & Associates](#), Thomas A. Holman of Holman Law PC, Stephen G. Larson of [Larson O'Brien LLP](#) and Harry W. Zanville.

The government is represented by Kenneth Dintzer, Elizabeth M. Hosford, Christopher J. Carney, Jonathan E. Jacobson, Joshua A. Mandlebaum, Antonia R. Soares, Zachary J. Sullivan, James P. Connor and Alison S. Vicks of the [U.S. Department of Justice](#)'s Commercial Litigation Branch.

The case is Colonial Chevrolet Co. Inc. et. al. v. U.S., case number 1:10-cv-00647, in the U.S. Court of Federal Claims.

--Additional reporting by Rick Archer. Editing by Nicole Bleier.