

**HOUSE COMMITTEE ON
OVERSIGHT & GOVERNMENT REFORM**

**OPENING STATEMENT OF
CHAIRMAN EDOLPHUS TOWNS**

Hearing: "AIG: Where Is the Taxpayer's Money Going?"

May 13, 2009

Good morning and thank you all for being here today.

Eight months ago, the American taxpayer came to the rescue of AIG with an \$85 billion bailout. That was followed by more money in November, more again in December, and more money still in March. The taxpayers have now provided more than \$180 billion in financial assistance to AIG.

Yet much of what has been done with that money has been done in the dark.

In fact, the one thing that stands out most about the collapse and Federal rescue of AIG is the shroud of secrecy that has blanketed the entire sequence of events.

This secrecy has only made the situation worse. I get the sense when I talk to people back home in Brooklyn, and when I hear from constituents and others here in Washington, that people simply don't understand what happened.

Instinctively, they don't like the idea that their tax dollars are being used to bail out big business.

They want to believe that this Federal bailout is necessary. But they wonder whether the money is being used wisely. And they want assurances that ultimately they are going to get their money back.

What is the plan to repay the American people and does it have a realistic chance of working?

Are the trustees adequately protecting the interests of the American people?

In my view, AIG needs to demonstrate that it is headed in the right direction. We need to understand what the long-range plan is for AIG.

Are you going to liquidate it? Or are you going to restructure it in such a way as to return it to profitability and repay the taxpayers' investment?

According to testimony we will hear today, AIG plans to liquidate much of the company and spin off its insurance assets. Does liquidating the assets in the midst of a bear market make sense? Will this plan maximize the returns for the company in today's economic climate?

We know AIG agreed to sell their auto insurance unit. We hear they are negotiating the sale of their Tokyo headquarters building, a unique property adjacent to the Imperial Palace. Will the taxpayers get the best return on their investment by selling a premier property during the worst commercial real estate market in years?

A few days ago, we learned that AIG has put together a plan called Project Destiny. Project Destiny is described as “a multi-year roadmap for the restructuring of AIG.”

I requested a copy of this plan, but AIG says that disclosing the plan “would undermine its efforts to achieve its goals for the benefit of American taxpayers.” AIG says it is consulting on the issue with the New York Fed.

In other words, “trust us.” Everything will be alright.

But everything is not alright. People in my district and throughout the country are hurting, yet AIG has spent millions of dollars on high-priced P.R. firms and big-time lawyers to attack its critics.

AIG is paying P.R. executives as much as \$600 an hour in taxpayer dollars. Clearly, AIG is making sure its lawyers and P.R. firms are watching its back. But who is watching the backs of the American people?

What should the American people think when millions of dollars in bonuses are paid to the very people who caused AIG’s problems in the first place? Less than a week ago, the AIG Trustees still felt it necessary to write to Mr. Liddy and urge him to get executive compensation under control.

I was surprised and disappointed to see that AIG continues to argue for secrecy. In his testimony, Mr. Liddy seems to argue that criticism of AIG will somehow hurt the company.

Again we are hearing, “Trust us.” But we are not willing to let \$180 billion go just on trust. We will question, we will inquire, we will verify. And we will not hesitate to probe every aspect of AIG management and operations to protect the taxpayers’ investment.

It is our responsibility to ensure that those public monies are spent wisely, legally, and in the best interest of the American people. And we will continue to do just that.

The questions we are raising today should be easy enough to answer, but unfortunately, AIG has failed to fully respond to straightforward requests for information. This cannot continue.

As AIG moves forward, it has to know that Main Street is just as important as Wall Street.

I’m looking forward to hearing today from Mr. Liddy and the AIG Trustees.

Thank you.