

News from Senator

BOB DOLE



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DOLE QUESTIONS BANKRUPTCY FILING BY MANVILLE CORPORATION

WASHINGTON -- Senator Robert Dole (R.-Kan.), Chairman of the Judiciary Subcommittee on the Courts, today took issue with the Manville Corporation of Denver, Colorado, which yesterday filed for reorganization under Chapter 11 of the Bankruptcy Act of 1978. Senator Dole, whose Subcommittee has jurisdiction over the federal bankruptcy laws, questioned the company's decision to seek bankruptcy protection to avoid escalating litigation resulting from potential product liability from its asbestos production activities during the past several decades. "This procedure is dubious and unusual at best," the Senator said.

"Because of the recent rash of personal bankruptcy filings, in part resulting from 1978 revisions of the bankruptcy law, our bankruptcy courts are currently facing an unprecedented workload," said Senator Dole. "In addition, the recent Supreme Court opinion in the Northern Pipeline case has cast at least some doubt on the jurisdiction of the federal bankruptcy courts as they are presently constituted. The Subcommittee is in the process now of amending the bankruptcy laws to respond to the Court's decision and to meet an October 4th deadline which the Court imposed. It may well be that we will want to add an amendment to deal with this situation in the Northern Pipeline legislation.

"America's bankruptcy system can ill afford the additional strains to be placed upon it by those who would use its protection for shelter against personal or corporate attacks where other remedies, both legal and congressional, would seem to be more appropriate. The federal district courts have ample jurisdiction to deal with mass litigation, and the federal court rules provide for class action litigation in similar circumstances. Also, Congress is currently considering product liability legislation, which, among other things, would set limits on amounts which could be recovered by plaintiffs in this kind of litigation. These cases could be handled in a manner similar to workman's compensation cases," Dole said.

"My staff has been collecting information on Chapter 11 filings for the past few months. The Subcommittee has not held oversight hearings on this feature of the legislation since the 1978 revision of the bankruptcy laws, yet Chapter 11 has been heavily used by increasing numbers of large companies in trouble," said Dole. "When the Senate reconvenes next month, I will consult with other members of the Subcommittee to see if oversight hearings are warranted."

"Already pending in the Subcommittee is S. 2159, introduced by Senator John Danforth (R.-Missouri), which provides that judgment debts resulting from liability based on drunk driving shall not be discharged by declaring bankruptcy. Although this bill represents an extreme approach to deal with those who would escape from the civil penalties of the law, it may well be appropriate for those who would abuse the bankruptcy system and seek its protection for purposes which Congress never intended," said Senator Dole.