Windfall for corporate executives from Chrysler-Daimler merger

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A proxy statement and other documents filed August 7 with the US Securities and Exchange Commission spell out the specific terms of the merger agreement between Chrysler Corporation and the Daimler-Benz AG. While the big stockholders and corporate executives will reap enormous rewards, cuts in jobs by the merged company are projected to cost workers $1.4 billion in the first year, and an average of $3 billion a year thereafter.

The documents were filed by Chrysler and Daimler-Benz after US and German government agencies gave final approval to the merger. The deal will be completed upon ratification by the stockholders of both companies, an action which is virtually assured.

The owners of the largest slices in the new company, US billionaire Kirk Kerkorian and Germany's Deutsche Bank, are backing the deal, which gives Kerkorian and other Chrysler stockholders a 34 percent premium on the value of their stock. Kerkorian alone will net $5 billion from his purchasing of Chrysler shares, which began in 1990 and led to an unsuccessful takeover bid in 1995.

Once the merger is finalized, the top 30 executives of Chrysler will divide nearly $500 million in cash, stock and severance pay, together with lucrative options to purchase stock in the merged DaimlerChrysler at favorable prices. The actual figures are $23.4 million in cash, $372.4 million in stock and $96.9 million in severance pay.

Chrysler Chairman Robert Eaton gets the lion's share: $3.7 million in cash, $66.2 million in stock (662,277 shares), and options to buy 2.3 million more shares of stock at a favorable price. If he leaves the merged company in the next two years, he will take with him a severance payment of $24.4 million. If he stays until 2001, another $30,000 a month will be added to his already large pension--Eaton's monthly *raise* is more than the typical retired Chrysler worker receives in an entire year.

Chrysler vice chairman Bob Lutz, who retired July 1, will get $1.3 million in cash and $25.7 million in stock, and the right to buy 683,380 shares of the merged company. Tom Stallkamp, Chrysler president, will get $1.5 million and $23.5 million in stock, and options for 379,384 shares. Chief Financial Officer Gary Valade will receive $1.1 million in cash and $22.2 million in stock and Executive Vice President Dennis Pawley gets $944,372 in cash and $21.5 million in stock.

The combined total for the top five executives, in cash and stock alone, not counting stock options and severance, is $168 million, the equivalent of the combined salaries of 4,190 workers making $40,000 a year.

Throughout the recent General Motors strike, the US media harped on the inefficiency of the Flint Metal Stamping and Delphi East plants, emphasizing the necessity for GM to cut costs and put an end to such supposedly absurd practices as allowing employees to stop working after five or six hours if they completed their production quota for the day.

There have been no such outraged comments over the enormous salaries, bonuses and stock profits being raked in by corporate executives and big shareholders, or such provisions as the payment of $27 million to Lutz, who will never work an hour for the merged company, or the $24.4 million severance which Eaton can collect if he lasts one day with DaimlerChrysler.

A spokesman for Daimler-Benz, Eckhard Zanger, took note of the gap between the salary levels of Daimler-Benz Chairman Juergen Schrempp and Chrysler Chairman Robert Eaton--the German CEO makes under $1 million a year, compared to Eaton's base salary of $6 million. Zanger said, 'We've always said we have to make our pay structure here more competitive internationally... But obviously you cannot adopt the US system from day one.'

Here is another curious double standard. By the calculus of capitalist executives, 'international competitiveness' requires reducing workers' wages in every country to the lowest level that can be found on the planet. But when it comes to the salaries of CEOs, the same 'international competitiveness' requires raising them to the astronomical levels which presently prevail only in the United States.

See Also:

After the defeat of the GM strike: What way forward for auto workers?
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The merger between Chrysler and Daimler-Benz: what it means for workers
[8 May 1998]