Germany: Power struggle at Volkswagen

“Resistance” to the EU commission

Dietmar Henning
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On Friday, September 12, 40,000 workers at the central Volkswagen auto plant in Wolfsburg demonstrated against the company’s largest shareholder—the Porsche group. The Porsche group is working together with the European Commission to abolish social gains won by autoworkers in the 1960s within the framework of the so-called Volkswagen law.

The demonstration, called by the industrial trade union IG Metall to coincide with a meeting of the company’s supervisory board, was the largest in the company’s history.

IG Metall leader Bertold Huber told the demonstration that should the VW law be toppled, the way would be free for Porsche to dominate the VW supervisory board, and the management of VW would be reduced to “puppets” in the hands of the Porsche executive committee. “Not with us, is my response,” Huber declared and continued: “The VW law is a beacon of employer-employee cooperation.”

The chairman of the German Trade Union Federation (DGB), Michael Sommer, also addressed the demonstration and declared: “The VW law must remain, in order to ensure that VW remains.”

And finally, the VW factory council chairman, Bernd Osterloh, warned: “Hands off our VW law.” Every company should have such regulations like VW to guard “against the undiluted, arbitrary domination of capital,” he said.

Porsche, the VW law and the EU commission

The September 12 demonstration represented the latest stage in the struggle for power at VW. VW has a total world workforce of 326,000, including 170,000 employees in Germany. Since September 2005, the Stuttgart-based sports car manufacturer Porsche has systematically acquired shares in VW and is currently the largest single shareholder with 31 percent. One year ago, Porsche announced it planned to increase its share to 51 percent. This process is due to be completed within the next few weeks. The European Union commission has already approved the takeover of VW by Porsche.

However, in order to secure a majority share in VW it is necessary for Porsche to abolish the so-called VW law. This law was first introduced in 1960 when the state-owned company was in the process of being privatised and converted into a corporation. The law assures that both trade unions and the state retain substantial powers to determine the future of the company. In 1960, the Federal Republic and the state of Lower Saxony (seat of the VW headquarters) both retained 20 percent shares in the company. The remaining 60 percent was issued as shares on the stock market. Currently, the state of Lower Saxony still retains a holding of 20.2 percent.

One of the most important regulations of the VW law is contained in paragraph 2. This stipulates that no single shareholder can control more than 20 percent of the voting rights in the company’s supervisory board—even if the shareholder’s interests exceed 20 percent. This enables important decisions—e.g., takeover bids or the closure of entire factories—to be blocked. The state, represented by Lower Saxony with its 20 percent share, retains veto power.

This arrangement has its roots in the history of Volkswagen. The company was first formed in 1937 by the National Socialists based on the demand by Adolf Hitler for the production of a “car for everyone.” The company was then set up with the money confiscated by the Nazis following their smashing up and plundering of the German trade union movement in 1933. The use of forced labour during the war was a key factor in building up the enterprise.

In 1960, the VW law was introduced as a concession to the trade unions in order to facilitate privatisation. The unions dropped their opposition to privatisation in exchange for the right to vote against any takeover of the company by an overly powerful private investor.

Until well into the 1980s, VW workers were able to enjoy considerably better wages and social conditions than other layers of industrial workers. All of this took place within the framework of regulated management-trade union participation (98 percent of VW workers are unionised, and their union dues are deducted directly by management to be passed onto the union) and led to the emergence of a broad layer of privileged union bureaucrats. They were considered to be as intermediaries between workers and management and received handsome compensation in the process.

In the meantime, the forms of “participation” at VW have become nothing more than open co-management. The trade unions and works councils defend their privileges by proving to management that they are best situated to impose attacks upon the workforce. The vast extent of the corrupt relations between trade unions, management and political circles at VW emerged clearly in the summer of 2005 when it was revealed that VW had sponsored luxury holidays, including trips to the brothel for trade union leaders—all at the company’s expense.

This particular form of “German company culture,” involving massive subsidies to the trade union and works council, has for many years been a thorn in the eye of international investors and other big companies, such as Porsche. The Porsche Holding deliberately switched over to the Societas Europea (SE—a society based on European law governing share transactions) in order to overcome limitations laid down by the German model of industrial relations.

At the moment, the VW law still represents an obstacle to the plans of Porsche. As is the case with many major concerns and financial investors, Porsche is utilising the European Commission to undermine national interests and social gains. In the past few years, the European Union commission and the European Court of Justice have repeatedly functioned as an instrument for the imposition of neo-liberal policies in the interests of global financial markets.

In the case of VW, the EU commission had already delivered an ultimatum in March 2004 demanding that Germany alter the VW law by the end of May 2004—in particular, paragraph 2, which stipulates voting rights. The responsible commissioner at that time was Frits Bolkestein, who regarded the VW law as a violation of the free movement of capital within the EU.

Following the failure of the German government to implement this ultimatum, the European Court of Justice (EuGH) ruled on October 23, 2007, that the VW law was incompatible with EU laws. The EuGH stressed in its judgement that employee protection rights did not justify any restrictions on the free flow of capital. Germany was once again pressured to amend or abolish the law.

The German government responded by submitting a new draft of the VW law in May, which made substantial concessions to the demands made by the EuGH but still gave the trade unions and VW works councils a right of veto over vital decisions concerning the future of individual plants. In response, Bolkestein's successor as EU trade commissar, Charlie McCreevy, announced last week that he would also oppose this new draft and bring it before the EuGH—entirely in line with the wishes of Porsche.

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While VW workers were quite right to protest against attempts by Porsche and the EU commission to abolish the VW law, they should not place any confidence in their alleged allies. For ordinary workers, the issue is one of defending social gains won during the past decades. For the VW supervisory board chairman Ferdinand Piech, however, the VW law represents a guarantee of his own influence, while the trade unions and factory councils are eager to protect the law as the basis of their privileges.

In the course of the current dispute between VW and Porsche, VW workers are being misled by the IG Metall to support the line of Ferdinand Piech and the VW board.

Involved in the dispute over the VW law are two of the richest families in Germany, neither of which have any sympathy for VW workers. On one side is the Porsche company, which is majority-owned by the Porsche family. On the other side is Ferdinand Piech, who headed the VW executive committee from 1993 to 2002 and now chairs the company's supervisory board, together with his allies. Piech is also a holder of shares in Porsche, and both families are closely related. Currently, the Porsche family controls more shares than the Piech family and is therefore able to determine Porsche company policy.

Piech can, however, also rely on the backing of IG Metall and the company's factory committees, led by Chairman Bernd Osterloh, as well as the state government of Lower Saxony. They have both supported Piech in his dispute with Wendelin Wiedeking, the chairman of Porsche.

Wiedeking, who will determine policy at the new VW parent company, has announced that in future every single auto produced must bring in a profit. This policy is likely to lead to the closure of the newly erected factory in Dresden for the production of the VW Phaeton, as well as the end of the company's Spanish subsidiary Seat, which has been sustaining losses for years. Seat currently employs around 16,000 workers.

The close cooperation between IG-Metall, the VW works council and Piech against Porsche and Wiedeking was evident at the demonstration held last Friday. Photographers and camera teams usually are not allowed to attend internal meetings in the VW headquarters, but last Friday, the media were expressly invited to follow and report on the protest meeting. According to press reports, Porsche had sought to oppose any participation by the media.

The *Frankfurter Allgemeine Zeitung* then wrote about the close cooperation between the works council chairman Osterloh and Piech: "Ferdinand Piech looks favourably on the attacks on Wiedeking, some even maintain he is assisting in such attacks behind the scenes."

For their part, Wendelin Wiedeking and Porsche can rely on the backing of the Porsche family as well as the Stuttgart branch of IG Metall led by Hans Baur, and the Christian Democratic-Free Democratic Party state government of Baden-Württemberg.

The chair of the Porsche works council, Uwe Hück, who last year defended Wiedeking's annual salary of €60 million, has also spoken out against any special arrangement for VW. Hück struck an agreement with Porsche that the 12,000 workers employed at Porsche should receive voting rights in the VW parent company equal to those of the 320,000 VW employees—representing a dramatic loss in power for the VW trade unions.

The VW factory councils are vehemently opposed to such a loss of influence and have undertaken legal measures to oppose the deal. At the supervisory board meeting last Friday, IG Metall and works council representatives at VW requested that future projects between Porsche and VW, such as the use of VW engines in Porsche models, should require the agreement of the VW supervisory board. This would limit Porsche's influence in future and award Piech veto rights in the company's control committee.

The representatives on the employer side were opposed to the union demand, and the casting vote fell to Piech. Piech neglected to attend the meeting, however, thus enabling the union side to secure a majority.

Wolfgang Porsche, chairman of the Porsche supervisory board and also member of the VW supervisory board—and a cousin of Piech—reacted caustically: "I am furious with the voting tactics adopted by the VW supervisory board chairman." Now, the Porsche clan is seeking to recall Piech as head of the VW supervisory board.

This dispute represents the latest chapter in the dispute for influence at VW between two of the most powerful business and family clans in Germany, Piech and Porsche. The fact that individual factory councils and trade union functionaries line up with one or other of these clans, while exploiting the respective company workforces for their own purposes, is further testimony to the right-wing policies of the unions.

VW workers must reject the line of the trade unions and undertake a principled campaign to defend their jobs and social conditions. This requires the adoption of a genuine socialist perspective and the struggle for a society that places the needs of the working population above the profit interests of investors and billionaire shareholders.