

# Norwegian pension fund breaks silence on Volkswagen-Porsche takeover scandal

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15 October 2009

In an open letter to the Volkswagen supervisory board, Norway's state pension fund, Norges Bank Investment Management, subjects the takeover of Porsche by Volkswagen to fierce criticism. After months of silence by the media, various experts, professors, politicians and lawyers, for the first time a simple question has been posed in public: Why is Volkswagen rescuing the oligarch clan Piëch/Porsche from its failed speculation and giving it possibly more than €4.5 billion?

Norway's state pension fund is one the largest international investment trusts, administering nearly €310 billion and predominantly fed from the country's oil revenues. Although it is subordinate to Norges Bank, the Norwegian central bank, and is thus subject to state control, it acts purely on the basis of capitalist criteria. It currently has €270 million invested in Volkswagen shares.

In the letter, this large-scale shareholder accuses the head of the VW supervisory board and Porsche joint owner Ferdinand Piëch of a serious conflict of interest and breaching the rules of good management. "In this letter we address you again to show that we hold the Supervisory Board accountable for practices that are deemed unacceptable. ... In the absence of convincing clarification we are left with the impression that ... Porsche's controlling families might have used their influence [on the VW supervisory board] to secure values to themselves at the expense of Volkswagen AG and its non-controlling owners."

The VW supervisory board is accused of acting in an opaque manner, and to have approved the purchase of Porsche without consideration for the well-known facts. The two main businesses are criticized as part of the Porsche takeover: the purchase of the auto sales company Porsche Holding Salzburg and the takeover of the Porsche auto business, including part of its debts. According to *Managermagazine*, the Salzburg sales operation and the Porsche auto manufacturing businesses are to be acquired for €3.5 billion and €12.4 billion respectively.

The letter adds: "We do not see justifiable reasons have been presented to us for Volkswagen to assist the Porsche and Piëch families by buying out their privately held automobile trading business of Porsche Holding Salzburg. We call on Volkswagen to cancel plans for buying those assets unless it shows the means by which it determined the price and demonstrates that the acquisition has particular strategic value." Norway regards the price paid for the Porsche auto business to be "rich," in particular, because parts of Porsche's debts are to be taken over by VW.

"In total therefore, the deal appears unacceptable," the letter explains. It continues: "We think there might be reason to examine whether individual Supervisory Board members have fulfilled their

fiduciary duty to the company when authorising the transaction plans as they have been presented." The Norwegian fund threatens to "consider the options open to us" i.e., to sue the supervisory board members for compensation and/or to have them charged with breach of fiduciary trust.

Henning Gebhardt, fund manager with DWS Investment GmbH, the largest minority Volkswagen shareholder, has now likewise publicly supported the demands of the Norwegian pension fund, telling *Handelsblatt*: DWS has "so far received relatively little information about how Volkswagen came up with the valuation of €12.4 billion for Porsche." Summing up its position, *Handelsblatt* also notes that the acquisition of Salzburg Holding is "still to a large extent a closed book."

## Silence of politicians and the media

So far, the letter from Norway is the only public criticism regarding the Volkswagen-Porsche deal, by means of which an oligarch family is unrestrainedly enriching itself for all to see. Although many other newspapers report the Norwegian criticism and quote from the pension fund's letter, nobody has sought to uncover the interests involved in these financial intrigues and exposed the details of this orgy of enrichment. Neither the media, nor politicians of any party, governments, experts or professors have so far examined or criticized the actions of the Porsche/Piëch families, let alone raised any question of a possible criminal investigation.

The fear is too great that this could expose the true character of contemporary social conditions. The Volkswagen-Porsche deal shows what lies behind the various ceremonies and commemorative speeches on the 60th anniversary of the founding of the German Federal Republic: a class society in which private ownership of the means of production furnishes unrestricted power and possibilities for the enrichment of the financial aristocracy.

Nobody could fail to see what has happened in the last 12 months during the spectacular game of takeover poker, which ended with the de facto bankruptcy of Porsche and is now culminating in the plundering of Volkswagen.

Porsche, 100 percent owned by the Porsche and Piëch families and producing about 100,000 cars in 2008 with a workforce of some 11,500, had gradually been purchasing shares in the much larger Volkswagen company since 2005. VW employs 325,000 and produces 6 million cars annually.

In October 2008, Porsche announced that it owned 51 percent of the shares of VW, with options for a further 25 percent. The company's share value—€50 in 2005 and rising to over €200 by October 2008—exploded within a few hours following this announcement, briefly hitting €1,000. The background was the fact that the state of Lower Saxony had a 20 percent shareholding in Volkswagen, and thus only 5 percent of the company's shares were being freely traded. Several banks were said to have suffered losses running into billions during this period, because they had speculated on falling Volkswagen share values. This was also the case for billionaire Adolf Merckle, who committed suicide a short time afterwards.

Porsche explained at the same time that it was seeking a control and profit removal contract by the end of 2008. The goal was to get hold of Volkswagen's overflowing coffers of more than €10 billion. In a normal corporation, that would not be a problem with a 75 percent majority shareholding, since decisions can only be blocked with a 25 percent shareholding. In case of VW, however, there is also the "Volkswagen law," granting this veto right to the state of Lower Saxony for its 20 percent shareholding.

Since the European Commission has long been seeking the removal of the Volkswagen law—among other actions, with a suit before the European Court of Justice (EuGH)—and had said in November 2008 that it planned to fight the upholding of these regulations by the German parliament in a new suit, the situation for Porsche seemed favourable.

But the appeal by the European Commission never materialised. For Porsche, which faced a mountain of debt of over €14 billion to fund its purchase of Volkswagen shares and options, as later became known, time was beginning to run out. The economic crisis meant Porsche's sales fell by 25 percent, and the banks were no longer willing to extend their credit. Porsche faced bankruptcy. Its debts far exceeded the value of the company, which in spring 2009 Volkswagen valued at €8 billion.

Also in spring 2009, there followed a series of secret negotiations, at the end of which a solution was presented that simply turned the tables. Volkswagen would acquire Porsche, and Porsche's owners, the Porsche/Piëch families, would be the largest single shareholders, with 35-40 percent controlling stake in Volkswagen.

So far the only detail that is known is that money from Volkswagen would be used to fund the €12.4 billion for the purchase of the Porsche auto manufacturing business and pay off part of the debts, as well as provide €3.5 billion for the Porsche auto sales company in Salzburg. The remaining debt would be settled by the Emirate of Qatar, which would receive a 20 percent shareholding in VW.

Wolfgang Porsche, who publicly shed tears over the sale of Porsche to VW in June, could not prevent himself rejoicing over this deal, saying, "It doesn't matter how the thing is done in the end. ... Today our family possesses about half of VW."

The Norwegians justifiably asked: Why should VW take over the debts of Porsche—estimated at €4.5 billion—and is the €3.5 billion for the Salzburg holding justified? In other words: Why isn't VW buying Porsche auto production after a proper bidding process for probably €8 billion, leaving the Porsche/Piëch clan holding their speculative debts?

Above all, this question should be addressed to the IG Metall union. Not only is it silent, like the other "pillars of democracy," it probably gave its blessing to the deal on the supervisory board in July 2009. The union provides 9 of the 20 VW supervisory board members, and would have been best placed to use its knowledge of the private purchase of the enterprise to at least denounce the acquisition and mobilize public opinion against it.

Such a public campaign would have made it difficult for the state of Lower Saxony, with its duty to preserve public finances, and with its 20 percent VW shareholding, to vote for the takeover. The deal would then have failed with opposition by a majority of at least 11 votes on the supervisory board.

But IG Metall has no such interest. This was shown in the way it "dealt" with the scandal about bonus payments and foreign trips by Works Council members paid from company resources. Klaus Volkert, VW Works Council chair from 1990 to 2005, has since been sentenced to two years and nine months in prison for his company-paid brothel visits and special payments valued at over €2 million starting in 1995, in addition to his princely salary of €679,000.

Since the end of the court case in 2007, which sacrificed Volkert, nothing more has been heard from IG Metall. No questions were discussed about how such a breach of trust of the workforce was possible and who knew about it. Who were the other Works Council members that participated in the brothel visits? What does Volkert's successor, the present Works Council chair Bernd Osterloh, know about it? He has been a member of the Works Council since 1990. Is it possible that he knew nothing about any of it? What membership meetings have been held at which those involved and responsible could be held to account? What conclusions were drawn?

Such questions, which would immediately lead to a serious debate in any healthy organization, are not only unwanted in IG Metall, they are suppressed using every possible means. IG Metall identifies itself completely with the interests of capital and operates in the true sense of the word as co-managers.

This has had devastating consequences. Volkswagen was founded in 1938 using the funds of the trade unions smashed by Hitler in 1933. After the end of the Second World War, the unions never called for compensation. And now this fortune is to be handed over to the Porsche/Piëch oligarchs and the future of the enterprise and all those it employs is placed in question.



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