VW denies emissions fraud in Europe

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The emissions fraud discovered in September last year and the resulting penalties and fines, amounting to billions of euros, have already shaken the Volkswagen Corporation to its foundations. Since then, the arrogant denials of responsibility by those in positions of power in the company have driven the corporation and its 600,000 employees deeper and deeper into the abyss.

When Volkswagen CEO Matthias Müller declared in an interview in the US at the beginning of the year that the company was not conscious of any guilt and that the criminal emissions manipulation was a small "technical problem," this was viewed as a mere public relations failure. Since then, VW has conceded that it not only "cheated," but also swindled the authorities and customers with the help of the automatic cut-out feature for emission control.

Two months ago, a Volkswagen engineer pleaded guilty in a court in Detroit of taking part in emissions manipulations. According to *Norddeutscher Rundfunk* (NDR), the 62-year-old admitted that until May 2008, he took part in "a conspiracy" at the corporate headquarters "lasting ten years."

According to the engineer, the work on special fraudulent software for the US market began around 2006 in the diesel engine development department. He is "one of many at Volkswagen" who are implicated in the emissions scandal, said his defense attorney.

In the US, VW is paying at least €15 billion in penalties and fines for just under a half million automobiles. At the last count, 11 million automobiles were sold with the fraudulent software, including 8 million in Europe.

Now the VW corporation is claiming that its actions were legal in Europe, unlike in the US. Press reports in the *Süddeutsche Zeitung*, the NDR and the *Westdeutscher Rundfunk* (WDR) have quoted company legal briefs, according to which the software built into the automobiles does not constitute "a prohibited switch-off device according to European law." Accordingly, it claims that there are no grounds for accusing the company of manipulation.

Indeed, VW goes even further. The corporation even disputes that the nitric oxide emissions of the Diesel cars are harmful to health. "It is impossible to determine scientifically the number of cases of illness or even death for certain population groups on the basis of what we know."

The reason for these obvious lies is clear. Claims for damages by customers in Europe have to be prevented at all costs. However, this attitude could have repercussions for the corporation and its 12 brands that go far beyond the feared compensation payments. In particular, its sales numbers could be damaged for years to come.

The situation is similar for Audi, its luxury subsidiary. Audi had long claimed that it did not manipulate emissions numbers, which turned out to be a lie. In fact, Audi developed a three-litre diesel engine with software that produced false emissions readings. The six-cylinder engine is in the VW Touareg, the Porsche Cayenne and the Audi A8. Audi is currently in negotiations with the US over penalties, fines and compensation payments for 85,000 US customers. Consequently, VW has raised its liabilities from about €400 million to €1.8 billion.

It has now emerged that Audi not only manipulated nitric oxide emissions, but also its carbon dioxide emissions, and it has done so in gasoline engines as well as diesel engines.

The *Bild am Sonntag* reported last weekend that the California environmental agency CARB discovered a software-based manipulation in the six-cylinder Audi engine and some automatic transmissions. If the steering wheel is not turned at startup in the usual way for a chassis dynamometer, the shift strategy is activated, which leads to a lower consumption and carbon dioxide emission reading. If, on the other hand, the steering wheel is turned more than 15 degrees, which it normally is, the normal switching program is activated—with higher emissions.

Axel Eiser, who was responsible for these motors at that time supposedly already knew about the "cycle optimized switching program" in 2013. Since then, Eiser has been promoted to head of motor development at VW.

VW stock holders have also made claims in the billions of euros. They accuse the VW executive of finding out about the emissions manipulation too late last year and thereby of violating the requirements of the ad hoc reporting obligations of the stock corporations.

The Federal Financial Supervisory Authority (BaFin) sued

the entire VW executive board last year, but the Braunschweig Public Prosecutors Office only initiated proceedings against Martin Wintercorn, who was president at that time, and VW brand executive Herbert Diess. Now the Attorney General has announced that it has also initiated an investigation of VW Board of Directors Hans Dieter Pötsch. He was the chief financial officer and was responsible for stock market communications.

If VW is held responsible for the "manipulation of the capital markets," this could become expensive. Investors have sued the company for more than €8 million in damages.

The owner families Porsche and Piëch, the Social Democratic Party (SPD)-ruled state of Lower Saxony, which has a market share of 20 percent in the company, and IG Metall, whose Chairman Jörg Hofmann sits on the VW supervisory board, have all lined up in support of Pötsch.

The owner families, the SPD and the union, as well as their representatives on the executive board and the works council, are like the representatives of an autocratic regime shortly before its collapse. Cut off from the outside world, they live in their own world and believe they can do whatever they want. This was already made clear when, at the end of April, the managers pocketed €63 million, while the employees were forced to endure heavy cuts.

It had already become clear at that time that the shareholders and managers were behaving so arrogantly because they could depend on their handsomely compensated union lackeys—IG Metall and the works councils. For decades, the so-called representatives of the workers have been part of the "archaic ruling structures at VW" (*Süddeutsche Zeitung*).

In the postwar period, this model was called the "German social partnership." At that time, on account of the high degree of organization of the VW workers, IG Metall was able to fight the owner families for relatively good jobs and good working conditions. Now, IG Metall and the works councils make sure there is a highly productive workforce and "peace and order" in the factories.

With the globalization of production, this relationship has fundamentally changed. The union and the works councils have reacted to the possibility of the outsourcing of production by transforming themselves into advisors and an arm of management. They have developed mechanisms for imposing cuts on the employees and they now strangle all opposition in the factories.

This phenomenon has also been demonstrated by the negotiations over a future agreement over the VW core brand, which have been led for several months by former IG Metall functionary and current VW personnel head Karlheinz Blessing and by works council head Bernd Osterloh. The discussions have been carried out "very constructively," VW brand head Diess recently told *Handelsblatt*.

Neither the management board nor the works council have revealed the concrete details of what is being negotiated. However, according to a report in the *Hannoversche Allgemeine Zeitung* on September 15, they are discussing slashing 10,000 jobs in Germany. The contract includes above all the six West German VW factories (Emden, Wolfsburg, Hannover, Salzgitter, Braunschweig, Kassel) as well as the three factories in Saxony (Zwickau, Dresden and Chemnitz).

Evidently, in the next few years, between 20,000 and 25,000 positions will be eliminated as a result of an expansion of partial retirement regulations. The expiration of many thousands of temporary employment contracts and the cutting of 3,000 positions in management have not yet been factored in. At a private meeting at the factory in Wolfsburg in the middle of September, Blessing warned: "We have a hard fitness program ahead of us. Qualifications, new tasks, new ways of working—all of that is required of us. A reduction in personnel through partial retirement, for example, is a part of this."

In order to make up for the lag in the development of electric vehicles, the production of corresponding models and batteries will be regulated within the framework of the agreement. VW plans to produce more than 30 new electric models by 2025, of which two to three million are expected to be sold per year, that is, about every fourth car measured by car ownership today.

For the upgrade, VW estimates investment costs in the tens of billions. If this goal is only partially met, the approximately 6,500 job in engine plants in Salzgitter will be the first to be threatened. There are two other VW motor factories in Europe. Just under 2,000 workers are employed in Chemnitz, Germany and over 11,000 are employed in Gy?r, Hungary.

The works council will try to play the workers in these and other factories against one another in order to impose cuts.