

VW leadership dispute prepares way for massive job cuts and austerity

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On June 8 the CEO of Volkswagen (VW), Herbert Diess, was dismissed from his post as manager of VW's leading brand. His dismissal was preceded by fierce disputes within the company management. Diess will remain, for the time being, head of the VW group as a whole, although the company's supervisory board had discussed his dismissal as CEO. It was allegedly only legal issues that prevented his sacking as CEO.

Diess was recruited from BMW in 2015 on the recommendation of the VW works council and the IG Metall trade union to take over management of VW's core brand. In 2018, Diess took over as CEO of the world's largest vehicle manufacturer with its 13 different brands, including Audi, Porsche, SEAT, and Skoda.

Until now, the central works council head, Bernd Osterloh, and IG Metall had worked closely with Diess, drawing up and implementing an entire series of company savings programs, all of which bore the hallmark of Osterloh. Conflicts within management increased in recent months, however, and at the end of May the *Bild* newspaper reported on an "attempted coup" by Osterloh and IG Metall chairman Jörg Hofmann, both of whom sit on the VW supervisory board.

Osterloh and Hofmann accuse Diess of making serious mistakes regarding the new Golf—VW's most important model—and the ID.3 electric car. Of the 100,000 Golf VIIIs planned, only 8,400 were built in 2019. To date, more than half the cars that roll off the assembly line have defects, especially with their software and electronics. In May, VW stopped delivering the new Golf model due to a problem with its emergency call mechanism, and a recall of the model was imminent.

The same applies to the ID.3. It was planned to replace the Golf as the new alternative in the age of electromobility transport and, above all, to put pressure on VW's competitor, Tesla. But here, too, problems have emerged with the software, and the vehicle is currently

scheduled to come on the market in late summer or autumn with a slimmed-down software.

In a letter a few weeks ago, Osterloh listed the shortcomings of the board: unclear division of competences, a lack of responsibility and a rude style of leadership. The company's arrogant business approach, which has not changed since the 2015 diesel scandal, has led to the best software developers seeking out VW's competitors, and is one reason for VW's specific problems.

Buyers of VW autos have had to wait years for any sort of compensation following the diesel scandal; VW recently published a racist advertising clip on Instagram for which the company was forced to apologise; and three weeks ago, VW expended €9 million to prevent the prosecution proceedings against Diess and ex-CFO and current supervisory board chairman, Dieter Pöttsch. All of these issues were raised in the management dispute with Diess.

Additional charges include the accusation that Diess did not campaign sufficiently for a government premium to encourage the purchase of petrol and diesel vehicles and that he acted clumsily in public.

The dispute then escalated last week. In a video conference with 3,000 executives on June 4 Diess accused individual members of the supervisory board of disclosing internal information and thereby committing crimes.

"The events on the supervisory board in the last week and communications about incidents on the supervisory board do not help the company," Diess said, according to the *Wolfsburger Zeitung*. "They are also a sign of a lack of integrity and compliance. These are crimes that occurred in the supervisory leadership and are evidently located there."

Without naming names, everyone knew who Diess meant. He was then forced to make an apology in a special meeting of the supervisory board.

The allegations against Diess are certainly justified. He is a ruthless organiser who is determined to cut costs and increase profits for shareholders. The reason why the works council, IG Metall and the Lower Saxony state government (a major VW shareholder), are all striving to change VW's management, however, goes much deeper.

The Volkswagen Group, with its global production network and total of 650,000 employees, has been rocked to its foundations by the international economic crisis which has been dramatically exacerbated by the COVID-19 pandemic. At the beginning of the week, Germany announced an export decline of 31 percent compared to the previous month. This is the severest export slump in the country's history and far worse than expected.

The auto industry has been hardest hit. Here, the decline in exports was 73.6 percent compared to April last year. In absolute terms, this means that while German companies sold autos and other vehicles worth almost €19 billion last April, this figure fell to €5 billion this April.

In view of this situation, the VW works council and IG Metall are demanding that the company's already close cooperation with the federal and state governments be significantly intensified. Similar to the example of the German air carrier Lufthansa, VW also expects a special aid program worth billions to be provided by the government to finance the restructuring of the company and its preparations for global trade war.

Osterloh and company want to use the coronavirus crisis to strengthen the "auto pact" with the government. They believe that the €50 billion earmarked for the auto industry in the economic stimulus package—hidden behind the title "Investing in climate protection and future technologies"—is insufficient to halt the elimination of hundreds of thousands of jobs, cuts to wages and social benefits, and raise the return on capital owners' finance.

They want a change of leadership at VW to bolster their pact with the government. In a background article on the current leadership dispute at VW, the *Süddeutsche Zeitung* wrote that CEO Diess was regarded as insufficiently partisan.

The German bourgeoisie is also using the coronavirus crisis in other spheres of the economy to realign German companies in the global battle for markets and profits, especially against the US and China. To this end, broad swathes of industry are to be rationalised to create "global champions." Osterloh and IG Metall want VW to be one of these "global champions" and are ready to take responsibility for the resultant austerity programs and

rationalisation measures.

The union bureaucrats already have a favoured alternative for Diess: Gunnar Kilian. Two years ago, Osterloh secured the employment of Kilian, a social democrat and IG Metall man, as the new personnel manager at VW. He has been with the company for 20 years and is closely networked with the trade union, the SPD and the main family shareholders.

The 45-year-old started in the public relations department at the VW headquarters in Wolfsburg. From 2003 to 2006, Kilian was an assistant to the Bundestag MP Hans-Jürgen Uhl (SPD) before the VW works council appointed him as its press spokesman. At the time, the scandal about illegal pleasure trips by works council members financed by the company was still relatively fresh. Osterloh then took over the chairmanship of the works council after then-chairman Klaus Volkert had to answer charges of corruption in court.

In Salzburg, Kilian temporarily headed the office of long-time VW patriarch Ferdinand Piëch, "a key position in the inner circle of power of the controllers and owner families Porsche / Piëch," wrote *Die Welt* at the time. Osterloh then brought Kilian back and made him general secretary and managing director of the combined works council, before securing his position as head of human resources two years ago. At the time, Deutsche Welle wrote: "Gunnar Kilian, a long-standing, close colleague of the almighty works council chief Bernd Osterloh has moved up into the executive. As a guardian for Diess?"

At VW, the collaboration between the executive committee, the works council, the union and the government has always been particularly close. The current leadership dispute ushers in a new phase of this corporatist policy, aimed at preparing the company for global trade war at the expense of the workforce.



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