New VW CEO restructures company with support of the trade unions, costing thousands of jobs

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In the almost four months since Porsche CEO Oliver Blume also took over as CEO of Volkswagen, he has implemented two strategic changes.

First, he has reorganized software development in the 10-brand VW group with its 670,000 employees worldwide. This will have far-reaching consequences for workers in research and development, especially at Audi. Secondly, he has secured the full support of the trade union-dominated works councils, above all that of Daniela Cavallo, chairwoman of the General Works Council, who also chairs the works council at the main VW plant in Wolfsburg.

Reorganization of software development

A week before Christmas, Blume presented plans for a comprehensive strategic restructuring of the company. Accordingly, from 2023 onwards the VW brand will be responsible for production and procurement in the overall group, Audi will then be responsible for sales and quality management, and Porsche will head the important development and design departments. This is a huge demotion for Audi, which until now has been responsible for development as the technology leader. It will result in massive job cuts in the development departments in Ingolstadt.

Audi's ambitious goal of putting the first highly automated car (under the name "Artemis") on the road before the end of this decade has been completely abandoned by Blume. VW's withdrawal from US-based start-up Argo AI is also related. VW bought into this firm along with Ford in 2019 to develop fully automated driving. Now, Argo AI is being wound up, and almost 300 developers who worked in Munich do not know what awaits them in the coming year.

The temporary withdrawal from the development of highly and fully automated driving is a consequence of the concentration of all resources on the company's own software development efforts. Software is considered the largest value-adding component in the cars of the future. VW set up its own subsidiary, Cariad (for Car, I am digital), for this purpose two years ago. But so far it has not been able to develop an in-house operating system. Blume's predecessor, Hebert Diess, had to leave not least because of this. VW workers complained that under his leadership, software had taken a back seat to the development of new models. Now it is to be the other way around, with software being developed first and then vehicle models defining it.

Accordingly, the Trinity electric model, which was supposed to roll off the production line with this software as early as 2026 in a new factory sprouting from the ground near the Wolfsburg main plant, has also been postponed for the time being. It is to be released—if at all—at the end of the decade at the earliest, when the company's own software can be used. Only a few people in Wolfsburg still believe the new factory will be built, and a decision is to be made early next year.

As long as the new proprietary software is not available, VW will have to make do with further development of existing software. To do this, VW will also have to cooperate more with established software companies such as Microsoft and Google.

Cariad announced at Christmas that it would hire up to 1,700 software and hardware developers and engineers, 300 of them in Seattle alone, in the US. Nevertheless, the approximately 5,000 Cariad employees worldwide, many of whom work in Ingolstadt—at the headquarters of the previous development manager, Audi—are wondering whether their VW subsidiary will still exist in one or two years.

Close cooperation with union works council representatives

Diess also had to go because he frequently announced attacks without involving the IG Metall union works council representatives. For example, the works council had taken exception to the fact that scenarios commissioned by Diess about the loss of 30,000 jobs had been made public and had alarmed the workforce.

Blume is currently being praised by the union works council representatives because he involves them closely in his planning. Blume had made a good start at the top of the corporation and enjoyed the "fullest support" of the works council with his team,

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says Cavallo, adding that they worked together “on a basis of trust and as equals.”

Blume needs the union works council members, especially at the Wolfsburg headquarters. The plant has been underutilized for some time. Parts shortages, especially in semiconductors, have caused production to pause frequently throughout the year. Night shifts were permanently cancelled in the spring, followed by repeated short-time working. Throughout January, VW will have production workers on short-time working, which began in the week before Christmas. These were the consequences of the “current worldwide coronavirus pandemic and the effects of the war in Ukraine.”

This year, fewer than 400,000 cars will be produced in Wolfsburg--the world’s largest car factory. This is the worst result in VW history and there is no significant improvement in sight. According to Volkswagen CFO Arno Antlitz, inflation and the worsening economic situation will hurt demand for new cars.

Cavallo is therefore insisting on producing new models in Wolfsburg. The €2 billion that the new Trinity plant was supposed to cost could flow into the main plant. The corporation has since announced plans to invest around €460 million there by 2025. The plant was already being prepared for production of the ID.3, which has so far been built in Zwickau, he said. The small car would be the first electric model for Wolfsburg. At a works meeting, VW brand boss Thomas Schäfer announced another larger electric model, an SUV.

Works council head Cavallo has expressed her pleasure, saying Wolfsburg remained the powerhouse of the brand and the group. She anticipated two electric car models and the Trinity: “In this way, we are creating job security.”

Works councils at other VW subsidiaries see it differently, however. There are already signs of bickering among the company’s works councils at different plants, especially between VW Wolfsburg and Audi in Ingolstadt and Neckarsulm, since it is not just development engineers who are at risk there. Hildegard Wortmann, who is responsible for sales on Audi’s management board, recently recalled what she had predicted in 2020, when she said, “There’s a 50 percent chance that Audi will still be around in 10 years.” She would repeat this thesis today, she said two months ago in a podcast by business weekly *Wirtschafts-Woche*.

Incoming orders for VW’s Western Europe division were down 15 percent, she said. If Audi did not change, “we’re simply out of the game,” she said.

Last week, Audi announced plans to cut annual factory costs in half by 2033. The company’s main plant in Ingolstadt, which employs 40,000, is serving as a blueprint, according to Gerd Walker, board member responsible for production.

At the last works meeting, long-time Audi works council chairman Peter Mosch supported the restructuring. He said there were clear agreements between the board and the general works council. In an interview with the *Augsburger Allgemeine* newspaper on December 16, he, too, raved about the new VW boss. “Mr. Blume also calls me on his own accord.” Blume makes sure that “we as employee representatives are in on the action.”

IG Metall works council member Mosch is calling for full capacity utilization at the Audi plants until at least 2030, and only then could there be talk of “one or the other project being manufactured at another location in the VW Group.” According to Mosch, “Our motto is therefore: Audi First!”

He recalled that he had agreed to eliminate 9,000 jobs in return for which he expected “around 2,000 to be created in new areas such as electrification and digitization.” Mosch announced, “But we as the Audi Works Council want to get a bigger piece of the new pie.”

Just as Mosch is now calling for “Audi First,” others will follow suit. By playing off the workforces of the individual brands and locations against each other, the union works council representatives are implementing the attacks that Audi manager Wortmann described as a “fundamental need for change.” Job cuts, wage reductions, increases in work pressure, all this is being prepared.

Enrichment of the shareholders

While the union works council representatives are calculating how to implement these attacks with Blume, the shareholders are securing their profits. The Porsche IPO in September raised around €20 billion for VW. A quarter of Porsche preferential shares have been sold on the stock market; the financial holding company of the Porsche and Piëch families has acquired another 25 percent.

At a special general meeting on December 16, shareholders decided that half of this nearly €20 billion would be distributed to themselves as a special dividend. Since VW’s largest owner by far is the financial holding company of the Porsche and Piëch families, the two will thus receive €3 billion. As the second largest shareholder, the state of Lower Saxony will receive more than €1 billion, and the third largest owner, the Sheikdom of Qatar, will also receive more than €1 billion in special dividends.

The struggle against this requires breaking with IG Metall and its works council representatives and building independent rank-and-file action committees that organize resistance and make contact with auto workers in all locations and countries. The Sozialistische Gleichheitspartei (SGP, Socialist Equality Party) and its international sister parties have founded the International Workers Alliance of Rank-and-File Committees (IWA-RFC) to launch and develop such an offensive.

We call on all VW group workers: Get in touch via WhatsApp message at +491633378340.

To contact the WSWS and the Socialist Equality Party visit:

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