



User Name: AYCEID ServicetoService

Date and Time: Thursday, May 7, 2020 9:31:00 AM EDT

Job Number: 116294956

Document (1)

1. VW scandal: staff suspended as car giant appoints new CEO; Veteran head of Porsche division Matthias Müller takes over car giant and blames 'small group' of staff for emissions scandal

VW scandal: staff suspended as car giant appoints new CEO; Veteran head of Porsche division Matthias Müller takes over car giant and blames 'small group' of staff for emissions scandal

The Guardian

September 25, 2015 Friday 10:58 PM GMT

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theguardian

Section: BUSINESS

Length: 1074 words

Byline: Graham Ruddick and Sean Farrell

Body

Volkswagen has blamed its emissions scandal on a "small group" of people and has suspended a number of staff as Matthias Müller was unveiled as its new chief executive.

Müller, who has been promoted from his role as boss of Porsche, pledged to leave "no stone unturned" and "maximum transparency" in an investigation into how the company cheated emissions tests on diesel cars. The new VW boss did not reveal how many staff had been suspended or who they were, but the company said the scandal was the result of "unlawful behaviour of engineers and technicians involved in engine development".

Bernd Osterloh, chairman of VW's work council and a member of the executive committee, said: "A small group has done damage to our company. We need a climate where mistakes are not hidden."

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Müller and Osterloh were speaking at a press conference to unveil the new boss of the troubled German carmaker. The 62-year-old was elected by the VW board at a meeting on Friday to replace Martin Winterkorn, who resigned following revelations in the US that Volkswagen installed software in its cars to disguise illegal emission levels.

"My most urgent task is to win back trust for the Volkswagen Group - by leaving no stone unturned and with maximum transparency, as well as drawing the right conclusions from the current situation," Müller said.

Müller faces a major challenge in rebuilding VW. The company has admitted that 11m cars were fitted with defeat devices and set aside (EURO)6.5bn (£4.8bn) to pay for the costs of the crisis. However, it also faces the prospect of fines of up to \$18bn (£11.8bn) from US regulators and one of the biggest legal claims in history from customers and shareholders around the world.

Berthold Huber, the acting head of VW's supervisory board, called the crisis a "moral and policy disaster". The carmaker has called an extraordinary shareholder meeting for 9 November.

"The supervisory board has, on the basis of current information, recommended suspending some employees immediately until the whole case is cleared up," Huber said. "This has in part already happened."

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"The test manipulations are a moral and political disaster for Volkswagen. The unlawful behaviour of engineers and technicians involved in engine development shocked Volkswagen just as much as it shocked the public. We can only apologise and ask our customers, the public, the authorities and our investors to give us a chance to make amends."

In further developments on Friday, the German government said that 2.8m of the 11m cars installed with the defeat device were sold in Germany and that commercial vehicles were also involved. Documents also emerged that showed EU offices knew two years ago that devices could skew emissions tests, and the US's Environmental Protection Agency warned that it would step up its emissions test against all carmakers and that VW faced "massive fines".

In addition, Bloomberg reported that key parts of the faked emissions tests had been overseen by VW executives based in the company's headquarters in Wolfsburg.

Herbert Diess, head of the Volkswagen brand, said that 5m of the 11m cars affected were Volkswagen passenger cars, including the sixth-generation Golf and the seventh-generation Passat.

Diess said: "We are working at full speed on a technical solution that we will present to partners, to our customers and to the public as swiftly as possible. Our aim is to inform our customers as quickly as possible, so that their vehicles comply fully with regulations."

Shares in VW fell by a further 4%. This means that roughly (EURO)25bn, or one-third, has been wiped off the value of the carmaker this week.

Analysts at UBS warned that if the crisis worsened it could signal the eventual end of the combustion engine. Julie Hudson at UBS said: "Should transport emissions become too difficult to regulate because of the difficulty of amassing accurate data, we think this might go way beyond the diesel engine, to accelerate the demise of the combustion engine."

Alongside the appointment of Müller, VW announced a corporate shake-up designed to simplify its management team. This will involve operations in the US, Canada and Mexico combining under a new North America arm, Porsche being grouped with fellow sports car brands Bugatti and Bentley, and the VW brand combining with Seat and Skoda in a new "volume" division.

Michael Horn will remain head of VW in the US even though he admitted earlier this week that VW had "totally screwed up".

Müller has worked at Volkswagen for more than 30 years. He joined the company's Audi subsidiary in 1971, training as a toolmaker and then studying computer science. He was group head of product planning from 2007 and has headed the Porsche sports car division since 2010.

"I am taking on this task at a time in which our company faces unprecedented challenges," the 62-year-old said.

"I will personally do everything to win back the trust of our customers, our employees, our partners, investors and the whole public.

"We stand by our responsibility. Occasionally, our and your patience will be tested, but carefulness is even more important than speed.

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"What is decisive is that nothing like this ever happens at Volkswagen again. So we will introduce even tougher compliance and governance standards in the company."

Max Warburton, analyst at Bernstein, warned that the new chief executive faced "probably the world's toughest corporate gig".

He added: "A year of endless work beckons, begging for the forgiveness of regulators, government and consumers."

Warburton said VW should consider buying back and scrapping all the 482,000 cars that US authorities have ordered it recalls. This could cost \$6bn. Müller should also travel to the US immediately to meet government officials, he added. "VW needs to think big and bold."

VW is yet to break down where the 11m cars were sold around the world. However, officials at the GMB trade union in the UK called the company's actions "unforgivable" and that nitrogen dioxide levels were risking the health of street cleaners, refuse and parking staff in 18 areas around the UK.

John McClean, the GMB's national health, safety and environment officer, said: "What VW has done is unforgivable. The company should be severely punished for it's immoral, devious and deceitful approach to public health risks as well as mis-selling to car drivers."

Classification

Language: ENGLISH

Publication-Type: Newspaper

Journal Code: WEBGNS

Subject: VOLKSWAGEN EMISSIONS SCANDAL (91%); EXECUTIVE MOVES (90%); EMISSIONS (90%); VEHICLE EMISSIONS (90%); TECHNICIANS & TECHNOLOGICAL WORKERS (89%); TALKS & MEETINGS (88%); FINES & PENALTIES (78%); VEHICLE INSPECTIONS (78%); INVESTIGATIONS (78%); RESIGNATIONS (78%); EXECUTIVES (77%); SHAREHOLDER MEETINGS (76%); BUSINESS INVESTIGATIONS (72%); SHAREHOLDERS (61%); PRESS CONFERENCES (52%)

Company: PORSCHE AUTOMOBIL HOLDING SE (93%); VOLKSWAGEN FINANCIAL SERVICES AG (92%); VOLKSWAGEN AG (91%)

Ticker: PAH3 (FRA) (93%); VOW (FRA) (91%)

Industry: VOLKSWAGEN EMISSIONS SCANDAL (91%); EMISSIONS (90%); VEHICLE EMISSIONS (90%); MOTOR VEHICLES (79%); AUTOMOBILE MFG (79%); AUTOMAKERS (79%); AUTOMOTIVE MFG (79%); VEHICLE INSPECTIONS (78%)

Person: MATTHIAS MULLER (79%)

Geographic: GERMANY (91%); UNITED STATES (79%)

Load-Date: September 25, 2015

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