

VW CEO says he's 'endlessly sorry' for tarnishing brand

September 22 2015, by Geir Moulson And Pan Pylas



The VW Logo is photographed at a car at the Car Show in Frankfurt, Germany, Tuesday, Sept. 22, 2015. Volkswagen has admitted that it intentionally installed software programmed to switch engines to a cleaner mode during official emissions testing. The software then switches off again, enabling cars to drive more powerfully on the road while emitting as much as 40 times the legal pollution limit. (AP Photo/Michael Probst)

Volkswagen AG's emissions scandal crisis escalated Tuesday as the

company issued a profit warning, set aside billions to cover the fallout and saw its shares take another battering. The CEO of the world's top-selling carmaker declared he was "endlessly sorry" that the company had squandered worldwide trust in its brand.

The rapid-fire developments followed the stunning admission that some 11 million of the German carmaker's diesel vehicles worldwide were fitted with software that evaded U.S. emissions controls.

As its [share price](#) sunk for a second straight day, Volkswagen said it was setting aside around 6.5 billion euros (\$7.3 billion) to cover the fallout. CEO Martin Winterkorn apologized for his [company's](#) deception and pledged a fast and thorough investigation, but gave no indication that he was considering leaving.

"Millions of people across the world trust our brands, our cars and our technologies," Winterkorn said Tuesday in a video message. "I am endlessly sorry that we have disappointed this trust. I apologize in every way to our customers, to authorities and the whole public for the wrongdoing."

"We are asking, I am asking for your trust on our way forward," he said. "We will clear this up."

The damage to Volkswagen's reputation was reflected in the market's response. Volkswagen's share price slid a further 16.8 percent Tuesday to close at 111.20 euros. The fall came on top of Monday's 17 percent decline.

The trigger to the company's market woes was last Friday's revelation from the U.S.'s Environmental Protection Agency that VW rigged nearly half a million cars to defeat U.S. smog tests.

The company told U.S. regulators that it intentionally installed software programmed to switch engines to a cleaner mode during official emissions testing. The software then switches off again, enabling cars to drive more powerfully on the road while emitting as much as 40 times the legal pollution limit.

"Let's be clear about this. Our company was dishonest. With the EPA, and the California Air Resources Board, and with all of you. And in my German words, we have totally screwed up," the head of Volkswagen's U.S. division, Michael Horn, said Monday at the unveiling of a new Passat model in New York. "We must fix those cars to prevent this from ever happening again, and we have to make things right. With the government, the public, our customers, our employees, and very importantly, with our dealers."

The shockwaves from the scandal were being felt across the sector as traders wondered who else may get embroiled. Germany's Daimler AG, the maker of Mercedes-Benz cars, was down 7 percent Tuesday, while BMW AG fell 6 percent. France's Renault SA was 7.1 percent lower.

In a statement Tuesday, Volkswagen admitted there were "discrepancies" related to vehicles with Type EA 189 engines and involving some 11 million vehicles worldwide. That number is higher than the 10 million or so cars it sold in 2014.



In this May 23, 2011 file photo Martin Winterkorn, CEO of Volkswagen, participates in a news conference at New York's Museum of Modern Art. Winterkorn promised full cooperation with the government following the company's admission it rigged nearly a half million cars to defeat U.S. smog tests. (AP Photo/Richard Drew)

Volkswagen said it is "working intensely" to solve the problem.

"Manipulation at Volkswagen must never happen again," Winterkorn said in his video message.

He noted that Volkswagen has more than 600,000 employees working on "building the best vehicles for our customers." He added: "It would be wrong to place the hard and honest work of 600,000 people under general suspicion because of the grave mistakes of a few."

To cover the necessary service measures and what Volkswagen says are "other efforts to win back the trust" of customers, the company said it is setting aside some 6.5 billion euros in the current quarter. The company didn't mention possible fines or penalties. The EPA has indicated that it could, in theory, fine VW up to \$18 billion.

The scandal is hugely damaging to a business that relies heavily on a hard-won reputation for quality and trustworthiness.

"Brands are all about trust and it takes years and years to develop. But in the space of 24 hours, Volkswagen has gone from one people could trust to one people don't know what to think of," said Nigel Currie, an independent U.K.-based sponsorship and branding consultant.

Christian Stadler, professor of strategic management at the Warwick Business School, said he was surprised at the scale of the VW's potential infringement but noted that companies that transgressed U.S. regulations rarely pay the full fine that could be imposed.

"I don't think this is a life-threatening event but it's clear it's going to be very expensive," he said.

VW conceded that the costs it is booking in the third quarter are "subject to revaluation" in light of its investigations and that 2015 earnings targets will be adjusted. It didn't specify by how much.



In this March 12, 2012, file photo, a Volkswagen New Beetle is lifted inside a delivery tower after the company's annual press conference in Wolfsburg, Germany. Volkswagen CEO Martin Winterkorn promised full cooperation with the government following the company's admission it rigged nearly a half million cars to defeat U.S. smog tests. (AP Photo/Michael Sohn, File)

The company appears to have conducted a fairly thorough review so far, even venturing that the software that's caused it so many problems has also been installed in other vehicles with diesel engines. However, for the majority of these engines, it said the software "does not have any effect."

It also said new vehicles with EU 6 diesel engines currently on sale in the European Union comply with legal requirements and environmental standards.

"I hope that the facts will be put on the table as quickly as possible,"

German Chancellor Angela Merkel said in Berlin.

Before the scandal, Winterkorn, CEO since 2007, was hoping to have his stewardship of the company extended at a board meeting Friday. Earlier this month, Volkswagen said it planned to give Winterkorn a two-year contract extension which would keep him in charge through the end of 2018.

Other countries besides the United States said Tuesday they were looking into VW's actions:



In This June 24, 2015 photo Volkswagen CEO Martin Winterkorn arrives for an official state dinner for Britain's Queen Elizabeth II, in front of Germany's President Joachim Gauck's residence, Bellevue Palace, in Berlin. Winterkorn promised full cooperation with the government following the company's admission it rigged nearly a half million cars to defeat U.S. smog tests. (AP Photo/Markus Schreiber)

— German Transport Minister Alexander Dobrindt said that he was setting up a commission of inquiry to determine whether the VW diesel vehicles were built and examined in compliance with German and European rules.

— The French government said it was beginning an in-depth investigation, to include demanding that domestic automakers "ensure that no such actions are taking place in France."

— In Brussels, European Commission spokeswoman Lucia Caudet said that "we need to get to the bottom of this" and that the European Union executive body is in close contact with Volkswagen and U.S. authorities "to establish the facts."

— South Korea also said it would investigate emission levels of Volkswagen diesel vehicles.

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