

Volkswagen bets on new technology to bounce back from crisis

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The head of Volkswagen core brand Herbert Diess speaks at a news conference at the Volkswagen headquarters in Wolfsburg, northern Germany, Tuesday Nov. 22, 2016. Volkswagen division head Herbert Diess said that the goal is "to fundamentally change Volkswagen" as it bounces back from a scandal over cars rigged to cheat on diesel emissions tests. The plan foresees new investments in electric-car technology and in software that would enable new ways of using and sharing cars over the longer term. (Philipp von Ditfurth/dpa via AP)

Volkswagen's namesake brand hopes to bounce back from its diesel

emissions scandal with a broad restructuring that will mean more battery-powered cars, digital services such as ride-sharing, and more SUVs for the U.S. market.

Herbert Diess, the head of the Volkswagen division, unveiled the company's Transform 2025 plan at a news conference Tuesday, saying that "in the coming years, we will fundamentally change Volkswagen. Only a few things will remain as they are."

The plan foresees a major shift in focus toward investments in electric-car technology and in software to enable new ways of using and sharing cars. The Volkswagen division alone expects to sell a million electric vehicles a year by 2025. Including the company's other brands, such as SEAT and Skoda, the Volkswagen Group expects to sell up to 3 million electrics by then.

Diess said the company would also "massively step up" its capacity to develop software, aiming to create industry-leading programs and hardware systems for digitally connected and autonomous cars by 2025.

Another element of the plan is increasing sales in the U.S. by introducing products that are more appropriate for the market, such as more SUVs and larger cars. This year, Volkswagen-badged cars have only 1.8 percent of the U.S. market through October, badly lagging competitors such as General Motors, Ford, Fiat Chrysler and Toyota.



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Diess also said the company would start making electric vehicles in the U.S. by 2021. Currently Volkswagen makes Passat sedans at its plant in Chattanooga, Tennessee.

"For years, a concept for success in the U.S. has been lacking," Diess said at the company headquarters in Wolfsburg, Germany. "Sometimes we have not been on the bandwagon with new market trends."

He said regional managers would get "more local responsibility" to make

decisions and meet local conditions.



The head of Volkswagen core brand Herbert Diess is pictured after a news conference at the Volkswagen headquarters in Wolfsburg, northern Germany, Tuesday Nov. 22, 2016. Volkswagen division head Herbert Diess said that the goal is "to fundamentally change Volkswagen" as it bounces back from a scandal over cars rigged to cheat on diesel emissions tests. The plan foresees new investments in electric-car technology and in software that would enable new ways of using and sharing cars over the longer term. (Philipp von Ditfurth/dpa via AP)

The plan for the Volkswagen brand follows Friday's announcement that the division would eliminate 30,000 jobs, of which 23,000 in Germany, and create 9,000 new positions focused on new technologies.

Diess said the company aims to raise profit margins on sales to 6 percent

by 2025, from just 2 percent in 2015. Profitability at the Volkswagen brand has lagged due to its higher cost base, the result of a strong role for employee representatives. They have half the board seats, and are generally supported by the government of Lower Saxony, which holds a stake in the company. Partly as a result, Volkswagen Group makes most of its profits from its luxury brands Audi and Porsche.

The company struck a deal with its workforce, which agreed to the job reductions through voluntary means such as early retirement over a period of years. In return, employees won a commitment to locate new technology development and manufacturing in Germany.



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Volkswagen has agreed to pay \$15 billion under a settlement with U.S. authorities and car owners over cars equipped with software that turned off emissions controls under normal driving conditions. The scandal has served as a spur for the company to shake up its management culture and address longstanding issues such as the cost question in Germany.

Electric cars remain only a small fraction of the global market. Yet major automakers are investing heavily in battery power vehicles as they position themselves for a time when increasing range and falling costs tip the balance and make consumers more interested. Along with electric vehicles, automakers are working on vehicles that take over more and more functions from the drivers, and on new ways of using and owning cars such as app-based ridesharing and carsharing.



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