

# Volkswagen

Volkswagen was founded in 1937 in Germany. The name translates to "The People's Car Company." Volkswagen is Europe's largest automaker and the second largest auto manufacturer worldwide. It is the 25<sup>th</sup> largest company in the world, with operations in 16+ countries.



In the 1960's the Volkswagen "Beetle" became a hit in America and over the next several years became the top-selling auto import in America.

For decades the company's diesel engines were top-ranked for their fuel efficiency; however, in 2007 stricter U.S. government emissions regulations forced VW to drop most diesel engines from their U.S. offerings. After retooling, the diesel engine was reintroduced in America in 2009.

In addition to gas and diesel vehicles, the company currently produces flex-fuel, hybrid, and electric vehicles,

In September of 2015, the United States Environmental Protection Agency (EPA) accused the automaker of installing engine control unit (ECU) software in its re-introduced diesel cars. The software worked as a "defeat device," allowing VW models to avoid violating the Clean Air Act by sensing when the cars were being subject to emissions testing, thereby enabling VW brand cars to pass inspection. During normal driving conditions, emission control software was shut off in order to attain greater fuel economy and additional power, resulting in as much as 40 times more pollution than allowed by law. Eventually VW admitted that the sensing device was installed in approximately 11 million vehicles in both the US and Canada (which has similar emissions regulations).

Volkswagen Group includes many car and truck brands, including:

Audi

Bentley

Bugatti

Lamborghini

Porsche (through merger)

- On the first business day after the news of the EPA charges, Volkswagen's stock price declined 20%
- Within the week VW's CEO resigned and eventually 6 other executives were arrested
- In November 2015 the EPA announced a second violation which included Audi and Porsche vehicles
- In November 2016, Volkswagen and its labor unions agreed to reduce the workforce by 30,000 people until 2021 as a result of the costs from the violations
- As of January of 2017 Volkswagen agreed to plead guilty to the emissions-cheating scandal and to pay:
  - \$15 billion to owners of smaller, 2.0 liter diesel engines
  - \$4.3 billion to owners of larger, 3.0 diesel engines
  - \$1.2 billion to dealerships
  - \$2.7 billion to fund pollution-reduction projects
  - \$2 billion toward clean-technology endeavors

You can also watch this [CBS News report](#) on the topic

## Discussion Questions

With your group, discuss the following ethical and business questions related to VW's case.

### Responsibility

Who is responsible (or should be held responsible) for the violations and deceit?

- Senior leadership?
- Operations executives?
- Design engineers?
- Manufacturing personnel?

### Compensation

Is monetary compensation an adequate way to address the violations?

### Ramifications

Who is more damaged by the cheating and the penalties?

- VW customers / car owners?
- The general public (due to purposeful pollution)?
- The workers who lost their jobs?
- The dealerships?
- VW itself?

In the summer of 2016 New York state filed its own lawsuit against VW.

The New York Attorney General, Eric Schneiderman said the allegations and admissions "reveal a culture of deeply rooted corporate arrogance, combined with a conscious disregard for the rule of law or the protection of public health and the environment."